

MINUTES OF ADJOURNED REGULAR MEETING – JULY 3, 2007

The adjourned regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Reinhart at 5:00 p.m., July 3, 2007 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, Ms. Debby Cherney, Mr. Mike Hoolihan, Mr. Greg Heiertz, Mr. Christopher Smithson, Mr. Terry Loomis and other members of the public and staff.

COMMUNICATIONS TO THE BOARD - None

ACTION CALENDAR

PLACING NOMINATION OF PEER A. SWAN AS VICE CHAIR AND/OR MEMBER OF THE ACWA, REGION 10

General Manager Jones reported that the Association of California Agencies' (ACWA) Nominating Committee was seeking candidates for the 2008-09 term in Region 10. As Director Peer Swan has expressed a continued interest in this position, as Vice Chair and/or a Board member, staff has prepared a resolution for placing his name as a potential nominee. On MOTION by Withers seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2007- 20

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT, ORANGE COUNTY,
CALIFORNIA PLACING IN NOMINATION PEER A. SWAN
AS A MEMBER OF THE ASSOCIATION OF CALIFORNIA
WATER AGENCIES REGION 10 VICE CHAIR AND/OR MEMBER

WORKSHOP

General Manager Jones reviewed the agenda, ground rules and desired outcomes of the workshop.

Summary of Discussions with The Irvine Company regarding the Funding and Development of Capital Projects

General Manager Jones said that staff conducted a series of meetings with the Board and with The Irvine Company (TIC) to discuss a number of topics that will ultimately influence the setting of connection fees and property tax rates for IRWD. Mr. Jones said

that staff believes significant progress has been made towards developing a mutual understanding of how capital projects are being funded and developed.

Mr. Christopher Smithson said that on July 29, 2007, TIC submitted a draft document summarizing their understanding of topics of discussion, including areas of agreement and disagreement. He then reviewed the summary of areas of the agreement as follows: 1) MWRP Phase II Expansion (to 28 mgd); 2) MWRP Phase II and Phase III Expansion (up to 33 mgd) projects and the seasonal storage reservoirs remaining in the capital program for the Enterprise Model this year subject to the review of winter disposal options; 3) During FY 2007-08, IRWD should be completing preliminary engineering studies to analyze alternative winter disposal options and determine if a more cost-effective winter disposal alternative exists; 4) New water supply projects should be included in the Enterprise Model in lieu of the assumption that in the future AMP capacity will be available on a utility basis at no additional cost; 5) A water supply reliability/redundancy study should be completed in FY 2007-08 and a reliability/redundancy policy adopted; 6) The 1% allocation table is acceptable with the exception of the treatment of the Newport Coast reimbursement; 7) The Enterprise Model should reflect capital credits to the Improvement Districts including funds received from south Orange County agencies for emergency water supply projects and ID 135's buy-in to the Dyer Road Wellfield (assuming annexation to OCWD occurs); 8) The regional splits contained in this year's Enterprise Model are acceptable. Based upon current and prospective land use changes, the regional splits should be reviewed and adjusted in the FY 2007-08 version of the Enterprise Model, if necessary.

Mr. Smithson then reviewed the items of disagreement which included the following changes suggested by TIC: 1) The six-year payback amount for the Newport Coast agreement funded by 1% revenue allocation be reduced by the contribution being made from ID 140 to the 1% revenue allocated to the Replacement Fund. This reduced amount from the Replacement Fund allocation should be re-directed to *increase* the allocation to New Capital; 2) A portion of the costs of the MWRP expansions should be allocated to Enhancements rather than to New Capital with IRWD staff maintaining that MWRP capacity being added to meet demands from new development at its the lowest lifecycle cost project; 3) Only projects currently identified in the Water Supply Assessments be included in the capital program and Enterprise Model until the reliability/redundancy study is completed and a policy established. IRWD staff believes that IRWD's share of all prospective water supply projects (such as the Baker Plant, Anaheim well field, etc.) should be included to accommodate expected demand increases as assumed in the Enterprise Model; and 4) Staff remove the Cienega NTS project from the capital program and Enterprise Model and recommend that the project should not go forward unless it is primarily funded by grant revenue because it does not benefit new development. IRWD staff believes this is part of the overall NTS project that benefits development in the entire watershed.

Enterprise Model Runs

Mr. Christopher Smithson reviewed the Enterprise Model Runs including approved assumptions, all future development, and Newport Coast payment in 2008.

Review of MWRP Treatment Capacity Analysis

Mr. Mike Hoolihan reviewed the Michelson Water Reclamation Plant treatment capacity analysis.

Work Plan and Schedule

General Manager Jones reviewed the work plan and schedule.

ADJOURNMENT

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

APPROVED and SIGNED this 23rd day of July, 2007.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone