

MINUTES OF REGULAR MEETING – FEBRUARY 12, 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., February 12, 2007 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Miller Withers, Swan, and Reinhart

Directors Absent: Matheis

Also Present: General Manager Jones, Assistant General Manager Cook, Acting Director of Engineering Heiertz, Treasurer Loomis, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Jim Carter, Ms. Mary Ann Brown, Mr. Christopher Smithson, Mr. Ergun Bakall, Mr. Sat Tamaribuchi, Mr. Eric Akiyoshi, Ms. Debby Cherney, Ms. Kirsten McLaughlin and other members of the public and staff.

COMMUNICATIONS TO THE BOARD

Written Communications: None

Oral Communications:

- 1) Mrs. Sandra Schultz addressed the Board of Directors with respect to her spouse's severance package and offer.
- 2) 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 DATS wells C-8 and C-9, and well 1, 5, 10, 13, 14 and 17 are in operation in accordance with the District's annual pumping plan. In succeeding weeks during this month, different wells will be operated to maintain active operation status and to meet the District's 8,000 AF clear water pumping goal for October through April. To date, MWDOC and OCWD have determined they will not take in-lieu recharge deliveries from MWD in February as the groundwater levels are very high. 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, 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. Staff anticipates an OCWD Board action on the EIR and annexation agreement in the winter of 2007. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED - None

WORKSHOP

PROPOSED MODIFICATION TO THE DISTRICT'S CAPITAL PROJECT CLASSIFICATIONS

General Manager Jones reported that the purpose of this workshop was to continue the discussion of IRWD's capital project classifications and capital project funding. Mr. Jones said that both of these issues were key elements in last year's capital budget process and the subsequent process of setting property taxes and connection fees. Using a power point presentation, Mr. Christopher Smithson reviewed the capital allocation methodology which included discussion on capital project funding strategy, assignment for fiscal year 2007-08 capital budget process, new capital, replacements, enhancements, multi-benefit projects, project examples and conceptual allocation, redevelopment issues, and next steps. Following discussion, staff was asked to refer this item back to the Finance and Personnel Committee for further discussion on the conceptual allocation for OCSD CORF and OCSD equity adjustments. Representatives from The Irvine Company commented that staff was moving in the right direction.

CONSENT CALENDAR

General Manager Jones noted a correction on Item No. 5 and asked that a meeting be included for Director Miller as he would be attending a WaterReuse Board of Director Board meeting on February 22 and 23, 2007. In response to MWDOC Director Ergun Bakall's inquiry on Item No. 6, General Manager Jones said that the Irvine Community Development Company was a limited liability company and that the agreement proposed to be approved concerned financing the District facilities through an assessment district, not a Mello-Roos community facilities district. There being no further discussion, on MOTION by Miller, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 6 WERE APPROVED AS AMENDED:

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the January 22, 2007 Board of Directors' meetings be approved as presented.

5. 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, Peer Swan and John Withers.

6. AGREEMENT REGARDING WATER AND SEWER FACILITIES FOR CITY OF IRVINE ASSESSMENT DISTRICT 07-22

Recommendation: That the Board authorize the General Manager to execute the Agreement regarding Water and Sewer Facilities between the City of Irvine, Irvine Community Development Company LLC, and IRWD relating to Assessment District 07-22 in substantially the form as presented.

ACTION CALENDAR

OPPORTUNITIES STUDY – ADDITIONAL FUNDING FOR PHASE 3

Treasurer Loomis reported that in 2004, the Board approved a Memorandum of Understanding (MOU) with the City of Lake Forest (City) for Phase 3 of its Opportunities Study. The original budget for these tasks was \$1,482,000 and IRWD's pro-rata share (15.4%) was \$229,000. The City's current budget to complete Phase 3 of the Opportunities Study, including this request is \$2,762,916. IRWD's pro-rata share of this total budget amount is \$425,913. During this phase, the key tasks to be completed by the City were: Mixed use/residential General Plan Amendment and zone change; Environmental Impact Report (EIR) and other CEQA documents; City-wide traffic model and mitigation plan; Affordable housing policy and program; Development agreement template; Site selection and schematic design for public facilities; and documents to form a financing mechanism for the construction certain facilities and infrastructure.

Mr. Loomis said that in October 2006, the City requested the six participating landowners for an additional deposit of \$802,607 to fund increases to the existing budget. IRWD's pro-rata share of this request was \$123,467. The complexity and time delays of this phase of the Opportunities Study are the primary reasons for the increased costs. The participating landowners, and city staff and their consultants have spent a considerable amount of time over the past year preparing the program-level environmental impact report (EIR), negotiating deal points, developing alternative funding structures, and preparing documentation related to the Phase 3 tasks. Accordingly, most of the City's increased costs relate to the EIR, legal counsel, land and fiscal consultants, and project management.

This item was reviewed by the Asset Management Committee reviewed this item on January 24, 2007. Director Swan noted his reluctance in taking the recommended action, given the significant cost increase and schedule delays already incurred. On MOTION by Swan, seconded and unanimously carried, THE FY 2006-07 CAPITAL BUDGET

WAS INCREASED FOR PROJECT NO. 10821 BY \$267,900, FROM \$462,000 TO \$729,900; AN EXPENDITURE AUTHORIZATION WAS APPROVED FOR PROJECT NO. 10821 FOR \$309,900; AND THE ADDITIONAL PAYMENT OF \$123,467 WAS AUTHORIZED FOR THE CITY OF LAKE FOREST RELATED TO PHASE 3 OF THE OPPORTUNITIES STUDY.

GENERAL MANAGER'S COMMENTS

General Manager Jones reported that a Bill was currently being reviewed by the Legislative counsel to permit recycled use of water for flushing toilets for residential use. He said that the Governor has appointed a Blue Ribbon Task Force to review Delta Issues with Mr. Phil Isenberg as Chair. Staff was asked to schedule a Board workshop with Mr. Isenberg relative to this matter.

DIRECTORS' COMMENTS

Vice President Miller said that he attended a NWRI Board meeting, and a Santiago Management Advisory Committee meeting, and a WACO meeting.

President Reinhart reported that he attended two meetings with SWRCB members Hoppin and Wolff, a meeting relative to federal funding for the Irvine Basin Watershed groundwater and surface water improvement project in Washington, DC, a SOCWA Board meeting, a WACO meeting and a MWDOC Municipal service review governance and options meeting.

Director Swan reported on his attendance at a OCBC 2007 annual dinner and installation of Directors and officers, a Southern California Dialog meeting, two meetings with SWRCB members Hoppin and Wolff, a Santiago Aqueduct Commission meeting, and a WACO meeting.

Director Withers reported on his attendance at a OCBC 2007 annual dinner and installation of Directors and officers, a City of Irvine State of City address, an OC elected officials reception, the second annual Tustin Mayor's inaugural dinner, a WACO meeting, and a City of Fountain Valley workshop relative to the OCWD annexation.

CLOSED SESSION

President Reinhart said that two Closed Sessions would be held this evening as follows:
1) Conference with legal counsel relative to anticipated litigation; Government Code Section 54956.9(b); significant exposure to litigation (one potential case); and 2) Conference with legal counsel relative to anticipated litigation; Government Code Section 54956.9(c); initiation of litigation (one potential case).

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Reinhart, Miller, Swan and Withers present. No action was reported relative to item no. 1. Relative to item No. 2, President Reinhart reported that on a vote of 4-0 (Matheis absent), staff was directed to initiate final design of the Alternative "B" permanent flood wall.

ADJOURNMENT

There being no further business at 8:35 p.m., President Reinhart adjourned the meeting in memory of Mr. Arthur E. Bruington, former General Manager of the District (from 1979 to 1987).

APPROVED and SIGNED this 26th day of February, 2007.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone