

MINUTES OF ADJOURNED REGULAR MEETING – JULY 28, 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 7:45 a.m., July 28, 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, and Mr. Terry Loomis, Legal Counsel Arneson and other members of the public and staff.

General Manager Jones reviewed the agenda, ground rules and desired outcomes of the meeting. Mr. Jones said that the desired outcomes of the meeting would be to update Board on status of OCWD annexation and discuss negotiating strategy; Review staff proposed changes and clarifications to expense policy and obtain Board direction; Review and confirm Real Estate Strategic Objectives and discuss alternative approaches for developing Lake Forest property relative to those objectives; Allow Board to discuss internal and external communications, issues and roles; and Review Target Activity Priority List and provide opportunity to brainstorm.

WORKSHOP

OCWD ANNEXATION STRATEGY

Using a power point presentation, Director of Engineering Heiertz reported that staff has been coordinating with OCWD staff regarding annexation of the remainder of IRWD within the Santa Ana River watershed into OCWD. Mr. Heiertz said that OCWD has completed their Long Term Facilities Plan (LTFP) which describes future projects to improve the yield and quality of groundwater from the Orange County groundwater basin. He said that in January 2006, OCWD released a Draft Program Environmental Impact Report (PEIR) to address the environmental impacts of projects included in the LTFP as well as the potential environmental impacts due to annexation of IRWD and Anaheim. He said that the Draft PEIR concludes that there are no significant environmental impacts associated with annexation and that OCWD has been preparing responses to 14 comment letters received on the Draft PEIR, but has yet to release these responses.

Mr. Heiertz reported that July 2006, OCWD prepared an “IRWD Annexation Agreement Term Sheet” which outlines conditions for annexation of additional territory within IRWD including payment of an annexation fee based on total demand in the annexing area, without any credit for IRWD reclaimed water supplies. IRWD would also be required to pay an unspecified additional fee “to mitigate the basin wide impacts of additional pumping”. Other provisions of the term sheet prohibit expansion of Dyer Road Well Field production (including colored water) and restrict the phasing of other IRWD production.

Mr. Heiertz then discussed the strategic issues, including IRWD's response to the term sheet; potential OCWD counter-proposals, IRWD position options, and negotiation strategy.

IRWD EXPENSE POLICY

Controller Cherney reported that California Assembly Bill 1234, which became effective on January 1, 2006, provided for certain reforms associated with expense reimbursements of Board members. Ms. Cherney said that on February 13, 2006, the Board adopted an expense policy conforming to AB 1234's mandates. She said that since then, staff and District's legal counsel have identified a few areas in the policy that need to be modified. She then discussed the following four areas within the existing expense policy for consideration by the Board: 1) Exclusion of "commuting" from reimbursable mileage expenses; 2) Reimbursement of legitimate business expenses when impractical to "receipt" the expense; 3) The separation of requirements for compensation and expense reimbursement to Board members; and 4) Additional activities as compensable meetings attended by Board members. Following discussion, staff was asked to submit an item for Board approval at the next meeting.

LAKE FOREST PROPERTY – BACKGROUND AND CURRENT DEVELOPMENT ALTERNATIVES

Treasurer Loomis reviewed the District's historic objectives, guiding principles and practices in acquiring and developing real estate; Discussed the City of Lake Forest's "Opportunities Study" process, and the associated change in the District's general development strategy for the Lake Forest property from apartments to a for-sale town home and condominium development; and discussed the range of development/sale alternatives considered to date for a for-sale town home and condominium development project currently being reviewed by the Asset Management Committee.

Discussion was then held on the terms of the consolidation agreement with the former Los Alisos Water District in regards to aligning rates and charges to Improvement Districts 135 and 235 to fund outstanding liabilities. Following this discussion, on MOTION by Matheis, seconded and unanimously carried, **THE BOARD DECLARED ITS OBJECTIVE TO ALIGN THE RATES AND CHARGES WITHIN ID 135 AND ID 235 TO THE RATES AND CHARGES WITHIN THE IRVINE AREA OF IRWD BY GENERATING REVENUE FROM ALL OR PART OF THE FORMER LAWD HEADQUARTERS PROPERTY AND APPLYING THIS REVENUE TO FUND ID 135 AND 235 PARTICIPATION IN AND EQUITABLE CONTRIBUTION TO THE FOLLOWING ITEMS, TO BE DEVELOPED IN MORE DETAILED ANALYSIS CONSISTENT WITH THE TERMS OF THE CONSOLIDATION AGREEMENT WITH THE LOS ALISOS WATER DISTRICT: 1) ID 135 AND 235 PARTICIPATION IN LOCAL AND REGIONAL FACILITIES CONSTRUCTION, ACQUISITION AND IMPROVEMENTS, 2) FUNDING OF ID 135 AND 235 REPLACEMENT NEEDS SHARE AS REQUIRED TO EQUITABLY COMBINE FUTURE REPLACEMENT FUNDING THROUGH THE OVERALL IRWD REPLACEMENT FUND, AND 3) EQUALIZATION OF THE DIFFERENTIAL IN COST OF SERVICE INCLUDING SOURCE WATER DEVELOPMENT.**

TARGET ACTIVITIES

Assistant General Manager Cook reviewed the fiscal year 2006/07 top 10 goals and objectives and the target activities activity priority list.

CLOSED SESSION

President Swan reported that a Closed Session would be held with legal counsel relative to anticipated litigation; Government Code Section 54956.9(b), significant exposure to litigation (one potential case).

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Swan, Matheis, Miller, Reinhart, and Withers present. No action was reported.

BOARD SERVICES REVIEW AND COMMUNICATIONS

The Board commented on the services provided to them by staff in the General Manager's office.

ADJOURNMENT

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

APPROVED and SIGNED this ____ day of August, 2006.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone