

MINUTES OF ADJOURNED REGULAR MEETING – OCTOBER 26, 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 7:30 a.m., October 26, 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. Greg Heiertz, Mr. Christopher Smithson, and Legal Counsel Arneson.

COMMUNICATIONS TO THE BOARD - None

WORKSHOP

General Manager Jones reviewed the agenda, ground rules and desired outcomes. Mr. Jones said that the desired outcomes included: defining process for developing future connection fees; adopting a position regarding the Municipal Water District of Orange County (MWDOC) Municipal Service Review (MSR); Closed Session regarding the (OCWD) annexation; and reviewing and discussing IRWD's goals and priorities.

Development of Connection Fees – Next Steps

General Manager Jones said that the purpose of this item was to brief the Board on the open items from the FY 2007-08 connection fee and property tax process as well as to provide the approach for considering connection fees and property taxes for FY 2008-09 and beyond.

Mr. Christopher Smithson reported that each year, staff makes recommendations regarding the setting of connection fees and property taxes in July. During the rate setting process for FY 2007-08, staff began the process in November 2006 and met on numerous occasions with The Irvine Company (TIC), the Finance and Personnel Committee and the Board, and that on July 16, 2007, the Board adopted an across-the-board increase to connection fees of 18% and various tax rates as recommended by staff.

Mr. Smithson then reviewed the open items from the FY 2007-08 Rate Setting Process and the development of connection fees and property taxes for FY 2008-09.

Municipal Water District of Orange County's Municipal Service Review

General Manager Jones reported that IRWD staff and Board representatives have participated with other water agencies in a number of activities pertaining to the Local Agency Formation Commission's (LAFCO) Municipal Service Review (MSR) for the Municipal Water District of Orange County (MWDOC). Mr. Jones said that as part of the

MSR process, six south Orange County special district water agencies met with MWDOC in a facilitated process designed to resolve concerns with MWDOC's services. He said that as a result of these facilitated meetings, a joint proposal for addressing many on-going concerns was developed, distributed by MWDOC staff and submitted to the Water Resources and Policy (WRP) Committee for approval. Subsequent to the WRP Committee, MWDOC received internal comments and comments from north Orange County retail agencies. He said that MWDOC is currently requesting several changes to the original proposal which are being reviewed by the six south Orange County agencies and therefore, the document has not been approved by either the MWDOC Board or the south Orange County agencies. If ultimately approved by MWDOC and its member agencies, the proposal ("compromise proposal") will be incorporated into the LAFCO adopted MSR. He said that given the time constraints of the upcoming November 14, 2007 LAFCO hearing on the MWDOC MSR, staff recommends the Board adopt the original proposal and endorse its inclusion in the MWDOC MSR subject to both non-substantive changes approved by the General Manager and Board President, and the approval of the proposal in an acceptable form by the MWDOC Board of Directors. Mr. Jones then reviewed the proposal with the Board. Director Matheis said that this item was reviewed by the Water Resources Policy and Communications Committee meeting on October 15, 2007. Following discussion, on MOTION by Swan, seconded and unanimously carried, **THE BOARD ADOPTED THE ORIGINAL COMPROMISE PROPOSAL AND ENDORSED ITS INCLUSION IN THE MUNICIPAL WATER DISTRICT OF ORANGE COUNTY MUNICIPAL SERVICE REVIEW BEING CONSIDERED BY THE LOCAL AGENCY FORMATION COMMISSION ON NOVEMBER 14, 2007 SUBJECT TO NON-SUBSTANTIVE CHANGES APPROVED BY THE GENERAL MANAGER AND BOARD PRESIDENT AND APPROVAL BY THE MWDOC BOARD OF DIRECTORS.**

RECESS AND RECONVENE

President Reinhart declared a recess at 10:00 a.m. The meeting was reconvened at 10:10 a.m. with all Directors present.

CLOSED SESSION

President Reinhart said that a Closed Session would be held with legal counsel regarding Initiation of litigation – Government Code Section 54956.9(c) – involving one or more potential cases concerning the annexation of Orange County Water District.

OPEN SESSION

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

WORKSHOP (Continued)

IRWD Goals and Priorities

The IRWD Goals and Objectives for 2007/08, Fiscal Year 2007/08 Target Activity Priorities List, and Fiscal Year 2007/08 Target Activity Descriptions were provided in the package, however, due to time constraints, were not discussed.

General Manager Jones briefly reviewed the possible acquisition of water rights as well as the City of Irvine's IBC Task Force interest in the San Joaquin Marsh.

ADJOURNMENT

There being no further business, President Reinhart adjourned the meeting at 12:00 p.m.

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

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone