

**AGENDA
IRVINE RANCH WATER DISTRICT
BOARD OF DIRECTORS
REGULAR MEETING**

January 10, 2011

PLEDGE OF ALLEGIANCE

CALL TO ORDER 5:00 P.M., Board Room, District Office
15600 Sand Canyon Avenue, Irvine, California

ROLL CALL Directors LaMar, Matheis, Swan, Withers and President Reinhart

NOTICE

If you wish to address the Board on any item, including Consent Calendar items, please file your name with the Secretary. Forms are provided on the lobby table. Remarks are limited to five minutes per speaker on each subject. Consent Calendar items will be acted upon by one motion, without discussion, unless a request is made for specific items to be removed from the Calendar for separate action.

COMMUNICATIONS TO THE BOARD

1. A. Written:
- B. Oral: Mrs. Joan Irvine Smith relative to the Dyer Road Wellfield.

2. **ITEMS RECEIVED TOO LATE TO BE AGENDIZED**

Recommendation: Determine that the need to discuss and/or take immediate action on item(s) introduced come to the attention of the District subsequent to the agenda being posted.

PRESENTATION

3. **NATIONAL PURCHASING INSTITUTE ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT AWARD**

Staff will present the Achievement of Excellence in Procurement Award given to IRWD by the National Purchasing Institute for the 10th consecutive year. The award is achieved by those organizations that demonstrate excellence in procurement by obtaining a high score on a rating of standardized criteria.

CONSENT CALENDAR

Next Resolution No. 2011-1

Items 4-7

4. **MINUTES OF REGULAR BOARD MEETING**

Recommendation: That the minutes of the December 13, 2010 Regular Board Meeting be approved as presented.

| CONSENT CALENDAR - Continued | Next Resolution No. 2011-1 | Items 4-7 |
|--|----------------------------|--|
| <p>5. <u>RATIFY/APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS</u></p> <p>Recommendation: That the Board ratify/approve the meetings and events for Steven LaMar, Mary Aileen Matheis, Douglas Reinhart, Peer Swan and John Withers.</p> | | |
| <p>6. <u>ORCHARD HILLS BOOSTER PUMP STATION AND TOMATO SPRINGS BOOSTER PUMP STATION AIR COMPRESSOR MODIFICATIONS PROJECT – FINAL ACCEPTANCE</u></p> <p>Recommendation: That the Board authorize the General Manager to accept construction of the Orchard Hills Booster Pump Station and Tomato Springs Booster Pump Station Air Compressor Modifications for projects 11456 and 31456; authorize the General Manager to file a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.</p> | | |
| <p>7. <u>REVISIONS TO CONFLICT OF INTEREST CODE</u></p> <p>Recommendation: That the Board adopt 1) a resolution rescinding Resolution No. 2008-60, adopting revised Appendix "A-1" to its Conflict of Interest Code and Readopting Conflict of Interest Code and Appendix "A-2", and 2) a resolution rescinding Resolution No. 2008-61 and establishing revised Personnel Policies (for Policy No. 45).</p> | | <p>Reso. No. 2011- Reso. No. 2011-</p> |
| ACTION CALENDAR | Next Resolution No. 2011-1 | |
| <p>8. <u>2010 SERIES B GENERAL OBLIGATION BONDS FIRST SUPPLEMENTAL INDENTURE APPROVAL</u></p> <p>Recommendation: That the Board adopt a resolution approving First Supplemental Indenture of Trust (Bonds of Irvine Ranch Water District Services 2010B).</p> | | <p>Reso No. 2011-</p> |

ACTION CALENDAR - Continued

Next Resolution No. 2011-1

9. DECEMBER 2010 STORM DAMAGE RECOVERY EFFORT
RATIFICATION OF EMERGENCY REPAIR CONTRACTS

Recommendation: That the Board authorize the addition of projects 11570 and 11571 in the amounts of \$165,000 and \$220,000, respectively, to the fiscal year 2010-11 Capital Budget; approve Expenditure Authorizations for projects 11570 and 11571 in the amounts of \$165,000 and \$220,000, respectively; and ratify the General Manager's execution of emergency construction contracts with Paulus Engineering, Inc., for projects 11570 and 11571 in the amounts of \$165,000 and \$220,000, respectively.

10. NOMINATION OF SPECIAL DISTRICT REPRESENTATIVES TO
LAFCO

Recommendation: That the Board support Charley Wilson for the Regular Special District position on LAFCO; nominate a candidate for the Alternate Special District position as appropriate; and designate John Withers as the alternate to vote on behalf of the District on January 27, 2011 if the Board President is unavailable to cast the Irvine Ranch Water District vote.

OTHER BUSINESS

Pursuant to Government Code Section 54954.2, members of the Board of Directors or staff may ask questions for clarification, make brief announcements, make brief reports on his/her own activities. The Board or a Board member may provide a reference to staff or other resources for factual information, request staff to report back at a subsequent meeting concerning any matter, or direct staff to place a matter of business on a future agenda. Such matters may be brought up under the General Manager's Report or Directors' Comments.

11. A. General Manager's Report

B. Directors' Comments

1)

2)

OTHER BUSINESS - Continued

11. B. Directors' Comments

3)

4)

5)

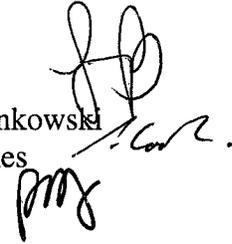
C. President Reinhart to adjourn the meeting to Friday, January 14, 2011 at 7:30 a.m. in the Multi-purpose Room to hold a Strategic Planning Workshop.

* * * * *

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Irvine Ranch Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Board Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance to the Board of Directors Room of the District Office.

The Irvine Ranch Water District Board Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.), please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

January 10, 2011
Prepared and
Submitted by: L. Bonkowski
Approved by: P. Jones



CONSENT CALENDAR

MINUTES OF REGULAR BOARD MEETING

SUMMARY:

Provided are the minutes of the December 13, 2010 Regular Board Meeting for approval.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

Not applicable.

RECOMMENDATION:

THAT THE MINUTES OF THE REGULAR BOARD MEETING OF DECEMBER 13, 2010
BE APPROVED AS PRESENTED.

LIST OF EXHIBITS:

Exhibit "A" – December 13, 2010 Regular Board Meeting

EXHIBIT "A"

MINUTES OF REGULAR MEETING – DECEMBER 13, 2010

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:00 p.m. by President Reinhart on December 13, 2010 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis, LaMar, Swan, and Reinhart

Directors Absent: Withers

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Planning/Water Resources Heiertz, Director of Engineering Burton, Director of Finance Cherney, Secretary Bonkowski, Legal Counsel Arneson, Director of Public Affairs Beeman, Director of Operations Pedersen, Mr. Paul Weghorst, Ms. Kirsten McLaughlin, Mr. Mark Tettermer, Ms. Kelly Welsh, Mr. Mike Fakar, Mr. Bruce Newell, Mr. Jim Reed, and other members of the public and staff.

WRITTEN COMMUNICATIONS: None.

ORAL COMMUNICATION:

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, 7, 10, 11, 12, 13, 14, 15, 16, 17, and 18 are off with the exception of wells C-8 and C-9 (DATS) to participate in a regional groundwater pumping exchange program intended to balance Metropolitan Water District's water purchases among Orange County water agencies. The wells are expected to remain off through December 31, 2010. This was confirmed by Mr. 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), a Notice of Completion was approved by the OCWD Board of Directors on March 19, 2009. Metropolitan Water District has given notice to OCWD to extract 22,000 acre feet in fiscal year 2009/10. The extraction is being performed by agencies that constructed conjunctive use wells under this program. IRWD is not a participant. This was confirmed by Mr. Jones.

With respect to the OCWD annexation of certain IRWD lands, on June 5, 2009, IRWD received a letter from OCWD noting that OCWD has completed the formal responses to comments they previously received on the draft program Environmental Impact Report. The letter further noted that with this task completed, OCWD has exercised its right to terminate the 2004 Memorandum of Understanding (MOU) regarding annexation. OCWD also indicated that due to the lack of progress on the annexation issue, the draft program Environmental Impact Report will not be completed. On June 8, 2009, the OCWD completed the Long-Term Facilities Plan which was received and filed by the OCWD Board in July 2009. Staff has been coordinating with the City of Anaheim (Anaheim) and Yorba Linda Water District (YLWD) on their most recent

annexation requests and has reinitiated the annexation process with OCWD. IRWD, YLWD and Anaheim have negotiated a joint MOU with OCWD to process and conduct environmental analysis of the annexation requests. The MOU was approved by the OCWD Board on July 21, 2010. This was confirmed by Mr. Jones.

With respect to the Groundwater Emergency Service Plan, IRWD has an agreement in place with various south Orange County water agencies, MWDOC and OCWD, to produce additional groundwater for use within IRWD and transfer imported water from IRWD to south Orange County in case of emergencies. IRWD has approved the operating agreement with certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. MWDOC and OCWD have also both approved the operating agreement. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED – None

PRESENTATION

CALIFORNIA URBAN WATER CONSERVATION COUNCIL'S EXCELLENCE AWARD FOR 2010

General Manager Jones recognized the District's Water Conservation Manager, Mrs. Fiona Sanchez, as she received the CUWCC's Excellence Award for 2010 for her innovation, commitment, dedication, integrity, creativity and outstanding service in the field of water resource efficiency.

CONSENT CALENDAR

President Reinhart asked that under Item No. 5, that one of his meetings be deleted as the meeting on December 13, 2010 with an OCWD Board member did not take place. On MOTION by Matheis, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 19 WERE APPROVED AS FOLLOWS:

4. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the November 22, 2010 Regular Board Meeting be approved as presented.

5. RATIFY/APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: That the Board ratify/approve the meetings and events for Steven LaMar, John Withers, Douglas Reinhart and Peer Swan as amended.

6. DYER ROAD WELLFIELD STATUS AND RESERVOIR DATA INFORMATION ITEMS

Recommendation: Receive and file.

CONSENT CALENDAR (CONTINUED)

7. 2010 GENERAL DISTRICT ELECTION RESULTS

Recommendation: That the Board adopt the following resolution by title declaring results of the November 2, 2010 General District Election.

RESOLUTION NO. 2010-45

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE
RANCH WATER DISTRICT DECLARING RESULTS OF
NOVEMBER 2, 2010 GENERAL DISTRICT ELECTION

8. ANNUAL BOARD OF DIRECTORS' FEES

Recommendation: That the Board decline the 5% scheduled compensation increase for calendar year 2011.

9. 2011 SELECTION OF STATE LOBBYIST/CONSULTANT

Recommendation: That the Board approve a Professional Services Agreement for a term of six months with O'Haren Government Relations in the amount of \$6,500 per month retainer plus reimbursable direct expenses for a total not to exceed \$42,900.

10. PLANNING AREA 9B (STONEGATE) – RECYCLED WATER PIPELINES DESIGN CONSULTANT SELECTION

Recommendation: That the Board approve the selection of Hunsaker & Associates as the design consultant of Planning Area 9B (Stonegate) 6-inch and 36-inch recycled water pipelines for a total amount of \$86,862.22, under the existing Supplemental Reimbursement Agreement with the Irvine Community Development Company for the design and construction of the Irvine Ranch Water District facilities for Planning Area 9B (Stonegate), project 30012.

11. EMERGENCY GENERATOR REPLACEMENT AT MICHELSON SEWER LIFT STATION EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$117,700 for the emergency generator replacement at Michelson Sewer Lift Station, project 20846.

12. FISCAL YEAR 2009/10 COMPREHENSIVE ANNUAL FINANCE REPORT

Recommendation: Receive and file.

CONSENT CALENDAR (CONTINUED)

13. 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. 2010 – 46

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

14. ADDENDUM NO. 1 TO THE SAN DIEGO CREEK WATERSHED NATURAL TREATMENT SYSTEM FINAL ENVIRONMENTAL IMPACT REPORT

Recommendation: That the Board approve the proposed Addendum No. 1 to the Final Environmental Impact Reports for the San Diego Creek Watershed Natural Treatment System, including the determinations set forth in the addendum, and approve the proposed project.

15. ADDENDUM NO. 4 TO THE IRVINE DESALTER PROJECT FINAL ENVIRONMENTAL IMPACT REPORT

Recommendation: That the Board approve the proposed Addendum No. 4 to the Final Environmental Impact Report for the Irvine Desalter project, including the determinations set forth in the addendum, and approve the project which consists of replacing Well 78.

16. NOVEMBER 2010 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for November 2010; approve the November 2010 Summary of Wire Transfers and ACH payments in the total amount of \$7,535,026.39; and approve the November 2010 Warrants Nos. 315530 through 316192, Workers' Compensation distributions and voided checks in the total amount of \$6,837,985.69.

17. FISCAL YEAR 2010/11 PLANNING RESERVE EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve additional Expenditure Authorizations for the Engineering/Planning Study Reserves in the amounts of \$71,500 for project 10565, \$58,300 for project 20565, and \$58,300 for project 30565.

CONSENT CALENDAR (CONTINUED)

18. SECTION 125 FLEXIBLE BENEFITS PLAN AMENDMENT
AND CONTRACT RENEWAL

Recommendation: That the Board approve the contract renewal with Employee Benefit Specialists, Inc. effective January 1, 2011 to administer the District's Flex Spending Program, authorize the General Manager to execute the necessary agreements on behalf of the District; and adopt the following resolution by title authorizing execution of Section 125 Flexible Benefits Plan amendment with Employee Benefit Specialists, Inc.

RESOLUTION NO. 2010 - 47

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
AUTHORIZING EXECUTION OF SECTION 125 FLEXIBLE BENEFITS PLAN
AMENDMENT WITH EMPLOYEE BENEFIT SPECIALISTS, INC.

19. EXTENSION OF AGREEMENT BETWEEN THE CITY OF IRVINE AND IRVINE
RANCH WATER DISTRICT FOR DEVELOPMENT OF CIENEGA FILTRATION
PROJECT FIELD DEMONSTRATION

Recommendation: That the Board approve the Amendment No. 1 to Agreement between the City of Irvine and Irvine Ranch Water District for development of Cienega Filtration Project Field Demonstration.

ACTION CALENDAR

SANTA ANA WATERSHED PROJECT AUTHORITY (SAWPA) PROPOSITION 84 GRANT
FUNDING

General Manager Jones reported that the District responded to a call for projects by the Santa Ana Watershed Project Authority (SAWPA) by submitting 17 projects for consideration in SAWPA's One Water, One Watershed (OWOW) Plan. Mr. Jones said that SAWPA received 297 applications overall which were ranked and included in the OWOW Master Project List. The first round of funding allocated under Proposition 84 will be \$12 million. SAWPA selected a total of 13 projects for the Round One funding with a maximum grant of \$1,000,000 per project including IRWD's Wells 21 and 22 project. Mr. Jones said that the Department of Water Resources (DWR) requires that each candidate project sponsor receiving grant funding be included in the OWOW Plan. Therefore, as a condition of receiving the \$1,000,000 in grant funding for Wells 21 and 22 project, IRWD is required to adopt the current OWOW Plan.

Director Matheis reported that this item was reviewed by the Water Resources Policy and Communications Committee on December 6, 2010. On MOTION by Matheis, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2010-48

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT ADOPTING THE
CURRENT SANTA ANA WATERSHED PROJECT
AUTHORITY ONE WATER, ONE WATERSHED INTEGRATED
REGIONAL WATER MANAGEMENT PLAN AS A
MANDATORY CONDITION OF RECEIVING GRANT
FUNDING UNDER PROPOSITION 84

DEEP AQUIFER TREATMENT SYSTEM BUILDING UPGRADES AND REPAIRS –
CONSTRUCTION AWARD

General Manager Jones reported that an inspection of the roof of the DATS building in November 2008 revealed severe corrosion of the ferrous metal roofing around the treatment plant's three degasifier exhaust vents. Mr. Jones said that the corrosion was caused by hydrogen sulfide gas discharged from the degasifier vents at the roof level.

Director of Operations Pedersen said that staff consulted with a roofing expert to incorporate changes in the scope of work to prevent the recurrence of the corrosion problem. He said that the consultant recommended replacing the damaged portions of the ferrous metal roofing with stainless steel material which is more resistant to corrosion. Installation of a temporary exhaust vent system to divert the discharged gases away from the work area was also added to the scope of the project so the treatment plant could continue to operate continuously during construction.

Mr. Pedersen said that three contractors with appropriate roofing experience were invited to submit bids for the project. Bids were received from Commercial Roofing Inc., Applied Roof Engineering, Inc., and Best Contracting with the apparent low bid from Commercial Roofing with a bid of \$197,410. He said that the bids were significantly higher than the original engineer's estimate of \$80,000 and the project budget of \$107,800 due to the change to stainless steel roofing material and addition of the temporary exhaust vent system. The difference between the high and low bids was less than 9%, indicating that the bidders had a clear understanding of the scope of work. Commercial Roofing, Inc. has completed several roof repair projects for IRWD, and staff has been very pleased with the quality of their work.

Following discussion, Mr. Pedersen said that he will provide an email to the Board relative to the warranty. Assistant General Manager Cook said that there was a correction on the Expenditure Authorization where the source of funding is to be from the Replacement Fund. On MOTION by Matheis, seconded and unanimously carried, THE BOARD AUTHORIZED A \$129,200 INCREASE TO THE FY 2010-11 CAPITAL BUDGET FOR PROJECT 11287, FROM \$107,800 TO \$237,000; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$237,000 FOR PROJECT 11287 AS AMENDED; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH COMMERCIAL ROOFING, INC. IN THE AMOUNT OF \$197,410 FOR PROJECT 11287.

PROPOSED 2011 INVESTMENT POLICY

General Manager Jones reported that staff annually submits a Statement of Investment Policy to the Board of Directors for approval. The annual submittal generally incorporates amendments to investment-related Government Code sections, policy objectives, delegation of authority and a detailed schedule of authorized investments. Mr. Jones said that during 2010, there were no significant amendments to the Government Code section relating to authorized investments for local agencies. One minor amendment eliminated the January 1, 2012 sunset date allowing local agencies to invest 30% of their surplus funds in certificates of deposit. The District currently has no funds invested in these products.

Mr. Jones said that as specified in the Government Code, the Board's delegation of authority to the Treasurer and Assistant Treasurer(s) to manage the District's investment program is limited to a one year-period, renewable annually. The recommended 2011 Investment Policy includes continuation of this annual delegation of authority to the Treasurer and Assistant Treasurer(s). He said that given the conservative nature of the state codes and the Board's additional restrictions, staff believes the authorized investments in the recommended 2011 Investment Policy are sufficiently limited to ensure appropriate investments while retaining some degree of flexibility to take advantage of changing market opportunities. Additionally, the recommended policy provides authority for the Finance and Personnel Committee to further restrict, but not liberalize, authorized investments. Any liberalization of authorized investments would first require the approval of the full Board of Directors.

On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE PROPOSED 2011 INVESTMENT POLICY AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2010 - 49

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT APPROVING INVESTMENT
POLICY AND AUTHORIZING THE TREASURER AND ASSISTANT
TREASURER(S) TO INVEST AND REINVEST FUNDS OF THE
DISTRICT AND OF EACH OF ITS IMPROVEMENT DISTRICTS
AND TO SELL AND EXCHANGE SECURITIES

LAKE FOREST WELL NO. 2 WELLHEAD DESIGN CONSULTANT SELECTION

General Manager Jones reported that the Board awarded a construction contract to Layne Christensen Company on September 23, 2010 for destruction of the existing Lake Forest Well No. 2 and the construction of a replacement well. Mr. Jones said that Layne Christensen has completed demolition of the existing well and is in the process of constructing the new well. Mr. Jones said that the following improvements or evaluations must be made before groundwater from Lake Forest Well No. 2 can be introduced into the potable water system: 1) pump and wellhead discharge and metering facilities; 2) waste discharge pipeline (with meter) from the well to storm drain; 3) raw water pipeline to deliver water from the wellheads to the transmission main in Osterman Road; 4) evaluation of existing electrical service, SCADA and other auxiliary equipment for reuse and/or replacement; and 5) disinfection using chlorine and/or chloramines.

Director of Engineering Burton reported that proposals for the design of the Lake Forest Well No. 2 project were received from Dean Ryan Consultants, Kennedy/Jenks Consultants, and RW Beck on November 24. Mr. Burton said that staff has completed their review of the proposals and recommends that Kennedy/Jenks be awarded the project as their thorough understanding of the project, design approach, qualifications, schedule, and man-hour estimates are consistent with staff's expectations. He said that Kennedy/Jenks' fee proposal is \$290,764 for design and construction phase services.

President Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on December 6, 2010. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$309,800 AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$290,764 WITH KENNEDY/JENKS CONSULTANTS FOR ENGINEERING SERVICES FOR THE LAKE FOREST WELL NO. 2 WELLHEAD DESIGN, PROJECT 11461.

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S LETTER OF INTENT TO PARTICIPATE IN THE MICHELSON WATER RECYCLING PLANT'S BIOSOLIDS FACILITY PROJECT

General Manager Jones said that the District received an inquiry from the South Orange County Wastewater Authority (SOCWA) to participate in the Michelson Water Recycling Plant's (MWRP) Biosolids Facilities which are currently being designed. Under the proposed arrangement, SOCWA would transport the equivalent of 25 wet tons per day of digested and dewatered sludge to MWRP for drying to produce a pelletize product suitable for reuse.

Mr. Jones said that the MWRP Biosolids and Energy Recovery Facilities project includes sludge thickening; acid phase anaerobic digestion; electrical energy generation (fuel cell powered by biogas); sludge dewatering; sludge drying and pelletizing; sludge dryer off-gas treatment; and pellet load-out facilities. The MWRP Biosolids Facilities' dryer system is being designed to process 163 wet tons per day of digested and dewatered sludge from the MWRP. SOCWA is proposing to truck digested and dewatered sludge from either SOCWA's Regional Plant or the Latham Wastewater Treatment Plant to MWRP for drying and load-out of pellets for reuse. The proposed dryer, dryer building, off gas treatment, and pellet load-out facilities currently being designed at the MWRP would need to be upsized to accept the SOCWA sludge. Also, a new solids receiving and dedicated odor control facilities, which are not currently included in the design, would be needed to accept off-loading of sludge trucks at MWRP.

Mr. Jones said that a Letter of Intent (LOI) from SOCWA will serve as a basis to develop an agreement between SOCWA and IRWD. The agreement will address design capacities of facilities at MWRP and at SOCWA treatment plants, funding options, and timing requirements so that IRWD can meet the commitment to stop sending biosolids to the Orange County Sanitation District by 2015. The LOI also identifies a right of first refusal for SOCWA to take a portion of the project's pelletize biosolids product for use by SOCWA.

Director LaMar said that staff has been very careful to create the LOI, and that he supported it. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED THE

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S LETTER OF INTENT TO PARTICIPATE IN THE MWRP BIOSOLIDS PROJECT SUBJECT TO NON-SUBSTANTIVE CHANGES.

OPERATIONS CENTER PHASE 1 STORAGE BUILDING CONSTRUCTION AWARD

General Manager Jones reported that the Preliminary Planning Report (PPR) for the current Operations Center space needs and expansion planning through the year 2025 identified the need for additional storage space for the Wastewater Operations Department. Mr. Jones said that this project consists of constructing 4,571 square feet of pre-engineered metal storage building to meet the need for additional storage and also includes retrofitting lights in Operations Center Buildings 10, 40, 50, and 60 to reduce energy and labor costs.

Director of Engineering Burton reported that the storage building project was advertised on October 27, 2010 to a select bid list of seven contractors: Gateway Pacific Contractors Inc., J.R. Filanc Construction Co., Schuler Engineering, F.T. Ziebarth Co., Pacific Hydrotech, Snyder Langston, and PhilCo Construction. Mr. Burton said that only two contractors, Schuler Engineering and Pacific Hydrotech, attended the mandatory pre-bid meeting on November 2, 2010. S.S. Mechanical was added to the select bid list and S.S. Mechanical, PhilCo Construction and Gateway Pacific Contractors Inc. attended a second pre-bid meeting held on November 10, 2010. The bid opening was held on November 23, 2010 with bids received from Gateway Pacific, Schuler Engineering, PhilCo Construction, and Pacific Hydrotech. He said that PhilCo Construction is the apparent low bidder with a bid amount of \$619,380. The engineer's estimate was \$596,266. PhilCo Construction recently completed the San Joaquin Marsh Campus with excellent results.

Mr. Burton said that a draft Mitigated Negative Declaration (MND) (Department 50 Storage Building Mitigated Negative Declaration) for the storage building was circulated pursuant to California Environmental Quality Act (CEQA). The MND addressed the categories of impacts required under environmental review. No comment letters were received during public review.

Mr. Burton said that a job walk was held on October 25, 2010 with three select bidders: Action Electric, Halcyon Electric and Interior Electric. The bid opening was held on November 4, 2010 with bids received from all three contractors. Action Electric is the apparent low bidder with a bid amount of \$89,950. A Southern California Edison incentive of \$14,947 is expected upon completion of the retrofit resulting in an estimated payback for the lighting retrofit of 20 months.

On MOTION by Matheis, seconded and unanimously carried, THE BOARD ADOPTED THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE DEPARTMENT 50 STORAGE BUILDING AND APPROVED THE PROJECT; DIRECTED STAFF TO POST AND FILE A NOTICE OF DETERMINATION; APPROVED EXPENDITURE AUTHORIZATIONS IN THE AMOUNT OF \$352,400 EACH FOR PROJECTS 11422, 21422 AND 31422; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH PHILCO CONSTRUCTION IN THE AMOUNT OF \$619,380 FOR THE OPERATIONS CENTER FACILITIES EXPANSION PHASE I STORAGE BUILDING, PROJECTS 11422, 21422 AND 31422.

STOCKDALE WEST RANCH PROPERTY PURCHASE

General Manager Jones reported that on October 25, 2010, the IRWD Board of Directors directed staff to submit a Letter of Intent (LOI) to purchase Diamond Farming Company's Stockdale West Ranch property comprised of 325.49 acres of land within an unincorporated area of Kern County (Property). A Letter of Intent was prepared and executed on October 29, 2010. On November 8, 2010, the Board authorized staff to perform due diligence activities on the acquisition of the Property, to file a Notice of Exemption consistent with the California Environmental Quality Act, and to execute a Purchase Agreement for the Property consistent with the terms of the LOI. The total purchase costs for the land is \$6,509,800, plus approximately \$5,000 for closing costs. As an additional consideration, IRWD will provide 1,000 acre-feet of water stored in Kern Water Bank or Strand Ranch Integrated Banking Project and the seller may store this water for up to ten years at no cost. The cost for the Baseline Property Assessment work was \$71,400. The cost of legal counsel assistance for the development of the Purchase and Banked Water Agreement and support during the due diligence period is estimated at \$15,000. Additional staff time required during due diligence work and environmental documentation is estimated at \$15,000.

Using a PowerPoint presentation, Water Resources Manager Weghorst provided an overview of the location of the Stockdale West Ranch, terms for the purchase; baseline property assessment results; suitability and costs for water banking; options for delivering water to the property; and recommendations.

Following discussion, staff was asked to: 1) follow-up on a schedule for removing an old canal lateral easement; 2) explore the use of Pioneer along with other property for water storage; and 3) obtain a better understanding of the oil, gas and mineral rights. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER AND THE TREASURER TO EXECUTE A BANKED WATER AGREEMENT BETWEEN DIAMOND FARMING COMPANY AND IRVINE RANCH WATER DISTRICT, IN THE FORM PRESENTED TO THIS MEETING, WITH SUCH CHANGES AS THE GENERAL MANAGER AND COUNSEL MAY APPROVE; FOUND THAT ALL MATTERS CURRENTLY IDENTIFIED WITH REGARD TO THE CONDITION OF TITLE, PHYSICAL CONDITION AND SUITABILITY OF THE PROPERTY FOR THE USES CONTEMPLATED ARE ACCEPTABLE; AND AUTHORIZED THE GENERAL MANAGER AND TREASURER AND EACH OTHER OFFICER OF THE DISTRICT, EACH ACTING SINGLY, TO EXECUTE AND DELIVER ANY AND ALL DOCUMENTS, CERTIFICATES, INSTRUCTIONS AND INSTRUMENTS NECESSARY OR PROPER FOR CARRYING OUT AND CLOSING THE REAL ESTATE PURCHASE TRANSACTION CONTEMPLATED THEREIN.

ELECTION OF OFFICERS FOR 2011

Director Matheis said that with the absence of Director Withers this evening, she requested that the election of officers be deferred to the first Board meeting in January. It was noted that President Reinhart would not be in attendance at the first Board meeting in January, and it was the consensus of the Board to hold the election at a Strategic Planning Workshop or a Board meeting where all members would be present to vote. On MOTION by Matheis, seconded and unanimously carried, THE ELECTION OF OFFICERS FOR 2011 IS DEFERRED TO A

STRATEGIC PLANNING WORKSHOP OR A BOARD MEETING WHERE ALL BOARD MEMBERS WILL BE PRESENT TO VOTE.

GENERAL MANAGER'S REPORT

General Manager Jones reported that IRWD received the Association of California Water Agencies' (ACWA) Outreach 2010 Award in recognition for outstanding outreach participation as the top agency in ACWA's Region 10.

Mr. Jones introduced and welcomed Public Affairs' newest employee, Ms. Erika Blaska, to the District.

DIRECTORS' COMMENTS

Director LaMar reported on his attendance at the ACWA conference in Indian Wells earlier this month and the Water Advisory Committee of Orange County (WACO) meeting last Friday. He also said he is looking forward to attending the Colorado River Water Users Association conference in Las Vegas this week.

Director Matheis reported on her attendance at the ACWA conference which she said was successful. She noted the open Local Agency Formation Commission position which will be voted on at the January 27 Independent Special Districts of Orange County quarterly meeting. It was noted that a Board resolution will be required for voting if the President is unable to attend.

Director Swan reported that he and Director Reinhart toured Irvine Lake and discussed other matters with staff relative to the upcoming Serrano Water District/IRWD Ad Hoc Committee meeting. He reported on his attendance at the ACWA conference and noted that its Board readopted Bylaws as several of the sections were outdated. He also said that Mr. Larry McKenney was elected to the ACWA's Region 10 Board to fill an open seat.

Director Swan reported on his attendance in New York last week with staff completing the pricing of the \$175 million bond issuance as well as attending a WACO meeting. He asked staff to include discussion on IRWD's 50th anniversary at the next Strategic Planning Workshop and to focus on our major accomplishments in 10-year segments.

Director Reinhart reported on his attendance at the South Orange County Wastewater Authority Board meeting and ACWA.

ADJOURNMENT

President Reinhart adjourned the meeting at 7:02 p.m.

APPROVED and SIGNED this 10th day of January, 2011.

President
IRVINE RANCH WATER DISTRICT

Secretary
IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

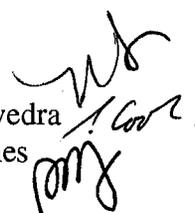
Legal Counsel - Bowie, Arneson, Wiles & Giannone

January 10, 2011

Prepared and

Submitted by: N. Savedra

Approved by: P. Jones



CONSENT CALENDAR

RATIFY/APPROVE BOARD OF DIRECTORS'
ATTENDANCE AT MEETINGS AND EVENTS

SUMMARY:

Pursuant to Resolution 2006-29 adopted on August 28, 2006, approval of attendance of the following events and meetings are required by the Board of Directors.

Events/Meetings

Steven LaMar

| | |
|----------|---|
| 12/22/10 | Meeting with incoming Assemblyman Don Wagner |
| 1/10/11 | Meeting with incoming Irvine Council member Jeff Lalloway |
| 1/13/11 | Orange County Forum |

Mary Aileen Matheis

| | |
|------------|---|
| 12/22/10 | Meeting with incoming Assemblyman Don Wagner |
| 1/21-22/11 | Golden Gate University - California Water Law Symposium |

Doug Reinhart

| | |
|----------|---|
| 12/21/10 | Monthly meeting with Paul Jones regarding District activities |
|----------|---|

Peer Swan

| | |
|------------|---|
| 1/12-14/11 | CASA Mid-Year Conference, Palm Desert, CA |
| 1/19/11 | OCWA Luncheon Meeting |

John Withers

| | |
|------------|--|
| 01/05/11 | Meeting with IUSD Board Members on the Cienega Project |
| 01/11/11 | Meeting with IUSD Board Members on the Cienega Project |
| 1/12-13/11 | CASA Mid-Year Conference, Palm Desert, CA |

RECOMMENDATION:

RATIFY/APPROVE THE MEETINGS AND EVENTS FOR STEVEN LaMAR, MARY AILEEN MATHEIS, DOUG REINHART, PEER SWAN AND JOHN WITHERS AS DELINEATED ABOVE.

LIST OF EXHIBITS:

None

January 10, 2011

Prepared by: H. Cho/M. Cortez

Submitted by: K. Burton

Approved by: Paul Jones

RB

1/10/11

pmj

CONSENT CALENDAR

ORCHARD HILLS BOOSTER PUMP STATION AND TOMATO SPRINGS BOOSTER PUMP STATION AIR COMPRESSOR MODIFICATIONS PROJECT – FINAL ACCEPTANCE

SUMMARY:

The Orchard Hills Booster Pump Station (BPS) and Tomato Springs BPS Air Compressor Modifications Project installed a second air compressor at the Orchard Hills BPS to serve the Zone A-C BPS with the existing air compressor modified to serve the Zone 3-5 BPS. The project also installed a second air compressor at the Tomato Springs BPS to serve the Zone 4-6 BPS with the existing air compressor modified to serve the Zone C-D BPS. A project location map is attached as Exhibit "A". The Orchard Hills BPS and Tomato Springs BPS Air Compressor Modification Project received a final inspection by the Irvine Ranch Water District (IRWD) Engineering Department and acceptance is recommended.

BACKGROUND:

| | |
|---------------------------------|-------------------|
| Project Title: | PRV Modifications |
| Project No.: | 11456, 31456 |
| Design Engineer: | Stantec |
| Construction Management by: | IRWD Staff |
| Contractor: | F.T. Ziebarth |
| Original Contract Cost: | \$116,100.00 |
| Final Contract Cost: | \$126,156.32 |
| Original Contract Days: | 120 |
| Substantial Completion Days: | 373 |
| Final Contract Days: | 373 |
| Total Budget: | \$179,300 |
| Total Project Cost (Est.): | \$159,000 |
| Final Change Order Approved On: | December 13, 2010 |

FISCAL IMPACTS:

Projects 11456 and 31456 are included in the FY 2010-11 Capital Budget. A Project Summary is attached as Exhibit "B".

| Project No. | Current Budget | Addition <Reduction> | Total Budget | Existing EA | This EA Request | Total EA Request |
|--------------|------------------|----------------------|------------------|------------------|-----------------|------------------|
| 11456 | \$ 86,900 | \$ -0- | \$ 86,900 | \$ 86,900 | \$ -0- | \$ 86,900 |
| 31456 | \$ 92,400 | \$ -0- | \$ 92,400 | \$ 92,400 | \$ -0- | \$ 92,400 |
| TOTAL | \$179,300 | \$ -0- | \$179,300 | \$179,300 | \$ -0- | \$179,300 |

ENVIRONMENTAL COMPLIANCE:

This project is exempt from the California Environmental Quality Act (CEQA) as authorized under the California Code of Regulations, Title 14, Chapter 3, Section 15301 which provides exemption for minor alterations of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination.

COMMITTEE STATUS:

This item was not reviewed by a Committee.

RECOMMENDATION:

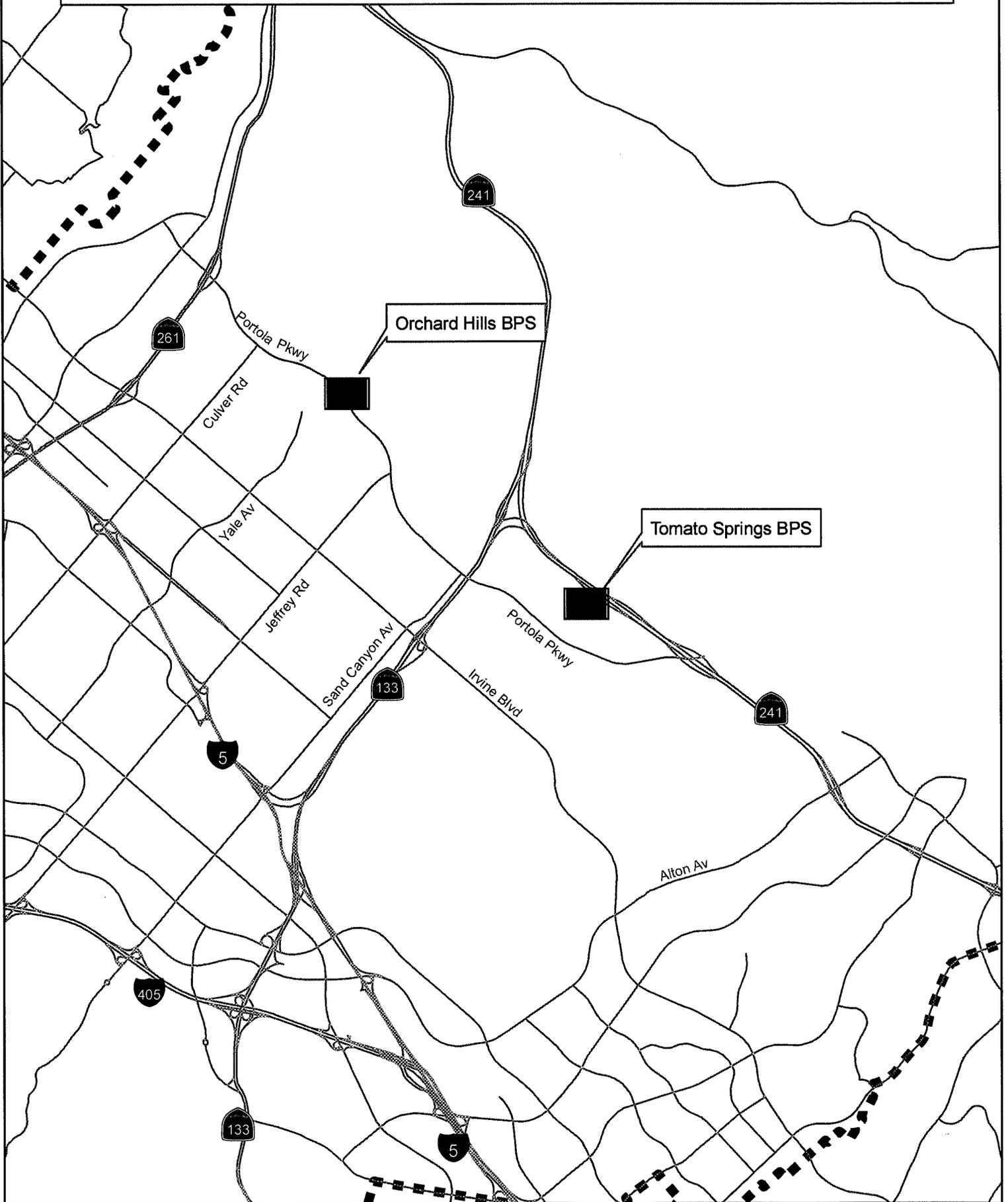
THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO ACCEPT CONSTRUCTION OF THE ORCHARD HILLS BOOSTER PUMP STATION AND TOMATO SPRINGS BOOSTER PUMP STATION AIR COMPRESSOR MODIFICATIONS FOR PROJECTS 11456 AND 31456; AUTHORIZE THE GENERAL MANAGER TO FILE A NOTICE OF COMPLETION; AND AUTHORIZE THE PAYMENT OF THE RETENTION 35 DAYS AFTER THE DATE OF RECORDING THE NOTICE OF COMPLETION.

LIST OF EXHIBITS:

- Exhibit "A" – Location Map
- Exhibit "B" – Project Summary



Orchard Hills BPS & Tomato Springs BPS



PM341R
1/04/11

**IRVINE RANCH WATER DISTRICT
ENGINEERING PROJECT MANAGEMENT SYSTEM (EPMS)**

Project Summary

11456 TOMATO SPRINGS BPS AIR COMPRESSOR MODIFICATIONS

Manager: CORTEZ, MALCOLM **Contingency Percentage (%):** 10.00 **Project Status:** CLOSED
Engineer: CHO, HARRY **G/A Percentage (%):** 185.00 **Last EA Date:** 10/26/2009
Area: PA6 **Class:** Regional Potable

| Phase | Current Budget | Current Ea's | Expended To Date | Open Commitment | Amount Remaining | Percent EA's Committed |
|--------------------------------------|----------------|----------------|------------------|-----------------|------------------|------------------------|
| ENGINEERING - PLANNING OUTSIDE | 0 | 0 | 146 | | (146) | |
| ENGINEERING DESIGN - IRWD | 0 | 0 | 1,644 | | (1,644) | |
| ENGINEERING DESIGN - OUTSIDE | 0 | 0 | 133 | | (133) | |
| DESIGN STAFF FIELD SUPPORT | 0 | 0 | 0 | | 0 | |
| ENGINEERING - CA&I IRWD | 10,000 | 10,000 | 21,987 | | (11,987) | 219.87 |
| ENGINEERING - CA&I OUTSIDE | 7,000 | 7,000 | 43 | | 6,957 | .61 |
| CONSTRUCTION FIELD SUPPORT | 5,000 | 5,000 | 0 | | 5,000 | |
| CONSTRUCTION | 56,000 | 56,000 | 55,781 | 712 | (493) | 100.88 |
| LEGAL | 1,000 | 1,000 | 176 | | 824 | 17.60 |
| CAPITALIZED INTEREST EXPENSE/REVENUE | 0 | 0 | 478 | | (478) | |
| CAPITAL PROJECTS REIMBURSEMENT | 0 | 0 | (143) | | 143 | |
| CONTINGENCY | 7,900 | 7,900 | 0 | | 7,900 | |
| Direct Cost: | 86,900 | 86,900 | 80,245 | 712 | 5,943 | 93.16 |
| ADMINISTRATIVE & GENERAL EXPENSE | 27,800 | 27,800 | 38,395 | | (10,595) | 138.11 |
| Totals: | 114,700 | 114,700 | 118,640 | 712 | (4,652) | 104.06 |

Comments:

**IRVINE RANCH WATER DISTRICT
ENGINEERING PROJECT MANAGEMENT SYSTEM (EPMS)**

Project Summary

31456 ORCHARD HILLS BPS AIR COMPRESSOR MODIFICATIONS

Manager: CORTEZ, MALCOLM **Contingency Percentage (%):** 10.00 **Project Status:** CLOSED
Engineer: CHO, HARRY **G/A Percentage (%):** 185.00 **Last EA Date:** 10/26/2009

Area: PA1 **Class:** Regional Nonpotable

| Phase | Current Budget | Current Ea's | Expended To Date | Open Commitment | Amount Remaining | Percent EA's Committed |
|--------------------------------------|----------------|----------------|------------------|-----------------|------------------|------------------------|
| ENGINEERING DESIGN - IRWD | 0 | 0 | 892 | | (892) | |
| ENGINEERING DESIGN - OUTSIDE | 0 | 0 | 0 | | 0 | |
| DESIGN STAFF FIELD SUPPORT | 0 | 0 | 0 | | 0 | |
| ENGINEERING - CA&I IRWD | 10,000 | 10,000 | 8,384 | | 1,616 | 83.84 |
| ENGINEERING - CA&I OUTSIDE | 7,000 | 7,000 | 21 | | 6,979 | .30 |
| CONSTRUCTION FIELD SUPPORT | 5,000 | 5,000 | 0 | | 5,000 | |
| CONSTRUCTION | 61,000 | 61,000 | 68,980 | 659 | (8,639) | 114.16 |
| LEGAL | 1,000 | 1,000 | 181 | | 819 | 18.10 |
| CAPITALIZED INTEREST EXPENSE/REVENUE | 0 | 0 | 252 | | (252) | |
| CONTINGENCY | 8,400 | 8,400 | 0 | | 8,400 | |
| Direct Cost: | 92,400 | 92,400 | 78,710 | 659 | 13,031 | 85.90 |
| ADMINISTRATIVE & GENERAL EXPENSE | 27,800 | 27,800 | 17,069 | | 10,731 | 61.40 |
| Totals: | 120,200 | 120,200 | 95,779 | 659 | 23,762 | 80.23 |

Comments:

January 10, 2011

Prepared and

Submitted by: Janet Wells

Approved by: Paul Jones



CONSENT CALENDAR

REVISIONS TO CONFLICT OF INTEREST CODE

SUMMARY:

Beginning in 2006, the County of Orange began requiring that all non-County entities restructure their designated persons lists and categories of economic interests to conform to State and County formats for ease of retrieval by the general public. Staff has received notification that it is time to complete the biennial review of the lists of designated persons and categories of economic interests. Staff is recommending that the Board:

- Adopt a resolution authorizing the approval of the revised Conflict of Interest policy and amended appendices to the District's Conflict of Interest Code as required in Section 18730 of the FPPC Regulations and as listed in the District's Personnel Policy No. 45 – Conflict of Interest, including updated positions and titles; and
- Adopt a resolution rescinding Resolution No. 2008-61 and establishing revised Personnel Policies (for Policy No. 45).

BACKGROUND:

The regulations of the FPPC contained in the California Administrative Code Title 2, Section 18730, require that the Board of Directors adopt and amend from time to time its Conflict of Interest Code, Appendix "A-1", containing the list of designated persons who must disclose certain categories of economic interest under the Code, and Appendix "A-2" to the Conflict of Interest Code, containing the economic interest that must be reported in the various reporting categories specified for designated persons under the Code. At the direction of the County of Orange, the District's appendices are being amended and noted in a redlined version (provided as Exhibit "A") and are included in the District's Personnel Policy No. 45 – Conflict of Interest (provided as Exhibit "B").

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was not reviewed by a Committee.

RECOMMENDATION:

THAT THE BOARD ADOPT THE FOLLOWING RESOLUTIONS BY TITLE:

RESOLUTION NO. 2011 –

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT RESCINDING
RESOLUTION NO. 2008-60, ADOPTING REVISED APPENDIX
“A-1” TO ITS CONFLICT OF INTEREST CODE AND READOPTING
CONFLICT OF INTEREST CODE AND APPENDIX “A-2” .

RESOLUTION NO. 2011 –

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2008-61 AND ESTABLISHING REVISED
PERSONNEL POLICIES (FOR POLICY NO. 45)

LIST OF EXHIBITS:

Exhibit “A” – Resolution Revising Appendices to the Conflict of Interest Code
Exhibit “B” – Resolution Revising the Establishing Revised Personnel Policies

EXHIBIT "A"

RESOLUTION NO. 2011 -

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT RESCINDING
RESOLUTION NO. 2008-60, ADOPTING REVISED APPENDIX "A-1"
TO ITS CONFLICT OF INTEREST CODE AND READOPTING
CONFLICT OF INTEREST CODE AND APPENDIX "A-2"

WHEREAS; in accordance with the provisions of Section 18730 of the regulations of the Fair Political Practices Commission, contained in California Administrative Code Title 2, Section 18109, et. seq. (the "FPPC Regulations"), the Board of Directors of the Irvine Ranch Water District ("IRWD") has adopted and amended from time to time its Conflict of Interest Code, Appendix "A-1" to the Conflict of Interest Code, containing the list of designated persons who must disclose certain categories of economic interests that must be reported in the various reporting categories specified for designated persons under the Code; and

WHEREAS, by adoption of Resolution No. 2008-60 on October 13, 2008, this Board readopted its Conflict of Interest Code and Appendix "A-2" (without change), and revised the list of designated persons who must disclose certain categories of economic interests under the Code ; and

WHEREAS, the Board desire to readopt its Conflict of interest Code for the purpose of further revising the Appendix "A-1" list of designated persons who must disclose certain categories of economic interests under the Code, and making certain other changes.

NOW, THEREFORE, the Board of Directors of the Irvine Ranch Water District DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Resolution No. 2008-60 be and hereby is rescinded in its entirety, effective upon approval of the IRWD Conflict of Interest Code, including amended Appendix "A-1" by the Board of Supervisors of the County of Orange.

Section 2. The terms of Section 18730 of the FPPC Regulations, as such section may be amended from time to time, which terms are by this reference incorporated herein, shall continue to constitute, and are readopted as, the IRWD Conflict of Interest Code.

Section 3. Appendix "A-1" to the IRWD Conflict of Interest Code be and the same is hereby amended and adopted to read as set forth in Exhibit 1 to this resolution. Appendix "A-2" set forth in Exhibit 2 to this resolution, is readopted without change. Such exhibits are attached hereto and by this reference incorporated herein.

Section 4. The Secretary of IRWD is hereby authorized and directed to file this resolution and the attached exhibits with the Board of Supervisors of Orange County and to request approval thereof.

ADOPTED, SIGNED and APPROVED this 10th day of January, 2011.

President, IRVINE RANCH WATER DISTRICT
and of the Board of Directors thereof

Secretary, IRVINE RANCH WATER DISTRICT
and of the Board of Directors thereof

APPROVED AS TO FORM:
BOWIE, ARNESON, WILES & GIANNONE
IRWD Legal Counsel

By _____

NOTE: APPENDIX “A-1” set forth below is contained in the District’s Conflict of Interest Code, as amended from time to time. Any amendment to APPENDIX “A-1” will automatically be included in this Policy No. 45.

Irvine Ranch Water District

APPENDIX “A-1”

DESIGNATED PERSONS FOR DISCLOSURE PURPOSES
PURSUANT TO CONFLICT OF INTEREST CODE ¹

The persons occupying the following positions are designated persons and must disclose the economic interests defined in the disclosure categories of Appendix “A-2,” using the Form 700 schedules listed in the table below:

| <u>Designated Persons</u> | <u>Disclosure Categories</u> | <u>Schedules Associated</u> |
|--|------------------------------|-----------------------------|
| <p style="text-align: center;"><u>Group I</u></p> <p>District Secretary Assistant Secretary of the District Director of Engineering and Planning <u>Construction</u> Director of Water Operations Director of Wastewater Operations Director of Water Quality Director of Water Resources & Environmental Quality <u>Planning and Water Resources</u> General Legal Counsel</p> | 1, 2 and 3 | All |
| <p style="text-align: center;"><u>Group II</u></p> <p>Director of Human Resources Director of Administrative Services Manager of Contracts Administration and Risk Customer Service Manager Environmental Quality Manager Process Automation Manager Purchasing Manager Purchasing Supervisor Principal Engineer Senior Engineer Director of Public Affairs Electrical Maintenance Manager Mechanical Maintenance Manager Facilities/Fleet - Services Manager Principal Water Resources Manager</p> | 2 and 3 | A-1, A-2, C, D and E |
| <u>Designated Persons</u> | <u>Disclosure Categories</u> | <u>Schedules Associated</u> |
| <p style="text-align: center;"><u>Group III</u></p> <p><u>Accounting Supervisor</u> Assistant Controller <u>Assistant Director of Water Operations</u> Analyst Administrative Assistant Assistant Construction & Repair Manager</p> | 6 | D, E |

¹ The persons holding the following positions are “public officials who manage public investments” within the meaning of that term as used in Government Code Section 87200 and are required to make full disclosure of all economic interests as required in Form 700: members of the Board of Directors, General Manager, Assistant General Manager, Director of Finance/Controller, Treasurer, Assistant Treasurer and Investment Manager.

| | | |
|---|------------------------------|-----------------------------|
| Assistant Engineer/ Planner Assistant Facilities/ & Fleet Manager Assistant Water Operations Manager Associate Engineer/ Planner Buyer Collection Systems Manager Conservation Analyst Conservation Specialist Conservation Manager Construction & Repair Manager Construction Inspection Manager Construction Inspector I, II, III Cross Connection Supervisor Customer Service Supervisor District Safety & Security Manager Electrical and Controls Project Manager <u>Electrical/Instrumentation Supervisor</u> <u>Energy and Water Resource Planner</u> Engineer/Planner Engineering Technician II, III Environmental Compliance Specialist Environmental Project Coordinator Facilities/ Fleet Services Supervisor Fleet Supervisor Human Resources Manager Laboratory Manager Laboratory Supervisor Legislative Affairs Specialist Senior Governmental Affairs Specialist Material Control Clerk I/II Operations Manager Operations Supervisor Principal Analyst Public Affairs Manager Purchasing Coordinator Recycled Water Development Manager Recycled Water Project Specialist <u>Recycled Water Supervisor</u> Recycled Water Systems Specialist Regulatory Compliance Manager Right of Way Agent <u>Senior Accountant</u> Senior Analyst Senior Buyer Senior Conservation Specialist Senior Debt/Investment Analyst <u>Senior Network Administrator</u> Senior Programmer/Analyst Senior Vehicle/Equipment Maintenance Mechanic Senior Recycled Water Systems Specialist Water Maintenance Supervisor Water Maintenance Manager Water Resources Supervisor Water Resources Manager | | |
| <u>Designated Persons</u> | <u>Disclosure Categories</u> | <u>Schedules Associated</u> |
| Engineering Consultants ² | Group IV 1, 4 and 5 | All |

² Consultants shall be included in the list of DESIGNATED PERSONS and shall disclose pursuant to the disclosure categories specified, subject to the following limitation:
The General Manager may determine in writing that a particular consultant, although a "designated person," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements described in the Code. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. The

| | | |
|---|---------|-------------------------|
| Special Legal Counsel ² | | |
| Financial Consultants ² <u>Group V</u> | 4 and 5 | A-1, A-2, C, D and E |

General Manager's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code.

NOTE: APPENDIX “A-2” set forth below is contained in the District’s Conflict of Interest Code, as amended from time to time. Any amendment to APPENDIX “A-2” will automatically be included in this Policy No. 45.

Irvine Ranch Water District

APPENDIX “A-2”

ECONOMIC INTERESTS THAT MUST BE REPORTED
PURSUANT TO CONFLICT OF INTEREST CODE

Category 1:

Interests in real property

Category 2:

Investments in or income (including loans, gifts and travel payments) from business entities which manufacture, distribute, lease, retail, or sell items which are, or which have been or foreseeably could be, utilized or procured by IRWD, including, but not limited to, any of the following:

1. Office equipment and supplies
2. Computer hardware and software
3. Printing, reproduction or photographic equipment and supplies
4. Periodicals, books, newspapers
5. Chemicals
6. Petroleum products
7. Motor vehicles and specialty vehicles, parts and supplies
8. Construction and maintenance equipment and supplies
9. Safety equipment and supplies
10. Food supplies
11. Water quality equipment and supplies
12. Cathodic protection equipment and supplies
13. Educational equipment and supplies
14. Medical supplies and informational materials
15. Landscape supplies
16. Pipes, valves, fittings, pumps, meters and similar items

Category 3:

Investments in or income (including loans, gifts and travel payments) from business entities which contract or subcontract for, or consult in, the performance of work or services which are, or which have been or foreseeably could be, utilized or procured by IRWD, including, but not limited to, any of the following:

1. Public utilities
2. Financial audit and accounting services
3. Insurance services
4. Construction and maintenance services
5. Transportation and lodging services
6. Security services
7. Banking, savings and loan services
8. Food services
9. Communication services
10. Water quality testing
11. Cathodic protection services
12. Engineering, architectural and construction inspection services
13. Employment and temporary help services
14. Educational and medical services
15. Landscape and topographical services
16. Equipment rentals
17. Real estate, appraisal and investment services
18. Consulting services in: legal, energy and power, soils testing, water treatment, data processing, computers, labor relations, employee training, advertising, design, audio visual, movie production, planning, water pricing and demand, economics, desalting, environmental analysis
19. Printing and reproduction services

Category 4:

Investments in or income (including loans, gifts and travel payments) from business entities which manufacture, distribute, lease, retail, or sell items which are recommended or suggested by you in your capacity as a consultant to IRWD, including, but not limited to, the items listed under Category 2.

Category 5:

Investments in or income (including loans, gifts and travel payments) from business entities which contract or subcontract for, or consult in, the performance of work or services which are recommended or suggested by you in your capacity as a consultant to IRWD, including, but not limited to, the items listed under Category 3.

Category 6:

Gifts and travel payments from

(A) business entities which manufacture, distribute, lease, retail, or sell items which are, or which have been or foreseeably could be, utilized or procured by IRWD, including, but not limited to, the items listed under Category 2, and

(B) business entities which contract or subcontract for, or consult in, the performance of work or services which are, or which have been or foreseeably could be, utilized or procured by IRWD, including, but not limited to, the items listed under Category 3.

EXHIBIT "B"

RESOLUTION NO. 2011 -

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, RESCINDING RESOLUTION NO. 2008-61 AND ESTABLISHING REVISED PERSONNEL POLICIES (FOR POLICY NO. 45)

WHEREAS, the Irvine Ranch Water District (IRWD) is a California Water District formed pursuant to Division 13 of the Water Code of the State of California; and

WHEREAS, Section 34900 of said Code provides that the Board of Directors shall employ and appoint such agents, officers and employees as may be required and prescribe their duties and fix their salaries; and

WHEREAS, by adoption of Resolution No. 2008-61 dated October 13, 2008, the Board established revised Personnel Policies; and

WHEREAS, the Board of Directors of Irvine Ranch Water District deem it advisable and in the best interest of said District to revise Personnel Policies as follows:

Policy No. 45 – Conflict of Interest has been revised to update Appendix A-1 of the Fair Political Practice Commission's Form. Additionally, language was amended relative to gifts to the District.

NOW, THEREFORE, the Board of Directors of Irvine Ranch Water District hereby resolve, determine and order as follows:

Section 1. That Resolution No. 2008-61 be and hereby are rescinded in their entirety.

Section 2. That the Finance and Personnel Committee be authorized to approve exceptions to the District's Personnel Policies and procedures as long as those exceptions do not violate the general intent of the policy and/or procedure and are made in the best interest of the overall operations of the District. Any changes made by Committee are to be reported to the Board of Directors.

Section 3. That the Personnel Policies for Irvine Ranch Water District be, and hereby are, approved and adopted as more specifically set forth in Exhibit "A" of this Resolution, attached hereto and by this reference made a part hereof.

ADOPTED, SIGNED AND APPROVED this 10th day of January, 2011.

President, IRVINE RANCH WATER DISTRICT
and of the Board of Directors thereof

District Secretary, IRVINE RANCH WATER DISTRICT
and of the Board of Directors thereof

APPROVED AS TO FORM;
BOWIE, ARNESON, WILES AND GIANNONE
Legal Counsel - IRWD

By _____

IRVINE RANCH WATER DISTRICT

PERSONNEL POLICIES AND PROCEDURES MANUAL

POLICY NO. 45 - CONFLICT OF INTEREST

1. Purpose of Policy

The purpose of this Conflict of Interest Policy is to ensure that all District personnel comply with all applicable statutory and administrative requirements pertaining to their actions, duties and responsibilities on behalf of or in relation to the District. These matters are not limited to, but include, “conflicts of interests,” “potential conflicts of interest,” “incompatible offices” and other activities which might reflect adversely on the District or District personnel.

District personnel shall conduct themselves in a manner so as not to give rise to improprieties or situations inconsistent with this Policy. Procedures, policies and records shall be established and maintained to verify that the Policy has been adhered to by all District personnel. District personnel shall recognize that this Policy and applicable laws are concerned with not only actual conflict or wrongdoing but the potential or appearance of conflict. District employees shall not use the prestige or influence of their positions for personal gain or advantage.

Unless otherwise expressly defined, the terms used in this Policy shall have the same meanings as in the Political Reform Act (Title 9 of the California Government Code) and the regulations issued by the Fair Political Practices Commission (FPPC) pursuant to the Political Reform Act.

2. Employee Responsibility

A. Compliance with Applicable Laws and Regulations

All District personnel shall comply with all applicable provisions of the Political Reform Act, the FPPC Regulations issued under the Political Reform Act, Section 1090 *et seq.* of the California Government Code (prohibitions on self-interest in contracts), and all other laws and regulations pertaining to conflicts of interest and incompatible public offices. These include, but are not limited, to the following requirements:

- (1) **Reporting** of economic interests required annually, and upon assuming office and leaving office, by employees who are “Designated Persons” (as defined in the District’s Conflict of Interest Code, Appendix A-1) on FPPC Form 700;
- (2) Compliance with **prohibitions on acceptance of gifts and honoraria** above the dollar limit per source set pursuant to state law;

- (3) **Disqualification** from participation in District decisions in which the employee knows or has reason to know the employee has a financial interest.

NOTE: The following requirements established by the District in this Policy are *in addition* to the requirements of state laws and regulations:

B. Gifts to the District

Unless a gift qualifies as a gift to the District under this section, it will be treated as a gift to the employee. A gift of passes or tickets (not including travel or lodging) may be considered a gift to the District and not to an individual employee only under the following circumstances: (1) the General Manager receives and distributes the tickets or passes to employees, spouses and immediate families, and the donor does not earmark them for any specific employee(s), and the General Manager retains a record of the terms under which the tickets or passes were accepted by the District and the terms under which they were distributed and to whom they were distributed; (2) the tickets or passes are for an event in a public facility under the District's jurisdiction and the General Manager distributes them only to employees, spouses and immediate families; or (3) the tickets or passes are for the use of a District employee, spouse and immediate family because the employee has an official or ceremonial role or function to perform on behalf of the District at the event in question.

A payment may be considered a gift to the District and not to an individual employee only under the circumstances allowed in the FPPC regulations. These include the following: the General Manager receives and controls the payment, the payment is used only for official District business, the General Manager determines which employee(s) shall use the payment, the donor does not earmark them for any specific employee(s), and a record of all of the foregoing is filed and maintained with the District Secretary within 30 days of receipt of the payment.

All gifts to the District must be submitted with either the "Gift of Tickets or Passes to Irvine Ranch Water District" or "Gift to Irvine Ranch Water District (Other Than Tickets or Passes)" form to the General Manager's Office for approval and distribution. These forms can be obtained from the District Secretary and must be approved by the General Manager or his/her designee.

C. Entertaining

District personnel who, for District business purposes, must dine and/or entertain vendors, contractors or consultants, shall do so at their own expense. Reimbursement of such expenses shall be subject to approval and shall be limited by the District's policy with respect to allowance of expenses. [Resolution No. 1993-35, as amended from time to time.]

D. Outside Consulting, Business Activity or Employment

All outside business, enterprise, consulting work or employment must be pre-approved by the General Manager or, in the case of the General Manager, by the President of the Board of Directors.

District personnel are prohibited from performing consulting work for or providing any other services or goods to any persons or firms doing business with the District.

District personnel shall not engage in any employment, activity, or enterprise which is inconsistent, incompatible or in conflict with their duties as District employees or with the duties, functions, or responsibilities of the District. District personnel shall not perform any business, enterprise, work, service, or counsel outside of their District employment where any part of their efforts will be subject to approval by any other officer, employee or board of the District, unless otherwise approved in the manner prescribed by this Policy.

An employee's outside employment, activity, business or enterprise may be prohibited if it: (1) involves the use for private gain or advantage of his or her District time, facilities, equipment and supplies; or the badge, uniform, prestige, or influence of his or her District office or employment or, (2) involves receipt or acceptance by the employee of any money or other consideration from anyone other than the District for the performance of an act which the employee, if not performing such act, would be required or expected to render in the regular course or hours of his or her District employment or as a part of his or her duties as a District employee or, (3) involves the performance of an act in other than his or her capacity as a District employee which act may later be subject directly or indirectly to the control, inspection, review, audit, or enforcement of any other District employee or the District, or (4) involves efforts or time demands as would render performance of his or her duties as a District employee less efficient. The General Manager (or the President, in the case of the General Manager) will notify the employee whether any outside employment, consulting work, activity, business or enterprise is approved or disapproved. Appeal from such determination may be made to the Board of Directors.

Nothing in this Section shall relieve employees from the requirement to report and other requirements applicable to outside employment, consulting work, activity, business or enterprise under Sections 2A of this Policy.

3. Disciplinary Actions for Non-Compliance

Non-compliance with this Policy shall subject the employee to disciplinary actions commensurate with the violation, up to and including termination.

4. Administration

The District Secretary shall be responsible for administration of this Policy, under the direction of the Board of Directors, the General Manager and, if necessary, the Director of Human Resources.

APPROVED:

Director of Human Resources

~~October 13, 2008~~ December 13, 2010
Date

General Manager

~~October 13, 2008~~ December 13, 2010
Date

~~Archived 5/12/08~~

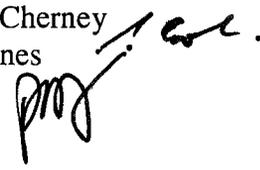
Revised 12/13/10

January 10, 2011

Prepared by: Tanja Fournier/Rob Jacobson

Submitted by: Debby Cherney

Approved by: Paul Jones



ACTION CALENDAR

2010 SERIES B GENERAL OBLIGATION BONDS FIRST SUPPLEMENTAL INDENTURE APPROVAL

SUMMARY:

At its meeting on November 22, 2010, the IRWD Board adopted a Resolution of Issuance for \$175,000,000 of general obligation bonds which included approval of the Indenture of Trust, the Preliminary Official Statement and a covenant that the Board will approve, execute and deliver a First Supplemental Indenture of Trust for the purpose of making a pledge of revenues to the bonds at its first meeting held after January 1, 2011, but in no event later than January 31, 2011.

Consistent with the District's covenant, staff recommends that the Board adopt a resolution approving the First Supplemental Indenture of Trust for the 2010 Series B General Obligation Bonds (2010B Bonds), and authorize and direct the President and Secretary to execute the same.

BACKGROUND:

At its meeting on November 22, 2010, the Board adopted a Resolution of Issuance which included a covenant that the Board will approve, execute and deliver a First Supplemental Indenture for the 2010B Bond issue at its first meeting held after January 1, 2011, but in no event later than January 31, 2011. The purpose of the First Supplemental Indenture is to incorporate the provisions of Senate Bill 613 (SB 613) allowing IRWD to pledge the net revenues of the District to certain general obligation bond issues. SB 613 was signed by the Governor in late 2010 and became effective January 1, 2011.

The credit ratings, marketing efforts and subsequent pricing for the 2010B Bonds is predicated on the strength of the District's revenue pledge and the Board's approval and adoption of the First Supplemental Indenture. Staff recommends that the Board adopt a resolution approving the First Supplemental Indenture, and authorize and direct the President and Secretary to execute the same. Failure to adopt the resolution would result in an extraordinary call of the bonds, in effect reversing the bond sale with the District incurring all costs of issuance. Copies of the resolution and First Supplemental Indenture are attached as Exhibit "A" and Exhibit "B", respectively.

Bond Sale Pricing:

The \$175 million 2010 Series B General Obligation bonds were issued as federally taxable Build America Bonds. The new issue priced on December 7, 2010 at a taxable interest rate of 6.62%, and a net interest rate to the District of 4.30%, after factoring the 35% federal tax subsidy provided by the Build America Bond program. The transaction successfully closed on December 16, 2010 providing the District with net proceeds of \$173.8 million (after deducting underwriting fees and cost of issuance) for future and reimbursable capital expenditures.

FISCAL IMPACTS:

Adopting the resolution related to the approval and execution of the First Supplemental Indenture for the 2010 Series B Bonds will have no fiscal impact. Bond Issuance in the par amount of \$175 million resulted in approximately \$1,200,000 in cost of issuance, including \$961,000 in underwriting fees and expenses, \$115,000 for co-bond counsel, \$108,000 for rating agency fees, and \$30,000 in other miscellaneous costs of issuance expenses.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

COMMITTEE STATUS:

The 2010 bond issuance was reviewed and approved by the Finance and Personnel Committee on October 5, 2010 and November 2, 2010 and by the Board on October 8, 2010, October 25, 2010, November 8, 2010 and November 22, 2010.

RECOMMENDATION:

THAT THE FOLLOWING RESOLUTION BE ADOPTED BY TITLE:

RESOLUTION NO. 2011- ____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER
DISTRICT APPROVING FIRST SUPPLEMENTAL INDENTURE OF TRUST
(BONDS OF IRVINE RANCH WATER DISTRICT SERIES 2010B)

EXHIBITS:

Exhibit "A" – Resolution Approving First Supplemental Indenture of Trust
Exhibit "B" – First Supplemental Indenture of Trust

Exhibit "A"

RESOLUTION NO. 2011-_____

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT
APPROVING FIRST SUPPLEMENTAL INDENTURE OF TRUST
(BONDS OF IRVINE RANCH WATER DISTRICT SERIES 2010B)

WHEREAS, the Irvine Ranch Water District (the "District") has issued the Bonds of Irvine Ranch Water District, Series 2010B (Federally Taxable – Build America Bonds) (the "Bonds"), pursuant to an Indenture of Trust dated as of December 1, 2010 (the "Indenture"), by and between the District and U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, by Chapter 624 of the California Statutes of 2010, there has been added to the Water Code Section 36447.15 thereof, effective January 1, 2011, authorizing the District to provide credit enhancement in connection with the issuance or carrying of consolidated general obligation bonds for improvement districts by pledging and applying all or any part of the revenues of the District to the payment or security of any or all of the principal and redemption price of the bonds and the interest thereon in the manner and upon terms that the Board of Directors may deem advisable; and

WHEREAS, in accordance with subdivision (f) of Section 36447.15, by adoption of Resolution No. 2010-40, the Board of Directors adopted criteria to govern its determinations to use pledges pursuant to said section and duly considered such criteria in regard to the use of a pledge of certain revenues of the District to be made in connection with the issuance or carrying of the Bonds; and

WHEREAS, pursuant to Resolution No. 2010-42 authorizing the issuance of the Bonds (the "Authorizing Resolution") and the Indenture, the District covenanted that, to the extent legally authorized to do so pursuant to Chapter 624 of the Statutes of 2010 or other provision of law then in effect, the District will at the first meeting of the Board of Directors held after January 1, 2011, but in no event later than January 31, 2011, approve, execute and deliver a first supplemental indenture of trust in the form attached to the Indenture with only such changes from such form as will not materially adversely affect the interests of the owners of the Bonds, for the purpose of making a pledge of revenues to the Bonds in accordance with the terms and conditions set forth in such form of the first supplemental indenture of trust and in accordance with Section 36447.15 of the Water Code; and

WHEREAS, there has been placed on file with the Secretary of the District said form of the first supplemental indenture of trust, pursuant to which the above-described pledge will be made, and this Board desires to perform such covenant and to approve the form and authorize the execution of the first supplemental indenture of trust;

NOW, THEREFORE, the Board of Directors of the Irvine Ranch Water District DOES HEREBY RESOLVE, DETERMINE and ORDER as follows:

Section 1. The Board of Directors duly considered the criteria set forth in Resolution No. 2010-40 in connection with its adoption of the Authorizing Resolution.

Section 2. The first supplemental indenture of trust, by and between the District and the Trustee, to be dated as of January 1, 2011, is hereby approved in the form on file with the Secretary upon adoption of this resolution, and the President and Secretary of the District are authorized and directed to execute it in such form, with such changes, insertions and deletions as are approved by the Treasurer of the District with the concurrence of the President, which approval will be conclusively evidenced by execution and

delivery thereof. The form of the first supplemental indenture of trust, as so executed and delivered (the "First Supplemental Indenture") is incorporated herein as of its date, by this reference.

Section 3. The President, the Treasurer, the Secretary and each other officer of IRWD, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this resolution and the First Supplemental Indenture.

Section 4. This resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED AND APPROVED this ____ day of _____, 2011.

President/Vice President
IRVINE RANCH WATER DISTRICT
and of the Board of Directors
thereof

Secretary/Assistant Secretary
IRVINE RANCH WATER DISTRICT
and of the Board of Directors
thereof

APPROVED AS TO FORM:

BOWIE, ARNESON,
WILES & GIANNONE
Legal Counsel - IRWD

By _____

BAWG/ 00155120/ 010411

FIRST SUPPLEMENTAL INDENTURE OF TRUST

by and between the

IRVINE RANCH WATER DISTRICT

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

Dated as of January 1, 2011

**BONDS OF IRVINE RANCH WATER DISTRICT,
SERIES 2010B (FEDERALLY TAXABLE - BUILD AMERICA BONDS)**

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FIRST SUPPLEMENTAL INDENTURE OF TRUST

THIS FIRST SUPPLEMENTAL INDENTURE OF TRUST, dated as of January 1, 2011, by and between IRVINE RANCH WATER DISTRICT, a California Water District, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee;

WITNESSETH:

WHEREAS, IRWD (capitalized terms used herein and not otherwise defined shall have the meanings given such terms in Section 103) and the Trustee have heretofore entered into the Original Indenture with respect to the issuance of, and security for, the Bonds; and

WHEREAS, the Original Indenture authorizes IRWD and the Trustee to enter into this First Supplemental Indenture for the purposes of fulfilling IRWD's covenant to pledge the Revenues (subject to application as provided herein) to secure the payment of the principal and Redemption Price of, and interest on, the Bonds; and

WHEREAS, IRWD and the Trustee now desire to enter into this First Supplemental Indenture; and

WHEREAS, all acts and things have been done and performed which are necessary to make this First Supplemental Indenture a valid and binding agreement for the security of the Bonds as provided in the Original Indenture as amended and supplemented by this First Supplemental Indenture;

NOW, THEREFORE THIS FIRST SUPPLEMENTAL INDENTURE OF TRUST WITNESSETH:

That, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created and originally created by the Original Indenture, the mutual covenants herein contained and the purchase and acceptance of the Bonds issued under the Original Indenture by the Owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, and in order to secure the payment of the principal and Redemption Price of, and interest on, the Bonds according to their tenor and effect, and the performance and observance by IRWD of all the covenants and conditions herein and therein contained on its part to be performed, it is agreed by and between IRWD and the Trustee as follows:

ARTICLE I

AUTHORITY AND DEFINITIONS

101. Supplemental Indenture of Trust. This First Supplemental Indenture is supplemental to the Original Indenture.

102. Authority for the First Supplemental Indenture of Trust. This First Supplemental Indenture is adopted in accordance with subsection (b) of Section 8.01 of the Original Indenture.

103. Definitions.

(a) Except as otherwise provided herein, all terms which are defined in Section 1.01 of the Original Indenture, as amended pursuant to this First Supplemental Indenture, shall have the same meanings, respectively, in this First Supplemental Indenture as such terms are given in said Section 1.01 of the Original Indenture.

(b) The definition of the term “Trust Estate” contained in Section 1.01 of the Original Indenture is hereby amended in its entirety to read as follows:

“**Trust Estate**” means: (i) all of the monies in the Bond Payment Fund, and all accounts in such Fund, including the investments, if any, thereof, and all income and proceeds derived from such investments; and (ii) subject to application on the terms and conditions contained herein, the Revenues.

(c) Section 1.01 of the Original Indenture is hereby amended by adding the following defined terms to said Section 1.01 in the proper alphabetical order:

“**Accountant’s Report**” means a report signed by an Independent Certified Public Accountant.

“**Aggregate Debt Service**” means, for any period, the Debt Service on all Outstanding Parity Obligations during such period.

“**Applicable Fiscal Year**” means, with respect to the satisfaction of the requirements of Section 5.18 with respect to additional Parity Obligations, that Fiscal Year as to which the audited financial statements of IRWD are available and which immediately precedes that Fiscal Year selected by IRWD in which either the additional Parity Obligations are issued or the Board adopts the resolution authorizing the issuance of such Parity Obligations.

“**Credit Support Agreement**” means, (i) with respect to any Credit Support Instrument, other than a Revenue Enhancement Agreement, the agreement or agreements (which may be the Credit Support Instrument itself) between IRWD and the obligor under such Credit Support Instrument, as originally executed or as it may from time to time be replaced, supplemented or amended, providing for the reimbursement of payments under such Credit Support Instrument, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document and (ii) with respect to any Revenue Enhancement Agreement, the Revenue Enhancement Agreement itself, together with any related pledge agreement, security agreement or other security document.

“**Credit Support Instrument**” means any of: (i) a policy of insurance, a letter of credit, a line of credit, a standby purchase agreement, revolving credit agreement or other credit arrangement providing credit or liquidity support with respect to the payment of interest, principal or purchase price of any Parity Obligations; (ii) a Prior Reimbursement Agreement; or (iii) a policy of insurance, a letter of credit, a line of credit, a standby bond purchase agreement or other credit arrangement, including a Revenue Enhancement Agreement, providing credit or

liquidity support with respect to the payment of interest, principal or purchase price of any General Obligations Bonds.

“Debt Service” means, for purposes of Section 5.17 and Section 5.18 with respect to any Outstanding Parity Obligations, and for purposes of Section 5.18 with respect to any additional Parity Obligations to be issued, and for any Fiscal Year, the sum of: (i) the interest on such Parity Obligations payable during such Fiscal Year (except to the extent that such interest is capitalized); (ii) the principal of such Parity Obligations maturing (including by declared acceleration of maturity) during such Fiscal Year; and (iii) the principal of and premium, if any, of such Parity Obligations coming due during such Fiscal Year by virtue of the mandatory redemption or prepayment of such Parity Obligations whether from mandatory sinking fund account payments or otherwise;

but minus the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for such Parity Obligations;

provided that, as to any such Parity Obligations (other than Credit Support Instruments) bearing or comprising interest at other than a fixed rate, for purposes of calculating Debt Service on such Parity Obligations, such Parity Obligations shall be assumed to bear interest at a fixed rate equal to the SIFMA Index as of any date selected by IRWD which is within 30 days of the date of calculation;

and provided that, as to any such Parity Obligation relating to an advance under a Credit Support Instrument and bearing or comprising interest at other than a fixed rate, for purposes of calculating Debt Service on such Parity Obligation, such Parity Obligation shall be assumed to bear interest at a fixed rate equal to the rate applicable to such advance as of the date of calculation;

and provided further that if any such series or issue of Parity Obligations has twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one Fiscal Year, Debt Service on such Parity Obligations shall be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of Parity Obligations were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation;

and provided further that, as to any such Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service;

and provided that if interest on such Parity Obligations is reasonably anticipated to be reimbursed to IRWD by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program, then interest payments with respect to such Parity Obligations shall be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America;

and provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Parity Obligations for which such debt service reserve fund was established and in each preceding year until such amount is exhausted;

and provided further that if principal and interest on such Parity Obligations is secured by a Revenue Enhancement Agreement, then the principal and interest payments with respect to such Parity Obligations shall be excluded by the amount of such principal and interest reasonably anticipated to be paid from (i) *ad valorem* assessments on taxable land levied by IRWD pursuant to the Act with respect to such Parity Obligations; (ii) water and sewer charges which in the discretion of the Board of Directors of IRWD are fixed and collected pursuant to the Act in lieu of *ad valorem* assessments with respect to such Parity Obligations; and (iii) proceeds from the sale of property pursuant to the Act for the enforcement of delinquent assessments with respect to such Parity Obligations, in each case pursuant to such Revenue Enhancement Agreement.

“Facilities” mean all property and rights in property owned by IRWD, and used by IRWD in providing water, sewer and/or reclaimed water services, including all facilities included in its water, sewer and reclaimed water systems, rights to water and capacity and other rights or interests in water production, transmission, treatment and disposal facilities as now existing or hereafter acquired or constructed and as the same may be modified and expanded, including all replacements thereof and improvements thereto.

“Generally Accepted Accounting Principles” means accounting principles generally accepted in the United States and applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

“General Obligation Bonds” means bonds issued by IRWD pursuant to the Act and payable from *ad valorem* assessments.

“Government Code” means the California Government Code, as amended.

“Government Contracts” means, collectively: (i) Agreement No. 7-805-550-0, the Loan Contract, dated February 1, 1988, between the State Water Resources Control Board and IRWD under the Water Reclamation Loan Program, Clean Water Bond Act of 1984, as amended and supplemented; (ii) Loan Contract No. 0-804-550-0, Water Reclamation Loan Program, Clean Water Bond Act of 1984, Loan Contract, dated June 1, 1990, between the State Water Resources Control Board and IRWD, as amended and supplemented and (iii) the 1996 Amended and Restated Allen-McColloch Pipeline Sublease, dated as of March 1, 1996, by and between the Municipal Water District of Orange County and the Los Alisos Water District (with respect to whose rights and obligations IRWD is the legal successor).

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by IRWD, and who, or each of whom:

(A) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of IRWD;

(B) does not have a substantial financial interest, direct or indirect, in the operations of IRWD; and

(C) is not connected with IRWD as a director, officer or employee of IRWD, but who may be regularly retained to audit the accounting records of and make reports thereon to IRWD.

“Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by IRWD, and who, or each of whom: (1) is in fact independent and not under domination of IRWD; (2) does not have any substantial interest, direct or indirect, with IRWD; and (3) is not connected with IRWD as an officer or employee thereof, but who may be regularly retained to make reports thereto.

“Net Revenues” means, for any period of time, the Revenues for such period less the Operation and Maintenance Expenses for such period.

“Obligations” means (a) obligations of IRWD with respect to borrowed money, including bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from Net Revenues, (b) obligations to replenish any debt service reserve fund with respect to obligations described in (a) above, (c) obligations secured by or payable from any of obligations described in (a) above, and (d) Credit Support Agreements payable from Net Revenues.

“Operating Systems” mean IRWD’s systems for providing water, sewer, reclaimed water and surface runoff services and any other utilities and services which IRWD may provide as the same now exist on the date hereof and as the same may be improved, replaced and expanded.

“Operation and Maintenance Expenses” mean the costs and expenses paid or incurred by IRWD for operating and maintaining the Operating Systems including, but not limited to: (a) all costs of water generated or purchased by IRWD for resale; (b) all costs and expenses of providing services and commodities through or with the Operating Systems; (c) all costs and expenses of management of the Operating Systems; (d) all costs and expenses of maintenance and repair of, and other expenses necessary or appropriate in the judgment of IRWD to maintain and preserve, any of the Operating Systems in good repair and working order; (e) all administrative and general expenses, such as salaries and wages of employees, overhead, taxes (if any), insurance premiums, retirement benefits and health care benefits; (f) all deposits to be made to a contingency reserve for Operation and Maintenance Expenses; (g) all deposits to be made to a rebate fund established with respect to Parity Obligations to provide for any rebate to the United States required to maintain the tax-exempt status of interest on such Parity

Obligations; (h) any cost or expense paid or incurred by IRWD to comply with requirements of law applicable to any of the Operating Systems or the ownership or operation thereof or any activity in connection therewith; and (i) any other cost or expense which, in accordance with Generally Accepted Accounting Principles, is to be treated as an expense of operating or maintaining any of the Operating Systems; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, and amortization of intangibles.

“Original Indenture” means that certain Indenture of Trust, dated as of December 1, 2010, by and between IRWD and the Trustee, as originally executed and delivered.

“Parity Obligations” means: (i) the Bonds; (ii) the Installment Sale Agreement, dated as of February 1, 2010, between IRWD and the Irvine Ranch Water District Water Service Corporation; (iii) the Prior Reimbursement Agreements; (iv) the State Revolving Loan Contract No. 6-817-550-0, dated June 26, 1997, between the State Water Resources Control Board and IRWD, as amended and supplemented; and (v) any other Obligations which are payable from Net Revenues on a parity with the Bonds and issued in accordance with Section 5.18.

“Prior Installment Contract” means the Agreement for Acquisition and Construction, dated as of November 1, 1990, by and among County Sanitation District No. 1 of Orange County, California, County Sanitation District No. 2 of Orange County, California, County Sanitation District No. 3 of Orange County, California, County Sanitation District No. 5 of Orange County, California, County Sanitation District No. 6 of Orange County, California, County Sanitation District No. 7 of Orange County, California, County Sanitation District No. 11 of Orange County, California, County Sanitation District No. 13 of Orange County, California, County Sanitation District No. 14 of Orange County, California, as amended and supplemented.

“Prior Reimbursement Agreements” means collectively: (i) the three Reimbursement Agreements, each dated as of May 1, 1996, as amended as of May 1, 2005, between IRWD and Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch; (ii) the Fourth Amended and Restated Reimbursement Agreement, dated as of April 30, 2009, between IRWD and Bank of America, N.A.; (iii) the Amended and Restated Reimbursement Agreement, dated as of April 14, 2009, between IRWD and State Street Bank and Trust Company; (iv) the two Reimbursement Agreements, each dated as of April 1, 2008, between IRWD and Landesbank Baden-Württemberg, acting through its New York Branch; (v) the Reimbursement Agreement, dated as of June 1, 2009, between IRWD and U.S. Bank National Association; (vi) the Reimbursement Agreement, dated as of June 1, 2009, between IRWD and Bank of America, N.A. and (vii) the two Reimbursement Agreements, each dated as of May 1, 2010, between IRWD and Bank of America, N.A.

“Refunding Test Period” means, with respect to the issuance of additional Parity Obligations pursuant to Section 5.18(b) for refunding purposes, each Fiscal Year from and including the Fiscal Year in which such additional Parity Obligations are to be issued to and including the latest Fiscal Year in which Debt Service is payable on the Parity Obligations Outstanding immediately prior to the issuance of such additional Parity Obligations.

“Revenue Fund” means, collectively, funds into which Utility Rates and Charges and Investment Income are deposited and held including any successor funds and accounts.

“Subordinate Obligations” mean all Obligations other than Parity Obligations, including but not limited to amounts due under the Prior Installment Contract and the Government Contracts.

“Test Period” means, with respect to a calculation of Aggregate Debt Service in connection with the issuance of additional Parity Obligations pursuant to Section 5.18(a)(2), the period from and including the Applicable Fiscal Year for the issuance of such additional Parity Obligations to and including the first complete Fiscal Year after the latest date of operation of any project being financed or refinanced with the proceeds of such additional Parity Obligations.

“Unrestricted Cash” means funds held by or on behalf of IRWD and available to pay Debt Service.

104. Rules of Construction. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. Words of any gender shall be deemed and construed to include all genders. Unless otherwise indicated, all references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses of this First Supplemental Indenture; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this First Supplemental Indenture as a whole and not to any particular articles, section, subdivision or clause thereof. The word “issue” when used with respect to an Obligation shall be construed to mean issue, enter into or otherwise become obligated under or pursuant to such Obligation.

ARTICLE II

REVENUES; REVENUE FUND

201. Pledge of Revenues. The Original Indenture is hereby amended and supplemented by adding thereto a new article, denominated Article XI, to read as follows:

ARTICLE XI

REVENUES; REVENUE FUND

SECTION 11.01. Pledge of Revenues. Subject to the application thereof on the terms and conditions provided in Section 11.02, all Revenues are hereby irrevocably pledged to the payment when due of the principal and Redemption Price of, and interest on, the Outstanding Bonds which pledge shall be on a parity with any pledge of Revenues securing other Parity Obligations. This pledge shall constitute a pledge of and charge and lien upon the Revenues for the payment of the principal and Redemption Price of, and interest on, the Outstanding Bonds and all other Parity Obligations in accordance with the terms hereof and thereof after payment from the Revenues of the Operation and Maintenance Expenses, and the funding of contingency reserves therefor, as provided in the Indenture.

SECTION 11.02. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained in Section 11.01, IRWD agrees and covenants that all Revenues

received by it shall be deposited when and as received in the Revenue Fund which fund has heretofore been established by IRWD and which fund IRWD agrees and covenants to maintain as a special fund, separate and apart from other moneys of IRWD so long as any Bond remains Outstanding. All Revenues shall be applied in the following order of priority:

(a) First to the payment of Operation and Maintenance Expenses (other than the funding of contingency reserves for Operation and Maintenance Expenses) as they become due and payable.

(b) Second, to the funding of contingency reserves for Operation and Maintenance Expenses.

(c) Third: (i) two (2) Business Days before each Interest Payment Date, to a deposit to the Bond Payment Fund in an amount equal to the transfer to the Interest Account and the Principal Account to be made on such Interest Payment Date; and (ii) on each date, other than an Interest Payment Date, on which the principal of an Outstanding Bond becomes due, whether by mandatory redemption, acceleration, or otherwise, to a deposit to the Bond Payment Fund in an amount equal to the principal and Redemption Price of, and interest on, the Outstanding Bonds coming due on such date. Notwithstanding the provisions of the immediately preceding sentence, no such deposit to the Bond Payment Fund need be made by IRWD to the extent the Trustee then holds, or is concurrently receiving from IRWD from Assessment Proceeds or other sources that do not constitute Revenues, moneys for such purpose in the Bond Payment Fund, or being deposited in the Bond Payment Fund, available to pay the principal and Redemption Price of, and interest on, the Outstanding Bonds to be paid with such deposit. IRWD shall also pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Parity Obligations (other than the principal and Redemption Price of, and interest on, the Outstanding Bonds), without preference or priority between transfers made pursuant to this sentence and the first sentence of this subsection (c), and in the event of any insufficiency of such moneys ratably without any discrimination or preference, on the dates specified in the proceedings relating to such Parity Obligations, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest on Parity Obligations (other than the principal and Redemption Price of, and interest on, the Outstanding Bonds) in accordance with the terms of such Parity Obligations.

(d) Fourth, IRWD shall transfer or cause to be transferred to any applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded, without preference or priority between transfers made pursuant to this subsection (d), and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein in accordance with the terms of such Parity Obligations.

(e) Fifth, to any lawful purpose of IRWD, including the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate

Obligations, which application shall be free and clear of the pledge and lien on Revenues created by this First Supplemental Indenture.

SECTION 11.03. Investments. Any moneys held in the Revenue Fund shall be invested by IRWD in any investment permitted by law for such funds which will mature on or before the dates when such moneys are anticipated to be needed for disbursement hereunder. All investment earnings from moneys or deposits in the Revenue Fund shall be credited in such fund and applied only to the purposes permitted for such fund.

IRWD may commingle any of the moneys in the Revenue Fund with the moneys held in other funds or accounts (except for moneys held in any rebate fund, which shall be held separately) for investment purposes only; provided however, that all moneys in the Revenue Fund shall be accounted for separately notwithstanding such commingling.

ARTICLE III

ADDITIONAL COVENANTS

301. Additional Covenants. Article V of the Original Indenture is hereby amended and supplemented by adding the following additional covenants of IRWD to said Article V:

SECTION 5.08 Against Encumbrances. IRWD will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for IRWD in, upon, about or relating to the Facilities and will keep the Facilities free of any and all liens. In the event any such lien attaches to or is filed against any portion of the Facilities, IRWD will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if IRWD desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Facilities. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, IRWD will forthwith pay or cause to be paid and discharged such judgment.

SECTION 5.09 Sale or Other Disposition of Facilities. IRWD will not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part or rights of the Facilities or any real or personal property comprising a part of the Facilities if such sale, transfer or disposition would cause IRWD to be unable to satisfy its obligations under this First Supplemental Indenture.

SECTION 5.10 Maintenance of Facilities by IRWD. IRWD will maintain and preserve the Facilities in good repair and working order at all times and will operate the Facilities in an efficient and economical manner and will pay all maintenance and operation costs, as they become due and payable. IRWD agrees that, at its own cost and expense, it will maintain, preserve and keep its Facilities and every part and parcel thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and

proper repairs, replacements and renewals. The Trustee shall have no responsibility in any of these matters.

SECTION 5.11 Budgets. IRWD will take such action as shall be necessary to include all principal and Redemption Price of, and interest on, the Outstanding Bonds coming due in each Fiscal Year, and which are not expected to be paid from Assessment Proceeds, in its budget for such Fiscal Year. IRWD will adopt and file with the Trustee, not later than June 30 of each year, a budget for the succeeding Fiscal Year, approved by the Board, setting forth the estimated Operation and Maintenance Expenses of the Facilities for such Fiscal Year and including all payments of principal and Redemption Price of, and interest on, the Outstanding Bonds to be made from Revenues in such Fiscal Year, and which are not expected to be paid from Assessment Proceeds; provided, that, subject to including all payments of principal and Redemption Price of, and interest on, the Outstanding Bonds required to be made from Revenues hereunder in such Fiscal Year and which are not expected to be paid from Assessment Proceeds, any such budget for a Fiscal Year may be amended at any time during such Fiscal Year and such amended budget shall be filed by IRWD with the Trustee. When filed with the Trustee, such budget and any amendments thereto shall include a letter from IRWD stating that all payments of principal and Redemption Price of, and interest on, the Outstanding Bonds required to be made from Revenues hereunder, and which are not expected to be paid from Assessment Proceeds, have been included in the attached annual budget.

SECTION 5.12 Insurance. IRWD will procure and maintain such insurance relating to the Facilities which it shall deem advisable or necessary to protect its interests and operations, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with public water, sewer and reclaimed water systems similar to the Facilities; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained hereunder shall provide that the Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Notwithstanding the foregoing provisions of this Section, if at any time IRWD shall be unable to obtain or maintain insurance to the extent required by such provisions on reasonable terms, as to amounts, costs or as to risks, the failure to maintain such insurance shall not constitute an Event of Default under the Indenture if IRWD shall cause the employment of an independent insurance consultant having a favorable reputation for skill and experience in such matters, for the purpose of reviewing such insurance requirements and making recommendations respecting the types, amounts and provisions of reasonably obtainable insurance, including self-insurance, or the establishment of other generally accepted forms of alternative protection that should be carried in lieu thereof, or the infeasibility of obtaining insurance, and if IRWD shall comply with the recommendations made in such report. A signed copy of the report of the insurance consultant shall be filed with the Trustee, and the insurance requirements specified in this Section shall be deemed to be modified to conform with the recommendations in such report.

SECTION 5.13 Accounting Records; Financial Statements and Other Reports.

(a) IRWD will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Facilities, which records shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions.

(b) IRWD will prepare and file with the Trustee annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2011):

(i) financial statements of IRWD for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon; and

(ii) a detailed report as to all insurance policies maintained and self-insurance programs maintained by IRWD with respect to the Facilities as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

SECTION 5.14 Payment of Taxes and Compliance with Governmental Regulations.

IRWD will: (i) pay and discharge all taxes, assessments and other governmental charges which may hereafter be imposed upon the Facilities or any part thereof when the same shall become due; and (ii) will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Facilities or any part thereof; provided, however, that IRWD shall not be required to comply with the requirements of either clause (i) or clause (ii) above to the extent that the validity or application of any particular taxes, assessments or other governmental charges, or any particular regulation or requirement, as applicable, shall be contested in good faith and contesting such validity or application will not materially impair the operation or maintenance of the Facilities or the financial condition of IRWD or the ability of IRWD to perform all of its obligations under this Indenture.

SECTION 5.15 Distribution of Net Revenues for Debt Service. IRWD hereby covenants that it will distribute Net Revenues available for debt service on Outstanding Bonds and debt service on all other Outstanding Parity Obligations on a pro rata basis without regard to whether each such Parity Obligation has a funded debt service reserve or a surety bond or other similar funding instrument.

SECTION 5.16 Eminent Domain and Insurance Proceeds. If all or any part of the Facilities shall be taken by eminent domain proceedings, or if IRWD receives any insurance proceeds resulting from a casualty loss to the Facilities, the Net Proceeds thereof, at the option of IRWD, shall be applied either to the proportional redemption of Bonds and any other Parity Obligations or shall be used to make improvements or additions to the Facilities.

SECTION 5.17 Amount of Rates and Charges. To the fullest extent permitted by law, IRWD shall fix, prescribe and collect Revenues which, together with any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, will be at least sufficient to yield during each Fiscal Year Net Revenues

which are at least equal to one hundred twenty-five percent (125%) of Aggregate Debt Service payable during such Fiscal Year. IRWD may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section.

SECTION 5.18 Parity Obligations. IRWD may at any time issue additional Parity Obligations; provided:

(a) The Net Revenues, plus any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, for the Applicable Fiscal Year, as evidenced by both a calculation prepared by IRWD and a special report on such calculation prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on file with IRWD, shall have been at least equal to one hundred twenty five percent (125%) of the Aggregate Debt Service for the Applicable Fiscal Year; and

(b) Either of (1) or (2) below:

(1) The Net Revenues for the Applicable Fiscal Year, plus any adjustments to Net Revenues to give effect as of the first day of the Applicable Fiscal Year to increases or decreases in rates and charges of IRWD approved and in effect as of the date of calculation, plus any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, shall produce an amount at least equal to one hundred twenty-five percent (125%) of the sum of: (i) the Aggregate Debt Service for such Fiscal Year plus (ii) the Debt Service which would have accrued on any Parity Obligations issued since the end of the Applicable Fiscal Year assuming such Parity Obligations had been issued at the beginning of the Applicable Fiscal Year plus (iii) the Debt Service which would have accrued had the additional Parity Obligations to be issued been issued at the beginning of the Applicable Fiscal Year; or

(2) The estimated Net Revenues for each Fiscal Year in the Test Period, plus an allowance for estimated Net Revenues for each Fiscal Year in the Test Period arising from the completion of any uncompleted projects during the Test Period, plus any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, plus any increase in the income, rents, fees, rates and charges estimated to be received by IRWD and which are economically feasible and reasonably considered necessary based on projected operations for the Test Period, shall produce an amount in each Fiscal Year in the Test Period which is at least equal to one hundred twenty-five percent (125%) of the sum of: (i) Aggregate Debt Service in each such Fiscal Year on all then Outstanding Parity Obligations plus (ii) the Debt Service in each such Fiscal Year on the additional Parity Obligations to be

issued plus (iii) the Debt Service in each such Fiscal Year on any additional Parity Obligations estimated by IRWD to be required to complete all uncompleted projects for which Parity Obligations have been or are being issued, assuming that all such additional Parity Obligations to complete uncompleted projects (other than the Parity Obligations to be issued) have maturities, interest rates and proportionate principal repayment provisions similar to the Parity Obligations then being issued.

(c) Notwithstanding the provisions of subsections (a) and (b) of this Section, IRWD may at any time issue additional Parity Obligations to refund Outstanding Parity Obligations without satisfying any of the conditions set forth in such subsections if Aggregate Debt Service after the issuance of such additional Parity Obligations in each Fiscal Year in the Refunding Test Period is not greater than the Aggregate Debt Service in each such Fiscal Year before the issuance of such additional Parity Obligations.

(d) Notwithstanding the provisions of subsections (a) and (b) of this Section, IRWD may at any time issue a Parity Obligation constituting a Credit Support Agreement securing a Parity Obligation without satisfying any of the conditions set forth in such subsections if such Credit Support Agreement: (i) replaces a Prior Reimbursement Agreement (or a successor to a Prior Reimbursement Agreement) and does not increase the principal of bonds secured by the letter of credit relating to such Prior Reimbursement Agreement, or (ii) the Parity Obligations secured by the Credit Support Instrument relating to such Credit Support Agreement have been issued in accordance with subsection (a) and subsection (b) of this Section.

(e) Nothing herein shall preclude IRWD from issuing any Subordinate Obligations without complying with the provisions of any other subsection of this Section.

SECTION 5.19 No Prior Pledge of Revenues. IRWD agrees not to create any pledge of, lien on or charge upon the Revenues with a priority prior to or senior to the pledge of the Revenues securing the Parity Obligations. Nothing in this Section, however, shall prevent IRWD from issuing Subordinate Obligations or granting a pledge of, lien on or charge upon the Revenues in all respects junior and subordinate to the payment of amounts due with respect to Parity Obligations to secure any such Subordinate Obligations. Nothing in this Indenture shall limit IRWD's payment of the Operation and Maintenance Expenses prior to the payment of the Parity Obligations as provided herein.

SECTION 5.20 Further Assurances. IRWD will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Trustee of the rights and benefits provided to it in the Indenture.

SECTION 5.21 Application of Net Revenues upon Acceleration. All Net Revenues available on the date of the declaration of acceleration by the Trustee as provided in Section 6.02 and all Net Revenues thereafter received shall be applied in the following order:

First, to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions of this Article, including reasonable compensation to their agents, accountants and counsel and including any indemnification expenses; and

Second, to the payment of the interest on the Outstanding Bonds then due and interest then due and payable on the entire principal amount of the other unpaid Parity Obligations, and the unpaid principal of the Outstanding Bonds and the principal amount of the other Parity Obligations, together in each case with any applicable prepayment premiums which have become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal of the Bonds at the rate or rates applicable to the respective Bonds and the principal amounts of the other unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the principal of and interest on the Outstanding Bonds and the other Parity Obligations, together with such interest on the Outstanding Bonds and interest on other Parity Obligations, then to the payment thereof ratably, according to the principal and interest due, without any discrimination or preference.

ARTICLE IV

MISCELLANEOUS

401. Exchange of Bonds. Promptly after the execution and delivery of this First Supplemental Indenture by IRWD and the Trustee, the Trustee shall notify the Owners of such execution and delivery and call for the exchange of the Outstanding Bonds for new Bonds substantially in the form attached hereto as Exhibit A in accordance with Section 8.03 of the Indenture.

402. Indenture to Remain in Effect. Save and except as amended and supplemented by this First Supplemental Indenture, the Indenture shall remain in full force and effect.

403. Counterparts. This First Supplemental Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, IRWD has caused this First Supplemental Indenture of Trust to be signed in its name and on its behalf by the President of its Board of Directors, and its seal to be hereunto affixed and attested by its Secretary, thereunto duly authorized, and to evidence its acceptance of the trusts hereby created, the Trustee has caused this First Supplemental Indenture of Trust to be signed in its name and on its behalf by its duly authorized signatory, in each case as of the date first above written.

IRVINE RANCH WATER DISTRICT

By: _____
President of the Board of Directors
of the Irvine Ranch Water District

[SEAL]

ATTEST:

Leslie Bonkowski, Secretary of
the Board of Directors of
the Irvine Ranch Water District

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Signatory

EXHIBIT A

BOND FORM

No. 1

\$175,000,000

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF ORANGE**

[bracketed language applies only to bonds to be registered in the name of Cede & Co.]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE IRVINE RANCH WATER DISTRICT OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

BOND OF IRVINE RANCH WATER DISTRICT

[SERIES 2010B (FEDERALLY TAXABLE - BUILD AMERICA BONDS)]

| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>DATED DATE</u> | <u>CUSIP</u> |
|----------------------|----------------------|--------------------------|--------------|
| 6.622% | May 1, 2040 | December 16, 2010 | |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED SEVENTY-FIVE MILLION DOLLARS

Irvine Ranch Water District, County of Orange, State of California, duly organized and existing under and by virtue of the California Water District Law, Division 13 of the Water Code of the State of California, hereby acknowledges its indebtedness and promises to pay, solely from the sources described in this Bond, to the Registered Owner named above, or registered assigns, upon presentation and surrender hereof, the above-specified principal amount at the maturity hereof, unless earlier redeemed as provided in this Bond, and to pay interest on such principal amount as provided in this Bond.

THIS BOND SHALL NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA

OTHER THAN THE IRVINE RANCH WATER DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUND OR ACCOUNT OF IRWD, INCLUDING ITS GENERAL FUND, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, IS LIABLE FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THIS BOND. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF IRWD IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THIS BOND.

This Bond is one of the Bonds of Irvine Ranch Water District, Series 2010B (Federally Taxable - Build America Bonds) (the "Bonds"), limited to \$175,000,000 in principal amount, issued under the Indenture of Trust, dated as of December 1, 2010, as amended and supplemented by the First Supplemental Indenture of Trust, dated as of January 1, 2011 (collectively, the "Indenture"), each by and between the Irvine Ranch Water District ("IRWD") and U.S. Bank National Association, as trustee (the "Trustee"). The Indenture and each Bond issued thereunder shall together constitute the contract between IRWD and the owner of such Bond and reference is hereby made to the Indenture and each Bond for a complete statement of such contract. Capitalized terms used but undefined herein shall have the meanings ascribed thereto in the Indenture.

The Bonds are payable from the funds included in, and secured by a pledge of, the Trust Estate. The Trust Estate includes: (a) the following Assessment Proceeds deposited in the Bond Payment Fund in connection with the Improvement Districts: (1) *ad valorem* assessments on taxable land in the Improvement Districts, (2) In Lieu Charges which in the discretion of the Board of Directors of IRWD are fixed and collected in the Improvement Districts in lieu of assessments, and (3) proceeds from the sale of property in the Improvement Districts for delinquent assessments; and (b) subject to application on the terms and conditions contained in the Indenture, the Revenues.

The Bonds are issued on behalf of, and constitute the consolidated several general obligations, in the amounts (the "Included Amounts") and the percentages (the "Included Percentages") set forth below, of Improvement District Nos. 105, 112, 113, 121, 130, 161, 182, 184, 188, 212, 221, 230, 250, 261, 282, and 284 of IRWD (the "Improvement Districts"):

| Improvement District No. | Included Amount of Total Par Value | Included Percentage of Total Par Value |
|-----------------------------|---------------------------------------|---|
| 105 | \$23,800,000 | 13.60% |
| 112 | 3,000,000 | 1.71 |
| 113 | 5,300,000 | 3.03 |
| 121 | 14,400,000 | 8.23 |
| 130 | 11,700,000 | 6.69 |
| 161 | 7,000,000 | 4.00 |
| 182 | 3,000,000 | 1.71 |
| 184 | 2,750,000 | 1.57 |
| 188 | 1,300,000 | 0.74 |
| 212 | 8,400,000 | 4.80 |
| 221 | 5,900,000 | 3.37 |
| 230 | 21,200,000 | 12.11 |
| 250 | 43,150,000 | 24.66 |
| 261 | 17,100,000 | 9.77 |
| 282 | 3,500,000 | 2.00 |
| 284 | <u>3,500,000</u> | <u>2.00</u> |
| Total | \$175,000,000 | 100.00% |

Each Improvement District is obligated for payments with respect to its Included Amount of Bonds. The Included Amount for any Improvement District shall be adjusted pursuant to calculations made by IRWD and delivered to the Trustee, without the need for any amendment of or supplement to the Indenture, at any time Bonds are redeemed. Under the circumstances described in the Indenture, IRWD may allocate redeemed Bonds to the Included Amount of any Improvement District.

To the extent necessary to provide Assessment Proceeds sufficient to pay when due, together with the other funds available for such payment, the principal of and interest on the Included Amount for each respective Improvement District, IRWD has covenanted in the Indenture to (a) impose and collect, or cause the imposition and collection of, *ad valorem* assessments on taxable land within the applicable Improvement District, (b) pursue any remedy available to collect, or cause the collection of, delinquent *ad valorem* assessments and apply amounts realized from the sale of any property for the enforcement of delinquent *ad valorem* assessments to the payment of principal of and interest on the Included Amount of Bonds of the applicable Improvement District, or (c) in its discretion, fix and collect, or cause the fixing and collection of, In Lieu Charges for water or sewer service, as applicable, within the applicable Improvement District in lieu of *ad valorem* assessments.

Pursuant to the First Supplemental Indenture, and subject to the application of the Revenues on the terms and conditions provided in the Indenture, IRWD has pledged all Revenues to the payment when due of the principal and Redemption Price of, and interest on, the Outstanding Bonds which pledge is on a parity with any pledge of Revenues securing other Parity Obligations. This pledge shall constitute a pledge of and charge and lien upon the Revenues for the payment of the principal and Redemption Price of, and interest on, the Outstanding Bonds and all other Parity Obligations in accordance with the terms of the Indenture

after payment from the Revenues of the Operation and Maintenance Expenses, and reserves therefor, as provided in the Indenture.

Interest will accrue on the unpaid portion of the principal of this Bond from the Interest Payment Date immediately preceding the date of authentication of this Bond to which interest has been paid or provided for, unless this Bond is authenticated prior to the initial Record Date, in which case this Bond shall bear interest from the Dated Date set forth above, until the entire principal amount of this Bond is paid.

The principal and Redemption Price of, and interest on, the Bonds shall be payable in lawful money of the United States of America. Except as otherwise provided in the Representation Letter, the interest on the Bonds shall be payable each November 1 and May 1, commencing May 1, 2011 (the "Interest Payment Dates"), by check mailed on the applicable Interest Payment Date by the Trustee to the respective Owners thereof at their addresses as they appear on the fifteenth day of the month preceding the applicable Interest Payment Date (the "Record Date") in the registration books for the Bonds required to be kept by the Trustee. In the case of an Owner of Bonds of \$1,000,000 or more in aggregate principal amount, upon the written request of such Owner to the Trustee, received at least 10 days prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest shall be made by wire transfer of immediately available funds on the following Interest Payment Date. Any such request shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. The principal of each Bond shall be payable on the maturity date, or earlier redemption, upon surrender thereof at the principal corporate trust office of the Trustee. If any payment on the Bonds is due on a non-Business Day, it will be made on the next Business Day and no interest will accrue as a result.

The Bonds shall be issued in registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. An Owner may transfer or exchange Bonds in accordance with the terms of the Indenture.

The registered owner of this Bond shall be treated as the Owner hereof for all purposes.

The Bonds are subject to optional and mandatory redemption on the terms and conditions and at the respective Redemption Prices set forth in the Indenture.

Except as otherwise provided in the Indenture, redeemed Bonds shall be credited proportionally to all Improvement Districts. Whenever less than all Outstanding Bonds are to be redeemed and sufficient monies are available for such purpose from or for the account of an Improvement District, IRWD may elect to redeem all or any portion of any such Improvement District's Included Amount.

Notice of redemption shall be given by mail by the Trustee to the Owners of any Bonds designated for redemption in whole or in part no less than 30 days nor more than 60 days prior to the redemption date. Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, whether or not actually received by any Owner. The failure of any Owner to receive such notice will not affect the validity of the redemption of any Bonds.

With respect to any notice of any redemption of Bonds at the option of IRWD, unless at the time such notice is given the Trustee shall hold sufficient available funds to pay the Redemption Price of the Bonds to be redeemed, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of monies that shall be sufficient to pay the Redemption Price of the Bonds to be redeemed and that if such monies shall not have been so received said notice shall be of no force and effect and IRWD shall not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such monies are not so received, the redemption of Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the persons who received such notice of redemption and in the manner in which the notice of redemption was given, that such monies were not so received and that there shall be no redemption of Bonds pursuant to such notice of redemption.

Upon surrender of any Bond redeemed in part only, the Trustee shall authenticate and deliver to the Owner thereof a new Bond or Bonds representing the unredeemed principal amount of the Bond so surrendered.

If notice of redemption has been duly given as provided in the Indenture and money for the payment of the Redemption Price of the Bonds or portions thereof to be redeemed is held by the Trustee, then, on the redemption date designated in such notice, the Bonds or portions thereof so called for redemption shall become payable at the Redemption Price specified in such notice; and from and after the date so designated, interest thereon or on the portions thereof so called for redemption, shall cease to accrue, such Bonds or portions thereof shall cease to be entitled to any benefit, protection or security under the Indenture and the Owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the Redemption Price as provided in the Indenture.

If IRWD at any time deposits with the Trustee money and/or Government Obligations sufficient to pay when due, whether on the redemption or maturity date thereof, the principal or Redemption Price (if applicable) of any Outstanding Bonds, and the interest thereon to such redemption or maturity date, in accordance with the Indenture, the obligations of IRWD to the Owners of such Bonds under the Indenture will be discharged. After discharge, Owners must look only to the deposited money and securities for payment.

Subject to certain exceptions, the Indenture or the Bonds may be amended or supplemented, and any past default or compliance with any provision thereof may be waived, with the consent of the Owners of a majority in principal amount of the Outstanding Bonds. Without the consent of the Owners, IRWD may amend or supplement the Indenture or the Bonds for certain purposes permitted under the Indenture, as described therein.

The Indenture provides that the occurrences of certain events constitute Events of Default. Upon an Event of Default, the maturity of all of the Bonds may be accelerated as provided in the Indenture. An Event of Default and its consequences may be waived or limited as provided in the Indenture. Owners may not enforce the Indenture or the Bonds except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Bonds under certain conditions unless it receives indemnity satisfactory to it. Subject to certain limitations,

the Owners of a majority in principal amount of the Outstanding Bonds may direct the Trustee in its exercise of any trust or power.

No member, director, officer or employee, as such, of IRWD shall have any liability for any obligations of IRWD under the Bonds or the Indenture or for any claim based on such obligations or their creation. Each Owner by accepting a Bond waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Bonds.

This Bond shall not be valid for any purpose until the Trustee signs the Certificate of Authentication.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of IRWD, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, the Irvine Ranch Water District has caused this Bond to be dated as of the Dated Date set forth above, to be signed by the President of the Board of Directors of said District by his facsimile signature and its seal to be hereunto affixed by facsimile and attested by the Secretary of said District by her facsimile signature.

IRVINE RANCH WATER DISTRICT

By: _____
President of the Board of Directors

[SEAL]

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Indenture, which has been authenticated on _____.

U.S. Bank National Association, as Trustee

By: _____
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

January 10, 2011
Prepared and
Submitted by: D. Pedersen
Approved by: Paul Jones 

ACTION CALENDAR

DECEMBER 2010 STORM DAMAGE RECOVERY EFFORT RATIFICATION OF EMERGENCY REPAIR CONTRACTS

SUMMARY:

On December 22, 2010, IRWD's water system facilities sustained significant damages due to the severe rainstorms. Staff contacted Paulus Engineering, Inc., to assist with major emergency repairs required for the water mains in Williams Canyon and the 39-inch Irvine Lake Pipeline (ILP) in Santiago Creek at Irvine Park. Staff recommends that the Board:

- Authorize the addition of Projects 11570 and 11571 in the amounts of \$165,000 and \$220,000, respectively, to the Fiscal Year 2010-11 Capital Budget;
- Approve Expenditure Authorizations for Projects 11570 and 11571 in the amounts of \$165,000 and \$220,000, respectively; and
- Ratify the General Manager's execution of emergency construction contracts with Paulus Engineering, Inc. for Projects 11570 and 11571 in the amounts of \$165,000 and \$220,000, respectively.

BACKGROUND:

The intense rainstorms that swept through Orange County from December 20 through December 22, 2010 caused severe flooding and water system damages in the canyon and foothill areas of IRWD's service area. Following is a summary of the major damages and emergency response actions taken by the IRWD staff.

Williams Canyon:

A large portion of Williams Canyon Road was washed away on December 22, 2010, initially preventing all vehicular access. Approximately 700 feet of an 8-inch PVC potable water main near the creek crossing was destroyed along with the roadway. Also, a segment of 12-inch AC pipe near the Williams Canyon Pump Station was damaged. Paulus Engineering, Inc. was contacted to assist IRWD staff in performing the emergency repairs.

IRWD crews and Paulus Engineering, Inc. began making repairs on December 23 once the flood waters began to recede. The repairs consisted of constructing two bypass water mains and restoring numerous broken water services. The first bypass, approximately 200 feet of 12-inch PVC pipeline, was completed on December 24, 2010 and allowed Williams Reservoir to be placed back in service. Customers in Williams Canyon were also provided access to potable water from a 2,000-gallon water truck and several 500-gallon water buffalos. The second bypass, approximately 700 feet of above-ground 8-inch HDPE main, was completed on December 28, 2010 and allowed Benner Reservoir to be placed back in service.

Water service at normal pressure was restored to all customers at 6:30 a.m. on December 29, 2010. Additionally, a new gravel access road was provided by IRWD through the washed-out portions of the roadway to allow for construction activities. This access road is passable with a passenger vehicle and remains sole means of access for residents in the upper reaches of Williams Canyon.

Customers were informed of the progress of repair activities through daily updates to the IRWD website and periodic e-mail updates provided to the Inter-Canyon League. On December 29, 2010, an automated phone message was sent to the affected customers via the CodeRED System to inform them that normal water service had been restored.

On January 3, 2011, senior management met with residents of Williams Canyon and the County of Orange Public Works Department in the field to discuss repairs to the private access road through Williams Canyon. Permanent repairs to the 8-inch PVC and 12-inch AC pipe segments cannot be completed until the repair of the washed-out segments of the access road are resolved. The access road construction was originally funded by the Santiago County Water District (SCWD) and the residents; grant funds were also utilized. The County of Orange has indicated their willingness to participate with IRWD and the residents in the repair of the two sections of the washed-out road. IRWD and the County are working jointly to develop a plan and cost estimate for the repair; with the County undertaking hydrology and surveying of the road easement, and IRWD evaluating alignment, earthwork and paving needs. A plan and proposed cost sharing arrangement will be completed and presented by IRWD and the County to the residents within 60 days. This item will also be brought back to the Engineering and Operations Committee and Board for approval.

Modjeska Canyon:

The 12-inch raw water supply pipeline from Harding Canyon Dam to Manning Water Treatment Plant and an adjacent 8-inch potable water main were broken in Modjeska Canyon. The pipelines were damaged when the creek washed away a portion of the rear yard at 28612 Markuson Road and exposed the pipelines. Both pipelines remain isolated until repair work can be coordinated with the property owner. Water service was quickly restored to all affected customers because the water system in that area is looped. The raw water supply pipeline to Manning Water Treatment Plant remains off-line and, therefore, the treatment plant cannot be operated until repairs are completed.

Irvine Lake Pipeline:

Approximately 200 feet of the 39-inch Irvine Lake Pipeline (ILP) washed out in Santiago Creek at Irvine Park. One entire segment of the pipeline was washed a short distance downstream. The broken portion of the ILP was isolated at the master meter and the system is being fed from the Baker Pipeline via the interconnection at Peters Canyon.

Staff secured two bids for the emergency repair work, from Paulus Engineering, Inc. for \$172,101.17 and from J.R. Filanc Construction Company, Inc. for \$209,450. On January 4,

2011, the General Manager authorized the low bidder, Paulus Engineering, Inc., to begin the emergency repair work, which is expected to require approximately two weeks for completion.

In accordance with the February 6, 1928 Agreement and its amendments, the cost share for construction and support work on the pipeline is 75 percent IRWD and 25 percent Serrano Water District (SWD). SWD countersigned a letter agreement (attached as Exhibit "A") regarding the estimated cost for the work and their responsibility for 25 percent of the total cost. Photographs of damage to facilities in Williams Canyon and to the ILP are provided as Exhibit "B".

FISCAL IMPACTS:

The approved Fiscal Year 2010-11 Capital Budget did not include funding for emergency repair projects of this nature. Staff requests the addition of Project 11570, Williams Canyon Storm Damage Repairs, and Project 11571, ILP Repair at Irvine Park, and the associated Expenditure Authorizations as shown in the table below and attached as Exhibit "C". The projects will be funded from the replacement fund. Staff is also pursuing reimbursement from potential sources of emergency funding.

| Project No. | Current Budget | Addition <Reduction> | Total Budget | Exist EA | This EA Request | Total EA Request |
|-------------|----------------|----------------------|--------------|----------|-----------------|------------------|
| 11570 | \$0 | \$165,000 | \$165,000 | \$0 | \$165,000 | \$165,000 |
| 11551 | \$0 | \$220,000 | \$220,000 | \$0 | \$220,000 | \$220,000 |

ENVIRONMENTAL COMPLIANCE:

These activities are categorically exempt from the California Environmental Quality Act (CEQA) as authorized under the California Code of Regulations, Title 14, Chapter 3, Sections 15301 and 15302, replacement or reconstruction of existing structures.

COMMITTEE STATUS:

This item was not taken to Committee prior to submittal to the Board.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE ADDITION OF PROJECTS 11570 AND 11571 IN THE AMOUNTS OF \$165,000 AND \$220,000, RESPECTIVELY, TO THE FISCAL YEAR 2010-11 CAPITAL BUDGET; APPROVE EXPENDITURE AUTHORIZATIONS FOR PROJECTS 11570 AND 11571 IN THE AMOUNTS OF \$165,000 AND \$220,000, RESPECTIVELY; AND RATIFY THE GENERAL MANAGER'S EXECUTION OF EMERGENCY CONSTRUCTION CONTRACTS WITH PAULUS ENGINEERING, INC., FOR PROJECTS 11570 AND 11571 IN THE AMOUNTS OF \$165,000 AND \$220,000, RESPECTIVELY.

Action Calendar: December 2010 Storm Damage Recovery Effort Ratification of Emergency
Repair Contracts
January 10, 2011
Page 4

LIST OF EXHIBITS:

- Exhibit "A" – Letter Agreement Countersigned by Serrano Water District
- Exhibit "B" – Photographs of Damage in Williams Canyon and to the Irvine Lake Pipeline
- Exhibit "C" – Expenditure Authorizations

EXHIBIT "A"



IRVINE RANCH WATER DISTRICT

15600 Sand Canyon Avenue • P.O. Box 57000 • Irvine, California 92619-7000 • (949) 453-5300 • www.irwd.com

January 4, 2011

Mr. David Noyes
General Manager
Serrano Water District
18021 Lincoln Street
Villa Park, CA 92861-6446

SUBJECT: EMERGENCY REPAIR OF 39-INCH IRVINE LAKE PIPELINE

Dear Mr. Noyes:

As discussed and mutually agreed, the Irvine Ranch Water District (IRWD) will administer a construction contract for the emergency repair of the 39-inch Irvine Lake Pipeline.

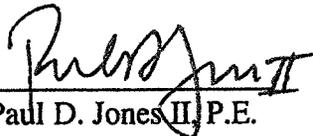
IRWD secured two bids for the emergency repair work, one from Paulus Engineering, Inc. for \$172,101.17 and the second from J.R. Filanc Construction Company, Inc, for \$209,450. IRWD will award a construction contract to the low bidder, Paulus Engineering Inc., for \$172,101.17. Additionally, IRWD will provide construction engineering and inspection services in an amount not to exceed \$10,000 and retain Harmsworth Associates Inc. to provide environmental oversight and assistance with regulatory permitting in an amount not to exceed \$15,000.

The total cost of the project is currently estimated to be \$197,101. In accordance with the February 6, 1928 Agreement and its Amendments, the cost share for construction and support work on the pipeline is 75 percent by IRWD and 25 percent by Serrano Water District.

Upon our receipt of this countersigned letter, IRWD staff will immediately authorize the construction contractor to begin work.

If you have any questions, please contact Mr. David Pedersen at (949) 453-5720.

Sincerely,


Paul D. Jones II, P.E.
General Manager
Irvine Ranch Water District

Acknowledged and agreed:


David Noyes
General Manager
Serrano Water District

cc: David Pedersen, IRWD

Exhibit "B"

PHOTOS OF DECEMBER 2010 STORM DAMAGE

December 30, 2010



Williams Canyon – Damage to Roadway below Williams Pump Station (12/22/10)



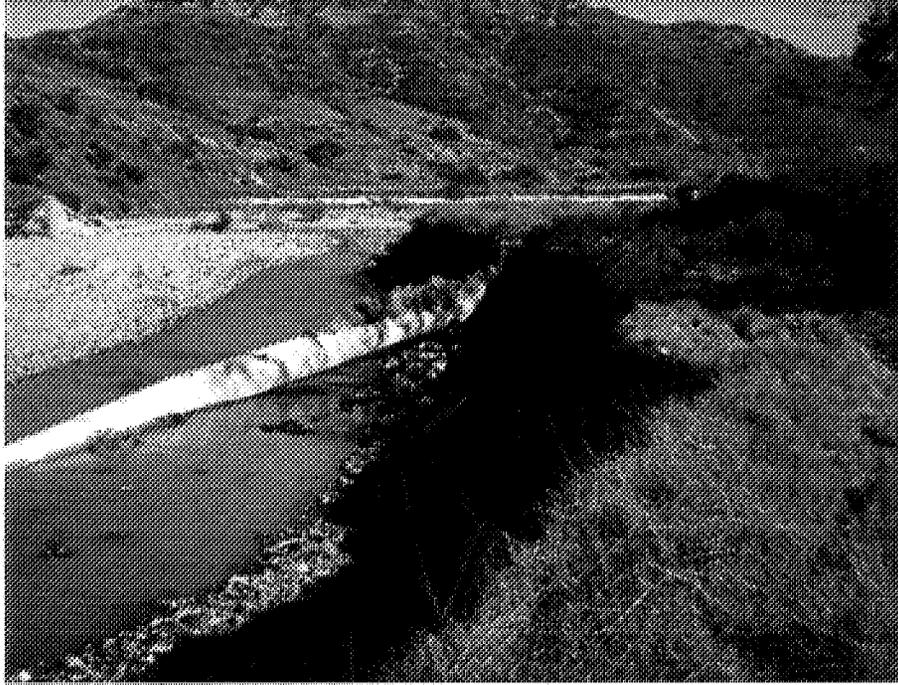
Williams Canyon – Damage to Roadway and 12-inch ACP Main below Williams Pump Station (12-inch C900 bypass constructed around this area)



Williams Canyon (12/22/10) – Damage to Roadway and 8-inch PVC main near Creek Crossing (8-inch HDPE above-ground bypass constructed around this area)



Williams Canyon – Damage to Roadway and 8-inch PVC main near Creek Crossing (8-inch HDPE above-ground bypass constructed around this area)



Exposed and Damaged Portion of 39-inch ILP at Irvine Park



Exposed and Damaged Portion of 39-inch ILP at Irvine Park



Open end of 39-inch ILP at Irvine Park

IRVINE RANCH WATER DISTRICT

Expenditure Authorization

Project Name: WILLIAMS CANYON STORM DAMAGE REPAIRS
 Project No: 11570 EA No: 1
 Project Manager: PEDERSEN, DAVID
 Project Engineer: PEDERSEN, DAVID
 Request Date: January 6, 2011

ID Split: Miscellaneous

Improvement District (ID) Allocations

| ID No. | Allocation % | Source of Funds |
|--------------|---------------|--------------------|
| 101 | 100.0 | REPLACEMENT FUND** |
| Total | 100.0% | |

Summary of Direct Cost Authorizations

| | |
|---------------------------------------|------------------|
| Previously Approved EA Requests: | \$0 |
| This Request: | \$165,000 |
| Total EA Requests: | \$165,000 |
| Previously Approved Budget: | \$0 |
| Budget Adjustment Requested this EA: | \$165,000 |
| Updated Budget: | \$165,000 |
| Budget Remaining After This EA | \$0 |

Comments:

| Phase | This EA Request | Previous EA Requests | EA Requests to Date | This Budget Request | Previous Budget | Updated Budget | Start | Finish |
|--|------------------|----------------------|---------------------|---------------------|-----------------|------------------|-------|--------|
| ENGINEERING - CA&I IRWD | 10,000 | 0 | 10,000 | 10,000 | 0 | 10,000 | 12/10 | 2/11 |
| CONSTRUCTION | 140,000 | 0 | 140,000 | 140,000 | 0 | 140,000 | 12/10 | 2/11 |
| Contingency - 10.00% Subtotal | \$15,000 | \$0 | \$15,000 | \$15,000 | \$0 | \$15,000 | | |
| Subtotal (Direct Costs) | \$165,000 | \$0 | \$165,000 | \$165,000 | \$0 | \$165,000 | | |
| Estimated G/A - 195.00% of direct labor* | \$19,500 | \$0 | \$19,500 | \$19,500 | \$0 | \$19,500 | | |
| Total | \$184,500 | \$0 | \$184,500 | \$184,500 | \$0 | \$184,500 | | |
| Direct Labor | \$10,000 | \$0 | \$10,000 | \$10,000 | \$0 | \$10,000 | | |

*EA includes estimated G&A. Actual G&A will be applied based on the current ratio of direct labor to general and administrative costs.

EA Originator: _____
 Department Director: _____
 Finance: _____
 Board/General Manager: _____

** IRWD hereby declares that it reasonably expects those expenditures marked with two asterisks to be reimbursed with proceeds of future debt to be incurred by IRWD in a maximum principal amount of \$189,000. The above-captioned project is further described in the attached staff report and additional documents, if any, which are hereby incorporated by reference. The project is made under Treasury Regulation Section 1.150-2. intent to reimburse costs of the above-captioned

IRVINE RANCH WATER DISTRICT

Expenditure Authorization

Project Name: ILP REPAIR AT IRVINE PARK
 Project No: 11571 EA No: 1
 Project Manager: PEDERSEN, DAVID
 Project Engineer: PEDERSEN, DAVID
 Request Date: January 6, 2011

ID Split: Miscellaneous

Improvement District (ID) Allocations

| ID No. | Allocation % | Source of Funds |
|--------------|---------------|--------------------|
| 101 | 100.0 | REPLACEMENT FUND** |
| Total | 100.0% | |

Summary of Direct Cost Authorizations

| | |
|---------------------------------------|------------------|
| Previously Approved EA Requests: | \$0 |
| This Request: | \$220,000 |
| Total EA Requests: | \$220,000 |
| Previously Approved Budget: | \$0 |
| Budget Adjustment Requested this EA: | \$220,000 |
| Updated Budget: | \$220,000 |
| Budget Remaining After This EA | \$0 |

Comments:

| Phase | This EA Request | Previous EA Requests | EA Requests to Date | This Budget Request | Previous Budget | Updated Budget | Start | Finish |
|--|------------------|----------------------|---------------------|---------------------|-----------------|------------------|-------|--------|
| ENGINEERING - CA&I IRWD | 10,000 | 0 | 10,000 | 10,000 | 0 | 10,000 | 1/11 | 2/11 |
| ENGINEERING - CA&I OUTSIDE | 15,000 | 0 | 15,000 | 15,000 | 0 | 15,000 | 1/11 | 2/11 |
| CONSTRUCTION | 175,000 | 0 | 175,000 | 175,000 | 0 | 175,000 | 1/11 | 2/11 |
| Contingency - 10.00% Subtotal | \$20,000 | \$0 | \$20,000 | \$20,000 | \$0 | \$20,000 | | |
| Subtotal (Direct Costs) | \$220,000 | \$0 | \$220,000 | \$220,000 | \$0 | \$220,000 | | |
| Estimated G/A - 195.00% of direct labor* | \$19,500 | \$0 | \$19,500 | \$19,500 | \$0 | \$19,500 | | |
| Total | \$239,500 | \$0 | \$239,500 | \$239,500 | \$0 | \$239,500 | | |
| Direct Labor | \$10,000 | \$0 | \$10,000 | \$10,000 | \$0 | \$10,000 | | |

*EA includes estimated G&A. Actual G&A will be applied based on the current ratio of direct labor to general and administrative costs.

EA Originator: _____
 Department Director: _____
 Finance: _____
 Board/General Manager: _____

** IRWD hereby declares that it reasonably expects those expenditures marked with two asterisks to be reimbursed with proceeds of future debt to be incurred by IRWD in a maximum principal amount of \$245,000. The above-captioned project is hereby described in the attached staff report and additional documents, if any, which are hereby incorporated by reference. IRWD has no intent to reimburse costs of the above-captioned project is made under Treasury Regulation Section 1.150-2.

January 10, 2011

Prepared by: Beth Beeman

Submitted by: Beth Beeman

Approved by: Paul Jones



ACTION CALENDAR

SUPPORT FOR CHARLEY WILSON FOR THE REGULAR SPECIAL DISTRICT POSITION ON THE ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

SUMMARY:

The regular special district position on the Orange County Local Agency Formation Commission (LAFCO), formerly held by Commissioner Arlene Schafer, is now vacant. LAFCO announced that it is now accepting nominations for this position and, if necessary, the alternate special district position. Nominations are due to LAFCO by January 14, 2011. Staff recommends that the Board support Charley Wilson for the regular special district position, consider nominations for the alternate position, and designate John Withers as the alternate to vote on behalf of the District on January 27, 2011, if IRWD's Board President is unavailable to cast IRWD's vote.

BACKGROUND:

The regular special district position on the Orange County Local Agency Formation Commission (LAFCO), formerly held by Commissioner Arlene Schafer, is now vacant. This vacancy will be filled by election at the Independent Special Districts of Orange County (ISDOC) Special Selection Committee meeting on January 27, 2011, in conjunction with ISDOC's quarterly meeting.

The LAFCO Executive Officer is accepting nominations for both the regular and alternate positions. Nominations must be received by LAFCO no later than 3:00 p.m. on Friday, January 14, 2011. Exhibit "A" is the official election announcement from LAFCO. We have received notice that Charley Wilson and Cheryl Brothers have filed for the regular position. Exhibit "B" includes letters of support for Charley Wilson from the Orange County Board of Supervisors and the Santa Margarita Water District.

If Charley Wilson is successful, the alternate special district position will become vacant and an election for this position will also be held on January 27, 2011. To date, no official candidates have filed for the alternate position and we have received no letters requesting support. Due to the lack of official candidates, it is recommended that the Board consider deferring any decision on support for an alternate candidate until after the nominations close on January 14, 2011. If an acceptable alternate candidate is identified, the IRWD Board could vote to support the candidate at the January 27, 2011 ISDOC meeting by taking an action at its January 24, 2011 regular meeting. Alternatively, the Board may wish to nominate and support a candidate for the alternate position at this time.

Staff recommends that the Board take action to support Charley Wilson for the regular special district position, consider nominations for the alternate position and designate John Withers as the alternate to vote on behalf of IRWD on January 27, 2011 if IRWD's Board President is unavailable to cast IRWD's vote.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

None.

RECOMMENDATION:

THAT THE BOARD SUPPORT CHARLEY WILSON FOR THE REGULAR SPECIAL DISTRICT POSITION ON LAFCO; NOMINATE A CANDIDATE FOR THE ALTERNATE SPECIAL DISTRICT POSITION AS APPROPRIATE; AND DESIGNATE JOHN WITHERS AS THE ALTERNATE TO VOTE ON BEHALF OF THE DISTRICT ON JANUARY 27, 2011 IF THE BOARD PRESIDENT IS UNAVAILABLE TO CAST THE IRVINE RANCH WATER DISTRICT VOTE.

LIST OF EXHIBITS:

Exhibit "A" – LAFCO Notice of Election

Exhibit "B" – Nomination Support Letters

EXHIBIT "A"



LOCAL AGENCY FORMATION COMMISSION

ORANGE COUNTY

DATE: December 9, 2010

TO: General Managers
Independent Special Districts

FROM: Joyce Crosthwaite, Executive Officer

SUBJECT: Independent Special Districts of Orange County (ISDOC)
Selection Committee Meeting

CHAIR
PETER HERZOG
Councilmember
City of Lake Forest

VICE CHAIR
JOHN MOORLACH
Supervisor
2nd District

VICE CHAIR
PETER HERZOG
Councilmember
City of Lake Forest

CHERYL BROTHERS
Councilmember
City of Fountain Valley

BILL CAMPBELL
Supervisor
3rd District

ARLENE SCHAFFER
Director
Costa Mesa
Sanitary District

SUSAN WILSON
Representative of
General Public

JOHN WITHERS
Director
Irvine Ranch Water District

ALTERNATE
PAT BATES
Supervisor
5th District

ALTERNATE
PATSY MARSHALL
Councilmember
City of Buena Park

ALTERNATE
DEREK J. MCGREGOR
Representative of
General Public

ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

One of the two regular special district seats on the Orange County Local Agency Formation Commission is vacant. The vacant seat was held by Commissioner Arlene Schafer. The Independent Special Districts of Orange County (ISDOC) Special District Selection Committee is scheduled to meet on Thursday, January 27, 2011 in conjunction with ISDOC's quarterly meeting.

The current alternate special district member is Commissioner Charles Wilson. If Commissioner Wilson decides to run for and is elected to the regular special district seat, the alternate seat will also be open. Commissioner Wilson is not required to resign the alternate position if he decides to run for the open regular position.

Therefore the LAFCO Executive Officer will accept nominations for both the regular and alternate special district positions. Nominations must be received by LAFCO no later than 3:00 p.m. on Friday, January 14, 2011. Nominations received (mail, email or fax) will be included in the informational packet sent to each district prior to the election. A copy of the ISDOC "Rules of Procedure" is attached.

Please forward the enclosed notice and nomination forms to the presiding officer from your district. As stated in the notice, if the presiding officer from your district will be unable to attend the ISDOC quarterly meeting on January 27, the board may designate another member of the board to attend and cast your district's vote. Proof indicating board action for the designation (resolution or minute excerpt) must be provided to LAFCO's Executive Officer prior to voting at the ISDOC meeting.

If you have any questions or concerns, please feel free to contact me at (714) 834-2556 or by email (jcrosthwaite@oclafco.org).

12 Civic Center Plaza, Room 235, Santa Ana, CA 92701
(714) 834-2556 • FAX (714) 834-2643
<http://www.oclafco.org>

2011 NOMINATION FORM

Candidates for the Local Agency Formation Commission (LAFCO)

CANDIDATE INFORMATION FOR REGULAR SPECIAL DISTRICT MEMBER:

NAME: _____

TITLE: _____

DISTRICT: _____

Check box if resume or statement of qualifications is attached.

CANDIDATE INFORMATION FOR ALTERNATE SPECIAL DISTRICT MEMBER IF THE CURRENT ALTERNATE MEMBER IS ELECTED TO THE REGULAR MEMBER POSITION:

NAME: _____

TITLE: _____

DISTRICT: _____

Check box if resume or statement of qualifications is attached.

SPECIAL DISTRICT SELECTION COMMITTEE MEMBER SUBMITTING NOMINATION
(Must be the presiding officer or a designated alternate board member.)

NAME: _____ DATE: _____

SIGNATURE: _____

TITLE: _____

DISTRICT: _____

Nominations must be submitted to LAFCO prior to 3:00 p.m. on Friday, January 14, 2011.
Nominations received will be included in the information packet sent to each district prior to the election.

Return completed forms to:

Angela Rigdon
Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

INDEPENDENT SPECIAL DISTRICT SELECTION COMMITTEE

RULES OF PROCEDURE
adopted February 10, 1994

A. Registration

Each member of the Selection Committee shall be entitled to one vote for each independent special district of which he or she is the presiding officer (or alternate board member selected by the district's board). Each member shall provide written authorization (such as resolution or minute excerpt) at the time of registration.

Each voting member shall register and sign a declaration of qualification. The member will then be given ballots and other voting materials.

B. Quorum

Members representing a majority of the eligible districts shall constitute a quorum. Before calling the meeting to order, the chair shall verify that a quorum has registered and is present.

C. Nomination

Independent special districts may submit nominations for the regular member positions and the alternate position. Such Nominations shall be submitted on forms to be prepared by the Executive Officer and may be accompanied by resumes [and other written material] if desired. ALL NOMINATION FORMS MUST BE RECEIVED BY THE EXECUTIVE OFFICER ON OR BEFORE 5:00 P.M. ON THE 10TH DAY PRIOR TO THE DATE OF THE ELECTION MEETING. The Executive Officer will distribute a copy of the nominations and accompanying materials to each member at least five (5) days prior to the date of the election meeting.

D. Voting

Voting shall be conducted separately for each position. A candidate must receive a majority of the votes cast in order to be elected. In the event no candidate receives a

majority, run-off balloting shall be conducted between the two candidates receiving the highest number of votes. In the case of a tie in the second highest total, the tied candidates will all be included in the runoff. Balloting will continue until one candidate receives at least a majority of the votes cast.

The above process shall be conducted to elect the first regular member from among all regular member nominees.

To elect the second regular member, the above process will then be repeated among all remaining nominees for the regular member positions.

The above process will then be followed to elect the alternate member from the alternate member nominees.

E. Selection of Terms

The candidates elected for the two regular member positions shall draw lots for the four-year term and the two-year term.



BILL CAMPBELL
SUPERVISOR, THIRD DISTRICT
ORANGE COUNTY BOARD OF SUPERVISORS

December 15, 2010

Honorable Douglas J. Reinhart, President
Irvine Ranch Water District
P.O. Box 57000
Irvine, California 92619-7000

RE: Request for Support of the Election of Charley Wilson to Represent Special Districts on the Local Agency Formation Commission

Dear President Reinhart:

At its meeting of January 27, 2011, the Independent Special Districts of Orange County will vote to elect the second regular Special District member of the Local Agency Formation Commission (LAFCO). Charley Wilson, a member of the Santa Margarita Water District Board and the Alternate Special District member of LAFCO since 2001, is seeking the regular seat and we are writing today to urge your agency's support.

As current LAFCO members, we have had the pleasure of serving with Charley for several years and have always known him to be a thorough, thoughtful and reasoned representative of all of the county's special districts. Charley's unique perspective on the value of special districts has allowed him to be a consistent advocate on their behalf.

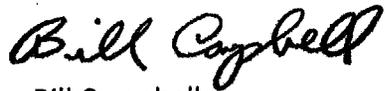
Charley has played an instrumental role in many important and positive developments at LAFCO, including the implementation of LAFCO's 2007 Strategic Plan which focused on more effective and efficient operations at LAFCO, an increase in meaningful service for special districts and cities in Orange County and a reduction in budgeted expenditures.

Charley has also been a tireless advocate for special districts in the Municipal Services Review (MSR) process and has ensured that each special district has been fairly heard and represented. He has consistently made himself accessible and has strongly supported local decision-making and voluntary initiatives by special districts to improve services.

Based upon his nearly 10 years of exemplary service and our direct experience, we believe Charley is an outstanding candidate for LAFCO's open special district representative seat and we strongly encourage your agency to support his candidacy for this seat.

B-1

Sincerely,



Bill Campbell
Supervisor, Third District
Orange County Representative



Susan Wilson
LAFCO Public Member



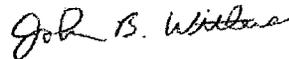
Pat Bates
Supervisor, Fifth District
Orange County Alternate Representative



Peter Herzog, Chairman
Council Member, City of Lake Forest
City Representative



Derek McGregor
Alternate Public Member



John Withers
Irvine Ranch Water District
Special District Representative



*Santa Margarita
Water District*

December 13, 2010

Honorable Douglas J. Reinhart, President
Irvine Ranch Water District
P.O. Box 57000
Irvine, California 92619-7000

RE: Request for Support of Charley Wilson for Election to Regular Special District Local Agency Formation Commission Seat

Dear Mr. Reinhart:

On January 27, 2011, the Independent Special Districts of Orange County (ISDOC) will conduct an election for the regular special district member of the Orange County Local Agency Formation Commission (LAFCO). I currently serve as the alternate special district member, having been re-elected to that four-year seat in April 2010. I am now seeking the regular member spot due to the unexpected vacancy created by last month's election. I have served on LAFCO since 2001 and hope to continue to serve the residents of Orange County as the regular member.

Over the last nearly 10 years, I have worked diligently to represent and protect the interests of special districts and Orange County as a whole. I have a detailed understanding of the importance and value provided by special districts. Because of my extensive experience, I have developed solid working relationships with other LAFCO Commissioners and, illustrative of this fact, I have received the endorsements of LAFCO Chairman Peter Herzog, Supervisor Bill Campbell and the other current Commissioners. These relationships, developed over a long period of time, are critical to the advocacy efforts of special districts. I am accessible and represent all special districts throughout the County. My decisions, which always consider the input of our elected leaders, are based on sound policy considerations and not the whims of outside interests.

I am requesting your support and your District's vote at the January 27th ISDOC election for the regular special district LAFCO seat. If you need additional information, please call me directly at (949) 632-2074. Thank you for your consideration.

Sincerely,

Charley Wilson, Director
Santa Margarita Water District