

MINUTES OF REGULAR MEETING – JANUARY 14, 2008

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 6:15 p.m. on January 14, 2008 by Vice President Matheis via teleconferencing in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers (arrived at 6:15 p.m.), Miller (arrived at 6:22 p.m.), Swan, Reinhart, and Matheis (via teleconferencing from 73 Nighthawk, Irvine, California).

Directors Absent: None.

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Director of Finance Cherney, Secretary Bonkowski, Assistant Secretary Savedra, Legal Counsel Arneson, Mr. Jim Reed, Ms. Beth Beeman, Mr. Rob Jacobson, Mr. Ergun Bakall, Mr. Bruce Newell, Ms. Kirsten McLaughlin, and other members of the public and staff.

COMMUNICATIONS TO THE BOARD

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 it was her understanding that currently wells 1, 4, C-8, C-9, 12 and 16 are in operation in accordance with the District's annual pumping plan which is 1,400 AF per month for January. This was confirmed by Mr. Paul 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 agency. This was confirmed by Mr. Jones.

Relative to the OCWD annexation of certain IRWD lands, a meeting was held on December 19 with General Manager Jones, President Miller and OCWD's newly-elected Board President to discuss IRWD's current position. OCWD staff has requested IRWD's most current projections of the amount and general location of its future groundwater production. OCWD staff has indicated it would like the information to complete additional groundwater modeling of the impacts of production associated with annexation. A meeting was held on Tuesday, January 8 with OCWD staff relative to the annexation whereby OCWD staff said that they will be reviewing the future groundwater scenario, including an update of the Environmental Impact Report as well as examining groundwater modeling. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED: None.

Director Withers arrived at 6:15 p.m.

PRESENTATION

The District's federal legislative consultant, Hal Furman of The Furman Group, presented an update on federal issues for 2008. President Miller arrived at 6:22 p.m. Mr. Furman thanked Director of Public Affairs Beeman on her efforts to have cities, counties, and other entities send out letters of support for the District's projects which he said made a significant impact to the legislators. He further provided an update on the New Water Supply Coalition, and also thanked IRWD for both President Miller's and General Manager Jones' membership. Director Withers momentarily left the Board room to thank Mr. Furman for his efforts (at 6:37 p.m.).

CONSENT CALENDAR

On MOTION by Swan, seconded, and carried, on a roll call vote (4-0) (Reinhart, Swan, Miller, and Matheis voting aye, and Withers absent), CONSENT CALENDAR ITEMS 4 THROUGH 9 WERE APPROVED AS FOLLOWS:

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the December 17, 2007 Regular Board meeting be approved as presented.

5. RATIFICATION OF MEMORANDUM OF OFFICERS OF THE BOARD, COMMITTEE AND OTHER ASSIGNMENTS AND APPROVAL OF BOARD OF DIRECTOR ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: That the Board ratify the memorandum dated January 8, 2008 entitled "Officers of the Board, Committee and Other Assignments", and approve attendance at the meetings and events for the Board's representation for calendar year 2008 as delineated.

6. RATIFY/APPROVE BOARD OF DIRECTORS' 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.

7. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt the following resolution by title approving execution of the quitclaim deed to KPM Spectrum III, L.P.

RESOLUTION NO. 2008 – 1

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
KPM SPECTRUM III, L.P.

8. CIENEGA FIELD DEMONSTRATION PROJECT REDUCTION OF RETENTION

Recommendation: That the Board authorize the reduction of retention from 10% to 5% of the contract amount and release of funds in excess of 5% of the contract amount from retention currently held for the Cienega Field Demonstration Project, Project 10866.

9. PLANNING AREA 1 AND 2 ORCHARD HILLS ZONE 5 RESERVOIR REDUCTION OF REDUCTION

Recommendation: That the Board authorize the reduction of retention from 10% to 5% of the contract amount and release of funds in excess of 5% of the contract amount from retention currently held for the Planning Area 1 and 2 Orchard Hills Zone 5 Reservoir, Project 13162.

ACTION CALENDAR

AMENDED AND RESTATED REAL ESTATE INVESTMENT POLICY

Assistant Treasurer Rob Jacobson reported that the District's Real Estate Investment Policy (Policy) had been revised in January of 2005 and from a recent evaluation of certain real estate investment transactions, staff and District legal counsel have become aware of certain language in the Policy that could benefit from additional clarification regarding the intent of the District's real estate investment program. Mr. Jacobson said that these clarifications primarily relate to: 1) defining when a real estate asset owned by the District which is being evaluated for potential development would be formally included as a real estate investment in the Replacement Fund; 2) inclusion of Replacement Fund intra-district receivables when calculating the 30% real estate authority limitation; and 3) investment/reinvestment of loan proceeds borrowed from District real estate investment assets. Director Withers returned to the meeting at 6:40 p.m.

Director Swan reported that the Asset Management Committee reviewed and approved this item at its meeting on December 19, 2007. On MOTION by Swan, seconded and unanimously carried on a roll call vote (Reinhart, Swan, Matheis, Withers and Miller voting aye), THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2008 - 2

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT ADOPTING
AMENDED AND RESTATED REAL ESTATE INVESTMENT POLICY

PROPOSED 2008 INVESTMENT POLICY

Director of Finance Cherney reported that during 2007 there were two amendments to the Government Code section related to authorized investments for local agencies. Ms. Cherney said that the first (AB 299) made a minor technical edit in section 53635.8 governing certificates of deposits and the other amendment (AB 1745) added registered treasury notes or bonds of California and any of the other 49 United States as authorized investments under section 53601.

Ms. Cherney said that staff is also recommending a revision to the “Additional Restrictions” section of the authorized investments schedule in order to provide consistency throughout the policy. Current language provides for additional limitations and restrictions of certain security types based on the approval of the Finance and Personnel Committee, while others are based on the approval of the Chairman of the Finance and Personnel Committee. She said that as specified in the Government Code, the Board’s delegation of authority to the Treasurer and Assistant Treasurer to manage the District’s investment program is limited to a one-year period, renewable annually, and that the recommended 2008 Investment Policy includes continuation of this annual delegation of authority to the Treasurer and Assistant Treasurer.

Ms. Cherney said that staff believes the authorized investments in the recommended 2008 Investment Policy are sufficiently limited to ensure appropriate investments while retaining some degree of flexibility to take advantage of changing market opportunities. She said the recommended policy provides authority for the Finance and Personnel Committee to further restrict, but not liberalize, authorized investments.

Director Swan reported that the Finance and Personnel Committee reviewed this item on January 8, 2008 and that the Committee recommended a limitation for investments in California State and Local Agency Securities be added to provide for approval by the Committee. On MOTION by Swan, seconded and unanimously carried on a roll call vote, (Reinhart, Swan, Matheis, Withers and Miller voting aye), THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2008 - 3

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT APPROVING
INVESTMENT POLICY AND AUTHORIZING THE TREASURER AND
ASSISTANT TREASURER TO INVEST AND REINVEST FUNDS
OF THE DISTRICT AND OF EACH OF ITS IMPROVEMENT
DISTRICTS AND TO SELL AND EXCHANGE SECURITIES

GENERAL MANAGER’S REPORT

General Manager Jones reported that a Finance and Personnel Committee meeting would be scheduled to review the interest rate mode and line of credit for a bond conversion. He said that following Committee review, this item will be submitted for Board approval at the January 28, 2008 meeting.

Mr. Jones said that an Orange Park Acres Mutual Water Company stockholders’ meeting was tentatively scheduled to introduce the offer on February 13, 2008. He said that material would be mailed to stockholders for their review prior to this meeting. He said that the Orange County Local Agency Formation Commission has not yet received a request for reconsideration from the City of Orange. He noted that there was a mixed article in the Foothill Sentry newspaper in regard to the consolidation and he anticipated responses to counter the article.

Mr. Jones said that a Strategic Planning meeting was scheduled for Friday, February 22 at 7:30 a.m.

Mr. Jones further said that at the last WACO meeting IRWD received an award from the Santiago County Fire Authority for its efforts during the recent fires.

DIRECTORS' COMMENTS

Director Withers reported that at the Orange County Local Agency Formation Commission meeting, the Orange Park Acres Mutual Water Company merger with IRWD had been unanimously approved. He commended staff on their hard work.

Director Withers further said that he received a letter from former Director of Water Resources Dick Diamond thanking the Board for the opportunity to work for IRWD for the last 20 years.

Director Swan reported on his attendance at WACO, CASA's mid-year conference, MWDOC's PAMO meeting today, and an Inside-the-Outdoor meeting. He said that tomorrow he would be attending ACWA's Region 10 planning meeting in Vista. He said he, along with staff, would be visiting Kern County on Friday. He also said he would be attending the upcoming State of the City of Irvine address, MWD's Southern California Dialog meeting, and that next Thursday and Friday he would be attending ACWA's Strategic Planning meeting.

Vice President Matheis thanked the Board for the opportunity to chair the meeting this evening prior to the President's arrival. She noted a newspaper article reporting that the City of Newport Beach did not have sufficient funding to dredge the Back Bay. Director Swan said that there were funds for the current year, but not beyond that timeframe. He said that the City was investigating partnerships for this effort.

ADJOURNMENT

There being no further business, President Miller adjourned the meeting at 7:00 p.m.

APPROVED and SIGNED this 28th day of January, 2008.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone