

MINUTES OF REGULAR MEETING – MARCH 10, 2008

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 6:00 p.m. on March 10, 2008 by President Miller in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Director of Finance Cherney, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Jim Carter, Mr. Terry Loomis, Ms. Mary Ann Brown, Mr. Bruce Newell, and other members of the public and staff.

COMMUNICATIONS TO THE BOARD

Written Communications: None.

Oral Communications: 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, 2, 3, 4, 5, 6, C-8, C-9, 10, 11, 12, 13, 14, 16, 17, and 18 are in operation in accordance with the District's annual pumping plan which is 1,700 AF per month for March. 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 Golden State Water Company. Contracts were awarded by OCWD to Layne Christensen Company and Bakersfield Well & Pump, Inc. to construct a total of eight wells. OCWD has reported that the project is being finalized at this time, and that a Notice of Completion should be issued in March 2008. Following well construction, each well will be owned by the individual participating agencies. Metropolitan Water District has given notice to OCWD that it will begin extracting a portion (i.e. 20,000 acre-feet) of its 50,000 acre-feet in storage beginning in fiscal year 2008-09. This was confirmed by Mr. Jones.

Relative to the OCWD annexation of certain IRWD lands, a meeting was held on December 19, 2007 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, 2008 with OCWD staff to review future groundwater production scenarios associated with annexation for inclusion in OCWD's proposed update of the Long-Term Facilities Plan and

Annexation Environmental Impact Report. IRWD is negotiating with OCWD for the inclusion of an additional 38,900 acres of IRWD land in OCWD. This was confirmed by Mr. Jones.

IRWD has an agreement in place with various south Orange County water agencies, including MWDOC and OCWD to transfer water from the IRWD to the south county in case of emergencies. Transferred water is accounted for as imported water regardless of its source. IRWD is currently negotiating an agreement with certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED: None.

PUBLIC HEARING

2008A AND 2008B REFUNDING BOND ISSUANCE

General Manager Jones reported that pursuant to the California Water Code, the Irvine Ranch Water District is required to hold a public hearing and make findings pertaining to the issuance of each series of consolidated improvement district bonds, including findings related to the issuance of refunding bonds.

President Miller declared this to be the time and place for the following hearings: 1) on the proposed resolution of issuance of consolidated refunding bonds for Improvement District Nos. 105, 113, 135, 161, 182, 213, 235, 250 and 261 (Consolidated Refunding Series 2008A); and 2) on the proposed resolution of issuance of consolidated refunding bonds for Improvement District Nos. 105, 113, 213 and 250 (Consolidated Refunding Series 2008B), and declared the hearings open. He asked the Secretary how the hearings were noticed.

Secretary Bonkowski said that Resolution Nos. 2008-5 and 2008-6 declaring the Board's intention to issue bonds were published for two successive weeks in the Orange County Register on February 25, 2008 and March 3, 2008, and posted at the District's office on February 25, 2008. She said that additionally on February 22, 2008, Resolution Nos. 2008-5 and 2008-6 were posted in three public places within each Improvement District.

On MOTION by Swan, seconded and unanimously carried, **THE AFFIDAVITS OF POSTING AND THE PROOF OF PUBLICATIONS PRESENTED BY THE SECRETARY WERE RECEIVED AND FILED.**

President Miller requested Legal Counsel Arneson to describe the nature of the proceedings.

Legal Counsel Arneson said that the purpose of the hearings was to provide an opportunity for all interested persons owning land in the included Improvement Districts or any persons otherwise interested in the bonds to comment on any matters set forth in Resolution Nos. 2008-5 and 2008-6, the proposed resolution of issuance, or any matters, including the question of whether the burden on the lands of any of the included Improvement Districts would be

increased over the burden that would be borne by the included Improvement District were its bonds sold separately.

President Miller asked Director of Finance Cherney to provide a report on the following matters with respect to each series of the proposed refunding bonds: 1) whether the consolidated sale of the bonds will or will not increase the cost that any Improvement District will pay had its bonds been sold separately; and 2) whether the features utilized in the bond issuance, such as a negotiated sale and/or variable interest rate mode, will or will not increase the cost that any Improvement District will pay over the cost that it would have paid had the bonds been sold without those features.

Director of Finance Cherney referred to the letter from Lehman Brothers dated March 3, 2008 which outlined the advantages of a consolidated sale, issuance in variable interest rate mode, the use of a negotiated transaction versus competitive bid sale of the bonds, and an analysis to assist the Board in making a finding related to interest savings as a result of refunding the bonds. She said that staff finds the sale of the bonds of the included Improvement Districts as consolidated refunding bonds will not increase the cost that any included Improvement District will pay for its refunding bonds over the cost it would have paid had its refunding bonds been sold separately. She further said that the sale of the bonds at private sale without advertising for bids and the use of a variable interest rate for the bonds would not increase the cost that any included Improvement District will pay over the cost that it would have paid had the bonds been sold without those features.

President Miller inquired of the Secretary whether there have been any written communications. Secretary Bonkowski said there were none.

President Miller inquired whether there is anyone present who wished to address the Board concerning the consolidated refunding bonds for Improvement District Nos. 105, 113, 135, 161, 182, 213, 235, 250 and 261 (Consolidated Refunding Series 2008A). There was no one who wished to be heard.

President Miller inquired whether there was anyone present who wished to address the Board concerning the consolidated refunding bonds for Improvement District Nos. 105, 113, 213 and 250 (Consolidated Refunding Series 2008B). There was no one who wished to be heard.

President Miller inquired whether there were any comments or questions from members of the Board. Director Swan said that the bond issuance was reviewed by the Finance and Personnel Committee on January 22, 2008, January 29, 2008, February 5, 2008, February 20, 2008 and March 4, 2008, and by the Board on February 22, 2008.

President Miller asked that the hearings be closed and asked for a recommendation to close the hearings, and to adopt the resolutions.

On MOTION by SWAN, seconded and unanimously carried, THE HEARINGS WERE CLOSED AND THE FOLLOWING RESOLUTIONS WERE ADOPTED BY TITLE:

RESOLUTION NO. 2008-9

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT MAKING FINDINGS
RELATIVE TO CONSOLIDATED REFUNDING BONDS
(CONSOLIDATED REFUNDING SERIES 2008A)

RESOLUTION NO. 2008-10

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT MAKING FINDINGS
RELATIVE TO CONSOLIDATED REFUNDING BONDS
(CONSOLIDATED REFUNDING SERIES 2008B)

RESOLUTION NO. 2008-11

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT PROVIDING FOR
THE ISSUANCE OF CONSOLIDATED REFUNDING BONDS
OF SAID DISTRICT, APPROVING DOCUMENTS AND
AUTHORIZING AND RATIFYING CERTAIN ACTIONS
(CONSOLIDATED REFUNDING SERIES 2008A)

RESOLUTION NO. 2008-12

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT PROVIDING FOR
THE ISSUANCE OF CONSOLIDATED REFUNDING BONDS
OF SAID DISTRICT, APPROVING DOCUMENTS AND
AUTHORIZING AND RATIFYING CERTAIN ACTIONS
(CONSOLIDATED REFUNDING SERIES 2008B)

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS
5 THROUGH 7 WERE APPROVED AS FOLLOWS:

5. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the February 22, 2008, February 25, 2008 and
March 3, 2008 Board Meetings be approved as presented.

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 Irvine Community Development Company LLC.

RESOLUTION NO. 2008 – 13

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
IRVINE COMMUNITY DEVELOPMENT COMPANY LLC

ACTION CALENDAR

2008 REFUNDING CERTIFICATES OF PARTICIPATION

Director of Finance Cherney reported that over the past several months, the District has experienced three “failed” auctions on the 2002 Certificates of Participation (COP) issues which are insured by MBIA. Ms. Cherney said that in response to this situation, staff and Lehman Brothers have reviewed a number of options with the Finance and Personnel Committee to convert the 2002 COPs to another mode to mitigate the negative effects that the bond insurance market has had on the COPS.

Ms. Cherney said that the District’s legal counsel prepared a resolution providing for approval of the refunding documents, including the installment sale agreement with the IRWD Water Service Corporation (Corporation), a contract of purchase and remarketing agreement with Lehman Brothers, a trust agreement with Deutsche Bank, a standby certificate purchase agreement with Landesbank Baden-Wurtemberg (LBBW), and an Official Statement. Additionally, Request for Proposals (RFP) was sent to five underwriters requesting pricing for underwriting and remarketing services related to refunding the ARS issues to daily rate VRDOs. Lehman Brothers provided the most favorable proposal at \$.76 per bond (\$53,200) and six basis points for remarketing. Based on its aggressive proposal, staff recommends retaining Lehman as underwriter and remarketing agent for the 2008 Refunding COPs. Staff also is recommending that Orrick, Herrington & Sutcliffe, and Bowie, Arneson & Giannone be retained as co-bond counsel.

Director Swan reported that the bond issuance was reviewed by the Finance and Personnel Committee on January 22, 2008, January 29, 2008, February 5, 2008, February 20, 2008 and March 4, 2008, and by the Board on February 22, 2008. He said that the Committee looked at a number of alternatives at these meetings and concurred with the staff recommendation. He said he would like to review with staff the reimbursement agreement for terms and conditions.

On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED ISSUING THE CERTIFICATES OF PARTICIPATION AS VARIABLE RATE DEMAND OBLIGATIONS IN THE DAILY RATE MODE; APPROVED THE RETENTION OF LEHMAN BROTHERS AS UNDERWRITER AND REMARKETING AGENT FOR THE 2008 CERTIFICATES OF PARTICIPATION; APPROVED THE RETENTION OF ORRICK, HERRINGTON & SUTCLIFFE, AND BOWIE, ARNESON, WILES & GIANNONE AS CO-BOND COUNSEL; AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE

RESOLUTION NO. 2008-14

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT APPROVING INSTALLMENT
SALE AGREEMENT, TRUST AGREEMENT AND OTHER
DOCUMENTS AND APPROVING CERTAIN ACTIONS RELATING
TO CERTIFICATES OF PARTICIPATION, IRVINE RANCH
WATER DISTRICT, REFUNDING SERIES 2008

2008 COMPENSATION SURVEY RESULTS – SALARY SCHEDULE

Director of Human Resources Wells reported that each year during the budget process, staff reviews the current salaries and benefits to determine whether IRWD's compensation package is competitive with comparable water agencies. In addition to this annual review, a bi-annual compensation review was conducted to further analyze overall compensation and levels of productivity for selected benchmark positions.

Ms. Wells reported that 31 agencies participated in this year's survey which included 55 benchmark positions. She said that of these, 24 positions will require adjustment and 31 do not require any movement. As a result of the compensation survey, 40 positions affecting 86 incumbents are recommended for upgrade compared to 15 positions affecting 30 incumbents in 2006 and 39 positions affecting 89 incumbents in 2004. Minimal competitive wage adjustments are recommended for the positions being upgraded based on the results of this review. A pool of \$2,627 per month, compared to \$1,113 per month in 2006, and \$2,374 in 2004, is requested to implement the recommended competitive wage adjustments. This annual expenditure of \$31,524 represents 0.16% of the overall budget for salaries and wages. Proposed budget changes include upgrading nine positions and adding one new budgeted position. Staff further recommends not filling the Board-approved position for the Director of Water Resources and Environmental Quality during the 2008-09 fiscal year resulting in a cost savings of approximately \$178,200. The overall fiscal impact to salaries and benefits for these recommendations results in an estimated annual cost savings of \$127,648 for Fiscal Year 2008-09. In conjunction with the recommended changes to the Salary Grade Schedule based on the Compensation Survey results and the proposed budgeted changes, it is also recommended that two new job titles be added: 1) Landscape Contracts Administrator at Salary Grade XXVIII; and 2) Sr. Debt/Investment Analyst at Salary Grade 13. Staff is also recommending the downgrade of two positions: 1) Water Resources Manager from Salary Grade 19 to Salary Grade 17; and 2) Debt/Investment Analyst from Salary Grade 12 to XXX.

Director Swan reported that this item was reviewed and approved at the Special Finance and Personnel Committee on February 20, 2008. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO IMPLEMENT COMPETITIVE WAGE ADJUSTMENTS EFFECTIVE JULY 1, 2008, DIRECTED STAFF TO IMPLEMENT OTHER COMPENSATION AND BENEFIT ADJUSTMENTS, AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE REVISING THE SALARY GRADE SCHEDULE EFFECTIVE JULY 1, 2008.

RESOLUTION NO. 2008-15

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT
RESCINDING RESOLUTION NO. 2007-42 AND
ESTABLISHING A REVISED SCHEDULE OF
POSITIONS AND SALARY RATE RANGES

WORKSHOP

OPEN INTER-AGENCY ISSUES WITH ORANGE COUNTY SANITATION DISTRICT

Using a PowerPoint presentation, Director of Engineering Heiertz provided an update on the Orange County Sanitation District's (OCSD) main street flume meter error near Jamboree Road. Mr. Heiertz said that the depth is measured by an electronic transducer and the incorrect height of the transducer was entered causing the meter to read 3" or approximately 1.5 to 2 mgd too high from 1996 to 2003. He said that the operation and maintenance costs overcharged were approximately \$3 million along with the capital costs overcharged by approximately \$11 million. He said that IRWD is establishing a downstream meter for verification, and that OCSD will also be presenting its analysis of the error.

Mr. Heiertz then provided a biosolids financial and alternatives analysis reviewing: 1) discharge to OCSD; 2) digestion/discharge to OCSD; 3) primary and WAS thickening/digestion/discharge to OCSD; 4) primary and WAS thickening/digestion/dewatering/disposal; and 5) primary and WAS thickening/digestion/dewatering/drying/disposal. Following discussion, staff was asked to submit an item to the strategic planning workshop in May 2008 to discuss scope of work, schedule and budget.

GENERAL MANAGER'S REPORT

General Manager Jones reported on his and President Miller's attendance at the New Water Supply Coalition Board meeting in Washington, DC last week meeting with legislative representatives and receiving an update on AB 3452. He said that President Miller was elected National Chairman of the Coalition.

Mr. Jones reported on the recent news on pharmaceuticals found in groundwater. He said that staff is in the process of preparing talking points, and will forward them to the Board in case they receive calls from the media.

Mr. Jones updated the Board on the 235 yes votes for the OPAMWC shareholders' proxy count. He said that 360 shares are required, and that staff has received confirmation that the larger shareholders will be voting yes for the merger.

DIRECTORS' COMMENTS

Director Swan reported that SAWPA's water planning meeting relative to groundwater was moving forward. He said he received word that the Delta Blue Ribbon Committee will be again looking at the "west side" approach. He said that he attended the WACO meeting last Friday along with other Board members.

Vice President Matheis reported on her attendance at ACWA's Washington, DC conference; the Urban Water Research Center's winter seminar on "California Water Management; Subject to Change"; and the City of Lake Forest's Leadership luncheon.

President Miller reported on his attendance at the South Coast Water District's meeting on desalination.

ADJOURNMENT

There being no further business, President Miller adjourned the meeting at 8:10 p.m.

APPROVED and SIGNED this 31st day of March, 2008.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone