

## MINUTES OF ADJOURNED REGULAR MEETING – FEBRUARY 22, 2008

The adjourned regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Miller at 7:30 a.m., February 22, 2008 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Jones, Assistant General Manager Cook, Legal Counsel Arneson, Ms. Debby Cherney, Mr. Greg Heiertz, Ms. Gretchen Maswadeh, Ms. Janet Wells, John Hills, Mr. Carl Ballard, Mr. Wayne Posey, Mr. Terry Loomis, Ms. Beth Beeman, Mr. Sat Tamaribuchi, Mr. Matt Stone, and other members of the public and staff.

### COMMUNICATIONS TO THE BOARD - None

General Manager Jones reviewed the agenda, ground rules and desired outcomes which included: 1) adopting resolutions pertaining to issuing 2008 Refunding Bonds; 2) reviewing and discussing IRWD's goals and priorities; 3) discussing pending and upcoming OCSD issues; and 4) a compensation survey update.

### WORKSHOP

### RESOLUTION OF INTENT TO ISSUE REFUNDING BONDS

General Manager Jones reported that as a result of the deterioration of the auction rate market and the downgrade of the insurance company that insures the District's 2006 and 2007 General Obligation (GO) bond issues, the Finance and Personnel Committee directed staff to proceed with refunding the bonds currently in auction rate securities (ARS) mode and reissue the bonds in the daily variable rate (VRDO) mode. Mr. Jones said that the Committee also directed staff to proceed with refunding the 2002 Certificates of Participation (COPS) which will be addressed at future Board meetings of IRWD and the Irvine Ranch Water District Water Service Corporation.

Treasurer Loomis reported that over the past several months, the auction rate securities market has been under considerable pressure due to the rating agencies' examination and downgrade of some of the bond insurance companies that have exposure to the sub-prime market. Mr. Loomis said that staff has reviewed a number of options with the Committee in an attempt to convert the bonds to another mode including placing a letter or line of credit on the converted bonds, keeping the insurance on the bonds in abeyance, and perhaps utilizing the insurance later if the current financial situation stabilizes. He said with the current credit concerns with municipal bond insurers, banks are not willing to enter into credit facilities that include the insurance companies. In order to eliminate the insurance from the bond issues, the bonds must be refunded.

Mr. Loomis said that on February 6, 2008, a Request for Proposal was sent to several underwriters requesting pricing for underwriting and remarketing related to refunding the ARS issues to daily VRDO. Lehman provided the most favorable proposal at \$.76 per bond (\$121,600) and 6 basis points for remarketing. He said based on their aggressive proposal and assurance they can effectively market the additional bonds, staff is recommending allocating the entire \$160 million of refunding bonds to Lehman as underwriter and remarketing agent.

In response to President Miller's inquiry relative to the rates, Mr. Loomis provided an update on what was occurring in the market, and said he is hopeful that the high interest rates are temporary.

Director Swan said that this item was reviewed by the Finance and Personnel Committee on February 20, 2008. Following discussion, staff was asked to submit an item to the Finance and Personnel Committee to provide an update on refunding auction rate securities to variable rate demand obligation. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE RETENTION OF LEHMAN BROTHERS AS UNDERWRITER AND REMARKETING AGENT FOR THE 2008A AND 2008B CONSOLIDATED REFUNDING BONDS; APPROVED ISSUING THE BONDS IN DAILY VARIABLE RATE MODE; APPROVE THE RETENTION OF ORRICK, HERRINGTON & SUTCLIFFE AND BOWIE, ARNESON, WILES & GIANNONE AS CO-BOND COUNSEL; AND THE FOLLOWING RESOLUTIONS WERE ADOPTED BY TITLE:

RESOLUTION NO. 2008-5

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT  
DECLARING INTENTION TO ISSUE CONSOLIDATED  
REFUNDING BONDS OF SAID DISTRICT  
(CONSOLIDATED REFUNDING SERIES 2008A)

RESOLUTION NO. 2008-6

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT  
DECLARING INTENTION TO ISSUE CONSOLIDATED  
REFUNDING BONDS OF SAID DISTRICT  
(CONSOLIDATED REFUNDING SERIES 2008B)

IRWD GOALS AND PRIORITIES

General Manager Jones reviewed with the Board: 1) IRWD goals and objectives for 2007/08; 2) updated Fiscal Year 2007/08 Target Activity Priorities List; and 3) fiscal year 2007/08 target activity descriptions. Mr. Jones said that based on comments from the Board at the October 26, 2007 Strategic Planning Workshop, the MWDOC Governance

Study has been added to the Target Activities Priority List. He further reviewed other changes on the Target Activities Priority List.

Discussion was held relative to participating in MWDOC's Desalination project meetings to be held in Dana Point. On MOTION by Miller, seconded by Withers, and carried, on a roll call vote (4-1) (Reinhart, Withers, Miller, and Matheis voting aye, and Swan voting no), STAFF WAS DIRECTED TO ATTEND MWDOC DESALINATION PROJECT MEETINGS FOR THE NEXT THREE MEETINGS.

Following discussion, staff was asked to schedule an Adjourned Regular Board meeting on March 10, 2008 at 5:00 p.m. to hold a workshop on 2008 compensation survey benefit results to provide opportunity for additional discussion of this item along with follow-up information by staff.

ADJOURNMENT

There being no further business, President Miller adjourned the meeting.

APPROVED and SIGNED this 10th day of March, 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