

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

February 10, 2014

PLEDGE OF ALLEGIANCE

CALL TO ORDER

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

ROLL CALL

Directors Matheis, Reinhart, Swan, Withers and President LaMar

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.

CONSENT CALENDAR

Items 3-8

3. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the January 27, 2014 Regular Board meeting be approved as presented.

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

Recommendation: That the Board ratify/approve meetings and events for Steven LaMar, Mary Aileen Matheis, Douglas Reinhart and Peer Swan.

CONSENT CALENDAR - Continued	Resolution No. 2014-6	Items 3-8
<p>5. <u>RATIFICATION OF MEMORANDUM RELATIVE TO THE BOARD, COMMITTEE AND OTHER ASSIGNMENTS, AND APPROVAL OF AGENCY AND OUTSIDE ORGANIZATION BOARD REPRESENTATION AT MEETINGS/EVENTS FOR 2014</u></p>	<p>Recommendation: That the Board ratify the Memorandum dated February 10, 2014 entitled Officers of the Board, Committees and Other Assignments, approve attendance for the meetings and events for the Board's representation for calendar year 2014 as delineated in the write-up outlined, and adopt a resolution rescinding Resolution No. 2013-3 and revising the assignment of Directors to Committees of the Board.</p>	Reso. No. 2014-
<p>6. <u>BOARD AUTHORIZATION TO CAST BALLOTS IN FAVOR OF BOND PROPOSITIONS IN IMPROVEMENT DISTRICT NOS. 185/285</u></p>	<p>Recommendation: That the Board adopt a resolution authorizing casting of District ballots in Improvement District Nos. 185 and 285 elections.</p>	Reso. No. 2014-
<p>7. <u>2014 INDEX TENDER NOTES REMARKETING</u></p>	<p>Recommendation: That the Board approve the 2014 ITN Remarketing Statements and the First Supplemental Indentures and adopt two resolutions: 1) a resolution approving Remarketing Statements relating to unscheduled mandatory tenders (Refunding Series 2011 A-1 and Refunding Series 2011 A-2, and 2), a resolution approving First Supplemental Indentures of Trust (Refunding Series 2011 A-1 and Refunding Series 2011 A-2).</p>	Reso. No. 2014- Reso. No. 2014-
<p>8. <u>ON-CALL INFORMATION SERVICES PROFESSIONAL PROGRAMMING AND NETWORK CONSULTANTS</u></p>	<p>Recommendation: That the Board authorize the General Manager to execute three on-call Professional Services Agreements with Outsource Technical in the amount of \$350,000, Software Management Consultants in the amount of \$60,000, and Trevera in the amount of \$60,000 for on-call programming, analysis, and network services for miscellaneous projects.</p>	

ACTION CALENDAR

9. MEMORANDUM OF UNDERSTANDING WITH THE IRVINE RANCH WATER DISTRICT EMPLOYEES ASSOCIATION

Recommendation: That the Board authorize the General Manager to execute the Memorandum of Understanding between IRWD and the IRWDEA, subject to non-substantive changes.

ACTION CALENDAR - Continued

10. **PROPOSED DECREASES TO CALPERS EMPLOYER PAID MEMBER CONTRIBUTIONS**

Recommendation: That the Board, upon adoption of the Irvine Ranch Water District Employee Association (IRWDEA) successor Memorandum of Understanding, adopt two resolutions authorizing the decrease to the Employer-Paid Member Contributions to CalPERS: 1) a resolution modifying Employer-Paid Member Contributions (effective March 1, 2014 for full-time regular employees), and 2) a resolution modifying Employer-Paid Member Contributions (effective March 14, 2015 for full-time regular employees).

Reso. No. 2014-
Reso. No. 2014-

11. **REVISED PERSONNEL POLICIES AND PROCEDURES**

Recommendation: That the Board adopt a resolution rescinding Resolution No. 2012-39 and establishing revised personnel policies (for Policy Nos. 16 and 33).

Reso. No. 2014-

12. **LETTER OF CREDIT EXPIRATION AND OPTIONAL REDEMPTION OF BONDS**

Recommendation: That the Board approve the redemption of the Series 1989 and 1991 bonds and adopt two resolutions: 1) a resolution calling bonds for redemption and authorizing certain actions in connection therewith (Consolidated Series 1989), and 2) a resolution calling bonds for redemption and authorizing certain actions in connection therewith (Consolidated Series 1991).

Reso. No. 2014-

Reso. No. 2014-

13. **DYER ROAD WELLFIELD WELL NO. 5 REHABILITATION CONSTRUCTION AWARD**

Recommendation: That the Board authorize a budget increase in the amount of \$160,600, from \$776,600 to \$937,200, for project 11693 (4326); approve an Expenditure Authorization in the amount of \$497,200 for project 11693 (4326); and authorize the General Manager to execute a construction contract with Best Drilling and Pump, Inc. in the amount of \$405,240 for the rehabilitation of Dyer Road Wellfield Well No. 5, project 11693 (4326).

14. **2014 STATE LEGISLATIVE UPDATE**

Recommendation: That the Board review and discuss IRWD's "2014 Water Bond Funding & Amendment Requests" as a result of legislative discussions on the water bond and adopt a resolution calling for a voluntary reduction in water usage in response to Governor Brown's Drought State of Emergency proclamation.

Reso. No. 2014-

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.

15. A. General Manager's Report

B. Directors' Comments

C. CLOSED SESSION WITH LEGAL COUNSEL RELATIVE TO 1) Existing Litigation - Government Code Section 54956.9(d)(1) – Capistrano Taxpayers Association v. City of San Juan Capistrano, and 2) Anticipated Litigation - Government Code Section 54956.9(d)(2) – significant exposure to litigation (one potential case).


D. Open Session

E. Adjourn. The meeting will be adjourned to Tuesday, February 11, 2014 at 2:30 p.m. to IRWD's Operations Center, Committee Room, for a tour of the Michelson Water Recycling Plant Phase 2 Expansion Project.

* * * * *

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.

February 10, 2014
Prepared and
Submitted by: L. Bonkowski
Approved by: P. Cook 

CONSENT CALENDAR

MINUTES OF REGULAR BOARD MEETING

SUMMARY:

Provided are the minutes of the January 27, 2014 Regular Board Meeting for approval.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

Not applicable.

RECOMMENDATION:

THAT THE MINUTES OF THE JANUARY 27, 2014 REGULAR BOARD MEETING BE APPROVED AS PRESENTED.

LIST OF EXHIBITS:

Exhibit "A" – Minutes of January 27, 1014 Regular Board Meeting

EXHIBIT "A"

MINUTES OF REGULAR MEETING – JANUARY 27, 2014

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 LaMar on January 27, 2014 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Swan, Withers, Matheis, LaMar and Reinhart

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Engineering and Planning Burton, Executive Director of Operations Sheilds, Acting Executive Director of Water Resources Weghorst, Director of Human Resources Roney, Assistant Director of Conservation Sanchez, Assistant Director of Recycling Operations Lee, Assistant Director of Maintenance Drake, Assistant Director of Water Operations Roberts, Legal Counsel Arneson (via conference call), Secretary Bonkowski, Director of Risk Management and Treasury Jacobson, Principle Engineer Malloy, Ms. Christine Compton, Ms. Jo Ann Corey, Ms. Mildred Vieyra, Mr. Jim Reed, Mr. Bruce Newell and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION

Mrs. Joan Irvine Smith's assistant addressed the Board of Directors with respect to the Dyer Road Wellfield. She said it was her understanding that currently wells 1, 5, 6, 7, C-8, C-9, 10, 15 and 17 will operate in accordance with the District's annual pumping plan. Wells 2, 3, 4, 11, 12, 13, 14, 16 and 18 will be off. This was confirmed by Mr. Cook, General Manager of the District.

On October 31, 2013, the District received its fully executed copy of the Annexation Agreement with the Orange County Water District. This was confirmed by Mr. Cook.

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. On October 14 2013, the IRWD Board 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 approved the operating agreement. This was confirmed by Mr. Cook.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED: None.

CONSENT CALENDAR

On MOTION by Reinhart, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 11 WERE APPROVED AS FOLLOWS:

3. MINUTES OF REGULAR AND ADJOURNED REGULAR BOARD MEETING

Recommendation: That the minutes of the January 10, 2014 Adjourned Regular Board Meeting and the January 13, 2014 Regular Board Meeting be approved as presented.

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

Recommendation: That the Board ratify/approve the meetings and events for Steven LaMar, Mary Aileen Matheis, Doug Reinhart, John Withers and Peer Swan.

5. DECEMBER 2013 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for December 2013, and Disclosure Report of Reimbursements to board members and staff; approve the December 2013 summary of payroll ach payments in the total amount of \$1,515,640 and approve the December 2013 accounts payable disbursement summary of warrants 344414 through 345065, workers' compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$16,630,891.

6. AMENDMENT TO THE AGREEMENT FOR RELOCATION OF THEMICHELSON PARK PLACE SEWER LIFT STATION

Recommendation: That the Board authorize the General Manager to execute an amendment to the agreement for relocation of the Michelson Park Place Sewer Lift Station subject to non-substantive changes.

7. QUITCLAIM OF REAL PROPERTY IRVINE COMMUNITY DEVELOPMENT COMPANY LLC WATER AND RECYCLED WATER PIPELINE AND ACCESS EASEMENT TRACT NOS. 16719, 16722, AND 17015 - ORCHARD HILLS

Recommendation: That the Board adopt the following resolution by title approving execution of the Quitclaim Deed to Irvine Community Development Company LLC.

RESOLUTION NO. 2014-4

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

CONSENT CALENDAR (CONTINUED)

8. QUITCLAIM OF REAL PROPERTY THE IRVINE COMPANY LLC SEWER AND WATER EASEMENT TRACT NO. 12355 - WESTPARK PLAZA

Recommendation: That the Board adopt the following resolution by title approving execution of the Quitclaim Deed to Irvine Company LLC.

RESOLUTION NO. 2014-5

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

9. RANDALL STREET AND LOLITA AVENUE DOMESTIC WATER PIPELINE REPLACEMENT FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Randall Street and Lolita Avenue domestic water replacement, project 11408 (1279); 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.

10. ON-CALL CEQA/NEPA AND PERMITTING SERVICES CONSULTANT SELECTIONS

Recommendation: That the Board authorize the General Manager to execute Professional Service Agreements with ESA, Dudek and Bonterra Psomas to provide on-call CEQA/NEPA services over the next two years for not-to-exceed amounts of \$150,000 each and with Harmsworth Associates and VCS Environmental to provide two years of on-call monitoring and permitting services for not-to-exceed amounts of \$100,000 each.

11. REIMBURSEMENT TO BOARD MEMBER FOR BUSINESS EXPENSES

Recommendation: That the Board approve the expense report submitted for reimbursement for business mileage expenses incurred by Director Peer Swan.

ACTION CALENDAR

RATTLESNAKE RESERVOIR CHLORINE GAS REMOVAL CONSULTANT SELECTION

General Manager Cook reported that the District disinfects non-potable water at the Rattlesnake Chlorination Facility to control biological growth in the recycled water distribution system and to minimize odors downstream of the Zone A North tank. The facility currently uses chlorine gas for disinfection, which is labor intensive and requires extensive safety measures. The Rattlesnake Reservoir Chlorine Gas Removal Project includes the removal of the existing

chlorine gas system and related appurtenances and the installation of new sodium hypochlorite storage and feed facilities in the existing chlorination building.

Executive Director of Engineering and Planning Burton said that in accordance with the recently adopted IRWD Goals and Objectives for 2014, the conversion of the Rattlesnake Chlorination Facility from chlorine gas to liquid sodium hypochlorite aligns with the District's goal of assessing the ongoing use of chlorine gas and investigating potential conversions to liquid sodium hypochlorite. He said that after conversion of this facility, the District will have two remaining chlorine gas facilities.

Mr. Burton said that staff received proposals for design of the facility from Carollo Engineers, Dudek, and URS and that Brown & Caldwell, CDM, and CH2M Hill had declined. Carollo's proposal presented new ideas for the sodium hypochlorite storage and feed facilities including constructing horizontal tanks for liquid sodium hypochlorite storage and providing catwalks around the tanks to allow staff to walk outside the containment area. Carollo's ideas optimize the use of available space, increase accessibility, and maximize the use of existing facilities. Mr. Burton said that Carollo has successfully completed projects for IRWD in the past, including design of the existing Rattlesnake Chlorination Facilities, preliminary design for the Wells 21 and 22 Desalter and the process design for the Baker Water Treatment Plant, and that staff recommends they be selected to design the project .

Director Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on January 21, 2014. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 30435 (4959) IN THE AMOUNT OF \$1,706,400 TO THE FY 2013-14 CAPITAL BUDGET; APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 30435 (4959) IN THE AMOUNT OF \$336,100; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH CAROLLO ENGINEERS IN THE AMOUNT OF \$291,045 FOR ENGINEERING SERVICES FOR THE RATTLESNAKE RESERVOIR CHLORINE GAS REMOVAL PROJECT.

HIDDEN CANYON ZONE 3 TO 4 DOMESTIC WATER AND ZONE B TO C RECYCLED WATER BOOSTER PUMP STATIONS CONSTRUCTION AWARD

General Manager Cook reported that Planning Area 18 South development is currently under construction and that the developer, Toll Brothers, will construct approximately 250 low-density residential homes for sale in early 2015. Mr. Cook said that the development will be served by a domestic water and recycled water booster pump station in a combined building located on the recently extended Lake Forest Drive, east of Romano Street.

Executive Director of Engineering and Planning Burton reported that the design was completed by Lee and Ro, Inc. and the project was advertised for construction to a select list of 10 contractors including Archer Western Contractors, Pascal & Ludwig Constructors, Schuler Engineering Corp., SS Mechanical Corp., Stanek Constructors, Clarke Contracting Corp., Doty Bros. Construction Co., J.F. Shea Construction, Inc., Olsson Construction, and RC Foster Corp. Mr. Burton said that the bid opening was held with bids received from Archer Western Contractors, Pascal & Ludwig Constructors, Schuler Engineering Corp., SS Mechanical Corp.,

Stanek Constructors, and RC Foster Corp with RC Foster Corp. as the apparent low bidder with a bid amount of \$3,713,700.

Mr. Burton said that staff reviewed RC Foster Corp.'s bid and has determined that it is responsive. The engineer's estimate, prepared by Lee & Ro, was \$3,600,000. He said that RC Foster Corp. was recently added to the list of prequalified contractors and this will be their first project with IRWD. The next lowest bidder submitted a bid amount of \$3,736,200, a difference of only \$22,500. The remaining four bids ranged from \$3,950,000 to \$4,070,000.

Following discussion relative to the bid being two percent over the engineer's estimate, on MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE FOR PROJECT 10446 (1648) IN THE AMOUNT OF \$393,800, FROM \$2,679,700 TO \$3,073,500; AUTHORIZED A BUDGET INCREASE FOR PROJECT 30446 (1063) IN THE AMOUNT OF \$262,500, FROM \$1,813,500 TO \$2,076,000; APPROVED EXPENDITURE AUTHORIZATIONS IN THE AMOUNTS OF \$2,572,600 AND \$1,680,100 FOR PROJECTS 10446 (1648) AND 30446 (1063); AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH R.C. FOSTER CORP. IN THE AMOUNT OF \$3,713,700 FOR THE HIDDEN CANYON ZONE 3 TO 4 DOMESTIC WATER AND THE ZONE B TO C RECYCLED WATER BOOSTER PUMP STATIONS, PROJECTS 10446 (1648) AND 30446 (1063).

WATER SHORTAGE ASSISTANCE TO ANTELOPE VALLEY-EAST KERN WATER AGENCY

Acting Executive Director of Water Policy Weghorst reported that in June 2011, IRWD and AVEK executed an agreement for the Short-Term Water Storage Partnership-Pilot Exchange Program (Pilot Exchange Agreement) that allowed AVEK to deliver 5,000 acre-feet (AF) of its State Water Project Table A into storage at the Strand Ranch on a two for one unbalanced exchange basis. This water was delivered into storage in 2012 through a combination of in-lieu and direct recharge events.

Mr. Weghorst said that the Pilot Exchange Agreement allows AVEK to recover up to one-third of its starting account balance in any year and that currently, AVEK's share of the water delivered into storage in 2012 equals 2,229 AF. The allowable annual recovery rate for AVEK is 743 AF per year. He said that AVEK is currently evaluating its need for additional water above the 743 AF in 2014, and staff recommends that the District be prepared to provide them with water shortage assistance by offering additional recovery capacity up to AVEK's total amount in storage of 2,229 AF. The recovery of additional water on behalf of AVEK would not have negative impacts on IRWD or its other exchange program partners.

Mr. Weghorst said that IRWD's legal counsel has prepared a letter agreement that will allow AVEK to recover additional water during 2014 up to its balance in storage at the Strand Ranch. The letter agreement calls for AVEK to pay the full cost of the recovery and delivery of the additional water to its service area. Recovery of additional water for AVEK will not be allowed to exceed the 17,500 AF per year recovery limit for the Strand Ranch. The letter agreement specifies that the recovery of the additional water by AVEK will occur in second priority to

IRWD's recovery of water for itself and in fulfilling the obligations of IRWD's other exchange programs.

Director Swan said that this item was reviewed and approved by the Water Banking Committee on January 23, 2014. Following discussion relative to assisting the District's partners, on MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE LETTER AGREEMENT WITH ANTELOPE VALLEY-EAST KERN WATER AGENCY SUBJECT TO NON-SUBSTANTIVE CHANGES THAT ALLOWS AVEK TO RECOVER ADDITIONAL WATER FROM THE STRAND RANCH INTEGRATED BANKING PROJECT IN 2014 UP TO ITS STORAGE BALANCE OF 2,229 AF AND FOR IT TO PAY ALL THE COSTS ASSOCIATED WITH THE RECOVERY AND RETURN OF THIS WATER TO THE AVEK SERVICE AREA.

ON-CALL CONSTRUCTION INSPECTION SERVICES VARIANCE

General Manager Cook reported that the District's current and upcoming inspection workload for capital, development and operational improvement projects continues to exceed the level that can be supported by the District's staff. Mr. Cook said that the District's construction inspection group consists of five staff inspectors and three on-call consultant inspectors that are currently responsible for the inspection, field coordination, documentation and record drawing preparation of over 230 projects spread across the District. He further said based on currently active and upcoming construction projects planned by the Irvine Company, FivePoint Communities, Toll Brothers and the City of Tustin, staff anticipates the need for continued consultant field inspection support for a period of up to two years.

Executive Director of Engineering and Planning Burton said that currently AndersonPenna is providing three experienced inspectors under their on-call contract that have worked well within the District's inspection group and have demonstrated the ability to inspect and coordinate multiple projects simultaneously. Mr. Burton said that the current agreement with AndersonPenna will be expended by February 2014. He said that due to the experience, attention to detail and quality work of the current consultant inspectors, staff requests a variance for continued inspection services. He further said that AndersonPenna has agreed to maintain the previously negotiated favorable fully-burdened rate of \$95 per hour for its inspectors, which includes a truck and fuel, cell phone and laptop computer.

Director Reinhart said that this item was reviewed by the Engineering and Operations Committee on January 21, 2014 and the Committee concurs with the staff recommendation. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 1 WITH ANDERSONPENNA IN THE AMOUNT OF \$1,200,000 FOR ON-CALL CONSTRUCTION INSPECTION SERVICES FOR THREE INSPECTORS FOR A TWO-YEAR PERIOD.

MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION AND FLOOD PROTECTION IMPROVEMENTS CONTRACT CHANGE ORDER

The Michelson Water Recycling Plant (MWRP) Phase 2 Expansion and Flood Protection Improvements are currently being constructed by J. R. Filanc Construction Company (Filanc). This project will expand the recycled water production capacity of MWRP to 28 million gallons per day and protect MWRP from flooding of San Diego Creek.

Executive Director of Engineering and Planning Burton reported that during construction of the flood protection improvements, staff identified several necessary design modifications for Riparian View. He said once the wall was constructed, staff noticed that the floodwall foundation would have been exposed had the road been constructed per the original design. Also, the drainage needed to be improved in consideration of constraints such as flood gate locations and drainage requirements which must direct flow towards MWRP and not the San Diego Creek. Riparian View will now have gradual slopes allowing proper drainage and the foundation of the floodwall will not be exposed. The net result of implementing these changes is that more road base and asphalt will be required than shown on the original bid documents. The Riparian View road improvements and security fencing is scheduled to be completed by the end of February 2014 for a cost of \$189,182.30.

Mr. Burton said that because of the uncertain location of existing in-plant recycled water pipelines, the Phase 2 Expansion design included a new, stand-alone recycled water loop for the new treatment processes. As construction proceeded and the existing recycled water pipelines were encountered, the active existing pipelines were connected to the new recycled water loop. This increased the reliability of the in-plant recycled water system. Filanc demolished and removed some unneeded recycled water lines, located mostly in the southern portion of MWRP. Filanc also abandoned in place and capped other unneeded recycled water pipelines in various located within MWRP. The cost for this portion of the work is \$53,278.81.

Mr. Burton said that Contract Change Order No. 104 in the amount of \$242,461.11 is for the labor, equipment, and material to perform the aforementioned modifications to Riparian View and the MWRP recycled water system. The amount of all change orders in this construction project is \$4,932,713.41 (5.6% of the original bid). The amount of change orders directly related to MWRP Phase 2 Expansion and Flood Protection Improvements is \$3,477,638.93 (4.0% of the original bid).

Director Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on January 21, 2014. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 104 IN THE AMOUNT OF \$242,461.11 FOR MODIFICATIONS TO RIPARIAN VIEW AND THE MICHELSON WATER RECYCLING PLANT RECYCLED WATER SYSTEM WITH J. R. FILANC CONSTRUCTION CO. FOR THE MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION AND FLOOD PROTECTION IMPROVEMENTS, PROJECTS 20214 (1599), 20542 (1150), 30214 (1706), AND 30542 (1118).

OTHER BUSINESS

GENERAL MANAGER'S REPORT

General Manager Cook reported on a visit to Sacramento with Ms. Christine Compton, Director LaMar, and the District's consultant Ms. Mareen O'Haren to meet with legislative representatives.

Mr. Cook said that the District received a Certificate of Recognition from the City of Irvine for its sponsorship in the U.S. Department of Energy's Solar Decathlon and exposition which both Directors LaMar and Matheis accepted on behalf of the District.

Mr. Cook noted the upcoming Baker Water Treatment Plant Construction Kick-off event which will be attended by the member agencies.

Mr. Cook congratulated Mr. Tom Roberts on his recent promotion to Assistant Director of Water Operations.

DIRECTORS' COMMENTS

Director Matheis reported on her attendance at WACO, and the City of Irvine's presentation to IRWD for its sponsorship of the solar decathlon. Ms. Matheis noted her attendance at a California Association of Realtors' meeting where they are proposing forming a task force relative to how the drought situation will affect the real estate market, and she had suggested that they obtain information from the water agencies. She further suggested that it may be valuable if the District contacts retirees and obtains institutional history from these individuals via videotaping.

Director Reinhart reported on his attendance at a MWDOC Board meeting.

Director Swan reported on his attendance at an Orange County Water Association luncheon, a California Association of Sanitation Agencies conference with Executive Director Shields and said that other agencies are moving forward on the wastewater side, and a Southern California Water Committee relative to direct potable reuse. He said that he will be attending an Orange County Vector Control meeting relative to mosquito problems and that they will be focusing on the property owned by University of California's Natural Reserve System located across the street from the San Joaquin Wildlife Sanctuary. He further said he will be attending an ACWA Board meeting this Thursday and Friday in Sacramento. As a follow-up to Director Matheis' comments, Director Swan suggested that periodic events be held with retirees to discuss historical/institutional information.

Director LaMar reported on his attendance at an NWRI Operations Committee, a Southern California Water Committee storm water task force meeting, a MWDOC Board meeting, an overview of the District and tour with the Orange County Business Journal held with Director Withers and staff, and also noted the meeting held in Sacramento last week with legislators and staff of Governor Brown. He said during his Sacramento visit he walked along the Sacramento River and could see the effects of the drought and was contemplating on how southern California

could assist Northern California. A discussion was held relative to conservation, and Director LaMar suggested that every agency update its Urban Water Management Plan.

ADJOURNMENT

There being no further business, President LaMar adjourned the meeting at 6:06 p.m.

APPROVED and SIGNED this 10th day of February, 2014.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

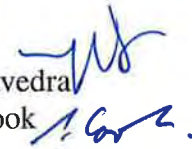
Legal Counsel - Bowie, Arneson, Wiles & Giannone

February 10, 2014

Prepared and

Submitted by: N. Savedra

Approved by: P. Cook



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

1/09/14 COAST Wildlife Fire Task Force Meeting at OCFA
2/05/14 Monthly meeting with General Manager Paul Cook re: District activities
2/06/14 MWDOC Water Policy Forum
2/07/14 ACWA Federal Affairs Committee Meeting, Sacramento, CA

Mary Aileen Matheis

2/03/14 Water Education Foundation Board Meeting via teleconference

Douglas Reinhart

1/16/14 Board member presentation at Newport Kiwanis Club
2/19-21/14 Urban Water Institute Water Conference, Palm Springs, CA

Peer Swan

2/06/14 MWDOC Water Policy Forum
2/18/14 WACO Planning Committee Meeting

THAT THE BOARD RATIFY/APPROVE THE MEETINGS AND EVENTS FOR STEVEN LaMAR, MARY AILEEN MATHEIS, DOUGLAS REINHART, AND PEER SWAN AS DESCRIBED.

LIST OF EXHIBITS:

None

February 10, 2014

Submitted and

Approved by: Paul Cook 

CONSENT CALENDAR

RATIFICATION OF MEMORANDUM RELATIVE TO THE BOARD, COMMITTEE AND OTHER ASSIGNMENTS, AND APPROVAL OF AGENCY AND OUTSIDE ORGANIZATION BOARD REPRESENTATION AT MEETINGS/EVENTS FOR 2014

SUMMARY:

As a result of changes implemented by President LaMar on Committees and other assignments, the following actions are necessary:

- Ratify the February 10, 2014 memorandum relative to Board, Committees and Other Assignments;
- Approve attendance for meetings and events for District representation by the Directors for 2014 calendar year; and
- Adopt a resolution revising the assignment of Directors to Committees of the Board.

BACKGROUND:

Directors serve on various standing and established ad hoc committees and represent the District in various other assignments. President LaMar has reviewed various committee and other assignments, and has made changes in the Memorandum provided as Exhibit "A" and highlighted in bold text. A resolution has also been prepared revising the assignment of Directors to Committees of the Board (as provided in Exhibit "B"). The changes to the assignments are as follows:

Other Officers of the District:

No changes.

Standing Committees Changes:

No changes.

Ad Hoc Committees Changes:

- Board Process Committee added.

Agencies Representation Changes:

No changes.

Organizations Representation Changes:

No changes.

Internal Organizations Changes:

- Post-employment Benefits Retirement Trust Board added.

Supported Organizations Changes:

No changes.

Organization/Committee Staff Representation and Support:

- Shields added to CASA, AWWWA, and CWEA.
- Burton added to Dyer Road Wellfield.

Additionally, pursuant to Resolution 2006-297 adopted on August 28, 2006, approval/ratification of attendance of events and meetings is required by the Board of Directors. For those meetings and events shown without specific dates, approval is requested to authorize attendance for calendar year 2014. Based upon the annual assignment of Board members for outside agency representation, attendance at these meetings below is considered authorized under the District's policy. Assignments are summarized below:

Organizations Representation:

- | | |
|--|---|
| • Association of CA Water Agencies (ACWA) | All Board Members |
| • ACWA/Joint Powers Insurance Authority | Swan (Representative), Matheis (Alternate) |
| • CalDesal | LaMar (Representative, Reinhart (Alternate) |
| • CA Association of San. Agencies (CASA) | Swan (Representative), Withers (Alternate) |
| • CA Special Districts Association (CSDA)
Education Committee | Matheis (Representative) |
| • El Toro Restoration Advisory Board | Matheis (Representative), Cook (Alternate) |
| • Independent Special Districts of OC (ISDOC) | Matheis (Representative), Withers (Alternate) |
| • Irvine Chamber of Commerce | Matheis (Representative), LaMar (Alternate) |
| • National Water Research Institute (NWRI) | Withers (Representative), LaMar (Alternate) |
| • Nature Reserve of Orange County (NROC) | LaMar (Representative), Cook (Alternate) |
| • Newport Bay Watershed Executive Comm. | Swan (Representative), Cook (Alternate) |
| • Newport Chamber of Commerce | Swan (Representative), Matheis (Alternate) |
| • Orange County Business Council (OCBC) | LaMar (Representative), Withers (Alternate) |
| • Orange County Council of Governments | Matheis (Representative), LaMar (Alternate) |
| • South County Chamber of Commerce | Reed (Representative), Reinhart (Alternate) |
| • South Orange County Watershed
Management Area Executive Committee | Matheis (Representative), LaMar (Alternate) |
| • Southern California Water Dialogue Group | Swan (Representative), LaMar (Alternate) |
| • So. California Water Committee (SCWC) | LaMar (Representative), Matheis (Alternate) |
| • Urban Water Institute (UWI) | Matheis (Representative), Swan (Alternate) |
| • WaterReuse Association | Reinhart (Representative), Cook (Alternate) |
| • Water Advisory Committee of OC (WACO) | All Board Members |

- Water Education Foundation (WEF) Matheis (Representative)

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was not submitted for Committee review.

RECOMMENDATION:

THAT THE BOARD RATIFY THE MEMORANDUM DATED FEBRUARY 10, 2014 ENTITLED OFFICERS OF THE BOARD, COMMITTEES AND OTHER ASSIGNMENTS; APPROVE ATTENDANCE FOR THE MEETINGS AND EVENTS FOR THE BOARD'S REPRESENTATION FOR CALENDAR YEAR 2014 AS DELINEATED IN THE WRITE-UP; AND ADOPT THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2014-

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2013-3 AND REVISING THE
ASSIGNMENT OF DIRECTORS TO COMMITTEES
OF THE BOARD

LIST OF EXHIBITS:

- Exhibit "A" – Memorandum from President LaMar dated February 10, 2014 entitled Officers of the Board, Committee and Other Assignments
- Exhibit "B" – Resolution Revising the Assignment of Directors to Committees of the Board

EXHIBIT "A"
MEMORANDUM

DATE: **February 10, 2014** (revisions shown in **bold**)
TO: Board of Directors
FROM: Steve LaMar, President
SUBJECT: MEMORANDUM RELATIVE TO OFFICERS OF THE BOARD, COMMITTEES,
AND OTHER ASSIGNMENTS

District Board of Directors:

- President **Steve LaMar**
- Vice President **Peer Swan**
- Directors Mary Aileen Matheis, Doug Reinhart, and John Withers

Other Officers of the District:

- District Treasurer Rob Jacobson
- Assistant District Treasurers Cheryl Clary, Tanja Fournier
- District Secretary Leslie Bonkowski
- Assistant District Secretaries Nancy Savedra, Joan Arneson

Standing Committees*:

- Asset Management Withers, Swan (Alt. LaMar)
- Finance and Personnel Swan, LaMar (Alt. Matheis)
- Engineering and Operations Reinhart, Withers (Alt. Swan)
- Water Resources Policy and Communications LaMar, Matheis (Alt. Reinhart)
- Water Banking Swan, Reinhart (Alt. Matheis)

Ad Hoc Committees*:

- Bay Delta LaMar, Swan
- **Board Process** **LaMar, Matheis**
- City of Newport Beach Swan, Matheis
- City of Irvine / Great Park Matheis, LaMar
- City of Lake Forest Matheis, Reinhart
- City of Orange / OPA Reinhart, Withers
- City of Tustin Matheis, LaMar
- MWDOC Reinhart, LaMar
- Orange County Water District Swan, Reinhart
- OCWD / MWDOC Joint Planning Reinhart, Swan
- San Joaquin Marsh Swan, Matheis
- Serrano Water District Swan, Reinhart

* Committee chair name shown first

Agencies Representation:

- Municipal Water District of Orange County Reinhart (Representative), LaMar (Alternate)
- Orange County Sanitation District (OCSD) Withers (Director), Reinhart (Alternate)
- Orange County Water District (OCWD) Swan (Representative), Reinhart (Alternate)
- So OC Wastewater Authority (SOCWA)*** Reinhart (Director), Cook (Alternate)
- Santiago Aqueduct Commission (SAC)*** Reed** (Director) and Reinhart (Alternate)

Organizations Representation:

- Association of CA Water Agencies (ACWA) All Board Members
- ACWA/Joint Powers Insurance Authority Swan (Representative), Matheis (Alternate)
- CalDesal LaMar (Representative), Reinhart (Alternate)
- CA Association of San. Agencies (CASA) Swan (Representative), Withers (Alternate)
- CA Special Districts Association (CSDA) Matheis (Representative)
Education Committee
- El Toro Restoration Advisory Board Matheis (Representative), Cook (Alternate)
- Independent Special Districts of OC (ISDOC) Matheis (Representative), Withers (Alternate)
- Irvine Chamber of Commerce Matheis (Representative), LaMar (Alternate)
- National Water Research Institute (NWRI) Withers (Representative), LaMar (Alternate)
- Nature Reserve of Orange County (NROC) LaMar (Representative), Cook (Alternate)
- Newport Bay Watershed Executive Comm. Swan (Representative), Cook (Alternate)
- Newport Chamber of Commerce Swan (Representative), Matheis (Alternate)
- Orange County Business Council (OCBC) LaMar (Representative), Withers (Alternate)
- Orange County Council of Governments Matheis (Representative), LaMar (Alternate)
- South County Chamber of Commerce Reed** (Representative), Reinhart (Alternate)
- South Orange County Watershed Management Area Executive Committee Matheis (Representative), LaMar (Alternate)
- Southern California Water Dialogue Group Swan (Representative), LaMar (Alternate)
- So. California Water Committee (SCWC) LaMar (Representative), Matheis (Alternate)
- Urban Water Institute (UWI) Matheis (Representative), Swan (Alternate)
- WaterReuse Association Reinhart (Representative), Cook (Alternate)
- Water Advisory Committee of OC (WACO) All Board Members
- Water Education Foundation (WEF) Matheis (Representative)

Internal Organizations:

- Bardeen Partners, Inc. Withers, President; Swan, Vice President
LaMar, Matheis and Reinhart, Members
Jacobson, Treasurer
Fournier, Assistant Treasurer
L. Bonkowski, Secretary
- IRWD Improvement Corporation **Swan**, President; **LaMar**, Vice President
Matheis, Reinhart, and Withers Members
Jacobson, Treasurer
L. Bonkowski, Secretary

** Appointed representative
*** Notify agency of any change(s)

Internal Organizations (continued):

- Joint Powers Agency Commission
Swan, Chairman; Matheis, Vice Chairman
LaMar, Reinhart and Withers, Members
Jacobson, Treasurer
Fournier, Assistant Treasurer
L. Bonkowski, Secretary
- Joint Powers Agency Finance Committee
Swan and LaMar (Alt. Matheis)
- IRWD Water Service Corporation
Matheis, President; LaMar, Vice President
Swan, Reinhart and Withers, Members
Jacobson, Treasurer
L. Bonkowski, Secretary
- **Post-employment Benefits Retirement Trust Board**
Swan, Chairman; LaMar, Vice Chair
Cook, Member
Jacobson, Treasurer
Fournier, Assistant Treasurer
L. Bonkowski, Secretary

Supported Organizations:

- San Joaquin Wildlife Sanctuary, Inc.
Swan, President; Matheis, Director
L. Bonkowski, Treasurer
L. Bonkowski, Director and Secretary
- Shadetree Partnership, Inc.
Matheis, President
T. Bonkowski, Director and Treasurer
L. Bonkowski, Director and Secretary
Cook, Director

Organization/Committee Staff Representation and Support:

- Association of CA Water Agencies (ACWA)
Cook, Beeman, Compton
- California Assoc. of Sanitation Agencies
Cook, **Sheilds**
- California Municipal Utilities Assoc. (CMUA)
Cook, Compton
- California Special Districts Assoc. (CSDA)
Beeman, Compton
- American Water Works Assoc. (AWWA)
Cook, **Sheilds**
- California Water Environmental Assoc.
Cook, **Sheilds**
- Dyer Road Well Field
Cook (Representative), **Burton** (Alternate)
- Newport Bay Watershed Mgmt. Comm.
Tettermer (Representative), Cook (Alternate)
- South Orange County Watershed Mgmt Area Executive Committee
Tettermer
- WateReuse California
Cook, Tettermer and Compton
- National Water Research Institute (NWRI)
Oldewage

EXHIBIT "B"

RESOLUTION NO. 2014 -

**RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2013-3 AND REVISING THE ASSIGNMENT
OF DIRECTORS TO COMMITTEES OF THE BOARD**

WHEREAS, by adoption of Resolution No. 2013-3 on January 28, 2013, the Board of Directors of Irvine Ranch Water District appointed members of the Board of Directors to serve on Committees of the Board; and

WHEREAS, it is the desire of the Board of Directors to revise the assignment of Directors to Board Committees. Additionally, the President has the authority to appoint an additional alternate as appropriate to Committees in the absence of the members and alternate.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of Irvine Ranch Water District as follows:

Section 1. That Resolution No. 2013-3 be and hereby is rescinded.

Section 2. That the following Committee assignments* are hereby made:

- | | |
|---|--------------------------------|
| • Asset Management | Withers, Swan (Alt. LaMar) |
| • Finance and Personnel | Swan, LaMar (Alt. Matheis) |
| • Engineering and Operations | Reinhart, Withers (Alt. Swan) |
| • Water Resources Policy and Communications | LaMar, Matheis (Alt. Reinhart) |
| • Water Banking | Swan, Reinhart (Alt. Matheis) |


* Committee Chair name shown first

ADOPTED, SIGNED and APPROVED this 10th day of February, 2014.

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
Legal Counsel - IRWD

February 10, 2014
Prepared by: Tanja Fournier
Submitted by: Robert Jacobson/Cheryl Clary
Approved by: Paul Cook 

CONSENT CALENDAR

BOARD AUTHORIZATION TO CAST BALLOTS IN FAVOR OF
BOND PROPOSITIONS IN IMPROVEMENT DISTRICT NOS. 185/285

SUMMARY:

Staff is requesting that the Board adopt a resolution authorizing the Board President or the District's Treasurer to cast votes in favor of the passage of the Improvement District (ID) Nos. 185 and 285 bond authorization in the special election that will be held on March 4, 2014.

BACKGROUND:

On December 16, 2013, the IRWD Board of Directors adopted resolutions calling for the elections and requesting the County of Orange Registrar of Voters to conduct the special bond elections to authorize general obligation bonds within Improvement Districts Nos. 185 and 285. IRWD is entitled to cast one vote for each of the 87 acres owned in the area (87 votes). Legal counsel has prepared a resolution, attached as Exhibit "A", providing authorization to the District's Board President or Treasurer to cast votes in favor of the passage of the Improvement Districts Nos. 185 and 285 bond propositions.

FISCAL IMPACTS:

It is anticipated that general obligation debt will be issued in increments required to fund implementation of the Plan of Works in IDs 185 and 285.

ENVIRONMENTAL COMPLIANCE:

Similar to the formation of Improvement Districts and adoption of Plan of Works, calling and holding of the special bond elections within the Improvement Districts are steps in the process of authorizing general obligation bonds, and as such, constitute the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and therefore are not a project for purposes of CEQA (Guidelines Section 15378(b)(4)).

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on December 9, 2013 and by the Board on December 16, 2013.

Consent Calendar: Board Authorization to Cast Ballots in Favor of Bond Propositions in
Improvement Districts Nos. 185 and 285
February 10, 2014
Page 2

RECOMMENDATION:

THAT THE BOARD ADOPT THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2014-_____

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT AUTHORIZING
CASTING OF DISTRICT BALLOTS IN IMPROVEMENT
DISTRICT NOS. 185 AND 285 ELECTIONS

LIST OF EXHIBITS:

Exhibit "A" – Resolution Authorizing Casting of District Ballots

Exhibit "A"

RESOLUTION NO. 2014-_____

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT AUTHORIZING
CASTING OF DISTRICT BALLOTS IN IMPROVEMENT
DISTRICT NOS. 185 AND 285 ELECTIONS

WHEREAS, the Irvine Ranch Water District ("IRWD") has called and ordered special bond elections to be held in Improvement District Nos. 185 and 285 on March 4, 2014, as all-mailed ballot elections pursuant to Section 4002 of the Elections Code of the State of California, for the purpose of submitting to the voters of the Improvement Districts propositions of whether general obligation bonded indebtedness of IRWD for the Improvement Districts shall be incurred and bonds issued therefor in specified amounts to accomplish the respective Plans of Works; and

WHEREAS IRWD owns certain parcels of real property within the Improvement Districts and as such will be entitled to cast one (1) vote for each acre within each of the Improvement Districts; and

WHEREAS, every voter that is not a natural person may vote either through (a) a guardian, executor or administrator of the estate of a holder of title to land that is not a natural person; or (b) a person duly authorized to act for, and on behalf of, a holder of title to land. In such instance, before a legal representative may vote at the election, he must provide a certified copy of said authority, which shall be kept and filed within the returns of the election; and

WHEREAS, IRWD wishes to provide authority to a legal representative to cast the District's ballots in the March 4, 2014 bond elections;

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

Section 1. Either of the President of the Board of Directors of the District, or the District's Treasurer, acting singly, is hereby authorized to cast the District's votes in favor of the passage of the Improvement District No. 185 and 285 bond propositions.

Section 2. The individual who casts the votes is authorized to certify such authority on any form(s) to be returned with the ballot materials. The District Secretary or any assistant Secretary is authorized to provide a certified copy of this authority to the Registrar of Voters, if requested.

ADOPTED, SIGNED AND APPROVED this 10th day of February, 2014.

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 _____

BAWGjca/ 00174163

February 10, 2014

Prepared by: Tanja Fournier

Submitted by: Cheryl Clary/Rob Jacobson

Approved by: Paul Cook



CONSENT CALENDAR

2014 INDEX TENDER NOTES REMARKETING

SUMMARY:

The District's Index-Based Tender Note debt issues (2011 A-1 and 2011 A-2), which were originally issued in April 2011, are within their annual remarketing period. Staff, the District's underwriters (Goldman Sachs and Morgan Stanley), and legal counsel have prepared the required Remarketing Statements, attached as Exhibits "A" and "B", respectively.

Additionally, in connection with the recent Improvement District (ID) consolidation that occurred in November 2013, it is necessary to amend the Indentures for the 2011 A-1 and 2011 A-2 bonds to substitute the reference to ID's 105 and 250, with the new consolidated ID's 125 and 225. Legal counsel has prepared Resolutions for adoption by the Board approving the Remarketing Statements and the First Supplemental Indentures, attached as Exhibits "C" and "D", respectively.

BACKGROUND:

The District currently has \$50,040,000 of Index-Based Tender Notes (ITNs), that are remarketed by Goldman Sachs (2011 A-1) and \$37,360,000 of ITN's that are remarketed by Morgan Stanley (2011 A-2). The ITNs are remarketed annually based on a spread to the SIFMA tax-exempt variable rate index. The last interest rate reset for the 2011 A-1 and 2011 A-2 issues was in February 2013 at the SIFMA weekly index with a spread of zero basis points, resulting in an all-in rate for 2013 of 0.34%, which was 0.04% less than calendar year 2012. The all-in rate includes the net interest rate (the index and spread), annual remarketing fees, legal counsel and staff time. The interest rate spread, if any, to the SIFMA index will be determined on February 12, 2014.

Staff and legal counsel have prepared the Remarketing Statements reflecting the District's most recent financial information, updated disclosure information and other pertinent updates for the 2011 A-1 and 2011 A-2 issues, which are attached for the Board's review as Exhibits "A" and "B", respectively.

Additionally, in connection with the recent Improvement District consolidation, it is necessary to amend the Indentures for the 2011 A-1 and 2011 A-2 bonds to substitute the reference to ID's 105 and 250, with the new consolidated ID's 125 and 225, respectively. Legal counsel has prepared Resolutions for adoption by the Board approving the Remarketing Statements and the First Supplemental Indentures, attached as Exhibits "C" and "D", respectively.

FISCAL IMPACTS:

The current outstanding principal amount for the 2011 A-1 and A-2 ITN bond issues is \$87.4 million. The ITNs are priced at a spread to the SIFMA tax-exempt variable rate index, which will occur on February 12, 2014.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on February 4, 2014.

RECOMMENDATION:

THAT THE BOARD APPROVE THE 2014 ITN REMARKETING STATEMENTS AND THE FIRST SUPPLEMENTAL INDENTURES; AND ADOPT TWO RESOLUTIONS BY THE FOLLOWING TITLES:

RESOLUTION NO. 2014-

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT APPROVING
REMARKETING STATEMENTS RELATING TO
UNSCHEDULED MANDATORY TENDERS
(REFUNDING SERIES 2011 A-1 AND REFUNDING SERIES 2011 A-2)

RESOLUTION NO. 2014-

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT APPROVING
FIRST SUPPLEMENTAL INDENTURES OF TRUST
(REFUNDING SERIES 2011 A-1 AND REFUNDING SERIES 2011 A-2)

LIST OF EXHIBITS:

- Exhibit "A" – Remarketing Statement for Series 2011 A-1
- Exhibit "B" – Remarketing Statement for Series 2011 A-2
- Exhibit "C" – Resolution Approving Remarketing Statements
- Exhibit "D" – Resolution Approving the First Supplemental Indentures

Exhibit “A”

Stradling Yocca Carlson & Rauth

Draft of 1/29/14

REOFFERING – NOT A NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See the caption “RATINGS”

On April 15, 2011, Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Gianmone, Co-Bond Counsel to the District, delivered their respective opinions in connection with the issuance of the Series 2011A-1 Bonds. Such opinions stated that, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A-1 Bonds was excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and was exempt from State of California personal income taxes. Further, the opinions of Co-Bond Counsel stated that interest on the Series 2011A-1 Bonds was not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observed that such interest was included in adjusted current earnings when calculating corporate alternative minimum taxable income. Co-Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A-1 Bonds. Co-Bond Counsel have not taken and do not intend to take any action to update such opinions or to determine if interest on the Series 2011A-1 Bonds is presently excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes. See the caption “TAX MATTERS” herein.

[IRWD LOGO]

\$56,040,000
BONDS OF IRVINE RANCH WATER DISTRICT
REFUNDING SERIES 2011A-1
CUSIP¹: 4636324Q9

Date of Initial Delivery: April 15, 2011 Scheduled Mandatory Tender Date: March 12, 2015 Due: October 1, 2037
Price: 100% Call Protection Date: September 12, 2014

This Remarketing Statement replaces the Remarketing Statement dated February 5, 2013, as supplemented on February 12, 2013, in its entirety.

Pursuant to the provisions of the Indenture of Trust, dated as of April 1, 2011, by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Series 2011A-1 Bonds, as amended, the District has exercised its option to effect an **Unscheduled Mandatory Tender** of the Series 2011A-1 Bonds on February 14, 2014.

Upon the purchase of the Series 2011A-1 Bonds pursuant to such **Unscheduled Mandatory Tender**, the Series 2011A-1 Bonds: (i) will be remarketed in the **Index Mode** for a Tender Period commencing on February 14, 2014 with the Scheduled Mandatory Tender Date on March 12, 2015; and (ii) will bear interest at an **Index Tender Rate** (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period). Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 14, 2014, the District will publish it by supplementing this Remarketing Statement and posting the supplement on the EMMA system.

The Purchase Price of the tendered Series 2011A-1 Bonds will be paid on February 14, 2014 from moneys held by the Trustee, consisting of immediately available funds on deposit in the Remarketing Proceeds Account, as more fully described herein.

The Series 2011A-1 Bonds were issued by the Irvine Ranch Water District and constitute the consolidated, several general obligations of Improvement District Nos. 113, 125, 213 and 225, which are geographical subdivisions of the District through which the District funds capital improvements. The Series 2011A-1 Bonds are payable from the following sources: (i) Assessment Proceeds of each Improvement District, consisting of *ad valorem* assessments on taxable land, In Lieu Charges and proceeds from the sale of property for the enforcement of delinquent assessments collected from within each Improvement District and applied by the District to pay such Improvement District’s Included Amount of the principal, Purchase Price and Redemption Price of, and interest on, all Outstanding Series 2011A-1 Bonds; (ii) Net Revenues of the District, consisting of water, sewer and reclaimed water rates and charges imposed by the District remaining after payment of Operation and Maintenance Expenses; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture. See the caption “SECURITY FOR THE SERIES 2011A-1 BONDS—Pledge of Assessment Proceeds and Revenues.” The obligation of the District to pay the principal, Purchase Price upon the Scheduled Mandatory Tender and Redemption Price of, and interest on, the Series 2011A-1 Bonds from Net Revenues is payable on a parity with certain Parity Obligations described under the caption “SECURITY FOR THE SERIES 2011A-1 BONDS—Limitations on Parity and Superior Obligations—Obligations on a Parity with the Series 2011A-1 Bonds.”

See the caption “INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225” and Appendix A under the caption “THE IMPROVEMENT DISTRICTS—Improvement District Nos. 125 and 225” for a discussion of the consolidation of Improvement District Nos. 105 and 250, the Assessment Proceeds of which were pledged to payment of the Series 2011A-1 Bonds at the time of their initial issuance, into Improvement District Nos. 125 and 225, respectively.

The Series 2011A-1 Bonds were issued pursuant to the Indenture for the purposes of: (i) providing a portion of the funds to refund the then-outstanding Bonds of Irvine Ranch Water District, Consolidated Refunding Series 2008B; and (ii) paying costs of issuance with respect to the Series 2011A-1 Bonds.

The Series 2011A-1 Bonds were issued in fully registered form and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the Series 2011A-1 Bonds will not receive physical certificates representing their beneficial ownership in the Series 2011A-1 Bonds purchased. The principal, Purchase Price and Redemption Price of, and interest on, the Series 2011A-1 Bonds are payable by the Trustee to Cede & Co. and such principal, Purchase Price, Redemption Price and interest payments are to be disbursed to the beneficial owners of the Series 2011A-1 Bonds through their nominees.

While the Series 2011A-1 Bonds are in the **Index Mode**, interest on the Series 2011A-1 Bonds will be payable on the first Business Day of each month. The Series 2011A-1 Bonds will be subject to a Scheduled Mandatory Tender on March 12, 2015. The failure of the District to pay the Purchase Price of the Series 2011A-1 Bonds upon any Scheduled Mandatory Tender would constitute an Event of Default under the Indenture. See the caption

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“THE SERIES 2011A-1 BONDS—Mandatory Tender for Purchase—Scheduled Mandatory Tender for Purchase.” The Series 2011A-1 Bonds are also subject to mandatory tender on an Unscheduled Mandatory Tender Date at the option of the District as described herein. The failure of the District to pay the Purchase Price of the Series 2011A-1 Bonds upon such Unscheduled Mandatory Tender would not constitute an Event of Default under the Indenture. See the caption “THE SERIES 2011A-1 BONDS—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase.” While in the Index Mode, individual purchases of Series 2011A-1 Bonds will be made in principal amounts of \$100,000 and integral multiples of \$5,000 in excess thereof.

This Remarketing Statement describes the Series 2011A-1 Bonds while in the Index Mode and for the Tender Period commencing on February 14, 2014 and ending on the Scheduled Mandatory Tender Date set forth above. There are significant differences in the terms of the Series 2011A-1 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-1 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode, but should look solely to the offering document to be used in connection with any such Change in Mode.

This Remarketing Statement describes the Series 2011A-1 Bonds for the Tender Period ending on the Scheduled Mandatory Tender Date set forth above only. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-1 Bonds for any other Tender Period. Owners and prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-1 Bonds during any other Tender Period, but should look solely to the offering document to be used in connection with such Tender Period.

Concurrently with the reoffering of the Series 2011A-1 Bonds, the District anticipates reoffering its Series 2011A-2 Bonds. Owners or prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-2 Bonds but should look instead to the most current Remarketing Statement prepared by the District for the Series 2011A-2 Bonds.

The Series 2011A-1 Bonds are subject to optional and mandatory redemption prior to maturity as more fully described under the caption “THE SERIES 2011A-1 BONDS—Redemption of Series 2011A-1 Bonds.”

THE SERIES 2011A-1 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2011A-1 Bonds. Investors are advised to read the entire Remarketing Statement to obtain information essential to the making of an informed investment decision. Capitalized terms have the meanings given such terms in this Remarketing Statement.

Certain legal matters in connection with the reoffering of the Series 2011A-1 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District, and for the Remarketing Agent by Stradling Yocca Carlson & Rauth, a Professional Corporation. The Series 2011A-1 Bonds are available through the facilities of The Depository Trust Company. Goldman, Sachs & Co. is serving as Remarketing Agent and will remarket the Series 2011A-1 Bonds on February 14, 2014 following their mandatory tender.

Goldman, Sachs & Co.

Series 2011A-1 Bonds Remarketing Agent

Dated: February __, 2014

No dealer, broker, salesperson or other person has been authorized by the District or the Remarketing Agent to give any information or to make any representation other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Remarketing Agent. This Remarketing Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2011A-1 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Remarketing Statement is not to be construed as a contract with the purchasers of the Series 2011A-1 Bonds. Statements contained in this Remarketing Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Statement:

The Remarketing Agent has reviewed the information in this Remarketing Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

The information set forth in this Remarketing Statement has been obtained from official sources and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Remarketing Agent. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Remarketing Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011A-1 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CERTAIN STATEMENTS CONTAINED IN THIS REMARKETING STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS REMARKETING STATEMENT. THE PROJECTIONS CONTAINED IN THIS REMARKETING STATEMENT WILL NOT BE UPDATED AS PART OF THE DISTRICT’S CONTINUING DISCLOSURE OBLIGATIONS FOR THE SERIES 2011A-1 BONDS.

THE SERIES 2011A-1 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES 2011A-1 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not part of this Remarketing Statement and should not be relied upon in making an investment decision with respect to the Series 2011A-1 Bonds.

IRVINE RANCH WATER DISTRICT
Orange County, California

Board of Directors

Steven E. LaMar, *President*
Peer A. Swan, *Vice President*
Douglas J. Reinhart
John B. Withers
Mary Aileen Matheis

Management

Paul A. Cook, *General Manager*
Cheryl Clary, *Executive Director of Finance and Administration*
Robert Jacobson, *Treasurer*
Leslie Bonkowski, *Secretary*

District General Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Co-Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

[REGIONAL MAP]

[MAP OF WATER IMPROVEMENT DISTRICTS]

[MAP OF SEWER IMPROVEMENT DISTRICTS]

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REMARKETING STATEMENT

\$56,040,000 BONDS OF IRVINE RANCH WATER DISTRICT REFUNDING SERIES 2011A-1

INTRODUCTION

This Remarketing Statement replaces the Remarketing Statement dated February 5, 2013, as supplemented on February 12, 2013, in its entirety.

Pursuant to the provisions of the Indenture of Trust, dated as of April 1, 2011 (the "Original Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as amended by the First Supplemental Indenture of Trust, dated as of February 1, 2014 (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture"), by and between the District and the Trustee, relating to the Bonds of Irvine Ranch Water District Refunding Series 2011A-1 (the "Series 2011A-1 Bonds"), the Irvine Ranch Water District (the "District") has exercised its option to effect an Unscheduled Mandatory Tender of the Series 2011A-1 Bonds on February 14, 2014.

Upon the purchase of the Series 2011A-1 Bonds pursuant to such Unscheduled Mandatory Tender, the Series 2011A-1 Bonds: (i) will be remarketed in the Index Mode for a Tender Period commencing on February 14, 2014 with the Scheduled Mandatory Tender Date on March 12, 2015; and (ii) will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period), all as more fully described herein.

Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 14, 2014, the District will publish it by supplementing this Remarketing Statement and posting the supplement with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System ("EMMA").

The Purchase Price of the tendered Series 2011A-1 Bonds will be paid on February 14, 2014 from moneys held by the Trustee, consisting of immediately available funds on deposit in the Remarketing Proceeds Account, as more fully described herein.

This Introduction is subject in all respects to the more complete information contained and referenced elsewhere in this Remarketing Statement. The remarketing of the Series 2011A-1 Bonds to potential investors is made only by means of the entire Remarketing Statement.

Purpose

The purpose of this Remarketing Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the District and Improvement District Nos. 113, 125, 213 and 225 (collectively, the "Improvement Districts" or individually, an "Improvement District") which are geographical subdivisions of the District through which the District funds capital improvements, in connection with the remarketing of \$56,040,000 aggregate principal amount of the Series 2011A-1 Bonds, which Series 2011A-1 Bonds constitute the consolidated several general obligations of Improvement District Nos. 113, 125, 213 and 225. In addition, the District has pledged Revenues to the repayment of the Series 2011A-1 Bonds. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—Pledge of Assessment Proceeds and Revenues."

The Series 2011A-1 Bonds were issued pursuant to the Indenture for the purposes of: (i) providing a portion of the funds to refund the then-outstanding Bonds of Irvine Ranch Water District, Consolidated

Refunding Series 2008B; and (ii) paying costs of issuance with respect to the Series 2011A-1 Bonds. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

This Remarketing Statement describes the Series 2011A-1 Bonds while in the Index Mode and for the Tender Period described herein only. There are significant differences in the terms of the Series 2011A-1 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-1 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode, but should look solely to the offering document to be used in connection with any such Change in Mode.

This Remarketing Statement describes the Series 2011A-1 Bonds for the Tender Period ending on the Scheduled Mandatory Tender Date of March 12, 2015. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-1 Bonds for any other Tender Period. Owners and prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-1 Bonds during any other Tender Period, but should look solely to the offering document to be used in connection with such Tender Period.

Concurrently with the reoffering of the Series 2011A-1 Bonds, the District anticipates reoffering its Bonds of Irvine Ranch Water District Refunding Series 2011A-2 (the “Series 2011A-2 Bonds”). Owners or prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-2 Bonds but should look instead to most current Remarketing Statement prepared by the District for the Series 2011A-2 Bonds.

Although the District has the right under the Indenture to enter into a Liquidity Facility in connection with the Series 2011A-1 Bonds, the District has not elected to enter into a Liquidity Facility in connection with the remarketing of the Series 2011A-1 Bonds for the Tender Period commencing February 14, 2014. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-1 Bonds supported by a Liquidity Facility. Owners and prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information in connection with the Series 2011A-1 Bonds supported by a Liquidity Facility, but should look solely to the offering document to be used in connection with any future entry of the District into a Liquidity Facility with respect to the Series 2011A-1 Bonds.

The District

The District is a California water district, formed in 1961 under the authority of the California Water District Law, constituting Division 13 of the California Water Code (the “Act”). Currently there are seven water improvement districts and nine sewer improvement districts formed pursuant to the Act, which are geographical subdivisions of the District through which the District funds capital improvements. See Appendix A—“IRVINE RANCH WATER DISTRICT.”

The Series 2011A-1 Bonds

The Series 2011A-1 Bonds are being remarketed in an Index Mode for a Tender Period commencing on February 14, 2014 with the Scheduled Mandatory Tender Date of March 12, 2015 and will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period, all as more fully described under the caption “THE SERIES 2011A-1 BONDS”). While in the Index Mode, interest on the 2011A-1 Bonds will be payable on the first Business Day of each month. The Series 2011A-1 Bonds will be subject to a Scheduled Mandatory Tender on March 12, 2015. The failure of the District to pay the Purchase

Price of a Series 2011A-1 Bond upon any Scheduled Mandatory Tender would constitute an Event of Default under the Indenture. See the caption “THE SERIES 2011A-1 BONDS—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure.” The Series 2011A-1 Bonds are also subject to mandatory tender on an Unscheduled Mandatory Tender Date established at the option of the District as described herein. See the caption “THE SERIES 2011A-1 BONDS—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase.” While in the Index Mode, individual purchases of Series 2011A-1 Bonds will be made in principal amounts of \$100,000 and integral multiples of \$5,000 in excess thereof.

Improvement Districts

Set forth below are brief descriptions of the Improvement Districts for which the Series 2011A-1 Bonds constitute the consolidated, several general obligations. For more complete information with respect to the Improvement Districts, see Appendix A—“IRVINE RANCH WATER DISTRICT” under the caption “THE IMPROVEMENT DISTRICTS.”

Improvement District Nos. 125 and 225. At the time of their initial issuance on April 15, 2011, the Series 2011A-1 Bonds constituted the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250. Pursuant to the Indenture, the District covenanted to fix and collect *ad valorem* assessments on taxable land within such improvement districts in amounts sufficient to pay principal of and interest on the Series 2011A-1 Bonds. See the caption “—Security for the Series 2011A-1 Bonds—Assessment Proceeds.”

Beginning in 2011, the District undertook a long-term review of its capital funding plan. As a result of such review, the Board of Directors of the District determined that it was the District’s best interest to consolidate certain improvement districts to support differing capital infrastructure needs within developed and undeveloped areas of the District. Accordingly, by resolutions adopted on October 14, 2013, October 28, 2013 and November 11, 2013, the Board of Directors of the District undertook the following actions:

- Certain lands were annexed into Improvement District Nos. 105 and 250 in accordance with Section 36428 *et seq.* of the Act. The annexed lands were declared to be liable for debt service on the outstanding bonds of Improvement District Nos. 105 and 250, including each such Improvement District’s Included Amount (as such term is defined under the caption “—Security for the Series 2011A-1 Bonds—General”) of the Series 2011A-1 Bonds.
- Certain lands generally constituting large permanent open space parcels were detached from Improvement District Nos. 105 and 250 in accordance with Section 36442 *et seq.* of the Act. The detached lands were declared to be relieved of liability for debt service on the outstanding bonds of Improvement District Nos. 105 and 250, including each such Improvement District’s Included Amount of the Series 2011A-1 Bonds to the extent permitted by law.
- Improvement District No. 105 and ten other water improvement districts were consolidated into a new improvement district, Improvement District No. 125, in accordance with Section 36454 *et seq.* of the Act. Pursuant to Section 36454.1 of the Act, Improvement District No. 105’s Included Amount of the Series 2011A-1 Bonds was assumed by and became the liability of Improvement District No. 125.
- Improvement District No. 250 and nine other sewer improvement districts were consolidated into a new improvement district, Improvement District No. 225, in accordance with Section 36454 *et seq.* of the Act. Pursuant to Section 36454.1 of the Act, Improvement District No. 250’s Included Amount of the Series 2011A-1 Bonds was assumed by and became the liability of Improvement District No. 225.

As a result of the foregoing actions, the Series 2011A-1 Bonds currently constitute the consolidated, several general obligations of Improvement District Nos. 113, 125, 213 and 225. Pursuant to the Act, Improvement District Nos. 125 and 225 are authorized to levy and collect the assessments and charges

necessary to satisfy the obligations of their predecessor improvement districts, including the assessments and charges necessary to satisfy payment of the Series 2011A-1 Bonds for Improvement District Nos. 105 and 250, respectively.

Improvement District No. 125 (water) covers approximately 35,438 acres of the District, including several contiguous and non-contiguous areas in the central and coastal parts of the District. Improvement District No. 225 (sewer) covers approximately 32,862 acres of the District, including several contiguous and non-contiguous areas in the central part of the District. Currently, the majority of the land within Improvement District Nos. 125 and 225 consists of developed residential property. However, the District expects certain areas within Improvement District Nos. 125 and 225 to be subject to infill development and redevelopment in the future. The District expects such additional development in Improvement District Nos. 125 and 225 to continue through at least 2020. The estimated Fiscal Year 2014 assessed value of the land in Improvement District No. 125 is \$28,530,125,230, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 105 before its consolidation into Improvement District No. 125 was \$7,099,866,552. The estimated Fiscal Year 2014 assessed value of the land in Improvement District No. 225 is \$28,530,125,230, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 250 before its consolidation into Improvement District No. 225 was \$6,776,400,622.

See Table 3 under the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness” in Appendix A for a description of the *ad valorem* assessment bonds, including the Series 2011A-1 Bonds, attributable to Improvement District Nos. 125 and 225, respectively.

Improvement District Nos. 113 and 213. Improvement District No. 113 (water) and Improvement District No. 213 (sewer) are coterminous and are located in portions of the Cities of Tustin and Irvine. Improvement District Nos. 113 and 213 are comprised of approximately 1,629 acres of the land formerly known as Marine Corps Air Station Tustin. The boundaries of Improvement District Nos. 113 and 213 are Harvard Avenue on the southeast, Barranca Parkway on the southwest, Red Hill Avenue on the northwest and Edinger Avenue on the northeast. The former helicopter base, now known as Tustin Legacy, is currently being redeveloped with residential, commercial, institutional and recreational uses. The District expects development in Improvement District Nos. 113 and 213 to continue through at least 2020. The District expects that the total existing and future development will consist of 4,800 dwelling units and 12,100,000 square feet of commercial, institutional and recreational uses. The Fiscal Year 2014 assessed value of the land in Improvement District No. 113 is \$562,239,093. The Fiscal Year 2014 assessed value of the land in Improvement District No. 213 is \$562,239,093.

Security for the Series 2011A-1 Bonds

General. The Series 2011A-1 Bonds constitute the consolidated, several general obligations of the Improvement Districts payable from the following sources, each as further described under the caption “SECURITY FOR THE SERIES 2011A-1 BONDS”: (i) Assessment Proceeds collected from within each Improvement District and applied by the District to pay such Improvement District’s Included Amount (as defined below) of the principal, Purchase Price and Redemption Price of, and interest on, all Outstanding Series 2011A-1 Bonds; (ii) Net Revenues of the District; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture.

The principal amount of the Series 2011A-1 Bonds allocated to an Improvement District is referred to as such Improvement District’s “Included Amount” and an Improvement District’s Included Amount divided by the total principal amount of the Series 2011A-1 Bonds is referred to as such Improvement District’s “Included Percentage.”

Assessment Proceeds. The District has covenanted in the Indenture that, 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, the District will: (a) fix and collect, or cause the fixing 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 the Series 2011A-1 Bonds of the applicable Improvement District; or (c) in its discretion, impose and collect, or cause the imposition and collection of, In Lieu Charges (which constitute charges for water or sewer service, as applicable, in the applicable Improvement District in lieu of *ad valorem* assessments). See the caption “SECURITY FOR THE SERIES 2011A-1 BONDS—General—Covenant to Collect Assessment Proceeds.”

As among the Improvement Districts, Assessment Proceeds collected in any Improvement District will not be available to pay any other Improvement District’s share of debt service of the Series 2011A-1 Bonds. Each Improvement District’s Included Amount and Included Percentage will be as set forth below:

SERIES 2011A-1 BONDS

<i>Improvement District No.</i>	<i>Included Amount</i>	<i>Included Percentage</i>
113	\$ 2,802,000	5.00%
125	26,170,680	46.70
213	3,530,520	6.30
225	<u>23,536,800</u>	<u>42.00</u>
Total	<u>\$ 56,040,000</u>	<u>100.00%</u>

The Included Amount for each Improvement District with respect to the Series 2011A-1 Bonds and any other outstanding or future District general obligation bonds issued for such Improvement District are equally secured by the *ad valorem* assessments and any charges for water or sewer service, as applicable, imposed and collected in lieu of *ad valorem* assessments, collected within such Improvement District. The *ad valorem* assessments are levied only on land and are based on the land value of parcels in the Improvement District without regard to the value of any improvements thereon. See Appendix A—“IRVINE RANCH WATER DISTRICT” under the captions “THE IMPROVEMENT DISTRICTS—Improvement District Nos. 125 and 225” and “THE IMPROVEMENT DISTRICTS—Improvement District Nos. 113 and 213.”

During the term of the Series 2011A-1 Bonds, the Included Amounts and Included Percentages for any Improvement District may be adjusted as a result of the purchase or redemption of Series 2011A-1 Bonds allocated to one or more Improvement Districts, pursuant to calculations made by the District and delivered to the Trustee pursuant to the Indenture, without need for any amendment of or supplement to the Indenture.

Net Revenues. The Series 2011A-1 Bonds are also payable from the Net Revenues of the District and are secured by a pledge of the Revenues of the District, subject to the application of the Revenues as provided in the Indenture. Net Revenues for any period consist of the Revenues of the District less the Operation and Maintenance Expenses of the District for such period, as such terms are defined under the caption “SECURITY FOR THE SERIES 2011A-1 BONDS—Pledge of Assessment Proceeds and Revenues—Net Revenues.”

Net Revenues collected within any improvement district of the District, including the Improvement Districts, are available to make debt service payments on the Series 2011A-1 Bonds.

The obligation of the District to pay the principal, Redemption Price and Purchase Price (other than the Purchase Price due on an Unscheduled Mandatory Tender) of, and interest on, the Series 2011A-1 Bonds from Net Revenues is payable on a parity with the District’s obligations under certain Parity Obligations. See the caption “SECURITY FOR THE SERIES 2011A-1 BONDS—Existing Parity Obligations.” The District may enter into additional Parity Obligations in accordance with the terms of the Indenture. See the caption

“SECURITY FOR THE SERIES 2011A-1 BONDS—Limitations on Parity and Superior Obligations—Obligations on a Parity with the Series 2011A-1 Bonds.”

The District has covenanted in the Indenture, to the fullest extent permitted by law, to 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 125% of Aggregate Debt Service payable during such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but will 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 the rate covenant with respect to all outstanding Parity Obligations. See the caption “SECURITY FOR THE SERIES 2011A-1 BONDS—General—Revenue Rate Covenant.”

***Limited Obligations.* THE SERIES 2011A-1 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS.**

Professionals Involved in the Remarketing

The Bank of New York Mellon Trust Company, N.A. serves as Trustee under the Indenture. Certain legal matters in connection with the reoffering of the Series 2011A-1 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District (“General Counsel”), and for Goldman, Sachs & Co. (the “Remarketing Agent”) by Stradling Yocca Carlson & Rauth, a Professional Corporation.

Summaries Not Definitive

The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to each such document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning given to it in the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

All references to and summaries of the Indenture, documents, statutes, reports and other instruments referred to herein are qualified in their entirety by reference to the full Indenture, and each such document, statute, report or instrument, respectively. Forward looking statements in this Remarketing Statement are subject to risks and uncertainties. Actual results may vary from forecasts or projections contained herein because events and circumstances do not occur as expected, and such variances may be material. The projections contained in this Remarketing Statement will not be updated as part of the District’s continuing disclosure obligations for the Series 2011A-1 Bonds.

Additional Information

Copies of the Indenture and audited financial statements of the District are available for inspection at the offices of the District in Irvine, California, and will be available from the Trustee upon request and payment of costs. Additional information regarding this Remarketing Statement may be obtained by contacting the District, at the following address:

Treasurer
Irvine Ranch Water District
15600 Sand Canyon Avenue
Irvine, California 92618
(949) 453-5300

THE SERIES 2011A-1 BONDS

This Remarketing Statement describes the Series 2011A-1 Bonds while in the Index Mode and for the Tender Period described herein only. There are significant differences in the terms of the Series 2011A-1 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-1 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode, but should look solely to the offering document to be used in connection with any such Change in Mode.

General

The Series 2011A-1 Bonds mature on October 1, 2037. The Series 2011A-1 Bonds are being remarketed in an Index Mode for a Tender Period commencing on February 14, 2014 with the Scheduled Mandatory Tender Date set forth on the front cover page hereof and will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period). Notice of the Index Spread for the Tender Period commencing on February 14, 2014 will be given as described under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Index Spread; Adjustment of Index Spread.” All Outstanding Series 2011A-1 Bonds will be in the same Mode. Any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner provided in the Indenture.

While in the Index Mode, the Series 2011A-1 Bonds will be subject to all of the terms of the Indenture relating to the Series 2011A-1 Bonds in the Index Mode, including provisions that require the Owners to tender their Series 2011A-1 Bonds for purchase on the Scheduled Mandatory Tender Date and on other dates as described in this Remarketing Statement, and provisions that permit the District to effect an Unscheduled Mandatory Tender (which Unscheduled Mandatory Tender is subject to rescission and successful remarketing as described under the caption “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Rescission”). See the caption “—Mandatory Tender for Purchase” and “—Purchase of Series 2011A-1 Bonds.”

While in the Index Mode, the Series 2011A-1 Bonds are not subject to tender for purchase at the option of the Owners.

The Series 2011A-1 Bonds are in the form of fully registered bonds and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2011A-1 Bonds. While the Series 2011A-1 Bonds are in the Index Mode,

individual purchases of Series 2011A-1 Bonds will be made in principal amounts of \$100,000 and integral multiples of \$5,000 in excess thereof. See the caption “—Book-Entry Only System” and Appendix E hereto.

Payment of Interest

Interest on the Series 2011A-1 Bonds in an Index Mode will be calculated on the basis of a 365/366-day year for the actual number of days elapsed. Interest on the Series 2011A-1 Bonds in an Index Mode and for the Tender Period commencing February 14, 2014 is payable on the first Business Day of each calendar month, commencing March 3, 2014, and on each Mandatory Purchase Date, Scheduled Mandatory Tender Date and Unscheduled Mandatory Tender Date on which all outstanding Series 2011A-1 Bonds are purchased (each, an “Interest Payment Date”).

During the Index Mode, payment will be made on each Interest Payment Date for unpaid interest accrued from and including each Interest Accrual Date, which is the first day of each Tender Period and each Interest Payment Date thereafter. The amount of interest payable on each such Interest Payment Date will be determined in accordance with the provisions described under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Duration of Tender Period”) and, thereafter, the first Business Day of each month during such Tender Period (each, an “Interest Accrual Date”) to but excluding such Interest Payment Date. Notwithstanding any provision of the Indenture, at no time may the rate of interest on any Series 2011A-1 Bond exceed the Maximum Rate.

Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode

Determination of SIFMA Average Index Rate and Index Tender Rate. During each Tender Period, no later than 11:00 a.m.* on the Business Day immediately preceding each Interest Payment Date while the Series 2011A-1 Bonds bear interest in the Index Mode, the Trustee will deliver written notice to the District and the Remarketing Agent specifying the SIFMA Average Index Rate and the Index Tender Rate for, and the aggregate amount of interest that accrued during, the Index Rate Accrual Period ending on the day preceding such Interest Payment Date together with a detailed calculation of the foregoing. All percentages resulting from the calculation of the SIFMA Average Index Rate will be rounded, if necessary, to the nearest ten-thousandth of a percentage point with five hundred thousandths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation of interest on the Series 2011A-1 Bonds while bearing interest in an Index Mode will be rounded to the nearest cent (with one-half cent being rounded upward).

Index Spread; Adjustment of Index Spread. Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 14, 2014, the District will publish it by supplementing this Remarketing Statement and posting the supplement with EMMA. With respect to subsequent Tender Periods, the Index Spread will be determined by the Remarketing Agent and adjusted as described under the captions “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender” and “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender.” During each Tender Period, the Index Spread with respect to such Tender Period will apply to all Series 2011A-1 Bonds.

Duration of Tender Period. A Tender Period will commence on February 14, 2014 and end on March 12, 2015. Thereafter, each Tender Period will commence on the first to occur of: (i) the Scheduled Mandatory Tender Date of the immediately preceding Tender Period; (ii) an Unscheduled Mandatory Tender Date in connection with any Unscheduled Mandatory Tender if all Series 2011A-1 Bonds are actually purchased as described under the caption “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds;” and (iii) the effective

* Unless otherwise expressly stated, all times referred to in this Remarketing Statement are New York City time.

date of a Change in Mode to an Index Mode. Each Tender Period will terminate on the first to occur of: (a) the Scheduled Mandatory Tender Date; (b) an Unscheduled Mandatory Tender Date in connection with any Unscheduled Mandatory Tender if all Series 2011A-1 Bonds are actually purchased as described under the caption “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds;” (c) the first date on which the Series 2011A-1 Bonds bear interest in a Mode other than the Index Mode; or (d) the date on which all Series 2011A-1 Bonds are redeemed in accordance with the terms of the Indenture or all principal and accrued interest on all Series 2011A-1 Bonds are otherwise paid in full.

Mandatory Tender for Purchase

Scheduled Mandatory Tender for Purchase. Unless the Series 2011A-1 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, the Owners of all of the Series 2011A-1 Bonds will tender for purchase, and the District will purchase, all of the Series 2011A-1 Bonds on the Scheduled Mandatory Tender Date for such Tender Period. The Trustee will give notice of each Scheduled Mandatory Tender to the Owners of the Series 2011A-1 Bonds as provided in the Indenture not less than seven days prior to the Scheduled Mandatory Tender Date. With respect to the Tender Period commencing on February 14, 2014, the Scheduled Mandatory Tender Date is March 12, 2015 and, with respect to each subsequent Tender Period, the Scheduled Mandatory Tender Date will be determined as described under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Duration of Tender Period.” Failure of the District to pay the Purchase Price for the Series 2011A-1 Bonds on a Scheduled Mandatory Tender Date constitutes an Event of Default under the Indenture. See the caption “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure” below.

Unscheduled Mandatory Tender for Purchase. While the Series 2011A-1 Bonds bear interest in an Index Mode, at its option, the District may require, during each Tender Period, the Owners of all (but not less than all) of the Series 2011A-1 Bonds to tender their Series 2011A-1 Bonds to the District for purchase, from the source of funds described under the caption “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds” on any Business Day from and after the Call Protection Date for such Tender Period. The Call Protection Date for the Tender Period commencing February 14, 2014 is set forth on the front cover page hereof. To exercise such option, the District will deliver to the Trustee at its Corporate Trust Office and the Remarketing Agent, no later than 10 days before the Unscheduled Mandatory Tender Date, the written notice of Unscheduled Mandatory Tender described under the caption “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Effect of a Successful Remarketing.” The Trustee will give notice of each Unscheduled Mandatory Tender to the Owners of the Series 2011A-1 Bonds as provided in the Indenture not less than seven days prior to the Unscheduled Mandatory Tender Date. Except as provided under the captions “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Rescission” and “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions,” the Trustee will pay to the Owners of the Series 2011A-1 Bonds 100% of the principal amount of the Series 2011A-1 Bonds from the proceeds of the remarketing of such Series 2011A-1 Bonds as described under the caption “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds.” If all outstanding Series 2011A-1 Bonds are purchased, the Unscheduled Mandatory Tender Date is also an Interest Payment Date for the Series 2011A-1 Bonds and the District will pay the unpaid accrued interest on the Series 2011A-1 Bonds on such date. The failure to pay the purchase price of Series 2011A-1 Bonds in connection with an Unscheduled Mandatory Tender does not constitute an Event of Default under the Indenture and the purchase of the Series 2011A-1 Bonds subject to mandatory tender will be cancelled and the Index Mode Tender Period will continue. See the caption “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions.”

Purchase of Series 2011A-1 Bonds

The Remarketing Agent has agreed to use its best efforts to remarket the Series 2011A-1 Bonds pursuant to the Indenture at the minimum interest rate available in the marketplace to permit the Remarketing Agent to remarket the Series 2011A-1 Bonds on the Purchase Date, Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, at the principal amount thereof; provided that the remarketing of the Series 2011A-1 Bonds in connection with a Scheduled Mandatory Tender or an Unscheduled Mandatory Tender will be as provided under the captions “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender” and “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender,” respectively. Series 2011A-1 Bonds subject to purchase on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date will be purchased from the Owners thereof at the Purchase Price which will be payable solely from the following sources in the order listed, except that the Purchase Price in connection with an Unscheduled Mandatory Tender is payable solely from the source described in clause (i) below:

- (i) Immediately available funds on deposit in the Remarketing Proceeds Account; and
- (ii) Immediately available funds on deposit in the District Purchase Account.

See Appendix C under the caption “DEFINITIONS” for a description of the Remarketing Proceeds Account and District Purchase Account.

At or before 3:00 p.m. on the Business Day immediately preceding each Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, the Remarketing Agent: (i) unless otherwise provided in a Representation Letter, is to deliver to the Trustee instructions for registration of Series 2011A-1 Bonds remarketed in accordance with the Indenture; and (ii) is to give Electronic Notice to the Trustee and the District, specifying the aggregate principal amount of Series 2011A-1 Bonds not remarketed, if any. If the Series 2011A-1 Bonds are registered in the name of a Bond Depository or its nominee, and if the amount of such remarketing proceeds is sufficient to pay the Purchase Price of all Series 2011A-1 Bonds to be purchased on the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, the Remarketing Agent may apply such remarketing proceeds to the appropriate accounts of such Bond Depository to effect payment of the Purchase Price of Series 2011A-1 Bonds in accordance with the procedures established by such Bond Depository.

If the amount of proceeds from the remarketing delivered to the Trustee indicates that Series 2011A-1 Bonds are required to be purchased from moneys provided by the District, the Trustee will give Electronic Notice to the District at or prior to 11:30 a.m. on such date specifying the information set forth in the Indenture. Upon receipt of such notice, on each Mandatory Purchase Date and Scheduled Mandatory Tender Date, the District is to deposit with the Trustee in the District Purchase Account, by 2:00 p.m. on such date, immediately available funds in an amount together with the remarketing proceeds, to enable the Trustee to pay the Purchase Price of the tendered Series 2011A-1 Bonds. Unless otherwise provided in a Representation Letter, on each Mandatory Purchase Date, Scheduled Mandatory Tender Date and, if all Series 2011A-1 Bonds are purchased, each Unscheduled Mandatory Tender Date, all Series 2011A-1 Bonds which have been remarketed will be registered as directed by the Remarketing Agent.

The Trustee will pay from the funds specified in the Indenture, the Purchase Price for each tendered Series 2011A-1 Bond at or prior to 3:00 p.m. on the Mandatory Purchase Date, Scheduled Mandatory Tender Date or, if all Series 2011A-1 Bonds are purchased, the Unscheduled Mandatory Tender Date, as the case may be; provided that the Purchase Price of Series 2011A-1 Bonds in connection with an Unscheduled Mandatory Tender will be payable only from amounts in the Remarketing Proceeds Account. The Purchase Price of any Series 2011A-1 Bond so tendered is payable only upon surrender of such Series 2011A-1 Bond to the Trustee at its Corporate Trust Office for delivery of such Series 2011A-1 Bond, except that payment of the Purchase

Price of any Series 2011A-1 Bond tendered for purchase or otherwise purchased pursuant to a Representation Letter will be made in immediately available funds and in such manner as the Bond Depository and the Trustee agree.

Notwithstanding any provision to the contrary contained in the Indenture, all tenders for purchase in connection with an Unscheduled Mandatory Tender are payable only from immediately available funds on deposit in the Remarketing Proceeds Account.

Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender

Remarketing of Series 2011A-1 Bonds. During each Tender Period in the Index Mode, upon establishing the Index Spread for the next succeeding Tender Period (as described below under the caption “—Determination of Index Spread”), the Remarketing Agent will offer for sale and use its best efforts to sell in accordance with the Remarketing Agreement all Series 2011A-1 Bonds at a price equal to the principal amount thereof, such that the Index Spread for the next Tender Period will be adjusted as described below under the caption “—Determination of Index Spread.” The Remarketing Agent will sell any Series 2011A-1 Bonds tendered pursuant to a Scheduled Mandatory Tender at the principal amount thereof; provided that if the District delivers a Favorable Opinion of Bond Counsel, the District has the right to direct the Remarketing Agent to sell any Series 2011A-1 Bonds tendered pursuant to a Scheduled Mandatory Tender at a discount or at a premium.

Determination of Scheduled Mandatory Tender Date. Unless the Series 2011A-1 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, the District, by direction to the other Notice Parties by Electronic Notice or telecopy not later than 10 days before the Scheduled Mandatory Tender Date for each Tender Period, is to determine the Scheduled Mandatory Tender Date for all Series 2011A-1 Bonds for the Tender Period immediately following the purchase of Series 2011A-1 Bonds pursuant to a Scheduled Mandatory Tender as provided in the Indenture. Such Scheduled Mandatory Tender Date may be any Business Day during the next Tender Period except that the Scheduled Mandatory Tender Date will not be a date that is earlier than three months after the commencement of the Tender Period. If the District is required to deliver a written direction as provided above but fails to do so, then the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of Series 2011A-1 Bonds will be the date that is one year after the commencement of the Tender Period (unless such date is not a Business Day, in which case the Scheduled Mandatory Tender Date will be the first Business Day following such date).

Establishment of Call Protection Date. With respect to any Tender Period commencing on a Scheduled Mandatory Tender Date that the Series 2011A-1 Bonds are purchased pursuant to a Scheduled Mandatory Tender, the Call Protection Date will be the Tender Period Standard Date; provided that if the District delivers to the Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction as to the Scheduled Mandatory Tender Date, the District may determine that the Call Protection Date for such Tender Period will be any Business Day during the Tender Period. The Call Protection Date with respect to the Tender Period commencing on February 14, 2014 is September 12, 2014.

Determination of Index Spread. Unless the Series 2011A-1 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, no later than 5:00 p.m. on the day that is two Business Days before the Scheduled Mandatory Tender Date for such Tender Period, the Remarketing Agent is to determine the Index Spread with respect to the Tender Period immediately following such Scheduled Mandatory Tender Date. The Index Spread determined by the Remarketing Agent is to be equal to the minimum fixed spread to SIFMA which, if borne by the Series 2011A-1 Bonds, would enable the Remarketing Agent to sell all Series 2011A-1 Bonds tendered or deemed tendered pursuant to the Scheduled Mandatory Tender on the Scheduled Mandatory Tender Date at a price equal to the principal amount thereof.

With respect to all Series 2011A-1 Bonds sold with an Index Tender Rate based on an Index Spread determined by the Remarketing Agent pursuant to the Indenture, the determination of the Index Spread so determined by the Remarketing Agent will be conclusive and binding on the Notice Parties and the Owners of the Series 2011A-1 Bonds.

Purchase of Series 2011A-1 Bonds. Series 2011A-1 Bonds required to be purchased as described under caption “—Remarketing of Series 2011A-1 Bonds” will be purchased from the Owners thereof, on the Scheduled Mandatory Tender Date at the Purchase Price from the sources and in the order of priority described under the caption “—Mandatory Tender for Purchase—Scheduled Mandatory Tender for Purchase.”

The District is irrevocably obligated to pay the Purchase Price of all Series 2011A-1 Bonds on each Scheduled Mandatory Tender Date.

Consequences of a Scheduled Mandatory Tender Failure. Upon the occurrence of a Scheduled Mandatory Tender Failure on any Scheduled Mandatory Tender Date, the following will occur:

(i) The Trustee will promptly return all Series 2011A-1 Bonds to the Owners thereof together with notice of such failure and the Trustee and the Remarketing Agent will promptly return all remarketing proceeds to the persons providing such moneys without interest;

(ii) The Tender Period then in effect will terminate on such Scheduled Mandatory Tender Date and the Series 2011A-1 Bonds will bear interest at the last Index Tender Rate for the Tender Period so terminated from the applicable Scheduled Mandatory Tender Date to the earliest to occur of the purchase of the Series 2011A-1 Bonds by or on behalf of the District or the payment of the principal of the Series 2011A-1 Bonds; and

(iii) An Event of Default under the Indenture will occur.

Effect of a Successful Remarketing. If moneys on deposit with the Trustee are sufficient to pay the Purchase Price of Series 2011A-1 Bonds to be purchased as described under caption “—Remarketing of Series 2011A-1 Bonds” on a Scheduled Mandatory Tender Date, the following will occur:

(i) The Tender Period in effect immediately before such purchase will terminate on the Scheduled Mandatory Tender Date and a new Tender Period will commence on such date; and

(ii) The Index Spread with respect to the Series 2011A-1 Bonds for the new Tender Period will be the Index Spread determined as described above under the caption “—Determination of Index Spread.”

Notification of Scheduled Mandatory Tender Failure. On the date of a Scheduled Mandatory Tender Failure, the Trustee will deliver a notice by mail to: (i) the District; (ii) the respective Owners of any Series 2011A-1 Bonds at their addresses appearing on the Bond Register; (iii) the Remarketing Agent; and (iv) one or more Information Services, which will state: (A) that a Scheduled Mandatory Tender Failure occurred; (B) the Trustee will return all Series 2011A-1 Bonds tendered on the Scheduled Mandatory Tender Date to the Owners thereof; and (C) an Event of Default has occurred under the Indenture.

Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender

Remarketing of Series 2011A-1 Bonds. Upon receipt of notice of an Unscheduled Mandatory Tender from the District as described under the caption “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase,” the Remarketing Agent will offer for sale and use its best efforts to sell in accordance with the Remarketing Agreement all Series 2011A-1 Bonds at a price equal to the principal amount thereof,

such that the Index Spread for the next Tender Period will be adjusted as described below under the caption “—Determination of Index Spread.” The Remarketing Agent will sell any Series 2011A-1 Bonds tendered pursuant to an Unscheduled Mandatory Tender at the principal amount thereof; provided that if the District delivers a Favorable Opinion of Bond Counsel, the District has the right to direct the Remarketing Agent to sell any Series 2011A-1 Bonds tendered pursuant to an Unscheduled Mandatory Tender at a discount or at a premium.

Determination of Scheduled Mandatory Tender Date. The District, by direction to the other Notice Parties by Electronic Notice or teletype not later than ten days before each Unscheduled Mandatory Tender Date, will determine the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of Series 2011A-1 Bonds pursuant to an Unscheduled Mandatory Tender, as provided in the Indenture. Such Scheduled Mandatory Tender Date may be any Business Day, except that the Scheduled Mandatory Tender Date may not be a date that is earlier than three months after the commencement of the Tender Period.

Establishment of Call Protection Date. With respect to any Tender Period commencing on an Unscheduled Mandatory Tender Date that all Series 2011A-1 Bonds are purchased pursuant to an Unscheduled Mandatory Tender, the Call Protection Date will be the Tender Period Standard Date; provided that if the District delivers to the Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction as to the Scheduled Mandatory Tender Date, the District may determine that the Call Protection Date for such Tender Period will be any Business Day during such Tender Period. The Call Protection Date with respect to the Tender Period commencing on February 14, 2014 is September 12, 2014.

Determination of Index Spread. No later than 5:00 p.m. on the day that is two Business Days before each Unscheduled Mandatory Tender Date, the Remarketing Agent will determine the Index Spread with respect to the Tender Period immediately following such Unscheduled Mandatory Tender Date. The Remarketing Agent will determine the Index Spread which will be equal to the minimum spread to SIFMA which, if borne by the Series 2011A-1 Bonds, would enable the Remarketing Agent to sell all Series 2011A-1 Bonds tendered pursuant to the Unscheduled Mandatory Tender on the Unscheduled Mandatory Tender Date at a price equal to the principal amount thereof. With respect to all Series 2011A-1 Bonds sold with an Index Tender Rate based on an Index Spread determined by the Remarketing Agent pursuant to the Indenture, the determination of the Index Spread so determined by the Remarketing Agent will be conclusive and binding on the Notice Parties and the Owners of the Series 2011A-1 Bonds.

Purchase of Series 2011A-1 Bonds. Subject to the provisions described under the caption “—Rescission” and “—Failure to Meet Conditions,” the District will cause Series 2011A-1 Bonds required to be purchased in an Unscheduled Mandatory Tender to be purchased on each Unscheduled Mandatory Tender Date from the Owners thereof at the Purchase Price from the source indicated under the caption “—Purchase of Series 2011A-1 Bonds.”

Consequences of an Unscheduled Mandatory Tender Failure or a Rescission. If the District rescinds any Unscheduled Mandatory Tender as described under the caption “—Rescission” or if any of the conditions of any Unscheduled Mandatory Tender are not satisfied as described under the captions “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase” and “—Failure to Meet Conditions,” then the District will not have any obligation to purchase any Series 2011A-1 Bonds and no purchase of Series 2011A-1 Bonds will occur. In such event, the following will occur:

(i) The Trustee will return all Series 2011A-1 Bonds to the Owners thereof together with notice of the basis for such return and the Trustee and the Remarketing Agent will return all remarketing proceeds to the persons providing such moneys without interest;

(ii) The Series 2011A-1 Bonds will continue to bear interest at the Index Tender Rate in effect during such Tender Period without change or modification and the Tender Period then in effect will

continue until terminated in accordance with the provisions set forth under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Duration of Tender Period”; and

- (iii) No Event of Default under the Indenture will have occurred.

Rescission. The District has the option to deliver to the Trustee at its Corporate Trust Office and the Remarketing Agent, on or prior to 5:00 p.m. on the Business Day immediately preceding the Unscheduled Mandatory Tender Date for an Unscheduled Mandatory Tender, a notice to the effect that the District elects to rescind such Unscheduled Mandatory Tender. If the District so rescinds an Unscheduled Mandatory Tender, then no purchase will occur, the Series 2011A-1 Bonds will continue to bear interest at the Index Tender Rate in effect during the Tender Period then in effect without change or modification and the Tender Period then in effect will continue until terminated as described under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Duration of Tender Period.”

Failure to Meet Conditions. Any Unscheduled Mandatory Tender, if not rescinded, will be conditioned upon: (a) amounts sufficient to pay the Purchase Price of such mandatory tender being on deposit from remarketing proceeds, as described under the caption “—Purchase of Series 2011A-1 Bonds,” with the Trustee on the Unscheduled Mandatory Tender Date; and (b) in connection with any change in the Call Protection Date for the next succeeding Tender Period from the Tender Period Standard Date, the delivery by the District of the Favorable Opinion of Bond Counsel described under the caption “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Establishment of Call Protection Date.” If on an Unscheduled Mandatory Tender Date the conditions described in the immediately preceding sentence are not satisfied, then no purchase of Series 2011A-1 Bonds will occur, the Series 2011A-1 Bonds will continue to bear interest at the Index Tender Rate in effect during the Tender Period then in effect without change or modification and the Tender Period then in effect will continue until terminated as described under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Duration of Tender Period.”

Failure by the District to pay or cause to be paid the Purchase Price of Series 2011A-1 Bonds tendered under the Unscheduled Mandatory Tender provisions of the Indenture for any reason does not constitute an Event of Default by the District under the Indenture. No such failure affects the District’s right to require Owners of Series 2011A-1 Bonds to tender their Series 2011A-1 Bonds as described under the caption “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase” during the remainder of the Tender Period then in effect or during any subsequent Tender Period.

Effect of a Successful Remarketing. If moneys on deposit with the Trustee are sufficient to pay the Purchase Price of Series 2011A-1 Bonds to be purchased as described under the caption “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase” and all other conditions are satisfied, the following will occur:

- (i) The Tender Period in effect immediately before such tender will terminate on such Unscheduled Mandatory Tender Date and a new Tender Period will commence on such date; and
- (ii) The Index Spread with respect to the Series 2011A-1 Bonds for the new Tender Period will be the Index Spread determined as described above under the caption “—Determination of Index Spread.”

Changes in Mode

Subject to the provisions of the Indenture, the District may effect a Change in Mode with respect to the Series 2011A-1 Bonds by delivering to the Trustee, with copies to the other Notice Parties, a Notice of Change in Mode stating: (A) the election to change the Mode to which the Series 2011A-1 Bonds are then

subject (the “Current Mode”) to a different Mode (the “New Mode”), the type of which will be specified; (B) the date on which the Series 2011A-1 Bonds are required to be purchased pursuant to the provisions described below under the caption “—Mandatory Purchase of Series 2011A-1 Bonds,” which will be the date as of which the New Mode takes effect and a Business Day immediately following the end of an Adjustment Period or the last day of a Tender Period, or a Business Day on which the Series 2011A-1 Bonds would be subject to redemption at the option of the District; and (C) a form of notice of mandatory tender for purchase satisfying the requirements described below under the caption “—Mandatory Purchase of Series 2011A-1 Bonds.” In no event will a Change in Mode occur prior to the Call Protection Date set forth on the front cover page hereof.

Not less than seven days prior to a proposed Change in Mode, and in reliance upon a Notice of Change in Mode, the Trustee will give written notice, in the form prepared by the District and delivered to the Trustee pursuant to the immediately preceding paragraph, to the Owners of the mandatory tender for purchase of all Outstanding Series 2011A-1 Bonds as described below under the caption “—Mandatory Purchase of Series 2011A-1 Bonds” in connection with the Change in Mode.

The New Mode will take effect only if the following conditions are satisfied: (i) by 9:00 a.m. on the date of the proposed Change in Mode: (A) if a Liquidity Facility is to be in effect during the New Mode, the interest portion of the Liquidity Facility is in an amount equal to or greater than the Liquidity Facility Interest Amount for the applicable Mode; and (B) if the New Mode is the Fixed Rate Mode, the Trustee and the Remarketing Agent have received a Fixed Rate Terms Certificate; and (ii) the Trustee has received sufficient remarketing proceeds of the Series 2011A-1 Bonds in the New Mode to pay the Purchase Price of the Bonds subject to mandatory tender for purchase in connection with the Change in Mode. If such conditions are satisfied, then the New Mode will take effect on the date of the proposed Change in Mode. If such conditions are not satisfied, then: (a) all Outstanding Series 2011A-1 Bonds will be purchased on the Mandatory Purchase Date described below under the caption “—Mandatory Purchase of Series 2011A-1 Bonds;” (b) all Outstanding Series 2011A-1 Bonds will continue to be subject to the Index Mode; (c) the Tender Period for all Outstanding Series 2011A-1 Bonds will extend from and including the date on which the New Mode was to take effect to and including the date which is three months after such date (and if such date is not a Business Day, the next day which is followed by a Business Day); (d) the interest on the Series 2011A-1 Bonds for the Index Rate Accrual Period will be the last Index Tender Rate in effect during the immediately preceding Tender Period; and (e) the Trustee will, within five Business Days after the date of the proposed Change in Mode, send notice to the Notice Parties stating that the conditions to the Change in Mode have not all been satisfied and informing them of the consequences thereof, as described in the Indenture.

Mandatory Purchase of Series 2011A-1 Bonds

Except as otherwise provided under the captions “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Rescission” and “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions” with respect to an Unscheduled Mandatory Tender, each Series 2011A-1 Bond which is subject to mandatory tender for purchase on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date as a result of a Change in Mode or as otherwise provided in the Indenture will be purchased on such date at the applicable Purchase Price but solely from the sources of payment described under the captions “—Purchase of Series 2011A-1 Bonds,” “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds” or “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds,” as applicable. Subject to the provisions of the Indenture and unless otherwise provided in a Representation Letter, all Series 2011A-1 Bonds required to be purchased on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date will be tendered for purchase by delivery to the Trustee at its Corporate Trust Office on or prior to the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, and, except as otherwise provided under the caption “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase” with respect to an Unscheduled Mandatory Tender, will be purchased, but solely from

the sources of payment described under the captions “—Purchase of Series 2011A-1 Bonds,” “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds” or “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds,” as applicable.

Undelivered Bonds

Any Series 2011A-1 Bond which is subject to mandatory tender for purchase in accordance with the provisions described under the caption “—Mandatory Tender for Purchase” which is not tendered for purchase as required by the Indenture, will constitute an Undelivered Bond and will nonetheless be deemed to have been so tendered and, upon provision for payment of the Purchase Price thereof from the applicable funds specified under the caption “—Purchase of Series 2011A-1 Bonds,” will be deemed to have been purchased on the Mandatory Purchase Date, the Scheduled Mandatory Tender Date or the Unscheduled Mandatory Tender Date, as applicable, after which no interest will accrue on such Series 2011A-1 Bond for the benefit of the Owner required to tender such Series 2011A-1 Bond from and after such Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, and such Owner will have no rights under the Indenture as the Owner of such Series 2011A-1 Bond except the right to receive the Purchase Price thereof from the funds available therefor, as described under the caption “—Purchase of Series 2011A-1 Bonds.”

Refinancing and Related Risks

No assurance can be given that the District will have sufficient remarketing proceeds or funds on hand on March 12, 2015 or any other Scheduled Mandatory Tender Date to pay the Purchase Price of the Series 2011A-1 Bonds upon the mandatory tender thereof on such date. The District has not currently provided for any Liquidity Facility to support the payment of the Purchase Price upon mandatory tender of the Series 2011A-1 Bonds. In the event that the District does not have sufficient funds to pay the Purchase Price of the Series 2011A-1 Bonds on such date from remarketing proceeds or other funds on hand, the District’s ability to pay such Purchase Price is dependent on the District’s ability: (i) to issue and sell refunding obligations to refund Series 2011A-1 Bonds prior to such date; or (ii) to provide for the conversion of such Series 2011A-1 Bonds to another Mode on or prior to such date and to receive sufficient remarketing proceeds upon such conversion to provide for payment of the Purchase Price of the Series 2011A-1 Bonds upon the mandatory tender thereof.

A variety of events could prevent access to the municipal securities market, prohibit the District from issuing such refunding obligations or remarketing such Series 2011A-1 Bonds or make the issuance of refunding obligations or the remarketing of such Series 2011A-1 Bonds prohibitively expensive. No assurance can be given that the District will be able to effect such a refinancing or remarketing on sufficiently favorable terms. Failure of the District to provide sufficient funds to pay the Purchase Price on the Scheduled Mandatory Tender Date constitutes an Event of Default under the Indenture. See the caption “THE SERIES 2011A-1 BONDS—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure.”

The Series 2011A-2 Bonds are also subject to risks described in the preceding two paragraphs.

Redemption of Series 2011A-1 Bonds

Optional Redemption. The Series 2011A-1 Bonds in the Index Mode are subject to redemption at the option of the District in whole or in part, in Authorized Denominations, during any Tender Period, on any Business Day on or after the Call Protection Date for such Tender Period, at a Redemption Price equal to 100% of the principal amount of the Series 2011A-1 Bonds being redeemed plus unpaid accrued interest, if any, to such Redemption Date, without premium. See the captions “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Establishment of Call Protection Date”

and “—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Establishment of Call Protection Date.” The Call Protection Date for the Tender Period commencing on February 14, 2014 is September 12, 2014.

Mandatory Redemption. The Series 2011A-1 Bonds are subject to mandatory redemption in part on October 1, 2014 and on each October 1 thereafter, upon notice as described under the caption “—Notice of Redemption,” at a Redemption Price equal to 100% of the principal amount of the Series 2011A-1 Bonds to be redeemed, without premium, in the years and principal amounts as follows:

SERIES 2011A-1 BONDS DUE OCTOBER 1, 2037

<i>Mandatory Redemption Dates (October 1)</i>	<i>Principal Amount of Series 2011A-1 Bonds to be Redeemed</i>
2014	\$1,440,000
2015	1,500,000
2016	1,560,000
2017	1,620,000
2018	1,680,000
2019	1,740,000
2020	1,800,000
2021	1,920,000
2022	1,980,000
2023	2,040,000
2024	2,100,000
2025	2,220,000
2026	2,280,000
2027	2,400,000
2028	2,460,000
2029	2,580,000
2030	2,700,000
2031	2,820,000
2032	2,880,000
2033	3,000,000
2034	3,120,000
2035	3,240,000
2036	3,420,000
2037 (maturity)	3,540,000

Upon any purchase and cancellation of Series 2011A-1 Bonds by the District or any redemption of Series 2011A-1 Bonds pursuant to the optional redemption provisions of the Indenture described under the caption “—Optional Redemption,” an amount equal to the aggregate principal amount of Series 2011A-1 Bonds so purchased or redeemed will be credited toward a part or all of any one or more yearly mandatory redemptions required by the Indenture, as directed in writing by the District, provided that such direction is received by the Trustee at least 45 days before the date of such mandatory redemption. Any such direction will state the years in which and the amounts by which such mandatory redemptions are to be reduced. The portion of any such mandatory redemption remaining after the deduction of any such amounts credited toward the same (or the original amount of any such mandatory redemption if no such amounts have been credited toward the same) constitutes the unsatisfied balance of such mandatory redemption for the purpose of the calculation of payments due on October 1 in any future year.

Selection of Series 2011A-1 Bonds for Redemption

If not otherwise provided in the Indenture, whenever less than all Outstanding Series 2011A-1 Bonds of a maturity are to be redeemed on any one date, the Trustee will select the Series 2011A-1 Bonds of such

maturity to be redeemed from the Outstanding Series 2011A-1 Bonds of such maturity by lot, or in such other manner as the Trustee deems fair.

Notice of Redemption

Notice of redemption will be given by Mail by the Trustee to the Remarketing Agent and the Owners of any Series 2011A-1 Bonds designated for redemption in whole or in part no less than 30 days nor more than 60 days prior to the Redemption Date. So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2011A-1 Bonds, notices of redemption will be given to DTC. See the caption “—Book-Entry Only System” below.

Each notice of redemption will state the Redemption Date, the redemption place and the Redemption Price, the maturity dates of the Series 2011A-1 Bonds to be redeemed and designate the numbers of the Series 2011A-1 Bonds to be redeemed if less than all of the Outstanding Series 2011A-1 Bonds of a maturity are to be redeemed, will (in the case of any Series 2011A-1 Bond called for redemption in part only) state the portion of the principal amount thereof which is to be redeemed, and state that, if the Trustee holds sufficient available funds to pay the Redemption Price of the Series 2011A-1 Bonds to be redeemed on the Redemption Date, the interest thereon or portions thereof designated for redemption will cease to accrue from and after such Redemption Date and that on such Redemption Date there will become due and payable on the Series 2011A-1 Bonds or portions thereof designated for redemption the Redemption Price thereon. The failure of any Owner to receive such notice will not affect the validity of the redemption of any Series 2011A-1 Bonds.

With respect to any notice of any optional redemption of Series 2011A-1 Bonds, unless at the time such notice is given the Trustee holds sufficient available funds to pay the Redemption Price of the Series 2011A-1 Bonds to be redeemed, such notice will state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the Redemption Price of the Series 2011A-1 Bonds to be redeemed, and that if such moneys have not been so received said notice will be of no force and effect and the District will not be required to redeem such Series 2011A-1 Bonds. In the event that a notice of redemption of Series 2011A-1 Bonds contains such a condition and such moneys are not so received, the redemption of such Series 2011A-1 Bonds as described in the conditional notice of redemption will not be made and the Trustee will, 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 moneys were not so received and that there will be no redemption of Series 2011A-1 Bonds pursuant to such notice of redemption.

Any notice of redemption mailed as provided in the Indenture will be conclusively presumed to have been given, whether or not actually received by any Owner.

See the caption “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase” for information with respect to notice of Unscheduled Mandatory Tenders.

Allocation of Credits for Purchased or Redeemed Series 2011A-1 Bonds

Except as otherwise provided in the Indenture, the principal amount of any Series 2011A-1 Bonds purchased and cancelled by the District, or redeemed by the District, will be credited proportionally to all Improvement Districts and the Included Amount for each Improvement District will be reduced by such Improvement District’s Included Percentage (calculated immediately before such purchase or redemption) of the purchased or redeemed Series 2011A-1 Bonds.

In the event that Series 2011A-1 Bonds are purchased for cancellation or redeemed with funds provided by one or more Improvement Districts other than funds provided proportionately with all other Improvement Districts, the principal amount of any Series 2011A-1 Bonds purchased and cancelled by the

District, or redeemed by the District, will be credited proportionally to all such contributing Improvement Districts and the Included Amount for each such Improvement District will be reduced by such Improvement District's proportional contribution to the purchase price of such purchased Series 2011A-1 Bonds and the Redemption Price of such redeemed Series 2011A-1 Bonds and the Included Percentage (calculated immediately before such purchase or redemption) of the purchased or redeemed Series 2011A-1 Bonds.

Immediately following each purchase of Series 2011A-1 Bonds by the District for cancellation and each redemption of Series 2011A-1 Bonds and the allocation of credits in connection with such purchase and redemption in accordance with the provisions of the Indenture, as applicable, the Included Percentages for all Improvement Districts will be recomputed for all purposes after such redemption in the following manner:

$$\frac{\text{Improvement District's Included Amount after purchase or redemption}}{\text{Total Amount of Outstanding Series 2011A-1 Bonds after purchase or redemption}} = \text{Included Percentage, as adjusted}$$

Book-Entry Only System

One fully-registered Series 2011A-1 Bond has been issued in the outstanding principal amount of the Series 2011A-1 Bonds. The Series 2011A-1 Bonds are registered in the name of Cede & Co. and have been deposited with DTC. So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2011A-1 Bonds, all payments of principal, Purchase Price and Redemption Price of and interest on the Series 2011A-1 Bonds will be made directly to DTC. Disbursement of such payments to the DTC Participants will be the responsibility of DTC. Disbursement of such payments to the Beneficial Owners of the Series 2011A-1 Bonds will be the responsibility of the DTC Participants as more fully described herein. See Appendix E—“BOOK-ENTRY SYSTEM.”

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for the Series 2011A-1 Bonds. In that event, the Series 2011A-1 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal, Purchase Price, Redemption Price and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC Participants or others will distribute payments with respect to the Series 2011A-1 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Remarketing Statement. See Appendix E hereto for additional information concerning DTC.

SECURITY FOR THE SERIES 2011A-1 BONDS

General

Sources of Payment. The Series 2011A-1 Bonds constitute the consolidated, several general obligations of the Improvement Districts payable from: (i) Assessment Proceeds collected from within each Improvement District and applied by the District to pay such Improvement District's Included Amount of the principal, Purchase Price and Redemption Price of, and interest on, Outstanding Series 2011A-1 Bonds; (ii) Net Revenues of the District; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture. See the caption “—Pledge of Assessment Proceeds and Revenues.” The District currently expects to pay a portion of scheduled debt service on the Series 2011A-1 Bonds from a combination of Assessment Proceeds and Net Revenues and, to the extent that remarketing proceeds are insufficient, to pay the Purchase Price of the Series 2011A-1 Bonds from Net Revenues.

Authority for Issuance. Elections were held in Improvement District Nos. 105, 113, 213 and 250 at which the qualified voters within each such improvement district authorized the District to incur an indebtedness and issue general obligation bonds for each respective improvement district. See Appendix A—“IRVINE RANCH WATER DISTRICT” for a discussion of the bond authorization, amount of outstanding bonds and remaining bond authorization for each of the Improvement Districts. The Series 2011A-1 Bonds are authorized for issuance pursuant to the Act and all laws of the State amendatory thereof or supplemental thereto.

Covenant to Collect Assessment Proceeds. The District has covenanted in the Indenture that, 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, the District will: (a) fix and collect, or cause the fixing 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 Series 2011A-1 Bonds of the applicable Improvement District; or (c) in its discretion, impose and collect, or cause the imposition and collection of In Lieu Charges for water or sewer service, as applicable, in the applicable Improvement District in lieu of *ad valorem* assessments.

Revenue Rate Covenant. The District has also covenanted in the Indenture, to the fullest extent permitted by law, to 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 125% of Aggregate Debt Service payable during such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will 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 foregoing requirements.

Notwithstanding the foregoing, so long as the Installment Sale Agreement, dated as of February 1, 2010 (the “2010 Installment Sale Agreement”), by and between the District and the Irvine Ranch Water District Water Service Corporation remains in effect, the District will need to comply with the requirements set therein regarding the rate covenant, which are identical to those set forth in the prior paragraph except that the Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) which are applied as a credit to Debt Service above are included as revenues for purposes of such calculation and the definition of Aggregate Debt Service in the 2010 Installment Sale Agreement does not provide an offset for debt service paid from Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) associated with Revenue Enhancement Agreements. In addition, certain of the Prior Reimbursement Agreements described under the caption “—Existing Parity Obligations” related to outstanding *ad valorem* assessment bonds of the District, and certain swap agreements entered into by the District, have covenants related to the setting of rates and charges with which the District is contractually obligated to comply.

Additional Covenants. See Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” under the caption “CERTAIN COVENANTS” for a summary of additional covenants of the District under the Indenture.

Pledge of Trust Estate. Pursuant to the Indenture, the District has pledged the Trust Estate thereunder to secure the payment of the Series 2011A-1 Bonds issued thereunder. The “Trust Estate” under the Indenture consists of the following:

(A) The Bond Payment Fund (defined below) established under the Indenture, including all accounts in such fund, and all of the monies in such fund and accounts and the investments, if any, thereof, and all income and proceeds derived from such investments; and

(B) Subject to the application on the terms and conditions contained in the Indenture, Revenues of the District.

Pledge of Assessment Proceeds and Revenues

Subject to the application of the Revenues on the terms and conditions provided in the Indenture, Revenues have been irrevocably pledged to the payment when due of the principal, Purchase Price and Redemption Price of, and interest on, the Outstanding Series 2011A-1 Bonds, which pledge will be on a parity with any pledge of Revenues securing other Parity Obligations. Such pledge constitutes a pledge of and charge and lien upon the Revenues for the payment of the principal, Purchase Price upon the Scheduled Mandatory Tender and Redemption Price of, and interest on, the Outstanding Series 2011A-1 Bonds and all other Parity Obligations in accordance with the terms of the Indenture and the Series 2011A-1 Bonds after payment from the Revenues of the Operation and Maintenance Expenses, and the funding of contingency reserves therefor, as provided in the Indenture.

THE SERIES 2011A-1 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS.

Assessment Proceeds. Assessment Proceeds means, with respect to any Improvement District: (i) *ad valorem* assessments on taxable land in such Improvement District levied pursuant to the Act; (ii) In Lieu Charges, consisting of water or sewer charges, as applicable, which in the discretion of the Board of Directors of the District are fixed and collected in an Improvement District in lieu of *ad valorem* assessments pursuant to the Act; and (iii) proceeds from the sale of property in such Improvement District for the enforcement of delinquent assessments pursuant to the Act.

Net Revenues. Net Revenues for any period consist of the Revenues of the District less the Operation and Maintenance Expenses of the District for such period. "Revenues" means:

(1) The water, sewer and reclaimed water rates and charges imposed by the District in connection with providing water, sewer and reclaimed water services to retail customers through the Operating Systems (as such term is defined in the Indenture), including commodity, service, standby, material treatment and connection charges, except: (i) such water, sewer and reclaimed water rates and charges levied in lieu of *ad valorem* assessments pursuant to Sections 36425 and 35975 of the Act; and (ii) customer deposits (together, the "Utility Rates and Charges"); and

(2) Other revenues of the District, including, without limiting the generality of the foregoing, the proceeds of any stand-by or natural treatment, connection and water availability charges; together with the District's share of the Orange County, California 1% *ad valorem* property tax (to the extent not applied by the District to pay principal of and interest on Secured Bonds) and Investment Income;

but excluding in all cases: (i) customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; (ii) any proceeds of taxes or *ad valorem* assessments restricted by law to be used by the District to pay bonds issued by the District, and the proceeds of any actions to enforce delinquent *ad valorem* assessments so restricted; and (iii) water, sewer and reclaimed

water rates and charges levied in lieu of *ad valorem* assessments pursuant to Sections 36425 and 35975 of the Act.

“Operation and Maintenance Expenses” consist of the costs and expenses paid or incurred by the District for operating and maintaining the Operating Systems (as such term is defined in the Indenture) including, but not limited to: (a) all costs of water generated or purchased by the District 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 the District 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 the District 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.

Net Revenues collected within any improvement district of the District, including the Improvement Districts, are available to make debt service payments on the Series 2011A-1 Bonds. See the caption “SECURITY FOR THE SERIES 2011A-1 BONDS.”

Allocation of Monies Under the Indenture

Allocation of Revenues. In order to carry out and effectuate the pledge and lien on the Revenues contained in the Indenture, the District has agreed and covenanted in the Indenture that all Revenues received by it will be deposited when and as received in the Revenue Fund, which fund has been previously established by the District and which fund the District has agreed and covenanted to maintain as a special fund, separate and apart from other moneys of the District so long as any Series 2011A-1 Bond remains Outstanding. All Revenues will be applied in the following order of priority:

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.

Second: to the funding of contingency reserves for Operation and Maintenance Expenses.

Third: (i) two 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 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 Series 2011A-1 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 Series 2011A-1 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 the District to the extent that the Trustee then holds, or is concurrently receiving from the District 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 Series 2011A-1 Bonds to be paid with such deposit. The District will 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 Series 2011A-1 Bonds), without preference or priority, 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 (including purchase price) on Parity Obligations (other than the principal and Redemption Price of, and interest on, the Outstanding Series 2011A-1 Bonds) in accordance with the terms of such Parity Obligations.

Fourth: the District will 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, 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.

Fifth: to any lawful purpose of the District, including the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations, which application will be free and clear of the pledge and lien on Revenues created by the Indenture.

Bond Payment Fund. There has been established and created a fund with the Trustee under the Indenture designated the “Bonds of Irvine Ranch Water District, Series 2011A-1 Bond Payment Fund” (the “Bond Payment Fund”). The Trustee will transfer money contained in the Bond Payment Fund to the accounts described below at the following times in the manner provided in the Indenture, which accounts the Trustee has agreed to establish and maintain so long as the Indenture is not discharged in accordance with the provisions thereof, and each such account constitutes a trust fund for the benefit of the Owners of the Series 2011A-1 Bonds, and the money in each such account will be disbursed only for the purposes and uses authorized in the Indenture.

Interest Account. The Trustee, on each Interest Payment Date, will deposit in the Interest Account from money in the Bond Payment Fund an amount which, together with amounts already on deposit in the Interest Account, will be sufficient to pay interest on the Outstanding Series 2011A-1 Bonds due on such Interest Payment Date. Money in the Interest Account will be used and withdrawn by the Trustee on each Interest Payment Date solely for the payment of interest on the Outstanding Series 2011A-1 Bonds then due.

Principal Account. The Trustee, on each Principal Payment Date, will deposit in the Principal Account from money in the Bond Payment Fund such amount as is sufficient to pay the principal of the Outstanding Series 2011A-1 Bonds due on such Principal Payment Date. Money in the Principal Account will be used and withdrawn by the Trustee on each Principal Payment Date solely for the payment of the principal of Outstanding Series 2011A-1 Bonds then due.

Redemption Account. The Trustee will deposit in the Redemption Account amounts received from the District to pay the Redemption Price of Series 2011A-1 Bonds to be redeemed. Money in such Redemption Account will be used and withdrawn by the Trustee on each Redemption Date solely for the payment of the Redemption Price of Outstanding Series 2011A-1 Bonds upon the redemption thereof.

Existing Parity Obligations

The District has entered into certain Parity Obligations described below. The reimbursement agreements described below relate to outstanding *ad valorem* assessment bonds:

- (i) the Fifth Amended and Restated Reimbursement Agreement, dated as of April 1, 2011, by and between the District and Bank of America, N.A.;
- (ii) the three Reimbursement Agreements, each dated as of June 1, 2012, by and between the District and The Bank of New York Mellon;

(iii) the two Reimbursement Agreements, each dated as of April 1, 2011, by and between the District and Sumitomo Mitsui Banking Corporation;

(iv) the Amended and Restated Reimbursement Agreement, dated as of April 1, 2011, by and between the District and U.S. Bank National Association;

(v) the State Revolving Loan Contract No. 6-817-550-0, dated June 26, 1997, by and between the District and the State Water Resources Control Board, as amended and supplemented, currently outstanding in the aggregate principal amount of \$1,164,872;

(vi) the 2010 Installment Sale Agreement, securing the District's Certificates of Participation, Irvine Ranch Water District Refunding Series 2010 currently outstanding in the aggregate principal amount of \$72,490,000;

(vii) the District's Series 2010B Bonds currently outstanding in the aggregate principal amount of \$175,000,000; and

(viii) the Series 2011A-2 Bonds currently outstanding in the aggregate principal amount of \$37,360,000.

The agreements described in clauses (i) through (iv) above are collectively referred to as the "Prior Reimbursement Agreements."

There are currently no reimbursement obligations outstanding under the Prior Reimbursement Agreements, although the District may incur reimbursement obligations under the Prior Reimbursement Agreements as provided therein.

For a summary of the stated amount of each letter of credit associated with the Prior Reimbursement Agreements, see Appendix A—"IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Parity Obligations."

Limitations on Parity and Superior Obligations

Obligations Superior to Series 2011A-1 Bonds. The District has covenanted in the Indenture that it will not 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 Series 2011A-1 Bonds and the Parity Obligations.

Obligations on a Parity with the Series 2011A-1 Bonds. Under the Indenture, the District 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 the District and a special report on such calculation prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on file with the District, are at least equal to 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 the District 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, produce an amount at least equal to 125% of the sum of: (i) the Aggregate Debt Service for such

Applicable 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 the 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 the District and which are economically feasible and reasonably considered necessary based on projected operations for the Test Period, produce an amount in each Fiscal Year in the Test Period which is at least equal to 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 the District 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 clauses (a) and (b), the District 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 clauses (a) and (b), the District 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 clauses (a) and (b).

Notwithstanding the foregoing, so long as the 2010 Installment Sale Agreement remains outstanding, the District will need to comply with the requirements set therein for the issuance of Parity Obligations, which are identical to those set forth in clauses (a), (b) and (c) above except that the Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) which are applied as a credit to Debt Service in clauses (a) and (b) above are included as revenues for purposes of such calculation and the definition of Aggregate Debt Service in the 2010 Installment Sale Agreement does not provide an offset for debt service paid from Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) associated with Revenue Enhancement Agreements. In addition, certain of the Prior Reimbursement Agreements related to outstanding *ad valorem* assessment bonds of the District, and certain swap agreements entered into by the District, have conditions precedent to the issuance of Parity Obligations that are more stringent than those listed above.

Obligations Subordinate to the Series 2011A-1 Bonds. Nothing in the Indenture prevents the District 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 the Indenture limits the District's payment of the Operation and Maintenance Expenses prior to the payment of the Parity Obligations as provided in the Indenture.

Investment of Monies in Funds and Accounts Under the Indenture

So long as the Series 2011A-1 Bonds are Outstanding and no Event of Default has occurred and is continuing, monies on deposit to the credit of the funds held by the Trustee under the Indenture (except for the Remarketing Proceeds Account in the Purchase Fund) will, at the written request of the District, be invested by the Trustee in Permitted Investments. In the absence of written instruction from the District, the Trustee is directed to hold available funds uninvested. The Trustee is entitled to rely conclusively on said instructions for purposes of the Indenture and will have no duty to monitor the compliance thereof with the restrictions set forth in the Indenture. Subject to the limitations contained in Government Code Section 53601, monies in the funds held by the District will be invested by the District in Permitted Investments. All such investments will have maturity dates, or will be subject to redemption, at the option of the holder, on or prior to the dates the monies invested therein will be needed for the purposes of such funds. See Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” under the caption “DEFINITIONS” for the definition of Permitted Investments under the Indenture.

The Trustee may commingle any of the moneys held by it under the Indenture. The Trustee may present for redemption or sell any such deposit or investment whenever necessary in order to provide money to meet any payment of the money so deposited or invested. Any interest or profits on deposits and investments in the Bond Payment Fund received by the Trustee will be deposited in the Interest Account as a credit against interest to come due on the Outstanding Series 2011A-1 Bonds.

See Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” under the caption “FUNDS AND ACCOUNTS—Investments.”

THE IRVINE RANCH WATER DISTRICT

For a description of the District and each of the Improvement Districts see Appendix A—“IRVINE RANCH WATER DISTRICT.”

CONTINUING DISCLOSURE

The District has covenanted in a Continuing Disclosure Certificate dated April 15, 2011 (the “Continuing Disclosure Certificate”) for the benefit of the Owners and beneficial owners of the Series 2011A-1 Bonds to provide certain financial information and operating data relating to the District (each an “Annual Report”) by not later than 270 days following the end of the District’s fiscal year (which fiscal year ends on June 30), commencing with the Annual Report for Fiscal Year 2012, and to provide notices of the occurrence of certain enumerated events. The Annual Reports will be filed by the District with EMMA for the purpose of S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The notices of enumerated events will be filed by the District with EMMA. The specific nature of the information to be made available and to be contained in the notices of enumerated events is contained in Appendix F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto. These covenants have been made in order to assist the Remarketing Agent, as Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) in complying with the Rule. For the last five years the District has complied in all material aspects with its filing obligations pursuant to undertakings entered into pursuant to the Rule.

See the caption “INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225” for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively. As a result of such consolidations, Improvement District Nos. 125 and 225 are the legal successors to Improvement District Nos. 105 and 250, respectively, and Improvement District Nos. 105 and 250 no longer exist. Accordingly, beginning in Fiscal Year 2014, the Annual Reports will contain information relating to Improvement District Nos. 125 and 225 rather than for Improvement District Nos. 105 and 250.

LITIGATION

There is no action, suit or proceeding known to be pending, or to the knowledge of the District, threatened, in any way contesting or affecting the validity of, the Series 2011A-1 Bonds or the Indenture. There is no litigation known to be pending, or to the knowledge of the District, threatened, questioning the existence of the District or the title of the officers of the District to their respective offices.

There exist lawsuits and claims against the District, which are incidental to the ordinary course of operations of the District's water and sewer systems and related activities. In the view of the District's management and General Counsel, there is no litigation, present or pending, or to the knowledge of the District, threatened, which will individually or in the aggregate materially impair the District's ability to service its indebtedness or which will have a material adverse effect on the business operations of the District.

RATINGS

On April 12, 2011, Standard & Poor's Ratings Group ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") assigned the Series 2011A-1 Bonds the short-term ratings of "A-1+", "VMIG 1" and "F1+", respectively, and Moody's and Fitch assigned the Series 2011A-1 Bonds the long-term ratings of "Aa1" and "AAA", respectively. S&P affirmed the short-term rating of the 2011A-1 Bonds of "A-1+" on October 11, 2013. Although S&P has not assigned a long-term rating to Series 2011A-1 Bonds, S&P affirmed the long-term rating of "AAA" on the District's Series 2010B Bonds, which are Parity Obligations, on October 11, 2013. The District has made no attempt to seek an update to or affirmation of such ratings from the rating agencies in connection with the remarketing of the Series 2011A-1 Bonds on February 14, 2014. Generally, rating agencies base their ratings on information and material furnished directly to them and on investigations, studies and assumptions made by them. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from the applicable rating agency. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2011A-1 Bonds.

TAX MATTERS

Original Opinions

On April 15, 2011, Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District ("Co-Bond Counsel"), in connection with the issuance of the Series 2011A-1 Bonds, delivered their respective opinions to the effect that, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. It was the further opinion of Co-Bond Counsel, as of April 15, 2011, that such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the opinions of Co-Bond Counsel delivered at the original issuance of the Series 2011A-1 Bonds is set forth in Appendix D hereto.

No Updated Co-Bond Counsel Opinions

Co-Bond Counsel have not taken, and do not intend to take, any action to update their respective original opinions or to determine if interest on the Series 2011A-1 Bonds is presently excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes.

General Considerations

Notwithstanding the foregoing, investors should be aware of the following information.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011A-1 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011A-1 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011A-1 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011A-1 Bonds. The opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-1 Bonds assumed the accuracy of these representations and compliance with these covenants. Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Co-Bond Counsel's attention after the date of issuance of the Series 2011A-1 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A-1 Bonds. Accordingly, the opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-1 Bonds are not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Co-Bond Counsel have rendered opinions that interest on the Series 2011A-1 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2011A-1 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011A-1 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals have been made in recent years that would limit the exclusion from gross income of interest on obligations like the Series 2011A-1 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2011A-1 Bonds. Prospective purchasers of the remarketed Series 2011A-1 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel express no opinion.

The opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-1 Bonds were based on current legal authority existing as of April 15, 2011, covered certain matters not directly addressed by such authorities, and represented Co-Bond Counsel's judgment as to the proper treatment of the Series 2011A-1 Bonds for federal income tax purposes. They are not binding on the Internal Revenue Service (the "IRS") or the courts. Furthermore, Co-Bond Counsel cannot give and have not given any opinion or assurance about the past or future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Co-Bond Counsel's engagement with respect to the Series 2011A-1 Bonds ended on April 15, 2011 with the original issuance of the Series 2011A-1 Bonds. Unless separately engaged, Co-Bond Counsel are not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series

2011A-1 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A-1 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2011A-1 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

REMARKETING AGENT

Goldman, Sachs & Co. has been appointed to serve as Remarketing Agent for the Series 2011A-1 Bonds. The Remarketing Agent will carry out the duties and obligations provided for the Remarketing Agent under and in accordance with the provisions of the Indenture and the Remarketing Agreement, dated as of April 1, 2011, by and between the District and Goldman, Sachs & Co.

The Remarketing Agent and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Remarketing Agent and certain of its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Remarketing Agent and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters in connection with the reoffering of the Series 2011A-1 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District, and for the Remarketing Agent by Stradling Yocca Carlson & Rauth, a Professional Corporation.

INDEPENDENT ACCOUNTANTS

The financial statements of the District at June 30, 2013, included in Appendix B to this Remarketing Statement, have been audited by Mayer Hoffman McCann P.C., independent accountants (the "Auditor"), as set forth in their report dated December 9, 2013, which also appears in Appendix B. The Auditor has not reviewed the contents of this Remarketing Statement, and the District has not sought the Auditor's consent to the inclusion of the Auditor's audit letter attached to the District's financial statements in this Remarketing Statement.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

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Any statements in this Remarketing Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Statement is not to be construed as a contract or agreement between the District and registered owners or beneficial owners of any of the Series 2011A-1 Bonds. The delivery and distribution of this Remarketing Statement have been duly authorized by the District.

IRVINE RANCH WATER DISTRICT

By: _____ /s/ Robert Jacobson
Treasurer

APPENDIX A
IRVINE RANCH WATER DISTRICT

APPENDIX B
AUDITED FINANCIAL STATEMENTS

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

[TO COME FROM BOND COUNSEL]

APPENDIX D

CO-BOND COUNSEL OPINIONS

Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District, rendered the following final approving opinions dated April 15, 2011 (the “2011 Opinions”) in connection with the initial issuance of the Series 2011A-1 Bonds. Co-Bond Counsel have made no attempt to update or reaffirm the 2011 Opinions in connection with this Remarketing Statement or the remarketing of the Series 2011A-1 Bonds.

[SEE ATTACHED]

APPENDIX E

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2011A-1 Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to on the Series 2011A-1 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2011A-1 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, acts as securities depository for the Series 2011A-1 Bonds. The Series 2011A-1 Bonds are fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond was issued for each maturity of the Series 2011A-1 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2011A-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A-1 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A-1 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A-1 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in Series 2011A-1 Bonds, except in the event that use of the book-entry system for the Series 2011A-1 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A-1 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A-1 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no

knowledge of the actual Beneficial Owners of the Series 2011A-1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A-1 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011A-1 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A-1 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011A-1 Bond documents. For example, Beneficial Owners of Series 2011A-1 Bonds may wish to ascertain that the nominee holding the Series 2011A-1 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A-1 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2011A-1 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2011A-1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments with respect to the Series 2011A-1 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2011A-1 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Series 2011A-1 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2011A-1 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series 2011A-1 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2011A-1 Bonds are transferred by Direct Participants or DTC's records and followed by book-entry credit of tendered Series 2011A-1 Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2011A-1 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2011A-1 Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2011A-1 Bonds will be printed and delivered.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

The District entered into a Continuing Disclosure Certificate in the following form in connection with the initial issuance of the Series 2011A-1 Bonds on April 15, 2011:

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Irvine Ranch Water District (the “District”) in connection with the execution and delivery of \$60,545,000 Bonds of Irvine Ranch Water District, Refunding Series 2011A-1 (the “Series 2011A-1 Bonds”) and the \$40,370,000 Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the “Series 2011A-2 Bonds,” and together with the Series 2011A-1 Bonds, the “Series 2011A Bonds”) constituting the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250 (collectively, the “Improvement Districts”). The Series 2011A-1 Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2011 (the “Series 2011A-1 Indenture of Trust”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, and the Series 2011A-2 Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2011 (the “Series 2011A-2 Indenture of Trust,” and together with the Series 2011A-1 Indenture of Trust, the “Indentures of Trust”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee. The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Indentures of Trust, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement of the District dated April 12, 2011 delivered in connection with the issuance of the Bonds.

Participating Underwriter. The term “Participating Underwriter” means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The District shall provide not later than 270 days following the end of its Fiscal Year (commencing with the Fiscal Year 2011) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in substantially the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information in the following tables and/or captions in Appendix A—“IRVINE RANCH WATER DISTRICT” in the Official Statement:

1. “Outstanding Indebtedness” on page A-7;
2. IRVINE RANCH WATER DISTRICT Historic Water Supply In Acre Feet Per Year” under the caption “WATER SUPPLY—Historic and Projected Water Supply” on page A-19;
3. “THE WATER SYSTEM—Historic Water Connections” on page A-21;
4. “THE WATER SYSTEM—Historic Water Deliveries” on page A-22;
5. “THE WATER SYSTEM—Water System Rates and Charges” on page A-24;
6. “THE SEWER SYSTEM—Historic Sewer and Recycled Water Connections” on page A-26;
7. “THE SEWER SYSTEM—Historic Sewer Daily Average Flow” on page A-27;
8. “THE SEWER SYSTEM—Sewer System Rates and Charges” on page A-30;
9. “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Historic Operating Results and Debt Service Coverage” on page A-33; and
10. An update of the following tables for each Improvement District:
 - (i) Assessed Valuations (Land Only); provided that only the total assessed values shall be updated;

- (ii) Assessed Valuation and Parcels by Land Use; and
- (iii) Largest Local Secured Taxpayers.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

- 1. principal and interest payment delinquencies;
- 2. unscheduled draws on debt service reserves reflecting financial difficulties;
- 3. unscheduled draws on credit enhancements reflecting financial difficulties;
- 4. substitution of credit or liquidity providers, or their failure to perform;
- 5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
- 6. defeasances;
- 7. tender offers;
- 8. ratings changes; and
- 9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- 1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;
- 2. appointment of a successor or additional trustee or the change of the name of a trustee;

3. non-payment related defaults;
4. modifications to the rights of Bondholders;
5. notices of redemption; and
6. release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b), the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Cash and Investments. Upon request, the District shall provide on a quarterly basis to any person the most recently available Cash and Investment Summary as prepared for the Finance and Personnel Committee of the Board of Directors of the District.

7. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

8. Termination of Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indentures of Trust, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: April 15, 2011

IRVINE RANCH WATER DISTRICT

By: _____
Its: Treasurer

APPENDIX A
IRVINE RANCH WATER DISTRICT

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INTRODUCTION

The following sets forth certain information relating to the Irvine Ranch Water District (the “District”) and certain of its improvement districts.

The District’s projections in Tables 12, 15, 17, 19, 23, 25, 27, 30 and 32 of this Appendix A (the “Projections”) are derived from historic trends and experience and an internal financial model known as the “District Enterprise Model.” The District Enterprise Model is a capital planning and budgeting tool used by the District to identify future infrastructure funding requirements, and to aid in setting water and sewer rates, charges and connection fees. Key inputs utilized in the District Enterprise Model include assumptions based on historical experience and other factors regarding the District’s cost of borrowing, the rate of return on District investments, inflation, project costs, property tax receipts and the timing and amount of future bond sales, but the primary input is the pace and scope of real estate development activity within the District’s service area. The District is in regular contact with major Orange County (the “County”) real estate development companies to assess and update this information for use in the District Enterprise Model.

The Projections constitute forward-looking statements. No assurance can be given that the future results reflected in the Projections and otherwise discussed herein will be achieved, and actual results may differ materially from the Projections. As noted above, the Projections rely heavily on certain assumptions regarding the pace and scope of real estate development activity within the District’s service area. Such activity may be affected by a variety of factors, such as problems with subprime mortgage loans, including increases in delinquencies and foreclosures and significant write-downs in value reported by holders of pooled securities backed by subprime mortgages, as well as tighter lending standards for real estate loans generally. Real estate development activity also may be affected by general economic conditions, which currently reflect high unemployment rates, higher energy and commodity costs and volatile financial markets. The District has attempted to reflect such conditions in the Projections, but is unable to predict with certainty the level of future real estate development activity or the other factors affecting the Projections.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California (the “State”). The various opinions of counsel that were delivered with respect to such documents, including the opinions of Co-Bond Counsel (the forms of which are attached to the Remarketing Statement as Appendix E), were similarly qualified.

Unless the context otherwise requires, all defined terms used herein shall have the same meanings set forth in the Remarketing Statement, except that the term “Improvement Districts” as used in this Appendix A refers to all seven water improvement districts and nine sewer improvement districts of the District.

THE IRVINE RANCH WATER DISTRICT

General

The District was established in 1961 as a California Water District under the provisions of Section 34000 *et seq.* of the California Water Code (the “Act”). As a special district, the District focuses on four primary services – providing potable water, collecting and treating wastewater, producing and distributing recycled and other non-potable water, and implementing urban runoff treatment programs.

The District serves a 178-square-mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of the County. Extending from the Pacific Coast to the foothills, the District’s region is semi-arid with a mild

climate and an average annual rainfall of approximately 12 inches. The District serves a total estimated population of approximately 340,000 through approximately 101,020 water and approximately 96,643 sewer service and recycled water connections. The number of service connections has increased by approximately 18% over the last decade.

The District builds and maintains significant capital infrastructure in order to serve its customers and is organized into Improvement Districts in order to allocate funding responsibility for capital facilities to the area which will benefit from such capital facilities and to separate areas on the basis of projected timing of development. This allows capital facilities construction to be matched to the development approval decisions of the respective local agencies that make them. Some of the Improvement Districts share in the funding of the District's regional facilities which such Improvement Districts use or will use in common, such as major water importation facilities and water and wastewater treatment plants. The District recently undertook a process to review its current capital funding plan, resulting in a master consolidation and combination of several Improvement Districts in November 2013. As a result of such consolidation, the District now has a total of seven water Improvement Districts and nine sewer Improvement Districts which cover specific areas within the District's boundaries, each of which is governed in accordance with the Act. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the effect on the Series 2011A-1 Bonds of the consolidation and combination of such Improvement Districts.

The principal office of the District is located at 15600 Sand Canyon Avenue, Irvine, California 92618.

Board of Directors and General Manager

Pursuant to legislation chaptered in 1980, the District's Board of Directors consists of five Directors elected by resident voters for staggered four-year terms. The policies of the Board of Directors are administered by the General Manager of the District.

Board of Directors. The present Directors are:

Steven E. LaMar. Mr. LaMar was appointed to the District's Board of Directors in 2009 and has been elected to a subsequent term. Mr. LaMar currently serves as President and served as Vice President of the Board of Directors in 2011, 2012 and 2013. He is a water policy and planning expert with more than 20 years of experience on statewide business and industry committees and has directly participated in many major water policy forums. Mr. LaMar currently serves on the District's Finance and Personnel Committee and Water Resources Policy and Communications Committee. Mr. LaMar has served on statewide task forces and advisory committees on drought planning, desalination, the California Bay-Delta, the California Water Plan and on landscape water conservation issues. Mr. LaMar is president and owner of LegiSight, LLC, located in Tustin, California, and has also been a principal for Spinner LaMar Associates since 1993. He has served as a water policy leader in the California Building Industry Association for over 20 years. Mr. LaMar holds a bachelor's degree in political science from Pittsburg State University (Kansas) and a certificate from the Environmental Management Institute, the U.S. Environmental Protection Agency environmental training program administered by the University of Southern California. Mr. LaMar's current term ends in December 2014.

Peer Swan. Mr. Swan was elected to the District's Board of Directors in 1979. Mr. Swan currently serves as Vice President and chairman of the Finance and Personnel Committee. He previously served as President from December 1981 until December 1995 and again in 2006. Mr. Swan's community and professional involvement includes service as President of the Board of San Joaquin Wildlife Sanctuary and member of the Steering Committee of the Southern California Water Dialogue Committee. Mr. Swan is active in the Association of California Water Agencies, where he serves on the Board of Directors, on its seven-person Executive Board and on several committees. Mr. Swan has also been active in the California Association of Sanitation Agencies (where he is Vice Chairman of the Directors' Committee), the Newport

Chamber of Commerce and the Orange County Business Council. Mr. Swan was the Treasurer of the Pacific Scientific Company prior to its acquisition in early 1998 and a member of the Board of Directors of the Southern California Bank and its parent SC Bancorp until its acquisition in 1997. He has also served as a board member of the YMCA of Orange County and the Orange Coast College Foundation, where he was the founding Treasurer of the Board. He has served as a Director of the Orange County Sanitation District for 15 years and was Vice Chairman for six years. Mr. Swan was also a Founding Director of the Board of the National Water Research Institute and was Chairman for four years. He is a longtime member of both the National Audubon Society and its local chapter (Sea & Sage). He was also the President of the Board of the Water Advisory Committee of Orange County in 2007 and 2008. Mr. Swan's current term ends in December 2014.

Douglas J. Reinhart. Mr. Reinhart was appointed to the District's Board of Directors in 2004 to fill a vacancy and has since been elected to subsequent terms. Mr. Reinhart served as President in 2007, 2009, 2010 and 2013. He currently serves on the District's Engineering and Operations Committee and Water Banking Committee. Mr. Reinhart is a registered civil engineer with over 30 years of experience in the private sector directing projects in water, wastewater and other infrastructure. Mr. Reinhart was the president and an owner of ASL Consulting Engineers before its acquisition by Tetra Tech in 1999. Mr. Reinhart then served as the Divisional Executive Vice President for Tetra Tech for the western United States before starting a consulting business in 2004. Mr. Reinhart holds a bachelor's degree in civil engineering from the Missouri School of Mines and Metallurgy. Mr. Reinhart has served on the Board of Trustees of the Southern California Water Committee, the American Water Works Association Desalination Committee and the Association of California Water Agencies Groundwater Committee and is a past member of the Board of Directors of the National WaterReuse Association. In addition, Mr. Reinhart is a member of the American Society of Civil Engineers and the American Public Works Association. Mr. Reinhart's current term ends in December 2014.

John B. Withers. Mr. Withers was initially appointed to the District's Board of Directors in 1989 to fill a vacancy and has since been elected to subsequent terms. Mr. Withers currently serves as Director of the Board and previously served as Vice President in 2012 and President in 2004. He also serves on the Asset Management Committee and the Engineering and Operations Committee. Mr. Withers is a partner with California Strategies, a strategic government relations firm in Irvine. In past positions, Mr. Withers has served as Vice President of Community Development for Lewis Operating Corporation and as Director of Water Resources for Psomas & Associates, a civil engineering and planning firm based in Costa Mesa. Mr. Withers has served as Director of Governmental Affairs for the Orange County Region of the Building Industry Association of Southern California and as a legislative advocate for Crocker Bank and a major trade association in Sacramento. Mr. Withers has served as Commissioner to the Orange County Local Agency Formation Commission since 1994. Mr. Withers also served as a member, including a term as chairman, of the Santa Ana Regional Water Quality Control Board, having been appointed by the Governor in 1992. Mr. Withers was a board member of the National Water Research Institute for six years and is the District's current representative. A native Southern Californian, Mr. Withers received his bachelor's degree from UCLA in economics with a specialization in urban studies in 1979 and received a master's degree in urban studies from Occidental College in 1988. Mr. Withers' current term ends in 2015.

Mary Aileen Matheis. Ms. Matheis was initially appointed to the District's Board of Directors in 1988 to fill a vacancy and has since been elected to subsequent terms. Ms. Matheis currently serves as a Director on the Board of Directors. Ms. Matheis served as President in 2001 and 2012 and as Vice President in 2005 and 2011. Ms. Matheis is a practicing lawyer and member of the California Bar and is also admitted to practice in the Supreme Court of the United States and the United States Tax Court. Ms. Matheis holds a bachelor's degree and masters degree in Communications and she received her Juris Doctorate from Western State University School of Law and was admitted to the California Bar in 1982. Ms. Matheis' activities in other water areas include service on the Legal Affairs Committee of the Association of California Water Agencies and as a member of Independent Special Districts of Orange County Executive Committee. Ms. Matheis is a member of the Colorado River Water Users Association and the Colorado River Foundation. Ms. Matheis is also the District representative to the Independent Special Districts of Orange County and a

board member of the Water Education Foundation. Ms. Matheis is active in the Orange County Bar Association, a member of the Real Estate Section Executive Committee and the Probate and Estate Planning Section. Ms. Matheis is also on the Orange County Assessment Appeals Panel for Property Tax Appeals. Ms. Matheis' current term ends in 2015.

General Manager. Paul A. Cook, the General Manager of the District, heads a staff of approximately 325 employees. Mr. Cook was appointed to this position in October 2011. Mr. Cook previously served as Interim General Manager from July to October 2011 and held the position of Assistant General Manager from 2004 to July 2011. Mr. Cook is a registered civil engineer with over 21 years of experience with water and wastewater systems in the public and private sectors. Prior to joining the District, he served as the Manager of Engineering for Central and West Basin Municipal Water Districts in Carson, California. He also served as the District Engineer for Los Alisos Water District in Lake Forest. In the private sector, Mr. Cook held engineering and project management positions with BFI Constructors and Turner Construction Company. He was elected to the Orange County Water District Board of Directors in 2002 and served for three years, representing communities in Irvine, Tustin and Newport Beach. Mr. Cook received his bachelor of science degree in Civil Engineering from the University of the Pacific, his masters of science degree in Civil Engineering from California State University of Long Beach and his masters in business administration from the University of California, Irvine.

Employees

The District currently employs approximately 325 persons, including full-time, part-time and temporary employees. On September 25, 2012, a one-year Memorandum of Understanding (the "2012 MOU") between the District and the Irvine Ranch Water District Employee Association (the "Association") was adopted, signed and approved. The District is currently negotiating the terms of a new Memorandum of Understanding with the Association and is operating under the terms of the 2012 MOU while such negotiations are ongoing. The Association currently represents 225 general employees of the District, of which 66 are voting members; supervisors and managers are unrepresented. The District has not experienced any strike or other labor actions.

Pension Benefits

CalPERS Plan. The District contributes to the California Public Employees Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan for all of the District's full-time and certain of its temporary employees that have worked for the District for a total of over 1,000 hours. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the District. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 Q Street, Sacramento, California 95811.

Required employer and employee contributions are determined from rates established by CalPERS based upon various actuarial assumptions which are revised annually. The District currently funds the normal pension costs, which are determined by CalPERS using the Entry Age Normal Actuarial Cost Method, as well as an amortization of the District's unfunded actuarial liability. For the fiscal years of the District ended June 30 ("Fiscal Year"), 2013 and 2012, the District's annual pension cost, as determined by an actuarial valuation of the plan as of June 30, 2011 and 2010, respectively, was \$4,297,000 and \$4,321,000, respectively. Since 2009, the District has made contributions totaling approximately \$15,100,000 in excess of its annual required contributions to CalPERS to reduce its overall unfunded liability. For Fiscal Year 2014, the District's annual pension cost, as determined by an actuarial valuation of the plan as of June 30, 2012, is \$4,315,000 (assuming that the District elects the lump sum payment option). The District expects its contribution to equal or exceed such annual pension cost in Fiscal Year 2014. For Fiscal Year 2015, the District's annual pension cost, as determined by an actuarial valuation of the plan as of June 30, 2013, will be \$4,524,000 (assuming that the District elects the lump sum payment option).

Participants are required to contribute 8% of their annual covered salary under the CalPERS plan. In Fiscal Year 2011 and prior Fiscal Years, the District paid 7% (“Employer-Paid Member Contributions,” or “EPMC”) of such 8% contributions required of District employees on their behalf and for their account. From July 1, 2011 to March 2, 2012, the District paid between 2% and 5% of the contributions required of District employees on their behalf, depending upon job classification. Effective March 3, 2012, the District reduced its EPMC payments to between 0% and 3% of annual covered salary, depending on job classification. The District also increased employee contributions correspondingly to between 8% and 5% of annual covered salary. On September 24, 2012, the Board of Directors adopted a resolution to further reduce EPMC payments to no more than 2% of annual covered salary, depending upon job classification effective March 2, 2013. In addition, the Board of Directors adopted a resolution creating a second tier of CalPERS pension benefits for employees hired after September 29, 2012. The second benefit tier includes a reduced pension formula and a longer final compensation calculation period.

On September 12, 2012, the Governor of the State signed Assembly Bill 340 (“AB 340”), which implements pension reform in the State. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate (as described below) for such retirement systems; (ii) prohibits employers from paying EPMC to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; and (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period. The Board of Directors adopted a resolution creating a third tier of CalPERS pension benefits for employees hired after January 1, 2013 to comply with AB 340’s compulsory reduced formula. Benefit provisions and all other requirements are established by State statute and the Board of Directors.

In addition to paying a percentage of the contributions required of District employees on their behalf, the District is required to contribute at an actuarially determined rate applied to annual covered payroll. The District’s contribution rate for Fiscal Year 2013 was 16.106% and the District’s contribution rate for Fiscal Year 2014 is 16.795%. The District’s contribution rate for Fiscal Year 2015 has been established at 17.737%.

Under Government Accounting Standards Board Statement No. 27, an employer reports an annual pension cost equal to the annual required contribution (“ARC”) plus an adjustment for the cumulative difference between the annual pension cost and the employer’s actual plan contributions for the year. The cumulative difference is called the net pension obligation and may be positive or negative. The ARC for Fiscal Year 2013 was determined by an actuarial valuation of the plan as of June 30, 2010.

The staff actuaries at CalPERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is delivered. The actuarial valuations express the District’s required contribution rates in percentages of covered payroll, which percentages the District must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the District’s contribution rate derived from the actuarial valuation as of June 30, 2012 will affect the District’s Fiscal Year 2015 required contribution rate). CalPERS rules require the District to implement the actuary’s recommended rates.

In calculating the annual actuarially recommended contribution rates, the CalPERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that CalPERS will fund under the CalPERS plans, which includes two components, the normal cost and the unfunded actuarial accrued liability (the “UAAL”). The normal cost represents the actuarial present value of benefits that CalPERS will fund under the CalPERS plans that are attributed to the current year, and the actuarial accrued liability (the “AAL”) represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and

occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the District owes to CalPERS under its CalPERS plans.

In each actuarial valuation, the CalPERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the CalPERS plans at the end of the Fiscal Year (which assumes, among other things, that the rate of return during that Fiscal Year equaled the assumed rate of return of 7.5%). The CalPERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies and actuarial assumptions. As described below, these policies and actuarial assumptions have changed significantly in recent years and could change or be modified further by CalPERS in the future. Certain significant recent changes in assumptions include the following:

On March 14, 2012, the CalPERS Board approved a change in the inflation assumption used in the actuarial valuations used to determine employer contribution rates. The inflation assumption was changed from 3% to 2.75% effective July 1, 2012. The change impacted the inflation component of the annual investment return assumption and the long term payroll growth assumption as follows:

- The annual assumed investment return decreased from 7.75% to 7.5%.
- The long term payroll growth assumption decreased from 3.25% to 3%.
- The inflation component of individual salary scales decreased from 3.25% to a merit scale varying by duration of employment, an assumed annual inflation component of 3% and an annual production growth of 0.25%.

On April 17, 2013, the CalPERS Board of Administration approved a plan: (i) to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the current 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. CalPERS' Chief Actuary has stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers such as the District about future contribution rates. These changes are expected to accelerate the repayment of unfunded liabilities (including CalPERS' fiscal year 2008-09 market losses) of the District's plans in the near term; the exact magnitude of the potential contribution rate increases is not known at this time, but may be significant. These changes will be reflected beginning with the June 30, 2014 actuarial valuation affecting contribution rates for Fiscal Year 2016 and thereafter.

The following table summarizes the District's annual required contributions (in thousands) for Fiscal Years 2009 through 2013:

TABLE 1
IRVINE RANCH WATER DISTRICT
Annual Required Contributions for CalPERS Plan

<i>Fiscal Year</i>	<i>Employer Contribution</i>	<i>District-Funded Employee Contribution</i>	<i>Employee Contribution</i>	<i>Annual Pension Cost</i>	<i>Percentage of Annual Pension Cost Contributed</i>	<i>Net Pension Asset</i>
2009	\$6,353	\$1,661	\$239	\$3,353	189.5%	\$ 3,000
2010	4,797	1,709	243	2,982	160.9	4,815
2011	9,480	1,728	249	3,012	314.7	11,283
2012	4,643	1,025	916	4,321	107.5	11,605
2013	7,840	609	1,365	4,297	182.5	15,148

Source: Irvine Ranch Water District Fiscal Year 2013 Comprehensive Annual Financial Report; the District.

The following table sets forth the schedule of funding for the District’s plan as of June 30, 2012 (in thousands). The employer contribution rate for Fiscal Year 2014 is 16.795%:

TABLE 2
IRVINE RANCH WATER DISTRICT
Schedule of Funding for CalPERS Plan

<i>Valuation Date</i>	<i>Entry Age Normal Accrued Liability</i>	<i>Actuarial Value of Assets</i>	<i>Unfunded Actuarial Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Funded Ratio⁽¹⁾</i>	<i>Annual Covered Payroll</i>
06/30/08	\$120,778	\$100,241	\$20,537	\$101,091	83.7%	\$23,450
06/30/09	149,825	110,923	38,902	81,355	54.3	24,307
06/30/10	158,904	124,553	34,351	100,110	63.0	24,929
06/30/11	170,392	140,176	29,676	128,816	75.6	24,379
06/30/12	183,096	151,193	31,902	129,953	71.0	24,203

⁽¹⁾ On a market value of assets basis.

Source: CalPERS Actuarial Report Dated October 2013.

For additional information relating to the District’s plan, see Note 13 to the District’s audited financial statements for Fiscal Year 2013 attached to the Remarketing Statement as Appendix B.

CalPERS reported significant investment losses in 2009, which accounts for a portion of the increase in the District’s unfunded actuarial liability from June 30, 2008 to June 30, 2009. In addition, the increase in the District’s unfunded actuarial liability is attributable to CalPERS studies performed in fiscal year 2008-09 and the adjustment of assumptions made by CalPERS valuations for age at retirement, years of service, mortality rates, and certain other assumptions. CalPERS earnings reports for fiscal years 2009-10, 2010-11, 2011-12 and 2012-13 report an investment gain in excess of 13.0%, 21.7%, 1% and 12.5%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District. The CalPERS pension trust fund pays all retiree benefit payments associated with the District’s plan.

In Fiscal Year 2013, the District established the Irvine Ranch Water District Post-Employment Benefits Trust (the “Benefits Trust”). The Benefits Trust is an irrevocable trust that was established to “pre-fund” a portion of the District’s CalPERS unfunded liability, providing the District with an alternative to

CalPERS that allows for investment by a professional fund management team selected and monitored by the District. In Fiscal Year 2013, \$35 million was deposited in the Benefits Trust. Future contributions will be transferred to CalPERS for payments to employees at the District's discretion. The District intends to reduce its future liability by the amount that is pre-funded in the Benefits Trust. As of December 31, 2013, the assets in the Benefits Trust totaled \$38,055,748.

Other Pension Benefits. The District provides pension benefits for all of its part-time and certain temporary employees through a defined contribution plan, in lieu of providing social security benefits, provided that the statutory minimum contribution of at least 7.5% is made to the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For Fiscal Year 2013, the District's payroll covered by the plan was \$449,059. The eligible employees contributed \$33,679 (the required 7.5% of current covered payroll) and the District made no contributions during such Fiscal Year.

All regular, full-time District employees are eligible to participate in the District's deferred compensation program pursuant to Section 457 of the Internal Revenue Code whereby they can voluntarily contribute a portion of their earnings into a tax-deferred fund administered by the District and invested through a third party provider. Pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001, effective January 1, 2002, employees may contribute the lesser of 100% of includible compensation or the maximum dollar amount allowable under Internal Revenue Code Section 457 in effect for the year. The dollar amount currently in effect for calendar year 2014 is \$17,500. Since 2008, the limit has been indexed to inflation in \$500 increments.

Effective January 1, 2008, for employees with one year or more of service, the District provides 100% matching of employee Section 457 plan contributions up to an annual maximum of 3% of the employee's base salary. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During Fiscal Year 2013, the District contributed \$528,011 to employee accounts under the 401(a) plan.

The assets in both plans are held in trust for the exclusive benefit of the participants and their beneficiaries, and are therefore not reported in the financial statements of the District.

Other Post-Employment Benefits

The Governmental Accounting Standards Board ("GASB") issued two related pronouncements, known as GASB 43 and GASB 45, related to funding and accounting for Other Post-Employment Benefits ("OPEB") liabilities. OPEB liabilities consist of health care, insurance and all other retiree benefits that are not part of a pension plan. Under GASB 45, costs of OPEB must be matched to the current period in which employees are performing services for the District. In effect, there is an exchange between the employee and the District in which the employee renders services to the District and in exchange receives certain salaries and benefits, part of which are OPEB which they will not actually use until some point in the future. The accounting standards require the District to recognize the cost of the benefits in the periods when the employees' services are received by the District. GASB 45 also requires the District to provide information about the accrued actuarial liabilities for the promised benefits for past services, to what extent those have been funded, and to what extent there will be demands from OPEB on the District's future cash flows.

The District currently has three OPEB programs: the California Public Employees Medical and Hospital Care Act ("PEMHCA") premiums, a retiree health costs reimbursement plan, and a retiree death benefit life insurance program. Under the first program, the District pays the required healthcare coverage under PEMHCA, commonly referred to as "PERS Health." To qualify, employees must retire from the District and begin drawing CalPERS retirement benefits. Participation in PEMHCA is financed in part by the District through a contribution of \$112.00 per employee per month (at current rates). The contribution rate is scheduled to be indexed with medical inflation in future years, although contributions could increase in greater

amounts at the direction of CalPERS Board. In addition, the District pays 0.37% of the PEMHCA premium to cover administrative fees. In Fiscal Year 2013, the District contributed \$90,329 on behalf of retirees participating in the PEMHCA program.

As part of its retiree health costs reimbursement plan, the District provides retirees who have attained age 55 and have completed at least 10 years of service with the District with reimbursement of eligible healthcare costs of \$300 per month for retirees with at least ten years of service up to a maximum of \$600 per month for retirees with at least 25 years of service. In Fiscal Year 2013, the District contributed \$291,320 on behalf of retirees participating in the Retiree Health Costs Reimbursement Plan.

Finally, the retiree death benefit life insurance program provides retirees who were hired on or before December 31, 2008 with term life insurance benefits with a face amount equal to 100% of their annual salary in effect at the time of retirement. Insured group-term life benefits end for all participants at age 70. Thereafter, the District provides a self-insured \$10,000 death benefit for all participants already retired as of December 31, 2008 and for currently active Board members. To qualify, a retiree must have retired from the District, be at least 55 years old, have completed at least ten continuous years of service with the District, and must be drawing retirement benefits from CalPERS. In Fiscal Year 2013, the District contributed \$11,585 on behalf of retirees participating in this program.

OPEB costs have traditionally been accounted for and financed from the District's annual operating budget as part of its benefits expense on a pay-as-you-go basis. During Fiscal Year 2013, the District contributed \$393,234 on behalf of retirees participating in the OPEB programs. The budgeted amount for the District's OPEB in Fiscal Year 2014 is approximately \$430,000.

The District has been required to comply with the accounting and reporting requirements of GASB 45 since Fiscal Year 2008. According to an actuarial valuation prepared for the District by Demsey, Filliger & Associates, the accrued, unfunded liability for the District's OPEB as of July 1, 2012 was approximately \$6.7 million. The Annual Required Contribution ("ARC") was \$666,835 in Fiscal Year 2013, of which the District contributed \$393,234. The ARC is calculated assuming that the accrued, unfunded liability will be amortized over the next 30 years, benefits will remain constant, and funding in excess of actual benefit costs will be invested at a 4.00% annual return, and with other assumptions regarding medical cost inflation.

On June 25, 2012, GASB approved two new standards with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements 67 and 68 will replace Statement 27 and most of Statements 25 and 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (ii) more components of full pension costs will be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. In addition, according to GASB, Statement 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on CalPERS is not known at this time. The reporting requirements for pension plans will take effect for Fiscal Year 2014 and the reporting requirements for government employers will take effect for Fiscal Year 2015.

For additional information relating to the District's OPEB obligations, see Note 14 to the District's audited financial statements for Fiscal Year 2013 attached to the Remarketing Statement as Appendix B.

Budget Process

Prior to July 1 of each year, the General Manager prepares a budget for the Fiscal Year commencing July 1 and ending on the succeeding June 30. Following the adoption of the operating budget, the Board of Directors approves a schedule of water, sewer and recycled water rates for such Fiscal Year based on the budget approved by the Board of Directors. See the caption “CONSTITUTIONAL LIMITS AND APPROPRIATIONS AND CHARGES—Proposition 218.” The budget for Fiscal Year 2014 was approved on April 22, 2013.

Water and Sewer System Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions and natural disasters. The District utilizes a combination of self-insurance and third-party liability insurance to minimize loss exposures from property, third-party liability claims and workers compensation claims. The District self-insures the first \$25,000 per occurrence for property losses, \$100,000 per occurrence for third-party liability claims and \$125,000 per occurrence for workers compensation claims.

Property, boiler and machinery insurance is provided through a policy with Affiliated FM Insurance Company. Property insurance includes flood insurance but does not include earthquake insurance. General and excess liability coverage of \$35,000,000 and workers compensation insurance is provided through participation in the California State Association of Counties Excess Insurance Authority (CSAC-EIA). Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Indian Harbor Insurance Company. Settlements have not exceeded coverage for each of the past three Fiscal Years.

Collection Procedures

All charges for water and recycled water service and almost all charges for sewer service are billed monthly. If payment is not received 25 days after presentation, a one-time late charge of 10% of the unpaid balance plus 1.5% interest will be assessed for each month until the unpaid balance has been paid in full. A shut-off notice is mailed out in conjunction with an automated courtesy phone call when the unpaid balance exceeds \$150. If payment is not received within 15 days of the mailed shut-off notice, service is shut off as of the date specified on the notice. Service is not restored until all charges, including a restoration charge, have been paid in full. The District sends closed accounts to outside collection agencies and does not currently transfer such accounts to the County tax roll. A small number of accounts located in Newport Beach for which the District provides sewer service only are billed on the County tax rolls.

Outstanding Indebtedness

Improvement District Indebtedness. As of December 31, 2013, the District had \$525,900,000 aggregate principal amount of outstanding ad valorem assessment bonds (the “Ad Valorem Assessment Bonds”) on behalf of the Improvement Districts. Although the Ad Valorem Assessment Bonds are secured by ad valorem assessments on property within the respective Improvement District, and are not by their terms payable from Revenues, except for the Series 2011A-1 Bonds, the Bonds of the Irvine Ranch Water District, Series 2010B (the “Series 2010B Bonds”) and the Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the “Series 2011A-2 Bonds”), each of which is described below under the caption “—Parity Obligations.” District practice has been to apply Net Revenues remaining after the payment of debt service on Parity Obligations and subordinate obligations to the principal and interest on the Ad Valorem Assessment Bonds. Pursuant to Section 35975 of the Act, the District also may levy certain rates and charges in lieu of ad valorem assessments to pay the Ad Valorem Assessment Bonds. The District does not currently levy in-lieu rates and charges. Any such in lieu rates and charges levied by the District in the future would not constitute Revenues. The following table illustrates a breakdown of outstanding Ad Valorem Assessment Bonds by Improvement District as of December 31, 2013.

TABLE 3
IRVINE RANCH WATER DISTRICT
Outstanding *Ad Valorem* Assessment Bonds By Improvement District

<i>Improvement District</i>	<i>Amount Authorized</i>	<i>Amount Issued</i>	<i>Remaining Unissued Bonds Authorized</i>	<i>Amount Outstanding as of December 31, 2013</i>
Waterworks Bonds				
112	\$ 28,512,300	\$ 5,740,000	\$ 22,772,300	\$ 5,562,000
113⁽¹⁾	25,769,500	14,800,000	10,969,500	14,150,000
125⁽¹⁾⁽²⁾	735,246,000	413,156,400	322,089,600	195,652,000
153	237,300,000	0	237,300,000	0
154	4,839,000	0	4,839,000	0
188	8,174,000	4,437,000	3,737,000	1,709,000
Total Waterworks Bonds	<u>\$ 1,039,840,800</u>	<u>\$ 438,133,400</u>	<u>\$ 601,707,400</u>	<u>\$ 217,073,000</u>
Sewer Bonds				
1 ⁽³⁾	\$ 2,000,000	\$ 2,000,000	\$ 0	\$ 0
212	108,712,000	15,700,000	93,012,000	15,218,000
213⁽¹⁾	87,648,000	23,800,000	63,848,000	22,074,000
225⁽¹⁾⁽⁴⁾	856,643,000	449,748,000	406,895,000	244,963,000
240	117,273,000	48,476,500	68,796,500	26,292,000
253	122,283,000	0	122,283,000	0
288	8,977,000	300,000	8,677,000	280,000
Total Sewer Bonds	<u>\$ 1,303,536,000</u>	<u>\$ 540,024,500</u>	<u>\$ 763,511,500</u>	<u>\$ 308,827,000</u>
Total District	<u>\$ 2,343,376,800</u>	<u>\$ 978,157,900</u>	<u>\$ 1,365,218,900</u>	<u>\$ 525,900,000</u>

⁽¹⁾ The Series 2011A-1 Bonds represent the consolidated, several general obligations of these Improvement Districts. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Assessment Proceeds and Pledge of Revenues."

⁽²⁾ Created on November 11, 2013. Reflects the consolidation of portions of former Improvement District Nos. 105, 106, 120, 121, 130, 135, 140, 161, 182, 184 and 186.

⁽³⁾ Also referred to as Improvement District No. 210.

⁽⁴⁾ Created on November 11, 2013. Reflects the consolidation of portions of former Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286.

Source: The District.

Parity Obligations. In addition to the Series 2011A-1 Bonds, the District has the following Outstanding Parity Obligations:

- **1997 State Loan #3.** In 1997, the District entered into a loan contract with the State of California (the "1997 State Loan") to fund recycled water projects. The 1997 State Loan was outstanding as of December 31, 2013 in an aggregate principal amount of \$1,164,872 and matures in 2019. Pursuant to the terms of the 1997 State Loan, the District's obligation to pay debt service on the 1997 State Loan is payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations.
- **Prior Reimbursement Agreements.** In connection with the District's prior issuances of *ad valorem* assessment bonds, the District has entered into several reimbursement agreements (the "Prior Reimbursement Agreements") with various letter of credit banks (the "Prior Banks"). Pursuant to the terms of the Prior Reimbursement Agreements, the District's obligations to reimburse the Prior Banks will be payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations. There are currently no reimbursement obligations outstanding, although the District may incur reimbursement obligations under such Prior Reimbursement Agreements as provided therein. The following table summarizes the stated amount of each letter of credit associated with the Prior Reimbursement Agreements.

TABLE 4
IRVINE RANCH WATER DISTRICT
Summary of Prior Reimbursement Agreements
As of December 31, 2013

<i>General Obligation Bonds</i>	<i>Outstanding Principal</i>	<i>Letter of Credit Bank</i>	<i>Expiration Date</i>	<i>LOC Stated Amount</i>	<i>Reimbursement Obligations Outstanding</i>
		Bank of New York Mellon (“BNY Mellon”)			
Series 1989	\$ 2,600,000		06/02/14	\$ 2,635,047	0
Series 1991	4,100,000	BNY Mellon	08/02/14	4,155,266	0
Series 1993	37,500,000	BNY Mellon	06/02/14	38,012,500	0
		Sumitomo Mitsui Banking Corp.			
Series 1995	18,100,000		07/14/17	18,367,781	0
		Sumitomo Mitsui Banking Corp.			
Series 2008A	55,200,000		07/14/17	56,016,658	0
		U.S. Bank National Association			
Series 2009A	70,000,000		07/15/16	70,782,466	0
Series 2009B	<u>70,000,000</u>	Bank of America, N.A.	07/15/16	<u>70,782,466</u>	<u>0</u>
TOTAL	<u>\$ 257,500,000</u>			<u>\$ 260,752,184</u>	<u>0</u>

Source: The District.

- **2010 Installment Sale Agreement.** In 2010, the District entered into an Installment Sale Agreement (the “2010 Installment Sale Agreement”) in connection with the execution and delivery of the District’s \$85,145,000 aggregate principal amount of Certificates of Participation Irvine Ranch Water District Refunding Series 2010. The 2010 Installment Sale Agreement was outstanding as of December 31, 2013 in the aggregate principal amount of \$72,490,000 and matures in 2032. The District’s obligation to make installment payments pursuant to the 2010 Installment Sale Agreement is on a parity with the Series 2011A-1 Bonds and other Parity Obligations.
- **Series 2010B Bonds.** In 2010, the District issued \$175,000,000 aggregate principal amount of Series 2010B Bonds. The Series 2010B Bonds were outstanding as of December 31, 2013 in the aggregate principal amount of \$175,000,000 and mature in 2040. In addition to Assessment Proceeds, the Series 2010B Bonds are payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations. See the caption “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Effect of Federal Sequester” for a discussion of the effect of the federal sequester on the receipt of interest subsidy payments relating to the Series 2010B Bonds.
- **Series 2011A-2 Bonds.** In 2011, the District issued \$40,370,000 aggregate principal amount of Series 2011A-2 Bonds. The Series 2011A-2 Bonds were outstanding as of December 31, 2013 in the aggregate principal amount of \$37,360,000 and mature in 2037. In addition to Assessment Proceeds, the Series 2011A-2 Bonds are payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations.

Subordinate Debt.

- **Interest Rate Swap Transactions.** As of December 31, 2013, the District was also obligated under five interest rate swap transactions with a total notional amount of \$130 million and termination dates ranging from June 2019 to March 2029, pursuant to which the District is entitled to receive variable rate payments based on a floating rate index in return for the District’s obligation to make payments at a fixed interest rate (the “Swaps”).

The Swaps generally are evenly distributed, as to notional amount on a particular transaction date, between two swap counterparties – Merrill Lynch Capital Services, Inc. (“Merrill”) and Citibank, N.A. (“Citibank”) – except with respect to one Swap with a notional amount of \$30 million and a termination date of June 17, 2019, which was entered into only with Citibank. For additional information with respect to the payment terms and other information relating to the Swaps, see Note 3 to the District’s financial statements attached as Appendix B to the Remarketing Statement. Regularly-scheduled and early termination payments with respect to the Swaps constitute unsecured general obligations of the District payable from legally-available funds. The Swaps are payable from certain Revenues, but are subordinate to the District’s obligation to pay debt service on the Series 2011A-1 Bonds and other Parity Obligations. Any amounts received by the District pursuant to the Swaps also constitute Revenues and, as such, are pledged for the payment of the Series 2011A-1 Bonds and other Parity Obligations. As of December 31, 2013, the mark-to-market value of the total interest rate swaps with Citibank and Merrill exceeded the threshold amount (\$15,000,000) for each counterparty, requiring the District to post collateral in the amount of \$8,454,163. The funds are held in a separate trust account and earn interest at the Federal Funds Effective Rate.

All of the above-described interest rate swap transactions entail risk to the District. For example, the swap counterparties may fail or be unable to perform, interest rates may vary from assumptions, the District may be required to post collateral in certain circumstances, or the District may be required to make significant payments in the event of an early termination of one or more Swaps. The early termination of a Swap may not affect the obligations of the counterparties with respect to the other Swaps. The District cannot predict if any such event will occur with respect to one or more of the District’s existing or future interest rate swap agreements. However, the District does not anticipate that any such event would have a material adverse effect on the District’s ability to pay the debt service on the Series 2011A-1 Bonds.

- **Santiago County Water District Consolidation.** The District and Santiago County Water District (“SCWD”) consolidated effective July 1, 2006. As successor to SCWD, the District is obligated to satisfy the following additional obligations: (i) a fiscal services agreement with the State of California Department of Water Resources, with a loan balance of approximately \$850,563 (as of December 31, 2013 and final payment due in 2025; and (ii) a promissory note payable to Foothill/Eastern Transportation Corridor Agency for \$565,000, with no stated maturity or final payment date.

Joint Powers Authority Transactions. As of December 31, 2013, the Irvine Ranch Water District Joint Powers Agency had outstanding approximately \$595,965,000 of taxable refunding bonds (the “JPA Bonds”) maturing in 2014, which are secured by a trust estate consisting of investment securities and investment earnings thereon (the “JPA Investments”). See Note 9 in the District’s audited financial statements attached as Appendix B to the Remarketing Statement. The JPA Bonds are not payable from Revenues and are not recourse obligations of the District. The proceeds from the JPA Bonds are invested in authorized investments sufficient to pay the principal and interest thereon to the maturity of the JPA Bonds in 2014. Although a portion of the JPA Bonds was refunded in 2012, the investment contract pursuant to which JPA Bond proceeds are invested was not altered. By agreement between the Irvine Ranch Water District Joint Powers Agency and the District, the earnings from such investments were transferred to the District after application of such earnings first toward payment of principal and interest on the JPA Bonds.

Variable Rate Debt Management

The Board of Directors of the District has adopted a policy to maintain a target amount of investment assets equal to 75% or more of the District’s outstanding unhedged variable rate indebtedness. No assurance can be made that the Board of Directors of the District will not modify such policy in the future.

Current Investments

As of December 31, 2013, the District had investments of approximately \$313.8 million (excluding the JPA Investments described above under the caption “—Outstanding Indebtedness—Joint Powers Authority Transactions”) and real property investments as follows:

TABLE 5
IRVINE RANCH WATER DISTRICT
Summary of Investments

<i>Investment Type</i>	<i>Approximate Investment Amount in Millions⁽¹⁾</i>	<i>Percentage of Total Investments⁽¹⁾</i>
State of California Local Agency Investment Fund	\$ 122.9	39.30%
Federally Backed Securities	182.4	58.15
Cash and Other ⁽²⁾	<u>8.5</u>	<u>2.55</u>
Total	\$ 313.8	100.00%

⁽¹⁾ As of December 31, 2013. Rounded.

⁽²⁾ Includes collateral held with Citibank and Merrill pursuant to the Swaps. Although not held by the District, such collateral constitutes District moneys. See the caption “—Outstanding Indebtedness—Subordinate Debt—Interest Rate Swap Transactions.”

Source: The District.

In addition to the moneys invested in local agency municipal bonds and LAIF, the District has invested approximately \$72.6 million of its capital facilities replacement fund in real property. The District’s real property investments include a limited partnership interest in a 230-unit apartment complex (the “Wood Canyon Villas Apartments”), ownership of a 450-unit apartment complex (the “Sycamore Canyon Apartments”) and ownership of three commercial office buildings (the “Irvine Market Place,” the “Waterworks Business Park” and the “Sand Canyon Professional Center”), with market values well in excess of the original investment. Wood Canyon Villas Apartments, Sycamore Canyon Apartments, the Irvine Market Place, the Waterworks Business Park and the Sand Canyon Professional Center are all income-producing properties, the earnings and projected earnings from which are reflected in Tables 6 and 7 below.

In January 2014, the District and El Toro Water District (“ETWD”) entered into an Installment Sale Agreement (the “ISA”) pursuant to which the District agreed to fund ETWD’s share of the costs of construction of, and the acquisition of capacity rights in, the Baker Water Treatment Plant project (the “Baker WTP”) in exchange for quarterly installment payments from ETWD. See the caption “THE WATER SYSTEM—General” for a description of the Baker WTP. ETWD’s obligation to repay the District under the ISA is payable from net revenues of ETWD’s water system over a period of twenty years. The principal amount of ETWD’s obligations under the ISA will not exceed \$12,500,000 and the applicable interest rate will be the Bloomberg Municipal Utility “A” rated municipal bond market index rate at the time of the first disbursement of funds by the District (currently anticipated to be March 2015).

Historic Net Real Estate Income

The following table shows the net real estate income after expenses of the District for the five most recent Fiscal Years.

TABLE 6
IRVINE RANCH WATER DISTRICT
Historic Net Real Estate Income
(in Thousands)

<i>Fiscal Year</i>	<i>Net Income</i>
2009	\$7,010
2010	5,624 ⁽¹⁾
2011	5,649
2012	6,736
2013	6,566

⁽¹⁾ Net income decrease due to vacancies in commercial real estate holdings.
Source: The District.

Projected Net Real Estate Income

The following table projects the net real estate income after expenses of the District for the current and next four Fiscal Years.

TABLE 7
IRVINE RANCH WATER DISTRICT
Projected Net Real Estate Income
(in Thousands)

<i>Fiscal Year</i>	<i>Net Income</i> ⁽¹⁾
2014	\$7,401
2015	7,494
2016	7,564
2017	7,645
2018	7,727

⁽¹⁾ Based on existing and expected leases. Increase from Fiscal Year 2013 represents a 3% increase in net operating income for Sycamore Canyon Apartments, a full year of income from two tenants at the Sand Canyon Professional Center and increased income as a result of 98% occupancy rate for all three commercial buildings. See the caption “—Current Investments.”

Source: The District.

1% Property Tax Revenues

Pursuant to the Act, the Board of Supervisors of the County is required to levy a “general assessment” on assessable property within the boundaries of the District sufficient to raise the amounts determined each year by the District’s Board of Directors to be necessary for the authorized purposes of the District. These provisions, however, have largely been superseded by the passage by the California electorate in June of 1978 of Article XIII A of the California Constitution (commonly known as “Proposition 13”), and by the legislation subsequently enacted by the California Legislature to implement Article XIII A. As a result of Article XIII A and its implementing legislation, the District receives as proceeds of the “general assessment” a share of the

one percent *ad valorem* property tax collected by the County from assessable property within the boundaries of the District (the “1% Property Tax Revenues”).

From time to time legislation has been considered as part of the State budget to shift 1% Property Tax Revenues collected by each county from local agencies, including special districts such as the District, to school districts or other governmental entities. However, Proposition 1A (“Proposition 1A”), proposed by the California Legislature in connection with the 2004-05 State Budget Act and approved by the voters in November 2004, restricted State authority to reduce major local tax revenues such as the tax shifts permitted to take place in legislation enacted in connection with the 2004-05 and 2005-06 State budgets, which shifted approximately 35% of many special districts’ shares of the countywide one percent *ad valorem* tax.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of 1% Property Tax Revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that, beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

The Amended 2009-10 Budget Act provided for the borrowing of 8% of property taxes from local jurisdictions, including the District, under Proposition 1A. Pursuant to this act, the State borrowed approximately \$2.1 million of the District’s 1% Property Tax Revenues for Fiscal Year 2010. As noted above, under Proposition 1A, the State was required to repay the property taxes with a 2% rate of interest within three years. The District received repayment of the shifted amount, plus interest, in August 2012.

There can be no assurance that the 1% Property Tax Revenues that the District currently expects to receive will not be temporarily shifted from the District pursuant to Proposition 1A in future fiscal years or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of 1% Property Tax Revenues by the District. See the Remarketing Statement under the caption “SECURITY FOR THE SERIES 2011A-1 BONDS—Pledge of Assessment Proceeds and Revenues” for a discussion of the extent to which 1% Property Tax Revenues are available to pay Debt Service on the Series 2011A-1 Bonds.

The table below sets forth the amount of 1% Property Tax Revenues received by the District for the five most recent Fiscal Years.

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TABLE 8
IRVINE RANCH WATER DISTRICT
1% Property Tax Revenues
(in Thousands)

<i>Fiscal Year</i>	<i>1% Property Tax Revenues</i>
2009	\$26,283
2010 ⁽¹⁾	27,150
2011	26,989
2012	26,478
2013	29,265

⁽¹⁾ Reflects shift of property tax revenues of approximately \$2.1 million to Educational Revenue Augmentation Fund as described above. Such moneys were received, with interest, in Fiscal Year 2013.
Source: The District.

Alternative Method of Tax Apportionment – “Teeter Plan”

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property assessments on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the assessment-levying or assessment-collecting agency.

The Teeter Plan for the County is applicable to all assessment levies for which the County acts as the assessment-levying or assessment-collecting agency, or for which the treasury of the County is the legal depository of assessment collections.

The *ad valorem* property assessments to be levied to pay the interest on and principal of the Series 2011A-1 Bonds will be subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property assessment levied on secured property to pay the Series 2011A-1 Bonds irrespective of actual delinquencies in the collection of the assessment by the County so long as the Teeter Plan remains in effect. The District’s share of 1% Property Tax Revenues is also subject to the Teeter Plan.

The Teeter Plan is to remain in effect for the County unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event that the Board of Supervisors of the County discontinues the Teeter Plan for the County, only those secured property assessments that are actually collected would be allocated to political subdivisions (including the District) for which the County acts as the assessment-levying or assessment-collecting agency.

Governmental Regulations

The District’s operations are subject to numerous environmental regulations enforced by multiple governmental entities. Programs are in place for compliance with drinking water regulations, water discharge regulations, underground and aboveground fuel storage tank regulations, hazardous materials management plans, hazardous waste regulations, air quality permitting requirements, wastewater discharge limitations, and employee safety issues relating to hazardous materials and other conditions. Also, the District aggressively pursues the investigation and, when appropriate, the implementation of alternative methods and technologies for meeting increasingly strict environmental regulations.

The District expects environmental regulation to increase, resulting in higher capital and operating costs in the future, which may have a material adverse effect on the finances of the District.

Although the District's Board of Directors establishes the schedules of water, sewer and reclaimed water rates for each Fiscal Year, such rates are subject to the requirements of Proposition 218, which are described further under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

WATER SUPPLY

The District was formed in 1961, with the purpose of obtaining a water supply for municipal and irrigation purposes. For the twelve month period ended June 30, 2013, of the water supplied by the District, approximately 21% was imported water, approximately 54% was groundwater and native stream flows and approximately 25% was recycled water.

The District operates a number of wells and reservoirs that produce or store local water for both potable and non-potable uses. Surface storage includes Irvine Lake, a 25,000 acre feet reservoir that is jointly owned by the District and Serrano Water District. Irvine Lake receives stream flow (native water) coming from the Santiago Creek watershed. This water is used by the District primarily for agricultural and other irrigation purposes, and supplements the recycled water system during peak demand periods. In addition, the District has approximately 4,800 acre feet of recycled water storage capacity in its Sand Canyon, Rattlesnake, San Joaquin and Syphon Reservoirs and is currently evaluating additional recycled water storage projects.

Imported Water

In Fiscal Year 2013, the District purchased 20,151 acre feet of water imported from the Colorado River and northern California by The Metropolitan Water District of Southern California ("MWD"). MWD supplies water through its member agencies, including the member agency in which the District is situated, Municipal Water District of Orange County ("MWDOC"). The current cost of treated imported water from MWDOC is \$850.25 per acre foot. In addition, the District currently pays a fixed charge to MWDOC in the form of readiness to serve, capacity reservation and service connection charges. The readiness to serve and capacity reservation charges are paid monthly and currently total \$111,309, while the service connection charge is paid annually and is currently \$800,050.

MWD faces various challenges in the continued supply of imported water to MWDOC. A description of these challenges as well as a variety of other operating information with respect to MWD is included in certain disclosure documents prepared by MWD. MWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. MWD has also entered into certain continuing disclosure agreements pursuant to which MWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). Such official statements, other disclosure documents, annual reports and notices (collectively, the "MWD Information") are filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") at <http://emma.msrb.org>. The MWD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. **MWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE MWD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.**

MWD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN,

INCLUDING INFORMATION WITH REGARD TO MWD. MWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Groundwater

General. The District's Water Resources Master Plan calls for a reliable water supply mix and includes developing sufficient groundwater production capacity to pump up to the District's basin production percentage (the "BPP") set by the Orange County Water District ("OCWD"), the agency responsible for managing the Orange County groundwater basin. District groundwater pumping is affected by policies of OCWD, including the setting of replenishment assessments, basin production percentages of total water demand by agencies pumping basin groundwater and basin equity assessments.

OCWD establishes and collects replenishment assessments as a means of purchasing water and funding projects for the purpose of replenishing the Orange County groundwater basin. The replenishment assessment is established annually by OCWD and applies to every acre foot of groundwater produced from the basin.

In addition, each year, OCWD sets the BPP for water to be extracted from the Orange County groundwater basin. The BPP is the amount of groundwater, as a percentage of the total water demands, that can be pumped from the Orange County groundwater basin during the year by a groundwater pumping agency without incurring the additional assessment described in the following paragraph. The amount of groundwater that an agency can pump without incurring the additional assessment is calculated by multiplying the total water use of such agency by the BPP (the "BPP formula").

The additional assessment incurred by an agency that pumps groundwater above the limit established by the BPP formula is called the basin equity assessment (the "BEA"). The BEA is established annually by OCWD and is intended to discourage pumping of amounts above the BPP formula by raising the cost of producing groundwater so that it equals the cost of importing water, thereby encouraging groundwater pumping agencies to supplement their groundwater production with imported water for the portion of their water use that exceeds the BPP. The BEA is a surcharge to discourage, yet still allow for, the production of groundwater in excess of the BPP formula. One of the District's operating objectives is to produce the maximum amount of groundwater within the BPP formula and to avoid producing groundwater in excess of such maximum in order to avoid paying the BEA. In Fiscal Year 2013, the amount of groundwater that the District pumped from the Orange County groundwater basin was below its BPP or exempt from the BPP (as described below) and, accordingly, the District did not pay a BEA to OCWD.

Because of average or above average precipitation in the Santa Ana River Watershed and a lower than average drawdown of the Orange County groundwater basin in recent years, OCWD has gradually increased the BPP. As a result of higher local precipitation in Fiscal Year 2011, which resulted in a substantial recharge of the Orange County groundwater basin, the BPP for Fiscal Year 2012 was raised slightly. For Fiscal Years 2010, 2011 and 2012 the BPP was 62%, 62% and 65%, respectively. As a result of continued recharge of the Orange County groundwater basin, the BPP for Fiscal Year 2013 was raised to 68%, which allowed the District to pump approximately 45,000 acre feet from the Orange County groundwater basin without incurring any BEA. The BPP for Fiscal Year 2014 is 70%. The District pays OCWD a replenishment assessment of \$266 per acre foot for all groundwater pumped and a BEA equal to an additional \$524 per acre foot for groundwater pumped in excess of the BPP formula.

For certain portions of the District's groundwater production, the application of OCWD's BPP and BEA varies from the above general description. The District's Dyer Road Well Field has a production amount established by contract with OCWD as described in the below paragraph. The District also has several projects through which groundwater is produced that are, by contract with OCWD, completely or partially

exempt from the BEA. While this “BEA-exempt” groundwater typically requires treatment, the District’s cost to produce and treat this groundwater is effectively capped at the cost for imported water. Additionally, as portions of the District currently lie outside of OCWD’s jurisdictional boundary, water demands in those areas are not included by OCWD in the accounting of the basin production percentage for the District. Approximately 32% of the District’s water demand is from outside the OCWD jurisdictional boundary.

The BPP formula for the District’s Dyer Road Well Field is not adjusted annually by OCWD but is fixed by contract with OCWD at 28,000 acre feet per year of clear groundwater, subject to the requirement that the amount over 20,000 acre feet is matched by an equal amount of groundwater pumped from the District’s Deep Aquifer Treatment System, which treats water from a deep aquifer requiring treatment for removal of organic color. Like OCWD’s general BPP, the Dyer Road Well Field’s contractually fixed BPP formula discourages, but does not prohibit, production over such amount through the application of the BEA to any excess amount.

The District also produces groundwater from its Irvine Desalter Project, which is described in greater detail under the caption “—Irvine Desalter Project.” The Irvine Desalter Project removes salts and nitrates, for a combined total potable and non-potable production of an additional 7,300 acre feet per year that is exempt from the BPP. A combined additional 2,100 acre feet per year of production is available from three other wells, the Orange Park Acres well, Well 2 in Lake Forest and Well 115 in Irvine. Water from Well 115 is pumped and treated at the Irvine Desalter Project. However, such water is not accounted for as Irvine Desalter Project water because it was not part of the original Irvine Desalter Project. The Orange Park Acres well was taken out of service in Fiscal Year 2011 and is expected to return to service in or about January 2015. Well 115 was taken out of service in Fiscal Year 2011 and is expected to return to service in or about August 2014. Production from the Orange Park Acres well and Well 115 is subject to the BPP and the BEA, while production from Well 2 is exempt from the BPP and the BEA.

In addition, in April 2013, the District completed construction of the Wells 21 and 22 project, which is expected to add an additional 6,300 acre feet per year of groundwater. Between April and June 2013, the Wells 21 and 22 project produced approximately 1,995 acre feet of groundwater. These wells are exempt from the BPP and the BEA. The District is looking to expand its groundwater production facilities further, and is currently evaluating potential well sites. The District also has rights to native water impounded in Irvine Lake and at the Harding Canyon Dam in the Santiago Canyon area. Such native water does not produce firm annual yields.

Irvine Desalter Project. The Irvine Desalter Project is a groundwater development project that was constructed by the District in cooperation with OCWD, United States Departments of the Navy and Justice, MWD and MWDOC. The Irvine Desalter Project commenced operations in early 2007.

The Irvine Desalter Project consists of two components that provide water supplies. The first component, a potable water wellfield, pipelines and purification plant, treats local groundwater to remove salts and nitrates caused by the natural geology and past agricultural use. The water is treated to drinking water standards through reverse osmosis and disinfection. This component of the project has a design flow rate of approximately 5,100 acre feet of drinking water per year. In Fiscal Year 2013, this component of the Irvine Desalter Project produced 3,384 acre feet, which was more than Fiscal Year 2012 production of 2,868 acre feet as a result of Well 107 being replaced and returned to service in October 2012. The District is expanding the utilization of the Irvine Desalter Project treatment plant by adding an additional well, Well 115, which is expected to return to service in August 2014, and the District is proposing to expand this program to provide approximately 5,500 acre feet per year.

The second component of the Irvine Desalter Project is treating a plume of contaminated groundwater from the main aquifer of the Irvine sub-basin of the Orange County groundwater basin. The plume has arisen from the now-closed El Toro Marine Corps Air Station (“MCAS”). This second component consists of a separate treatment system that removes volatile organic compounds in the groundwater from solvent

degreasers previously used on the military base. The contaminants are removed from the groundwater using an air stripper and granular activated carbon absorption units. The treated water is used in the District's recycled water system and is designed to supply at least 3,400 acre feet of recycled water per year. In Fiscal Year 2013 this component of the Irvine Desalter Project produced 3,739 acre feet from non-potable wells. The United States Department of the Navy is compensating the District for this component of the project as part of the Settlement Agreement for Groundwater Remediation of the MCAS. The District expects that this compensation will cover the project costs until the plume of contaminated groundwater is cleaned up.

In addition to the two components described above, the Department of the Navy operates a number of wells on the former MCAS property. These wells pump contaminated groundwater from shallow basins located below the former base. Such water is treated by a treatment plant owned and operated by the District using an air stripper and granular activated carbon absorption units. These wells and the treatment plant, which are referred to as the Shallow Groundwater Unit (the "SGU"), are designed to treat approximately 640 acre feet per year of contaminated groundwater. The treated SGU water is disposed of via an existing ocean outfall. In Fiscal Year 2013, the SGU treated approximately 635 acre feet of water.

Historic Groundwater Supply. Set forth below is a summary of the District's sources of groundwater supply in acre feet per year for the last five Fiscal Years.

TABLE 9
IRVINE RANCH WATER DISTRICT
Historic Groundwater Supply In Acre Feet Per Year

<i>Fiscal Year</i>	<i>Dyer Road Well Field</i>	<i>Deep Aquifer Treatment System</i>	<i>Irvine Desalter Project</i> ⁽²⁾	<i>Irvine Sub-basin</i>	<i>Other</i> ⁽⁶⁾	<i>Total</i>
2009	28,614	8,782	5,365	1,667	154	44,582
2010	27,744	8,696	7,009	1,064	715	45,228
2011	22,488 ⁽¹⁾	8,756	5,837 ⁽³⁾	611 ⁽⁴⁾	352	38,044
2012	19,917 ⁽¹⁾	8,916	5,796 ⁽³⁾	627 ⁽⁴⁾	0	35,256
2013	27,763	8,858	7,123	2,866 ⁽⁵⁾	281	46,891

⁽¹⁾ Excludes 5,512 acre feet of water and 8,083 acre feet of water purchased at OCWD's request in Fiscal Years 2011 and 2012, respectively, in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2007 through 2010.

⁽²⁾ Excludes water pumped from the SGU, but includes non-potable water used in the District's recycled water system.

⁽³⁾ Decrease from Fiscal Year 2010 amount reflects the fact that Well 107 was taken out of service in Fiscal Year 2011. Well 107 was returned to service in October 2012. See the caption "—Irvine Desalter Project."

⁽⁴⁾ Decrease from Fiscal Year 2010 amount reflects the fact that Well 115 was taken out of service in Fiscal Year 2011. Well 115 is expected to return to service in or about August 2014. See the caption "—General."

⁽⁵⁾ Increase from Fiscal Year 2012 amount reflects completion of Wells 21 and 22. See the caption "—General."

⁽⁶⁾ Includes the Orange Park Acres well, which was taken out of service in 2011. The Orange Park Acres well is expected to return to service in or about January 2015. Also includes Well 2 in Lake Forest. See the caption "—General."

Source: The District.

OCWD. OCWD faces various challenges in managing its groundwater basin. A description of these challenges as well as a variety of other operating information with respect to OCWD is included in certain disclosure documents prepared by OCWD. OCWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. OCWD has also entered into certain continuing disclosure agreements pursuant to which OCWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the "OCWD Information") are filed with EMMA at <http://emma.msrb.org>. The OCWD Information is not incorporated herein by reference thereto, and the

District makes no representation as to the accuracy or completeness of such information. OCWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE OCWD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.

OCWD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO OCWD. OCWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Water Banking

In addition to developing its local groundwater and recycled water systems, the District is diversifying its water supply portfolio by developing water banking projects in Kern County, California. These projects are known as the Strand Ranch Integrated Banking Project and the Stockdale Integrated Banking Project (collectively, the “Water Bank”). The District’s Strand Ranch and Stockdale West Ranch properties are situated on groundwater recharge lands that overlie the regional Kern County groundwater basin. The purpose of developing the Water Bank is to improve the District’s water supply reliability by capturing lower cost water available during wet hydrologic periods for use during dry periods. The Water Bank will enhance the District’s ability to respond to drought conditions and potential water supply interruptions and will enable the District to reduce the cost of water delivered under such conditions.

In 2009, the District entered into a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District (“Rosedale”) in Kern County. This agreement provides for Rosedale to operate the Strand Ranch portion of the Water Bank on behalf of the District and permits the District: (i) to store up to 50,000 acre feet of water in the aquifer; (ii) to recharge up to 17,500 acre feet of water in the aquifer; and (iii) to recover up to 17,500 acre feet of water per year from the aquifer. The District has priority rights to use the recharge ponds when Rosedale is not recharging Kern River floodwaters. All other uses of the recharge ponds by Rosedale are on a second priority basis to the District’s use. The water that Rosedale stores on its own behalf does not count against the District’s 50,000 acre feet storage rights.

The Strand Ranch property has a major canal running through it that allows the movement of water onto and off of the property. The District has completed construction of 502 acres of groundwater recharge ponds and the facilities necessary to divert water from the canal and into ponds on the property. The recharge ponds allow available surface water to be infiltrated into the groundwater basin for later use. Seven groundwater wells that will provide the ability to recover water have already been constructed. Associated wellheads and pipelines have also been completed and the recovery facilities are available to recover banked water as necessary during drought conditions and potential water supply interruptions. The Water Bank is now fully operational.

Currently, the District is expanding the Water Bank onto the Stockdale West Ranch, which is adjacent to the Strand Ranch. The Stockdale West Ranch was purchased by the District in late 2010. These additional lands will allow the District to increase the District’s water banking recharge, storage and recovery capabilities by approximately 50%. The expansion of the Water Bank to the Stockdale West Ranch property will further increase the District’s dry year water supply reliability.

In 2011, the District implemented a pilot project on the Stockdale West Ranch and constructed 238 acres of recharge basins on the property. In addition, the District constructed water conveyance facilities to deliver water to the property.

In 2012, the District executed a development agreement with Rosedale that provides for sharing the costs of preparation of an environmental impact report for a joint banking project involving the District's Stockdale West Ranch and Rosedale's Stockdale East Ranch, both of which are adjacent to the Strand Ranch. This development agreement also outlines the terms and conditions of a long-term agreement for the operation of the joint project facilities which will comprise the Stockdale Integrated Banking Project. The development agreement commits the District and Rosedale to the preparation of a long-term agreement that can be executed concurrent with the certification of the environmental impact report. A draft of the environmental impact report is expected to be released for public review in February 2014, and the District expects that a final environmental impact report and long-term agreement will be available for certification and execution in May 2014.

The District has secured water from a number of sources for recharge at the Water Bank. Pursuant to the District's agreement with Rosedale, Rosedale will divert a portion of its entitlement to floodwater flows on the Kern River to District-owned storage ponds for recovery in dry years. The District is entitled, at no cost, to 20% of all Kern River floodwaters recharged by the Water Bank recharge ponds.

The District has also secured access to State Water Project water that will be stored in the Water Bank beginning in early 2014. Such water is available as a result of the District's acquisition of approximately 883 acres (the "Jackson Ranch") located within the Dudley Ridge Water District ("Dudley Ridge"), together with rights to use approximately 1,738 acre feet of Table A State Water Project water allocated to Dudley Ridge. The District expects to store up to 8,700 acre feet of such water in the Water Bank between 2014 and 2017. The District's ability to extract such water at any given time is dependent on annual State Water Project allocation decisions made by the State. Additionally, the Jackson Ranch land acquisition included certain participation rights in the Kern Water Bank to store approximately 9,495 acre feet of water.

In 2011, the District entered into a 28-year exchange program (the "Exchange Program") with Buena Vista Water Storage District ("BVWSD") that allows BVWSD to store a portion of its high-flow Kern River water at the Strand Ranch Integrated Banking Project in exchange for allocating to the District 50% of such stored water. BVWSD holds both State Water Project Table A water rights and pre-1914 rights to Kern River water. The pre-1914 water rights give BVWSD an average annual entitlement of 158,000 acre feet of Kern River water. Pursuant to the Exchange Program, BVWSD is entitled to deliver up to 17,500 acre feet of water to the Water Bank in any given year with a maximum cumulative capacity of 40,000 acre feet. The District and BVWSD are working together to expand the scope of the Exchange Program to provide for additional deliveries to the Stockdale West Ranch. The District is entitled to keep one half of any water banked by BVWSD in the Water Bank.

According to the schedule set forth in the Exchange Program, the District is entitled to keep an additional 10% of the water stored by BVWSD each calendar year after the fourth calendar year following the year of the recharge event, which amount increases by 10% each calendar year until nine calendar years after the year of the recharge event, at which time the District is entitled to keep all water transferred by BVWSD to the Water Bank. Pursuant to the terms of the Exchange Program, the District and BVWSD share equally in any water losses resulting from the exchange. BVWSD is responsible for all costs of delivering water to the Water Bank and the District is responsible for all costs of returning the water to BVWSD. The District is required to return water that BVWSD determines it will recover from the Water Bank at a maximum rate of 6,667 acre feet per year. The District is obligated to pay BVWSD for any water kept by the District in excess of 50% of the water transferred by BVWSD to the Water Bank at BVWSD's then current State Water Project Table A Variable Operations, Maintenance, Power and Replacement unit cost rate for water. The 28-year term of the Exchange Program coincides with the District's agreement with Rosedale relating to the Water Bank.

In 2012, the District entered into separate Pilot Exchange Agreements with the Central Coast Water Authority and the Antelope Valley-East Kern Water Agency (the "Pilot Exchange Agreements") that provided for such agencies to store portions of their 2012 allocation of State Water Project water at the Water Bank in

exchange for the District's receipt of half of such water for its own use. At the end of calendar year 2013, a total of 6,400 acre feet of water was stored at the Water Bank through the Pilot Exchange Agreements.

The District has entered into a Coordinated Operating, Water Storage, Exchange and Delivery Agreement with MWD which allows the District to have State Water Project water that is recovered from the Water Bank delivered to the District's service area. Through this agreement, the District can cause the delivery of State Water Project water from the Water Bank to the District's service area at any time. The District is in the process of developing an additional agreement with MWD to have other waters recovered and delivered into the District's service area. Such additional agreement is expected to be used on an on-call basis when the District desires to the move non-State Water Project water into southern California for use in the District's service area.

Since 2010, the District has delivered a total of approximately 36,000 acre feet of water to the Water Bank, including the Stockdale West Ranch. The District returned 2,500 acre feet of water to BVWSD in 2012 from BVWSD's share of the water stored in the Water Bank pursuant to the Exchange Program. In 2013, the District returned 281 acre feet of water to the Central Coast Water Authority and 6,667 acre feet of water to BVWSD in accordance with the Pilot Exchange Agreements.

The cost of the Strand Ranch water banking facilities (including the land acquisition costs) was approximately \$21,820,000. Such facilities are now fully operational. The cost of expansion of the water banking facilities onto the Stockdale West Ranch (including the costs of acquisition of these lands) is expected to be approximately \$13,000,000, of which the District has spent approximately \$7,478,000 as of December 2013.

The District is currently pursuing additional opportunities for water banking and contractual rights to other surface waters for diversion into the Water Bank for later use by the District. These other sources include long-term programs for State Water Project water from MWD, the Central Coast Water Authority and the Antelope Valley-East Kern Water Agency.

A summary of water held in storage pursuant to the District's water banking program as of December 1, 2013 (after water losses) is set forth below.

TABLE 10
IRVINE RANCH WATER DISTRICT
Summary of Water Banking Programs
As of December 31, 2013 (Acre Feet)

<i>Facility</i>	<i>Total Capacity</i>	<i>Total Water in Storage</i>	<i>District Share of Total Water in Storage</i> ⁽¹⁾
Strand Ranch Integrated Banking	50,000	22,019	16,843
Stockdale West Ranch	26,000 ⁽²⁾	2,876	1,401
Kern Water Bank	<u>9,495</u>	<u>4,039</u>	<u>4,039</u>
Total	85,495	28,934	22,283

⁽¹⁾ The District's ability to extract water is subject to certain contractual and operational constraints as described above and is currently limited to approximately 17,500 acre feet. Upon certification of the environmental impact report for the Stockdale West Ranch, which is expected to occur in May 2014, the District expects to be able to expand its groundwater extraction capacity by drilling new wells on the Stockdale West Ranch.

⁽²⁾ Estimate. Final storage capacity to be determined subject to further California Environmental Quality Act proceedings and execution of long-term agreement expected to entered into with Rosedale.

Source: The District.

Recycled Water

During Fiscal Year 2013, the District produced 22,983 acre feet of recycled water and supplied an additional 6,869 acre feet of non-potable water to District customers via the recycled water system. The District processes and treats secondary effluent from its customers to produce recycled water for sale to customers for non-potable utilization. Recycled water is currently sold to approximately 5,000 customers within the District. As of December 31, 2013, the District had approximately 488 miles of recycled water mains and recycled water storage capacity of approximately 4,800 acre feet. Revenues from the sale of recycled water are accounted for as part of the District’s sewer system.

Historic and Projected Water Supply

Set forth below is a summary of the District’s sources of total water supply in acre feet per year for the last five Fiscal Years.

**TABLE 11
IRVINE RANCH WATER DISTRICT
Historic Water Supply In Acre Feet Per Year**

<i>Fiscal Year</i>	<i>Local Water</i> ⁽¹⁾	<i>Imported Water</i>	<i>Recycled Water</i>	<i>Total</i>
2009	45,537	35,265	22,961	103,763
2010	45,358	24,744 ⁽²⁾	20,848	90,950
2011	39,563	30,549 ⁽²⁾⁽³⁾⁽⁴⁾	20,284	90,396
2012	39,409	26,155 ⁽²⁾⁽⁴⁾	20,602	86,166
2013 ⁽⁵⁾	49,967	20,151	22,983	93,101

- ⁽¹⁾ Includes groundwater, native water in Irvine Lake and non-potable Irvine Desalter Project water used in the District’s recycled water system. See the caption “—Groundwater—Irvine Desalter Project.” Excludes water pumped from the SGU, which is disposed of via an existing ocean outfall following treatment.
- ⁽²⁾ Imported water supply for Fiscal Years 2010 through 2012 was substantially lower than prior years due primarily to increased conservation, impacts of the economic downturn and mild weather.
- ⁽³⁾ Imported water supply for Fiscal Year 2011 included approximately 5,900 acre feet of stored imported water spilled from Irvine Lake during a December 2010 rain event. Such water was replaced with new native water (storm flows) stored at Irvine Lake.
- ⁽⁴⁾ Includes 5,512 acre feet of water and 8,083 acre feet of water purchased at OCWD’s request in Fiscal Years 2011 and 2012, respectively, in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2009 and 2010.
- ⁽⁵⁾ Increase from Fiscal Year 2012 reflects growth and the economic recovery within the District’s service area as well as increased irrigation requirements. OCWD did not request that the District purchase in-lieu water in Fiscal Year 2013.

Source: The District.

Set forth below is a summary of the District’s projection of total water sources for the current and next four Fiscal Years.

TABLE 12
IRVINE RANCH WATER DISTRICT
Projected Water Supply In Acre Feet Per Year

<i>Fiscal Year</i>	<i>Local Water⁽¹⁾</i>	<i>Imported Water</i>	<i>Recycled Water⁽²⁾</i>	<i>Total</i>	<i>Percentage Change</i>
2014	57,352	15,943	23,600	96,895	4.08%
2015	58,257	16,741	24,072	99,070	2.25
2016	58,257	19,574	24,553	102,384	3.35
2017	58,257	22,095	25,045	105,397	2.94
2018	58,257	24,845	25,545	108,647	3.08

⁽¹⁾ Includes groundwater, native water in Irvine Lake and non-potable Irvine Desalter Project water used in the District’s recycled water system. See the caption “—Groundwater—Irvine Desalter Project.” Excludes water pumped from the SGU, which is disposed of via an existing ocean outfall following treatment. Reflects completion of Wells 21 and 22. See the caption “—Groundwater—General.”

⁽²⁾ Reflects expansion of Michelson Water Reclamation Plant (“MWRP”), increasing total recycled water production capacity from 18 million gallons per day (“mgd”) to 28 mgd in Fiscal Year 2014. See the captions “THE SEWER SYSTEM—General” and “FUTURE CAPITAL IMPROVEMENTS—MWRP and Solids Handling.” Recycled water production projected to increase approximately 2% per annum.

Source: The District.

Set forth below is a comparison of the District’s sources of supply as compared to other neighboring agencies supplying water for Fiscal Year 2012.

TABLE 13
IRVINE RANCH WATER DISTRICT
Water Supply Comparison by Source
Fiscal Year 2012

	<i>Imported Water</i>	<i>Groundwater</i>	<i>Surface Water</i>	<i>Recycled Water</i>
Irvine Ranch Water District⁽¹⁾	21%	51%	4%	24%
City of Anaheim	46	54	0	0
South Coast Water District ⁽²⁾	77	13	0	10
City of Orange	50	45	5	0
Santa Margarita Water District ⁽²⁾	83	0	0	17
City of Tustin ⁽³⁾	37	63	0	0

⁽¹⁾ Approximately 32% of the District’s water demand is from areas outside of OCWD’s jurisdictional boundaries.

⁽²⁾ These agencies are not located within OCWD’s jurisdictional boundaries.

⁽³⁾ The City of Tustin owns several groundwater projects that are exempt from the BEA.

Source: Municipal Water District of Orange County Water System Operations and Financial Information (August 2013); the District.

THE WATER SYSTEM

General

Through the issuance of general obligation waterworks bonds and other indebtedness, the District has constructed, purchased or acquired capacity in, or connections to, various transmission, pumping, storage and

distribution facilities to convey water into the District, including several major facilities built in cooperation with other water districts and cities.

The development of water supplies and the construction and acquisition of facilities are being carried out under a master plan formulated by the District in 1972 and most recently updated in 2009. Existing uses and planned development within the District will necessitate a projected combined total annual water supply of approximately 124,800 acre feet by 2035.

The District anticipates meeting all of its water supply needs using the above-mentioned water importation and storage facilities, groundwater production facilities and recycled water facilities. The combination of the District's facilities and sources of supply is expected to provide the District with a reliable water supply sufficient to permit the ultimate development as presently planned. Reliability of water supply is further enhanced by the District's storage facilities, which currently provide more than a seven-day supply.

At June 30, 2013, the District had approximately 1,995 miles of water mains in its potable and recycled water systems and storage capacity of approximately 29,800 acre feet, including the District's share of Irvine Lake, a 25,000 acre feet untreated water reservoir, and the District's Sand Canyon, Rattlesnake Canyon, Syphon and San Joaquin Reservoirs, which are recycled water reservoirs with capacities of 750 acre feet, 1,100 acre feet, 450 acre feet and 2,500 acre feet respectively. See the caption "WATER SUPPLY."

See the caption "WATER SUPPLY—Water Banking" for information with respect to the District's water banking programs, which constitute additional sources of water that are not reflected in the discussion of the District's storage facilities above.

In Fiscal Year 2009, the District commenced the engineering design for the Baker WTP. The design was completed in April 2013, with construction anticipated to be complete in July 2015.

When constructed, the Baker WTP is expected to treat to drinking water standards approximately 28 mgd of raw imported water purchased from MWD. During emergencies and planned raw imported water outages, water from Irvine Lake is expected to be supplied to the Baker WTP for treatment to drinking water standards. The Baker WTP will utilize microfiltration and ultraviolet disinfection as the primary treatment processes. Although the plant will be owned and operated by the District, approximately 76% of capacity in the Baker WTP is expected to be held by other participating water agencies located in southern Orange County. The facility will provide an operational source of supply to the District and participating agencies and, in the event of a short-term water shortage emergency, provide regional water reliability to other neighboring water agencies. The project construction cost is estimated at approximately \$103.6 million, which is to be borne by the District and the other participating water agencies in proportion to their participation in the project. The District has financed its 24% share of the costs from general obligation bonds.

See the caption "THE IRVINE RANCH WATER DISTRICT—Current Investments" for a description of an investment made by the District relating to the Baker WTP.

Historic Water Connections

The following table shows the number of water connections in the District for the five most recent Fiscal Years.

**TABLE 14
IRVINE RANCH WATER DISTRICT
Historic Water Connections⁽¹⁾**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2009	96,311	0.76%
2010	97,023	0.74
2011	98,637	1.66
2012	99,465	0.84
2013	101,020	1.56

⁽¹⁾ Excludes recycled water connections.
Source: The District.

Projected Water Connections

The following table shows the number of water connections projected by the District for the current and next four Fiscal Years.

**TABLE 15
IRVINE RANCH WATER DISTRICT
Projected Water Connections⁽¹⁾**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2014	103,821	2.78%
2015	106,151	2.24
2016	109,702	3.35
2017	112,930	2.94
2018	116,413	3.08

⁽¹⁾ Excludes recycled water connections. Increases in connections reflect District estimates of increased development activity, primarily due to scheduled apartment construction.
Source: The District.

Connection Fees

The District collects a water connection fee for each new connection to finance District facilities. Connection fees vary by Improvement District and range from \$1,400 to \$3,505 for each residential unit and \$5,526 to \$29,618 for each acre of commercial or industrial property. The connection fee is designed to recover the cost of each additional connection and allocate among all Improvement Districts the costs of master planned facilities such as water sources and production facilities, transmission mains, pumping stations, reservoirs and appurtenances and capacity necessary for each Improvement District.

Historic Water Deliveries

The following table presents a summary of historic water deliveries for the District in acre feet per year for the five most recent Fiscal Years. Historic water deliveries vary from historic water supply as a result

of losses in the water system and the timing of billing. Revenues from the sale of recycled water are accounted for as part of the District’s sewer system.

TABLE 16
IRVINE RANCH WATER DISTRICT
Historic Water Deliveries in Acre Feet Per Year

<i>Fiscal Year</i>	<i>Potable and Untreated</i>	<i>Recycled</i>	<i>Total</i>	<i>Percentage Change</i>
2009 ⁽¹⁾	80,802	22,961	103,763	(1.33)%
2010 ⁽¹⁾	70,102	20,848	90,950	(12.35)
2011 ⁽¹⁾	70,112	20,284	90,396	(0.61)
2012 ⁽¹⁾	65,564	20,602	86,166	(4.68)
2013 ⁽²⁾	70,118	22,983	93,101	8.05

⁽¹⁾ Reduced deliveries resulted from the District’s conservation efforts in response to drought conditions and economic factors affecting the District’s service area.

⁽²⁾ Increase in water deliveries reflects growth and the economic recovery within the District’s service area.

Source: The District.

Projected Water Deliveries

The District estimates that water system deliveries for the current and next four Fiscal Years will be as set forth in the following table. The District currently projects that water deliveries will increase as a result of an increase in connections, as set forth in the table under the caption “—Projected Water Connections,” and improved economic conditions in the District’s service area. Revenues from the sale of recycled water are accounted for as part of the District’s sewer system.

TABLE 17
IRVINE RANCH WATER DISTRICT
Projected Water Deliveries in Acre Feet Per Year

<i>Fiscal Year</i>	<i>Potable and Untreated</i>	<i>Recycled</i>	<i>Total</i>	<i>Percentage Change</i>
2014	73,295	23,600	96,895	1.20%
2015	74,998	24,072	99,070	2.24
2016	77,831	24,553	102,384	3.35
2017	80,352	25,045	105,397	2.94
2018	83,102	25,545	108,647	3.08

Source: The District.

Historic Water Sales and Service Charge Revenues

The following table shows annual water sales and service charge revenues for the five most recent Fiscal Years. The following table does not include revenues from the sale of recycled water, which is accounted for as part of the District’s sewer system.

TABLE 18
IRVINE RANCH WATER DISTRICT
Historic Water Sales and Service Charge Revenues
(Dollars in Thousands)

<i>Fiscal Year</i>	<i>Sales and Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2009	\$50,940	5.00%
2010	51,268	0.64
2011	54,796	6.88
2012	57,558	5.04
2013	62,565	8.70

⁽¹⁾ Includes late payment charges and other penalty revenues.
 Source: The District.

Projected Water Sales and Service Charge Revenues

The following table projects annual water sales and service charge revenues for the current and next four Fiscal Years.

TABLE 19
IRVINE RANCH WATER DISTRICT
Projected Water Sales and Service Charge Revenues
(Dollars in Thousands)

<i>Fiscal Year</i>	<i>Sales and Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2014	\$64,755	3.50%
2015	67,021	3.50
2016	71,042	6.00
2017	75,305	6.00
2018	79,823	6.00

⁽¹⁾ Reflects projected increases in water connections and deliveries described under the captions “—Projected Water Connections” and “—Projected Water Deliveries,” respectively, as well as projected increases in rates described under the caption “—Water System Rates and Charges.” Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that the Board of Directors will adopt such rate increases as currently projected. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Source: The District.

Largest Water Customers

The following table sets forth the ten largest water customers of the District for Fiscal Year 2013, as determined by annual payments.

**TABLE 20
IRVINE RANCH WATER DISTRICT
Ten Largest Water Customers
Fiscal Year 2013**

<i>Customer</i>	<i>Fiscal Year 2013 Payment</i>	<i>Percentage of Total Water Sales Revenues</i>
1. The Irvine Company	\$2,484,698	3.97%
2. University of California, Irvine	1,171,157	1.87
3. Jazz Semiconductor	737,679	1.18
4. B. Braun Medical Inc.	557,710	0.89
5. Woodbridge Village Association	332,257	0.53
6. City of Irvine	277,852	0.44
7. ERP Operating LP	231,458	0.37
8. Allergan Sales, LLC	228,426	0.37
9. County of Orange	216,615	0.35
10. Irvine Unified School District	<u>212,041</u>	<u>0.34</u>
TOTAL	<u>\$6,449,893</u>	10.31%

Source: The District.

These ten largest customers accounted for approximately 10.31% of water sales revenues in Fiscal Year 2013.

Water System Rates and Charges

Water system rates and charges (other than connection fees) are generally uniform throughout the District. Pumping surcharges apply in higher elevations, and different rates and charges apply in certain areas added to the District by consolidation and annexation since 1998. The average monthly service charge for residential water meters is \$9.85. The monthly service charges for commercial and industrial water meters range from \$9.85 to \$3,301.85 based on meter size. Quantity charges are set according to a water conservation oriented ascending block rate structure with rates ranging from \$0.91 to \$9.84 per 100 cubic feet (“ccf”). Recycled water rates for irrigation are set at 90% of the potable rate. Set forth below is comparison of the District’s water bill for a typical residential customer as compared to neighboring communities. Since Fiscal Year 2006, the District has increased its water system rates and charges by an average of approximately 6.5% each year for an average residential customer using approximately 18 ccf of water per month.

The projected water system revenues set forth under the captions “—Projected Water Sales and Service Charge Revenues” and “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” reflect projected water rate increases of between 3.5% and 6% in Fiscal Years 2014 through 2018, including a projected rate increase of 3.5% beginning July 1, 2014 that is expected to be brought before the Board of Directors in spring 2014. Such water rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board of Directors will adopt such rate increases as currently projected.

**TABLE 21
IRVINE RANCH WATER DISTRICT
Typical Residential Customer Water Bills⁽¹⁾**

<i>Water Service Provider</i>	<i>Charge⁽²⁾</i>
City of Newport Beach	\$69.91
City of Costa Mesa	65.90
City of Santa Ana	52.59
City of Huntington Beach	42.88
City of Tustin	42.58
City of Anaheim	41.73
City of Orange	38.36
District	29.83

⁽¹⁾ Based on 18 ccf (for the District first 8 ccf at low volume rate of \$0.91 and next 10 ccf at \$1.27).

⁽²⁾ As of July 1, 2012, except for District charge, which is as of July 1, 2013. Excludes *ad valorem* assessments levied by the District.

Source: The District.

THE SEWER SYSTEM

General

The District, following voter approval in 1965, is authorized by law to acquire, construct, operate and furnish facilities and services for the collection, treatment, reclamation and disposal of wastewater and may contract with others for such purposes. The District has an extensive network of gravity sewers, force mains, wastewater lift stations and siphons that convey wastewater to two District-owned treatment plants. At June 30, 2013, the District had approximately 968 miles of sewer mains and treatment plant capacity of approximately 35.5 mgd at the MWRP and the Los Alisos Water Reclamation Plant (“LAWRP”). More than 8.3 billion gallons of sewage were treated by the District during Fiscal Year 2013.

During Fiscal Year 1986, the District cooperated with Orange County Sanitation District (“OCSD”) to form Sanitation District 14 (functionally replaced by “Revenue Area 14” of OCSD, upon the consolidation of the several sanitation districts comprising OCSD’s predecessor, the County Sanitation Districts of Orange County, in 1998), which overlays a substantial portion of the District’s territory. Under an agreement entered into between the District and OCSD in connection with such formation, the District paid approximately \$34 million for an approximately 6% interest in OCSD’s sewage processing facilities (such percentage of interest will vary over time pursuant to a formula set forth in the agreement between OCSD and the District). This agreement, currently provides treatment capacity (in addition to the capacity at District-owned facilities, such as the MWRP and the LAWRP) of up to approximately 10 mgd. The agreement also provides for the purchase by the District of additional capacity in OCSD sewage processing facilities on an as-needed-basis determined from annual flows. In Fiscal Year 2013, the District utilized [an average of approximately ___ mgd] [___ billion gallons] of capacity pursuant to its agreement with OCSD. Currently, approximately 88% of the District’s wastewater is treated by the MWRP and LAWRP operated by the District, and approximately 12% is treated by OCSD. A small portion of the wastewater (less than 1%) from the District’s service area that is adjacent to the Santa Margarita Water District is treated by the Santa Margarita Water District pursuant to contract.

Currently, approximately 71% of all wastewater collected by the District is treated as described above and recycled or stored in seasonal storage reservoirs for later treatment and recycling. The remainder of the wastewater collected by the District is diverted to OCSD for ultimate disposal into the Pacific Ocean through OCSD’s two ocean outfall pipelines or recharged into the Orange County groundwater basin through OCWD’s Groundwater Replenishment System.

Ultimately, the District plans to expand capacity for its treatment facilities to approximately 40.5 mgd in order to: (i) increase recycled water production and utilization; (ii) decrease exposure to external treatment costs and operational constraints; and (iii) decrease dependencies on imported water supplies. See the caption “FUTURE CAPITAL IMPROVEMENTS.”

The District has evaluated alternative approaches to handling its wastewater solids. The District is proceeding with the design of facilities for handling MWRP solids, currently conveyed to Fountain Valley for treatment by OCSD, as well as solids from the District’s LAW RP and other potential participating agencies. New capital facilities constructed at the MWRP to dewater and dispose of solids from this facility are estimated to cost \$210 million. Construction of solids handling facilities at the MWRP commenced in May 2013 with an anticipated completion in Fiscal Year 2017.

OCSD faces various challenges in the continued treatment of sewage. A description of these challenges as well as a variety of other operating information with respect to OCSD is included in certain disclosure documents prepared by OCSD. OCSD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. OCSD has also entered into certain continuing disclosure agreements pursuant to which OCSD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the “OCSD Information”) are filed with EMMA at <http://emma.msrb.org>. The OCSD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. OCSD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE OCSD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.

OCSD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO OCSD. OCSD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Historic Sewer System and Recycled Water Connections

The following table shows the number of sewer and recycled water connections in the District for the five most recent Fiscal Years.

**TABLE 22
IRVINE RANCH WATER DISTRICT
Historic Sewer and Recycled Water Connections**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2009	91,700	0.84%
2010	92,407	0.77
2011	93,992	1.72
2012	94,983	1.05
2013	96,643	1.75

Source: The District.

Projected Sewer and Recycled Water Connections

The following table shows the projected number of sewer and recycled water connections for the current and next four Fiscal Years.

**TABLE 23
IRVINE RANCH WATER DISTRICT
Projected Sewer and Recycled Water Connections**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2014	99,444	2.90%
2015	101,774	2.34
2016	105,325	3.49
2017	108,553	3.06
2018	112,036	3.21

⁽¹⁾ Increases in connections beginning in Fiscal Year 2014 reflect District estimates of increased development activity.
Source: The District.

Connection Fees

The District collects a sewer connection fee for each new connection to finance District sewer facilities. Connection fees vary by Improvement District and range from \$2,134 to \$24,500 for each residential unit and \$8,831 to \$60,485 for each acre of commercial or industrial property. The connection fee is designed to recover the cost of each additional connection and allocate among all Improvement Districts the costs of master planned facilities such as transmission mains, pumping stations, treatment facilities and appurtenances and capacity necessary to serve each Improvement District.

Historic Sewer Daily Average Flow

The following table shows the daily average sewer flow in millions of gallons per day for the five most recent Fiscal Years.

**TABLE 24
IRVINE RANCH WATER DISTRICT
Historic Sewer Daily Average Flow**

<i>Fiscal Year</i>	<i>Daily Average Flow (mgd)⁽¹⁾</i>	<i>Percentage Change</i>
2009	29.6	0.00%
2010	27.5	(7.09) ⁽²⁾
2011	27.4	(0.36) ⁽²⁾
2012	27.2	(0.73) ⁽²⁾
2013	27.8	2.21

⁽¹⁾ Includes District flow treated by OCSD.

⁽²⁾ Reduction in flows reflects reduced water use, including as a result of conservation efforts.

Source: The District.

Projected Sewer Daily Average Flow

The following table shows the projected daily average sewer flow in millions of gallons per day for the current and next four Fiscal Years.

**TABLE 25
IRVINE RANCH WATER DISTRICT
Projected Sewer Daily Average Flow**

<i>Fiscal Year</i>	<i>Daily Average Flow (mgd)⁽¹⁾</i>	<i>Percentage Change</i>
2014	28.5	2.52%
2015	28.8	1.05
2016	29.4	2.08
2017	30.6	4.08
2018	31.7	3.59

⁽¹⁾ Includes flow treated by OCSD.
Source: The District.

Historic Recycled Water Sales and Sewer Service Charge Revenues

The following table shows the recycled water sales and sewer service charge revenues for the five most recent Fiscal Years.

**TABLE 26
IRVINE RANCH WATER DISTRICT
Historic Recycled Water Sales and Sewer Service Charge Revenues
(Dollars in Thousands)**

<i>Fiscal Year</i>	<i>Recycled Water Sales and Sewer Service Charge Revenues</i>	<i>Percentage Change</i>
2009	\$41,157	3.38%
2010	45,343	10.17 ⁽¹⁾
2011	45,375	0.07
2012	49,234	8.50 ⁽²⁾
2013	53,085	7.82 ⁽³⁾

⁽¹⁾ Reflects 20% increase in fixed service charge in Fiscal Year 2010 to cover increased operating costs, replacements, and capital enhancements and 7% increase in commodity rate in Fiscal Year 2010.

⁽²⁾ Reflects 2.37% increase in fixed service charge in Fiscal Year 2012 to cover increased operating costs, replacements, and capital enhancements and 1.83% increase in commodity rate in Fiscal Year 2012.

⁽³⁾ Reflects increase in sewer daily average flow described under the caption “—Historic Sewer Daily Average Flow” as well as increase in recycled water and sewer rates described under caption “—Sewer System Rates and Charges.”

Source: The District.

Projected Recycled Water Sales and Sewer Service Charge Revenues

The following table shows the projected recycled water sales and sewer service charge revenues for the current and next four Fiscal Years.

TABLE 27
IRVINE RANCH WATER DISTRICT
Projected Recycled Water Sales and Sewer Service Charge Revenues
(Dollars in Thousands)

<i>Fiscal Year</i>	<i>Recycled Water Sales and Sewer Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2014	\$54,980	3.57%
2015	57,918	5.34
2016	61,392	6.00
2017	65,079	6.00
2018	68,982	6.00

⁽¹⁾ Reflects increases in projected sewer connections and daily average sewer flow described under the captions “—Projected Sewer and Recycled Water Connections” and “—Projected Sewer Daily Average Flow,” respectively, as well as projected increases in recycled water and sewer rates described under the captions “THE WATER SYSTEM—Water System Rates and Charges” and “THE SEWER SYSTEM—Sewer System Rates and Charges.” Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that the Board of Directors will adopt such rate increases as currently projected. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Source: The District.

Largest Sewer Service Customers

The following table sets forth the ten largest sewer service customers of the District for Fiscal Year 2013, as determined by annual payments.

**TABLE 28
IRVINE RANCH WATER DISTRICT
Ten Largest Sewer Service Customers
Fiscal Year 2013**

<i>Customer</i>	<i>Fiscal Year 2013 Payment</i>	<i>Percentage of Total Recycled Water and Sewer Service Revenues</i>
1. The Irvine Company	\$3,143,384	5.92%
2. City of Irvine	1,707,500	3.22
3. University of California, Irvine	1,676,987	3.16
4. California Department of Transportation District 12	1,078,792	2.03
5. B. Braun Medical Inc.	505,642	0.95
6. Irvine Unified School District	469,651	0.88
7. Allergan Sales, LLC	288,928	0.54
8. Royalty Carpet Mills	278,100	0.52
9. Crystal Cove Community Association	277,456	0.52
10. The Park at Spectrum Apartments	<u>266,468</u>	<u>0.50</u>
TOTAL	<u>\$9,692,908</u>	18.24%

Source: The District.

These ten largest customers accounted for approximately 18.24% of total sewer revenues for Fiscal Year 2013.

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Sewer System Rates and Charges

Residential users pay a fixed monthly service charge which ranges from \$13.80 to \$18.40. Commercial and industrial users pay \$18.40 for the first ten ccf of water use and from \$2.110 to \$2.213 per ccf thereafter. Set forth below is a comparison of the District’s sewer bills for a typical residential customer as compared to other neighboring communities. Since Fiscal Year 2006, the District has increased its fixed monthly service charge by an average of approximately 10.0% each year.

**TABLE 29
IRVINE RANCH WATER DISTRICT
Typical Residential Customer Sewer Bill**

<i>Sewer Service Provider</i>	<i>Charge</i> ⁽¹⁾
City of Tustin	\$42.67
City of Santa Ana	39.33
City of Newport Beach	36.47
City of Huntington Beach	36.36
City of Orange	25.67
City of Costa Mesa	25.67
City of Anaheim	25.67
District	13.80 – 18.40

⁽¹⁾ As of July 1, 2012, except for District charge, which is as of July 1, 2013. Excludes *ad valorem* assessments levied by District.

Source: The District.

The projected sewer system and recycled water sales revenues set forth under the captions “—Projected Recycled Water Sales and Sewer Service Charge Revenues” and “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” reflect projected sewer rate increases of between 3.5% to 6% in Fiscal Years 2014 through 2018 and projected recycled water rate increases of between 2% and 5% in Fiscal Years 2014 through 2018, including projected increases in sewer rates and recycled water rates effective July 1, 2014 that are expected to be brought before the Board of Directors in spring 2014. Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board of Directors will adopt such rate increases as currently projected.

FUTURE CAPITAL IMPROVEMENTS

The District anticipates spending approximately \$408,494,000 on future water, recycled water and sewer system improvements during the current and the next four Fiscal Years. The District anticipates financing such improvements through a combination of general obligation bonds, District revenues and fund balances in Fiscal Years 2014 through 2018. The District anticipates that approximately \$300,000,000 of such improvements will be financed from proceeds of general obligation bonds, some of which have already been issued, and that approximately \$108,494,000 of such improvements will be financed from funds on hand and District revenues. The following table sets forth the District’s projected capital improvement projects for the current and next four Fiscal Years:

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TABLE 30
IRVINE RANCH WATER DISTRICT
Projected Water, Recycled Water and Sewer Systems Capital Improvements
For Fiscal Years 2014 through 2018

<i>Project</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>Total</i>
MWRP and Solids Handling	\$39,733,151	\$ 73,222,700	\$ 76,208,000	\$10,868,400	\$ 2,459,900	\$202,492,151
OCS D / CORF	1,752,656	2,539,800	3,203,900	3,335,000	4,879,500	15,710,856
Water Supply Reliability	12,814,838	19,578,100	13,712,800	3,151,500	9,688,900	58,946,138
Development-Related Expansion	12,538,345	12,886,500	16,061,100	10,525,900	12,430,000	64,441,845
Replacement and Refurbishment	19,276,043	12,607,500	9,837,700	4,150,400	1,143,400	47,015,043
Operational Improvements	8,910,492	7,051,700	6,779,100	4,550,600	1,692,100	28,983,992
Total	\$95,025,525	\$127,886,300	\$125,802,600	\$36,581,800	\$32,293,800	\$417,590,025

MWRP and Solids Handling

The Phase 2 expansion of the MWRP will increase treatment capacity from 18 to 28 mgd. Primary components of the expansion include new influent sewers; influent flow metering facilities; centralized headworks facilities; primary clarification facilities; primary effluent pumping station; flow equalization basin modifications; nitrification/denitrification membrane bioreactor facilities; high rate clarification facilities; ultra-violet disinfection facilities; rehabilitation of existing chlorine contact chambers; effluent pumping station modifications; chemical storage and feed facilities; associated electrical, instrumentation and controls, and telemetry improvements; demolition work; site work and driven pile foundations; yard piping and grading modifications; and site paving and restoration work. The Phase 2 expansion of MWRP is anticipated to be completed by the end of Fiscal Year 2014. The solids handling capital project includes the design and construction of facilities for thickening, acid-phase anaerobic digestion, dewatering, drying and pelletization, energy generation, and use of pellets as a fertilizer or e-fuel. It also includes a solids receiving station to allow processing of dewatered sludge from the Los Alisos Water Recycled Water Plant for drying and pelletization. In addition, facilities for the receipt and transfer of fats, oil and grease to the digesters is being designed and will be constructed to increase methane and energy production capabilities. The solids handling capital project is anticipated to be completed in Fiscal Year 2018. The District anticipates that proceeds from the District’s previously issued Series 2010B Bonds will be used to finance a portion of the cost of this project.

OCS D CORF

OCS D’s Capital Outlay Revolving Fund (“CORF”) funds OCS D projects such as plant upgrades for secondary treatment and the Groundwater Replenishment System. The District funds its share of the CORF based on the District’s percentage share of OCS D’s total wastewater flow. Wastewater flows from the District presently comprise approximately 2% – 3% of OCS D flows and are expected to comprise approximately 3% – 4% in future years. Proceeds from the previously issued Series 2010B Bonds are being used to finance a portion of this project. See the caption “THE SEWER SYSTEM—General—OCS D” above.

Water Supply Reliability

Water supply reliability projects include the acquisition and construction of water banking facilities in Kern County and the Baker WTP, expansion of Syphon Reservoir and other projects to increase water supply reliability, including, but not limited to, booster pump stations and interagency pipeline construction. Proceeds from the previously issued Series 2010B Bonds are being used to finance a portion of the cost of these projects. See the captions “WATER SUPPLY” and “THE WATER SYSTEM—General.”

Development-Related Expansion

Development-related expansion improvements include construction of new water, recycled water and sewer improvements to serve new developments.

Replacement and Refurbishment

Replacement and refurbishment improvements consist of repairs and restoration to existing water, recycled water and sewer system facilities.

Operational Improvements

Operational improvements consist of optimizing District facilities and include improvements to the District's water and wastewater Operations Center, adding water quality mixing systems to existing reservoirs, expanding the reliability of the Supervisory Control and Data Acquisition system, and relocating District facilities as required by interagency projects.

WATER AND SEWER SYSTEM FINANCIAL INFORMATION

Financial Statements

A copy of the most recent financial statements of the District audited by Mayer Hoffman McCann P.C., Certified Public Accountants (the "Auditor"), are included as Appendix B (the "Financial Statements") and should be read in their entirety. The Auditor's letter concludes that the Financial Statements present fairly, in all material respects, the financial position of the District as of June 30, 2013, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Auditor has not reviewed the contents of this Remarketing Statement, and the District has not sought the Auditor's consent to the inclusion of the Auditor's report in the Financial Statements in this Remarketing Statement.

Effect of Federal Sequester

On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, including reductions in Build America Bond ("BAB") interest subsidy payments ("BAB Credits"). As set forth under the captions "—Historic Operating Results and Debt Service Coverage" and "—Projected Operating Results and Debt Service Coverage," the District's Series 2010B Bonds are BABs and the operating results for Fiscal Year 2013 and projected operating results for Fiscal Years 2014 through 2018 shown therein reflect the announced reduction in BAB Credits. The District does not expect the sequester to have a material adverse effect on its ability to make payments of interest on the Series 2010B Bonds. To date, the District has not observed a material adverse effect on District operations as a result of the sequester. While the District continues to monitor the effects of the sequester on District operations, the District does not currently expect the sequester to have a material adverse effect on the ability of the District to make payments of principal of and interest on the Series 2011A-1 Bonds from Net Revenues.

Historic Operating Results and Debt Service Coverage

The following summary of operating results of the District for the last five Fiscal Years is derived from the Financial Statements and audited financial statements of the District for prior Fiscal Years and excludes certain non-cash items and includes certain other adjustments. Such summary operating results are qualified in their entirety by reference to such statements, including the notes thereto.

TABLE 31
IRVINE RANCH WATER DISTRICT
Historic Operating Results and Debt Service Coverage
Fiscal Years 2009 through 2013
(in Thousands)

	2009	2010	2011	2012	2013
REVENUES					
Water sales and service charges	\$ 50,940	\$ 51,268	\$ 54,796	\$ 57,558	\$ 62,565
Recycled water sales and sewer service charges	41,157	45,343	45,375	49,234	53,085
Connection fees	4,535	5,818	10,572	9,030	17,314
Net real estate income	7,010	5,624	5,649	6,736	6,566
Interest income	4,365	2,191	2,599	1,738	1,549
Net earnings on JPA	2,990	4,196	12,444 ⁽¹⁰⁾	11,927	20,294 ⁽¹⁰⁾
Available 1% Property Tax Revenues ⁽¹⁾	18,361	19,346	22,396	25,858	25,719
Other ⁽²⁾	<u>9,918</u>	<u>10,706</u>	<u>7,987</u>	<u>6,141</u>	<u>8,323</u>
Total Revenues	\$ 139,276	\$ 144,492	\$ 161,818	\$ 168,222	\$ 195,415
OPERATION AND MAINTENANCE EXPENSES					
Water services	\$ 40,333	\$ 40,103	\$ 42,383	\$ 40,593	\$ 48,911
Sewer services	27,402	27,804	30,787	26,817	36,688 ⁽¹⁴⁾
Administrative and general	20,248	22,904	21,332	27,182 ⁽¹²⁾	22,667 ⁽¹⁴⁾
Customer accounts	3,234	3,772	3,737	3,737	3,753
Other	<u>1,535</u>	<u>1,286</u>	<u>989</u>	<u>10,713⁽¹³⁾</u>	<u>6,110⁽¹⁵⁾</u>
Total Operation & Maintenance Expenses	\$ 92,752	\$ 95,869	\$ 99,228	\$ 109,042	\$ 118,129
NET REVENUES	\$ 46,524	\$ 48,623	\$ 62,590	\$ 59,180	\$ 77,286
PARITY OBLIGATIONS					
Series 2011A-1/A-2 Bonds	\$ 0	\$ 0	\$ 35	\$ 2,284	\$ 2,306
Series 2010B Bonds ⁽³⁾	0	0	4,080	7,533	7,519
2010 Installment Sale Agreement ⁽⁴⁾	0	0	7,680	7,977	8,300
Certificates of Participation ⁽⁵⁾	2,798	2,827	0	0	0
1997 State Loan #3	227	227	226	226	226
Prior Reimbursement Agreements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Parity Debt Service	\$ 3,025	\$ 3,119	\$ 12,021	\$ 18,020	\$ 18,351
PARITY OBLIGATION COVERAGE⁽⁶⁾	15.4x	15.6x	5.2x⁽¹¹⁾	3.3x	4.2x
Revenues Available For Subordinate Debt Service	\$ 43,499	\$ 45,504	\$ 50,569	\$ 41,160	\$ 58,935
SUBORDINATE OBLIGATIONS					
Swap Payments ⁽⁷⁾	\$ 5,694	\$ 7,391	\$ 7,734	\$ 7,734	\$ 7,452
State Loans and SCWD Debt ⁽⁸⁾	481	381	308	308	308
1986 Certificates of Participation ⁽⁵⁾	<u>3,391</u>	<u>2,605</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Service	\$ 9,566	\$ 10,377	\$ 8,042	\$ 8,042	\$ 7,760
Sources of Payment for Ad Valorem Assessment Bonds:					
Remaining Revenues	\$ 33,933	\$ 35,127	\$ 42,527	\$ 33,118	\$ 51,175
1% Pledged Property Tax Revenues ⁽⁹⁾	\$ 7,922	7,804	4,593	3,292	3,546
Ad valorem Assessments	<u>9,959</u>	<u>11,244</u>	<u>11,875</u>	<u>11,876</u>	<u>11,817</u>
Total Funds Available for Ad Valorem Assessment Bonds	\$ 51,814	\$ 54,175	\$ 58,995	\$ 48,286	\$ 66,538
Ad Valorem Assessment Bond Debt Service	<u>(19,235)</u>	<u>(21,179)</u>	<u>(16,899)</u>	<u>(16,899)</u>	<u>(17,129)</u>
NET REVENUES AVAILABLE FOR OTHER PURPOSES	\$ 32,579	\$ 32,996	\$ 42,096	\$ 31,387	\$ 49,409

⁽¹⁾ Represents 1% Property Tax Revenues available to pay debt service on Parity Obligations after payment of debt service on bonds of the District secured by a pledge of the District's share of the Orange County 1% general *ad valorem* property tax pursuant to Resolution No. 1992-48, adopted by the Board of Directors of the District on November 23, 1992, or Resolution 2002-10, adopted by the Board of Directors of the District on April 8, 2002 (collectively, the "Secured Bonds") from 1% Property Tax Revenues and *ad valorem* assessments.

⁽²⁾ Other Revenues includes golf course lease, cell site leases, conservation revenue, penalty revenue, grants and Allen-McColloch pipeline income.

- (3) Debt Service net of BAB Credit on Series 2010B Bonds. Fiscal Year 2013 amount reflects announced reductions in BAB Credits. See the caption “—Effect of Federal Sequester.”
- (4) Entered into in February 2010 in connection with the prepayment of the 2008 Certificates of Participation and the 1986 Certificates of Participation.
- (5) Prepaid in February 2010.
- (6) Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.
- (7) Net swap payments made.
- (8) Santiago County Water District was consolidated into the District as of July 1, 2006.
- (9) Represents District’s share of 1% Property Tax Revenues which, together with the *ad valorem* assessments, is sufficient to pay debt service on the Secured Bonds. Decreases in Fiscal Years 2012 and 2013 reflect \$6.8 million in scheduled mandatory sinking fund payments and redemption of approximately \$3.1 million in Secured Bonds.
- (10) Refunding of JPA Bonds in Fiscal Year 2010 resulted in a savings of approximately \$32.0 million, of which a portion was realized in each of Fiscal Years 2011, 2013 and 2014. The remaining savings are expected to be realized at maturity in 2014. See the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Joint Powers Authority Transactions.”
- (11) Reduced Parity Obligation coverage beginning in Fiscal Year 2011 reflects scheduled increases in Parity Obligation debt service.
- (12) Increase from Fiscal Year 2011 reflects expenses related to increased solids handling capacity at OCSD, which is expected to continue until December 2016, when the District expects to complete construction of its own facility to treat and dispose of solids. See the caption “THE SEWER SYSTEM—General.”
- (13) Increase from Fiscal Year 2011 reflects capital improvement project writeoffs in accordance with GASB Statement 51 (Accounting and Financial Reporting for Intangible Assets) in the total amount of approximately \$10.3 million.
- (14) Increase from Fiscal Year 2012 amount in Fiscal Year 2013 reflects recording of OCSD expenses, which were previously treated as an administrative and general line item, in the sewer services line item. See the caption “THE SEWER SYSTEM—General.”
- (15) [EXPLAIN DECREASE FROM FY 2012].

Source: The District.

Projected Operating Results and Debt Service Coverage

The District’s estimated projected operating results for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District’s estimate of projected financial results based on the District’s assumptions, including the assumptions in the footnotes to the chart set forth below. Such assumptions are material in the development of the District’s financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

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TABLE 32
IRVINE RANCH WATER DISTRICT
Five-Year Debt Service Coverage Forecast
Fiscal Years 2014 through 2018
(in Thousands)

	2014	2015	2016	2017	2018
REVENUES					
Water sales and service charges ⁽¹⁾	\$ 66,319	\$ 69,635	\$ 73,117	\$ 76,772	\$ 80,611
Recycled water sales and sewer service charges ⁽²⁾	55,739	58,526	61,453	64,525	67,751
Connection fees ⁽³⁾	14,544	15,271	16,034	16,836	17,678
Net real estate income ⁽⁴⁾	7,401	7,494	7,564	7,645	7,727
Interest income ⁽⁵⁾	1,301	2,265	3,243	3,756	3,806
Net earnings on JPA ⁽⁶⁾	19,355	0	0	0	0
Available 1% Property Tax Revenues ⁽⁷⁾	23,887	24,904	25,858	27,652	29,501
Other ⁽⁸⁾	8,739	9,176	9,635	10,117	10,622
Total Revenues	<u>\$ 197,285</u>	<u>\$ 187,271</u>	<u>\$ 196,904</u>	<u>\$ 207,303</u>	<u>\$ 217,696</u>
OPERATION AND MAINTENANCE EXPENSES					
Water services ⁽⁹⁾	\$ 51,846	\$ 53,660	\$ 55,538	\$ 57,482	\$ 59,494
Sewer services ⁽¹⁰⁾	38,156	39,491	40,873	42,304	43,784
Administrative and general ⁽¹⁰⁾	23,460	24,281	25,131	26,011	26,921
Customer accounts ⁽¹⁰⁾	3,884	4,020	4,161	4,307	4,457
Other ⁽¹¹⁾	2,566	2,643	2,564	2,692	2,665
Total Operation & Maintenance Expenses	<u>\$ 119,912</u>	<u>\$ 124,095</u>	<u>\$ 128,267</u>	<u>\$ 132,796</u>	<u>\$ 137,321</u>
NET REVENUES	<u>\$ 77,373</u>	<u>\$ 63,175</u>	<u>\$ 68,637</u>	<u>\$ 74,507</u>	<u>\$ 80,375</u>
ASSESSMENT PROCEEDS⁽¹²⁾	\$ 5,437	\$ 6,393	\$ 6,694	\$ 6,477	\$ 7,789
TOTAL NET REVENUES AND ASSESSMENT PROCEEDS	<u>\$ 82,810</u>	<u>\$ 69,568</u>	<u>\$ 75,331</u>	<u>\$ 80,984</u>	<u>\$ 88,164</u>
PARITY OBLIGATIONS					
Series 2011A-1/A-2 Bonds ⁽¹³⁾	\$ 2,582	\$ 3,041	\$ 3,614	\$ 4,115	\$ 4,168
Series 2010B Bonds ⁽¹⁴⁾	7,825	7,825	7,825	7,825	7,825
2010 Installment Sale Agreement ⁽¹⁵⁾	8,753	9,098	9,487	9,812	8,473
1997 State Loan #3 ⁽¹⁵⁾	227	227	227	227	227
Prior Reimbursement Agreements	0	0	0	0	0
Total Parity Debt Service	<u>\$ 19,387</u>	<u>\$ 20,191</u>	<u>\$ 21,153</u>	<u>\$ 21,979</u>	<u>\$ 20,693</u>
PARITY OBLIGATION COVERAGE⁽¹⁶⁾	4.3x	3.4x	3.6x	3.7x	4.3x
Revenues Available For Subordinate Debt Service	\$ 63,423	\$ 49,377	\$ 54,178	\$ 59,005	\$ 67,471
SUBORDINATE OBLIGATIONS					
Swap Payments ⁽¹⁷⁾	\$ 7,410	\$ 7,150	\$ 6,630	\$ 5,915	\$ 5,294
State Loans and SCWD Debt ⁽¹⁵⁾	308	308	308	308	308
Total Subordinate Debt Service	<u>\$ 7,718</u>	<u>\$ 7,458</u>	<u>\$ 6,938</u>	<u>\$ 6,223</u>	<u>\$ 5,602</u>
Sources of Payment for Ad Valorem Assessment Bonds:					
Remaining Revenues	\$ 55,705	\$ 41,919	\$ 47,240	\$ 52,782	\$ 61,869
1% Pledged Property Tax Revenues ⁽¹⁸⁾	\$ 3,013	\$ 2,803	\$ 2,681	\$ 2,599	\$ 2,564
Ad valorem Assessments ⁽¹⁹⁾	5,297	4,663	4,694	5,594	5,006
Total Funds Available for Ad Valorem Assessment Bonds	\$ 64,015	\$ 49,385	\$ 54,615	\$ 60,975	\$ 69,439
Ad Valorem Assessment Bond Debt Service ⁽²⁰⁾	(14,912)	(13,991)	(16,933)	(18,211)	(17,273)
NET REVENUES AVAILABLE FOR OTHER PURPOSES	<u>\$ 49,103</u>	<u>\$ 35,394</u>	<u>\$ 37,682</u>	<u>\$ 42,764</u>	<u>\$ 52,166</u>

⁽¹⁾ Projected to increase 6% from Fiscal Year 2013 amount in Fiscal Year 2014 and 5% per annum thereafter. See the caption "THE WATER SYSTEM—Projected Water Sales and Service Charge Revenues."

- (2) Projected to increase 5% per annum from Fiscal Year 2013 amount. See the caption “THE SEWER SYSTEM—Projected Recycled Water Sales and Sewer Service Charge Revenues.”
- (3) Projected to increase 5% per annum from Fiscal Year 2014 budgeted amount.
- (4) Based on existing and expected leases. Increase from Fiscal Year 2013 amount represents a 3% increase in net operating income for Sycamore Canyon Apartments, a full year of income from two tenants at the Sand Canyon Professional Center and increased income as a result of 98% occupancy rate for all three commercial buildings. See the captions “THE IRVINE RANCH WATER DISTRICT—Current Investments” and “THE IRVINE RANCH WATER DISTRICT—Projected Net Real Estate Income.”
- (5) Assumes interest rates increasing from 0.38% in Fiscal Year 2014 to 2% in Fiscal Year 2018.
- (6) JPA Bonds mature in Fiscal Year 2014. See the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Joint Powers Authority Transactions.”
- (7) Represents 1% Property Tax Revenues available to pay Debt Service on Parity Obligations after payment of debt service on Secured Bonds from 1% Property Tax Revenues and applicable *ad valorem* assessments. Projected fluctuation in 1% Property Tax Revenues is a result of uneven debt service on Secured Bonds. See the caption “THE IRVINE RANCH WATER DISTRICT—1% Property Tax Revenues.”
- (8) Includes, golf course lease, cell site leases, conservation revenue, penalty revenue, grants and Allen-McColloch pipeline income. Projected to increase 5% per annum from Fiscal Year 2013 amount.
- (9) Projected to increase 6% from Fiscal Year 2013 amount in Fiscal Year 2014 and 3.5% per annum thereafter.
- (10) Projected to increase 3.5% per annum from Fiscal Year 2013 amount.
- (11) [EXPLAIN DECREASE FROM FY 2013]. Based on District projections.
- (12) Pro rata share of *ad valorem* assessments based on outstanding par amount of all *Ad Valorem* Assessment Bonds. Assessment Proceeds are only available to pay debt service on Series 2010B Bonds, Series 2011A-1 Bonds and Series 2011A-2 Bonds and not other Parity Obligations which are not general obligation bonds secured by *ad valorem* assessments.
- (13) Projected at SIFMA rates increasing from 0.15% in Fiscal Year 2014 to 1.75% in Fiscal Year 2018. Assumes that the purchase price of Series 2011A-1 Bonds and Series 2011A-2 Bonds is paid from remarketing proceeds.
- (14) Debt Service net of BAB Credit on Series 2010B Bonds. Reflects announced reductions in BAB Credits. See the caption “—Effect of Federal Sequester.”
- (15) Reflects scheduled Debt Service.
- (16) Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.
- (17) Net swap payments. Assumes 5-year average of LIBOR rate with respect to swaps is [__]%. See the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Subordinate Debt—Interest Rate Swap Transactions.”
- (18) Represents District’s share of 1% Property Tax Revenues which, together with the applicable *ad valorem* assessments, is sufficient to pay debt service on the Secured Bonds.
- (19) Pro rata share of *ad valorem* assessments based on outstanding par amount of all *ad valorem* assessment bonds and Series 2010B Bonds, Series 2011A-1 Bonds and Series 2011A-2 Bonds.
- (20) *Ad Valorem* Assessment Bonds debt projection assumes annual sinking fund payments, SIFMA rates ranging from 0.15% in Fiscal Year 2014 to 1.75% in Fiscal Year 2018 and letter of credit fees equal to 0.35% of principal. Does not include Series 2010B Bonds, Series 2011A-1 Bonds or Series 2011A-2 Bonds, which are Parity Obligations. Assumes a total of \$75 million of new variable rate *ad valorem* assessment bonds issued in 2015, 2016 and 2018.

Source: The District.

THE IMPROVEMENT DISTRICTS

General

The District contains seven water Improvement Districts and nine sewer Improvement Districts covering specific areas within the District’s boundaries, some of them overlapping and each of which is governed by the Act. The District formed the Improvement Districts in order to allocate funding responsibility for capital facilities to the area which will benefit from such capital facilities and to separate areas on the basis of projected timing of development so that capital facilities construction can be matched to the development approval decisions of the respective local agency that makes them. Some of the Improvement Districts share in the funding of the District’s regional facilities which the Improvement Districts will use in common, such as major water importation facilities or sewer treatment plants.

Each Improvement District has a respective plan of works and a certain amount of authorized general obligation bonded indebtedness. See Table 3 under the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness.” The *Ad Valorem* Assessment Bonds issued pursuant to such authorization are sold in each instance by the District on the respective Improvement District’s behalf. The obligation for repayment of bonds issued on behalf of an Improvement District is secured in each instance by the power of the District to levy and collect within such Improvement District *ad valorem* assessments without limitation as to rate or amount on land only (enforceable by customary rights to foreclose and sell property for delinquent assessments) or, in lieu of assessments, in the

District's discretion, charges for water or sewer service, as applicable, all within the subject Improvement District. These powers and functions are exercised for each Improvement District by the Board of Directors of the District. Although the respective funding obligations of each Improvement District are separate and independent, the Improvement Districts are not operated as separate or independent governmental entities, nor do they have governing boards or any staff. The Improvement Districts are geographical subdivisions of the District through which the District funds capital improvements.

As a result of the District's discretionary election to use other sources of payment for debt service on *ad valorem* assessment bonds, the annual tax rates set by the District vary from year to year and generally do not result in revenues that correspond with debt service requirements on the *Ad Valorem* Assessment Bonds. The annual tax rates set by the District may vary from year to year for other reasons as well. The District has covenanted under the Indenture that, to the extent necessary to pay debt service on the Series 2011A-1 Bonds, it will impose and collect Bond Assessments and Charges. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Covenant to Collect Bond Assessments and Charges" in the forepart of this Remarketing Statement.

The California Water Code allows the Board of Directors, in a noticed hearing process, to reorganize its improvement district boundaries and to consolidate coterminous improvement districts. As development progresses to completion in improvement districts and the need for having separate improvement districts to match capital facilities construction timing for different geographic areas diminishes, consolidation of various improvement districts can produce efficiencies for the District. Under the California Water Code provisions, certain improvement districts of the District are the consolidated successors to previously separate water improvement districts or previously separate sewer improvement districts, respectively. In 2013, following studies carried out by the District to identify further opportunities to implement such consolidations and reorganizations of its improvement districts, the District implemented improvement district consolidation that reduced the number of its improvement districts from 33 to 16. The statutory provisions for the consolidation of improvement districts specify that a consolidated improvement district may levy and collect the assessments and charges necessary to satisfy the obligations of its predecessor improvement districts, and that the authorized and unissued bonds of the predecessor improvement districts may be issued and sold as the bonds of the consolidated improvement district. The District believes that its actions to reorganize and/or consolidate improvement districts will not impair the District's obligation to pay debt service on the outstanding bonds of such improvement districts or the security therefor. See the Official Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively.

The following is a general description of each of the Improvement Districts as to which the Series 2011A-1 Bonds constitute consolidated, several general obligations:

Improvement District Nos. 125 and 225

General. At the time of their initial issuance on April 15, 2011, the Series 2011A-1 Bonds constituted the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250. Improvement District Nos. 125 and 225 are the legal successors to Improvement District Nos. 105 and 250, respectively. See the Official Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively.

Improvement District No. 125 (water) covers approximately 35,438 acres of the District, including several contiguous and non-contiguous areas in the central and coastal parts of the District. Improvement District No. 224 (sewer) covers approximately 32,862 acres of the District, including several contiguous and non-contiguous areas in the central part of the District. Currently, the majority of the land within Improvement District Nos. 125 and 225 consists of residential development. The District expects certain areas within

Improvement District Nos. 125 and 225 to be subject to infill development and redevelopment in the future. The District expects such additional development in Improvement District Nos. 125 and 225 to continue through at least 2020. The estimated Fiscal Year 2014 assessed value of the land in Improvement District No. 125 is \$28,530,125,230, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 105 before its consolidation into Improvement District No. 125 was \$7,099,866,552. The estimated Fiscal Year 2014 assessed value of the land in Improvement District No. 225 is \$28,530,125,230, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 250 before its consolidation into Improvement District No. 225 was \$6,776,400,622.

Set forth below is information with respect to Improvement District Nos. 125 and 225 for Fiscal Year 2014 and their respective predecessor Improvement Districts for prior Fiscal Years.

The *ad valorem* assessments levied by the District in Improvement District Nos. 125 and 225 to pay such Improvement Districts' respective Included Amounts of debt service on the Series 2011A-1 Bonds will be levied on land only. See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness" for a description of the authorized, issued, authorized and unissued, and the amount of outstanding Improvement District Nos. 125 and 225 Ad Valorem Assessment Bonds.

The following table presents the assessed valuations of land in Improvement District No. 105 for the Fiscal Years ended June 30, 2010 through June 30, 2013 and the assessed valuations of land in Improvement District No. 125 for the Fiscal Year ending June 30, 2014. Assessed valuations of land in Improvement District No. 125 are not available for Fiscal Years prior to Fiscal Year 2014 because Improvement District No. 125 did not exist prior to November 11, 2013.

TABLE 33
IRVINE RANCH WATER DISTRICT
Improvement District No. 105/125
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured</i> ⁽¹⁾	<i>Total</i>
2010 ⁽²⁾	\$ 5,533,347,096	\$ 7,969,190	\$ 5,541,316,286
2011 ⁽²⁾	5,753,773,845	26,979,470	5,780,753,315
2012 ⁽²⁾	6,309,579,342	6,491,171	6,316,070,513
2013 ⁽²⁾	6,602,927,949	5,728,927	6,608,656,876
2014 ⁽³⁾	28,530,125,230	0 ⁽⁴⁾	28,530,125,230

⁽¹⁾ Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.

⁽²⁾ Reflects assessed valuations for Improvement District No. 105. See the Official Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 105 into Improvement District No. 125.

⁽³⁾ Reflects assessed valuations for Improvement District No. 125. See the Official Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 105 into Improvement District No. 125.

⁽⁴⁾ Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Year 2014 are displayed in the Local Secured column in the table.

Source: California Municipal Statistics, Inc.

The following table presents the assessed valuations of land in Improvement District No. 250 for the Fiscal Years ended June 30, 2010 through June 30, 2013 and the assessed valuations of land in Improvement District No. 225 for the Fiscal Year ending June 30, 2014. Assessed valuations of land in Improvement District No. 225 are not available for Fiscal Years prior to Fiscal Year 2014 because Improvement District No. 225 did not exist prior to November 11, 2013.

TABLE 34
IRVINE RANCH WATER DISTRICT
Improvement District No. 250/225
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured</i> ⁽¹⁾	<i>Total</i>
2010 ⁽²⁾	\$ 5,221,867,776	\$ 7,863,830	\$ 5,229,731,606
2011 ⁽²⁾	5,432,737,954	26,636,942	5,459,374,896
2012 ⁽²⁾	5,997,217,214	6,210,415	6,003,427,629
2013 ⁽²⁾	6,288,670,201	5,529,610	6,294,199,811
2014 ⁽³⁾	28,530,125,230	0 ⁽⁴⁾	28,530,125,230

⁽¹⁾ Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.
⁽²⁾ Reflects assessed valuations for Improvement District No. 250. See the Official Statement under the caption “INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225” for a discussion of the consolidation of Improvement District No. 250 into Improvement District No. 225.
⁽³⁾ Reflects assessed valuations for Improvement District No. 225. See the Official Statement under the caption “INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225” for a discussion of the consolidation of Improvement District No. 250 into Improvement District No. 225.
⁽⁴⁾ Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Year 2014 are displayed in the Local Secured column in the table.

Source: California Municipal Statistics, Inc.

The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 125 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2014:

[TO BE UPDATED]

TABLE 35
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Assessed Valuation and Parcels by Land Use

	<i>Fiscal Year 2014 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial	\$ 389,745,126	5.49%	252	1.07%
Industrial	6,520,672	0.09	4	0.02
Miscellaneous	<u>784,521</u>	<u>0.01</u>	<u>12</u>	<u>0.05</u>
Subtotal Non-Residential	\$ 397,050,319	5.60%	268	1.13%
Residential:				
Single Family Residence	\$ 4,180,214,441	58.93%	13,925	58.92%
Condominium/Townhouse	2,307,412,068	32.53	8,972	37.97
2+ Residential Units/Apartments	96,275,710	1.36	105	0.44
Vacant Residential	<u>112,985,314</u>	<u>1.59</u>	<u>362</u>	<u>1.53</u>
Subtotal Residential	\$ 6,696,887,533	94.40%	23,364	98.87%
Total	<u>\$ 7,093,937,852</u>	<u>100.00%</u>	<u>23,632</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes tax exempt utility property and gas and oil leases.
Source: California Municipal Statistics, Inc.

The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 225 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2014:

[TO BE UPDATED]

TABLE 36
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Assessed Valuation and Parcels by Land Use

	<i>Fiscal Year 2014 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial	\$ 381,314,083	5.63%	230	1.05%
Industrial	6,520,672	0.10	4	0.02
Miscellaneous	<u>140,500</u>	<u>0.00</u>	<u>8</u>	<u>0.04</u>
Subtotal Non-Residential	\$ 387,975,255	5.73%	242	1.11%
Residential:				
Single Family Residence	\$ 3,987,556,220	58.89%	12,781	58.27%
Condominium/Townhouse	2,194,897,231	32.41	8,454	38.54
2+ Residential Units/Apartments	96,275,710	1.42	105	0.48
Vacant Residential	<u>104,611,415</u>	<u>1.54</u>	<u>351</u>	<u>1.60</u>
Subtotal Residential	\$ 6,383,340,576	94.27%	21,691	98.89%
Total	<u>\$ 6,771,315,831</u>	<u>100.00%</u>	<u>21,933</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes tax exempt utility property and gas and oil leases.
Source: California Municipal Statistics, Inc.

Principal Taxpayers. The following table lists the major taxpayers in Improvement District No. 125 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2014:

[TO BE UPDATED]

**TABLE 37
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Largest Local Secured Taxpayers**

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2014 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	The Irvine Company	Residential and Commercial	\$ 319,990,675	4.51%
2.	Heritage Fields El Toro LLC	Commercial	63,486,474	0.89
3.	KB Home Coastal Inc.	Residential	61,979,629	0.87
4.	LR8 Owner LLC	Commercial	37,473,508	0.53
5.	Irvine Apartment Communities LP	Apartments	37,350,218	0.53
6.	Roxanne Ray	Commercial	18,135,862	0.26
7.	Standard Pacific Corp.	Residential	13,499,024	0.19
8.	Sanyo Foods Corp. of America	Industrial	12,921,695	0.18
9.	Chemical Bank	Commercial	11,319,533	0.16
10.	Costco Wholesale Corporation	Commercial	9,936,944	0.14
	TOTAL		<u>\$ 586,093,562</u>	<u>8.26%</u>

⁽¹⁾ Fiscal Year 2014 Local Secured Assessed Valuation (Land Only): \$7,093,937,852.
Source: California Municipal Statistics, Inc.

The following table lists the major taxpayers in Improvement District No. 225 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2014:

[TO BE UPDATED]

**TABLE 38
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Largest Local Secured Taxpayers**

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2014 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	The Irvine Company	Residential and Commercial	\$ 311,185,704	4.60%
2.	Heritage Fields El Toro LLC	Residential	63,486,474	0.94
3.	KB Home Coastal Inc.	Residential	61,979,629	0.92
4.	LR8 Owner LLC	Residential	37,473,508	0.55
5.	Irvine Apartment Communities LP	Apartments	37,350,218	0.55
6.	Roxanne Ray	Commercial	18,135,862	0.27
7.	Standard Pacific Corp.	Residential	13,499,024	0.20
8.	Sanyo Foods Corp. of America	Industrial	12,921,695	0.19
9.	Chemical Bank	Commercial	11,319,533	0.17
10.	Costco Wholesale Corporation	Commercial	9,936,944	0.15
	TOTAL		<u>\$ 577,288,591</u>	<u>8.53%</u>

⁽¹⁾ Fiscal Year 2014 Local Secured Assessed Valuation (Land Only): \$6,771,315,831.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt. Set forth in the table below is a direct and overlapping debt report (the “Debt Report–I.D. 125/225”) for Improvement District Nos. 125 and 225 prepared by California Municipal Statistics, Inc. and effective December 31, 2013. The Debt Report–I.D. 125/225 was prepared by California Municipal Statistics, Inc., and the District expresses no opinion on the completeness or accuracy of such report and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–I.D. 125/225 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement District No. 125 and No. 225 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or Improvement District No. 125 and No. 225 (except as indicated) nor are they necessarily obligations secured by land within Improvement District No. 125 and No. 225. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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TABLE 39
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Direct and Overlapping Debt Statement

Fiscal Year 2014 Land Only Assessed Valuation: \$28,530,125, 230

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 12/31/13</u>
Metropolitan Water District	2.593%	\$ 4,280,654
Coast Community College District	5.283	33,410,416
Rancho Santiago Community College District	1.039	2,965,620
Laguna Beach Unified School District	15.202	4,328,009
Newport Mesa Unified School District	15.174	35,940,249
Saddleback Valley Unified School District	33.886	39,592,402
Tustin Unified School District School Facilities Improvement District No. 2002-1	6.074	3,344,453
Tustin Unified School District School Facilities Improvement District No. 2008-1	6.231	4,494,732
Tustin Unified School District School Facilities Improvement District No. 2008-1	36.890	12,911,500
Irvine Ranch Water District Improvement District No. 125/225	100.000	440,615,000⁽²⁾
Irvine Ranch Water District Improvement District No.112/212	12.188	2,532,666
Irvine Ranch Water District Improvement District No. 240	100.000	26,292,000
Community Facilities Districts	0.737-100.000	693,513,790
County 1915 Act Bonds	100.000	83,818,296
City 1915 Act Bonds	Various	<u>651,118,022</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,039,157,809

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	12.805%	\$ 21,789,116
Orange County Pension Obligations	12.805	28,242,105
Orange County Board of Education Certificates of Participation	12.805	2,019,349
Orange Unified School District Certificates of Participation and Benefit Obligations	2.177	2,670,038
City of Lake Forest Certificates of Participation	83.177	8,575,549
City of Newport Beach Certificates of Participation	24.425	29,176,884
Municipal Water District of Orange County Water Facilities Corporation	15.342	<u>1,192,841</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$ 93,665,882
Less: MWDOC Water Facilities Corporation (100% supported)		<u>1,192,841</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$ 92,473,041

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)

GROSS COMBINED TOTAL DEBT	\$2,141,825,375 ⁽³⁾
NET COMBINED TOTAL DEBT	\$2,140,632,534

Ratios to Fiscal Year 2014 Land Only Assessed Valuation:

Direct Debt (\$440,615,000)1.54%
Total Direct and Overlapping Tax and Assessment Debt.....7.15%

Ratios to Adjusted All Property Assessed Valuation:

Gross Combined Total Debt.....3.78%
Net Combined Total Debt3.78%

⁽¹⁾ Based on all property assessed valuation of \$56,651,352,461.

⁽²⁾ Excludes issues to be sold. Improvement District No. 125 was formed by consolidating former Improvement District Nos. 105, 106, 120, 121, 130, 135, 140, 161, 182, 184 and 186. Improvement District No. 225 was formed by consolidating former Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Improvement District Nos. 113 and 213

General. Improvement District No. 113 (water) and Improvement District No. 213 (sewer) are coterminous and are located in portions of the Cities of Tustin and Irvine, California. Improvement District No. 113 and Improvement District No. 213 are comprised of approximately 1,629 acres of the land formerly known as Marine Corps Air Station Tustin. The boundaries of Improvement District No. 113 and Improvement District No. 213 are Harvard Avenue on the southeast, Barranca Parkway on the southwest, Red Hill Avenue on the northwest and Edinger Avenue on the northeast. The former helicopter base, now known as Tustin Legacy, is currently being redeveloped with residential, commercial, institutional and recreational uses. The District expects development in Improvement District No. 113 and Improvement District No. 213 to continue through at least approximately 2020. The District expects that future development will consist of approximately 4,800 dwelling units and approximately 12,100,000 square feet of commercial, institutional and recreational uses.

Set forth below is information with respect to Improvement District No. 113 and Improvement District No. 213.

The *ad valorem* assessments levied by the District in Improvement District Nos. 113 and 213 to pay such Improvement Districts’ respective Included Amounts of debt service on the Series 2011A-1 Bonds will be levied on land only. See Table 3 under the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness” for a description of the authorized, issued, authorized and unissued, and the amount of outstanding Improvement District Nos. 113 and 213 Ad Valorem Assessment Bonds.

The following table presents the assessed valuations of land in Improvement District No. 113 and Improvement District No. 213 for the Fiscal Years ended June 30, 2010 through June 30, 2014.

TABLE 40
IRVINE RANCH WATER DISTRICT
Improvement District No. 113/213
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured</i> ⁽¹⁾	<i>Total</i>
2010	\$606,287,728	\$2,868,776	\$609,156,504
2011	651,328,825	588,355	651,917,180
2012	552,924,477	533,680	553,458,157
2013	535,648,801	720,289	536,369,090
2014	561,601,211	637,882	562,239,093

⁽¹⁾ Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.
 Source: California Municipal Statistics, Inc.

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The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 113 and Improvement District No. 213 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2014:

TABLE 41
IRVINE RANCH WATER DISTRICT
Improvement District No. 113/213
Assessed Valuation and Parcels by Land Use

	<i>Fiscal Year 2014 Assessed Valuation</i> ⁽¹⁾	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial	\$ 96,157,563	17.12%	20	0.82%
Subtotal Non-Residential	\$ 96,157,563	17.12%	20	0.82%
Residential:				
Single Family Residence	\$ 243,941,236	43.44%	1,191	48.83%
Condominium/Townhouse	221,475,430	39.44	1,222	50.10
Vacant Residential	<u>26,982</u>	<u>0.00</u>	<u>6</u>	<u>0.25</u>
Subtotal Residential	\$ 465,443,648	82.88%	2,419	99.17%
Total	\$ 561,601,211	100.00%	2,439	100.00%

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes tax exempt utility property and gas and oil leases.
Source: California Municipal Statistics, Inc.

The following table lists the major taxpayers in Improvement District No. 113 and Improvement District No. 213 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2014:

TABLE 42
IRVINE RANCH WATER DISTRICT
Improvement District No. 113/213
Largest Local Secured Taxpayers

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2014 Assessed Valuation</i>	<i>% of Total</i> ⁽¹⁾
1.	Vestar/Kimco Tustin LP	Commercial	\$ 73,200,952	13.03%
2.	Costco Wholesale Corporation	Commercial	14,450,901	2.57
3.	Lowes HIW Inc.	Commercial	10,720,185	1.91
4.	Ora Astoria 60 LLC	Residential	2,677,034	0.48
5.	Banh D. and Esther Hy	Residential	715,785	0.13
6.	Howard H. Wu	Residential	577,966	0.10
7.	Ruidong Wang	Residential	534,764	0.10
8.	Tejinder Singh	Residential	520,357	0.09
9.	Paul Kuykendall	Residential	519,220	0.09
10.	Safaei Amir	Residential	<u>499,296</u>	<u>0.09</u>
	TOTAL		\$ 104,416,460	18.59%

⁽¹⁾ Fiscal Year 2014 Local Secured Assessed Valuation (Land Only): \$561,601,211.
Source: California Municipal Statistics, Inc.

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Statement of Direct and Overlapping Debt. Set forth the table below is a direct and overlapping debt report (the “Debt Report–I.D. 113/213”) for Improvement District No. 113 and Improvement District No. 213 prepared by California Municipal Statistics, Inc. and effective December 1, 2013. The Debt Report–I.D. 113/213 was prepared by California Municipal Statistics, Inc., and the District expresses no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–I.D. 113/213 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement District No. 113 and Improvement District No. 213 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or Improvement District No. 113 and Improvement District No. 213 (except as indicated) nor are they necessarily obligations secured by land within Improvement District No. 113 and Improvement District No. 213. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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TABLE 43
IRVINE RANCH WATER DISTRICT
Improvement District No. 113/213
Direct and Overlapping Debt Statement

Fiscal Year 2014 Land Only Assessed Valuation: \$562,239,093

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u> ⁽¹⁾	<u>Debt 12/1/13</u>
Metropolitan Water District	0.064%	\$ 105,654
Santa Ana Unified School District	0.001	1,448
Tustin Unified School District School Facilities Improvement District No. 2002-1	5.072	2,792,734
Tustin Unified School District School Facilities Improvement District No. 2008-1	1.877	1,353,974
Tustin Unified School District School Facilities Improvement District No. 2012-1	1.296	453,600
Tustin Unified School District Community Facilities District No. 06-1	100.000	13,515,000
City of Irvine Community Facilities District No. 2005-2	99.263	16,975,000
Irvine Ranch Water District Improvement District No. 113	100.000	14,150,000 ⁽²⁾
Irvine Ranch Water District Improvement District No. 213	100.000	22,074,000 ⁽²⁾
City of Tustin Community Facilities District Nos. 04-1, 06-1 and 07-1	60.350-100.000	<u>73,462,725</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$144,884,135
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	0.316%	\$ 537,709
Orange County Pension Obligations	0.316	696,955
Orange County Board of Education Certificates of Participation	0.316	49,833
Santa Ana Unified School District Certificates of Participation	0.001	388
Municipal Water District of Orange County Water Facilities Corporation	0.378	<u>29,390</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$ 1,314,275
Less: MWDOC Water Facilities Corporation (100% supported)		<u>29,390</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$ 1,284,885
 <u>OVERLAPPING TAX INCREMENT DEBT</u>		
Tustin Redevelopment Agency Housing Bonds	46.251%	\$10,531,353
Tustin Redevelopment Agency Marine Corps Air Station Project	89.107	<u>37,331,378</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$48,826,678
 GROSS COMBINED TOTAL DEBT		\$194,061,141 ⁽³⁾
NET COMBINED TOTAL DEBT		\$194,031,751

Ratios to Fiscal Year 2014 Land Only Assessed Valuation:

Direct Debt (\$36,224,000).....6.44%
Total Direct and Overlapping Tax and Assessment Debt.....25.77%

Ratios to Adjusted All Property Assessed Valuation:

Gross Combined Total Debt13.90%
Net Combined Total Debt.....13.90%

Ratios to Redevelopment Incremental Valuation (\$176,624,529):

Overlapping Tax Increment Debt27.10%

⁽¹⁾ Based on all property assessed valuation of \$1,396,385,909.

⁽²⁾ Excludes issues to be sold.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIII D. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIII D further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it.

In July 2006, the California Supreme Court held, in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (“*Bighorn*”), that the initiative power described in Article XIII C applies to any local taxes, assessments, fees and charges as defined in Articles XIII C and XIII D. Article XIII D defines “fee” or “charge” to mean a levy (other than *ad valorem* or special taxes or assessments) imposed by a local government “upon a parcel or upon a person as an incident of property ownership,” including a user fee for a “property related service.” The Court also found that charges for water delivery are charges for a property-related service and, therefore, constitute “fees” or “charges” within the meaning of both Article XIII D and section 3 of Article XIII C. In light of the decision in *Bighorn*, the District determined that it would conduct notice and hearing proceedings to comply with requirements of Article XIII D with respect to proposed increases of rates and charges and commenced doing so beginning in Fiscal Year 2007.

Article XIII C. Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms “local tax,” “assessment,” “fee” or “charge.” In light of *Bighorn* and as discussed above under “Article XIII D,” the terms “fee” and “charge” as used in Article XIII C include, at a minimum, all of the fees and charges within the “property related” qualification set forth in Article XIII D. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. Therefore, in the absence of other limitations, provisions of Article XIII C could be applicable to the water and sewer rates charged by the District. The District and its general counsel do not believe that Article XIII C grants to the voters within the District the power to repeal or reduce rates and charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Series 2011A-1 Bonds. Remedies available to beneficial owners of the Series 2011A-1 Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 will affect its ability to levy rates and charges for water, recycled water or sewer service.

Article XIII A

General. On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by the voters voting on such indebtedness. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by each California county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon the location of reappraised property and the value of property within each taxing agency. Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIII B

An initiative to amend the California Constitution entitled “Limitation of Government Appropriations” was approved on November 6, 1979 thereby adding Article XIII B to the California Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriations of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District is of the opinion that its rates and charges for water, sewer and recycled water services do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B, and that tax revenues and other revenues received by the District which may constitute the “proceeds of taxes” are appropriated for debt service or qualified capital outlay projects and are not subject to the limits of Article XIII B.

Proposition 1A

Proposition 1A, which was approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in fiscal years 2004-05 and 2005-06. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two thirds of both houses and certain other conditions are met. See the caption “THE IRVINE RANCH WATER DISTRICT—1% Property Tax Revenues” above.

Future Initiatives

Article XIII A, Article XIII B, Proposition 218, Proposition 1A and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, further affecting ability of the District to collect or expend Revenues.

Exhibit “B”

Stradling Yocca Carlson & Rauth
Draft of 1/29/14

REOFFERING – NOT A NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See the caption “RATINGS”

On April 15, 2011, Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District, delivered their respective opinions in connection with the issuance of the Series 2011A-2 Bonds. Such opinions stated that, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A-2 Bonds was excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and was exempt from State of California personal income taxes. Further, the opinions of Co-Bond Counsel stated that interest on the Series 2011A-2 Bonds was not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observed that such interest was included in adjusted current earnings when calculating corporate alternative minimum taxable income. Co-Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A-2 Bonds. Co-Bond Counsel have not taken and do not intend to take any action to update such opinions or to determine if interest on the Series 2011A-2 Bonds is presently excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes. See the caption “TAX MATTERS” herein.

[IRWD LOGO]

\$37,360,000
BONDS OF IRVINE RANCH WATER DISTRICT
REFUNDING SERIES 2011A-2
CUSIP[†]: 4636324R7

Date of Initial Delivery: April 15, 2011 **Scheduled Mandatory Tender Date: March 12, 2015** **Due: October 1, 2037**
Price: 100% **Call Protection Date: September 12, 2014**

This Remarketing Statement replaces the Remarketing Statement dated February 5, 2013, as supplemented on February 12, 2013, in its entirety.

Pursuant to the provisions of the Indenture of Trust, dated as of April 1, 2011, by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Series 2011A-2 Bonds, as amended, the District has exercised its option to effect an *Unscheduled Mandatory Tender* of the Series 2011A-2 Bonds on February 14, 2014.

Upon the purchase of the Series 2011A-2 Bonds pursuant to such *Unscheduled Mandatory Tender*, the Series 2011A-2 Bonds: (i) will be remarketed in the *Index Mode* for a *Tender Period* commencing on February 14, 2014 with the *Scheduled Mandatory Tender Date* on March 12, 2015; and (ii) will bear interest at an *Index Tender Rate* (which is equal to the sum of: (a) the *SIFMA Average Index Rate* calculated for each *Index Rate Accrual Period*; and (b) the applicable *Index Spread* for such *Tender Period*). Promptly after the *Remarketing Agent* determines the *Index Spread* for the *Tender Period* commencing on February 14, 2014, the District will publish it by supplementing this *Remarketing Statement* and posting the supplement on the *EMMA* system.

The *Purchase Price* of the tendered Series 2011A-2 Bonds will be paid on February 14, 2014 from moneys held by the *Trustee*, consisting of immediately available funds on deposit in the *Remarketing Proceeds Account*, as more fully described herein.

The Series 2011A-2 Bonds were issued by the Irvine Ranch Water District and constitute the consolidated, several general obligations of Improvement District Nos. 113, 125, 213 and 225, which are geographical subdivisions of the District through which the District funds capital improvements. The Series 2011A-2 Bonds are payable from the following sources: (i) *Assessment Proceeds* of each Improvement District, consisting of *ad valorem* assessments on taxable land, *In Lieu Charges* and proceeds from the sale of property for the enforcement of delinquent assessments collected from within each Improvement District and applied by the District to pay such Improvement District's *Included Amount* of the principal, *Purchase Price* and *Redemption Price* of, and interest on, all Outstanding Series 2011A-2 Bonds; (ii) *Net Revenues* of the District, consisting of water, sewer and reclaimed water rates and charges imposed by the District remaining after payment of *Operation and Maintenance Expenses*; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture. See the caption “SECURITY FOR THE SERIES 2011A-2 BONDS—Pledge of Assessment Proceeds and Revenues.” The obligation of the District to pay the principal, *Purchase Price* upon the *Scheduled Mandatory Tender* and *Redemption Price* of, and interest on, the Series 2011A-2 Bonds from *Net Revenues* is payable on a parity with certain *Parity Obligations* described under the caption “SECURITY FOR THE SERIES 2011A-2 BONDS—Limitations on Parity and Superior Obligations—Obligations on a Parity with the Series 2011A-2 Bonds.”

See the caption “INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225” and Appendix A under the caption “THE IMPROVEMENT DISTRICTS—Improvement District Nos. 125 and 225” for a discussion of the consolidation of Improvement District Nos. 105 and 250, the *Assessment Proceeds* of which were pledged to payment of the Series 2011A-2 Bonds at the time of their initial issuance, into Improvement District Nos. 125 and 225, respectively.

The Series 2011A-2 Bonds were issued pursuant to the Indenture for the purposes of: (i) providing a portion of the funds to refund the then-outstanding Bonds of Irvine Ranch Water District, Consolidated Refunding Series 2008B; and (ii) paying costs of issuance with respect to the Series 2011A-2 Bonds.

The Series 2011A-2 Bonds were issued in fully registered form and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the Series 2011A-2 Bonds will not receive physical certificates representing their beneficial ownership in the Series 2011A-2 Bonds purchased. The principal, *Purchase Price* and *Redemption Price* of, and interest on, the Series 2011A-2 Bonds are payable by the *Trustee* to Cede & Co. and such principal, *Purchase Price*, *Redemption Price* and interest payments are to be disbursed to the beneficial owners of the Series 2011A-2 Bonds through their nominees.

While the Series 2011A-2 Bonds are in the *Index Mode*, interest on the Series 2011A-2 Bonds will be payable on the first *Business Day* of each month. The Series 2011A-2 Bonds will be subject to a *Scheduled Mandatory Tender* on March 12, 2015. The failure of the District to pay the *Purchase Price* of the Series 2011A-2 Bonds upon any *Scheduled Mandatory Tender* would constitute an *Event of Default* under the Indenture. See the caption

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“THE SERIES 2011A-2 BONDS—Mandatory Tender for Purchase—Scheduled Mandatory Tender for Purchase.” The Series 2011A-2 Bonds are also subject to mandatory tender on an Unscheduled Mandatory Tender Date at the option of the District as described herein. The failure of the District to pay the Purchase Price of the Series 2011A-2 Bonds upon such Unscheduled Mandatory Tender would not constitute an Event of Default under the Indenture. See the caption “THE SERIES 2011A-2 BONDS—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase.” While in the Index Mode, individual purchases of Series 2011A-2 Bonds will be made in principal amounts of \$100,000 and integral multiples of \$5,000 in excess thereof.

This Remarketing Statement describes the Series 2011A-2 Bonds while in the Index Mode and for the Tender Period commencing on February 14, 2014 and ending on the Scheduled Mandatory Tender Date set forth above. There are significant differences in the terms of the Series 2011A-2 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-2 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode, but should look solely to the offering document to be used in connection with any such Change in Mode.

This Remarketing Statement describes the Series 2011A-2 Bonds for the Tender Period ending on the Scheduled Mandatory Tender Date set forth above only. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-2 Bonds for any other Tender Period. Owners and prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-2 Bonds during any other Tender Period, but should look solely to the offering document to be used in connection with such Tender Period.

Concurrently with the reoffering of the Series 2011A-2 Bonds, the District anticipates reoffering its Series 2011A-1 Bonds. Owners or prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-1 Bonds but should look instead to the most current Remarketing Statement prepared by the District for the Series 2011A-1 Bonds.

The Series 2011A-2 Bonds are subject to optional and mandatory redemption prior to maturity as more fully described under the caption “THE SERIES 2011A-2 BONDS—Redemption of Series 2011A-2 Bonds.”

THE SERIES 2011A-2 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2011A-2 Bonds. Investors are advised to read the entire Remarketing Statement to obtain information essential to the making of an informed investment decision. Capitalized terms have the meanings given such terms in this Remarketing Statement.

Certain legal matters in connection with the reoffering of the Series 2011A-2 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District, and for the Remarketing Agent by Stradling Yocca Carlson & Rauth, a Professional Corporation. The Series 2011A-2 Bonds are available through the facilities of The Depository Trust Company. Morgan Stanley & Co. LLC is serving as Remarketing Agent and will remarket the Series 2011A-2 Bonds on February 14, 2014 following their mandatory tender.

MorganStanley

Series 2011A-2 Bonds Remarketing Agent

Dated: February __, 2014

No dealer, broker, salesperson or other person has been authorized by the District or the Remarketing Agent to give any information or to make any representation other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Remarketing Agent. This Remarketing Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2011A-2 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Remarketing Statement is not to be construed as a contract with the purchasers of the Series 2011A-2 Bonds. Statements contained in this Remarketing Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Statement:

The Remarketing Agent has reviewed the information in this Remarketing Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

The information set forth in this Remarketing Statement has been obtained from official sources and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Remarketing Agent. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Remarketing Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011A-2 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CERTAIN STATEMENTS CONTAINED IN THIS REMARKETING STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS REMARKETING STATEMENT. THE PROJECTIONS CONTAINED IN THIS REMARKETING STATEMENT WILL NOT BE UPDATED AS PART OF THE DISTRICT’S CONTINUING DISCLOSURE OBLIGATIONS FOR THE SERIES 2011A-2 BONDS.

THE SERIES 2011A-2 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES 2011A-2 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not part of this Remarketing Statement and should not be relied upon in making an investment decision with respect to the Series 2011A-2 Bonds.

IRVINE RANCH WATER DISTRICT
Orange County, California

Board of Directors

Steven E. LaMar, *President*
Peer A. Swan, *Vice President*
Douglas J. Reinhart
John B. Withers
Mary Aileen Matheis

Management

Paul A. Cook, *General Manager*
Cheryl Clary, *Executive Director of Finance and Administration*
Robert Jacobson, *Treasurer*
Leslie Bonkowski, *Secretary*

District General Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Co-Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

[REGIONAL MAP]

[MAP OF WATER IMPROVEMENT DISTRICTS]

[MAP OF SEWER IMPROVEMENT DISTRICTS]

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REMARKETING STATEMENT

\$37,360,000 BONDS OF IRVINE RANCH WATER DISTRICT REFUNDING SERIES 2011A-2

INTRODUCTION

This Remarketing Statement replaces the Remarketing Statement dated February 5, 2013, as supplemented on February 12, 2013, in its entirety.

Pursuant to the provisions of the Indenture of Trust, dated as of April 1, 2011 (the "Original Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as amended by the First Supplemental Indenture of Trust, dated as of February 1, 2014 (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture"), by and between the District and the Trustee, relating to the Bonds of Irvine Ranch Water District Refunding Series 2011A-2 (the "Series 2011A-2 Bonds"), the Irvine Ranch Water District (the "District") has exercised its option to effect an Unscheduled Mandatory Tender of the Series 2011A-2 Bonds on February 14, 2014.

Upon the purchase of the Series 2011A-2 Bonds pursuant to such Unscheduled Mandatory Tender, the Series 2011A-2 Bonds: (i) will be remarketed in the Index Mode for a Tender Period commencing on February 14, 2014 with the Scheduled Mandatory Tender Date on March 12, 2015; and (ii) will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period), all as more fully described herein.

Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 14, 2014, the District will publish it by supplementing this Remarketing Statement and posting the supplement with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System ("EMMA").

The Purchase Price of the tendered Series 2011A-2 Bonds will be paid on February 14, 2014 from moneys held by the Trustee, consisting of immediately available funds on deposit in the Remarketing Proceeds Account, as more fully described herein.

This Introduction is subject in all respects to the more complete information contained and referenced elsewhere in this Remarketing Statement. The remarketing of the Series 2011A-2 Bonds to potential investors is made only by means of the entire Remarketing Statement.

Purpose

The purpose of this Remarketing Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the District and Improvement District Nos. 113, 125, 213 and 225 (collectively, the "Improvement Districts" or individually, an "Improvement District") which are geographical subdivisions of the District through which the District funds capital improvements, in connection with the remarketing of \$37,360,000 aggregate principal amount of the Series 2011A-2 Bonds, which Series 2011A-2 Bonds constitute the consolidated several general obligations of Improvement District Nos. 113, 125, 213 and 225. In addition, the District has pledged Revenues to the repayment of the Series 2011A-2 Bonds. See the caption "SECURITY FOR THE SERIES 2011A-2 BONDS—Pledge of Assessment Proceeds and Revenues."

The Series 2011A-2 Bonds were issued pursuant to the Indenture for the purposes of: (i) providing a portion of the funds to refund the then-outstanding Bonds of Irvine Ranch Water District, Consolidated

Refunding Series 2008B; and (ii) paying costs of issuance with respect to the Series 2011A-2 Bonds. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

This Remarketing Statement describes the Series 2011A-2 Bonds while in the Index Mode and for the Tender Period described herein only. There are significant differences in the terms of the Series 2011A-2 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-2 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode, but should look solely to the offering document to be used in connection with any such Change in Mode.

This Remarketing Statement describes the Series 2011A-2 Bonds for the Tender Period ending on the Scheduled Mandatory Tender Date of March 12, 2015. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-2 Bonds for any other Tender Period. Owners and prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-2 Bonds during any other Tender Period, but should look solely to the offering document to be used in connection with such Tender Period.

Concurrently with the reoffering of the Series 2011A-2 Bonds, the District anticipates reoffering its Bonds of Irvine Ranch Water District Refunding Series 2011A-1 (the “Series 2011A-1 Bonds”). Owners or prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-1 Bonds but should look instead to most current Remarketing Statement prepared by the District for the Series 2011A-1 Bonds.

Although the District has the right under the Indenture to enter into a Liquidity Facility in connection with the Series 2011A-2 Bonds, the District has not elected to enter into a Liquidity Facility in connection with the remarketing of the Series 2011A-2 Bonds for the Tender Period commencing February 14, 2014. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-2 Bonds supported by a Liquidity Facility. Owners and prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information in connection with the Series 2011A-2 Bonds supported by a Liquidity Facility, but should look solely to the offering document to be used in connection with any future entry of the District into a Liquidity Facility with respect to the Series 2011A-2 Bonds.

The District

The District is a California water district, formed in 1961 under the authority of the California Water District Law, constituting Division 13 of the California Water Code (the “Act”). Currently there are seven water improvement districts and nine sewer improvement districts formed pursuant to the Act, which are geographical subdivisions of the District through which the District funds capital improvements. See Appendix A—“IRVINE RANCH WATER DISTRICT.”

The Series 2011A-2 Bonds

The Series 2011A-2 Bonds are being remarketed in an Index Mode for a Tender Period commencing on February 14, 2014 with the Scheduled Mandatory Tender Date of March 12, 2015 and will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period, all as more fully described under the caption “THE SERIES 2011A-2 BONDS”). While in the Index Mode, interest on the 2011A-2 Bonds will be payable on the first Business Day of each month. The Series 2011A-2 Bonds will be subject to a Scheduled Mandatory Tender on March 12, 2015. The failure of the District to pay the Purchase

Price of a Series 2011A-2 Bond upon any Scheduled Mandatory Tender would constitute an Event of Default under the Indenture. See the caption “THE SERIES 2011A-2 BONDS—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure.” The Series 2011A-2 Bonds are also subject to mandatory tender on an Unscheduled Mandatory Tender Date established at the option of the District as described herein. See the caption “THE SERIES 2011A-2 BONDS—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase.” While in the Index Mode, individual purchases of Series 2011A-2 Bonds will be made in principal amounts of \$100,000 and integral multiples of \$5,000 in excess thereof.

Improvement Districts

Set forth below are brief descriptions of the Improvement Districts for which the Series 2011A-2 Bonds constitute the consolidated, several general obligations. For more complete information with respect to the Improvement Districts, see Appendix A—“IRVINE RANCH WATER DISTRICT” under the caption “THE IMPROVEMENT DISTRICTS.”

Improvement District Nos. 125 and 225. At the time of their initial issuance on April 15, 2011, the Series 2011A-2 Bonds constituted the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250. Pursuant to the Indenture, the District covenanted to fix and collect *ad valorem* assessments on taxable land within such improvement districts in amounts sufficient to pay principal of and interest on the Series 2011A-2 Bonds. See the caption “—Security for the Series 2011A-2 Bonds—Assessment Proceeds.”

Beginning in 2011, the District undertook a long-term review of its capital funding plan. As a result of such review, the Board of Directors of the District determined that it was the District’s best interest to consolidate certain improvement districts to support differing capital infrastructure needs within developed and undeveloped areas of the District. Accordingly, by resolutions adopted on October 14, 2013, October 28, 2013 and November 11, 2013, the Board of Directors of the District undertook the following actions:

- Certain lands were annexed into Improvement District Nos. 105 and 250 in accordance with Section 36428 *et seq.* of the Act. The annexed lands were declared to be liable for debt service on the outstanding bonds of Improvement District Nos. 105 and 250, including each such Improvement District’s Included Amount (as such term is defined under the caption “—Security for the Series 2011A-2 Bonds—General”) of the Series 2011A-2 Bonds.
- Certain lands generally constituting large permanent open space parcels were detached from Improvement District Nos. 105 and 250 in accordance with Section 36442 *et seq.* of the Act. The detached lands were declared to be relieved of liability for debt service on the outstanding bonds of Improvement District Nos. 105 and 250, including each such Improvement District’s Included Amount of the Series 2011A-2 Bonds to the extent permitted by law.
- Improvement District No. 105 and ten other water improvement districts were consolidated into a new improvement district, Improvement District No. 125, in accordance with Section 36454 *et seq.* of the Act. Pursuant to Section 36454.1 of the Act, Improvement District No. 105’s Included Amount of the Series 2011A-2 Bonds was assumed by and became the liability of Improvement District No. 125.
- Improvement District No. 250 and nine other sewer improvement districts were consolidated into a new improvement district, Improvement District No. 225, in accordance with Section 36454 *et seq.* of the Act. Pursuant to Section 36454.1 of the Act, Improvement District No. 250’s Included Amount of the Series 2011A-2 Bonds was assumed by and became the liability of Improvement District No. 225.

As a result of the foregoing actions, the Series 2011A-2 Bonds currently constitute the consolidated, several general obligations of Improvement District Nos. 113, 125, 213 and 225. Pursuant to the Act, Improvement District Nos. 125 and 225 are authorized to levy and collect the assessments and charges

necessary to satisfy the obligations of their predecessor improvement districts, including the assessments and charges necessary to satisfy payment of the Series 2011A-2 Bonds for Improvement District Nos. 105 and 250, respectively.

Improvement District No. 125 (water) covers approximately 35,438 acres of the District, including several contiguous and non-contiguous areas in the central and coastal parts of the District. Improvement District No. 225 (sewer) covers approximately 32,862 acres of the District, including several contiguous and non-contiguous areas in the central part of the District. Currently, the majority of the land within Improvement District Nos. 125 and 225 consists of developed residential property. However, the District expects certain areas within Improvement District Nos. 125 and 225 to be subject to infill development and redevelopment in the future. The District expects such additional development in Improvement District Nos. 125 and 225 to continue through at least 2020. The estimated Fiscal Year 2014 assessed value of the land in Improvement District No. 125 is \$28,530,125,230, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 105 before its consolidation into Improvement District No. 125 was \$7,099,866,552. The estimated Fiscal Year 2014 assessed value of the land in Improvement District No. 225 is \$28,530,125,230, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 250 before its consolidation into Improvement District No. 225 was \$6,776,400,622.

See Table 3 under the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness” in Appendix A for a description of the *ad valorem* assessment bonds, including the Series 2011A-2 Bonds, attributable to Improvement District Nos. 125 and 225, respectively.

Improvement District Nos. 113 and 213. Improvement District No. 113 (water) and Improvement District No. 213 (sewer) are coterminous and are located in portions of the Cities of Tustin and Irvine. Improvement District Nos. 113 and 213 are comprised of approximately 1,629 acres of the land formerly known as Marine Corps Air Station Tustin. The boundaries of Improvement District Nos. 113 and 213 are Harvard Avenue on the southeast, Barranca Parkway on the southwest, Red Hill Avenue on the northwest and Edinger Avenue on the northeast. The former helicopter base, now known as Tustin Legacy, is currently being redeveloped with residential, commercial, institutional and recreational uses. The District expects development in Improvement District Nos. 113 and 213 to continue through at least 2020. The District expects that the total existing and future development will consist of 4,800 dwelling units and 12,100,000 square feet of commercial, institutional and recreational uses. The Fiscal Year 2014 assessed value of the land in Improvement District No. 113 is \$562,239,093. The Fiscal Year 2014 assessed value of the land in Improvement District No. 213 is \$562,239,093.

Security for the Series 2011A-2 Bonds

General. The Series 2011A-2 Bonds constitute the consolidated, several general obligations of the Improvement Districts payable from the following sources, each as further described under the caption “SECURITY FOR THE SERIES 2011A-2 BONDS”: (i) Assessment Proceeds collected from within each Improvement District and applied by the District to pay such Improvement District’s Included Amount (as defined below) of the principal, Purchase Price and Redemption Price of, and interest on, all Outstanding Series 2011A-2 Bonds; (ii) Net Revenues of the District; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture.

The principal amount of the Series 2011A-2 Bonds allocated to an Improvement District is referred to as such Improvement District’s “Included Amount” and an Improvement District’s Included Amount divided by the total principal amount of the Series 2011A-2 Bonds is referred to as such Improvement District’s “Included Percentage.”

Assessment Proceeds. The District has covenanted in the Indenture that, 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, the District will: (a) fix and collect, or cause the fixing 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 the Series 2011A-2 Bonds of the applicable Improvement District; or (c) in its discretion, impose and collect, or cause the imposition and collection of, In Lieu Charges (which constitute charges for water or sewer service, as applicable, in the applicable Improvement District in lieu of *ad valorem* assessments). See the caption “SECURITY FOR THE SERIES 2011A-2 BONDS—General—Covenant to Collect Assessment Proceeds.”

As among the Improvement Districts, Assessment Proceeds collected in any Improvement District will not be available to pay any other Improvement District’s share of debt service of the Series 2011A-2 Bonds. Each Improvement District’s Included Amount and Included Percentage will be as set forth below:

SERIES 2011A-2 BONDS

<i>Improvement District No.</i>	<i>Included Amount</i>	<i>Included Percentage</i>
113	\$ 1,868,000	5.00%
125	17,447,120	46.70
213	2,353,680	6.30
225	<u>15,691,200</u>	<u>42.00</u>
Total	<u>\$ 37,360,000</u>	<u>100.00%</u>

The Included Amount for each Improvement District with respect to the Series 2011A-2 Bonds and any other outstanding or future District general obligation bonds issued for such Improvement District are equally secured by the *ad valorem* assessments and any charges for water or sewer service, as applicable, imposed and collected in lieu of *ad valorem* assessments, collected within such Improvement District. The *ad valorem* assessments are levied only on land and are based on the land value of parcels in the Improvement District without regard to the value of any improvements thereon. See Appendix A—“IRVINE RANCH WATER DISTRICT” under the captions “THE IMPROVEMENT DISTRICTS—Improvement District Nos. 125 and 225” and “THE IMPROVEMENT DISTRICTS—Improvement District Nos. 113 and 213.”

During the term of the Series 2011A-2 Bonds, the Included Amounts and Included Percentages for any Improvement District may be adjusted as a result of the purchase or redemption of Series 2011A-2 Bonds allocated to one or more Improvement Districts, pursuant to calculations made by the District and delivered to the Trustee pursuant to the Indenture, without need for any amendment of or supplement to the Indenture.

Net Revenues. The Series 2011A-2 Bonds are also payable from the Net Revenues of the District and are secured by a pledge of the Revenues of the District, subject to the application of the Revenues as provided in the Indenture. Net Revenues for any period consist of the Revenues of the District less the Operation and Maintenance Expenses of the District for such period, as such terms are defined under the caption “SECURITY FOR THE SERIES 2011A-2 BONDS—Pledge of Assessment Proceeds and Revenues—Net Revenues.”

Net Revenues collected within any improvement district of the District, including the Improvement Districts, are available to make debt service payments on the Series 2011A-2 Bonds.

The obligation of the District to pay the principal, Redemption Price and Purchase Price (other than the Purchase Price due on an Unscheduled Mandatory Tender) of, and interest on, the Series 2011A-2 Bonds from Net Revenues is payable on a parity with the District’s obligations under certain Parity Obligations. See the caption “SECURITY FOR THE SERIES 2011A-2 BONDS—Existing Parity Obligations.” The District may enter into additional Parity Obligations in accordance with the terms of the Indenture. See the caption

“SECURITY FOR THE SERIES 2011A-2 BONDS—Limitations on Parity and Superior Obligations—Obligations on a Parity with the Series 2011A-2 Bonds.”

The District has covenanted in the Indenture, to the fullest extent permitted by law, to 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 125% of Aggregate Debt Service payable during such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but will 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 the rate covenant with respect to all outstanding Parity Obligations. See the caption “SECURITY FOR THE SERIES 2011A-2 BONDS—General—Revenue Rate Covenant.”

***Limited Obligations.* THE SERIES 2011A-2 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS.**

Professionals Involved in the Remarketing

The Bank of New York Mellon Trust Company, N.A. serves as Trustee under the Indenture. Certain legal matters in connection with the reoffering of the Series 2011A-2 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District (“General Counsel”), and for Morgan Stanley & Co. LLC (the “Remarketing Agent”) by Stradling Yocca Carlson & Rauth, a Professional Corporation.

Summaries Not Definitive

The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to each such document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning given to it in the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

All references to and summaries of the Indenture, documents, statutes, reports and other instruments referred to herein are qualified in their entirety by reference to the full Indenture, and each such document, statute, report or instrument, respectively. Forward looking statements in this Remarketing Statement are subject to risks and uncertainties. Actual results may vary from forecasts or projections contained herein because events and circumstances do not occur as expected, and such variances may be material. The projections contained in this Remarketing Statement will not be updated as part of the District’s continuing disclosure obligations for the Series 2011A-2 Bonds.

Additional Information

Copies of the Indenture and audited financial statements of the District are available for inspection at the offices of the District in Irvine, California, and will be available from the Trustee upon request and payment of costs. Additional information regarding this Remarketing Statement may be obtained by contacting the District, at the following address:

Treasurer
Irvine Ranch Water District
15600 Sand Canyon Avenue
Irvine, California 92618
(949) 453-5300

THE SERIES 2011A-2 BONDS

This Remarketing Statement describes the Series 2011A-2 Bonds while in the Index Mode and for the Tender Period described herein only. There are significant differences in the terms of the Series 2011A-2 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-2 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode, but should look solely to the offering document to be used in connection with any such Change in Mode.

General

The Series 2011A-2 Bonds mature on October 1, 2037. The Series 2011A-2 Bonds are being remarketed in an Index Mode for a Tender Period commencing on February 14, 2014 with the Scheduled Mandatory Tender Date set forth on the front cover page hereof and will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period). Notice of the Index Spread for the Tender Period commencing on February 14, 2014 will be given as described under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Index Spread; Adjustment of Index Spread.” All Outstanding Series 2011A-2 Bonds will be in the same Mode. Any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner provided in the Indenture.

While in the Index Mode, the Series 2011A-2 Bonds will be subject to all of the terms of the Indenture relating to the Series 2011A-2 Bonds in the Index Mode, including provisions that require the Owners to tender their Series 2011A-2 Bonds for purchase on the Scheduled Mandatory Tender Date and on other dates as described in this Remarketing Statement, and provisions that permit the District to effect an Unscheduled Mandatory Tender (which Unscheduled Mandatory Tender is subject to rescission and successful remarketing as described under the caption “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Rescission”). See the caption “—Mandatory Tender for Purchase” and “—Purchase of Series 2011A-2 Bonds.”

While in the Index Mode, the Series 2011A-2 Bonds are not subject to tender for purchase at the option of the Owners.

The Series 2011A-2 Bonds are in the form of fully registered bonds and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2011A-2 Bonds. While the Series 2011A-2 Bonds are in the Index Mode,

individual purchases of Series 2011A-2 Bonds will be made in principal amounts of \$100,000 and integral multiples of \$5,000 in excess thereof. See the caption “—Book-Entry Only System” and Appendix E hereto.

Payment of Interest

Interest on the Series 2011A-2 Bonds in an Index Mode will be calculated on the basis of a 365/366-day year for the actual number of days elapsed. Interest on the Series 2011A-2 Bonds in an Index Mode and for the Tender Period commencing February 14, 2014 is payable on the first Business Day of each calendar month, commencing March 3, 2014, and on each Mandatory Purchase Date, Scheduled Mandatory Tender Date and Unscheduled Mandatory Tender Date on which all outstanding Series 2011A-2 Bonds are purchased (each, an “Interest Payment Date”).

During the Index Mode, payment will be made on each Interest Payment Date for unpaid interest accrued from and including each Interest Accrual Date, which is the first day of each Tender Period and each Interest Payment Date thereafter. The amount of interest payable on each such Interest Payment Date will be determined in accordance with the provisions described under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Duration of Tender Period”) and, thereafter, the first Business Day of each month during such Tender Period (each, an “Interest Accrual Date”) to but excluding such Interest Payment Date. Notwithstanding any provision of the Indenture, at no time may the rate of interest on any Series 2011A-2 Bond exceed the Maximum Rate.

Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode

Determination of SIFMA Average Index Rate and Index Tender Rate. During each Tender Period, no later than 11:00 a.m.* on the Business Day immediately preceding each Interest Payment Date while the Series 2011A-2 Bonds bear interest in the Index Mode, the Trustee will deliver written notice to the District and the Remarketing Agent specifying the SIFMA Average Index Rate and the Index Tender Rate for, and the aggregate amount of interest that accrued during, the Index Rate Accrual Period ending on the day preceding such Interest Payment Date together with a detailed calculation of the foregoing. All percentages resulting from the calculation of the SIFMA Average Index Rate will be rounded, if necessary, to the nearest ten-thousandth of a percentage point with five hundred thousandths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation of interest on the Series 2011A-2 Bonds while bearing interest in an Index Mode will be rounded to the nearest cent (with one-half cent being rounded upward).

Index Spread; Adjustment of Index Spread. Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 14, 2014, the District will publish it by supplementing this Remarketing Statement and posting the supplement with EMMA. With respect to subsequent Tender Periods, the Index Spread will be determined by the Remarketing Agent and adjusted as described under the captions “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender” and “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender.” During each Tender Period, the Index Spread with respect to such Tender Period will apply to all Series 2011A-2 Bonds.

Duration of Tender Period. A Tender Period will commence on February 14, 2014 and end on March 12, 2015. Thereafter, each Tender Period will commence on the first to occur of: (i) the Scheduled Mandatory Tender Date of the immediately preceding Tender Period; (ii) an Unscheduled Mandatory Tender Date in connection with any Unscheduled Mandatory Tender if all Series 2011A-2 Bonds are actually purchased as described under the caption “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds;” and (iii) the effective

* Unless otherwise expressly stated, all times referred to in this Remarketing Statement are New York City time.

date of a Change in Mode to an Index Mode. Each Tender Period will terminate on the first to occur of: (a) the Scheduled Mandatory Tender Date; (b) an Unscheduled Mandatory Tender Date in connection with any Unscheduled Mandatory Tender if all Series 2011A-2 Bonds are actually purchased as described under the caption “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds;” (c) the first date on which the Series 2011A-2 Bonds bear interest in a Mode other than the Index Mode; or (d) the date on which all Series 2011A-2 Bonds are redeemed in accordance with the terms of the Indenture or all principal and accrued interest on all Series 2011A-2 Bonds are otherwise paid in full.

Mandatory Tender for Purchase

Scheduled Mandatory Tender for Purchase. Unless the Series 2011A-2 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, the Owners of all of the Series 2011A-2 Bonds will tender for purchase, and the District will purchase, all of the Series 2011A-2 Bonds on the Scheduled Mandatory Tender Date for such Tender Period. The Trustee will give notice of each Scheduled Mandatory Tender to the Owners of the Series 2011A-2 Bonds as provided in the Indenture not less than seven days prior to the Scheduled Mandatory Tender Date. With respect to the Tender Period commencing on February 14, 2014, the Scheduled Mandatory Tender Date is March 12, 2015 and, with respect to each subsequent Tender Period, the Scheduled Mandatory Tender Date will be determined as described under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Duration of Tender Period.” Failure of the District to pay the Purchase Price for the Series 2011A-2 Bonds on a Scheduled Mandatory Tender Date constitutes an Event of Default under the Indenture. See the caption “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure” below.

Unscheduled Mandatory Tender for Purchase. While the Series 2011A-2 Bonds bear interest in an Index Mode, at its option, the District may require, during each Tender Period, the Owners of all (but not less than all) of the Series 2011A-2 Bonds to tender their Series 2011A-2 Bonds to the District for purchase, from the source of funds described under the caption “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds” on any Business Day from and after the Call Protection Date for such Tender Period. The Call Protection Date for the Tender Period commencing February 14, 2014 is set forth on the front cover page hereof. To exercise such option, the District will deliver to the Trustee at its Corporate Trust Office and the Remarketing Agent, no later than 10 days before the Unscheduled Mandatory Tender Date, the written notice of Unscheduled Mandatory Tender described under the caption “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Effect of a Successful Remarketing.” The Trustee will give notice of each Unscheduled Mandatory Tender to the Owners of the Series 2011A-2 Bonds as provided in the Indenture not less than seven days prior to the Unscheduled Mandatory Tender Date. Except as provided under the captions “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Rescission” and “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions,” the Trustee will pay to the Owners of the Series 2011A-2 Bonds 100% of the principal amount of the Series 2011A-2 Bonds from the proceeds of the remarketing of such Series 2011A-2 Bonds as described under the caption “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds.” If all outstanding Series 2011A-2 Bonds are purchased, the Unscheduled Mandatory Tender Date is also an Interest Payment Date for the Series 2011A-2 Bonds and the District will pay the unpaid accrued interest on the Series 2011A-2 Bonds on such date. The failure to pay the purchase price of Series 2011A-2 Bonds in connection with an Unscheduled Mandatory Tender does not constitute an Event of Default under the Indenture and the purchase of the Series 2011A-2 Bonds subject to mandatory tender will be cancelled and the Index Mode Tender Period will continue. See the caption “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions.”

Purchase of Series 2011A-2 Bonds

The Remarketing Agent has agreed to use its best efforts to remarket the Series 2011A-2 Bonds pursuant to the Indenture at the minimum interest rate available in the marketplace to permit the Remarketing Agent to remarket the Series 2011A-2 Bonds on the Purchase Date, Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, at the principal amount thereof; provided that the remarketing of the Series 2011A-2 Bonds in connection with a Scheduled Mandatory Tender or an Unscheduled Mandatory Tender will be as provided under the captions “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender” and “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender,” respectively. Series 2011A-2 Bonds subject to purchase on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date will be purchased from the Owners thereof at the Purchase Price which will be payable solely from the following sources in the order listed, except that the Purchase Price in connection with an Unscheduled Mandatory Tender is payable solely from the source described in clause (i) below:

- (i) Immediately available funds on deposit in the Remarketing Proceeds Account; and
- (ii) Immediately available funds on deposit in the District Purchase Account.

See Appendix C under the caption “DEFINITIONS” for a description of the Remarketing Proceeds Account and District Purchase Account.

At or before 3:00 p.m. on the Business Day immediately preceding each Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, the Remarketing Agent: (i) unless otherwise provided in a Representation Letter, is to deliver to the Trustee instructions for registration of Series 2011A-2 Bonds remarketed in accordance with the Indenture; and (ii) is to give Electronic Notice to the Trustee and the District, specifying the aggregate principal amount of Series 2011A-2 Bonds not remarketed, if any. If the Series 2011A-2 Bonds are registered in the name of a Bond Depository or its nominee, and if the amount of such remarketing proceeds is sufficient to pay the Purchase Price of all Series 2011A-2 Bonds to be purchased on the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, the Remarketing Agent may apply such remarketing proceeds to the appropriate accounts of such Bond Depository to effect payment of the Purchase Price of Series 2011A-2 Bonds in accordance with the procedures established by such Bond Depository.

If the amount of proceeds from the remarketing delivered to the Trustee indicates that Series 2011A-2 Bonds are required to be purchased from moneys provided by the District, the Trustee will give Electronic Notice to the District at or prior to 11:30 a.m. on such date specifying the information set forth in the Indenture. Upon receipt of such notice, on each Mandatory Purchase Date and Scheduled Mandatory Tender Date, the District is to deposit with the Trustee in the District Purchase Account, by 2:00 p.m. on such date, immediately available funds in an amount together with the remarketing proceeds, to enable the Trustee to pay the Purchase Price of the tendered Series 2011A-2 Bonds. Unless otherwise provided in a Representation Letter, on each Mandatory Purchase Date, Scheduled Mandatory Tender Date and, if all Series 2011A-2 Bonds are purchased, each Unscheduled Mandatory Tender Date, all Series 2011A-2 Bonds which have been remarketed will be registered as directed by the Remarketing Agent.

The Trustee will pay from the funds specified in the Indenture, the Purchase Price for each tendered Series 2011A-2 Bond at or prior to 3:00 p.m. on the Mandatory Purchase Date, Scheduled Mandatory Tender Date or, if all Series 2011A-2 Bonds are purchased, the Unscheduled Mandatory Tender Date, as the case may be; provided that the Purchase Price of Series 2011A-2 Bonds in connection with an Unscheduled Mandatory Tender will be payable only from amounts in the Remarketing Proceeds Account. The Purchase Price of any Series 2011A-2 Bond so tendered is payable only upon surrender of such Series 2011A-2 Bond to the Trustee at its Corporate Trust Office for delivery of such Series 2011A-2 Bond, except that payment of the Purchase

Price of any Series 2011A-2 Bond tendered for purchase or otherwise purchased pursuant to a Representation Letter will be made in immediately available funds and in such manner as the Bond Depository and the Trustee agree.

Notwithstanding any provision to the contrary contained in the Indenture, all tenders for purchase in connection with an Unscheduled Mandatory Tender are payable only from immediately available funds on deposit in the Remarketing Proceeds Account.

Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender

Remarketing of Series 2011A-2 Bonds. During each Tender Period in the Index Mode, upon establishing the Index Spread for the next succeeding Tender Period (as described below under the caption “—Determination of Index Spread”), the Remarketing Agent will offer for sale and use its best efforts to sell in accordance with the Remarketing Agreement all Series 2011A-2 Bonds at a price equal to the principal amount thereof, such that the Index Spread for the next Tender Period will be adjusted as described below under the caption “—Determination of Index Spread.” The Remarketing Agent will sell any Series 2011A-2 Bonds tendered pursuant to a Scheduled Mandatory Tender at the principal amount thereof; provided that if the District delivers a Favorable Opinion of Bond Counsel, the District has the right to direct the Remarketing Agent to sell any Series 2011A-2 Bonds tendered pursuant to a Scheduled Mandatory Tender at a discount or at a premium.

Determination of Scheduled Mandatory Tender Date. Unless the Series 2011A-2 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, the District, by direction to the other Notice Parties by Electronic Notice or telecopy not later than 10 days before the Scheduled Mandatory Tender Date for each Tender Period, is to determine the Scheduled Mandatory Tender Date for all Series 2011A-2 Bonds for the Tender Period immediately following the purchase of Series 2011A-2 Bonds pursuant to a Scheduled Mandatory Tender as provided in the Indenture. Such Scheduled Mandatory Tender Date may be any Business Day during the next Tender Period except that the Scheduled Mandatory Tender Date will not be a date that is earlier than three months after the commencement of the Tender Period. If the District is required to deliver a written direction as provided above but fails to do so, then the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of Series 2011A-2 Bonds will be the date that is one year after the commencement of the Tender Period (unless such date is not a Business Day, in which case the Scheduled Mandatory Tender Date will be the first Business Day following such date).

Establishment of Call Protection Date. With respect to any Tender Period commencing on a Scheduled Mandatory Tender Date that the Series 2011A-2 Bonds are purchased pursuant to a Scheduled Mandatory Tender, the Call Protection Date will be the Tender Period Standard Date; provided that if the District delivers to the Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction as to the Scheduled Mandatory Tender Date, the District may determine that the Call Protection Date for such Tender Period will be any Business Day during the Tender Period. The Call Protection Date with respect to the Tender Period commencing on February 14, 2014 is September 12, 2014.

Determination of Index Spread. Unless the Series 2011A-2 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, no later than 5:00 p.m. on the day that is two Business Days before the Scheduled Mandatory Tender Date for such Tender Period, the Remarketing Agent is to determine the Index Spread with respect to the Tender Period immediately following such Scheduled Mandatory Tender Date. The Index Spread determined by the Remarketing Agent is to be equal to the minimum fixed spread to SIFMA which, if borne by the Series 2011A-2 Bonds, would enable the Remarketing Agent to sell all Series 2011A-2 Bonds tendered or deemed tendered pursuant to the Scheduled Mandatory Tender on the Scheduled Mandatory Tender Date at a price equal to the principal amount thereof.

With respect to all Series 2011A-2 Bonds sold with an Index Tender Rate based on an Index Spread determined by the Remarketing Agent pursuant to the Indenture, the determination of the Index Spread so determined by the Remarketing Agent will be conclusive and binding on the Notice Parties and the Owners of the Series 2011A-2 Bonds.

Purchase of Series 2011A-2 Bonds. Series 2011A-2 Bonds required to be purchased as described under caption “—Remarketing of Series 2011A-2 Bonds” will be purchased from the Owners thereof, on the Scheduled Mandatory Tender Date at the Purchase Price from the sources and in the order of priority described under the caption “—Mandatory Tender for Purchase—Scheduled Mandatory Tender for Purchase.”

The District is irrevocably obligated to pay the Purchase Price of all Series 2011A-2 Bonds on each Scheduled Mandatory Tender Date.

Consequences of a Scheduled Mandatory Tender Failure. Upon the occurrence of a Scheduled Mandatory Tender Failure on any Scheduled Mandatory Tender Date, the following will occur:

(i) The Trustee will promptly return all Series 2011A-2 Bonds to the Owners thereof together with notice of such failure and the Trustee and the Remarketing Agent will promptly return all remarketing proceeds to the persons providing such moneys without interest;

(ii) The Tender Period then in effect will terminate on such Scheduled Mandatory Tender Date and the Series 2011A-2 Bonds will bear interest at the last Index Tender Rate for the Tender Period so terminated from the applicable Scheduled Mandatory Tender Date to the earliest to occur of the purchase of the Series 2011A-2 Bonds by or on behalf of the District or the payment of the principal of the Series 2011A-2 Bonds; and

(iii) An Event of Default under the Indenture will occur.

Effect of a Successful Remarketing. If moneys on deposit with the Trustee are sufficient to pay the Purchase Price of Series 2011A-2 Bonds to be purchased as described under caption “—Remarketing of Series 2011A-2 Bonds” on a Scheduled Mandatory Tender Date, the following will occur:

(i) The Tender Period in effect immediately before such purchase will terminate on the Scheduled Mandatory Tender Date and a new Tender Period will commence on such date; and

(ii) The Index Spread with respect to the Series 2011A-2 Bonds for the new Tender Period will be the Index Spread determined as described above under the caption “—Determination of Index Spread.”

Notification of Scheduled Mandatory Tender Failure. On the date of a Scheduled Mandatory Tender Failure, the Trustee will deliver a notice by mail to: (i) the District; (ii) the respective Owners of any Series 2011A-2 Bonds at their addresses appearing on the Bond Register; (iii) the Remarketing Agent; and (iv) one or more Information Services, which will state: (A) that a Scheduled Mandatory Tender Failure occurred; (B) the Trustee will return all Series 2011A-2 Bonds tendered on the Scheduled Mandatory Tender Date to the Owners thereof; and (C) an Event of Default has occurred under the Indenture.

Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender

Remarketing of Series 2011A-2 Bonds. Upon receipt of notice of an Unscheduled Mandatory Tender from the District as described under the caption “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase,” the Remarketing Agent will offer for sale and use its best efforts to sell in accordance with the Remarketing Agreement all Series 2011A-2 Bonds at a price equal to the principal amount thereof,

such that the Index Spread for the next Tender Period will be adjusted as described below under the caption “—Determination of Index Spread.” The Remarketing Agent will sell any Series 2011A-2 Bonds tendered pursuant to an Unscheduled Mandatory Tender at the principal amount thereof; provided that if the District delivers a Favorable Opinion of Bond Counsel, the District has the right to direct the Remarketing Agent to sell any Series 2011A-2 Bonds tendered pursuant to an Unscheduled Mandatory Tender at a discount or at a premium.

Determination of Scheduled Mandatory Tender Date. The District, by direction to the other Notice Parties by Electronic Notice or teletype not later than ten days before each Unscheduled Mandatory Tender Date, will determine the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of Series 2011A-2 Bonds pursuant to an Unscheduled Mandatory Tender, as provided in the Indenture. Such Scheduled Mandatory Tender Date may be any Business Day, except that the Scheduled Mandatory Tender Date may not be a date that is earlier than three months after the commencement of the Tender Period.

Establishment of Call Protection Date. With respect to any Tender Period commencing on an Unscheduled Mandatory Tender Date that all Series 2011A-2 Bonds are purchased pursuant to an Unscheduled Mandatory Tender, the Call Protection Date will be the Tender Period Standard Date; provided that if the District delivers to the Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction as to the Scheduled Mandatory Tender Date, the District may determine that the Call Protection Date for such Tender Period will be any Business Day during such Tender Period. The Call Protection Date with respect to the Tender Period commencing on February 14, 2014 is September 12, 2014.

Determination of Index Spread. No later than 5:00 p.m. on the day that is two Business Days before each Unscheduled Mandatory Tender Date, the Remarketing Agent will determine the Index Spread with respect to the Tender Period immediately following such Unscheduled Mandatory Tender Date. The Remarketing Agent will determine the Index Spread which will be equal to the minimum spread to SIFMA which, if borne by the Series 2011A-2 Bonds, would enable the Remarketing Agent to sell all Series 2011A-2 Bonds tendered pursuant to the Unscheduled Mandatory Tender on the Unscheduled Mandatory Tender Date at a price equal to the principal amount thereof. With respect to all Series 2011A-2 Bonds sold with an Index Tender Rate based on an Index Spread determined by the Remarketing Agent pursuant to the Indenture, the determination of the Index Spread so determined by the Remarketing Agent will be conclusive and binding on the Notice Parties and the Owners of the Series 2011A-2 Bonds.

Purchase of Series 2011A-2 Bonds. Subject to the provisions described under the caption “—Rescission” and “—Failure to Meet Conditions,” the District will cause Series 2011A-2 Bonds required to be purchased in an Unscheduled Mandatory Tender to be purchased on each Unscheduled Mandatory Tender Date from the Owners thereof at the Purchase Price from the source indicated under the caption “—Purchase of Series 2011A-2 Bonds.”

Consequences of an Unscheduled Mandatory Tender Failure or a Rescission. If the District rescinds any Unscheduled Mandatory Tender as described under the caption “—Rescission” or if any of the conditions of any Unscheduled Mandatory Tender are not satisfied as described under the captions “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase” and “—Failure to Meet Conditions,” then the District will not have any obligation to purchase any Series 2011A-2 Bonds and no purchase of Series 2011A-2 Bonds will occur. In such event, the following will occur:

(i) The Trustee will return all Series 2011A-2 Bonds to the Owners thereof together with notice of the basis for such return and the Trustee and the Remarketing Agent will return all remarketing proceeds to the persons providing such moneys without interest;

(ii) The Series 2011A-2 Bonds will continue to bear interest at the Index Tender Rate in effect during such Tender Period without change or modification and the Tender Period then in effect will

continue until terminated in accordance with the provisions set forth under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Duration of Tender Period”; and

- (iii) No Event of Default under the Indenture will have occurred.

Rescission. The District has the option to deliver to the Trustee at its Corporate Trust Office and the Remarketing Agent, on or prior to 5:00 p.m. on the Business Day immediately preceding the Unscheduled Mandatory Tender Date for an Unscheduled Mandatory Tender, a notice to the effect that the District elects to rescind such Unscheduled Mandatory Tender. If the District so rescinds an Unscheduled Mandatory Tender, then no purchase will occur, the Series 2011A-2 Bonds will continue to bear interest at the Index Tender Rate in effect during the Tender Period then in effect without change or modification and the Tender Period then in effect will continue until terminated as described under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Duration of Tender Period.”

Failure to Meet Conditions. Any Unscheduled Mandatory Tender, if not rescinded, will be conditioned upon: (a) amounts sufficient to pay the Purchase Price of such mandatory tender being on deposit from remarketing proceeds, as described under the caption “—Purchase of Series 2011A-2 Bonds,” with the Trustee on the Unscheduled Mandatory Tender Date; and (b) in connection with any change in the Call Protection Date for the next succeeding Tender Period from the Tender Period Standard Date, the delivery by the District of the Favorable Opinion of Bond Counsel described under the caption “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Establishment of Call Protection Date.” If on an Unscheduled Mandatory Tender Date the conditions described in the immediately preceding sentence are not satisfied, then no purchase of Series 2011A-2 Bonds will occur, the Series 2011A-2 Bonds will continue to bear interest at the Index Tender Rate in effect during the Tender Period then in effect without change or modification and the Tender Period then in effect will continue until terminated as described under the caption “—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Duration of Tender Period.”

Failure by the District to pay or cause to be paid the Purchase Price of Series 2011A-2 Bonds tendered under the Unscheduled Mandatory Tender provisions of the Indenture for any reason does not constitute an Event of Default by the District under the Indenture. No such failure affects the District’s right to require Owners of Series 2011A-2 Bonds to tender their Series 2011A-2 Bonds as described under the caption “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase” during the remainder of the Tender Period then in effect or during any subsequent Tender Period.

Effect of a Successful Remarketing. If moneys on deposit with the Trustee are sufficient to pay the Purchase Price of Series 2011A-2 Bonds to be purchased as described under the caption “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase” and all other conditions are satisfied, the following will occur:

- (i) The Tender Period in effect immediately before such tender will terminate on such Unscheduled Mandatory Tender Date and a new Tender Period will commence on such date; and
- (ii) The Index Spread with respect to the Series 2011A-2 Bonds for the new Tender Period will be the Index Spread determined as described above under the caption “—Determination of Index Spread.”

Changes in Mode

Subject to the provisions of the Indenture, the District may effect a Change in Mode with respect to the Series 2011A-2 Bonds by delivering to the Trustee, with copies to the other Notice Parties, a Notice of Change in Mode stating: (A) the election to change the Mode to which the Series 2011A-2 Bonds are then

subject (the “Current Mode”) to a different Mode (the “New Mode”), the type of which will be specified; (B) the date on which the Series 2011A-2 Bonds are required to be purchased pursuant to the provisions described below under the caption “—Mandatory Purchase of Series 2011A-2 Bonds,” which will be the date as of which the New Mode takes effect and a Business Day immediately following the end of an Adjustment Period or the last day of a Tender Period, or a Business Day on which the Series 2011A-2 Bonds would be subject to redemption at the option of the District; and (C) a form of notice of mandatory tender for purchase satisfying the requirements described below under the caption “—Mandatory Purchase of Series 2011A-2 Bonds.” In no event will a Change in Mode occur prior to the Call Protection Date set forth on the front cover page hereof.

Not less than seven days prior to a proposed Change in Mode, and in reliance upon a Notice of Change in Mode, the Trustee will give written notice, in the form prepared by the District and delivered to the Trustee pursuant to the immediately preceding paragraph, to the Owners of the mandatory tender for purchase of all Outstanding Series 2011A-2 Bonds as described below under the caption “—Mandatory Purchase of Series 2011A-2 Bonds” in connection with the Change in Mode.

The New Mode will take effect only if the following conditions are satisfied: (i) by 9:00 a.m. on the date of the proposed Change in Mode: (A) if a Liquidity Facility is to be in effect during the New Mode, the interest portion of the Liquidity Facility is in an amount equal to or greater than the Liquidity Facility Interest Amount for the applicable Mode; and (B) if the New Mode is the Fixed Rate Mode, the Trustee and the Remarketing Agent have received a Fixed Rate Terms Certificate; and (ii) the Trustee has received sufficient remarketing proceeds of the Series 2011A-2 Bonds in the New Mode to pay the Purchase Price of the Bonds subject to mandatory tender for purchase in connection with the Change in Mode. If such conditions are satisfied, then the New Mode will take effect on the date of the proposed Change in Mode. If such conditions are not satisfied, then: (a) all Outstanding Series 2011A-2 Bonds will be purchased on the Mandatory Purchase Date described below under the caption “—Mandatory Purchase of Series 2011A-2 Bonds;” (b) all Outstanding Series 2011A-2 Bonds will continue to be subject to the Index Mode; (c) the Tender Period for all Outstanding Series 2011A-2 Bonds will extend from and including the date on which the New Mode was to take effect to and including the date which is three months after such date (and if such date is not a Business Day, the next day which is followed by a Business Day); (d) the interest on the Series 2011A-2 Bonds for the Index Rate Accrual Period will be the last Index Tender Rate in effect during the immediately preceding Tender Period; and (e) the Trustee will, within five Business Days after the date of the proposed Change in Mode, send notice to the Notice Parties stating that the conditions to the Change in Mode have not all been satisfied and informing them of the consequences thereof, as described in the Indenture.

Mandatory Purchase of Series 2011A-2 Bonds

Except as otherwise provided under the captions “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Rescission” and “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions” with respect to an Unscheduled Mandatory Tender, each Series 2011A-2 Bond which is subject to mandatory tender for purchase on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date as a result of a Change in Mode or as otherwise provided in the Indenture will be purchased on such date at the applicable Purchase Price but solely from the sources of payment described under the captions “—Purchase of Series 2011A-2 Bonds,” “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds” or “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds,” as applicable. Subject to the provisions of the Indenture and unless otherwise provided in a Representation Letter, all Series 2011A-2 Bonds required to be purchased on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date will be tendered for purchase by delivery to the Trustee at its Corporate Trust Office on or prior to the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, and, except as otherwise provided under the caption “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase” with respect to an Unscheduled Mandatory Tender, will be purchased, but solely from

the sources of payment described under the captions “—Purchase of Series 2011A-2 Bonds,” “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds” or “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds,” as applicable.

Undelivered Bonds

Any Series 2011A-2 Bond which is subject to mandatory tender for purchase in accordance with the provisions described under the caption “—Mandatory Tender for Purchase” which is not tendered for purchase as required by the Indenture, will constitute an Undelivered Bond and will nonetheless be deemed to have been so tendered and, upon provision for payment of the Purchase Price thereof from the applicable funds specified under the caption “—Purchase of Series 2011A-2 Bonds,” will be deemed to have been purchased on the Mandatory Purchase Date, the Scheduled Mandatory Tender Date or the Unscheduled Mandatory Tender Date, as applicable, after which no interest will accrue on such Series 2011A-2 Bond for the benefit of the Owner required to tender such Series 2011A-2 Bond from and after such Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, and such Owner will have no rights under the Indenture as the Owner of such Series 2011A-2 Bond except the right to receive the Purchase Price thereof from the funds available therefor, as described under the caption “—Purchase of Series 2011A-2 Bonds.”

Refinancing and Related Risks

No assurance can be given that the District will have sufficient remarketing proceeds or funds on hand on March 12, 2015 or any other Scheduled Mandatory Tender Date to pay the Purchase Price of the Series 2011A-2 Bonds upon the mandatory tender thereof on such date. The District has not currently provided for any Liquidity Facility to support the payment of the Purchase Price upon mandatory tender of the Series 2011A-2 Bonds. In the event that the District does not have sufficient funds to pay the Purchase Price of the Series 2011A-2 Bonds on such date from remarketing proceeds or other funds on hand, the District’s ability to pay such Purchase Price is dependent on the District’s ability: (i) to issue and sell refunding obligations to refund Series 2011A-2 Bonds prior to such date; or (ii) to provide for the conversion of such Series 2011A-2 Bonds to another Mode on or prior to such date and to receive sufficient remarketing proceeds upon such conversion to provide for payment of the Purchase Price of the Series 2011A-2 Bonds upon the mandatory tender thereof.

A variety of events could prevent access to the municipal securities market, prohibit the District from issuing such refunding obligations or remarketing such Series 2011A-2 Bonds or make the issuance of refunding obligations or the remarketing of such Series 2011A-2 Bonds prohibitively expensive. No assurance can be given that the District will be able to effect such a refinancing or remarketing on sufficiently favorable terms. Failure of the District to provide sufficient funds to pay the Purchase Price on the Scheduled Mandatory Tender Date constitutes an Event of Default under the Indenture. See the caption “THE SERIES 2011A-2 BONDS—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure.”

The Series 2011A-1 Bonds are also subject to risks described in the preceding two paragraphs.

Redemption of Series 2011A-2 Bonds

Optional Redemption. The Series 2011A-2 Bonds in the Index Mode are subject to redemption at the option of the District in whole or in part, in Authorized Denominations, during any Tender Period, on any Business Day on or after the Call Protection Date for such Tender Period, at a Redemption Price equal to 100% of the principal amount of the Series 2011A-2 Bonds being redeemed plus unpaid accrued interest, if any, to such Redemption Date, without premium. See the captions “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Establishment of Call Protection Date”

and “—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Establishment of Call Protection Date.” The Call Protection Date for the Tender Period commencing on February 14, 2014 is September 12, 2014.

Mandatory Redemption. The Series 2011A-2 Bonds are subject to mandatory redemption in part on October 1, 2014 and on each October 1 thereafter, upon notice as described under the caption “—Notice of Redemption,” at a Redemption Price equal to 100% of the principal amount of the Series 2011A-2 Bonds to be redeemed, without premium, in the years and principal amounts as follows:

SERIES 2011A-2 BONDS DUE OCTOBER 1, 2037

<i>Mandatory Redemption Dates (October 1)</i>	<i>Principal Amount of Series 2011A- 2 Bonds to be Redeemed</i>
2014	\$ 960,000
2015	1,000,000
2016	1,040,000
2017	1,080,000
2018	1,120,000
2019	1,160,000
2020	1,200,000
2021	1,280,000
2022	1,320,000
2023	1,360,000
2024	1,400,000
2025	1,480,000
2026	1,520,000
2027	1,600,000
2028	1,640,000
2029	1,720,000
2030	1,800,000
2031	1,880,000
2032	1,920,000
2033	2,000,000
2034	2,080,000
2035	2,160,000
2036	2,280,000
2037 (maturity)	2,360,000

Upon any purchase and cancellation of Series 2011A-2 Bonds by the District or any redemption of Series 2011A-2 Bonds pursuant to the optional redemption provisions of the Indenture described under the caption “—Optional Redemption,” an amount equal to the aggregate principal amount of Series 2011A-2 Bonds so purchased or redeemed will be credited toward a part or all of any one or more yearly mandatory redemptions required by the Indenture, as directed in writing by the District, provided that such direction is received by the Trustee at least 45 days before the date of such mandatory redemption. Any such direction will state the years in which and the amounts by which such mandatory redemptions are to be reduced. The portion of any such mandatory redemption remaining after the deduction of any such amounts credited toward the same (or the original amount of any such mandatory redemption if no such amounts have been credited toward the same) constitutes the unsatisfied balance of such mandatory redemption for the purpose of the calculation of payments due on October 1 in any future year.

Selection of Series 2011A-2 Bonds for Redemption

If not otherwise provided in the Indenture, whenever less than all Outstanding Series 2011A-2 Bonds of a maturity are to be redeemed on any one date, the Trustee will select the Series 2011A-2 Bonds of such

maturity to be redeemed from the Outstanding Series 2011A-2 Bonds of such maturity by lot, or in such other manner as the Trustee deems fair.

Notice of Redemption

Notice of redemption will be given by Mail by the Trustee to the Remarketing Agent and the Owners of any Series 2011A-2 Bonds designated for redemption in whole or in part no less than 30 days nor more than 60 days prior to the Redemption Date. So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2011A-2 Bonds, notices of redemption will be given to DTC. See the caption “—Book-Entry Only System” below.

Each notice of redemption will state the Redemption Date, the redemption place and the Redemption Price, the maturity dates of the Series 2011A-2 Bonds to be redeemed and designate the numbers of the Series 2011A-2 Bonds to be redeemed if less than all of the Outstanding Series 2011A-2 Bonds of a maturity are to be redeemed, will (in the case of any Series 2011A-2 Bond called for redemption in part only) state the portion of the principal amount thereof which is to be redeemed, and state that, if the Trustee holds sufficient available funds to pay the Redemption Price of the Series 2011A-2 Bonds to be redeemed on the Redemption Date, the interest thereon or portions thereof designated for redemption will cease to accrue from and after such Redemption Date and that on such Redemption Date there will become due and payable on the Series 2011A-2 Bonds or portions thereof designated for redemption the Redemption Price thereon. The failure of any Owner to receive such notice will not affect the validity of the redemption of any Series 2011A-2 Bonds.

With respect to any notice of any optional redemption of Series 2011A-2 Bonds, unless at the time such notice is given the Trustee holds sufficient available funds to pay the Redemption Price of the Series 2011A-2 Bonds to be redeemed, such notice will state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the Redemption Price of the Series 2011A-2 Bonds to be redeemed, and that if such moneys have not been so received said notice will be of no force and effect and the District will not be required to redeem such Series 2011A-2 Bonds. In the event that a notice of redemption of Series 2011A-2 Bonds contains such a condition and such moneys are not so received, the redemption of such Series 2011A-2 Bonds as described in the conditional notice of redemption will not be made and the Trustee will, 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 moneys were not so received and that there will be no redemption of Series 2011A-2 Bonds pursuant to such notice of redemption.

Any notice of redemption mailed as provided in the Indenture will be conclusively presumed to have been given, whether or not actually received by any Owner.

See the caption “—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase” for information with respect to notice of Unscheduled Mandatory Tenders.

Allocation of Credits for Purchased or Redeemed Series 2011A-2 Bonds

Except as otherwise provided in the Indenture, the principal amount of any Series 2011A-2 Bonds purchased and cancelled by the District, or redeemed by the District, will be credited proportionally to all Improvement Districts and the Included Amount for each Improvement District will be reduced by such Improvement District’s Included Percentage (calculated immediately before such purchase or redemption) of the purchased or redeemed Series 2011A-2 Bonds.

In the event that Series 2011A-2 Bonds are purchased for cancellation or redeemed with funds provided by one or more Improvement Districts other than funds provided proportionately with all other Improvement Districts, the principal amount of any Series 2011A-2 Bonds purchased and cancelled by the

District, or redeemed by the District, will be credited proportionally to all such contributing Improvement Districts and the Included Amount for each such Improvement District will be reduced by such Improvement District's proportional contribution to the purchase price of such purchased Series 2011A-2 Bonds and the Redemption Price of such redeemed Series 2011A-2 Bonds and the Included Percentage (calculated immediately before such purchase or redemption) of the purchased or redeemed Series 2011A-2 Bonds.

Immediately following each purchase of Series 2011A-2 Bonds by the District for cancellation and each redemption of Series 2011A-2 Bonds and the allocation of credits in connection with such purchase and redemption in accordance with the provisions of the Indenture, as applicable, the Included Percentages for all Improvement Districts will be recomputed for all purposes after such redemption in the following manner:

$$\frac{\text{Improvement District's Included Amount after purchase or redemption}}{\text{Total Amount of Outstanding Series 2011A-2 Bonds after purchase or redemption}} = \text{Included Percentage, as adjusted}$$

Book-Entry Only System

One fully-registered Series 2011A-2 Bond has been issued in the outstanding principal amount of the Series 2011A-2 Bonds. The Series 2011A-2 Bonds are registered in the name of Cede & Co. and have been deposited with DTC. So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2011A-2 Bonds, all payments of principal, Purchase Price and Redemption Price of and interest on the Series 2011A-2 Bonds will be made directly to DTC. Disbursement of such payments to the DTC Participants will be the responsibility of DTC. Disbursement of such payments to the Beneficial Owners of the Series 2011A-2 Bonds will be the responsibility of the DTC Participants as more fully described herein. See Appendix E—“BOOK-ENTRY SYSTEM.”

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for the Series 2011A-2 Bonds. In that event, the Series 2011A-2 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal, Purchase Price, Redemption Price and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC Participants or others will distribute payments with respect to the Series 2011A-2 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Remarketing Statement. See Appendix E hereto for additional information concerning DTC.

SECURITY FOR THE SERIES 2011A-2 BONDS

General

Sources of Payment. The Series 2011A-2 Bonds constitute the consolidated, several general obligations of the Improvement Districts payable from: (i) Assessment Proceeds collected from within each Improvement District and applied by the District to pay such Improvement District's Included Amount of the principal, Purchase Price and Redemption Price of, and interest on, Outstanding Series 2011A-2 Bonds; (ii) Net Revenues of the District; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture. See the caption “—Pledge of Assessment Proceeds and Revenues.” The District currently expects to pay a portion of scheduled debt service on the Series 2011A-2 Bonds from a combination of Assessment Proceeds and Net Revenues and, to the extent that remarketing proceeds are insufficient, to pay the Purchase Price of the Series 2011A-2 Bonds from Net Revenues.

Authority for Issuance. Elections were held in Improvement District Nos. 105, 113, 213 and 250 at which the qualified voters within each such improvement district authorized the District to incur an indebtedness and issue general obligation bonds for each respective improvement district. See Appendix A—“IRVINE RANCH WATER DISTRICT” for a discussion of the bond authorization, amount of outstanding bonds and remaining bond authorization for each of the Improvement Districts. The Series 2011A-2 Bonds are authorized for issuance pursuant to the Act and all laws of the State amendatory thereof or supplemental thereto.

Covenant to Collect Assessment Proceeds. The District has covenanted in the Indenture that, 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, the District will: (a) fix and collect, or cause the fixing 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 Series 2011A-2 Bonds of the applicable Improvement District; or (c) in its discretion, impose and collect, or cause the imposition and collection of In Lieu Charges for water or sewer service, as applicable, in the applicable Improvement District in lieu of *ad valorem* assessments.

Revenue Rate Covenant. The District has also covenanted in the Indenture, to the fullest extent permitted by law, to 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 125% of Aggregate Debt Service payable during such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will 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 foregoing requirements.

Notwithstanding the foregoing, so long as the Installment Sale Agreement, dated as of February 1, 2010 (the “2010 Installment Sale Agreement”), by and between the District and the Irvine Ranch Water District Water Service Corporation remains in effect, the District will need to comply with the requirements set therein regarding the rate covenant, which are identical to those set forth in the prior paragraph except that the Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) which are applied as a credit to Debt Service above are included as revenues for purposes of such calculation and the definition of Aggregate Debt Service in the 2010 Installment Sale Agreement does not provide an offset for debt service paid from Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) associated with Revenue Enhancement Agreements. In addition, certain of the Prior Reimbursement Agreements described under the caption “—Existing Parity Obligations” related to outstanding *ad valorem* assessment bonds of the District, and certain swap agreements entered into by the District, have covenants related to the setting of rates and charges with which the District is contractually obligated to comply.

Additional Covenants. See Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” under the caption “CERTAIN COVENANTS” for a summary of additional covenants of the District under the Indenture.

Pledge of Trust Estate. Pursuant to the Indenture, the District has pledged the Trust Estate thereunder to secure the payment of the Series 2011A-2 Bonds issued thereunder. The “Trust Estate” under the Indenture consists of the following:

(A) The Bond Payment Fund (defined below) established under the Indenture, including all accounts in such fund, and all of the monies in such fund and accounts and the investments, if any, thereof, and all income and proceeds derived from such investments; and

(B) Subject to the application on the terms and conditions contained in the Indenture, Revenues of the District.

Pledge of Assessment Proceeds and Revenues

Subject to the application of the Revenues on the terms and conditions provided in the Indenture, Revenues have been irrevocably pledged to the payment when due of the principal, Purchase Price and Redemption Price of, and interest on, the Outstanding Series 2011A-2 Bonds, which pledge will be on a parity with any pledge of Revenues securing other Parity Obligations. Such pledge constitutes a pledge of and charge and lien upon the Revenues for the payment of the principal, Purchase Price upon the Scheduled Mandatory Tender and Redemption Price of, and interest on, the Outstanding Series 2011A-2 Bonds and all other Parity Obligations in accordance with the terms of the Indenture and the Series 2011A-2 Bonds after payment from the Revenues of the Operation and Maintenance Expenses, and the funding of contingency reserves therefor, as provided in the Indenture.

THE SERIES 2011A-2 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS.

Assessment Proceeds. Assessment Proceeds means, with respect to any Improvement District: (i) *ad valorem* assessments on taxable land in such Improvement District levied pursuant to the Act; (ii) In Lieu Charges, consisting of water or sewer charges, as applicable, which in the discretion of the Board of Directors of the District are fixed and collected in an Improvement District in lieu of *ad valorem* assessments pursuant to the Act; and (iii) proceeds from the sale of property in such Improvement District for the enforcement of delinquent assessments pursuant to the Act.

Net Revenues. Net Revenues for any period consist of the Revenues of the District less the Operation and Maintenance Expenses of the District for such period. "Revenues" means:

(1) The water, sewer and reclaimed water rates and charges imposed by the District in connection with providing water, sewer and reclaimed water services to retail customers through the Operating Systems (as such term is defined in the Indenture), including commodity, service, standby, material treatment and connection charges, except: (i) such water, sewer and reclaimed water rates and charges levied in lieu of *ad valorem* assessments pursuant to Sections 36425 and 35975 of the Act; and (ii) customer deposits (together, the "Utility Rates and Charges"); and

(2) Other revenues of the District, including, without limiting the generality of the foregoing, the proceeds of any stand-by or natural treatment, connection and water availability charges; together with the District's share of the Orange County, California 1% *ad valorem* property tax (to the extent not applied by the District to pay principal of and interest on Secured Bonds) and Investment Income;

but excluding in all cases: (i) customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; (ii) any proceeds of taxes or *ad valorem* assessments restricted by law to be used by the District to pay bonds issued by the District, and the proceeds of any actions to enforce delinquent *ad valorem* assessments so restricted; and (iii) water, sewer and reclaimed

water rates and charges levied in lieu of *ad valorem* assessments pursuant to Sections 36425 and 35975 of the Act.

“Operation and Maintenance Expenses” consist of the costs and expenses paid or incurred by the District for operating and maintaining the Operating Systems (as such term is defined in the Indenture) including, but not limited to: (a) all costs of water generated or purchased by the District 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 the District 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 the District 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.

Net Revenues collected within any improvement district of the District, including the Improvement Districts, are available to make debt service payments on the Series 2011A-2 Bonds. See the caption “SECURITY FOR THE SERIES 2011A-2 BONDS.”

Allocation of Monies Under the Indenture

Allocation of Revenues. In order to carry out and effectuate the pledge and lien on the Revenues contained in the Indenture, the District has agreed and covenanted in the Indenture that all Revenues received by it will be deposited when and as received in the Revenue Fund, which fund has been previously established by the District and which fund the District has agreed and covenanted to maintain as a special fund, separate and apart from other moneys of the District so long as any Series 2011A-2 Bond remains Outstanding. All Revenues will be applied in the following order of priority:

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.

Second: to the funding of contingency reserves for Operation and Maintenance Expenses.

Third: (i) two 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 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 Series 2011A-2 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 Series 2011A-2 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 the District to the extent that the Trustee then holds, or is concurrently receiving from the District 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 Series 2011A-2 Bonds to be paid with such deposit. The District will 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 Series 2011A-2 Bonds), without preference or priority, 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 (including purchase price) on Parity Obligations (other than the principal and Redemption Price of, and interest on, the Outstanding Series 2011A-2 Bonds) in accordance with the terms of such Parity Obligations.

Fourth: the District will 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, 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.

Fifth: to any lawful purpose of the District, including the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations, which application will be free and clear of the pledge and lien on Revenues created by the Indenture.

Bond Payment Fund. There has been established and created a fund with the Trustee under the Indenture designated the “Bonds of Irvine Ranch Water District, Series 2011A-2 Bond Payment Fund” (the “Bond Payment Fund”). The Trustee will transfer money contained in the Bond Payment Fund to the accounts described below at the following times in the manner provided in the Indenture, which accounts the Trustee has agreed to establish and maintain so long as the Indenture is not discharged in accordance with the provisions thereof, and each such account constitutes a trust fund for the benefit of the Owners of the Series 2011A-2 Bonds, and the money in each such account will be disbursed only for the purposes and uses authorized in the Indenture.

Interest Account. The Trustee, on each Interest Payment Date, will deposit in the Interest Account from money in the Bond Payment Fund an amount which, together with amounts already on deposit in the Interest Account, will be sufficient to pay interest on the Outstanding Series 2011A-2 Bonds due on such Interest Payment Date. Money in the Interest Account will be used and withdrawn by the Trustee on each Interest Payment Date solely for the payment of interest on the Outstanding Series 2011A-2 Bonds then due.

Principal Account. The Trustee, on each Principal Payment Date, will deposit in the Principal Account from money in the Bond Payment Fund such amount as is sufficient to pay the principal of the Outstanding Series 2011A-2 Bonds due on such Principal Payment Date. Money in the Principal Account will be used and withdrawn by the Trustee on each Principal Payment Date solely for the payment of the principal of Outstanding Series 2011A-2 Bonds then due.

Redemption Account. The Trustee will deposit in the Redemption Account amounts received from the District to pay the Redemption Price of Series 2011A-2 Bonds to be redeemed. Money in such Redemption Account will be used and withdrawn by the Trustee on each Redemption Date solely for the payment of the Redemption Price of Outstanding Series 2011A-2 Bonds upon the redemption thereof.

Existing Parity Obligations

The District has entered into certain Parity Obligations described below. The reimbursement agreements described below relate to outstanding *ad valorem* assessment bonds:

- (i) the Fifth Amended and Restated Reimbursement Agreement, dated as of April 1, 2011, by and between the District and Bank of America, N.A.;
- (ii) the three Reimbursement Agreements, each dated as of June 1, 2012, by and between the District and The Bank of New York Mellon;

(iii) the two Reimbursement Agreements, each dated as of April 1, 2011, by and between the District and Sumitomo Mitsui Banking Corporation;

(iv) the Amended and Restated Reimbursement Agreement, dated as of April 1, 2011, by and between the District and U.S. Bank National Association;

(v) the State Revolving Loan Contract No. 6-817-550-0, dated June 26, 1997, by and between the District and the State Water Resources Control Board, as amended and supplemented, currently outstanding in the aggregate principal amount of \$1,164,872;

(vi) the 2010 Installment Sale Agreement, securing the District's Certificates of Participation, Irvine Ranch Water District Refunding Series 2010 currently outstanding in the aggregate principal amount of \$72,490,000;

(vii) the District's Series 2010B Bonds currently outstanding in the aggregate principal amount of \$175,000,000; and

(viii) the Series 2011A-1 Bonds currently outstanding in the aggregate principal amount of \$56,040,000.

The agreements described in clauses (i) through (iv) above are collectively referred to as the "Prior Reimbursement Agreements."

There are currently no reimbursement obligations outstanding under the Prior Reimbursement Agreements, although the District may incur reimbursement obligations under the Prior Reimbursement Agreements as provided therein.

For a summary of the stated amount of each letter of credit associated with the Prior Reimbursement Agreements, see Appendix A—"IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Parity Obligations."

Limitations on Parity and Superior Obligations

Obligations Superior to Series 2011A-2 Bonds. The District has covenanted in the Indenture that it will not 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 Series 2011A-2 Bonds and the Parity Obligations.

Obligations on a Parity with the Series 2011A-2 Bonds. Under the Indenture, the District 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 the District and a special report on such calculation prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on file with the District, are at least equal to 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 the District 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, produce an amount at least equal to 125% of the sum of: (i) the Aggregate Debt Service for such

Applicable 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 the 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 the District and which are economically feasible and reasonably considered necessary based on projected operations for the Test Period, produce an amount in each Fiscal Year in the Test Period which is at least equal to 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 the District 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 clauses (a) and (b), the District 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 clauses (a) and (b), the District 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 clauses (a) and (b).

Notwithstanding the foregoing, so long as the 2010 Installment Sale Agreement remains outstanding, the District will need to comply with the requirements set therein for the issuance of Parity Obligations, which are identical to those set forth in clauses (a), (b) and (c) above except that the Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) which are applied as a credit to Debt Service in clauses (a) and (b) above are included as revenues for purposes of such calculation and the definition of Aggregate Debt Service in the 2010 Installment Sale Agreement does not provide an offset for debt service paid from Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) associated with Revenue Enhancement Agreements. In addition, certain of the Prior Reimbursement Agreements related to outstanding *ad valorem* assessment bonds of the District, and certain swap agreements entered into by the District, have conditions precedent to the issuance of Parity Obligations that are more stringent than those listed above.

Obligations Subordinate to the Series 2011A-2 Bonds. Nothing in the Indenture prevents the District 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 the Indenture limits the District's payment of the Operation and Maintenance Expenses prior to the payment of the Parity Obligations as provided in the Indenture.

Investment of Monies in Funds and Accounts Under the Indenture

So long as the Series 2011A-2 Bonds are Outstanding and no Event of Default has occurred and is continuing, monies on deposit to the credit of the funds held by the Trustee under the Indenture (except for the Remarketing Proceeds Account in the Purchase Fund) will, at the written request of the District, be invested by the Trustee in Permitted Investments. In the absence of written instruction from the District, the Trustee is directed to hold available funds uninvested. The Trustee is entitled to rely conclusively on said instructions for purposes of the Indenture and will have no duty to monitor the compliance thereof with the restrictions set forth in the Indenture. Subject to the limitations contained in Government Code Section 53601, monies in the funds held by the District will be invested by the District in Permitted Investments. All such investments will have maturity dates, or will be subject to redemption, at the option of the holder, on or prior to the dates the monies invested therein will be needed for the purposes of such funds. See Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” under the caption “DEFINITIONS” for the definition of Permitted Investments under the Indenture.

The Trustee may commingle any of the moneys held by it under the Indenture. The Trustee may present for redemption or sell any such deposit or investment whenever necessary in order to provide money to meet any payment of the money so deposited or invested. Any interest or profits on deposits and investments in the Bond Payment Fund received by the Trustee will be deposited in the Interest Account as a credit against interest to come due on the Outstanding Series 2011A-2 Bonds.

See Appendix C—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” under the caption “FUNDS AND ACCOUNTS—Investments.”

THE IRVINE RANCH WATER DISTRICT

For a description of the District and each of the Improvement Districts see Appendix A—“IRVINE RANCH WATER DISTRICT.”

CONTINUING DISCLOSURE

The District has covenanted in a Continuing Disclosure Certificate dated April 15, 2011 (the “Continuing Disclosure Certificate”) for the benefit of the Owners and beneficial owners of the Series 2011A-2 Bonds to provide certain financial information and operating data relating to the District (each an “Annual Report”) by not later than 270 days following the end of the District’s fiscal year (which fiscal year ends on June 30), commencing with the Annual Report for Fiscal Year 2012, and to provide notices of the occurrence of certain enumerated events. The Annual Reports will be filed by the District with EMMA for the purpose of S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The notices of enumerated events will be filed by the District with EMMA. The specific nature of the information to be made available and to be contained in the notices of enumerated events is contained in Appendix F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto. These covenants have been made in order to assist the Remarketing Agent, as Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) in complying with the Rule. For the last five years the District has complied in all material aspects with its filing obligations pursuant to undertakings entered into pursuant to the Rule.

See the caption “INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225” for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively. As a result of such consolidations, Improvement District Nos. 125 and 225 are the legal successors to Improvement District Nos. 105 and 250, respectively, and Improvement District Nos. 105 and 250 no longer exist. Accordingly, beginning in Fiscal Year 2014, the Annual Reports will contain information relating to Improvement District Nos. 125 and 225 rather than for Improvement District Nos. 105 and 250.

LITIGATION

There is no action, suit or proceeding known to be pending, or to the knowledge of the District, threatened, in any way contesting or affecting the validity of, the Series 2011A-2 Bonds or the Indenture. There is no litigation known to be pending, or to the knowledge of the District, threatened, questioning the existence of the District or the title of the officers of the District to their respective offices.

There exist lawsuits and claims against the District, which are incidental to the ordinary course of operations of the District's water and sewer systems and related activities. In the view of the District's management and General Counsel, there is no litigation, present or pending, or to the knowledge of the District, threatened, which will individually or in the aggregate materially impair the District's ability to service its indebtedness or which will have a material adverse effect on the business operations of the District.

RATINGS

On April 12, 2011, Standard & Poor's Ratings Group ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") assigned the Series 2011A-2 Bonds the short-term ratings of "A-1+", "VMIG 1" and "F1+", respectively, and Moody's and Fitch assigned the Series 2011A-2 Bonds the long-term ratings of "Aa1" and "AAA", respectively. S&P affirmed the short-term rating of the 2011A-2 Bonds of "A-1+" on October 11, 2013. Although S&P has not assigned a long-term rating to Series 2011A-2 Bonds, S&P affirmed the long-term rating of "AAA" on the District's Series 2010B Bonds, which are Parity Obligations, on October 11, 2013. The District has made no attempt to seek an update to or affirmation of such ratings from the rating agencies in connection with the remarketing of the Series 2011A-2 Bonds on February 14, 2014. Generally, rating agencies base their ratings on information and material furnished directly to them and on investigations, studies and assumptions made by them. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from the applicable rating agency. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2011A-2 Bonds.

TAX MATTERS

Original Opinions

On April 15, 2011, Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District ("Co-Bond Counsel"), in connection with the issuance of the Series 2011A-2 Bonds, delivered their respective opinions to the effect that, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A-2 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. It was the further opinion of Co-Bond Counsel, as of April 15, 2011, that such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the opinions of Co-Bond Counsel delivered at the original issuance of the Series 2011A-2 Bonds is set forth in Appendix D hereto.

No Updated Co-Bond Counsel Opinions

Co-Bond Counsel have not taken, and do not intend to take, any action to update their respective original opinions or to determine if interest on the Series 2011A-2 Bonds is presently excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes.

General Considerations

Notwithstanding the foregoing, investors should be aware of the following information.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011A-2 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011A-2 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011A-2 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011A-2 Bonds. The opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-2 Bonds assumed the accuracy of these representations and compliance with these covenants. Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Co-Bond Counsel's attention after the date of issuance of the Series 2011A-2 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A-2 Bonds. Accordingly, the opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-2 Bonds are not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Co-Bond Counsel have rendered opinions that interest on the Series 2011A-2 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2011A-2 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011A-2 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals have been made in recent years that would limit the exclusion from gross income of interest on obligations like the Series 2011A-2 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2011A-2 Bonds. Prospective purchasers of the remarketed Series 2011A-2 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel express no opinion.

The opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-2 Bonds were based on current legal authority existing as of April 15, 2011, covered certain matters not directly addressed by such authorities, and represented Co-Bond Counsel's judgment as to the proper treatment of the Series 2011A-2 Bonds for federal income tax purposes. They are not binding on the Internal Revenue Service (the "IRS") or the courts. Furthermore, Co-Bond Counsel cannot give and have not given any opinion or assurance about the past or future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Co-Bond Counsel's engagement with respect to the Series 2011A-2 Bonds ended on April 15, 2011 with the original issuance of the Series 2011A-2 Bonds. Unless separately engaged, Co-Bond Counsel are not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2011A-

2 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A-2 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2011A-2 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

REMARKETING AGENT

Morgan Stanley & Co. LLC has been appointed to serve as Remarketing Agent for the Series 2011A-2 Bonds. The Remarketing Agent will carry out the duties and obligations provided for the Remarketing Agent under and in accordance with the provisions of the Indenture and the Remarketing Agreement, dated as of April 1, 2011, by and between the District and Morgan Stanley & Co. LLC.

[MORGAN STANLEY TO CONFIRM] [Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the Remarketing Agent for the 2011A-2 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2011A-2 Bonds.]

The Remarketing Agent and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Remarketing Agent and certain of its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Remarketing Agent and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters in connection with the reoffering of the Series 2011A-2 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District, and for the Remarketing Agent by Stradling Yocca Carlson & Rauth, a Professional Corporation.

INDEPENDENT ACCOUNTANTS

The financial statements of the District at June 30, 2013, included in Appendix B to this Remarketing Statement, have been audited by Mayer Hoffman McCann P.C., independent accountants (the "Auditor"), as set forth in their report dated December 9, 2013, which also appears in Appendix B. The Auditor has not reviewed the contents of this Remarketing Statement, and the District has not sought the Auditor's consent to the inclusion of the Auditor's audit letter attached to the District's financial statements in this Remarketing Statement.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Any statements in this Remarketing Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Statement is not to be construed as a contract or agreement between the District and registered owners or beneficial owners of any of the Series 2011A-2 Bonds. The delivery and distribution of this Remarketing Statement have been duly authorized by the District.

IRVINE RANCH WATER DISTRICT

By: _____ /s/ Robert Jacobson
Treasurer

APPENDIX A
IRVINE RANCH WATER DISTRICT

APPENDIX B
AUDITED FINANCIAL STATEMENTS

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

[TO COME FROM BOND COUNSEL]

APPENDIX D

CO-BOND COUNSEL OPINIONS

Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District, rendered the following final approving opinions dated April 15, 2011 (the "2011 Opinions") in connection with the initial issuance of the Series 2011A-2 Bonds. Co-Bond Counsel have made no attempt to update or reaffirm the 2011 Opinions in connection with this Remarketing Statement or the remarketing of the Series 2011A-2 Bonds.

[SEE ATTACHED]

APPENDIX E

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2011A-2 Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to on the Series 2011A-2 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2011A-2 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, acts as securities depository for the Series 2011A-2 Bonds. The Series 2011A-2 Bonds are fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond was issued for each maturity of the Series 2011A-2 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2011A-2 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A-2 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A-2 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A-2 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in Series 2011A-2 Bonds, except in the event that use of the book-entry system for the Series 2011A-2 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A-2 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A-2 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no

knowledge of the actual Beneficial Owners of the Series 2011A-2 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A-2 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011A-2 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A-2 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011A-2 Bond documents. For example, Beneficial Owners of Series 2011A-2 Bonds may wish to ascertain that the nominee holding the Series 2011A-2 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A-2 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2011A-2 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2011A-2 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments with respect to the Series 2011A-2 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2011A-2 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Series 2011A-2 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2011A-2 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series 2011A-2 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2011A-2 Bonds are transferred by Direct Participants or DTC's records and followed by book-entry credit of tendered Series 2011A-2 Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2011A-2 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2011A-2 Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2011A-2 Bonds will be printed and delivered.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

The District entered into a Continuing Disclosure Certificate in the following form in connection with the initial issuance of the Series 2011A-2 Bonds on April 15, 2011:

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Irvine Ranch Water District (the “District”) in connection with the execution and delivery of \$60,545,000 Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the “Series 2011A-2 Bonds”) and the \$40,370,000 Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the “Series 2011A-2 Bonds,” and together with the Series 2011A-2 Bonds, the “Series 2011A Bonds”) constituting the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250 (collectively, the “Improvement Districts”). The Series 2011A-2 Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2011 (the “Series 2011A-2 Indenture of Trust”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, and the Series 2011A-2 Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2011 (the “Series 2011A-2 Indenture of Trust,” and together with the Series 2011A-2 Indenture of Trust, the “Indentures of Trust”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee. The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Indentures of Trust, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement of the District dated April 12, 2011 delivered in connection with the issuance of the Bonds.

Participating Underwriter. The term “Participating Underwriter” means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The District shall provide not later than 270 days following the end of its Fiscal Year (commencing with the Fiscal Year 2011) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in substantially the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information in the following tables and/or captions in Appendix A—“IRVINE RANCH WATER DISTRICT” in the Official Statement:

1. “Outstanding Indebtedness” on page A-7;
2. IRVINE RANCH WATER DISTRICT Historic Water Supply In Acre Feet Per Year” under the caption “WATER SUPPLY—Historic and Projected Water Supply” on page A-19;
3. “THE WATER SYSTEM—Historic Water Connections” on page A-21;
4. “THE WATER SYSTEM—Historic Water Deliveries” on page A-22;
5. “THE WATER SYSTEM—Water System Rates and Charges” on page A-24;
6. “THE SEWER SYSTEM—Historic Sewer and Recycled Water Connections” on page A-26;
7. “THE SEWER SYSTEM—Historic Sewer Daily Average Flow” on page A-27;
8. “THE SEWER SYSTEM—Sewer System Rates and Charges” on page A-30;
9. “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Historic Operating Results and Debt Service Coverage” on page A-33; and
10. An update of the following tables for each Improvement District:
 - (i) Assessed Valuations (Land Only); provided that only the total assessed values shall be updated;

- (ii) Assessed Valuation and Parcels by Land Use; and
- (iii) Largest Local Secured Taxpayers.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

- 1. principal and interest payment delinquencies;
- 2. unscheduled draws on debt service reserves reflecting financial difficulties;
- 3. unscheduled draws on credit enhancements reflecting financial difficulties;
- 4. substitution of credit or liquidity providers, or their failure to perform;
- 5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
- 6. defeasances;
- 7. tender offers;
- 8. ratings changes; and
- 9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- 1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;
- 2. appointment of a successor or additional trustee or the change of the name of a trustee;

3. non-payment related defaults;
4. modifications to the rights of Bondholders;
5. notices of redemption; and
6. release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b), the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Cash and Investments. Upon request, the District shall provide on a quarterly basis to any person the most recently available Cash and Investment Summary as prepared for the Finance and Personnel Committee of the Board of Directors of the District.

7. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

8. Termination of Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indentures of Trust, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: April 15, 2011

IRVINE RANCH WATER DISTRICT

By: _____
Its: Treasurer

APPENDIX A
IRVINE RANCH WATER DISTRICT

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INTRODUCTION

The following sets forth certain information relating to the Irvine Ranch Water District (the “District”) and certain of its improvement districts.

The District’s projections in Tables 12, 15, 17, 19, 23, 25, 27, 30 and 32 of this Appendix A (the “Projections”) are derived from historic trends and experience and an internal financial model known as the “District Enterprise Model.” The District Enterprise Model is a capital planning and budgeting tool used by the District to identify future infrastructure funding requirements, and to aid in setting water and sewer rates, charges and connection fees. Key inputs utilized in the District Enterprise Model include assumptions based on historical experience and other factors regarding the District’s cost of borrowing, the rate of return on District investments, inflation, project costs, property tax receipts and the timing and amount of future bond sales, but the primary input is the pace and scope of real estate development activity within the District’s service area. The District is in regular contact with major Orange County (the “County”) real estate development companies to assess and update this information for use in the District Enterprise Model.

The Projections constitute forward-looking statements. No assurance can be given that the future results reflected in the Projections and otherwise discussed herein will be achieved, and actual results may differ materially from the Projections. As noted above, the Projections rely heavily on certain assumptions regarding the pace and scope of real estate development activity within the District’s service area. Such activity may be affected by a variety of factors, such as problems with subprime mortgage loans, including increases in delinquencies and foreclosures and significant write-downs in value reported by holders of pooled securities backed by subprime mortgages, as well as tighter lending standards for real estate loans generally. Real estate development activity also may be affected by general economic conditions, which currently reflect high unemployment rates, higher energy and commodity costs and volatile financial markets. The District has attempted to reflect such conditions in the Projections, but is unable to predict with certainty the level of future real estate development activity or the other factors affecting the Projections.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California (the “State”). The various opinions of counsel that were delivered with respect to such documents, including the opinions of Co-Bond Counsel (the forms of which are attached to the Remarketing Statement as Appendix E), were similarly qualified.

Unless the context otherwise requires, all defined terms used herein shall have the same meanings set forth in the Remarketing Statement, except that the term “Improvement Districts” as used in this Appendix A refers to all seven water improvement districts and nine sewer improvement districts of the District.

THE IRVINE RANCH WATER DISTRICT

General

The District was established in 1961 as a California Water District under the provisions of Section 34000 *et seq.* of the California Water Code (the “Act”). As a special district, the District focuses on four primary services – providing potable water, collecting and treating wastewater, producing and distributing recycled and other non-potable water, and implementing urban runoff treatment programs.

The District serves a 178-square-mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of the County. Extending from the Pacific Coast to the foothills, the District’s region is semi-arid with a mild

climate and an average annual rainfall of approximately 12 inches. The District serves a total estimated population of approximately 340,000 through approximately 101,020 water and approximately 96,643 sewer service and recycled water connections. The number of service connections has increased by approximately 18% over the last decade.

The District builds and maintains significant capital infrastructure in order to serve its customers and is organized into Improvement Districts in order to allocate funding responsibility for capital facilities to the area which will benefit from such capital facilities and to separate areas on the basis of projected timing of development. This allows capital facilities construction to be matched to the development approval decisions of the respective local agencies that make them. Some of the Improvement Districts share in the funding of the District's regional facilities which such Improvement Districts use or will use in common, such as major water importation facilities and water and wastewater treatment plants. The District recently undertook a process to review its current capital funding plan, resulting in a master consolidation and combination of several Improvement Districts in November 2013. As a result of such consolidation, the District now has a total of seven water Improvement Districts and nine sewer Improvement Districts which cover specific areas within the District's boundaries, each of which is governed in accordance with the Act. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the effect on the Series 2011A-1 Bonds of the consolidation and combination of such Improvement Districts.

The principal office of the District is located at 15600 Sand Canyon Avenue, Irvine, California 92618.

Board of Directors and General Manager

Pursuant to legislation chaptered in 1980, the District's Board of Directors consists of five Directors elected by resident voters for staggered four-year terms. The policies of the Board of Directors are administered by the General Manager of the District.

Board of Directors. The present Directors are:

Steven E. LaMar. Mr. LaMar was appointed to the District's Board of Directors in 2009 and has been elected to a subsequent term. Mr. LaMar currently serves as President and served as Vice President of the Board of Directors in 2011, 2012 and 2013. He is a water policy and planning expert with more than 20 years of experience on statewide business and industry committees and has directly participated in many major water policy forums. Mr. LaMar currently serves on the District's Finance and Personnel Committee and Water Resources Policy and Communications Committee. Mr. LaMar has served on statewide task forces and advisory committees on drought planning, desalination, the California Bay-Delta, the California Water Plan and on landscape water conservation issues. Mr. LaMar is president and owner of LegiSight, LLC, located in Tustin, California, and has also been a principal for Spinner LaMar Associates since 1993. He has served as a water policy leader in the California Building Industry Association for over 20 years. Mr. LaMar holds a bachelor's degree in political science from Pittsburg State University (Kansas) and a certificate from the Environmental Management Institute, the U.S. Environmental Protection Agency environmental training program administered by the University of Southern California. Mr. LaMar's current term ends in December 2014.

Peer Swan. Mr. Swan was elected to the District's Board of Directors in 1979. Mr. Swan currently serves as Vice President and chairman of the Finance and Personnel Committee. He previously served as President from December 1981 until December 1995 and again in 2006. Mr. Swan's community and professional involvement includes service as President of the Board of San Joaquin Wildlife Sanctuary and member of the Steering Committee of the Southern California Water Dialogue Committee. Mr. Swan is active in the Association of California Water Agencies, where he serves on the Board of Directors, on its seven-person Executive Board and on several committees. Mr. Swan has also been active in the California Association of Sanitation Agencies (where he is Vice Chairman of the Directors' Committee), the Newport

Chamber of Commerce and the Orange County Business Council. Mr. Swan was the Treasurer of the Pacific Scientific Company prior to its acquisition in early 1998 and a member of the Board of Directors of the Southern California Bank and its parent SC Bancorp until its acquisition in 1997. He has also served as a board member of the YMCA of Orange County and the Orange Coast College Foundation, where he was the founding Treasurer of the Board. He has served as a Director of the Orange County Sanitation District for 15 years and was Vice Chairman for six years. Mr. Swan was also a Founding Director of the Board of the National Water Research Institute and was Chairman for four years. He is a longtime member of both the National Audubon Society and its local chapter (Sea & Sage). He was also the President of the Board of the Water Advisory Committee of Orange County in 2007 and 2008. Mr. Swan's current term ends in December 2014.

Douglas J. Reinhart. Mr. Reinhart was appointed to the District's Board of Directors in 2004 to fill a vacancy and has since been elected to subsequent terms. Mr. Reinhart served as President in 2007, 2009, 2010 and 2013. He currently serves on the District's Engineering and Operations Committee and Water Banking Committee. Mr. Reinhart is a registered civil engineer with over 30 years of experience in the private sector directing projects in water, wastewater and other infrastructure. Mr. Reinhart was the president and an owner of ASL Consulting Engineers before its acquisition by Tetra Tech in 1999. Mr. Reinhart then served as the Divisional Executive Vice President for Tetra Tech for the western United States before starting a consulting business in 2004. Mr. Reinhart holds a bachelor's degree in civil engineering from the Missouri School of Mines and Metallurgy. Mr. Reinhart has served on the Board of Trustees of the Southern California Water Committee, the American Water Works Association Desalination Committee and the Association of California Water Agencies Groundwater Committee and is a past member of the Board of Directors of the National WaterReuse Association. In addition, Mr. Reinhart is a member of the American Society of Civil Engineers and the American Public Works Association. Mr. Reinhart's current term ends in December 2014.

John B. Withers. Mr. Withers was initially appointed to the District's Board of Directors in 1989 to fill a vacancy and has since been elected to subsequent terms. Mr. Withers currently serves as Director of the Board and previously served as Vice President in 2012 and President in 2004. He also serves on the Asset Management Committee and the Engineering and Operations Committee. Mr. Withers is a partner with California Strategies, a strategic government relations firm in Irvine. In past positions, Mr. Withers has served as Vice President of Community Development for Lewis Operating Corporation and as Director of Water Resources for Psomas & Associates, a civil engineering and planning firm based in Costa Mesa. Mr. Withers has served as Director of Governmental Affairs for the Orange County Region of the Building Industry Association of Southern California and as a legislative advocate for Crocker Bank and a major trade association in Sacramento. Mr. Withers has served as Commissioner to the Orange County Local Agency Formation Commission since 1994. Mr. Withers also served as a member, including a term as chairman, of the Santa Ana Regional Water Quality Control Board, having been appointed by the Governor in 1992. Mr. Withers was a board member of the National Water Research Institute for six years and is the District's current representative. A native Southern Californian, Mr. Withers received his bachelor's degree from UCLA in economics with a specialization in urban studies in 1979 and received a master's degree in urban studies from Occidental College in 1988. Mr. Withers' current term ends in 2015.

Mary Aileen Matheis. Ms. Matheis was initially appointed to the District's Board of Directors in 1988 to fill a vacancy and has since been elected to subsequent terms. Ms. Matheis currently serves as a Director on the Board of Directors. Ms. Matheis served as President in 2001 and 2012 and as Vice President in 2005 and 2011. Ms. Matheis is a practicing lawyer and member of the California Bar and is also admitted to practice in the Supreme Court of the United States and the United States Tax Court. Ms. Matheis holds a bachelor's degree and masters degree in Communications and she received her Juris Doctorate from Western State University School of Law and was admitted to the California Bar in 1982. Ms. Matheis' activities in other water areas include service on the Legal Affairs Committee of the Association of California Water Agencies and as a member of Independent Special Districts of Orange County Executive Committee. Ms. Matheis is a member of the Colorado River Water Users Association and the Colorado River Foundation. Ms. Matheis is also the District representative to the Independent Special Districts of Orange County and a

board member of the Water Education Foundation. Ms. Matheis is active in the Orange County Bar Association, a member of the Real Estate Section Executive Committee and the Probate and Estate Planning Section. Ms. Matheis is also on the Orange County Assessment Appeals Panel for Property Tax Appeals. Ms. Matheis' current term ends in 2015.

General Manager. Paul A. Cook, the General Manager of the District, heads a staff of approximately 325 employees. Mr. Cook was appointed to this position in October 2011. Mr. Cook previously served as Interim General Manager from July to October 2011 and held the position of Assistant General Manager from 2004 to July 2011. Mr. Cook is a registered civil engineer with over 21 years of experience with water and wastewater systems in the public and private sectors. Prior to joining the District, he served as the Manager of Engineering for Central and West Basin Municipal Water Districts in Carson, California. He also served as the District Engineer for Los Alisos Water District in Lake Forest. In the private sector, Mr. Cook held engineering and project management positions with BFI Constructors and Turner Construction Company. He was elected to the Orange County Water District Board of Directors in 2002 and served for three years, representing communities in Irvine, Tustin and Newport Beach. Mr. Cook received his bachelor of science degree in Civil Engineering from the University of the Pacific, his masters of science degree in Civil Engineering from California State University of Long Beach and his masters in business administration from the University of California, Irvine.

Employees

The District currently employs approximately 325 persons, including full-time, part-time and temporary employees. On September 25, 2012, a one-year Memorandum of Understanding (the "2012 MOU") between the District and the Irvine Ranch Water District Employee Association (the "Association") was adopted, signed and approved. The District is currently negotiating the terms of a new Memorandum of Understanding with the Association and is operating under the terms of the 2012 MOU while such negotiations are ongoing. The Association currently represents 225 general employees of the District, of which 66 are voting members; supervisors and managers are unrepresented. The District has not experienced any strike or other labor actions.

Pension Benefits

CalPERS Plan. The District contributes to the California Public Employees Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan for all of the District's full-time and certain of its temporary employees that have worked for the District for a total of over 1,000 hours. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the District. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 Q Street, Sacramento, California 95811.

Required employer and employee contributions are determined from rates established by CalPERS based upon various actuarial assumptions which are revised annually. The District currently funds the normal pension costs, which are determined by CalPERS using the Entry Age Normal Actuarial Cost Method, as well as an amortization of the District's unfunded actuarial liability. For the fiscal years of the District ended June 30 ("Fiscal Year"), 2013 and 2012, the District's annual pension cost, as determined by an actuarial valuation of the plan as of June 30, 2011 and 2010, respectively, was \$4,297,000 and \$4,321,000, respectively. Since 2009, the District has made contributions totaling approximately \$15,100,000 in excess of its annual required contributions to CalPERS to reduce its overall unfunded liability. For Fiscal Year 2014, the District's annual pension cost, as determined by an actuarial valuation of the plan as of June 30, 2012, is \$4,315,000 (assuming that the District elects the lump sum payment option). The District expects its contribution to equal or exceed such annual pension cost in Fiscal Year 2014. For Fiscal Year 2015, the District's annual pension cost, as determined by an actuarial valuation of the plan as of June 30, 2013, will be \$4,524,000 (assuming that the District elects the lump sum payment option).

Participants are required to contribute 8% of their annual covered salary under the CalPERS plan. In Fiscal Year 2011 and prior Fiscal Years, the District paid 7% (“Employer-Paid Member Contributions,” or “EPMC”) of such 8% contributions required of District employees on their behalf and for their account. From July 1, 2011 to March 2, 2012, the District paid between 2% and 5% of the contributions required of District employees on their behalf, depending upon job classification. Effective March 3, 2012, the District reduced its EPMC payments to between 0% and 3% of annual covered salary, depending on job classification. The District also increased employee contributions correspondingly to between 8% and 5% of annual covered salary. On September 24, 2012, the Board of Directors adopted a resolution to further reduce EPMC payments to no more than 2% of annual covered salary, depending upon job classification effective March 2, 2013. In addition, the Board of Directors adopted a resolution creating a second tier of CalPERS pension benefits for employees hired after September 29, 2012. The second benefit tier includes a reduced pension formula and a longer final compensation calculation period.

On September 12, 2012, the Governor of the State signed Assembly Bill 340 (“AB 340”), which implements pension reform in the State. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate (as described below) for such retirement systems; (ii) prohibits employers from paying EPMC to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; and (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period. The Board of Directors adopted a resolution creating a third tier of CalPERS pension benefits for employees hired after January 1, 2013 to comply with AB 340’s compulsory reduced formula. Benefit provisions and all other requirements are established by State statute and the Board of Directors.

In addition to paying a percentage of the contributions required of District employees on their behalf, the District is required to contribute at an actuarially determined rate applied to annual covered payroll. The District’s contribution rate for Fiscal Year 2013 was 16.106% and the District’s contribution rate for Fiscal Year 2014 is 16.795%. The District’s contribution rate for Fiscal Year 2015 has been established at 17.737%.

Under Government Accounting Standards Board Statement No. 27, an employer reports an annual pension cost equal to the annual required contribution (“ARC”) plus an adjustment for the cumulative difference between the annual pension cost and the employer’s actual plan contributions for the year. The cumulative difference is called the net pension obligation and may be positive or negative. The ARC for Fiscal Year 2013 was determined by an actuarial valuation of the plan as of June 30, 2010.

The staff actuaries at CalPERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is delivered. The actuarial valuations express the District’s required contribution rates in percentages of covered payroll, which percentages the District must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the District’s contribution rate derived from the actuarial valuation as of June 30, 2012 will affect the District’s Fiscal Year 2015 required contribution rate). CalPERS rules require the District to implement the actuary’s recommended rates.

In calculating the annual actuarially recommended contribution rates, the CalPERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that CalPERS will fund under the CalPERS plans, which includes two components, the normal cost and the unfunded actuarial accrued liability (the “UAAL”). The normal cost represents the actuarial present value of benefits that CalPERS will fund under the CalPERS plans that are attributed to the current year, and the actuarial accrued liability (the “AAL”) represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and

occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the District owes to CalPERS under its CalPERS plans.

In each actuarial valuation, the CalPERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the CalPERS plans at the end of the Fiscal Year (which assumes, among other things, that the rate of return during that Fiscal Year equaled the assumed rate of return of 7.5%). The CalPERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies and actuarial assumptions. As described below, these policies and actuarial assumptions have changed significantly in recent years and could change or be modified further by CalPERS in the future. Certain significant recent changes in assumptions include the following:

On March 14, 2012, the CalPERS Board approved a change in the inflation assumption used in the actuarial valuations used to determine employer contribution rates. The inflation assumption was changed from 3% to 2.75% effective July 1, 2012. The change impacted the inflation component of the annual investment return assumption and the long term payroll growth assumption as follows:

- The annual assumed investment return decreased from 7.75% to 7.5%.
- The long term payroll growth assumption decreased from 3.25% to 3%.
- The inflation component of individual salary scales decreased from 3.25% to a merit scale varying by duration of employment, an assumed annual inflation component of 3% and an annual production growth of 0.25%.

On April 17, 2013, the CalPERS Board of Administration approved a plan: (i) to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the current 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. CalPERS' Chief Actuary has stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers such as the District about future contribution rates. These changes are expected to accelerate the repayment of unfunded liabilities (including CalPERS' fiscal year 2008-09 market losses) of the District's plans in the near term; the exact magnitude of the potential contribution rate increases is not known at this time, but may be significant. These changes will be reflected beginning with the June 30, 2014 actuarial valuation affecting contribution rates for Fiscal Year 2016 and thereafter.

The following table summarizes the District's annual required contributions (in thousands) for Fiscal Years 2009 through 2013:

TABLE 1
IRVINE RANCH WATER DISTRICT
Annual Required Contributions for CalPERS Plan

<i>Fiscal Year</i>	<i>Employer Contribution</i>	<i>District-Funded Employee Contribution</i>	<i>Employee Contribution</i>	<i>Annual Pension Cost</i>	<i>Percentage of Annual Pension Cost Contributed</i>	<i>Net Pension Asset</i>
2009	\$6,353	\$1,661	\$239	\$3,353	189.5%	\$ 3,000
2010	4,797	1,709	243	2,982	160.9	4,815
2011	9,480	1,728	249	3,012	314.7	11,283
2012	4,643	1,025	916	4,321	107.5	11,605
2013	7,840	609	1,365	4,297	182.5	15,148

Source: Irvine Ranch Water District Fiscal Year 2013 Comprehensive Annual Financial Report; the District.

The following table sets forth the schedule of funding for the District’s plan as of June 30, 2012 (in thousands). The employer contribution rate for Fiscal Year 2014 is 16.795%:

TABLE 2
IRVINE RANCH WATER DISTRICT
Schedule of Funding for CalPERS Plan

<i>Valuation Date</i>	<i>Entry Age Normal Accrued Liability</i>	<i>Actuarial Value of Assets</i>	<i>Unfunded Actuarial Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Funded Ratio⁽¹⁾</i>	<i>Annual Covered Payroll</i>
06/30/08	\$120,778	\$100,241	\$20,537	\$101,091	83.7%	\$23,450
06/30/09	149,825	110,923	38,902	81,355	54.3	24,307
06/30/10	158,904	124,553	34,351	100,110	63.0	24,929
06/30/11	170,392	140,176	29,676	128,816	75.6	24,379
06/30/12	183,096	151,193	31,902	129,953	71.0	24,203

⁽¹⁾ On a market value of assets basis.

Source: CalPERS Actuarial Report Dated October 2013.

For additional information relating to the District’s plan, see Note 13 to the District’s audited financial statements for Fiscal Year 2013 attached to the Remarketing Statement as Appendix B.

CalPERS reported significant investment losses in 2009, which accounts for a portion of the increase in the District’s unfunded actuarial liability from June 30, 2008 to June 30, 2009. In addition, the increase in the District’s unfunded actuarial liability is attributable to CalPERS studies performed in fiscal year 2008-09 and the adjustment of assumptions made by CalPERS valuations for age at retirement, years of service, mortality rates, and certain other assumptions. CalPERS earnings reports for fiscal years 2009-10, 2010-11, 2011-12 and 2012-13 report an investment gain in excess of 13.0%, 21.7%, 1% and 12.5%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District. The CalPERS pension trust fund pays all retiree benefit payments associated with the District’s plan.

In Fiscal Year 2013, the District established the Irvine Ranch Water District Post-Employment Benefits Trust (the “Benefits Trust”). The Benefits Trust is an irrevocable trust that was established to “pre-fund” a portion of the District’s CalPERS unfunded liability, providing the District with an alternative to

CalPERS that allows for investment by a professional fund management team selected and monitored by the District. In Fiscal Year 2013, \$35 million was deposited in the Benefits Trust. Future contributions will be transferred to CalPERS for payments to employees at the District's discretion. The District intends to reduce its future liability by the amount that is pre-funded in the Benefits Trust. As of December 31, 2013, the assets in the Benefits Trust totaled \$38,055,748.

Other Pension Benefits. The District provides pension benefits for all of its part-time and certain temporary employees through a defined contribution plan, in lieu of providing social security benefits, provided that the statutory minimum contribution of at least 7.5% is made to the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For Fiscal Year 2013, the District's payroll covered by the plan was \$449,059. The eligible employees contributed \$33,679 (the required 7.5% of current covered payroll) and the District made no contributions during such Fiscal Year.

All regular, full-time District employees are eligible to participate in the District's deferred compensation program pursuant to Section 457 of the Internal Revenue Code whereby they can voluntarily contribute a portion of their earnings into a tax-deferred fund administered by the District and invested through a third party provider. Pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001, effective January 1, 2002, employees may contribute the lesser of 100% of includible compensation or the maximum dollar amount allowable under Internal Revenue Code Section 457 in effect for the year. The dollar amount currently in effect for calendar year 2014 is \$17,500. Since 2008, the limit has been indexed to inflation in \$500 increments.

Effective January 1, 2008, for employees with one year or more of service, the District provides 100% matching of employee Section 457 plan contributions up to an annual maximum of 3% of the employee's base salary. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During Fiscal Year 2013, the District contributed \$528,011 to employee accounts under the 401(a) plan.

The assets in both plans are held in trust for the exclusive benefit of the participants and their beneficiaries, and are therefore not reported in the financial statements of the District.

Other Post-Employment Benefits

The Governmental Accounting Standards Board ("GASB") issued two related pronouncements, known as GASB 43 and GASB 45, related to funding and accounting for Other Post-Employment Benefits ("OPEB") liabilities. OPEB liabilities consist of health care, insurance and all other retiree benefits that are not part of a pension plan. Under GASB 45, costs of OPEB must be matched to the current period in which employees are performing services for the District. In effect, there is an exchange between the employee and the District in which the employee renders services to the District and in exchange receives certain salaries and benefits, part of which are OPEB which they will not actually use until some point in the future. The accounting standards require the District to recognize the cost of the benefits in the periods when the employees' services are received by the District. GASB 45 also requires the District to provide information about the accrued actuarial liabilities for the promised benefits for past services, to what extent those have been funded, and to what extent there will be demands from OPEB on the District's future cash flows.

The District currently has three OPEB programs: the California Public Employees Medical and Hospital Care Act ("PEMHCA") premiums, a retiree health costs reimbursement plan, and a retiree death benefit life insurance program. Under the first program, the District pays the required healthcare coverage under PEMHCA, commonly referred to as "PERS Health." To qualify, employees must retire from the District and begin drawing CalPERS retirement benefits. Participation in PEMHCA is financed in part by the District through a contribution of \$112.00 per employee per month (at current rates). The contribution rate is scheduled to be indexed with medical inflation in future years, although contributions could increase in greater

amounts at the direction of CalPERS Board. In addition, the District pays 0.37% of the PEMHCA premium to cover administrative fees. In Fiscal Year 2013, the District contributed \$90,329 on behalf of retirees participating in the PEMHCA program.

As part of its retiree health costs reimbursement plan, the District provides retirees who have attained age 55 and have completed at least 10 years of service with the District with reimbursement of eligible healthcare costs of \$300 per month for retirees with at least ten years of service up to a maximum of \$600 per month for retirees with at least 25 years of service. In Fiscal Year 2013, the District contributed \$291,320 on behalf of retirees participating in the Retiree Health Costs Reimbursement Plan.

Finally, the retiree death benefit life insurance program provides retirees who were hired on or before December 31, 2008 with term life insurance benefits with a face amount equal to 100% of their annual salary in effect at the time of retirement. Insured group-term life benefits end for all participants at age 70. Thereafter, the District provides a self-insured \$10,000 death benefit for all participants already retired as of December 31, 2008 and for currently active Board members. To qualify, a retiree must have retired from the District, be at least 55 years old, have completed at least ten continuous years of service with the District, and must be drawing retirement benefits from CalPERS. In Fiscal Year 2013, the District contributed \$11,585 on behalf of retirees participating in this program.

OPEB costs have traditionally been accounted for and financed from the District's annual operating budget as part of its benefits expense on a pay-as-you-go basis. During Fiscal Year 2013, the District contributed \$393,234 on behalf of retirees participating in the OPEB programs. The budgeted amount for the District's OPEB in Fiscal Year 2014 is approximately \$430,000.

The District has been required to comply with the accounting and reporting requirements of GASB 45 since Fiscal Year 2008. According to an actuarial valuation prepared for the District by Demsey, Filliger & Associates, the accrued, unfunded liability for the District's OPEB as of July 1, 2012 was approximately \$6.7 million. The Annual Required Contribution ("ARC") was \$666,835 in Fiscal Year 2013, of which the District contributed \$393,234. The ARC is calculated assuming that the accrued, unfunded liability will be amortized over the next 30 years, benefits will remain constant, and funding in excess of actual benefit costs will be invested at a 4.00% annual return, and with other assumptions regarding medical cost inflation.

On June 25, 2012, GASB approved two new standards with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements 67 and 68 will replace Statement 27 and most of Statements 25 and 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (ii) more components of full pension costs will be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. In addition, according to GASB, Statement 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on CalPERS is not known at this time. The reporting requirements for pension plans will take effect for Fiscal Year 2014 and the reporting requirements for government employers will take effect for Fiscal Year 2015.

For additional information relating to the District's OPEB obligations, see Note 14 to the District's audited financial statements for Fiscal Year 2013 attached to the Remarketing Statement as Appendix B.

Budget Process

Prior to July 1 of each year, the General Manager prepares a budget for the Fiscal Year commencing July 1 and ending on the succeeding June 30. Following the adoption of the operating budget, the Board of Directors approves a schedule of water, sewer and recycled water rates for such Fiscal Year based on the budget approved by the Board of Directors. See the caption “CONSTITUTIONAL LIMITS AND APPROPRIATIONS AND CHARGES—Proposition 218.” The budget for Fiscal Year 2014 was approved on April 22, 2013.

Water and Sewer System Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions and natural disasters. The District utilizes a combination of self-insurance and third-party liability insurance to minimize loss exposures from property, third-party liability claims and workers compensation claims. The District self-insures the first \$25,000 per occurrence for property losses, \$100,000 per occurrence for third-party liability claims and \$125,000 per occurrence for workers compensation claims.

Property, boiler and machinery insurance is provided through a policy with Affiliated FM Insurance Company. Property insurance includes flood insurance but does not include earthquake insurance. General and excess liability coverage of \$35,000,000 and workers compensation insurance is provided through participation in the California State Association of Counties Excess Insurance Authority (CSAC-EIA). Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Indian Harbor Insurance Company. Settlements have not exceeded coverage for each of the past three Fiscal Years.

Collection Procedures

All charges for water and recycled water service and almost all charges for sewer service are billed monthly. If payment is not received 25 days after presentation, a one-time late charge of 10% of the unpaid balance plus 1.5% interest will be assessed for each month until the unpaid balance has been paid in full. A shut-off notice is mailed out in conjunction with an automated courtesy phone call when the unpaid balance exceeds \$150. If payment is not received within 15 days of the mailed shut-off notice, service is shut off as of the date specified on the notice. Service is not restored until all charges, including a restoration charge, have been paid in full. The District sends closed accounts to outside collection agencies and does not currently transfer such accounts to the County tax roll. A small number of accounts located in Newport Beach for which the District provides sewer service only are billed on the County tax rolls.

Outstanding Indebtedness

Improvement District Indebtedness. As of December 31, 2013, the District had \$525,900,000 aggregate principal amount of outstanding ad valorem assessment bonds (the “Ad Valorem Assessment Bonds”) on behalf of the Improvement Districts. Although the Ad Valorem Assessment Bonds are secured by ad valorem assessments on property within the respective Improvement District, and are not by their terms payable from Revenues, except for the Series 2011A-1 Bonds, the Bonds of the Irvine Ranch Water District, Series 2010B (the “Series 2010B Bonds”) and the Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the “Series 2011A-2 Bonds”), each of which is described below under the caption “—Parity Obligations.” District practice has been to apply Net Revenues remaining after the payment of debt service on Parity Obligations and subordinate obligations to the principal and interest on the Ad Valorem Assessment Bonds. Pursuant to Section 35975 of the Act, the District also may levy certain rates and charges in lieu of ad valorem assessments to pay the Ad Valorem Assessment Bonds. The District does not currently levy in-lieu rates and charges. Any such in lieu rates and charges levied by the District in the future would not constitute Revenues. The following table illustrates a breakdown of outstanding Ad Valorem Assessment Bonds by Improvement District as of December 31, 2013.

TABLE 3
IRVINE RANCH WATER DISTRICT
Outstanding *Ad Valorem* Assessment Bonds By Improvement District

<i>Improvement District</i>	<i>Amount Authorized</i>	<i>Amount Issued</i>	<i>Remaining Unissued Bonds Authorized</i>	<i>Amount Outstanding as of December 31, 2013</i>
Waterworks Bonds				
112	\$ 28,512,300	\$ 5,740,000	\$ 22,772,300	\$ 5,562,000
113⁽¹⁾	25,769,500	14,800,000	10,969,500	14,150,000
125⁽¹⁾⁽²⁾	735,246,000	413,156,400	322,089,600	195,652,000
153	237,300,000	0	237,300,000	0
154	4,839,000	0	4,839,000	0
188	8,174,000	4,437,000	3,737,000	1,709,000
Total Waterworks Bonds	<u>\$ 1,039,840,800</u>	<u>\$ 438,133,400</u>	<u>\$ 601,707,400</u>	<u>\$ 217,073,000</u>
Sewer Bonds				
1 ⁽³⁾	\$ 2,000,000	\$ 2,000,000	\$ 0	\$ 0
212	108,712,000	15,700,000	93,012,000	15,218,000
213⁽¹⁾	87,648,000	23,800,000	63,848,000	22,074,000
225⁽¹⁾⁽⁴⁾	856,643,000	449,748,000	406,895,000	244,963,000
240	117,273,000	48,476,500	68,796,500	26,292,000
253	122,283,000	0	122,283,000	0
288	8,977,000	300,000	8,677,000	280,000
Total Sewer Bonds	<u>\$ 1,303,536,000</u>	<u>\$ 540,024,500</u>	<u>\$ 763,511,500</u>	<u>\$ 308,827,000</u>
Total District	<u>\$ 2,343,376,800</u>	<u>\$ 978,157,900</u>	<u>\$ 1,365,218,900</u>	<u>\$ 525,900,000</u>

⁽¹⁾ The Series 2011A-1 Bonds represent the consolidated, several general obligations of these Improvement Districts. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Assessment Proceeds and Pledge of Revenues."

⁽²⁾ Created on November 11, 2013. Reflects the consolidation of portions of former Improvement District Nos. 105, 106, 120, 121, 130, 135, 140, 161, 182, 184 and 186.

⁽³⁾ Also referred to as Improvement District No. 210.

⁽⁴⁾ Created on November 11, 2013. Reflects the consolidation of portions of former Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286.

Source: The District.

Parity Obligations. In addition to the Series 2011A-1 Bonds, the District has the following Outstanding Parity Obligations:

- **1997 State Loan #3.** In 1997, the District entered into a loan contract with the State of California (the "1997 State Loan") to fund recycled water projects. The 1997 State Loan was outstanding as of December 31, 2013 in an aggregate principal amount of \$1,164,872 and matures in 2019. Pursuant to the terms of the 1997 State Loan, the District's obligation to pay debt service on the 1997 State Loan is payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations.
- **Prior Reimbursement Agreements.** In connection with the District's prior issuances of *ad valorem* assessment bonds, the District has entered into several reimbursement agreements (the "Prior Reimbursement Agreements") with various letter of credit banks (the "Prior Banks"). Pursuant to the terms of the Prior Reimbursement Agreements, the District's obligations to reimburse the Prior Banks will be payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations. There are currently no reimbursement obligations outstanding, although the District may incur reimbursement obligations under such Prior Reimbursement Agreements as provided therein. The following table summarizes the stated amount of each letter of credit associated with the Prior Reimbursement Agreements.

TABLE 4
IRVINE RANCH WATER DISTRICT
Summary of Prior Reimbursement Agreements
As of December 31, 2013

<i>General Obligation Bonds</i>	<i>Outstanding Principal</i>	<i>Letter of Credit Bank</i>	<i>Expiration Date</i>	<i>LOC Stated Amount</i>	<i>Reimbursement Obligations Outstanding</i>
		Bank of New York Mellon (“BNY Mellon”)			
Series 1989	\$ 2,600,000		06/02/14	\$ 2,635,047	0
Series 1991	4,100,000	BNY Mellon	08/02/14	4,155,266	0
Series 1993	37,500,000	BNY Mellon	06/02/14	38,012,500	0
		Sumitomo Mitsui Banking Corp.			
Series 1995	18,100,000		07/14/17	18,367,781	0
		Sumitomo Mitsui Banking Corp.			
Series 2008A	55,200,000		07/14/17	56,016,658	0
		U.S. Bank National Association			
Series 2009A	70,000,000		07/15/16	70,782,466	0
Series 2009B	<u>70,000,000</u>	Bank of America, N.A.	07/15/16	<u>70,782,466</u>	<u>0</u>
TOTAL	<u>\$ 257,500,000</u>			<u>\$ 260,752,184</u>	<u>0</u>

Source: The District.

- **2010 Installment Sale Agreement.** In 2010, the District entered into an Installment Sale Agreement (the “2010 Installment Sale Agreement”) in connection with the execution and delivery of the District’s \$85,145,000 aggregate principal amount of Certificates of Participation Irvine Ranch Water District Refunding Series 2010. The 2010 Installment Sale Agreement was outstanding as of December 31, 2013 in the aggregate principal amount of \$72,490,000 and matures in 2032. The District’s obligation to make installment payments pursuant to the 2010 Installment Sale Agreement is on a parity with the Series 2011A-1 Bonds and other Parity Obligations.
- **Series 2010B Bonds.** In 2010, the District issued \$175,000,000 aggregate principal amount of Series 2010B Bonds. The Series 2010B Bonds were outstanding as of December 31, 2013 in the aggregate principal amount of \$175,000,000 and mature in 2040. In addition to Assessment Proceeds, the Series 2010B Bonds are payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations. See the caption “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Effect of Federal Sequester” for a discussion of the effect of the federal sequester on the receipt of interest subsidy payments relating to the Series 2010B Bonds.
- **Series 2011A-2 Bonds.** In 2011, the District issued \$40,370,000 aggregate principal amount of Series 2011A-2 Bonds. The Series 2011A-2 Bonds were outstanding as of December 31, 2013 in the aggregate principal amount of \$37,360,000 and mature in 2037. In addition to Assessment Proceeds, the Series 2011A-2 Bonds are payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations.

Subordinate Debt.

- **Interest Rate Swap Transactions.** As of December 31, 2013, the District was also obligated under five interest rate swap transactions with a total notional amount of \$130 million and termination dates ranging from June 2019 to March 2029, pursuant to which the District is entitled to receive variable rate payments based on a floating rate index in return for the District’s obligation to make payments at a fixed interest rate (the “Swaps”).

The Swaps generally are evenly distributed, as to notional amount on a particular transaction date, between two swap counterparties – Merrill Lynch Capital Services, Inc. (“Merrill”) and Citibank, N.A. (“Citibank”) – except with respect to one Swap with a notional amount of \$30 million and a termination date of June 17, 2019, which was entered into only with Citibank. For additional information with respect to the payment terms and other information relating to the Swaps, see Note 3 to the District’s financial statements attached as Appendix B to the Remarketing Statement. Regularly-scheduled and early termination payments with respect to the Swaps constitute unsecured general obligations of the District payable from legally-available funds. The Swaps are payable from certain Revenues, but are subordinate to the District’s obligation to pay debt service on the Series 2011A-1 Bonds and other Parity Obligations. Any amounts received by the District pursuant to the Swaps also constitute Revenues and, as such, are pledged for the payment of the Series 2011A-1 Bonds and other Parity Obligations. As of December 31, 2013, the mark-to-market value of the total interest rate swaps with Citibank and Merrill exceeded the threshold amount (\$15,000,000) for each counterparty, requiring the District to post collateral in the amount of \$8,454,163. The funds are held in a separate trust account and earn interest at the Federal Funds Effective Rate.

All of the above-described interest rate swap transactions entail risk to the District. For example, the swap counterparties may fail or be unable to perform, interest rates may vary from assumptions, the District may be required to post collateral in certain circumstances, or the District may be required to make significant payments in the event of an early termination of one or more Swaps. The early termination of a Swap may not affect the obligations of the counterparties with respect to the other Swaps. The District cannot predict if any such event will occur with respect to one or more of the District’s existing or future interest rate swap agreements. However, the District does not anticipate that any such event would have a material adverse effect on the District’s ability to pay the debt service on the Series 2011A-1 Bonds.

- **Santiago County Water District Consolidation.** The District and Santiago County Water District (“SCWD”) consolidated effective July 1, 2006. As successor to SCWD, the District is obligated to satisfy the following additional obligations: (i) a fiscal services agreement with the State of California Department of Water Resources, with a loan balance of approximately \$850,563 (as of December 31, 2013 and final payment due in 2025; and (ii) a promissory note payable to Foothill/Eastern Transportation Corridor Agency for \$565,000, with no stated maturity or final payment date.

Joint Powers Authority Transactions. As of December 31, 2013, the Irvine Ranch Water District Joint Powers Agency had outstanding approximately \$595,965,000 of taxable refunding bonds (the “JPA Bonds”) maturing in 2014, which are secured by a trust estate consisting of investment securities and investment earnings thereon (the “JPA Investments”). See Note 9 in the District’s audited financial statements attached as Appendix B to the Remarketing Statement. The JPA Bonds are not payable from Revenues and are not recourse obligations of the District. The proceeds from the JPA Bonds are invested in authorized investments sufficient to pay the principal and interest thereon to the maturity of the JPA Bonds in 2014. Although a portion of the JPA Bonds was refunded in 2012, the investment contract pursuant to which JPA Bond proceeds are invested was not altered. By agreement between the Irvine Ranch Water District Joint Powers Agency and the District, the earnings from such investments were transferred to the District after application of such earnings first toward payment of principal and interest on the JPA Bonds.

Variable Rate Debt Management

The Board of Directors of the District has adopted a policy to maintain a target amount of investment assets equal to 75% or more of the District’s outstanding unhedged variable rate indebtedness. No assurance can be made that the Board of Directors of the District will not modify such policy in the future.

Current Investments

As of December 31, 2013, the District had investments of approximately \$313.8 million (excluding the JPA Investments described above under the caption “—Outstanding Indebtedness—Joint Powers Authority Transactions”) and real property investments as follows:

**TABLE 5
IRVINE RANCH WATER DISTRICT
Summary of Investments**

<i>Investment Type</i>	<i>Approximate Investment Amount in Millions⁽¹⁾</i>	<i>Percentage of Total Investments⁽¹⁾</i>
State of California Local Agency Investment Fund	\$ 122.9	39.30%
Federally Backed Securities	182.4	58.15
Cash and Other ⁽²⁾	<u>8.5</u>	<u>2.55</u>
Total	\$ 313.8	100.00%

⁽¹⁾ As of December 31, 2013. Rounded.

⁽²⁾ Includes collateral held with Citibank and Merrill pursuant to the Swaps. Although not held by the District, such collateral constitutes District moneys. See the caption “—Outstanding Indebtedness—Subordinate Debt—Interest Rate Swap Transactions.”

Source: The District.

In addition to the moneys invested in local agency municipal bonds and LAIF, the District has invested approximately \$72.6 million of its capital facilities replacement fund in real property. The District’s real property investments include a limited partnership interest in a 230-unit apartment complex (the “Wood Canyon Villas Apartments”), ownership of a 450-unit apartment complex (the “Sycamore Canyon Apartments”) and ownership of three commercial office buildings (the “Irvine Market Place,” the “Waterworks Business Park” and the “Sand Canyon Professional Center”), with market values well in excess of the original investment. Wood Canyon Villas Apartments, Sycamore Canyon Apartments, the Irvine Market Place, the Waterworks Business Park and the Sand Canyon Professional Center are all income-producing properties, the earnings and projected earnings from which are reflected in Tables 6 and 7 below.

In January 2014, the District and El Toro Water District (“ETWD”) entered into an Installment Sale Agreement (the “ISA”) pursuant to which the District agreed to fund ETWD’s share of the costs of construction of, and the acquisition of capacity rights in, the Baker Water Treatment Plant project (the “Baker WTP”) in exchange for quarterly installment payments from ETWD. See the caption “THE WATER SYSTEM—General” for a description of the Baker WTP. ETWD’s obligation to repay the District under the ISA is payable from net revenues of ETWD’s water system over a period of twenty years. The principal amount of ETWD’s obligations under the ISA will not exceed \$12,500,000 and the applicable interest rate will be the Bloomberg Municipal Utility “A” rated municipal bond market index rate at the time of the first disbursement of funds by the District (currently anticipated to be March 2015).

Historic Net Real Estate Income

The following table shows the net real estate income after expenses of the District for the five most recent Fiscal Years.

TABLE 6
IRVINE RANCH WATER DISTRICT
Historic Net Real Estate Income
(in Thousands)

<i>Fiscal Year</i>	<i>Net Income</i>
2009	\$7,010
2010	5,624 ⁽¹⁾
2011	5,649
2012	6,736
2013	6,566

⁽¹⁾ Net income decrease due to vacancies in commercial real estate holdings.
Source: The District.

Projected Net Real Estate Income

The following table projects the net real estate income after expenses of the District for the current and next four Fiscal Years.

TABLE 7
IRVINE RANCH WATER DISTRICT
Projected Net Real Estate Income
(in Thousands)

<i>Fiscal Year</i>	<i>Net Income</i> ⁽¹⁾
2014	\$7,401
2015	7,494
2016	7,564
2017	7,645
2018	7,727

⁽¹⁾ Based on existing and expected leases. Increase from Fiscal Year 2013 represents a 3% increase in net operating income for Sycamore Canyon Apartments, a full year of income from two tenants at the Sand Canyon Professional Center and increased income as a result of 98% occupancy rate for all three commercial buildings. See the caption “—Current Investments.”

Source: The District.

1% Property Tax Revenues

Pursuant to the Act, the Board of Supervisors of the County is required to levy a “general assessment” on assessable property within the boundaries of the District sufficient to raise the amounts determined each year by the District’s Board of Directors to be necessary for the authorized purposes of the District. These provisions, however, have largely been superseded by the passage by the California electorate in June of 1978 of Article XIII A of the California Constitution (commonly known as “Proposition 13”), and by the legislation subsequently enacted by the California Legislature to implement Article XIII A. As a result of Article XIII A and its implementing legislation, the District receives as proceeds of the “general assessment” a share of the

one percent *ad valorem* property tax collected by the County from assessable property within the boundaries of the District (the “1% Property Tax Revenues”).

From time to time legislation has been considered as part of the State budget to shift 1% Property Tax Revenues collected by each county from local agencies, including special districts such as the District, to school districts or other governmental entities. However, Proposition 1A (“Proposition 1A”), proposed by the California Legislature in connection with the 2004-05 State Budget Act and approved by the voters in November 2004, restricted State authority to reduce major local tax revenues such as the tax shifts permitted to take place in legislation enacted in connection with the 2004-05 and 2005-06 State budgets, which shifted approximately 35% of many special districts’ shares of the countywide one percent *ad valorem* tax.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of 1% Property Tax Revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that, beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

The Amended 2009-10 Budget Act provided for the borrowing of 8% of property taxes from local jurisdictions, including the District, under Proposition 1A. Pursuant to this act, the State borrowed approximately \$2.1 million of the District’s 1% Property Tax Revenues for Fiscal Year 2010. As noted above, under Proposition 1A, the State was required to repay the property taxes with a 2% rate of interest within three years. The District received repayment of the shifted amount, plus interest, in August 2012.

There can be no assurance that the 1% Property Tax Revenues that the District currently expects to receive will not be temporarily shifted from the District pursuant to Proposition 1A in future fiscal years or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of 1% Property Tax Revenues by the District. See the Remarketing Statement under the caption “SECURITY FOR THE SERIES 2011A-1 BONDS—Pledge of Assessment Proceeds and Revenues” for a discussion of the extent to which 1% Property Tax Revenues are available to pay Debt Service on the Series 2011A-1 Bonds.

The table below sets forth the amount of 1% Property Tax Revenues received by the District for the five most recent Fiscal Years.

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TABLE 8
IRVINE RANCH WATER DISTRICT
1% Property Tax Revenues
(in Thousands)

<i>Fiscal Year</i>	<i>1% Property Tax Revenues</i>
2009	\$26,283
2010 ⁽¹⁾	27,150
2011	26,989
2012	26,478
2013	29,265

⁽¹⁾ Reflects shift of property tax revenues of approximately \$2.1 million to Educational Revenue Augmentation Fund as described above. Such moneys were received, with interest, in Fiscal Year 2013.
Source: The District.

Alternative Method of Tax Apportionment – “Teeter Plan”

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property assessments on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the assessment-levying or assessment-collecting agency.

The Teeter Plan for the County is applicable to all assessment levies for which the County acts as the assessment-levying or assessment-collecting agency, or for which the treasury of the County is the legal depository of assessment collections.

The *ad valorem* property assessments to be levied to pay the interest on and principal of the Series 2011A-1 Bonds will be subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property assessment levied on secured property to pay the Series 2011A-1 Bonds irrespective of actual delinquencies in the collection of the assessment by the County so long as the Teeter Plan remains in effect. The District’s share of 1% Property Tax Revenues is also subject to the Teeter Plan.

The Teeter Plan is to remain in effect for the County unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event that the Board of Supervisors of the County discontinues the Teeter Plan for the County, only those secured property assessments that are actually collected would be allocated to political subdivisions (including the District) for which the County acts as the assessment-levying or assessment-collecting agency.

Governmental Regulations

The District’s operations are subject to numerous environmental regulations enforced by multiple governmental entities. Programs are in place for compliance with drinking water regulations, water discharge regulations, underground and aboveground fuel storage tank regulations, hazardous materials management plans, hazardous waste regulations, air quality permitting requirements, wastewater discharge limitations, and employee safety issues relating to hazardous materials and other conditions. Also, the District aggressively pursues the investigation and, when appropriate, the implementation of alternative methods and technologies for meeting increasingly strict environmental regulations.

The District expects environmental regulation to increase, resulting in higher capital and operating costs in the future, which may have a material adverse effect on the finances of the District.

Although the District's Board of Directors establishes the schedules of water, sewer and reclaimed water rates for each Fiscal Year, such rates are subject to the requirements of Proposition 218, which are described further under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

WATER SUPPLY

The District was formed in 1961, with the purpose of obtaining a water supply for municipal and irrigation purposes. For the twelve month period ended June 30, 2013, of the water supplied by the District, approximately 21% was imported water, approximately 54% was groundwater and native stream flows and approximately 25% was recycled water.

The District operates a number of wells and reservoirs that produce or store local water for both potable and non-potable uses. Surface storage includes Irvine Lake, a 25,000 acre feet reservoir that is jointly owned by the District and Serrano Water District. Irvine Lake receives stream flow (native water) coming from the Santiago Creek watershed. This water is used by the District primarily for agricultural and other irrigation purposes, and supplements the recycled water system during peak demand periods. In addition, the District has approximately 4,800 acre feet of recycled water storage capacity in its Sand Canyon, Rattlesnake, San Joaquin and Syphon Reservoirs and is currently evaluating additional recycled water storage projects.

Imported Water

In Fiscal Year 2013, the District purchased 20,151 acre feet of water imported from the Colorado River and northern California by The Metropolitan Water District of Southern California ("MWD"). MWD supplies water through its member agencies, including the member agency in which the District is situated, Municipal Water District of Orange County ("MWDOC"). The current cost of treated imported water from MWDOC is \$850.25 per acre foot. In addition, the District currently pays a fixed charge to MWDOC in the form of readiness to serve, capacity reservation and service connection charges. The readiness to serve and capacity reservation charges are paid monthly and currently total \$111,309, while the service connection charge is paid annually and is currently \$800,050.

MWD faces various challenges in the continued supply of imported water to MWDOC. A description of these challenges as well as a variety of other operating information with respect to MWD is included in certain disclosure documents prepared by MWD. MWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. MWD has also entered into certain continuing disclosure agreements pursuant to which MWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). Such official statements, other disclosure documents, annual reports and notices (collectively, the "MWD Information") are filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") at <http://emma.msrb.org>. The MWD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. **MWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE MWD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.**

MWD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN,

INCLUDING INFORMATION WITH REGARD TO MWD. MWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Groundwater

General. The District's Water Resources Master Plan calls for a reliable water supply mix and includes developing sufficient groundwater production capacity to pump up to the District's basin production percentage (the "BPP") set by the Orange County Water District ("OCWD"), the agency responsible for managing the Orange County groundwater basin. District groundwater pumping is affected by policies of OCWD, including the setting of replenishment assessments, basin production percentages of total water demand by agencies pumping basin groundwater and basin equity assessments.

OCWD establishes and collects replenishment assessments as a means of purchasing water and funding projects for the purpose of replenishing the Orange County groundwater basin. The replenishment assessment is established annually by OCWD and applies to every acre foot of groundwater produced from the basin.

In addition, each year, OCWD sets the BPP for water to be extracted from the Orange County groundwater basin. The BPP is the amount of groundwater, as a percentage of the total water demands, that can be pumped from the Orange County groundwater basin during the year by a groundwater pumping agency without incurring the additional assessment described in the following paragraph. The amount of groundwater that an agency can pump without incurring the additional assessment is calculated by multiplying the total water use of such agency by the BPP (the "BPP formula").

The additional assessment incurred by an agency that pumps groundwater above the limit established by the BPP formula is called the basin equity assessment (the "BEA"). The BEA is established annually by OCWD and is intended to discourage pumping of amounts above the BPP formula by raising the cost of producing groundwater so that it equals the cost of importing water, thereby encouraging groundwater pumping agencies to supplement their groundwater production with imported water for the portion of their water use that exceeds the BPP. The BEA is a surcharge to discourage, yet still allow for, the production of groundwater in excess of the BPP formula. One of the District's operating objectives is to produce the maximum amount of groundwater within the BPP formula and to avoid producing groundwater in excess of such maximum in order to avoid paying the BEA. In Fiscal Year 2013, the amount of groundwater that the District pumped from the Orange County groundwater basin was below its BPP or exempt from the BPP (as described below) and, accordingly, the District did not pay a BEA to OCWD.

Because of average or above average precipitation in the Santa Ana River Watershed and a lower than average drawdown of the Orange County groundwater basin in recent years, OCWD has gradually increased the BPP. As a result of higher local precipitation in Fiscal Year 2011, which resulted in a substantial recharge of the Orange County groundwater basin, the BPP for Fiscal Year 2012 was raised slightly. For Fiscal Years 2010, 2011 and 2012 the BPP was 62%, 62% and 65%, respectively. As a result of continued recharge of the Orange County groundwater basin, the BPP for Fiscal Year 2013 was raised to 68%, which allowed the District to pump approximately 45,000 acre feet from the Orange County groundwater basin without incurring any BEA. The BPP for Fiscal Year 2014 is 70%. The District pays OCWD a replenishment assessment of \$266 per acre foot for all groundwater pumped and a BEA equal to an additional \$524 per acre foot for groundwater pumped in excess of the BPP formula.

For certain portions of the District's groundwater production, the application of OCWD's BPP and BEA varies from the above general description. The District's Dyer Road Well Field has a production amount established by contract with OCWD as described in the below paragraph. The District also has several projects through which groundwater is produced that are, by contract with OCWD, completely or partially

exempt from the BEA. While this “BEA-exempt” groundwater typically requires treatment, the District’s cost to produce and treat this groundwater is effectively capped at the cost for imported water. Additionally, as portions of the District currently lie outside of OCWD’s jurisdictional boundary, water demands in those areas are not included by OCWD in the accounting of the basin production percentage for the District. Approximately 32% of the District’s water demand is from outside the OCWD jurisdictional boundary.

The BPP formula for the District’s Dyer Road Well Field is not adjusted annually by OCWD but is fixed by contract with OCWD at 28,000 acre feet per year of clear groundwater, subject to the requirement that the amount over 20,000 acre feet is matched by an equal amount of groundwater pumped from the District’s Deep Aquifer Treatment System, which treats water from a deep aquifer requiring treatment for removal of organic color. Like OCWD’s general BPP, the Dyer Road Well Field’s contractually fixed BPP formula discourages, but does not prohibit, production over such amount through the application of the BEA to any excess amount.

The District also produces groundwater from its Irvine Desalter Project, which is described in greater detail under the caption “—Irvine Desalter Project.” The Irvine Desalter Project removes salts and nitrates, for a combined total potable and non-potable production of an additional 7,300 acre feet per year that is exempt from the BPP. A combined additional 2,100 acre feet per year of production is available from three other wells, the Orange Park Acres well, Well 2 in Lake Forest and Well 115 in Irvine. Water from Well 115 is pumped and treated at the Irvine Desalter Project. However, such water is not accounted for as Irvine Desalter Project water because it was not part of the original Irvine Desalter Project. The Orange Park Acres well was taken out of service in Fiscal Year 2011 and is expected to return to service in or about January 2015. Well 115 was taken out of service in Fiscal Year 2011 and is expected to return to service in or about August 2014. Production from the Orange Park Acres well and Well 115 is subject to the BPP and the BEA, while production from Well 2 is exempt from the BPP and the BEA.

In addition, in April 2013, the District completed construction of the Wells 21 and 22 project, which is expected to add an additional 6,300 acre feet per year of groundwater. Between April and June 2013, the Wells 21 and 22 project produced approximately 1,995 acre feet of groundwater. These wells are exempt from the BPP and the BEA. The District is looking to expand its groundwater production facilities further, and is currently evaluating potential well sites. The District also has rights to native water impounded in Irvine Lake and at the Harding Canyon Dam in the Santiago Canyon area. Such native water does not produce firm annual yields.

Irvine Desalter Project. The Irvine Desalter Project is a groundwater development project that was constructed by the District in cooperation with OCWD, United States Departments of the Navy and Justice, MWD and MWDOC. The Irvine Desalter Project commenced operations in early 2007.

The Irvine Desalter Project consists of two components that provide water supplies. The first component, a potable water wellfield, pipelines and purification plant, treats local groundwater to remove salts and nitrates caused by the natural geology and past agricultural use. The water is treated to drinking water standards through reverse osmosis and disinfection. This component of the project has a design flow rate of approximately 5,100 acre feet of drinking water per year. In Fiscal Year 2013, this component of the Irvine Desalter Project produced 3,384 acre feet, which was more than Fiscal Year 2012 production of 2,868 acre feet as a result of Well 107 being replaced and returned to service in October 2012. The District is expanding the utilization of the Irvine Desalter Project treatment plant by adding an additional well, Well 115, which is expected to return to service in August 2014, and the District is proposing to expand this program to provide approximately 5,500 acre feet per year.

The second component of the Irvine Desalter Project is treating a plume of contaminated groundwater from the main aquifer of the Irvine sub-basin of the Orange County groundwater basin. The plume has arisen from the now-closed El Toro Marine Corps Air Station (“MCAS”). This second component consists of a separate treatment system that removes volatile organic compounds in the groundwater from solvent

degreasers previously used on the military base. The contaminants are removed from the groundwater using an air stripper and granular activated carbon absorption units. The treated water is used in the District's recycled water system and is designed to supply at least 3,400 acre feet of recycled water per year. In Fiscal Year 2013 this component of the Irvine Desalter Project produced 3,739 acre feet from non-potable wells. The United States Department of the Navy is compensating the District for this component of the project as part of the Settlement Agreement for Groundwater Remediation of the MCAS. The District expects that this compensation will cover the project costs until the plume of contaminated groundwater is cleaned up.

In addition to the two components described above, the Department of the Navy operates a number of wells on the former MCAS property. These wells pump contaminated groundwater from shallow basins located below the former base. Such water is treated by a treatment plant owned and operated by the District using an air stripper and granular activated carbon absorption units. These wells and the treatment plant, which are referred to as the Shallow Groundwater Unit (the "SGU"), are designed to treat approximately 640 acre feet per year of contaminated groundwater. The treated SGU water is disposed of via an existing ocean outfall. In Fiscal Year 2013, the SGU treated approximately 635 acre feet of water.

Historic Groundwater Supply. Set forth below is a summary of the District's sources of groundwater supply in acre feet per year for the last five Fiscal Years.

TABLE 9
IRVINE RANCH WATER DISTRICT
Historic Groundwater Supply In Acre Feet Per Year

<i>Fiscal Year</i>	<i>Dyer Road Well Field</i>	<i>Deep Aquifer Treatment System</i>	<i>Irvine Desalter Project</i> ⁽²⁾	<i>Irvine Sub-basin</i>	<i>Other</i> ⁽⁶⁾	<i>Total</i>
2009	28,614	8,782	5,365	1,667	154	44,582
2010	27,744	8,696	7,009	1,064	715	45,228
2011	22,488 ⁽¹⁾	8,756	5,837 ⁽³⁾	611 ⁽⁴⁾	352	38,044
2012	19,917 ⁽¹⁾	8,916	5,796 ⁽³⁾	627 ⁽⁴⁾	0	35,256
2013	27,763	8,858	7,123	2,866 ⁽⁵⁾	281	46,891

⁽¹⁾ Excludes 5,512 acre feet of water and 8,083 acre feet of water purchased at OCWD's request in Fiscal Years 2011 and 2012, respectively, in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2007 through 2010.

⁽²⁾ Excludes water pumped from the SGU, but includes non-potable water used in the District's recycled water system.

⁽³⁾ Decrease from Fiscal Year 2010 amount reflects the fact that Well 107 was taken out of service in Fiscal Year 2011. Well 107 was returned to service in October 2012. See the caption "—Irvine Desalter Project."

⁽⁴⁾ Decrease from Fiscal Year 2010 amount reflects the fact that Well 115 was taken out of service in Fiscal Year 2011. Well 115 is expected to return to service in or about August 2014. See the caption "—General."

⁽⁵⁾ Increase from Fiscal Year 2012 amount reflects completion of Wells 21 and 22. See the caption "—General."

⁽⁶⁾ Includes the Orange Park Acres well, which was taken out of service in 2011. The Orange Park Acres well is expected to return to service in or about January 2015. Also includes Well 2 in Lake Forest. See the caption "—General."

Source: The District.

OCWD. OCWD faces various challenges in managing its groundwater basin. A description of these challenges as well as a variety of other operating information with respect to OCWD is included in certain disclosure documents prepared by OCWD. OCWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. OCWD has also entered into certain continuing disclosure agreements pursuant to which OCWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the "OCWD Information") are filed with EMMA at <http://emma.msrb.org>. The OCWD Information is not incorporated herein by reference thereto, and the

District makes no representation as to the accuracy or completeness of such information. OCWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE OCWD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.

OCWD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO OCWD. OCWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Water Banking

In addition to developing its local groundwater and recycled water systems, the District is diversifying its water supply portfolio by developing water banking projects in Kern County, California. These projects are known as the Strand Ranch Integrated Banking Project and the Stockdale Integrated Banking Project (collectively, the “Water Bank”). The District’s Strand Ranch and Stockdale West Ranch properties are situated on groundwater recharge lands that overlie the regional Kern County groundwater basin. The purpose of developing the Water Bank is to improve the District’s water supply reliability by capturing lower cost water available during wet hydrologic periods for use during dry periods. The Water Bank will enhance the District’s ability to respond to drought conditions and potential water supply interruptions and will enable the District to reduce the cost of water delivered under such conditions.

In 2009, the District entered into a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District (“Rosedale”) in Kern County. This agreement provides for Rosedale to operate the Strand Ranch portion of the Water Bank on behalf of the District and permits the District: (i) to store up to 50,000 acre feet of water in the aquifer; (ii) to recharge up to 17,500 acre feet of water in the aquifer; and (iii) to recover up to 17,500 acre feet of water per year from the aquifer. The District has priority rights to use the recharge ponds when Rosedale is not recharging Kern River floodwaters. All other uses of the recharge ponds by Rosedale are on a second priority basis to the District’s use. The water that Rosedale stores on its own behalf does not count against the District’s 50,000 acre feet storage rights.

The Strand Ranch property has a major canal running through it that allows the movement of water onto and off of the property. The District has completed construction of 502 acres of groundwater recharge ponds and the facilities necessary to divert water from the canal and into ponds on the property. The recharge ponds allow available surface water to be infiltrated into the groundwater basin for later use. Seven groundwater wells that will provide the ability to recover water have already been constructed. Associated wellheads and pipelines have also been completed and the recovery facilities are available to recover banked water as necessary during drought conditions and potential water supply interruptions. The Water Bank is now fully operational.

Currently, the District is expanding the Water Bank onto the Stockdale West Ranch, which is adjacent to the Strand Ranch. The Stockdale West Ranch was purchased by the District in late 2010. These additional lands will allow the District to increase the District’s water banking recharge, storage and recovery capabilities by approximately 50%. The expansion of the Water Bank to the Stockdale West Ranch property will further increase the District’s dry year water supply reliability.

In 2011, the District implemented a pilot project on the Stockdale West Ranch and constructed 238 acres of recharge basins on the property. In addition, the District constructed water conveyance facilities to deliver water to the property.

In 2012, the District executed a development agreement with Rosedale that provides for sharing the costs of preparation of an environmental impact report for a joint banking project involving the District's Stockdale West Ranch and Rosedale's Stockdale East Ranch, both of which are adjacent to the Strand Ranch. This development agreement also outlines the terms and conditions of a long-term agreement for the operation of the joint project facilities which will comprise the Stockdale Integrated Banking Project. The development agreement commits the District and Rosedale to the preparation of a long-term agreement that can be executed concurrent with the certification of the environmental impact report. A draft of the environmental impact report is expected to be released for public review in February 2014, and the District expects that a final environmental impact report and long-term agreement will be available for certification and execution in May 2014.

The District has secured water from a number of sources for recharge at the Water Bank. Pursuant to the District's agreement with Rosedale, Rosedale will divert a portion of its entitlement to floodwater flows on the Kern River to District-owned storage ponds for recovery in dry years. The District is entitled, at no cost, to 20% of all Kern River floodwaters recharged by the Water Bank recharge ponds.

The District has also secured access to State Water Project water that will be stored in the Water Bank beginning in early 2014. Such water is available as a result of the District's acquisition of approximately 883 acres (the "Jackson Ranch") located within the Dudley Ridge Water District ("Dudley Ridge"), together with rights to use approximately 1,738 acre feet of Table A State Water Project water allocated to Dudley Ridge. The District expects to store up to 8,700 acre feet of such water in the Water Bank between 2014 and 2017. The District's ability to extract such water at any given time is dependent on annual State Water Project allocation decisions made by the State. Additionally, the Jackson Ranch land acquisition included certain participation rights in the Kern Water Bank to store approximately 9,495 acre feet of water.

In 2011, the District entered into a 28-year exchange program (the "Exchange Program") with Buena Vista Water Storage District ("BVWSD") that allows BVWSD to store a portion of its high-flow Kern River water at the Strand Ranch Integrated Banking Project in exchange for allocating to the District 50% of such stored water. BVWSD holds both State Water Project Table A water rights and pre-1914 rights to Kern River water. The pre-1914 water rights give BVWSD an average annual entitlement of 158,000 acre feet of Kern River water. Pursuant to the Exchange Program, BVWSD is entitled to deliver up to 17,500 acre feet of water to the Water Bank in any given year with a maximum cumulative capacity of 40,000 acre feet. The District and BVWSD are working together to expand the scope of the Exchange Program to provide for additional deliveries to the Stockdale West Ranch. The District is entitled to keep one half of any water banked by BVWSD in the Water Bank.

According to the schedule set forth in the Exchange Program, the District is entitled to keep an additional 10% of the water stored by BVWSD each calendar year after the fourth calendar year following the year of the recharge event, which amount increases by 10% each calendar year until nine calendar years after the year of the recharge event, at which time the District is entitled to keep all water transferred by BVWSD to the Water Bank. Pursuant to the terms of the Exchange Program, the District and BVWSD share equally in any water losses resulting from the exchange. BVWSD is responsible for all costs of delivering water to the Water Bank and the District is responsible for all costs of returning the water to BVWSD. The District is required to return water that BVWSD determines it will recover from the Water Bank at a maximum rate of 6,667 acre feet per year. The District is obligated to pay BVWSD for any water kept by the District in excess of 50% of the water transferred by BVWSD to the Water Bank at BVWSD's then current State Water Project Table A Variable Operations, Maintenance, Power and Replacement unit cost rate for water. The 28-year term of the Exchange Program coincides with the District's agreement with Rosedale relating to the Water Bank.

In 2012, the District entered into separate Pilot Exchange Agreements with the Central Coast Water Authority and the Antelope Valley-East Kern Water Agency (the "Pilot Exchange Agreements") that provided for such agencies to store portions of their 2012 allocation of State Water Project water at the Water Bank in

exchange for the District's receipt of half of such water for its own use. At the end of calendar year 2013, a total of 6,400 acre feet of water was stored at the Water Bank through the Pilot Exchange Agreements.

The District has entered into a Coordinated Operating, Water Storage, Exchange and Delivery Agreement with MWD which allows the District to have State Water Project water that is recovered from the Water Bank delivered to the District's service area. Through this agreement, the District can cause the delivery of State Water Project water from the Water Bank to the District's service area at any time. The District is in the process of developing an additional agreement with MWD to have other waters recovered and delivered into the District's service area. Such additional agreement is expected to be used on an on-call basis when the District desires to move non-State Water Project water into southern California for use in the District's service area.

Since 2010, the District has delivered a total of approximately 36,000 acre feet of water to the Water Bank, including the Stockdale West Ranch. The District returned 2,500 acre feet of water to BVWSD in 2012 from BVWSD's share of the water stored in the Water Bank pursuant to the Exchange Program. In 2013, the District returned 281 acre feet of water to the Central Coast Water Authority and 6,667 acre feet of water to BVWSD in accordance with the Pilot Exchange Agreements.

The cost of the Strand Ranch water banking facilities (including the land acquisition costs) was approximately \$21,820,000. Such facilities are now fully operational. The cost of expansion of the water banking facilities onto the Stockdale West Ranch (including the costs of acquisition of these lands) is expected to be approximately \$13,000,000, of which the District has spent approximately \$7,478,000 as of December 2013.

The District is currently pursuing additional opportunities for water banking and contractual rights to other surface waters for diversion into the Water Bank for later use by the District. These other sources include long-term programs for State Water Project water from MWD, the Central Coast Water Authority and the Antelope Valley-East Kern Water Agency.

A summary of water held in storage pursuant to the District's water banking program as of December 1, 2013 (after water losses) is set forth below.

TABLE 10
IRVINE RANCH WATER DISTRICT
Summary of Water Banking Programs
As of December 31, 2013 (Acre Feet)

<i>Facility</i>	<i>Total Capacity</i>	<i>Total Water in Storage</i>	<i>District Share of Total Water in Storage⁽¹⁾</i>
Strand Ranch Integrated Banking	50,000	22,019	16,843
Stockdale West Ranch	26,000 ⁽²⁾	2,876	1,401
Kern Water Bank	<u>9,495</u>	<u>4,039</u>	<u>4,039</u>
Total	85,495	28,934	22,283

⁽¹⁾ The District's ability to extract water is subject to certain contractual and operational constraints as described above and is currently limited to approximately 17,500 acre feet. Upon certification of the environmental impact report for the Stockdale West Ranch, which is expected to occur in May 2014, the District expects to be able to expand its groundwater extraction capacity by drilling new wells on the Stockdale West Ranch.

⁽²⁾ Estimate. Final storage capacity to be determined subject to further California Environmental Quality Act proceedings and execution of long-term agreement expected to be entered into with Rosedale.

Source: The District.

Recycled Water

During Fiscal Year 2013, the District produced 22,983 acre feet of recycled water and supplied an additional 6,869 acre feet of non-potable water to District customers via the recycled water system. The District processes and treats secondary effluent from its customers to produce recycled water for sale to customers for non-potable utilization. Recycled water is currently sold to approximately 5,000 customers within the District. As of December 31, 2013, the District had approximately 488 miles of recycled water mains and recycled water storage capacity of approximately 4,800 acre feet. Revenues from the sale of recycled water are accounted for as part of the District’s sewer system.

Historic and Projected Water Supply

Set forth below is a summary of the District’s sources of total water supply in acre feet per year for the last five Fiscal Years.

TABLE 11
IRVINE RANCH WATER DISTRICT
Historic Water Supply In Acre Feet Per Year

<i>Fiscal Year</i>	<i>Local Water</i> ⁽¹⁾	<i>Imported Water</i>	<i>Recycled Water</i>	<i>Total</i>
2009	45,537	35,265	22,961	103,763
2010	45,358	24,744 ⁽²⁾	20,848	90,950
2011	39,563	30,549 ⁽²⁾⁽³⁾⁽⁴⁾	20,284	90,396
2012	39,409	26,155 ⁽²⁾⁽⁴⁾	20,602	86,166
2013 ⁽⁵⁾	49,967	20,151	22,983	93,101

⁽¹⁾ Includes groundwater, native water in Irvine Lake and non-potable Irvine Desalter Project water used in the District’s recycled water system. See the caption “—Groundwater—Irvine Desalter Project.” Excludes water pumped from the SGU, which is disposed of via an existing ocean outfall following treatment.

⁽²⁾ Imported water supply for Fiscal Years 2010 through 2012 was substantially lower than prior years due primarily to increased conservation, impacts of the economic downturn and mild weather.

⁽³⁾ Imported water supply for Fiscal Year 2011 included approximately 5,900 acre feet of stored imported water spilled from Irvine Lake during a December 2010 rain event. Such water was replaced with new native water (storm flows) stored at Irvine Lake.

⁽⁴⁾ Includes 5,512 acre feet of water and 8,083 acre feet of water purchased at OCWD’s request in Fiscal Years 2011 and 2012, respectively, in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2009 and 2010.

⁽⁵⁾ Increase from Fiscal Year 2012 reflects growth and the economic recovery within the District’s service area as well as increased irrigation requirements. OCWD did not request that the District purchase in-lieu water in Fiscal Year 2013.

Source: The District.

Set forth below is a summary of the District’s projection of total water sources for the current and next four Fiscal Years.

**TABLE 12
IRVINE RANCH WATER DISTRICT
Projected Water Supply In Acre Feet Per Year**

<i>Fiscal Year</i>	<i>Local Water⁽¹⁾</i>	<i>Imported Water</i>	<i>Recycled Water⁽²⁾</i>	<i>Total</i>	<i>Percentage Change</i>
2014	57,352	15,943	23,600	96,895	4.08%
2015	58,257	16,741	24,072	99,070	2.25
2016	58,257	19,574	24,553	102,384	3.35
2017	58,257	22,095	25,045	105,397	2.94
2018	58,257	24,845	25,545	108,647	3.08

⁽¹⁾ Includes groundwater, native water in Irvine Lake and non-potable Irvine Desalter Project water used in the District’s recycled water system. See the caption “—Groundwater—Irvine Desalter Project.” Excludes water pumped from the SGU, which is disposed of via an existing ocean outfall following treatment. Reflects completion of Wells 21 and 22. See the caption “—Groundwater—General.”

⁽²⁾ Reflects expansion of Michelson Water Reclamation Plant (“MWRP”), increasing total recycled water production capacity from 18 million gallons per day (“mgd”) to 28 mgd in Fiscal Year 2014. See the captions “THE SEWER SYSTEM—General” and “FUTURE CAPITAL IMPROVEMENTS—MWRP and Solids Handling.” Recycled water production projected to increase approximately 2% per annum.

Source: The District.

Set forth below is a comparison of the District’s sources of supply as compared to other neighboring agencies supplying water for Fiscal Year 2012.

**TABLE 13
IRVINE RANCH WATER DISTRICT
Water Supply Comparison by Source
Fiscal Year 2012**

	<i>Imported Water</i>	<i>Groundwater</i>	<i>Surface Water</i>	<i>Recycled Water</i>
Irvine Ranch Water District⁽¹⁾	21%	51%	4%	24%
City of Anaheim	46	54	0	0
South Coast Water District ⁽²⁾	77	13	0	10
City of Orange	50	45	5	0
Santa Margarita Water District ⁽²⁾	83	0	0	17
City of Tustin ⁽³⁾	37	63	0	0

⁽¹⁾ Approximately 32% of the District’s water demand is from areas outside of OCWD’s jurisdictional boundaries.

⁽²⁾ These agencies are not located within OCWD’s jurisdictional boundaries.

⁽³⁾ The City of Tustin owns several groundwater projects that are exempt from the BEA.

Source: Municipal Water District of Orange County Water System Operations and Financial Information (August 2013); the District.

THE WATER SYSTEM

General

Through the issuance of general obligation waterworks bonds and other indebtedness, the District has constructed, purchased or acquired capacity in, or connections to, various transmission, pumping, storage and

distribution facilities to convey water into the District, including several major facilities built in cooperation with other water districts and cities.

The development of water supplies and the construction and acquisition of facilities are being carried out under a master plan formulated by the District in 1972 and most recently updated in 2009. Existing uses and planned development within the District will necessitate a projected combined total annual water supply of approximately 124,800 acre feet by 2035.

The District anticipates meeting all of its water supply needs using the above-mentioned water importation and storage facilities, groundwater production facilities and recycled water facilities. The combination of the District's facilities and sources of supply is expected to provide the District with a reliable water supply sufficient to permit the ultimate development as presently planned. Reliability of water supply is further enhanced by the District's storage facilities, which currently provide more than a seven-day supply.

At June 30, 2013, the District had approximately 1,995 miles of water mains in its potable and recycled water systems and storage capacity of approximately 29,800 acre feet, including the District's share of Irvine Lake, a 25,000 acre feet untreated water reservoir, and the District's Sand Canyon, Rattlesnake Canyon, Syphon and San Joaquin Reservoirs, which are recycled water reservoirs with capacities of 750 acre feet, 1,100 acre feet, 450 acre feet and 2,500 acre feet respectively. See the caption "WATER SUPPLY."

See the caption "WATER SUPPLY—Water Banking" for information with respect to the District's water banking programs, which constitute additional sources of water that are not reflected in the discussion of the District's storage facilities above.

In Fiscal Year 2009, the District commenced the engineering design for the Baker WTP. The design was completed in April 2013, with construction anticipated to be complete in July 2015.

When constructed, the Baker WTP is expected to treat to drinking water standards approximately 28 mgd of raw imported water purchased from MWD. During emergencies and planned raw imported water outages, water from Irvine Lake is expected to be supplied to the Baker WTP for treatment to drinking water standards. The Baker WTP will utilize microfiltration and ultraviolet disinfection as the primary treatment processes. Although the plant will be owned and operated by the District, approximately 76% of capacity in the Baker WTP is expected to be held by other participating water agencies located in southern Orange County. The facility will provide an operational source of supply to the District and participating agencies and, in the event of a short-term water shortage emergency, provide regional water reliability to other neighboring water agencies. The project construction cost is estimated at approximately \$103.6 million, which is to be borne by the District and the other participating water agencies in proportion to their participation in the project. The District has financed its 24% share of the costs from general obligation bonds.

See the caption "THE IRVINE RANCH WATER DISTRICT—Current Investments" for a description of an investment made by the District relating to the Baker WTP.

Historic Water Connections

The following table shows the number of water connections in the District for the five most recent Fiscal Years.

**TABLE 14
IRVINE RANCH WATER DISTRICT
Historic Water Connections⁽¹⁾**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2009	96,311	0.76%
2010	97,023	0.74
2011	98,637	1.66
2012	99,465	0.84
2013	101,020	1.56

⁽¹⁾ Excludes recycled water connections.
Source: The District.

Projected Water Connections

The following table shows the number of water connections projected by the District for the current and next four Fiscal Years.

**TABLE 15
IRVINE RANCH WATER DISTRICT
Projected Water Connections⁽¹⁾**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2014	103,821	2.78%
2015	106,151	2.24
2016	109,702	3.35
2017	112,930	2.94
2018	116,413	3.08

⁽¹⁾ Excludes recycled water connections. Increases in connections reflect District estimates of increased development activity, primarily due to scheduled apartment construction.
Source: The District.

Connection Fees

The District collects a water connection fee for each new connection to finance District facilities. Connection fees vary by Improvement District and range from \$1,400 to \$3,505 for each residential unit and \$5,526 to \$29,618 for each acre of commercial or industrial property. The connection fee is designed to recover the cost of each additional connection and allocate among all Improvement Districts the costs of master planned facilities such as water sources and production facilities, transmission mains, pumping stations, reservoirs and appurtenances and capacity necessary for each Improvement District.

Historic Water Deliveries

The following table presents a summary of historic water deliveries for the District in acre feet per year for the five most recent Fiscal Years. Historic water deliveries vary from historic water supply as a result

of losses in the water system and the timing of billing. Revenues from the sale of recycled water are accounted for as part of the District’s sewer system.

TABLE 16
IRVINE RANCH WATER DISTRICT
Historic Water Deliveries in Acre Feet Per Year

<i>Fiscal Year</i>	<i>Potable and Untreated</i>	<i>Recycled</i>	<i>Total</i>	<i>Percentage Change</i>
2009 ⁽¹⁾	80,802	22,961	103,763	(1.33)%
2010 ⁽¹⁾	70,102	20,848	90,950	(12.35)
2011 ⁽¹⁾	70,112	20,284	90,396	(0.61)
2012 ⁽¹⁾	65,564	20,602	86,166	(4.68)
2013 ⁽²⁾	70,118	22,983	93,101	8.05

⁽¹⁾ Reduced deliveries resulted from the District’s conservation efforts in response to drought conditions and economic factors affecting the District’s service area.

⁽²⁾ Increase in water deliveries reflects growth and the economic recovery within the District’s service area.

Source: The District.

Projected Water Deliveries

The District estimates that water system deliveries for the current and next four Fiscal Years will be as set forth in the following table. The District currently projects that water deliveries will increase as a result of an increase in connections, as set forth in the table under the caption “—Projected Water Connections,” and improved economic conditions in the District’s service area. Revenues from the sale of recycled water are accounted for as part of the District’s sewer system.

TABLE 17
IRVINE RANCH WATER DISTRICT
Projected Water Deliveries in Acre Feet Per Year

<i>Fiscal Year</i>	<i>Potable and Untreated</i>	<i>Recycled</i>	<i>Total</i>	<i>Percentage Change</i>
2014	73,295	23,600	96,895	1.20%
2015	74,998	24,072	99,070	2.24
2016	77,831	24,553	102,384	3.35
2017	80,352	25,045	105,397	2.94
2018	83,102	25,545	108,647	3.08

Source: The District.

Historic Water Sales and Service Charge Revenues

The following table shows annual water sales and service charge revenues for the five most recent Fiscal Years. The following table does not include revenues from the sale of recycled water, which is accounted for as part of the District’s sewer system.

**TABLE 18
IRVINE RANCH WATER DISTRICT
Historic Water Sales and Service Charge Revenues
(Dollars in Thousands)**

<i>Fiscal Year</i>	<i>Sales and Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2009	\$50,940	5.00%
2010	51,268	0.64
2011	54,796	6.88
2012	57,558	5.04
2013	62,565	8.70

⁽¹⁾ Includes late payment charges and other penalty revenues.
Source: The District.

Projected Water Sales and Service Charge Revenues

The following table projects annual water sales and service charge revenues for the current and next four Fiscal Years.

**TABLE 19
IRVINE RANCH WATER DISTRICT
Projected Water Sales and Service Charge Revenues
(Dollars in Thousands)**

<i>Fiscal Year</i>	<i>Sales and Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2014	\$64,755	3.50%
2015	67,021	3.50
2016	71,042	6.00
2017	75,305	6.00
2018	79,823	6.00

⁽¹⁾ Reflects projected increases in water connections and deliveries described under the captions “—Projected Water Connections” and “—Projected Water Deliveries,” respectively, as well as projected increases in rates described under the caption “—Water System Rates and Charges.” Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that the Board of Directors will adopt such rate increases as currently projected. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Source: The District.

Largest Water Customers

The following table sets forth the ten largest water customers of the District for Fiscal Year 2013, as determined by annual payments.

TABLE 20
IRVINE RANCH WATER DISTRICT
Ten Largest Water Customers
Fiscal Year 2013

<i>Customer</i>	<i>Fiscal Year 2013 Payment</i>	<i>Percentage of Total Water Sales Revenues</i>
1. The Irvine Company	\$2,484,698	3.97%
2. University of California, Irvine	1,171,157	1.87
3. Jazz Semiconductor	737,679	1.18
4. B. Braun Medical Inc.	557,710	0.89
5. Woodbridge Village Association	332,257	0.53
6. City of Irvine	277,852	0.44
7. ERP Operating LP	231,458	0.37
8. Allergan Sales, LLC	228,426	0.37
9. County of Orange	216,615	0.35
10. Irvine Unified School District	<u>212,041</u>	<u>0.34</u>
TOTAL	<u>\$6,449,893</u>	10.31%

Source: The District.

These ten largest customers accounted for approximately 10.31% of water sales revenues in Fiscal Year 2013.

Water System Rates and Charges

Water system rates and charges (other than connection fees) are generally uniform throughout the District. Pumping surcharges apply in higher elevations, and different rates and charges apply in certain areas added to the District by consolidation and annexation since 1998. The average monthly service charge for residential water meters is \$9.85. The monthly service charges for commercial and industrial water meters range from \$9.85 to \$3,301.85 based on meter size. Quantity charges are set according to a water conservation oriented ascending block rate structure with rates ranging from \$0.91 to \$9.84 per 100 cubic feet (“ccf”). Recycled water rates for irrigation are set at 90% of the potable rate. Set forth below is comparison of the District’s water bill for a typical residential customer as compared to neighboring communities. Since Fiscal Year 2006, the District has increased its water system rates and charges by an average of approximately 6.5% each year for an average residential customer using approximately 18 ccf of water per month.

The projected water system revenues set forth under the captions “—Projected Water Sales and Service Charge Revenues” and “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” reflect projected water rate increases of between 3.5% and 6% in Fiscal Years 2014 through 2018, including a projected rate increase of 3.5% beginning July 1, 2014 that is expected to be brought before the Board of Directors in spring 2014. Such water rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board of Directors will adopt such rate increases as currently projected.

TABLE 21
IRVINE RANCH WATER DISTRICT
Typical Residential Customer Water Bills⁽¹⁾

<i>Water Service Provider</i>	<i>Charge⁽²⁾</i>
City of Newport Beach	\$69.91
City of Costa Mesa	65.90
City of Santa Ana	52.59
City of Huntington Beach	42.88
City of Tustin	42.58
City of Anaheim	41.73
City of Orange	38.36
District	29.83

⁽¹⁾ Based on 18 ccf (for the District first 8 ccf at low volume rate of \$0.91 and next 10 ccf at \$1.27).

⁽²⁾ As of July 1, 2012, except for District charge, which is as of July 1, 2013. Excludes *ad valorem* assessments levied by the District.

Source: The District.

THE SEWER SYSTEM

General

The District, following voter approval in 1965, is authorized by law to acquire, construct, operate and furnish facilities and services for the collection, treatment, reclamation and disposal of wastewater and may contract with others for such purposes. The District has an extensive network of gravity sewers, force mains, wastewater lift stations and siphons that convey wastewater to two District-owned treatment plants. At June 30, 2013, the District had approximately 968 miles of sewer mains and treatment plant capacity of approximately 35.5 mgd at the MWRP and the Los Alisos Water Reclamation Plant (“LAWRP”). More than 8.3 billion gallons of sewage were treated by the District during Fiscal Year 2013.

During Fiscal Year 1986, the District cooperated with Orange County Sanitation District (“OCSD”) to form Sanitation District 14 (functionally replaced by “Revenue Area 14” of OCSD, upon the consolidation of the several sanitation districts comprising OCSD’s predecessor, the County Sanitation Districts of Orange County, in 1998), which overlays a substantial portion of the District’s territory. Under an agreement entered into between the District and OCSD in connection with such formation, the District paid approximately \$34 million for an approximately 6% interest in OCSD’s sewage processing facilities (such percentage of interest will vary over time pursuant to a formula set forth in the agreement between OCSD and the District). This agreement, currently provides treatment capacity (in addition to the capacity at District-owned facilities, such as the MWRP and the LAWRP) of up to approximately 10 mgd. The agreement also provides for the purchase by the District of additional capacity in OCSD sewage processing facilities on an as-needed-basis determined from annual flows. In Fiscal Year 2013, the District utilized [an average of approximately ___ mgd] [___ billion gallons] of capacity pursuant to its agreement with OCSD. Currently, approximately 88% of the District’s wastewater is treated by the MWRP and LAWRP operated by the District, and approximately 12% is treated by OCSD. A small portion of the wastewater (less than 1%) from the District’s service area that is adjacent to the Santa Margarita Water District is treated by the Santa Margarita Water District pursuant to contract.

Currently, approximately 71% of all wastewater collected by the District is treated as described above and recycled or stored in seasonal storage reservoirs for later treatment and recycling. The remainder of the wastewater collected by the District is diverted to OCSD for ultimate disposal into the Pacific Ocean through OCSD’s two ocean outfall pipelines or recharged into the Orange County groundwater basin through OCWD’s Groundwater Replenishment System.

Ultimately, the District plans to expand capacity for its treatment facilities to approximately 40.5 mgd in order to: (i) increase recycled water production and utilization; (ii) decrease exposure to external treatment costs and operational constraints; and (iii) decrease dependencies on imported water supplies. See the caption “FUTURE CAPITAL IMPROVEMENTS.”

The District has evaluated alternative approaches to handling its wastewater solids. The District is proceeding with the design of facilities for handling MWRP solids, currently conveyed to Fountain Valley for treatment by OCSD, as well as solids from the District’s LAW RP and other potential participating agencies. New capital facilities constructed at the MWRP to dewater and dispose of solids from this facility are estimated to cost \$210 million. Construction of solids handling facilities at the MWRP commenced in May 2013 with an anticipated completion in Fiscal Year 2017.

OCSD faces various challenges in the continued treatment of sewage. A description of these challenges as well as a variety of other operating information with respect to OCSD is included in certain disclosure documents prepared by OCSD. OCSD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. OCSD has also entered into certain continuing disclosure agreements pursuant to which OCSD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the “OCSD Information”) are filed with EMMA at <http://emma.msrb.org>. The OCSD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. OCSD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE OCSD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.

OCSD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO OCSD. OCSD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Historic Sewer System and Recycled Water Connections

The following table shows the number of sewer and recycled water connections in the District for the five most recent Fiscal Years.

**TABLE 22
IRVINE RANCH WATER DISTRICT
Historic Sewer and Recycled Water Connections**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2009	91,700	0.84%
2010	92,407	0.77
2011	93,992	1.72
2012	94,983	1.05
2013	96,643	1.75

Source: The District.

Projected Sewer and Recycled Water Connections

The following table shows the projected number of sewer and recycled water connections for the current and next four Fiscal Years.

**TABLE 23
IRVINE RANCH WATER DISTRICT
Projected Sewer and Recycled Water Connections**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2014	99,444	2.90%
2015	101,774	2.34
2016	105,325	3.49
2017	108,553	3.06
2018	112,036	3.21

⁽¹⁾ Increases in connections beginning in Fiscal Year 2014 reflect District estimates of increased development activity.
Source: The District.

Connection Fees

The District collects a sewer connection fee for each new connection to finance District sewer facilities. Connection fees vary by Improvement District and range from \$2,134 to \$24,500 for each residential unit and \$8,831 to \$60,485 for each acre of commercial or industrial property. The connection fee is designed to recover the cost of each additional connection and allocate among all Improvement Districts the costs of master planned facilities such as transmission mains, pumping stations, treatment facilities and appurtenances and capacity necessary to serve each Improvement District.

Historic Sewer Daily Average Flow

The following table shows the daily average sewer flow in millions of gallons per day for the five most recent Fiscal Years.

**TABLE 24
IRVINE RANCH WATER DISTRICT
Historic Sewer Daily Average Flow**

<i>Fiscal Year</i>	<i>Daily Average Flow (mgd)⁽¹⁾</i>	<i>Percentage Change</i>
2009	29.6	0.00%
2010	27.5	(7.09) ⁽²⁾
2011	27.4	(0.36) ⁽²⁾
2012	27.2	(0.73) ⁽²⁾
2013	27.8	2.21

⁽¹⁾ Includes District flow treated by OCSD.

⁽²⁾ Reduction in flows reflects reduced water use, including as a result of conservation efforts.

Source: The District.

Projected Sewer Daily Average Flow

The following table shows the projected daily average sewer flow in millions of gallons per day for the current and next four Fiscal Years.

**TABLE 25
IRVINE RANCH WATER DISTRICT
Projected Sewer Daily Average Flow**

<i>Fiscal Year</i>	<i>Daily Average Flow (mgd)⁽¹⁾</i>	<i>Percentage Change</i>
2014	28.5	2.52%
2015	28.8	1.05
2016	29.4	2.08
2017	30.6	4.08
2018	31.7	3.59

⁽¹⁾ Includes flow treated by OCSO.
Source: The District.

Historic Recycled Water Sales and Sewer Service Charge Revenues

The following table shows the recycled water sales and sewer service charge revenues for the five most recent Fiscal Years.

**TABLE 26
IRVINE RANCH WATER DISTRICT
Historic Recycled Water Sales and Sewer Service Charge Revenues
(Dollars in Thousands)**

<i>Fiscal Year</i>	<i>Recycled Water Sales and Sewer Service Charge Revenues</i>	<i>Percentage Change</i>
2009	\$41,157	3.38%
2010	45,343	10.17 ⁽¹⁾
2011	45,375	0.07
2012	49,234	8.50 ⁽²⁾
2013	53,085	7.82 ⁽³⁾

⁽¹⁾ Reflects 20% increase in fixed service charge in Fiscal Year 2010 to cover increased operating costs, replacements, and capital enhancements and 7% increase in commodity rate in Fiscal Year 2010.

⁽²⁾ Reflects 2.37% increase in fixed service charge in Fiscal Year 2012 to cover increased operating costs, replacements, and capital enhancements and 1.83% increase in commodity rate in Fiscal Year 2012.

⁽³⁾ Reflects increase in sewer daily average flow described under the caption “—Historic Sewer Daily Average Flow” as well as increase in recycled water and sewer rates described under caption “—Sewer System Rates and Charges.”

Source: The District.

Projected Recycled Water Sales and Sewer Service Charge Revenues

The following table shows the projected recycled water sales and sewer service charge revenues for the current and next four Fiscal Years.

TABLE 27
IRVINE RANCH WATER DISTRICT
Projected Recycled Water Sales and Sewer Service Charge Revenues
(Dollars in Thousands)

<i>Fiscal Year</i>	<i>Recycled Water Sales and Sewer Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2014	\$54,980	3.57%
2015	57,918	5.34
2016	61,392	6.00
2017	65,079	6.00
2018	68,982	6.00

⁽¹⁾ Reflects increases in projected sewer connections and daily average sewer flow described under the captions “—Projected Sewer and Recycled Water Connections” and “—Projected Sewer Daily Average Flow,” respectively, as well as projected increases in recycled water and sewer rates described under the captions “THE WATER SYSTEM—Water System Rates and Charges” and “THE SEWER SYSTEM—Sewer System Rates and Charges.” Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that the Board of Directors will adopt such rate increases as currently projected. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Source: The District.

Largest Sewer Service Customers

The following table sets forth the ten largest sewer service customers of the District for Fiscal Year 2013, as determined by annual payments.

**TABLE 28
IRVINE RANCH WATER DISTRICT
Ten Largest Sewer Service Customers
Fiscal Year 2013**

<i>Customer</i>	<i>Fiscal Year 2013 Payment</i>	<i>Percentage of Total Recycled Water and Sewer Service Revenues</i>
1. The Irvine Company	\$3,143,384	5.92%
2. City of Irvine	1,707,500	3.22
3. University of California, Irvine	1,676,987	3.16
4. California Department of Transportation District 12	1,078,792	2.03
5. B. Braun Medical Inc.	505,642	0.95
6. Irvine Unified School District	469,651	0.88
7. Allergan Sales, LLC	288,928	0.54
8. Royalty Carpet Mills	278,100	0.52
9. Crystal Cove Community Association	277,456	0.52
10. The Park at Spectrum Apartments	<u>266,468</u>	<u>0.50</u>
TOTAL	<u>\$9,692,908</u>	18.24%

Source: The District.

These ten largest customers accounted for approximately 18.24% of total sewer revenues for Fiscal Year 2013.

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Sewer System Rates and Charges

Residential users pay a fixed monthly service charge which ranges from \$13.80 to \$18.40. Commercial and industrial users pay \$18.40 for the first ten ccf of water use and from \$2.110 to \$2.213 per ccf thereafter. Set forth below is a comparison of the District’s sewer bills for a typical residential customer as compared to other neighboring communities. Since Fiscal Year 2006, the District has increased its fixed monthly service charge by an average of approximately 10.0% each year.

**TABLE 29
IRVINE RANCH WATER DISTRICT
Typical Residential Customer Sewer Bill**

<i>Sewer Service Provider</i>	<i>Charge⁽¹⁾</i>
City of Tustin	\$42.67
City of Santa Ana	39.33
City of Newport Beach	36.47
City of Huntington Beach	36.36
City of Orange	25.67
City of Costa Mesa	25.67
City of Anaheim	25.67
District	13.80 – 18.40

⁽¹⁾ As of July 1, 2012, except for District charge, which is as of July 1, 2013. Excludes *ad valorem* assessments levied by District.

Source: The District.

The projected sewer system and recycled water sales revenues set forth under the captions “—Projected Recycled Water Sales and Sewer Service Charge Revenues” and “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” reflect projected sewer rate increases of between 3.5% to 6% in Fiscal Years 2014 through 2018 and projected recycled water rate increases of between 2% and 5% in Fiscal Years 2014 through 2018, including projected increases in sewer rates and recycled water rates effective July 1, 2014 that are expected to be brought before the Board of Directors in spring 2014. Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” There can be no assurance that the Board of Directors will adopt such rate increases as currently projected.

FUTURE CAPITAL IMPROVEMENTS

The District anticipates spending approximately \$408,494,000 on future water, recycled water and sewer system improvements during the current and the next four Fiscal Years. The District anticipates financing such improvements through a combination of general obligation bonds, District revenues and fund balances in Fiscal Years 2014 through 2018. The District anticipates that approximately \$300,000,000 of such improvements will be financed from proceeds of general obligation bonds, some of which have already been issued, and that approximately \$108,494,000 of such improvements will be financed from funds on hand and District revenues. The following table sets forth the District’s projected capital improvement projects for the current and next four Fiscal Years:

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TABLE 30
IRVINE RANCH WATER DISTRICT
Projected Water, Recycled Water and Sewer Systems Capital Improvements
For Fiscal Years 2014 through 2018

<i>Project</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>Total</i>
MWRP and Solids Handling	\$39,733,151	\$ 73,222,700	\$ 76,208,000	\$10,868,400	\$ 2,459,900	\$202,492,151
OCS D / CORF	1,752,656	2,539,800	3,203,900	3,335,000	4,879,500	15,710,856
Water Supply Reliability	12,814,838	19,578,100	13,712,800	3,151,500	9,688,900	58,946,138
Development-Related Expansion	12,538,345	12,886,500	16,061,100	10,525,900	12,430,000	64,441,845
Replacement and Refurbishment	19,276,043	12,607,500	9,837,700	4,150,400	1,143,400	47,015,043
Operational Improvements	<u>8,910,492</u>	<u>7,051,700</u>	<u>6,779,100</u>	<u>4,550,600</u>	<u>1,692,100</u>	<u>28,983,992</u>
Total	\$95,025,525	\$127,886,300	\$125,802,600	\$36,581,800	\$32,293,800	\$417,590,025

MWRP and Solids Handling

The Phase 2 expansion of the MWRP will increase treatment capacity from 18 to 28 mgd. Primary components of the expansion include new influent sewers; influent flow metering facilities; centralized headworks facilities; primary clarification facilities; primary effluent pumping station; flow equalization basin modifications; nitrification/denitrification membrane bioreactor facilities; high rate clarification facilities; ultra-violet disinfection facilities; rehabilitation of existing chlorine contact chambers; effluent pumping station modifications; chemical storage and feed facilities; associated electrical, instrumentation and controls, and telemetry improvements; demolition work; site work and driven pile foundations; yard piping and grading modifications; and site paving and restoration work. The Phase 2 expansion of MWRP is anticipated to be completed by the end of Fiscal Year 2014. The solids handling capital project includes the design and construction of facilities for thickening, acid-phase anaerobic digestion, dewatering, drying and pelletization, energy generation, and use of pellets as a fertilizer or e-fuel. It also includes a solids receiving station to allow processing of dewatered sludge from the Los Alisos Water Recycled Water Plant for drying and pelletization. In addition, facilities for the receipt and transfer of fats, oil and grease to the digesters is being designed and will be constructed to increase methane and energy production capabilities. The solids handling capital project is anticipated to be completed in Fiscal Year 2018. The District anticipates that proceeds from the District's previously issued Series 2010B Bonds will be used to finance a portion of the cost of this project.

OCS D CORF

OCS D's Capital Outlay Revolving Fund ("CORF") funds OCS D projects such as plant upgrades for secondary treatment and the Groundwater Replenishment System. The District funds its share of the CORF based on the District's percentage share of OCS D's total wastewater flow. Wastewater flows from the District presently comprise approximately 2% – 3% of OCS D flows and are expected to comprise approximately 3% – 4% in future years. Proceeds from the previously issued Series 2010B Bonds are being used to finance a portion of this project. See the caption "THE SEWER SYSTEM—General—OCS D" above.

Water Supply Reliability

Water supply reliability projects include the acquisition and construction of water banking facilities in Kern County and the Baker WTP, expansion of Syphon Reservoir and other projects to increase water supply reliability, including, but not limited to, booster pump stations and interagency pipeline construction. Proceeds from the previously issued Series 2010B Bonds are being used to finance a portion of the cost of these projects. See the captions "WATER SUPPLY" and "THE WATER SYSTEM—General."

Development-Related Expansion

Development-related expansion improvements include construction of new water, recycled water and sewer improvements to serve new developments.

Replacement and Refurbishment

Replacement and refurbishment improvements consist of repairs and restoration to existing water, recycled water and sewer system facilities.

Operational Improvements

Operational improvements consist of optimizing District facilities and include improvements to the District's water and wastewater Operations Center, adding water quality mixing systems to existing reservoirs, expanding the reliability of the Supervisory Control and Data Acquisition system, and relocating District facilities as required by interagency projects.

WATER AND SEWER SYSTEM FINANCIAL INFORMATION

Financial Statements

A copy of the most recent financial statements of the District audited by Mayer Hoffman McCann P.C., Certified Public Accountants (the "Auditor"), are included as Appendix B (the "Financial Statements") and should be read in their entirety. The Auditor's letter concludes that the Financial Statements present fairly, in all material respects, the financial position of the District as of June 30, 2013, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Auditor has not reviewed the contents of this Remarketing Statement, and the District has not sought the Auditor's consent to the inclusion of the Auditor's report in the Financial Statements in this Remarketing Statement.

Effect of Federal Sequester

On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, including reductions in Build America Bond ("BAB") interest subsidy payments ("BAB Credits"). As set forth under the captions "—Historic Operating Results and Debt Service Coverage" and "—Projected Operating Results and Debt Service Coverage," the District's Series 2010B Bonds are BABs and the operating results for Fiscal Year 2013 and projected operating results for Fiscal Years 2014 through 2018 shown therein reflect the announced reduction in BAB Credits. The District does not expect the sequester to have a material adverse effect on its ability to make payments of interest on the Series 2010B Bonds. To date, the District has not observed a material adverse effect on District operations as a result of the sequester. While the District continues to monitor the effects of the sequester on District operations, the District does not currently expect the sequester to have a material adverse effect on the ability of the District to make payments of principal of and interest on the Series 2011A-1 Bonds from Net Revenues.

Historic Operating Results and Debt Service Coverage

The following summary of operating results of the District for the last five Fiscal Years is derived from the Financial Statements and audited financial statements of the District for prior Fiscal Years and excludes certain non-cash items and includes certain other adjustments. Such summary operating results are qualified in their entirety by reference to such statements, including the notes thereto.

TABLE 31
IRVINE RANCH WATER DISTRICT
Historic Operating Results and Debt Service Coverage
Fiscal Years 2009 through 2013
(in Thousands)

	2009	2010	2011	2012	2013
REVENUES					
Water sales and service charges	\$ 50,940	\$ 51,268	\$ 54,796	\$ 57,558	\$ 62,565
Recycled water sales and sewer service charges	41,157	45,343	45,375	49,234	53,085
Connection fees	4,535	5,818	10,572	9,030	17,314
Net real estate income	7,010	5,624	5,649	6,736	6,566
Interest income	4,365	2,191	2,599	1,738	1,549
Net earnings on JPA	2,990	4,196	12,444 ⁽¹⁰⁾	11,927	20,294 ⁽¹⁰⁾
Available 1% Property Tax Revenues ⁽¹⁾	18,361	19,346	22,396	25,858	25,719
Other ⁽²⁾	<u>9,918</u>	<u>10,706</u>	<u>7,987</u>	<u>6,141</u>	<u>8,323</u>
Total Revenues	\$ 139,276	\$ 144,492	\$ 161,818	\$ 168,222	\$ 195,415
OPERATION AND MAINTENANCE EXPENSES					
Water services	\$ 40,333	\$ 40,103	\$ 42,383	\$ 40,593	\$ 48,911
Sewer services	27,402	27,804	30,787	26,817	36,688 ⁽¹⁴⁾
Administrative and general	20,248	22,904	21,332	27,182 ⁽¹²⁾	22,667 ⁽¹⁴⁾
Customer accounts	3,234	3,772	3,737	3,737	3,753
Other	<u>1,535</u>	<u>1,286</u>	<u>989</u>	<u>10,713⁽¹³⁾</u>	<u>6,110⁽¹⁵⁾</u>
Total Operation & Maintenance Expenses	\$ 92,752	\$ 95,869	\$ 99,228	\$ 109,042	\$ 118,129
NET REVENUES	\$ 46,524	\$ 48,623	\$ 62,590	\$ 59,180	\$ 77,286
PARITY OBLIGATIONS					
Series 2011A-1/A-2 Bonds	\$ 0	\$ 0	\$ 35	\$ 2,284	\$ 2,306
Series 2010B Bonds ⁽³⁾	0	0	4,080	7,533	7,519
2010 Installment Sale Agreement ⁽⁴⁾	0	0	7,680	7,977	8,300
Certificates of Participation ⁽⁵⁾	2,798	2,827	0	0	0
1997 State Loan #3	227	227	226	226	226
Prior Reimbursement Agreements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Parity Debt Service	\$ 3,025	\$ 3,119	\$ 12,021	\$ 18,020	\$ 18,351
PARITY OBLIGATION COVERAGE⁽⁶⁾	15.4x	15.6x	5.2x⁽¹¹⁾	3.3x	4.2x
Revenues Available For Subordinate Debt Service	\$ 43,499	\$ 45,504	\$ 50,569	\$ 41,160	\$ 58,935
SUBORDINATE OBLIGATIONS					
Swap Payments ⁽⁷⁾	\$ 5,694	\$ 7,391	\$ 7,734	\$ 7,734	\$ 7,452
State Loans and SCWD Debt ⁽⁸⁾	481	381	308	308	308
1986 Certificates of Participation ⁽⁵⁾	<u>3,391</u>	<u>2,605</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Service	\$ 9,566	\$ 10,377	\$ 8,042	\$ 8,042	\$ 7,760
Sources of Payment for Ad Valorem Assessment Bonds:					
Remaining Revenues	\$ 33,933	\$ 35,127	\$ 42,527	\$ 33,118	\$ 51,175
1% Pledged Property Tax Revenues ⁽⁹⁾	\$ 7,922	7,804	4,593	3,292	3,546
Ad valorem Assessments	<u>9,959</u>	<u>11,244</u>	<u>11,875</u>	<u>11,876</u>	<u>11,817</u>
Total Funds Available for Ad Valorem Assessment Bonds	\$ 51,814	\$ 54,175	\$ 58,995	\$ 48,286	\$ 66,538
Ad Valorem Assessment Bond Debt Service	<u>(19,235)</u>	<u>(21,179)</u>	<u>(16,899)</u>	<u>(16,899)</u>	<u>(17,129)</u>
NET REVENUES AVAILABLE FOR OTHER PURPOSES	\$ 32,579	\$ 32,996	\$ 42,096	\$ 31,387	\$ 49,409

⁽¹⁾ Represents 1% Property Tax Revenues available to pay debt service on Parity Obligations after payment of debt service on bonds of the District secured by a pledge of the District's share of the Orange County 1% general *ad valorem* property tax pursuant to Resolution No. 1992-48, adopted by the Board of Directors of the District on November 23, 1992, or Resolution 2002-10, adopted by the Board of Directors of the District on April 8, 2002 (collectively, the "Secured Bonds") from 1% Property Tax Revenues and *ad valorem* assessments.

⁽²⁾ Other Revenues includes golf course lease, cell site leases, conservation revenue, penalty revenue, grants and Allen-McColloch pipeline income.

- (3) Debt Service net of BAB Credit on Series 2010B Bonds. Fiscal Year 2013 amount reflects announced reductions in BAB Credits. See the caption “—Effect of Federal Sequester.”
- (4) Entered into in February 2010 in connection with the prepayment of the 2008 Certificates of Participation and the 1986 Certificates of Participation.
- (5) Prepaid in February 2010.
- (6) Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.
- (7) Net swap payments made.
- (8) Santiago County Water District was consolidated into the District as of July 1, 2006.
- (9) Represents District’s share of 1% Property Tax Revenues which, together with the *ad valorem* assessments, is sufficient to pay debt service on the Secured Bonds. Decreases in Fiscal Years 2012 and 2013 reflect \$6.8 million in scheduled mandatory sinking fund payments and redemption of approximately \$3.1 million in Secured Bonds.
- (10) Refunding of JPA Bonds in Fiscal Year 2010 resulted in a savings of approximately \$32.0 million, of which a portion was realized in each of Fiscal Years 2011, 2013 and 2014. The remaining savings are expected to be realized at maturity in 2014. See the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Joint Powers Authority Transactions.”
- (11) Reduced Parity Obligation coverage beginning in Fiscal Year 2011 reflects scheduled increases in Parity Obligation debt service.
- (12) Increase from Fiscal Year 2011 reflects expenses related to increased solids handling capacity at OCSD, which is expected to continue until December 2016, when the District expects to complete construction of its own facility to treat and dispose of solids. See the caption “THE SEWER SYSTEM—General.”
- (13) Increase from Fiscal Year 2011 reflects capital improvement project writeoffs in accordance with GASB Statement 51 (Accounting and Financial Reporting for Intangible Assets) in the total amount of approximately \$10.3 million.
- (14) Increase from Fiscal Year 2012 amount in Fiscal Year 2013 reflects recording of OCSD expenses, which were previously treated as an administrative and general line item, in the sewer services line item. See the caption “THE SEWER SYSTEM—General.”
- (15) [EXPLAIN DECREASE FROM FY 2012].

Source: The District.

Projected Operating Results and Debt Service Coverage

The District’s estimated projected operating results for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District’s estimate of projected financial results based on the District’s assumptions, including the assumptions in the footnotes to the chart set forth below. Such assumptions are material in the development of the District’s financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

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TABLE 32
IRVINE RANCH WATER DISTRICT
Five-Year Debt Service Coverage Forecast
Fiscal Years 2014 through 2018
(in Thousands)

	2014	2015	2016	2017	2018
REVENUES					
Water sales and service charges ⁽¹⁾	\$ 66,319	\$ 69,635	\$ 73,117	\$ 76,772	\$ 80,611
Recycled water sales and sewer service charges ⁽²⁾	55,739	58,526	61,453	64,525	67,751
Connection fees ⁽³⁾	14,544	15,271	16,034	16,836	17,678
Net real estate income ⁽⁴⁾	7,401	7,494	7,564	7,645	7,727
Interest income ⁽⁵⁾	1,301	2,265	3,243	3,756	3,806
Net earnings on JPA ⁽⁶⁾	19,355	0	0	0	0
Available 1% Property Tax Revenues ⁽⁷⁾	23,887	24,904	25,858	27,652	29,501
Other ⁽⁸⁾	<u>8,739</u>	<u>9,176</u>	<u>9,635</u>	<u>10,117</u>	<u>10,622</u>
Total Revenues	\$ 197,285	\$ 187,271	\$ 196,904	\$ 207,303	\$ 217,696
OPERATION AND MAINTENANCE EXPENSES					
Water services ⁽⁹⁾	\$ 51,846	\$ 53,660	\$ 55,538	\$ 57,482	\$ 59,494
Sewer services ⁽¹⁰⁾	38,156	39,491	40,873	42,304	43,784
Administrative and general ⁽¹⁰⁾	23,460	24,281	25,131	26,011	26,921
Customer accounts ⁽¹⁰⁾	3,884	4,020	4,161	4,307	4,457
Other ⁽¹¹⁾	<u>2,566</u>	<u>2,643</u>	<u>2,564</u>	<u>2,692</u>	<u>2,665</u>
Total Operation & Maintenance Expenses	\$ 119,912	\$ 124,095	\$ 128,267	\$ 132,796	\$ 137,321
NET REVENUES	\$ 77,373	\$ 63,175	\$ 68,637	\$ 74,507	\$ 80,375
ASSESSMENT PROCEEDS⁽¹²⁾	\$ 5,437	\$ 6,393	\$ 6,694	\$ 6,477	\$ 7,789
TOTAL NET REVENUES AND ASSESSMENT PROCEEDS	\$ 82,810	\$ 69,568	\$ 75,331	\$ 80,984	\$ 88,164
PARITY OBLIGATIONS					
Series 2011A-1/A-2 Bonds ⁽¹³⁾	\$ 2,582	\$ 3,041	\$ 3,614	\$ 4,115	\$ 4,168
Series 2010B Bonds ⁽¹⁴⁾	7,825	7,825	7,825	7,825	7,825
2010 Installment Sale Agreement ⁽¹⁵⁾	8,753	9,098	9,487	9,812	8,473
1997 State Loan #3 ⁽¹⁵⁾	227	227	227	227	227
Prior Reimbursement Agreements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Parity Debt Service	\$ 19,387	\$ 20,191	\$ 21,153	\$ 21,979	\$ 20,693
PARITY OBLIGATION COVERAGE⁽¹⁶⁾	4.3x	3.4x	3.6x	3.7x	4.3x
Revenues Available For Subordinate Debt Service	\$ 63,423	\$ 49,377	\$ 54,178	\$ 59,005	\$ 67,471
SUBORDINATE OBLIGATIONS					
Swap Payments ⁽¹⁷⁾	\$ 7,410	\$ 7,150	\$ 6,630	\$ 5,915	\$ 5,294
State Loans and SCWD Debt ⁽¹⁵⁾	<u>308</u>	<u>308</u>	<u>308</u>	<u>308</u>	<u>308</u>
Total Subordinate Debt Service	\$ 7,718	\$ 7,458	\$ 6,938	\$ 6,223	\$ 5,602
Sources of Payment for Ad Valorem Assessment Bonds:					
Remaining Revenues	\$ 55,705	\$ 41,919	\$ 47,240	\$ 52,782	\$ 61,869
1% Pledged Property Tax Revenues ⁽¹⁸⁾	\$ 3,013	\$ 2,803	\$ 2,681	\$ 2,599	\$ 2,564
Ad valorem Assessments ⁽¹⁹⁾	<u>5,297</u>	<u>4,663</u>	<u>4,694</u>	<u>5,594</u>	<u>5,006</u>
Total Funds Available for Ad Valorem Assessment Bonds	\$ 64,015	\$ 49,385	\$ 54,615	\$ 60,975	\$ 69,439
Ad Valorem Assessment Bond Debt Service ⁽²⁰⁾	<u>(14,912)</u>	<u>(13,991)</u>	<u>(16,933)</u>	<u>(18,211)</u>	<u>(17,273)</u>
NET REVENUES AVAILABLE FOR OTHER PURPOSES	\$ 49,103	\$ 35,394	\$ 37,682	\$ 42,764	\$ 52,166

⁽¹⁾ Projected to increase 6% from Fiscal Year 2013 amount in Fiscal Year 2014 and 5% per annum thereafter. See the caption "THE WATER SYSTEM—Projected Water Sales and Service Charge Revenues."

- (2) Projected to increase 5% per annum from Fiscal Year 2013 amount. See the caption “THE SEWER SYSTEM—Projected Recycled Water Sales and Sewer Service Charge Revenues.”
- (3) Projected to increase 5% per annum from Fiscal Year 2014 budgeted amount.
- (4) Based on existing and expected leases. Increase from Fiscal Year 2013 amount represents a 3% increase in net operating income for Sycamore Canyon Apartments, a full year of income from two tenants at the Sand Canyon Professional Center and increased income as a result of 98% occupancy rate for all three commercial buildings. See the captions “THE IRVINE RANCH WATER DISTRICT—Current Investments” and “THE IRVINE RANCH WATER DISTRICT—Projected Net Real Estate Income.”
- (5) Assumes interest rates increasing from 0.38% in Fiscal Year 2014 to 2% in Fiscal Year 2018.
- (6) JPA Bonds mature in Fiscal Year 2014. See the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Joint Powers Authority Transactions.”
- (7) Represents 1% Property Tax Revenues available to pay Debt Service on Parity Obligations after payment of debt service on Secured Bonds from 1% Property Tax Revenues and applicable *ad valorem* assessments. Projected fluctuation in 1% Property Tax Revenues is a result of uneven debt service on Secured Bonds. See the caption “THE IRVINE RANCH WATER DISTRICT—1% Property Tax Revenues.”
- (8) Includes, golf course lease, cell site leases, conservation revenue, penalty revenue, grants and Allen-McColloch pipeline income. Projected to increase 5% per annum from Fiscal Year 2013 amount.
- (9) Projected to increase 6% from Fiscal Year 2013 amount in Fiscal Year 2014 and 3.5% per annum thereafter.
- (10) Projected to increase 3.5% per annum from Fiscal Year 2013 amount.
- (11) [EXPLAIN DECREASE FROM FY 2013]. Based on District projections.
- (12) Pro rata share of *ad valorem* assessments based on outstanding par amount of all *Ad Valorem* Assessment Bonds. Assessment Proceeds are only available to pay debt service on Series 2010B Bonds, Series 2011A-1 Bonds and Series 2011A-2 Bonds and not other Parity Obligations which are not general obligation bonds secured by *ad valorem* assessments.
- (13) Projected at SIFMA rates increasing from 0.15% in Fiscal Year 2014 to 1.75% in Fiscal Year 2018. Assumes that the purchase price of Series 2011A-1 Bonds and Series 2011A-2 Bonds is paid from remarketing proceeds.
- (14) Debt Service net of BAB Credit on Series 2010B Bonds. Reflects announced reductions in BAB Credits. See the caption “—Effect of Federal Sequester.”
- (15) Reflects scheduled Debt Service.
- (16) Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.
- (17) Net swap payments. Assumes 5-year average of LIBOR rate with respect to swaps is [__]%. See the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Subordinate Debt—Interest Rate Swap Transactions.”
- (18) Represents District’s share of 1% Property Tax Revenues which, together with the applicable *ad valorem* assessments, is sufficient to pay debt service on the Secured Bonds.
- (19) Pro rata share of *ad valorem* assessments based on outstanding par amount of all *ad valorem* assessment bonds and Series 2010B Bonds, Series 2011A-1 Bonds and Series 2011A-2 Bonds.
- (20) *Ad Valorem* Assessment Bonds debt projection assumes annual sinking fund payments, SIFMA rates ranging from 0.15% in Fiscal Year 2014 to 1.75% in Fiscal Year 2018 and letter of credit fees equal to 0.35% of principal. Does not include Series 2010B Bonds, Series 2011A-1 Bonds or Series 2011A-2 Bonds, which are Parity Obligations. Assumes a total of \$75 million of new variable rate *ad valorem* assessment bonds issued in 2015, 2016 and 2018.

Source: The District.

THE IMPROVEMENT DISTRICTS

General

The District contains seven water Improvement Districts and nine sewer Improvement Districts covering specific areas within the District’s boundaries, some of them overlapping and each of which is governed by the Act. The District formed the Improvement Districts in order to allocate funding responsibility for capital facilities to the area which will benefit from such capital facilities and to separate areas on the basis of projected timing of development so that capital facilities construction can be matched to the development approval decisions of the respective local agency that makes them. Some of the Improvement Districts share in the funding of the District’s regional facilities which the Improvement Districts will use in common, such as major water importation facilities or sewer treatment plants.

Each Improvement District has a respective plan of works and a certain amount of authorized general obligation bonded indebtedness. See Table 3 under the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness.” The *Ad Valorem* Assessment Bonds issued pursuant to such authorization are sold in each instance by the District on the respective Improvement District’s behalf. The obligation for repayment of bonds issued on behalf of an Improvement District is secured in each instance by the power of the District to levy and collect within such Improvement District *ad valorem* assessments without limitation as to rate or amount on land only (enforceable by customary rights to foreclose and sell property for delinquent assessments) or, in lieu of assessments, in the

District's discretion, charges for water or sewer service, as applicable, all within the subject Improvement District. These powers and functions are exercised for each Improvement District by the Board of Directors of the District. Although the respective funding obligations of each Improvement District are separate and independent, the Improvement Districts are not operated as separate or independent governmental entities, nor do they have governing boards or any staff. The Improvement Districts are geographical subdivisions of the District through which the District funds capital improvements.

As a result of the District's discretionary election to use other sources of payment for debt service on *ad valorem* assessment bonds, the annual tax rates set by the District vary from year to year and generally do not result in revenues that correspond with debt service requirements on the *Ad Valorem* Assessment Bonds. The annual tax rates set by the District may vary from year to year for other reasons as well. The District has covenanted under the Indenture that, to the extent necessary to pay debt service on the Series 2011A-1 Bonds, it will impose and collect Bond Assessments and Charges. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Covenant to Collect Bond Assessments and Charges" in the forepart of this Remarketing Statement.

The California Water Code allows the Board of Directors, in a noticed hearing process, to reorganize its improvement district boundaries and to consolidate coterminous improvement districts. As development progresses to completion in improvement districts and the need for having separate improvement districts to match capital facilities construction timing for different geographic areas diminishes, consolidation of various improvement districts can produce efficiencies for the District. Under the California Water Code provisions, certain improvement districts of the District are the consolidated successors to previously separate water improvement districts or previously separate sewer improvement districts, respectively. In 2013, following studies carried out by the District to identify further opportunities to implement such consolidations and reorganizations of its improvement districts, the District implemented improvement district consolidation that reduced the number of its improvement districts from 33 to 16. The statutory provisions for the consolidation of improvement districts specify that a consolidated improvement district may levy and collect the assessments and charges necessary to satisfy the obligations of its predecessor improvement districts, and that the authorized and unissued bonds of the predecessor improvement districts may be issued and sold as the bonds of the consolidated improvement district. The District believes that its actions to reorganize and/or consolidate improvement districts will not impair the District's obligation to pay debt service on the outstanding bonds of such improvement districts or the security therefor. See the Official Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively.

The following is a general description of each of the Improvement Districts as to which the Series 2011A-1 Bonds constitute consolidated, several general obligations:

Improvement District Nos. 125 and 225

General. At the time of their initial issuance on April 15, 2011, the Series 2011A-1 Bonds constituted the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250. Improvement District Nos. 125 and 225 are the legal successors to Improvement District Nos. 105 and 250, respectively. See the Official Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively.

Improvement District No. 125 (water) covers approximately 35,438 acres of the District, including several contiguous and non-contiguous areas in the central and coastal parts of the District. Improvement District No. 224 (sewer) covers approximately 32,862 acres of the District, including several contiguous and non-contiguous areas in the central part of the District. Currently, the majority of the land within Improvement District Nos. 125 and 225 consists of residential development. The District expects certain areas within

Improvement District Nos. 125 and 225 to be subject to infill development and redevelopment in the future. The District expects such additional development in Improvement District Nos. 125 and 225 to continue through at least 2020. The estimated Fiscal Year 2014 assessed value of the land in Improvement District No. 125 is \$28,530,125,230, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 105 before its consolidation into Improvement District No. 125 was \$7,099,866,552. The estimated Fiscal Year 2014 assessed value of the land in Improvement District No. 225 is \$28,530,125,230, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 250 before its consolidation into Improvement District No. 225 was \$6,776,400,622.

Set forth below is information with respect to Improvement District Nos. 125 and 225 for Fiscal Year 2014 and their respective predecessor Improvement Districts for prior Fiscal Years.

The *ad valorem* assessments levied by the District in Improvement District Nos. 125 and 225 to pay such Improvement Districts' respective Included Amounts of debt service on the Series 2011A-1 Bonds will be levied on land only. See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness" for a description of the authorized, issued, authorized and unissued, and the amount of outstanding Improvement District Nos. 125 and 225 Ad Valorem Assessment Bonds.

The following table presents the assessed valuations of land in Improvement District No. 105 for the Fiscal Years ended June 30, 2010 through June 30, 2013 and the assessed valuations of land in Improvement District No. 125 for the Fiscal Year ending June 30, 2014. Assessed valuations of land in Improvement District No. 125 are not available for Fiscal Years prior to Fiscal Year 2014 because Improvement District No. 125 did not exist prior to November 11, 2013.

TABLE 33
IRVINE RANCH WATER DISTRICT
Improvement District No. 105/125
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured</i> ⁽¹⁾	<i>Total</i>
2010 ⁽²⁾	\$ 5,533,347,096	\$ 7,969,190	\$ 5,541,316,286
2011 ⁽²⁾	5,753,773,845	26,979,470	5,780,753,315
2012 ⁽²⁾	6,309,579,342	6,491,171	6,316,070,513
2013 ⁽²⁾	6,602,927,949	5,728,927	6,608,656,876
2014 ⁽³⁾	28,530,125,230	0 ⁽⁴⁾	28,530,125,230

- (1) Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.
- (2) Reflects assessed valuations for Improvement District No. 105. See the Official Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 105 into Improvement District No. 125.
- (3) Reflects assessed valuations for Improvement District No. 125. See the Official Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 105 into Improvement District No. 125.
- (4) Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Year 2014 are displayed in the Local Secured column in the table.

Source: California Municipal Statistics, Inc.

The following table presents the assessed valuations of land in Improvement District No. 250 for the Fiscal Years ended June 30, 2010 through June 30, 2013 and the assessed valuations of land in Improvement District No. 225 for the Fiscal Year ending June 30, 2014. Assessed valuations of land in Improvement District No. 225 are not available for Fiscal Years prior to Fiscal Year 2014 because Improvement District No. 225 did not exist prior to November 11, 2013.

TABLE 34
IRVINE RANCH WATER DISTRICT
Improvement District No. 250/225
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured</i> ⁽¹⁾	<i>Total</i>
2010 ⁽²⁾	\$ 5,221,867,776	\$ 7,863,830	\$ 5,229,731,606
2011 ⁽²⁾	5,432,737,954	26,636,942	5,459,374,896
2012 ⁽²⁾	5,997,217,214	6,210,415	6,003,427,629
2013 ⁽²⁾	6,288,670,201	5,529,610	6,294,199,811
2014 ⁽³⁾	28,530,125,230	0 ⁽⁴⁾	28,530,125,230

- ⁽¹⁾ Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.
- ⁽²⁾ Reflects assessed valuations for Improvement District No. 250. See the Official Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 250 into Improvement District No. 225.
- ⁽³⁾ Reflects assessed valuations for Improvement District No. 225. See the Official Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 250 into Improvement District No. 225.
- ⁽⁴⁾ Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Year 2014 are displayed in the Local Secured column in the table.

Source: California Municipal Statistics, Inc.

The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 125 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2014:

[TO BE UPDATED]

TABLE 35
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Assessed Valuation and Parcels by Land Use

	<i>Fiscal Year 2014 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial	\$ 389,745,126	5.49%	252	1.07%
Industrial	6,520,672	0.09	4	0.02
Miscellaneous	<u>784,521</u>	<u>0.01</u>	<u>12</u>	<u>0.05</u>
Subtotal Non-Residential	\$ 397,050,319	5.60%	268	1.13%
Residential:				
Single Family Residence	\$ 4,180,214,441	58.93%	13,925	58.92%
Condominium/Townhouse	2,307,412,068	32.53	8,972	37.97
2+ Residential Units/Apartments	96,275,710	1.36	105	0.44
Vacant Residential	<u>112,985,314</u>	<u>1.59</u>	<u>362</u>	<u>1.53</u>
Subtotal Residential	\$ 6,696,887,533	94.40%	23,364	98.87%
Total	<u>\$ 7,093,937,852</u>	<u>100.00%</u>	<u>23,632</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes tax exempt utility property and gas and oil leases.
Source: California Municipal Statistics, Inc.

The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 225 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2014:

[TO BE UPDATED]

TABLE 36
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Assessed Valuation and Parcels by Land Use

	<i>Fiscal Year 2014 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial	\$ 381,314,083	5.63%	230	1.05%
Industrial	6,520,672	0.10	4	0.02
Miscellaneous	<u>140,500</u>	<u>0.00</u>	<u>8</u>	<u>0.04</u>
Subtotal Non-Residential	\$ 387,975,255	5.73%	242	1.11%
Residential:				
Single Family Residence	\$ 3,987,556,220	58.89%	12,781	58.27%
Condominium/Townhouse	2,194,897,231	32.41	8,454	38.54
2+ Residential Units/Apartments	96,275,710	1.42	105	0.48
Vacant Residential	<u>104,611,415</u>	<u>1.54</u>	<u>351</u>	<u>1.60</u>
Subtotal Residential	\$ 6,383,340,576	94.27%	21,691	98.89%
Total	<u>\$ 6,771,315,831</u>	<u>100.00%</u>	<u>21,933</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes tax exempt utility property and gas and oil leases.
Source: California Municipal Statistics, Inc.

Principal Taxpayers. The following table lists the major taxpayers in Improvement District No. 125 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2014:

[TO BE UPDATED]

**TABLE 37
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Largest Local Secured Taxpayers**

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2014 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	The Irvine Company	Residential and Commercial	\$ 319,990,675	4.51%
2.	Heritage Fields El Toro LLC	Commercial	63,486,474	0.89
3.	KB Home Coastal Inc.	Residential	61,979,629	0.87
4.	LR8 Owner LLC	Commercial	37,473,508	0.53
5.	Irvine Apartment Communities LP	Apartments	37,350,218	0.53
6.	Roxanne Ray	Commercial	18,135,862	0.26
7.	Standard Pacific Corp.	Residential	13,499,024	0.19
8.	Sanyo Foods Corp. of America	Industrial	12,921,695	0.18
9.	Chemical Bank	Commercial	11,319,533	0.16
10.	Costco Wholesale Corporation	Commercial	9,936,944	0.14
	TOTAL		<u>\$ 586,093,562</u>	<u>8.26%</u>

⁽¹⁾ Fiscal Year 2014 Local Secured Assessed Valuation (Land Only): \$7,093,937,852.
Source: California Municipal Statistics, Inc.

The following table lists the major taxpayers in Improvement District No. 225 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2014:

[TO BE UPDATED]

**TABLE 38
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Largest Local Secured Taxpayers**

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2014 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	The Irvine Company	Residential and Commercial	\$ 311,185,704	4.60%
2.	Heritage Fields El Toro LLC	Residential	63,486,474	0.94
3.	KB Home Coastal Inc.	Residential	61,979,629	0.92
4.	LR8 Owner LLC	Residential	37,473,508	0.55
5.	Irvine Apartment Communities LP	Apartments	37,350,218	0.55
6.	Roxanne Ray	Commercial	18,135,862	0.27
7.	Standard Pacific Corp.	Residential	13,499,024	0.20
8.	Sanyo Foods Corp. of America	Industrial	12,921,695	0.19
9.	Chemical Bank	Commercial	11,319,533	0.17
10.	Costco Wholesale Corporation	Commercial	9,936,944	0.15
	TOTAL		<u>\$ 577,288,591</u>	<u>8.53%</u>

⁽¹⁾ Fiscal Year 2014 Local Secured Assessed Valuation (Land Only): \$6,771,315,831.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt. Set forth in the table below is a direct and overlapping debt report (the “Debt Report–I.D. 125/225”) for Improvement District Nos. 125 and 225 prepared by California Municipal Statistics, Inc. and effective December 31, 2013. The Debt Report–I.D. 125/225 was prepared by California Municipal Statistics, Inc., and the District expresses no opinion on the completeness or accuracy of such report and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–I.D. 125/225 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement District No. 125 and No. 225 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or Improvement District No. 125 and No. 225 (except as indicated) nor are they necessarily obligations secured by land within Improvement District No. 125 and No. 225. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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TABLE 39
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Direct and Overlapping Debt Statement

Fiscal Year 2014 Land Only Assessed Valuation: \$28,530,125, 230

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 12/31/13</u>
Metropolitan Water District	2.593%	\$ 4,280,654
Coast Community College District	5.283	33,410,416
Rancho Santiago Community College District	1.039	2,965,620
Laguna Beach Unified School District	15.202	4,328,009
Newport Mesa Unified School District	15.174	35,940,249
Saddleback Valley Unified School District	33.886	39,592,402
Tustin Unified School District School Facilities Improvement District No. 2002-1	6.074	3,344,453
Tustin Unified School District School Facilities Improvement District No. 2008-1	6.231	4,494,732
Tustin Unified School District School Facilities Improvement District No. 2008-1	36.890	12,911,500
Irvine Ranch Water District Improvement District No. 125/225	100.000	440,615,000⁽²⁾
Irvine Ranch Water District Improvement District No.112/212	12.188	2,532,666
Irvine Ranch Water District Improvement District No. 240	100.000	26,292,000
Community Facilities Districts	0.737-100.000	693,513,790
County 1915 Act Bonds	100.000	83,818,296
City 1915 Act Bonds	Various	<u>651,118,022</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,039,157,809

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	12.805%	\$ 21,789,116
Orange County Pension Obligations	12.805	28,242,105
Orange County Board of Education Certificates of Participation	12.805	2,019,349
Orange Unified School District Certificates of Participation and Benefit Obligations	2.177	2,670,038
City of Lake Forest Certificates of Participation	83.177	8,575,549
City of Newport Beach Certificates of Participation	24.425	29,176,884
Municipal Water District of Orange County Water Facilities Corporation	15.342	<u>1,192,841</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$ 93,665,882
Less: MWDOC Water Facilities Corporation (100% supported)		<u>1,192,841</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$ 92,473,041

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)

GROSS COMBINED TOTAL DEBT	\$2,141,825,375 ⁽³⁾
NET COMBINED TOTAL DEBT	\$2,140,632,534

Ratios to Fiscal Year 2014 Land Only Assessed Valuation:

Direct Debt (\$440,615,000)1.54%
Total Direct and Overlapping Tax and Assessment Debt.....7.15%

Ratios to Adjusted All Property Assessed Valuation:

Gross Combined Total Debt.....3.78%
Net Combined Total Debt3.78%

⁽¹⁾ Based on all property assessed valuation of \$56,651,352,461.

⁽²⁾ Excludes issues to be sold. Improvement District No. 125 was formed by consolidating former Improvement District Nos. 105, 106, 120, 121, 130, 135, 140, 161, 182, 184 and 186. Improvement District No. 225 was formed by consolidating former Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Improvement District Nos. 113 and 213

General. Improvement District No. 113 (water) and Improvement District No. 213 (sewer) are coterminous and are located in portions of the Cities of Tustin and Irvine, California. Improvement District No. 113 and Improvement District No. 213 are comprised of approximately 1,629 acres of the land formerly known as Marine Corps Air Station Tustin. The boundaries of Improvement District No. 113 and Improvement District No. 213 are Harvard Avenue on the southeast, Barranca Parkway on the southwest, Red Hill Avenue on the northwest and Edinger Avenue on the northeast. The former helicopter base, now known as Tustin Legacy, is currently being redeveloped with residential, commercial, institutional and recreational uses. The District expects development in Improvement District No. 113 and Improvement District No. 213 to continue through at least approximately 2020. The District expects that future development will consist of approximately 4,800 dwelling units and approximately 12,100,000 square feet of commercial, institutional and recreational uses.

Set forth below is information with respect to Improvement District No. 113 and Improvement District No. 213.

The *ad valorem* assessments levied by the District in Improvement District Nos. 113 and 213 to pay such Improvement Districts’ respective Included Amounts of debt service on the Series 2011A-1 Bonds will be levied on land only. See Table 3 under the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness” for a description of the authorized, issued, authorized and unissued, and the amount of outstanding Improvement District Nos. 113 and 213 Ad Valorem Assessment Bonds.

The following table presents the assessed valuations of land in Improvement District No. 113 and Improvement District No. 213 for the Fiscal Years ended June 30, 2010 through June 30, 2014.

TABLE 40
IRVINE RANCH WATER DISTRICT
Improvement District No. 113/213
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured</i> ⁽¹⁾	<i>Total</i>
2010	\$606,287,728	\$2,868,776	\$609,156,504
2011	651,328,825	588,355	651,917,180
2012	552,924,477	533,680	553,458,157
2013	535,648,801	720,289	536,369,090
2014	561,601,211	637,882	562,239,093

⁽¹⁾ Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases. Source: California Municipal Statistics, Inc.

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The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 113 and Improvement District No. 213 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2014:

TABLE 41
IRVINE RANCH WATER DISTRICT
Improvement District No. 113/213
Assessed Valuation and Parcels by Land Use

	<i>Fiscal Year 2014 Assessed Valuation</i> ⁽¹⁾	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial	\$ 96,157,563	17.12%	20	0.82%
Subtotal Non-Residential	\$ 96,157,563	17.12%	20	0.82%
Residential:				
Single Family Residence	\$ 243,941,236	43.44%	1,191	48.83%
Condominium/Townhouse	221,475,430	39.44	1,222	50.10
Vacant Residential	<u>26,982</u>	<u>0.00</u>	<u>6</u>	<u>0.25</u>
Subtotal Residential	\$ 465,443,648	82.88%	2,419	99.17%
Total	<u>\$ 561,601,211</u>	<u>100.00%</u>	<u>2,439</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes tax exempt utility property and gas and oil leases.
Source: California Municipal Statistics, Inc.

The following table lists the major taxpayers in Improvement District No. 113 and Improvement District No. 213 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2014:

TABLE 42
IRVINE RANCH WATER DISTRICT
Improvement District No. 113/213
Largest Local Secured Taxpayers

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2014 Assessed Valuation</i>	<i>% of Total</i> ⁽¹⁾
1.	Vestar/Kimco Tustin LP	Commercial	\$ 73,200,952	13.03%
2.	Costco Wholesale Corporation	Commercial	14,450,901	2.57
3.	Lowes HIW Inc.	Commercial	10,720,185	1.91
4.	Ora Astoria 60 LLC	Residential	2,677,034	0.48
5.	Banh D. and Esther Hy	Residential	715,785	0.13
6.	Howard H. Wu	Residential	577,966	0.10
7.	Ruidong Wang	Residential	534,764	0.10
8.	Tejinder Singh	Residential	520,357	0.09
9.	Paul Kuykendall	Residential	519,220	0.09
10.	Safaei Amir	Residential	<u>499,296</u>	<u>0.09</u>
	TOTAL		<u>\$ 104,416,460</u>	<u>18.59%</u>

⁽¹⁾ Fiscal Year 2014 Local Secured Assessed Valuation (Land Only): \$561,601,211.
Source: California Municipal Statistics, Inc.

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Statement of Direct and Overlapping Debt. Set forth the table below is a direct and overlapping debt report (the “Debt Report–I.D. 113/213”) for Improvement District No. 113 and Improvement District No. 213 prepared by California Municipal Statistics, Inc. and effective December 1, 2013. The Debt Report–I.D. 113/213 was prepared by California Municipal Statistics, Inc., and the District expresses no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–I.D. 113/213 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement District No. 113 and Improvement District No. 213 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or Improvement District No. 113 and Improvement District No. 213 (except as indicated) nor are they necessarily obligations secured by land within Improvement District No. 113 and Improvement District No. 213. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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TABLE 43
IRVINE RANCH WATER DISTRICT
Improvement District No. 113/213
Direct and Overlapping Debt Statement

Fiscal Year 2014 Land Only Assessed Valuation: \$562,239,093

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u> ⁽¹⁾	<u>Debt 12/1/13</u>
Metropolitan Water District	0.064%	\$ 105,654
Santa Ana Unified School District	0.001	1,448
Tustin Unified School District School Facilities Improvement District No. 2002-1	5.072	2,792,734
Tustin Unified School District School Facilities Improvement District No. 2008-1	1.877	1,353,974
Tustin Unified School District School Facilities Improvement District No. 2012-1	1.296	453,600
Tustin Unified School District Community Facilities District No. 06-1	100.000	13,515,000
City of Irvine Community Facilities District No. 2005-2	99.263	16,975,000
Irvine Ranch Water District Improvement District No. 113	100.000	14,150,000 ⁽²⁾
Irvine Ranch Water District Improvement District No. 213	100.000	22,074,000 ⁽²⁾
City of Tustin Community Facilities District Nos. 04-1, 06-1 and 07-1	60.350-100.000	<u>73,462,725</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$144,884,135
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	0.316%	\$ 537,709
Orange County Pension Obligations	0.316	696,955
Orange County Board of Education Certificates of Participation	0.316	49,833
Santa Ana Unified School District Certificates of Participation	0.001	388
Municipal Water District of Orange County Water Facilities Corporation	0.378	<u>29,390</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$ 1,314,275
Less: MWDOC Water Facilities Corporation (100% supported)		<u>29,390</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$ 1,284,885
 <u>OVERLAPPING TAX INCREMENT DEBT</u>		
Tustin Redevelopment Agency Housing Bonds	46.251%	\$10,531,353
Tustin Redevelopment Agency Marine Corps Air Station Project	89.107	<u>37,331,378</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$48,826,678
 GROSS COMBINED TOTAL DEBT		\$194,061,141 ⁽³⁾
NET COMBINED TOTAL DEBT		\$194,031,751

Ratios to Fiscal Year 2014 Land Only Assessed Valuation:

Direct Debt (\$36,224,000).....6.44%
Total Direct and Overlapping Tax and Assessment Debt.....25.77%

Ratios to Adjusted All Property Assessed Valuation:

Gross Combined Total Debt13.90%
Net Combined Total Debt.....13.90%

Ratios to Redevelopment Incremental Valuation (\$176,624,529):

Overlapping Tax Increment Debt27.10%

⁽¹⁾ Based on all property assessed valuation of \$1,396,385,909.

⁽²⁾ Excludes issues to be sold.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIII D. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIII D further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it.

In July 2006, the California Supreme Court held, in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (“*Bighorn*”), that the initiative power described in Article XIII C applies to any local taxes, assessments, fees and charges as defined in Articles XIII C and XIII D. Article XIII D defines “fee” or “charge” to mean a levy (other than *ad valorem* or special taxes or assessments) imposed by a local government “upon a parcel or upon a person as an incident of property ownership,” including a user fee for a “property related service.” The Court also found that charges for water delivery are charges for a property-related service and, therefore, constitute “fees” or “charges” within the meaning of both Article XIII D and section 3 of Article XIII C. In light of the decision in *Bighorn*, the District determined that it would conduct notice and hearing proceedings to comply with requirements of Article XIII D with respect to proposed increases of rates and charges and commenced doing so beginning in Fiscal Year 2007.

Article XIII C. Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms “local tax,” “assessment,” “fee” or “charge.” In light of *Bighorn* and as discussed above under “Article XIII D,” the terms “fee” and “charge” as used in Article XIII C include, at a minimum, all of the fees and charges within the “property related” qualification set forth in Article XIII D. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. Therefore, in the absence of other limitations, provisions of Article XIII C could be applicable to the water and sewer rates charged by the District. The District and its general counsel do not believe that Article XIII C grants to the voters within the District the power to repeal or reduce rates and charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Series 2011A-1 Bonds. Remedies available to beneficial owners of the Series 2011A-1 Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 will affect its ability to levy rates and charges for water, recycled water or sewer service.

Article XIII A

General. On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by the voters voting on such indebtedness. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by each California county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon the location of reappraised property and the value of property within each taxing agency. Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIII B

An initiative to amend the California Constitution entitled “Limitation of Government Appropriations” was approved on November 6, 1979 thereby adding Article XIII B to the California Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriations of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District is of the opinion that its rates and charges for water, sewer and recycled water services do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B, and that tax revenues and other revenues received by the District which may constitute the “proceeds of taxes” are appropriated for debt service or qualified capital outlay projects and are not subject to the limits of Article XIII B.

Proposition 1A

Proposition 1A, which was approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in fiscal years 2004-05 and 2005-06. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two thirds of both houses and certain other conditions are met. See the caption “THE IRVINE RANCH WATER DISTRICT—1% Property Tax Revenues” above.

Future Initiatives

Article XIII A, Article XIII B, Proposition 218, Proposition 1A and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, further affecting ability of the District to collect or expend Revenues.

Exhibit "C"

RESOLUTION NO. 2014-

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT APPROVING
REMARKETING STATEMENTS RELATING TO
UNSCHEDULED MANDATORY TENDERS
(REFUNDING SERIES 2011A-1 AND REFUNDING SERIES 2011A-2)

WHEREAS, the Irvine Ranch Water District ("IRWD") has issued the "Bonds of Irvine Ranch Water District, Refunding Series 2011A-1" (the "Series A-1 Bonds") and "Bonds of Irvine Ranch Water District, Refunding Series 2011A-2" (the "Series A-2 Bonds" and, together with the Series A-1 Bonds, the "Bonds"); and

WHEREAS, in the resolution adopted by this Board of Directors authorizing and providing for the issuance of the Bonds, the Treasurer of the District was authorized, when the Bonds of either or both series shall be in an index tender mode, for all tender periods, to do or cause to be done any and all of the following, if and to the extent required or permitted by the applicable Indenture: to require an unscheduled mandatory tender and establish the date thereof, to rescind an unscheduled mandatory tender, to determine the scheduled mandatory tender date and call protection date for each ensuing tender period, and on behalf of the District in connection with all of the foregoing to give, exercise, make and deliver any notices, directions, elections and requests required or permitted in the applicable Indenture or remarketing agreement to be given, exercised, made or delivered by the District; and

WHEREAS, pursuant to such authority, the Treasurer has determined that an unscheduled mandatory tender shall be effected for each series of the Bonds on or about February 14, 2014 or such other date as may be determined by the Treasurer (the "Unscheduled Mandatory Tenders"); and

WHEREAS, this Board desires to approve the forms of the remarketing statements to be used in connection with the remarketing of the respective series of the Bonds upon the purchase thereof pursuant to the Unscheduled Mandatory Tenders.

NOW, THEREFORE, the Board of Directors of IRWD DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. The remarketing statements relating to the Unscheduled Mandatory Tenders of the respective series of the Bonds (collectively, the "Remarketing Statements"), to be dated the date(s) determined by the Treasurer and in substantially the forms presented to the Board at this meeting, are hereby approved with such changes thereto as the Treasurer with the concurrence of the President shall approve (such approval and concurrence to be conclusively evidenced by execution and delivery thereof). The Board hereby approves the use of the Remarketing Statements by the remarketing agents for the respective series, including delivery of the Remarketing Statements in electronic form, in connection with the remarketing of the Bonds pursuant to the Unscheduled Mandatory Tenders, and the Board hereby further approves the use by the remarketing agents of any supplements or amendments to each of the Remarketing Statements, including delivery of any such supplements or amendments in electronic form, which the Treasurer shall determine are necessary so that such Remarketing Statement does not

include any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein not misleading. The Treasurer of IRWD is hereby authorized and directed to execute the Remarketing Statements and any amendments or supplements thereto, in the name and on behalf of IRWD and thereupon to cause the Remarketing Statements and any such amendments or supplements to be delivered to the respective remarketing agents.

Section 2. The distribution of the Remarketing Statements, inclusive of the above-authorized changes, is hereby authorized in connection with the remarketing of the Bonds pursuant to the Unscheduled Mandatory Tenders.

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.

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

ADOPTED, SIGNED AND APPROVED this 10th day of February, 2014.

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/ 00173925/ 012114

Exhibit “D”

RESOLUTION NO. 2014-

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT APPROVING FIRST SUPPLEMENTAL INDENTURES OF TRUST (REFUNDING SERIES 2011A-1 AND REFUNDING SERIES 2011A-2)

WHEREAS, the Irvine Ranch Water District (“IRWD”) has issued the “Bonds of Irvine Ranch Water District, Refunding Series 2011A-1” (the “Series A-1 Bonds”) and “Bonds of Irvine Ranch Water District, Refunding Series 2011A-2” (the “Series A-2 Bonds” and, together with the Series A-1 Bonds, the “Bonds”); and

WHEREAS, the Series A-1 Bonds and the Series A-2 Bonds were issued constituting the several general obligations of Improvement District Nos. 105, 113, 213 and 250, pursuant to an Indenture of Trust relating to each such series, dated as of April 1, 2011, by and between the Irvine Ranch Water District and The Bank of New York Mellon Trust Company, N.A. (the “Series A-1 Indenture,” the “Series A-2 Indenture” and, together the “Indentures”); and

WHEREAS, pursuant to Section 36454 *et seq.* of the California Water Code, the Board of Directors (the “Board”) of the District ordered the consolidation of Improvement District Nos. 102, 105, 106, 121, 130, 135, 140, 161, 182, 184 and 186, as modified by certain annexations and detachments ordered by the Board, into a single improvement district designated “Improvement District No. 125”; and

WHEREAS, pursuant to Section 36454.1 of the California Water Code, the Included Amount (as such term is defined by the Indenture) of the Bonds constituting the general obligation of Improvement District No. 105 was assumed by and became the liability of Improvement District No. 125; and

WHEREAS, pursuant to Section 36454 *et seq.* of the California Water Code, the Board ordered the consolidation of Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286, as modified by certain annexations and detachments ordered by the Board, into a single improvement district designated “Improvement District No. 225”; and

WHEREAS, pursuant to Section 36454.1 of the California Water Code, the Included Amount of the Bonds constituting the general obligation of Improvement District No. 250 was assumed by and became the liability of Improvement District No. 225; and

WHEREAS, the Board of the District desires to amend the definition of “Improvement Districts” in each of the Indentures to reflect the aforementioned consolidations and to make certain other amendments; and

WHEREAS, Section 10.01(c) of each Indenture provides that the provisions of the Indenture may be modified, amended or supplemented by a Supplemental Indenture, without the consent of the Owners of the Bonds of a series, if the effective date of such Supplemental Indenture is a date on which the Bonds of such series are subject to mandatory tender for purchase pursuant to the Indenture; and

WHEREAS, pursuant to authority contained in the resolution providing for issuance of the Bonds, the Treasurer of the District has determined that an unscheduled mandatory tender shall be effected for each series of the Bonds on or about February 14, 2014 or such other date as may be determined by the Treasurer (the "Unscheduled Mandatory Tenders"); and

WHEREAS, there has been placed on file with the Secretary of the District the form of a first supplemental indenture of trust relating to each Indenture, and this Board desires to approve the forms and authorize the execution of the first supplemental indentures of trust.

NOW, THEREFORE, the Board of Directors of IRWD DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. The first supplemental indenture of trust, by and between the District and the The Bank of New York Mellon Trust Company, N.A., each to be dated as of February 1, 2014, relating to each Indenture, 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.

Section 2. 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.

Section 3. This resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED AND APPROVED this 10th day of February, 2014.

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/ 00174041/ 012814

February 10, 2014

Prepared by: Tony Mossbarger

Submitted by: Cheryl Clary

Approved by: Paul Cook 

CONSENT CALENDAR

ON-CALL INFORMATION SERVICES PROFESSIONAL PROGRAMMING AND NETWORK CONSULTANTS

SUMMARY:

The current workload for capital projects and operational support continues to exceed a level that can be supported by the District's Information Services staff. Staff proposes to retain the services of three consultant agencies to provide programming, analysis, project management, and networking services on an on-call basis. Staff recommends that the Board authorize the General Manager to execute three Professional Services Agreements: with Outsource Technical in the amount of \$350,000; Software Management Consultants in the amount of \$60,000; and Trevera in the amount of \$60,000.

BACKGROUND:

Staff currently utilizes three programming and analysis resources from Outsource Technical to provide backfill for regular positions that are assigned full-time to the CC&B implementation project. There is an ongoing need for programming, analysis, project management, and network assistance related to the District's software systems and networks as a result of several major capital projects the District has recently undertaken, such as the Oracle Customer Care and Billing (CC&B) software implementation project, as well as smaller scale software and networking projects. In addition, consultants with the required skills could be retained to fill in for staff vacancies due to backfilling regular positions, terminations, or leaves of absence. Staff proposes to retain Programmers, Analysts, Project Managers, and Network consultants through consultant agencies who would provide services on an on-call basis.

Consultant Selection Process:

Staff requested proposals from three consultants that have provided excellent service and responsiveness on previous District projects. The three consultants requested to propose for the services were Outsource Technical, Software Management Consultants, and Trevera. Proposals with related fee schedules were received from all three consultants and are attached in a summary matrix in Exhibit "A". The consultants' proposals are attached as Exhibits "B", "C", and "D", respectively.

Staff recommends that the Board authorize the General Manager to execute three Professional Services Agreements: with Outsource Technical in the amount of \$350,000, Software Management Consultants in the amount of \$60,000, and Trevera in the amount of \$60,000. The requested amount for Outsource Technical is higher than the other consultants as staff currently utilizes resources from Outsource Technical and would like to retain the existing on-call resources. The requested service agreements cover the period through fiscal year ended June 30, 2014.

FISCAL IMPACTS:

The cost of the three Professional Services Agreements with Outsource Technical in the amount of \$350,000, Software Management Consultants in the amount of \$60,000, and Trevera in the amount of \$60,000 is budgeted for the current fiscal year or in the current Expenditure Authorizations of affected projects. These professional services will be charged to the appropriate projects or expense account.

ENVIRONMENTAL COMPLIANCE:

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

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on February 4, 2014.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO EXECUTE THREE ON-CALL PROFESSIONAL SERVICES AGREEMENTS WITH OUTSOURCE TECHNICAL IN THE AMOUNT OF \$350,000; SOFTWARE MANAGEMENT CONSULTANTS IN THE AMOUNT OF \$60,000; AND TREVERA IN THE AMOUNT OF \$60,000 FOR ON-CALL PROGRAMMING, ANALYSIS, AND NETWORK SERVICES FOR MISCELLANEOUS PROJECTS.

LIST OF EXHIBITS:

- Exhibit "A" – Consultant Summary Matrix
- Exhibit "B" – Outsource Technical Proposal
- Exhibit "C" – Software Management Consultants Proposal
- Exhibit "D" – Trevera Proposal

EXHIBIT A

On-Call Professional Programming and Network Consultant Selection Matrix

	Outsource Technical	Software Management Consultants, Inc.	Trevera
PERSONNEL			
Project Managent	TBD		
Oracle Analyst	Sarada Amirnan		
Oracle Developer	Sattish Vaddey		
Software Quality Assurance (QA)	Margesh Patel		
IT Network & Systems Support	TBD		
FEE SCHEDULE			
Project Management	\$140	\$140	\$185
Oracle Analyst	\$125	\$120	\$145
Oracle Developer	\$150	\$150	\$135
Software QA Analyst	\$100	\$120	\$125
IT Network & SystemSupport	\$85	\$95	\$150
Best Value	1	2	3

EXHIBIT B



2 Corporate Plaza Drive, Suite – 125 Newport Beach, CA 92660
P: 949.442.1980 F: 949.757.0164 www.ostechnical.com

December 24, 2013

Irvine Ranch Water District
Attn: Tony Mossbarger, Director of Information Technology
15600 Sand Canyon Avenue
Irvine, CA 92619-7000

Dear Mr. Mossbarger,

Proposal for Information Technology (IT) Professional Services and Consulting

OS Technical (OST) is pleased to submit this proposal to provide Information Technology Professional Services and Consulting in response to your request.

OST is an IT consulting firm providing professional services to both public and private sector clientele. Our emphasis is providing experienced technical consultants on an on-demand basis to support enterprise software projects. OST has been in business for over 15 years and is headquartered in Newport Beach, CA. We have extensive experience providing IT professional services and consultants to numerous clients who continue to do business with us year over year. A few of our clients are Newport Corporation, County of Orange, Irvine Company, PIMCO, Pacific Life and CareMore among others.

OST has been providing IT professional services and consulting for Irvine Ranch Water District (the District) since February 2013 with an emphasis on Oracle R-12 E-Business Suite. During this time we have provided subject matter expertise to support enterprise software implementations, customizations and quality assurance. Services include:

- Attending project meetings as requested by the District
- Producing monthly billings in a form acceptable to the District
- Participating in weekly project status phone calls with Joan Gronek, the Project Lead for the District
- Providing IT Professional Services and Consulting as requested by the District

Our staff executing the delivery of IT professional services and consulting will consist of:

Mr. Steven Shwam, Senior Account Executive – Mr. Shwam has been with OST for 6 years. He has provided IT professional services and consultants for enterprise software projects for clientele including CareMore, Forever 21, and ICU Medical among others. Steven will be the primary point of contact for the District, providing delivery of IT professional services and consulting per the direction of the District.

Ms. Janet Chung, Recruiting Manager – Ms. Chung has been working with OST for 3 years. Janet has over 14 years of experience sourcing and screening technical professionals for deployment on enterprise software projects. Her competencies include Oracle EBS, .Net and Java.



2 Corporate Plaza Drive, Suite – 125 Newport Beach, CA 92660
P: 949.442.1980 F: 949.757.0164 www.ostechnical.com

Irvine Ranch Water District
December 24, 2013
Page two

Work will be billed at the following hourly rate rages:

Hourly Rates

Project Management	\$128.00 - \$140.00
Oracle Analyst	\$115.00 - \$125.00
Oracle Developer	\$105.00 - \$150.00
Software QA	\$90.00 - \$100.00
IT Network & Systems Support	\$65.00 - \$85.00

Our project delivery teams are paid current prevailing wage rates and we have insurance coverage that meets or exceeds the minimum District requirements.

If you have any questions, or I can be of further assistance, please call.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steven Shwam', written in a cursive style.

Steven Shwam
Sr. Account Executive
OS Technical

EXHIBIT C

January 14, 2014

Irvine Ranch Water District
Attn: Tony Mossbarger, Director of Information Technology
15600 Sand Canyon Avenue
Irvine, CA 92619-7000

Dear Mr. Mossbarger,

Proposal for Information Technology (IT) Professional Services and Consulting

Software Management Consultants, Inc is pleased to submit this proposal to provide Information Technology Professional Services and Consulting in response to your request.

SMCI is an IT consulting firm providing professional services to both public and private sector clientele. Our emphasis is providing experienced technical consultants on an on-demand basis to support enterprise software projects. SMCI has been in business for over 31 years and is headquartered in Glendale, CA. We have extensive experience providing IT professional services and consultants to numerous clients who continue to do business with us year over year. A few of our clients are (Allergan, QBE First, BMS) among others.

Work will be billed at the following hourly rate ranges:

Bill Rates

Project Management	\$110-140
Oracle Analyst	\$90-120
Oracle Developer	\$110-150
Software QA	\$90-120
IT Network & Systems Support	\$65-95

Our project delivery teams are paid current prevailing wage rates and we have insurance coverage that meets or exceeds the minimum District requirements.

If you have any questions, or I can be of further assistance, please call.

Sincerely,

Suzy Jarrett
Sr. Account Executive
Software Management Consultants, Inc.

EXHIBIT D

January 8, 2014

Irvine Ranch Water District
Attn: Tony Mossbarger, Director of Information Technology
15600 Sand Canyon Avenue
Irvine, CA 92619-7000

Dear Mr. Mossbarger,

Proposal for Information Technology (IT) Professional Services and Consulting

Trevera Solutions is pleased to submit this proposal to provide Information Technology Professional Services and Consulting in response to your request.

Trevera Solutions is a boutique Oracle E-Business Suite consulting firm providing professional services to private sector clientele. Our emphasis is providing experienced Oracle E-Business Suite Functional, and Technical consultants on a Resource Augmentation basis to support enterprise software projects. We also have an established US based remote practice for areas of support with EBS Applications, Database, and Operating Systems.

Trevera Solutions has been in business for about 3 years and is headquartered in Mission Viejo, CA. We have extensive experience providing IT professional services and consultants to numerous clients who continue to do business with us year over year. A few of our clients are J.G. Boswell, Telmar Networks, Reiter Affiliated Companies, Toshiba and Cox Communications, among others locally.

Our staff executing the delivery of IT professional services and consulting will consist of:

Trevera Solutions Executive Management Team (over team has been working together for almost 8 years across two organizations and have worked successfully with over 200 customers that run EBS.

- **Michael Bilotta, CEO** – Over 20 years of experience. Has line level experience in Procurement, planning and Finance. Has been working with Oracle EBS since 1993 as a consultant, PM, Practice Manager, Engagement manager and currently delivery rolls up into Michael.
- **Sean Chawla, President** – Has over 16 years of EBS experience and has implemented Oracle functionally, managed global roll outs as a Project Manager, Engagement management, and now oversees sales, account management and customer service at Trevera
- **Manoj Chawla, EVP** – Over 30 years of experience in IT and has been working with Oracle EBS as a DBA since 1995. Manoj is a hands on DBA with extensive experience installing, upgrading, troubleshooting, optimizing, architecting EBS environments. Manoj oversees the Trevera US based DBA support practice.
- **Pam Turzanski, Director of Support** – Over 20 years of IT experience and over 10 years of EBS specific DBA experience. Pam is a hands on DBA that manages the Trevera US based managed services for DBA and OS support
- **Prince Paul, Director of Fulfillment** – Has over 20 years of experience and has been working with Oracle EBS since 1993. During his career Prince has worked in development, functional consulting, project management, engagement management and he currently runs fulfillment at Trevera

Work will be billed at the following hourly rate rages:

- We have provided a comprehensive rate schedule for the following skillsets below

Project Management See below
 Oracle Analyst See below
 Oracle Developer See below
 Software QA See below
 IT Network & Systems Support See below, related to Oracle Database and Operating Systems

Resource Category	Role Description for Oracle E-Business Suite and Oracle Database/OS Resources	List Rate	Standard Discount Rate
Technical Staff Level	3 -6 yrs of experience - Technical programming services for EBS Reports, Interfaces, Conversions, Extensions Role considerations: Support staff, minor implementations, upgrades, and other projects	\$135/hr	\$125/hr
Technical Senior Level	+6 yrs of experience - Technical programming services for EBS Reports, Interfaces, Conversions, Extensions Role considerations: Support staff, moderate to major implementations, upgrades, and other projects	\$150/hr	\$135/hr
Functional Staff Level	3 -6 yrs of functional implementation/upgrade/integration experience. Functional services for implementations/upgrades/integrations Role considerations: Support staff, minor implementations, upgrades, and other projects	\$165/hr	\$145/hr
Functional Senior Level	+6 yrs of functional implementation/upgrade/integration experience. Functional services for implementations/upgrades/integrations Role considerations: Support staff, moderate to major implementations, upgrades, and other projects	\$185/hr	\$165/hr
Database Administration Senior Level	+6 yrs of database administration support (Oracle DB only) Role considerations: Support staff, Implementations, Upgrades	\$175/hr	\$160/hr
Database / E-Business Administration Staff Level	3 – 6 yrs of database administration support (Oracle DB and EBS) Role considerations: Support staff	\$155/hr	\$145/hr
Linux / OS Senior Level	+3 yrs of Linux administration and support Role considerations: Support staff, moderate to major Implementations, upgrades	\$160/hr	\$150/hr
Project Manager Senior Level	+3 yrs of project management experience in implementations/upgrades/integrations. Role considerations: PM for moderate to major projects	\$205/hr	\$185/hr
Technical Manager	+3 yrs of technical management experience in implementations/upgrades/integrations. Role considerations: Tech Manager for moderate to major projects	\$170/hr	\$155/hr

Our project delivery teams are paid current prevailing wage rates and we have insurance coverage that meets or exceeds the minimum District requirements.

If you have any questions, or I can be of further assistance, please call.

Sincerely,



Rob Gregg


Sr. Account Executive

rob.gregg@trevera.com

(P) 949.238.6906

(M) 949.813.3503

(F) 949.271.4635

February 10, 2014
Prepared by: Gretchen Ronin
Submitted by: Jenny Roney
Approved by: Paul Cook 

ACTION CALENDAR

MEMORANDUM OF UNDERSTANDING WITH THE
IRVINE RANCH WATER DISTRICT EMPLOYEES ASSOCIATION

SUMMARY:

Negotiations have been completed between IRWD and the General Employees' Unit of the Irvine Ranch Water District Employees Association (IRWDEA). Represented members voted to ratify the agreement. Staff recommends that the Board authorize the General Manager to execute the Memorandum of Understanding (MOU) with IRWDEA subject to non-substantive changes.

BACKGROUND:

On September 25, 2012, the District and the Irvine Ranch Water District Employees Association (IRWDEA) approved a one-year agreement, which expired on September 24, 2013. General Manager Paul Cook and Director of Human Resources Jenny Roney were appointed by the IRWD Board of Directors to act as negotiators to develop a new MOU between the two parties. Human Resources Manager Gretchen Ronin and special legal counsel Jim Moss of Payne and Fears, LLP provided assistance to the Director of Human Resources during the negotiations with the IRWDEA.

Negotiations between the parties, which began on September 26, 2013, resulted in an agreement being reached at the table on January 16, 2014. On January 30, 2014, the IRWDEA held a meeting at which the agreement was ratified, virtually unanimously, by the voting members of the General Employees' Unit. Significant articles of the proposed MOU include:

- An 18-month term, from September 25, 2013 to March 31, 2015;
- Establishment of an Employee Relations Discussion Forum;
- A reduction of the California Public Employees' Retirement System Employer Paid Member Contributions (EPMC) for first-tier members by 2% over the term of the agreement, resulting in members paying the full employee contribution by March 2015;
- A Cost of Living Allowance (COLA) effective December 1, 2013 equal to the Consumer Price Index and an agreement on the minimum COLA for December 2014;
- A change to the annual sick leave buy-back program;
- Establishment of a pre-disciplinary notice procedure;
- Establishment of a grievance procedure; and
- Language about work schedules, rest periods, overtime pay, standby pay, call-out pay, uniforms, education and training assistance, and safety equipment, consistent with District policy.

FISCAL IMPACTS:

Actual funds needed to implement a 0.63% COLA increase for eligible represented employees for the last seven months of the fiscal year will be approximately \$54,000. There are sufficient funds in the FY 2013-14 operating budget to implement the recommended action below.

During the budget process for FY 2013-14, staff projected a 1% decrease in the Employer Paid Member Contribution (EPMC) for all employees, resulting in a reduction of approximately \$50,000 in EPMC over the last four months of the fiscal year. The implementation of a reduction of only 0.63% for the last four months of the fiscal year will reduce EPMC costs by only \$31,500, resulting in EPMC being \$18,500, or 4.5%, over budget for FY 2013-14.

The fiscal impact of the change to the annual sick leave buy-back program will be determined by the number of employees who elect to sell back their time. The annual buy-back is done in November, so it has no affect on the current fiscal year budget. Staff will include projected costs for this program in the proposed Operating Budget for FY 2014-15, currently being developed.

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 terms of the MOU with IRWDEA have been discussed with the full Board during the negotiation process.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE MEMORANDUM OF UNDERSTANDING BETWEEN IRWD AND THE IRWDEA, SUBJECT TO NON-SUBSTANTIVE CHANGES.

LIST OF EXHIBITS

Exhibit "A" – Memorandum of Understanding between IRWD and IRWDEA

EXHIBIT "A"

Memorandum of Understanding

Between Irvine Ranch Water District Employees' Association

IRWDEA and

Irvine Ranch Water District IRWD

September 24, 2012

I. PARTIES AND RECOGNITION

This Memorandum of Understanding ("MOU") is made and entered into between the Irvine Ranch Water District ("IRWD" or "District") and the Irvine Ranch Water District Employees' Association ("IRWDEA" or "Association"), the formally recognized exclusive representative, pursuant to the provisions of the Meyers-Milias Brown Act.

II. TERM OF AGREEMENT

The terms and conditions of this Memorandum of Understanding ("MOU") shall remain in full force and effect from September 25, 2012~~3~~ until March 31, 2015-September 24, 2013 inclusive. This MOU represents the total agreement between the parties. Neither party shall be compelled to negotiate on any subject within the scope of this Agreement during the term of this Agreement without the express written agreement of the other. If either party desires to make any changes or modifications of this Agreement for the ensuing period, it shall give written notice to the other party not less than sixty (60) days prior to the termination of this Agreement, in writing.

III. SCOPE OF AGREEMENT

A. Recognition. This Agreement shall apply to IRWD's employees in the positions listed in Exhibit A, excluding managerial, confidential and supervisory employees as defined in the Meyers Milias Brown Act and applicable Public Employment~~mentee~~ Relations Board regulations.

B. Representation. The IRWD recognizes the Association as the exclusive representative of all employees covered hereby for the purpose of meeting and conferring, ~~as defined by the Meyers Milias Brown Act,~~ with respect to wages, hours and all other terms and conditions of employment, working conditions, as defined by the Meyers Milias Brown Act.

IV. FEDERATION RIGHTS

The Association is the only employee organization entitled to meet and confer in good faith on matters within the scope of representation on behalf of employees in this unit.

III.V. DISTRICT RIGHTS

A. The District shall retain and continue to have sole and exclusive responsibility and right, except as otherwise expressly and clearly provided by this Agreement, to manage, plan, direct and control all aspects of its operations, to direct its employees and its work force; to hire, promote, transfer, demote, layoff, recall, discipline, suspend or discharge employees at will and in its sole discretion; to assign and reassign employees to new or different duties or classifications, hours of work and shifts; to add or delete job classifications and duties; to establish rules and regulations not in direct conflict with this Agreement; to introduce new and improved methods of operation; to subcontract to others any work on or off premises; to set and attain work and production standards; to improve quality; to reduce costs; to perform any and all other things which the District deems necessary and desirable for the efficient and successful operation of its business, subject to any meet and confer obligations imposed by the Meyers Miliias Brown Act.

B. The District shall be the sole judge as to the reliability, competency and performance of any of the employees. All employees must perform their work to the satisfaction of the District.

C. Nothing in this Agreement shall limit the District's management functions, under which it shall have, among others, the right to determine the qualifications of employees; to observe and evaluate an employee's job performance and to apply disciplinary action as the District deems necessary, desirable or appropriate; and to require employees to observe District rules and regulations presently in effect and/or to be put into effect, provided they are not in direct violation with the provisions of this Agreement, subject to any meet and confer obligations imposed by the Meyers Miliias Brown Act.

D. It is the exclusive right of the District to administer the merit system.

E. Without limiting the above, the District retains the authority to take whatever action may be necessary when it determines there exists an emergency situation.

F. The right and responsibility of final decisions regarding wages, hours, fringe benefits, working conditions, and other terms and conditions of employment resides solely with the District's Board, subject to any meet and confer obligations imposed by the Meyers Miliias Brown Act ~~Act law~~.

G. This Agreement shall not abridge any right to a "Skelly" hearing, if such right is due to an employee independent of this Agreement.

VI. EMPLOYEE RELATIONS DISCUSSION FORUM

A. The Director of Human Resources and up to three(3) other District representatives shall meet with the Association's President and no more than four(4) other Association representatives once every three (3) months at the request of either party. The General Manager will make every effort to attend as available. More frequent meetings may be

held my mutual agreement. The requesting party shall construct a meeting agenda and submit it to the other side in writing prior to the meeting.

- B. The basic purpose of these meetings is to discuss issues of common interest and to solve problems in a constructive fashion.

VII. ASSOCIATION ACCESS

A. Reasonable Access

IRWDEA board members will be allowed reasonable time to meet with management to perform IRWDEA IRWDEA duties as needed. Time spent during regular work hours must be approved in advance by the Director of Human Resources orf the General Manager

B. Access to Facilities

The Association may schedule pre-work, after work or lunch meetings in the District conference rooms at such-reasonable times when these facilities are not being used by submitting a verbal, written or electronic request to the appropriate District representative. The request shall include the date, time and the number of people expected for the meeting.

C. Bulletin Boards

The District shall provide for the Association's use, designated bulletin boards where employees in the bargaining unit have access during regular business hours subject to the following conditions:

1. All postings for bulletin boards must contain the date of posting and the identification of the organization;
2. The Association will not post information which is defamatory, derogatory or obscene, subject to the immediate removal of the right to post for a period not to exceed 90 days.

IV.VIII. CONTRIBUTION TO CALPERS RETIREMENT BENEFIT

Employees hired by the District on or after September 29, 2012 and through December 31, 2012 who are members of IRWDEA shall be enrolled for CalPERS retirement benefits at 2% at age 60 and will contribute the full amount of the employee portion of the CalPERS contribution commencing at their date of hire.

Association employees hired on or after January 1, 2013 who have worked for another CalPERS or other reciprocal agency without a six month break in service shall be enrolled for CalPERS retirement benefits in the District's 2nd tier retirement formula of two percent at 60 (2% @ 60) and will contribute the full amount of the employee portion of the CalPERS contribution, currently established by CalPERS as 7%, commencing at their date of hire.

Association Employees hired on or after January 1, 2013 ~~who are members of IRWDEA~~ shall be enrolled for CalPERS retirement benefits in the two percent at 62 at (-2% at age @ 62) formula as mandated by the California Public Employees' Pension Reform Act of 2012 (PEPRA), and will contribute an employee contribution of 50% of the total normal cost of benefits, limited to a maximum of 8% of compensation as provided by PEPRA. ~~Employees who are hired on or after January 1, 2013 that have worked for another CalPERS or other reciprocal agency without a six month break in service may be eligible to participate in the IRWD CalPERS retirement benefit in effect for new hires on December 31, 2012.~~

For Association employees enrolled in the District's 1st tier CalPERS retirement benefit formula of two and one half percent at 55 (2.5% @ 55) hired before the effective date of this Agreement, the District's Employer Paid Member Contribution (EPMC) benefit shall be modified as follows:

1. Effective the first full pay period in March 2014 the employee will contribute an additional .63% of "member's earnings" into his/her retirement account for a total of 6.63% contribution of "member's earnings" into his/her retirement account.
2. Effective the first full pay period in March 2015 the employee will contribute an additional 1.37% of "member's earnings" into his/her retirement account for a total of 8% contribution of "member's earnings" into his/her retirement account.

~~by the District to consist of paying the portion of the normal member contribution equal to two percent (2%) of pay effective March 1, 2013, with the effect that such IRWDEA employees shall contribute 6% of their salary as the employee share of the CalPERS normal retirement contribution from March 1, 2013 until March 1, 2014 provided the cost of living adjustment (COLA) as defined herein for the prior year effective December 1, 2012 is greater than zero. If the COLA is zero or a negative number, the 1% increase to the employee contribution to CalPERS will not be adjusted until the following year effective March 1, 2014.~~

It is the intent that this section shall be construed in a manner consistent with PEPRA; to the extent of any conflict between PEPRA and this MOU, PEPRA shall be controlling. Resolutions, amendments to the District's contract with CalPERS and such other proceedings and documents as may be necessary or requested by CalPERS to implement the changes to the CalPERS retirement benefits as discussed in this MOU will be submitted for adoption by the District's Board.

V.IX. COST OF LIVING ADJUSTMENT

Effective retroactively to ~~On~~ December 1, 2013~~2~~, IRWDEA Association employees shall receive a Cost of Living Adjustment equal to .63%.

Effective December 1, 2014, Association employees shall receive a Cost of Living Adjustment equal to the change in the Consumer Price Index for the Orange-Riverside-Los Angeles All Urban Consumers, as measured from September 2013~~1~~ to September 2014~~2~~, no less than 2%. ~~In the event that the actual change in CPI from September 2011 to September 2012 is a~~

negative number, the District agrees to carry this negative adjustment forward to December 1, 2013 and apply the negative balance to any positive changes in CPI for that year.

The intent of this Cost of Living Adjustment deviation for this MOU period from District long standing past practice of providing Cost of Living Adjustments equal to the Consumer Price Index for the Orange-Riverside-Los Angeles All Urban Consumers as measured from September to September is to recognized and accommodate for Association members' increased percentage contribution of "member's earnings" to the CalPERS retirement system as described in Article VIII.

VI.X. DEFERRED COMPENSATION

The District will continue to match up to 3% of employees' contribution to the District's deferred compensation plan in accordance with District Policy during the term of this Agreement.

VII.XI. HEALTHCARE BENEFITS CONTRIBUTION

IRWDEA Employees will continue to receive CalPERS medical insurance for which employee premiums will be paid partly by the District. Beginning January 1, 2014³, employee contributions to the premiums for each Plan provided by the District will be increased to the amounts set forth in Exhibit B. The District contribution to employee premiums will be based on the calculation methodology of 90% of the highest enrollment PPO plan offered.

XII. WORK SCHEDULES AND REST PERIODS

A. Work Schedules

The standard work week for Association employees consists of seven consecutive 24-hour periods beginning at noon on Friday and ending at noon the following Friday. An alternate work week may be allowed with the approval of the General Manager. Regular daily-shift starting and ending times are between the hours of 6:30am and 5:30pm as determined by the Department Director or his/her designee. Exceptions to the regular daily-shift start times may occur as the operational needs of the District require for work occurring outside the 6:30am to 5:30pm time frame.

B. Rest Periods

Association employees may, on their regularly scheduled day of work, utilize a 10-minute rest break in the morning hours and an additional 10-minute rest break in the afternoon, as well as a 30 minute meal period. Meal periods are not compensable. Meal period times are assigned by the immediate supervisor on a schedule basis to meet the needs of the District service. Rest breaks must be taken at times that do not disrupt District service as determined by the employee's supervisor.

XIII. OVERTIME

A. Daily/Weekly.

Full-time non-exempt Association employees (employees who are regularly scheduled to work 40 hours/week) who are required by their supervisor or other authorized person to work in excess of 40 hours in one work week, or more than his/her regularly scheduled hours in one day will be compensated at their overtime rate of pay as defined by District policy. Overtime shall only be worked with approval of the employee's supervisor.

B. Holiday

Full-time non-exempt Association employees who are required by their supervisor or other authorized person to work on a District approved holiday will be compensated at his/her overtime rate of pay for all hours worked on the holiday, in addition to straight-time for his/her normally scheduled hours of holiday pay.

XIV. STANDBY PAY

Association employees who are required by the District to be on standby for emergency work during normal off-duty hours will be paid three-quarters (3/4) of an hour at his/her overtime rate of pay for every eight (8)-hour period of normal off-duty hours the employee is on standby, not to exceed twelve (12) hours of overtime pay for one work week. Association employees will not receive standby pay for days on which he/she does not report to work or leaves work early due to illness

XV. CALL OUT PAY

Association Employees called back to work during an off-duty period will be compensated for a minimum of two (2) hours of pay. Call Out Pay will include pay for the time the employee uses to travel to and from the work location.

XVI. ANNUAL SICK LEAVE PAYOUT

Association employees may elect, annually, in accordance with District Policy to be paid for up to 96 hours of accrued sick leave. Employees must retain a minimum eighty (80) hour sick leave balance at the time of the payout. Payment will be made in accordance with the following schedule:

<u>0-10 years of service</u>	<u>up to 96 hours at 50%</u>
<u>11-15 years of service</u>	<u>up to 30 hours @ 100%, remainder (up to 96 hrs) @ 50%</u>
<u>16-20 years of service</u>	<u>up to 60 hours @ 100%, remainder (up to 96 hrs) @ 50%</u>
<u>21+ years of service</u>	<u>up to 96 hours at 100%</u>

XVII. UNIFORMS

The District will provide to each Association employee, required by the District to wear a uniform as a condition of employment, eleven (11) sets of uniforms, one belt and two items of outerwear. The District will provide the maintenance and upkeep of the provided uniforms.

Standby personnel will be issued three additional shirts and pants for a total of 14 each of shirts and pants.

Lab employees will be provided with lab coats which will be maintained by the District.

XVIII. EDUCATION AND TRAINING ASSISTANCE

A. Tuition Reimbursement

Association employees are eligible for tuition reimbursement of up to 75% of eligible tuition and text book expenses in accordance with District policy

B. College Degree Incentive Program

Association employees who obtain a college degree through an accredited program are eligible to receive a \$1000.00 incentive payment in accordance with District policy

C. Certificates of Competence Incentive Program

Association employees who obtain a job-related Certificate of Competence which exceeds his/her minimum job requirements are eligible ~~for~~to receive a \$750.00 incentive payment for each Certificate received in accordance with District Policy.

D. Occupational Program Certificate Incentive Program

Association employees who obtain a job-related Occupational Program certificate which exceeds his/her minimum job requirements are eligible to receive a \$750.00 incentive payment for each Certificate received in accordance with District policy.

XIX. SAFETY EQUIPMENT

The District agrees to provide Association members with safety equipment to ensure personal safety in the performance of his/her job duties.

A. Safety Shoe Reimbursement

Association employees will be provided reimbursement for the purchase of safety shoes in accordance with District Policy according to the following schedule²:

Category 1 Up to \$200/calendar year

Category 2 Up to \$125/calendar year

Category 3 Up to \$125/calendar year

Category 4 Up to \$125/calendar year plus Category 1 reimbursement if eligible

Physician prescribed shoes Up to \$200/calendar year

B. Prescription Safety Eyewear

Association employees who require prescription eye glasses and who are required to wear safety glasses as part of their normal job duties will be provided reimbursement for the purchase of prescription safety glasses in accordance with District policy, not to exceed \$225/calendar year.

VIII. REGULAR WORK TIME TO PERFORM IRWDEA

~~IRWDEA Board Members will be allowed reasonable time to meet with management and to perform IRWDEA duties as needed. Time spent during regular work hours must be approved in advance by the Director of Human Resources or the General Manager.~~

IX.XX. OTHER BENEFITS AND FORMS OF COMPENSATION

All other forms of compensation, including employee benefits, not specifically mentioned in this MOU shall remain unchanged for the duration of the MOU.

X.XXI. AGENCY SHOP/IRWDEA FEES AND/OR DUES

~~There shall be no "agency shop" requirements.~~ The District will deduct IRWDEA fees and/or dues in the amount specified by any employee who voluntarily authorizes such payroll deduction in writing on a payroll deduction form provided by the District. The collected fees and dues will be automatically deposited to the IRWDEA bank account provided by the IRWDEA Board and on file with the District. Such authorization ~~shall remain in effect for one year~~, but may be revoked in writing by the employee at any time.

XI.XXII. NO LOCKOUT/WORK STOPPAGES

A. No employee shall engage in a strike, work stoppage, slowdown, job action, sick-in, sick-out, or any concerted interference with work of the District or impeding of work or business of the District. Due to the direct threat to public health and safety that would result, participation by any employee in a strike, work stoppage, slowdown, job action, sick-in, sick-out, or any concerted interference with work of the District or impeding of work or business of the District shall subject the employee to immediate discharge at the sole discretion of the District. Without limiting the foregoing, the District shall be entitled to injunctive relief to end any such

strike, work stoppage, slowdown, job action, sick-in, sick-out, or any concerted interference with work of the District or impeding of work or business of the District

B. For the purposes of this Agreement, “strike” or “striking activity” is defined to mean or include engaging or directly participating in any strike, slowdown, job action, sick-in, sick-out, or any concerted interference with the work of the District or impeding of work or business of the District.

C. The District shall not lockout bargaining Unit Employees.

D. The District shall not hire non-bargaining unit Regular employees (as defined by District policy) to perform bargaining unit work.

XXIII. PRE-DISCIPLINARY PROCEDURAL NOTICE AND OPPORTUNITY FOR RESPONSE AND HEARING

A. Minor Discipline.

Non-probationary Unit employees subject to minor discipline (not qualifying as “Substantial Discipline” as defined below) may provide a written response to be attached to the minor discipline documentation if they so choose. Such written response must be submitted within ten (10) calendar days from receipt of the minor discipline.

B. Substantial Discipline

Non-probationary Unit employees will be accorded pre-disciplinary safeguards as described in this section before any substantial disciplinary action is imposed.

1. Substantial disciplinary action shall include:

- a. Suspension without pay for five(5) or more working days;
- b. Involuntary demotion or reduction in pay;
- c. Termination.

C. Notice of Intent

A written Notice of Intent to impose substantial disciplinary action must be prepared by the Manager, working with Human Resources, setting forth:

1. A short statement of the reason for the proposed action;
2. A summary of the performance problems upon which the action is based;
3. An explanation of the rule or policy that was violated, including references to the policy number or other source, if applicable;

4. A summary of any preceding disciplinary actions within the last year, with copies attached;
5. A description of any documents or other physical or documentary evidence being relied upon in connection with this action with copies attached; and
6. A statement that the employee will have a right to respond, verbally, in writing or both to the appropriate District authority.

A copy of the Notice of Intent, with a signed employee acknowledgment, must be forwarded to Human Resources for retention in the employee's personnel file.

D. The Employee's Response

To ensure that the District does not act without considering relevant information available to it, employees are to be provided the opportunity to respond in writing to the intended imposition of any substantial disciplinary action within seven (7) calendar days from the date of the Notice of Intent to the department director, who may at his or her discretion reverse the Manager's recommendation.

E. Appeals

1. Right to Appeal

Employees have a right to appeal the imposition of the following actions:

- a. Termination
- b. Demotion involving reduction in pay
- c. Disciplinary reduction in pay constituting more than one (1) weeks pay
- d. Suspension without pay in excess of five (5) days.

2. Method of Appeal

- a. In the event of the imposition of substantial discipline as described herein, the decision of the department director will be considered final unless the employee files an appeal in accordance with this policy.
- b. An employee wishing to appeal must file a signed written statement with the Director of Human Resources within seven (7) calendar days of the effective date of the action. This writing must describe his/her intention to appeal, the reason for the appeal, and whether or not the use of a hearing officer is being requested.
- c. Upon receipt of the notice and if no hearing officer is requested, the Director of Human Resources or his/her designee will arrange for a meeting with the General Manager or his/her designee and the employee requesting an appeal, within seven (7) calendar days of the filing of the

appeal. After weighing all the evidence, the General Manager will render a decision within seven (7) calendar days of the meeting unless a time extension is deemed necessary. The decision of the General Manager is final.

d. If a hearing officer is requested, the Director of Human Resources will arrange for a meeting between the employee, his representative if any and the General Manager or his/her designee within seven calendar days after the hearing officer has submitted findings and recommendations. The General Manager after weighing all the evidence and the findings of the hearing officer will make a decision which will be final.

3. Hearing Officer

a. At any time during the conduct of the appeal, but prior to its submission to the General Manager or designee, the use of a hearing officer may be requested by either the employee or the employee's representative, if any, the department director who imposed the substantial discipline or the Director of Human Resources.

b. If a hearing officer is requested, the District will secure a hearing officer who will be a neutral professional with fact-finding experience. If the hearing officer is requested by the appellant, the cost will be borne by the appellant. If the hearing officer is requested by the District, the cost will be borne by the District. If the hearing officer is determined to be used by mutual agreement of the parties, the cost will be borne equally by the appellant and the District.

c. The function of the hearing officer will be to examine the facts and available evidence, question witnesses and make a recommendation to the General Manager.

d. The findings and recommendations of the hearing officer will be submitted to both the appellant and the General Manager.

4. Right to representation.

In the conduct of the appeal, the appellant will have the right, at his/her own expense to be represented by another person of his own choosing and to summon witnesses on his/her behalf.

XXIV. GRIEVANCE PROCEDURE

A. Definitions:

1. Grievance - A grievance is an allegation by an employee(s) or the Association of a violation of any express provision of the applicable MOU.

2. Grievant – An employee, group of employees or the Association.

B. II. Timeliness:

1. The grievance must be filed by the grievant within the timelines set forth herein.

2. The timelines contained herein may be extended to a definite date by written, mutual agreement of the grievant and the dDistrict's appropriate representative.

C. Employee Representation:

The grievant, at his/her own expense, may be represented by a person of his or her choice to prepare and present the grievance at any step of this process. The employee may use a reasonable amount of pre-approved release time to process the grievance.

D. Informal Grievance Procedure: Within fifteen (15) calendar days following the event, or within fifteen (15) calendar days after the grievant should reasonably have known of the event, the grievant should attempt to resolve the grievance on an informal basis by discussion with his/her immediate supervisor. If the grievant is not able to resolve the grievance after informal discussion with his/her immediate supervisor, the grievant will have the right to file a formal grievance in writing within ten (10) calendar days after the informal discussion with his/her immediate supervisor. The written formal grievance shall contain:

1. Employee name, job title and department name
2. Name of representative, if any
3. Statement of grievance, providing date and time or action aggrieved and circumstances of grievance
4. Specific provisions of MOU alleged to have been violated
5. Date of informal discussion with immediate supervisor
6. Date of filing of formal grievance
7. Signature of employee and/or representative, if any. (Electronic signature accepted.)

E. Formal Grievance Procedure:

1. First Level Formal Review – Department Director: The formal written grievance shall be presented to the employee's Department Director or his/her designee who will discuss the grievance with the employee, his/her representative, if any and any other appropriate persons. The Department Director will render his/her decision in writing to the

employee within ten (10) calendar days after receiving the grievance. If the employee does not agree with the Department Director's decision, or if no answer is received within ten (10) calendar days, the employee may present the formal written grievance to the General Manager. Failure of the employee to submit the grievance to the General Manager within ten (10) calendar days after receipt of the written decision from his/her Department Director will constitute a dropping of the grievance.

2. Second Level Formal Review - General Manager Review: The General Manager, after receiving the grievance, will discuss the grievance with the employee, his/her representative, if any and any other appropriate persons. The General Manager may select a designee not in the normal line of supervision to advise him concerning the grievance. The General Manager will render a decision in writing to the employee within 14 calendar days after receiving the grievance. The decision of the General Manager shall be final.

XII.XXV. SAVINGS CLAUSE

Should any part hereof or any provision herein contained be rendered or declared illegal or an unfair labor practice by reason of any existing or subsequently enacted legislation, or by any decree of a court of competent jurisdiction, or by the decision of any authorized governmental agency, including the Public Employment Relations Board, such invalidation of such part or portion of this Agreement shall not invalidate the remaining portions hereof; provided however, upon such invalidation the parties agree immediately to meet and negotiate substitute provisions for such parts or provisions rendered or declared illegal or an unfair labor practice. The remaining parts or provisions shall remain in full force and effect.

ADOPTED, SIGNED and APPROVED this 10th day of ~~February~~September 2014~~2~~.

Craig M. Irey, President Date
Irvine Ranch Water District
Employee Association(IRWDEA)

Paul Cook, General Manager Date
Irvine Ranch Water District

APPROVED AS TO FORM: Date
PAYNE AND FEARS, LLP
Legal Counsel - IRWD


EXHIBIT A

Positions included in the General Employees' Unit of the IRWDEA

Accountant	Office Specialist
Accounting Clerk	Office Specialist, Senior
Accounting Clerk, Senior	Operations Coordinator
Analyst	Operator I
Automation Programmer	Operator II
Automation Specialist	Operator III
Automation Technician	Public Affairs Specialist
Buyer	Purchasing Coordinator
Buyer, Senior	Purchasing Coordinator, Senior
Collection Systems CCTV Technician, Senior	Recycled Water Project Specialist
Collection Systems Technician I	Recycled Water Specialist
Collection Systems Technician II	Recycled Water Specialist, Senior
Collection Systems Technician, Senior	Right of Way & Real Property Manager
Collections Systems CCTV Tech II	Risk Analyst
Construction Inspector I	Scientist
Construction Inspector II	Scientist, Senior
Construction Inspector III	Support Specialist
Cross Connection Control Specialist	Support Specialist, Senior
Customer Service Field Technician	Treasury Analyst
Customer Service Field Technician, Senior	Utility Worker
Customer Service Specialist I	Vehicle/Equipment Maintenance Mechanic
Customer Service Specialist II	Vehicle/Equipment Maintenance Mechanic, Senior
Customer Service Specialist III	Water Maintenance Technician I
Electrical Technician	Water Maintenance Technician II
Electrical Technician, Senior	Water Maintenance Technician III
Electrical/Instrumentation Designer	Water Resources Manager
Energy Analyst	Water Use Efficiency Analyst
Engineer	Water Use Efficiency Specialist
Engineer, Assistant	Water Use Efficiency Specialist, Senior
Engineer, Associate	Wetlands Specialist
Engineering Technician I	Wetlands Specialist, Senior
Engineering Technician II	
Engineering Technician III	
Facilities Services Technician	
Facilities Services Technician, Senior	
Information Services Coordinator	
Instrumentation Technician	
Instrumentation Technician, Senior	
Laboratory Analyst	
Laboratory QA/QC	
Landscape Contracts Administrator	
Mail Coordinator	
Maintenance Apprentice	
Maintenance Mechanic	
Maintenance Mechanic, Senior	
Material Control Clerk I	
Material Control Clerk II	
Material Control Clerk II	
Metering Systems Technician I	
Metering Systems Technician II	
Metering Systems Technician III	
Office Assistant	

EXHIBIT B

Employee Medical Plans (Effective January 1, 2014)	District Pays		Employee Pays		Total Premium	
Kaiser Permanente	Single	\$ 552.79	Single	\$ 50.00	Single	\$ 602.79
	Two Party	\$1,104.58	Two Party	\$ 101.00	Two Party	\$1,205.58
	Family	\$1,431.25	Family	\$ 136.00	Family	\$1,567.25
Blue Shield Access+ HMO	Single	\$ 536.21	Single	\$ 7.00	Single	\$ 543.21
	Two Party	\$1,071.42	Two Party	\$ 15.00	Two Party	\$1,086.42
	Family	\$1,379.35	Family	\$ 33.00	Family	\$1,412.35
Blue Shield Net Value HMO	Single	\$ 450.17	Single	\$ 7.00	Single	\$ 457.17
	Two Party	\$ 899.34	Two Party	\$ 15.00	Two Party	\$ 914.34
	Family	\$1,155.64	Family	\$ 33.00	Family	\$1,188.64
PERS Choice PPO (80/20)	Single	\$ 552.25	Single	\$ 60.00	Single	\$ 612.25
	Two Party	\$1,104.50	Two Party	\$ 120.00	Two Party	\$1,224.50
	Family	\$1,431.85	Family	\$ 160.00	Family	\$1,591.85
PERS Select PPO (80/20)	Single	\$ 552.32	Single	\$ 34.00	Single	\$ 586.32
	Two Party	\$1,104.64	Two Party	\$ 68.00	Two Party	\$1,172.64
	Family	\$1,431.43	Family	\$ 93.00	Family	\$1,524.43
PERS Care PPO (90/10)	Single	\$ 552.22	Single	\$ 86.00	Single	\$ 638.22
	Two Party	\$1,104.44	Two Party	\$ 172.00	Two Party	\$1,276.44
	Family	\$1,431.37	Family	\$ 228.00	Family	\$1,659.37
Anthem Traditional HMO	Single	\$ 552.20	Single	\$ 40.00	Single	\$ 592.20
	Two Party	\$1,104.40	Two Party	\$ 80.00	Two Party	\$1,184.40
	Family	\$1,432.72	Family	\$ 107.00	Family	\$1,539.72
Anthem Select HMO	Single	\$ 536.99	Single	\$ 7.00	Single	\$ 529.99
	Two Party	\$1,073.98	Two Party	\$ 15.00	Two Party	\$1,058.98
	Family	\$1,396.17	Family	\$ 33.00	Family	\$1,363.17
Health Net Salud y Mas HMO	Single	\$ 482.82	Single	\$ 7.00	Single	\$ 489.82
	Two Party	\$ 964.64	Two Party	\$ 15.00	Two Party	\$ 964.64
	Family	\$1,240.53	Family	\$ 33.00	Family	\$1,240.53
Health Net SmartCare HMO	Single	\$ 552.51	Single	\$ 16.00	Single	\$ 568.51
	Two Party	\$1,104.02	Two Party	\$ 33.00	Two Party	\$1,137.02
	Family	\$1,431.13	Family	\$ 47.00	Family	\$1,478.13
United HealthCare HMO	Single	\$ 514.01	Single	\$ 7.00	Single	\$ 521.01
	Two Party	\$1,027.02	Two Party	\$ 15.00	Two Party	\$1,042.02
	Family	\$1,321.63	Family	\$ 33.00	Family	\$1,354.63
Sharp Health Plan	Single	\$ 531.59	Single	\$ 7.00	Single	\$ 538.59
	Two Party	\$1,062.18	Two Party	\$ 15.00	Two Party	\$1,077.18
	Family	\$1,367.33	Family	\$ 33.00	Family	\$1,400.33

February 10, 2014
Prepared and
Submitted by: Jenny Roney
Approved by: Paul Cook 

ACTION CALENDAR

PROPOSED DECREASES TO CALPERS EMPLOYER PAID MEMBER CONTRIBUTIONS

SUMMARY:

As part of the multi-year plan to transition the District away from paying the 8% Employer Paid Member Contribution (EPMC) as an employee benefit, increases in the employee contribution to CalPERS are proposed as follows:

- Effective March 1, 2014, all non-management Unrepresented Employees will pay an additional 0.63% into CalPERS, decreasing the EPMC from 2% to 1.37% and increasing the employee contributions from 6% to 6.63%;
- Effective March 1, 2014, all employees represented by the Irvine Ranch Water District Employee Association (IRWDEA) will pay an additional 0.63% into CalPERS, decreasing the EPMC from 2% to 1.37% and increasing the employee contributions from 6% to 6.63%;
- Effective March 14, 2015, all non-management Unrepresented Employees will pay an additional 1.37% into CalPERS, decreasing the EPMC from 1.37% to 0% and increasing the employee contributions from 6.63% to 8%; and
- Effective March 14, 2015, all Employees represented by the IRWDEA will pay an additional 1.37% into CalPERS, decreasing the EPMC from 1.37% to 0% and increasing the employee contributions from 6.63% to 8%.

Staff recommends the Board approve the decrease to EPMC for the employee groups outlined above and adopt the required resolution indicating the change in the EPMC. For employees represented by the Irvine Ranch Water District Employee Association (IRWDEA), these proposed changes were subject approval of the successor Memorandum of Understanding (MOU) as presented to the Board at this meeting.

BACKGROUND:

During the review of the Operating Budget for Fiscal Year 2011-12, opportunities to manage costs associated with the current IRWD employee pension program were identified. On April 25, 2011, a multi-year plan was initiated to transition the District away from paying 8% EPMC as an employee benefit. The following adjustments of employee-paid contributions have already been implemented:

- Effective July 1, 2011, CalPERS employee contributions for Executive Management increased from 1% to 6%; Senior Management employee contributions increased from 1% to 5%; and all other non-management employee contributions increased from 1% to

3%. All non-management employee positions and the Senior Management positions also received a 2% increase in salary effective July 1, 2011.

- Effective March 1, 2012, CalPERS employee contributions for Executive Management increased from 6% to 8%; Senior Management employee contributions increased from 5% to 7%; and all other non-management employee contributions increased from 3% to 5%.
- Effective March 2, 2013, CalPERS employee contributions for Senior Management Employees increased from 7% to 8%; unrepresented non-management employee contributions increased from 5% to 6%; and IRWDEA represented employee contributions increased from 5% to 6%.

This recommendation, if approved, (and assuming IRWD Board approval of the successor MOU at this meeting), will complete the multi-year EPMC shift plan which began in April 2011. As described, effective March 14, 2015 the recommendation provides for the District to no longer pay any EPMC benefit and for employees to contribute the full amount allowed under the law towards their retirement benefit.

FISCAL IMPACTS:

During the FY 2013-14 budget process, staff projected a reduction in EPMC for unrepresented non-management employees and IRWDEA-represented employees of 1.0%. This was expected to reduce the monthly EPMC for the last four months of the fiscal year by approximately \$50,000, resulting in a total annual budget for EPMC of \$409,200.

As a result of shifting only 0.63% of EPMC for both groups of employees for the last four months of the fiscal year, EPMC will only be reduced by approximately \$31,500. Therefore, the projected annual cost for EPMC for FY 2013-14 will be approximately \$18,500 over budget. As staff is currently in the budgetary process for FY 2014-15, the 1.37% reduction in EPMC effective March 2015 will be accounted for in that process.

ENVIRONMENTAL COMPLIANCE:

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

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on February 4, 2014.

RECOMMENDATION:

THAT THE BOARD, UPON ADOPTION OF THE IRWDEA SUCCESSOR MEMORANDUM
OF UNDERSTANDING, ADOPT THE FOLLOWING RESOLUTIONS BY TITLE
AUTHORIZING THE DECREASE TO THE EMPLOYER PAID MEMBER
CONTRIBUTIONS TO CALPERS:

RESOLUTION 2014-

RESOLUTION OF THE BOARD OF
DIRECTORS OF THE IRVINE RANCH WATER DISTRICT,
ORANGE COUNTY, CALIFORNIA MODIFYING
EMPLOYER-PAID MEMBER CONTRIBUTIONS
(EFFECTIVE MARCH 1, 2014 FOR FULL-TIME REGULAR EMPLOYEES)

RESOLUTION 2014-

RESOLUTION OF THE BOARD OF
DIRECTORS OF THE IRVINE RANCH WATER DISTRICT,
ORANGE COUNTY, CALIFORNIA MODIFYING
EMPLOYER-PAID MEMBER CONTRIBUTIONS
(EFFECTIVE MARCH 14, 2015 FOR FULL-TIME REGULAR EMPLOYEES)

LIST OF EXHIBITS:

Exhibit "A" – Resolutions to adopt decreases in Employer Paid Member Contributions for Full-
Time Regular Employees.

EXHIBIT "A"

RESOLUTION 2014-

RESOLUTION OF THE BOARD OF
DIRECTORS OF THE IRVINE RANCH WATER DISTRICT,
ORANGE COUNTY, CALIFORNIA MODIFYING
EMPLOYER-PAID MEMBER CONTRIBUTIONS
(FOR FULL-TIME REGULAR EMPLOYEES)

WHEREAS, the governing body of the Irvine Ranch Water District (District) has the authority to implement Government Code Section 20691; and

WHEREAS, the governing body of the District has a written policy which specifically provides for the normal member contributions to be paid by the employer; and

WHEREAS, one of the steps in the procedures to implement Section 20691 is the adoption by the governing body of the District of a resolution to commence said Employer-Paid Member Contributions (EPMC); and

WHEREAS, the governing body of the District has identified conditions for the purpose of its election to pay EPMC.

NOW, THEREFORE, the governing body of the Board of Directors of Irvine Ranch Water District modifies its prior election to pay EPMC as set forth below:

Section 1. The modified EPMC benefit adopted and set forth below in this Resolution shall apply to all Full-time Regular Employees.

Section 2. This benefit shall consist of paying 1.37% (one point three seven percent) of the normal member contributions as EPMC.

Section 3. The effective date of this Resolution shall be March 1, 2014.

ADOPTED, SIGNED and APPROVED this 10th day of February, 2014.

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 AND GIANNONE
Legal Counsel

RESOLUTION 2014-

RESOLUTION OF THE BOARD OF
DIRECTORS OF THE IRVINE RANCH WATER DISTRICT,
ORANGE COUNTY, CALIFORNIA MODIFYING
EMPLOYER-PAID MEMBER CONTRIBUTIONS
(FOR FULL-TIME REGULAR EMPLOYEES)

WHEREAS, the governing body of the Irvine Ranch Water District (District) has the authority to implement Government Code Section 20691; and

WHEREAS, the governing body of the District has a written policy which specifically provides for the normal member contributions to be paid by the employer; and

WHEREAS, one of the steps in the procedures to implement Section 20691 is the adoption by the governing body of the District of a resolution to commence said Employer-Paid Member Contributions (EPMC); and

WHEREAS, the governing body of the District has identified conditions for the purpose of its election to pay EPMC.

NOW, THEREFORE, the governing body of the Board of Directors of Irvine Ranch Water District modifies its prior election to pay EPMC as set forth below:

Section 1. The modified EPMC benefit adopted and set forth below in this Resolution shall apply to all Full-time Regular Employees.

Section 2. This benefit shall consist of paying 0% (zero percent) of the normal member contributions as EPMC.

Section 3. The effective date of this Resolution shall be March 14, 2015.

ADOPTED, SIGNED and APPROVED this 10th day of February, 2014.

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 AND GIANNONE
Legal Counsel

February 10, 2014

Prepared by: G. Ronin / K. Erwin

Submitted by: Jenny Roney

Approved by: Paul Cook 

ACTION CALENDAR

REVISED PERSONNEL POLICIES AND PROCEDURES

SUMMARY:

Staff has developed the Personnel Policies and Procedures to consistently address personnel-related issues at the Irvine Ranch Water District. Revisions to any of these policies must be approved by the IRWD Board of Directors from time-to-time to keep current with state and federal law, to adopt best practices in administering Human Resource policy, and to correctly reflect practices adopted in conducting District business.

Staff recommends the Board:

- Approve the revisions to Policy No. 16 and Policy No. 33 as detailed below, and
- Adopt a resolution establishing revised personnel policies and rescinding Resolution No. 2012-39 dated September 10, 2012.

BACKGROUND:

The following revisions have been made to the policies shown in Exhibit "A":

Policy No. 16 – Sick Leave: This policy has been revised to include changes to the District's annual sick leave buy-back program, which will now have different tiers at which employees can sell back a limited amount of accrued sick leave based on years of service. The annual sick leave buy-back program has also been revised to require that employees keep at least 80 hours of sick time in their accrual bank before any sick leave can be sold back.

Policy No. 33 – Illness and Injury Prevention Program (IIPP): Policy has been revised to include Process Safety Management and Process Hazard Analysis language. Changes to the subject policy are in response to a recent Cal/OSHA citation (Non-monetary) requirement to reference pertinent portions of the Cal/OSHA, Title 8-CCR Section 5189 relating to Process Safety Management in the IIPP. The abatement date for inclusion into the IIPP as issued by the agency is March 3, 2014.

FISCAL IMPACTS:

The fiscal impact of the change to the annual sick leave buy-back program will be determined by the number of employees who elect to sell back their time. The annual buy-back is done in November, so it has no effect on the current fiscal year budget. Staff will include projected costs for this program in the proposed Operating Budget for FY 2014-15, currently being developed. There is no fiscal impact for the change to the IIPP policy.

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 revisions to the IIPP were reviewed by the Finance and Personnel Committee on February 4, 2014. The revisions to the annual sick leave buy-back program have been discussed with the full Board during the negotiation process.

RECOMMENDATION:

THAT THE BOARD ADOPT THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2014-

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH
WATER DISTRICT, RESCINDING RESOLUTION NO. 2012-39
AND ESTABLISHING REVISED PERSONNEL POLICIES
(FOR POLICY NO. 16 AND POLICY NO. 33).

LIST OF EXHIBITS:

Exhibit "A" – Proposed revisions to policies
Exhibit "B" – Resolution

EXHIBIT "A"

IRVINE RANCH WATER DISTRICT
PERSONNEL POLICIES AND PROCEDURES MANUAL
POLICY NO. 16 - SICK LEAVE

1. **General Policy**

To minimize the economic hardships that may result from an unexpected short-term illness or injury to an employee or legal dependent, the District provides regular full-time employees with sick leave. Temporary and part-time employees are not eligible for sick leave benefits.

The District reserves the right to require a satisfactory statement of a licensed physician whenever an employee misses work due to an illness, injury or disability. The employee may be asked to provide a physician's statement that verifies the nature of an illness, injury or disability, its beginning and ending dates, and/or the employee's ability to return to work without endangering his/her own safety or the safety of others. When requested, such verifications and releases may be a condition to receiving sick leave benefits or returning to work. Although a physician's statement normally will not be requested for absences of less than three working days, the District may request such a statement in situations where it determines it is warranted.

2. **Accrual**

Each regular full-time employee will accrue sick leave hours at the rate of 96 hours per year; 8 hours per month of employment. This accrual begins with the first day of employment, and is available for use as soon as hours are accrued. An employee will be allowed to accrue an unlimited number of sick leave hours, however, payment of sick leave benefits upon termination of employment, pursuant to paragraph 9 of this policy is limited to a maximum total of 50 percent (50%) of 960 hours of unused accrued sick leave.

3. **Holiday Pay During Sick Leave**

In the event that any paid District holiday occurs during a period when an employee is on paid sick leave, the holiday will not be charged against the employee's accumulated sick leave. (The only hours that will be charged against an employee's accumulated sick leave will be those hours that the employee is regularly scheduled to work.)

4. **Pregnancy/Maternity Leave of Absence**

The use of unused accumulated sick leave hours is allowed for pregnancy-related illness or disability, just as it is for other illness (See Section 5 on next page and Family Care Leave under Policy No. 19 - Leave of Absence).

5. **Disability/Medical/Workers' Compensation
Leave of Absence**

POLICY NO. 16 – SICK LEAVE

When an employee becomes eligible for disability benefits from the State of California Employment Development Department, or workers' compensation benefits from the State Compensation Insurance Fund, the employee may use accumulated sick leave hours to supplement these payments. Accrued sick leave benefits will be used to supplement State Disability or Workers' Compensation benefits only to the extent necessary to provide a combination of sick leave and SDI or Workers' Compensation benefits equal to the employee's straight time compensation immediately before the beginning of the illness, disability or injury.

6. Sick Leave Accrual During Leave

An employee on authorized leave of absence will continue to accrue sick leave hours at the same rate of 96 hours per year, 8 hours per month, as long as accrued sick leave and vacation hours have not been exhausted and provided the employee is utilizing accrued benefits. Once accrued sick leave and vacation hours have been exhausted, or if an employee elects not to coordinate benefits while on a leave of absence, the employee will cease to accrue sick leave hours until he/she returns to active employment status.

An employee on authorized leave of absence without pay, including extended military leave of absence, extended sick leave, or temporary layoff, will not accrue sick leave during such absences. All unused accumulated sick leave accrued prior to the leave of absence without pay or temporary layoff will remain in effect after the employee's return to work.

7. Use of Sick Leave for Bereavement

An employee is permitted to use not more than five days of accrued sick leave per year for bereavement. (See Policy No. 17 - Bereavement).

8. Sick Leave Added Days

The General Manager has the authority to loan, in writing, up to five (5) days of paid sick leave to an employee providing that all accrued sick leave and vacation hours have been exhausted. Unearned days of paid sick leave loaned to an employee must be repaid upon return to work. In the event the employee terminates employment prior to the complete repayment of loaned sick leave days, the appropriate number of hours required for repayment will be deducted from the employee's final paycheck.

9. Upon Termination/Retirement

Upon voluntary termination of employment, the District will pay full-time regular employees, fifty (50) percent of the employee's accrued sick leave to a maximum of 960 hours, times the employee's current wage, providing the employee has worked for the District for two years and has given the District two week's notice.

Upon the employee's death, payment will be made to his/her heirs. Employees whose employment has been involuntarily terminated are not eligible to be compensated for unused sick leave.

POLICY NO. 16 – SICK LEAVE

10. Annual **Buy-Back Payoff** of Unused Accumulated Sick Leave

An employee may elect to be paid for all or a portion of any unused sick leave accrued to a maximum of 96 hours per year. A minimum balance of 480 hours must remain in each employee's sick leave account to protect the employee's income in the event of short term disability. Employees may elect either a cash payment or an equivalent contribution to their 457 deferred compensation account.

A. Amount of Annual **Buy-Back Payoff**

If an employee elects to be paid for any unused accumulated sick leave under provisions of paragraph 10, the number of hours elected will be deducted from the balance of unused accrued sick leave hours. Payment will be made to the employee in accordance with the following percentage schedule in an amount equal to 50 percent (50%) of the hours elected to be paid, times the employee's current wage rate.

- 0-10 years of service up to 96 hrs @ 50%
- 11-15 years of service up to 30 hrs @ 100%, remainder (up to 96 hrs) @ 100%
- 16-20 years of service up to 60 hrs @ 100%, remainder (up to 96 hrs) @ 50%
- 21+ years of service up to 96 hours at 100%

Such payment will be made to the employee on or about November 23rd of each year.

B. **Maximum Days of Payoff**

An employee will be allowed to accrue an unlimited number of sick leave hours, however, payment of sick leave benefits pursuant to paragraph 9 of this policy is limited to a maximum total of 50 percent (50%) of 960 hours of unused accrued sick leave.

11. Sick Leave Donation Program

The Sick Leave Donation Program allows employees who have accrued sick leave hours to voluntarily donate a portion of their accumulated hours to another employee who has exhausted his/her accrued sick and vacation leave due to a non-work-related catastrophic illness or injury of the employee or the catastrophic illness or injury of an employee's dependent parent, spouse, or child requiring the presence of the employee.

Catastrophic illness or injury is defined as a severe illness or injury which totally incapacitates a person for an extended period of time and is severely debilitating or life-threatening. Illnesses such as cancer, heart attack, or stroke would be considered catastrophic illnesses. Pregnancy and routine illnesses, surgical procedures, and injuries, even those resulting in an extended leave of absence, do not qualify as catastrophic illness

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POLICY NO. 16 – SICK LEAVE

or injury. The Director of Human Resources will be responsible for reviewing the eligibility of an employee to receive donated sick leave and making a recommendation to the General Manager for approval. The approval process may require appropriate medical documentation regarding the illness or injury of the employee or family member.

The decision to make a donation of sick leave to another employee through the Sick Leave Donation Program is voluntary. No employee is to be coerced or intimidated into making a donation of sick leave or to coerce or intimidate another employee. Donations of sick leave may not involve any form of payment or compensation, financial or otherwise, between the donor and recipient. The District will not solicit sick leave donations on behalf of any qualifying individual.

A. Eligibility

All regular, full-time employees who have completed their initial probationary period are eligible to participate in the Sick Leave Donation Program as a donor or recipient.

B. Procedures for Utilizing Donated Sick Leave

1. In order to receive donated sick leave through the Sick Leave Donation Program, an employee must meet the following requirements:
 - a. The employee must have been on an approved Leave of Absence for a catastrophic illness or injury as defined above for at least 30 calendar days prior to the use of any donated sick time.
 - b. The employee must have exhausted all of their sick and vacation accruals prior to the use of any donated sick time.
 - c. The employee must be utilizing any applicable income replacement programs for which he/she qualifies (i.e. State Disability Insurance, Paid Family Leave, Long-Term Disability).
 - d. The employee must have notified the Human Resources department of his/her desire to receive and utilize donated sick time. In the event that the employee is physically or mentally unable to notify the Human Resources department, notification may be made by a member of the employee's immediate family (i.e., spouse, domestic partner, child or parent), by the employee's supervisor, or by an employee wishing to make a sick leave donation.
2. An employee utilizing donated sick leave will not earn or be eligible to accrue any sick or vacation leave. Once an employee ceases to receive any portion of his/her pay from the use of his/her own accrued sick and vacation leave, accrual of additional vacation and sick leave hours will cease. Holidays falling during the period following exhaustion of vacation and sick leave benefits will not be paid to an employee even if they are utilizing donated sick leave.

EXHIBIT "A" 16-4

POLICY NO. 16 – SICK LEAVE

3. If an employee returns to work on a part-time basis, sick and vacation leave will begin accruing on a pro-rated basis and these accrued balances will be utilized for coordination of benefits before the utilization of any donated sick leave.
4. An employee utilizing donated sick leave will be taxed each pay period as with the use of regularly accrued sick and vacation leave.
5. The existence or use of donated sick time is not a guarantee of continued employment past the end of the approved leave of absence as detailed in Policy No. 19 – Leave of Absence.

C. Procedures for Donating Sick Leave

1. An employee may complete a “Donation of Sick Leave” form to donate accrued sick leave in one-hour increments for use by another employee who has been determined to qualify for sick leave donations under the requirements listed above.
2. In no case shall a donation of sick leave reduce the donor’s accrued sick leave balance below eighty (80) hours.
3. An employee may donate a maximum of 25% of his/her sick balance or forty (40) hours of accrued sick leave to an eligible employee, whichever is less. No employee will be allowed to donate more than forty (40) hours of sick leave in any twelve month period.
4. The number of sick hours credited to the recipient will be calculated by multiplying the number of hours donated by the calculated hourly rate of the donor then dividing that amount by the calculated hourly rate of the recipient.
5. Donated sick leave hours will be used to pay the recipient on a first in-first out basis. Donated sick leave hours not used by the specified recipient will be returned to the donating employee(s) following the end of the pay period in which the recipient no longer qualifies for the use of donated sick leave.

12. Administration of Policy

The Director of Human Resources and the Payroll Department will be responsible for the administration and enforcement of this policy.

Adopted by IRWD Board of Directors on: February 10, 2014

EXHIBIT “A” 16-5

IRVINE RANCH WATER DISTRICT
PERSONNEL POLICIES AND PROCEDURES

POLICY NO. 33 - INJURY AND ILLNESS PREVENTION PROGRAM

1. General Policy

The District, in addition to complying with all provisions of the Cal-OSHA section 3203 of the California Occupational Safety and Health Act, will do all within its resources to provide a safe and healthful work environment for every employee.

2. Purpose of the Policy

The purpose of the Injury and Illness Prevention Program is to:

- A. State District policy on the issue of Injury and Illness Prevention.
- B. Assign responsibility for the implementation and continuation of the Program.
- C. Establish Safety Committees.
- D. Establish procedures for reporting workplace hazards and accidents.
- E. Set guidelines and procedures for non-compliance with the Injury and Illness Prevention Program.

3. District Responsibility

The District will not require any employee to work in an unsafe area or in an unsafe manner. The necessary training, tools, and equipment will be provided by the District to do a job safely. The District will establish rules and regulations and the necessary medical testing to ensure compliance with safety regulations. The District will discipline any employee who has been found in violation of District safe work practices or Cal-OSHA regulations. (See Policy No. 6 - Hiring and Termination).

4. Safety & Security Office Responsibility

The Safety & Security Manager is responsible for implementation of this program and for promoting a safe and healthful work environment for all employees. In accordance with SWP-12, the Safety & Security Office is responsible for investigating and documenting occupational incidents (occupational incidents include personal injuries and illnesses, property damage, vehicle accidents and near misses), maintaining records of corrective actions taken and providing and documenting safety and health training. Detailed records will be maintained as required by regulations and will include names, dates, and actions taken. Documentation regarding disciplinary action will be maintained by Human Resources.

POLICY NO. 33 - INJURY AND ILLNESS PREVENTION PROGRAM

5. Managers and Supervisors Responsibility

Safe working conditions and a safe work environment are the responsibility of every employee; however, final responsibility for an accident free and hazard free environment rests with the managers and supervisors of the District. Each manager and supervisor has the responsibility to promote accident prevention through continuous surveys of work areas, setting a good example, educating, training and retraining employees regarding safety rules and regulations and safe work habits. This will be achieved by recognizing employees who follow safe and healthful work practices and by properly disciplining employees working in an unsafe manner. Each manager and supervisor is responsible for insuring that inspections are conducted and corrective actions are implemented. Safety is a very important aspect of every Manager's and Supervisor's job.

6. Employee Responsibility

All employees of the District shall be required, as a condition of their employment, to follow all Injury and Illness Prevention practices that are established for the protection of themselves, their fellow employees and the public. This includes, but is not limited to wearing of protective equipment and operating only that machinery or power equipment that he/she has been authorized to operate. Any employee who willfully violates safe and healthful work practices is subject to disciplinary action up to and including immediate termination (See Policy No. 6 - Hiring and Termination).

It is the responsibility of every employee to report unsafe working conditions or an employee working in an unsafe manner to his/her supervisor immediately for corrective action. An employee who chooses not to report unsafe working conditions or employees may be considered in violation of the Injury and Illness Prevention Policy of the District.

7. Communications

The District has established a system for communication between management and employees on occupational safety and health matters, including meetings, training programs, postings, written procedures, a system of anonymous notification and safety committees. Several of these include:

A. Reporting Unsafe Conditions

Employees are required to report unsafe or unhealthful conditions to their supervisor. Such reporting will be made without fear of reprisal. Supervisory personnel will investigate and take necessary actions to remedy the situation in a timely manner. These actions, regardless of the level of severity, will be reported to the Safety & Security Office as soon as possible. (See Safe Work Practice (SWP) - 12 Accident, Injury, Illness and Near-Miss Investigation Procedure).

B. Employee Safety "Hotline"

The Employee Health and Safety Telephone Notification Hotline ("Hotline") provides a confidential mechanism for employees to report concerns regarding possible unsafe conditions or practices. This method of reporting unsafe

POLICY NO. 33 - INJURY AND ILLNESS PREVENTION PROGRAM

conditions is confidential and provides anonymity for callers (See SWP-7 - Employee Health and Safety Telephone Notification "Hotline" Procedure).

C. Accident/Incident Notification

Incidents that involve employee accidents, incidents or near misses shall be reported to the appropriate supervisor. Reports will then be forwarded to the Safety & Security Office prior to leaving work at the end of the shift. (See SWP - 12- Accident, Injury, Illness and Near-Miss Investigation Procedure).

D. General Safety Committee

The General Safety Committee provides assistance in monitoring and reviewing incidents. The committee also assists the Safety & Security Office in the initial development of safety-related procedures as required. Minutes of the General Safety Committee are posted on the S-Drive. Members of the committee will include employees from all major departments and/or members of the Safety & Security Office. (See SWP-6 - Safety Committees Procedure).

8. Training and Information

The Safety & Security Office shall administer this Program, including:

- A. Instructing employees, including supervisors, in safe work practices and providing specific instruction as to hazards for particular positions;
- B. Assisting supervisors in providing training and preparing job safety analysis (JSA) for all employees.
 - 1) When employees are given new job assignments for which training has not previously been received (See SWP-11- Employee Health and Safety Orientation Procedure),
 - 2) Whenever new hazardous substances, processes, procedures or equipment are introduced into the workplace, and
 - 3) Whenever the District is made aware of a new or previously unrecognized hazard.

C. Initial and Refresher Training

New employees will attend a New Hire Orientation which will provide initial instruction and training based on their job assignment. Supervisors are required to provide specific training for job tasks. Supervisors are required to train employees when a new substance is introduced or a new hazard is recognized within the employees work area or assignment.

Employees must attend annual and refresher training for certain job duties as described in applicable safety programs and procedures. (See SWP - 10

POLICY NO. 33 - INJURY AND ILLNESS PREVENTION PROGRAM

Training). As appropriate, a written test will be administered to evaluate comprehension.

9. Process Safety Management (PSM)

A. Each employee involved in PSM process must receive overview training of the PSM processes as well as training in operating procedures. The training must include an emphasis on specific safety and health hazards, procedures and applicable safe practices. Refresher training must be conducted at least every three years or more frequent if necessary. Ref. 8CCR 5189 (g).

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B. A Process Hazard Analysis (PHA) must be conducted of the PSM processes as well as California Accidental Release Programs (Cal/ARP) to identify, predict, evaluate and control hazards within the processes. The PHA must be conducted every five years. The PHA must identify specific hazards and controls such as administrative, engineering controls or other acceptable controls. The PHA must be conducted by a team with expertise in engineering, operations and safety pertinent to the specific process.

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CD. Initial and Refresher Training

New employees will attend a New Hire Orientation which will provide initial instruction and training based on their job assignment. Supervisors are required to provide specific training for job tasks. Supervisors are required to train employees when a new substance is introduced or a new hazard is recognized within the employees work area or assignment.

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Employees must attend annual and refresher training for certain job duties as described in applicable safety programs and procedures. (See SWP 10 Training). As appropriate, a written test will be administered to evaluate comprehension.

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910. Injury or Hazard Reporting

A. Vehicle Accidents

Any employee involved in a vehicle accident while operating a District vehicle will report such accident by radio or telephone to the Vehicle/Equipment Facilities/Fleet Maintenance Manager before leaving the scene of the accident. (See HR Policy 50 Vehicle and Equipment Usage and SWP-19 Use of District Vehicles) The IRWD Incident Report will be completed by the employee involved in the accident prior to leaving work at the end of the shift. The employee's supervisor or manager will submit the completed Incident Report to the Safety & Security Office prior to the end of the shift.

B. Reporting Injuries/Illnesses

POLICY NO. 33 - INJURY AND ILLNESS PREVENTION PROGRAM

Any employee who sustains an illness or injury while performing his/her job at the District will report that illness or injury immediately to his/her direct supervisor. The Supervisor of the injured employee will complete the IRWD Incident Report on the day the illness or injury occurs before the employee leaves District facilities, except in cases of emergency. Any employee who is aware of any workplace hazard must immediately report the hazard to his/her supervisor, who is responsible for reporting the hazard to the Safety & Security Office.

The IRWD Incident Report will be forwarded to the Safety & Security Office by the Supervisor before the end of the workday on the day of the accident. The Safety & Security Office will forward a copy of the IRWD Incident Report to the Human Resources department prior to leaving work at the end of the shift.

4011. Safety Inspections

Supervisors are responsible for indentifying unsafe or unhealthful conditions in accordance with SWP-13 Physical Conditions Inspections.

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4112. Correction of Unsafe or Unhealthful Conditions

Supervisors are responsible for correcting safety and health hazards in a timely manner. If such corrective action is beyond the supervisor's authority, then he/she must promptly notify management, or designee, with the authority to correct the hazard.

When an imminent hazard exists that cannot be immediately abated without endangering employees and/or property, all personnel must be immediately evacuated from the area except for personnel necessary to correct the hazardous condition. No employees may enter such an area without appropriate protective equipment and training. The Safety & Security Office will be notified as soon as possible.

4113. Injury/Illness and Hazard Investigation

Occupational injury and illness, as well as hazards, will be investigated by the immediate supervisor and a representative from the Safety & Security Office. (See SWP 12 - Accident, Injury, Illness and Near-Miss Investigation Procedure).

4114. Safety Warnings/Discipline Policy

Safety warnings and the disciplinary process guidelines are designed to give direction and guidelines to be followed when an employee is determined to have been working in an unsafe manner or has violated a safety regulation. This policy is designed to impress upon all employees the need to exercise utmost caution in preventing injuries to themselves or others and/or in causing property damage. (See s:\Human Resources\Procedures\Disciplinary Process.doc)

POLICY NO. 33 - INJURY AND ILLNESS PREVENTION PROGRAM

When an on-the-job accident/incident occurs, it shall be reviewed by the Safety & Security Office. If the Safety & Security Office determines that an unsafe act, failure to follow prescribed safety procedures, a safety violation, or gross negligence caused the accident, the employee involved shall be subject to disciplinary action. (See Policy No. 6 - Hiring and Termination and Policy No. 27 - Alcohol and Drug Policy).

1415.- Administrative Responsibility

The Safety Officer, the Director of Human Resources and the General Manager will be responsible for implementing and administering the Injury and Illness Prevention Program of the District.

Adopted by IRWD Board of Directors on: February 10, 2014

EXHIBIT "B"

RESOLUTION NO. 2014-

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH
WATER DISTRICT, RESCINDING RESOLUTION NO. 2012-39
AND ESTABLISHING REVISED PERSONNEL POLICIES
(FOR POLICY NO. 16 and POLICY NO. 33)

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. 2012-39 dated September 10, 2012, 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 Policy follows:

Policy No. 16 – Sick Leave: Policy has been revised to reflect changes to the annual sick leave buy-back program.

Policy No. 33 – Illness and Injury Prevention Program: Policy has been revised to include Process Safety Management and Process Hazard Analysis language.

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

Section 1. That Resolution No. 2012-39 be and hereby is rescinded in its 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 February, 2014.

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
Legal Counsel - IRWD

By _____

February 10, 2014

Prepared by: Tanja Fournier

Submitted by: Cheryl Clary/Rob Jacobson

Approved by: Paul Cook

ACTION CALENDAR

LETTER OF CREDIT EXPIRATION AND OPTIONAL REDEMPTION OF BONDS

SUMMARY:

The District has letters of credit expiring on the Series 1989 bonds (1989 bonds) and Series 1991 bonds (1991 bonds) in June and August of 2014, respectively. When the letters of credit expire, there will be \$100,000 principal remaining for the 1989 bonds, and \$2.8 million remaining for the 1991 bonds. Staff is recommending that the Board approve redeeming the \$2.9 million of bonds early, rather than extending or replacing the letters of credit, providing a net savings to the District of approximately \$39,000. Legal Counsel has prepared the necessary Resolutions to redeem the bonds attached as Exhibits "A" and "B".

BACKGROUND:

The District has letters of credit expiring on the 1989 bonds and 1991 bonds in June and August of 2014, respectively. The current balance for the 1989 bonds is \$2.6 million. On June 1, 2014, the 1989 bonds have a sinking fund payment of \$2.5 million, leaving only \$100,000 outstanding until June 2015. The current balance for the 1991 bonds is \$4.1 million. On August 1, 2014, the 1991 bonds have a sinking fund payment of \$1.3 million, leaving \$2.8 million outstanding until the following sinking fund payments of \$1.4 million in August 2015 and 2016. Staff is recommending that the Board approve early redemption of the \$2.9 million bonds, rather than extending or replacing the letters of credit until final maturity of the bonds.

This redemption strategy was discussed with the Committee in April 2012 during the substitution of the Bank of America letters of credit with the current Bank of New York Mellon letters of credit on these bond issues. At that time, a two-year letter of credit was 0.35%, versus between 0.48% and 0.50% to extend the letters of credit to match the maturities on the bonds. Therefore, staff recommended the Committee select the two-year term at 0.35% with the expectation that the small amount of principal on the bonds could be redeemed when the letters of credit expired in 2014. The early redemption will eliminate the interest expense, letter of credit fees, remarketing fees, trustee fees, rating agency fees and staff time and expense to manage a very small amount of bonds.

The proposed redemption calendar, attached as Exhibit "C", has been created so that the bonds will be redeemed before the notices relating to the mandatory tenders are required under the documents to be sent to bondholders in connection with the expirations of the letters of credit. Based on the proposed schedule, the 1989 bonds (\$2.6 million), which includes the \$2.5 million sinking fund payment due on June 1, 2014 will be redeemed on April 1, 2014. The 1991 bonds (\$4.1 million), which includes the \$1.3 million sinking fund payment due August 1, 2014, will be redeemed on June 2, 2014.

FISCAL IMPACTS:

The early redemption of \$2.9 million of bonds will eliminate the interest expense, letter of credit fees, remarketing fees, trustee fees, rating agency fees and staff expense estimated at \$50,000 and will provide a net savings of approximately \$39,000.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on February 4, 2014.

RECOMMENDATION:

THAT THE BOARD APPROVE THE REDEMPTION OF THE SERIES 1989 AND 1991 BONDS AND ADOPT TWO RESOLUTIONS BY THE FOLLOWING TITLES:

RESOLUTION NO. __

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT CALLING BONDS OF
SAID DISTRICT FOR REDEMPTION AND AUTHORIZING
CERTAIN ACTIONS IN CONNECTION THEREWITH
(CONSOLIDATED SERIES 1989)

RESOLUTION NO. __

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT CALLING BONDS OF
SAID DISTRICT FOR REDEMPTION AND AUTHORIZING
CERTAIN ACTIONS IN CONNECTION THEREWITH
(CONSOLIDATED SERIES 1991)

LIST OF EXHIBITS:

Exhibit "A" – Resolution Calling Bonds (1989)

Exhibit "B" – Resolution Calling Bonds (1991)

Exhibit "C" – Early Redemption Schedule

Exhibit "A"

RESOLUTION NO. __

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT CALLING BONDS OF
SAID DISTRICT FOR REDEMPTION AND AUTHORIZING
CERTAIN ACTIONS IN CONNECTION THEREWITH
(CONSOLIDATED SERIES 1989)

WHEREAS, the Irvine Ranch Water District ("IRWD") issued the series of bonds designated Bonds of Irvine Ranch Water District, Consolidated Series 1989 (the "Bonds"), pursuant to an Indenture of Trust, dated as of November 1, 1989, amended and supplemented by a First Supplemental Indenture of Trust, dated as of May 1, 2010 (as so amended and supplemented, the "Indenture"), each by and between the District and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"); and

WHEREAS, Bank of America, N.A. (the "Bank") has issued an irrevocable letter of credit relating to the Bonds (the "Letter of Credit"); and

WHEREAS, pursuant to the reimbursement agreement entered into between IRWD and the Bank relating to the Letter of Credit, the Letter of Credit presently expires on June 2, 2014; and

WHEREAS, in consideration of the remaining principal amount outstanding, the time remaining to final maturity and other factors associated with the Bonds, the Board of Directors of IRWD has determined that it is in the interest of IRWD to call for redemption and redeem all of the outstanding Bonds prior to June 2, 2014; and

WHEREAS, the Bonds were issued as the consolidated, several general obligations of IRWD's Improvement District Nos. 186, 188, 140 and 240; on November 11, 2013, Improvement District Nos. 140 and 186 were ordered by the Board of Directors to be consolidated along with other coterminous improvement districts into a consolidated improvement district designated "Improvement District No. 125." As a result of the foregoing actions, the Bonds currently constitute the consolidated, several general obligations of Improvement District Nos. 125, 188 and 240. Pursuant to the California Water Code, Improvement District No. 125 is authorized to levy and collect the assessments and charges necessary to satisfy the obligations of its predecessor improvement districts, including the assessments and charges necessary to satisfy payment of the Bonds for Improvement District Nos. 140 and 186, respectively

WHEREAS, the Board has identified funds of Improvement District Nos. 188 and 240, and Improvement District No. 125 (as the legal successor improvement district to Improvement District Nos. 140 and 186) that are available and sufficient for the purpose of reimbursing the Bank pursuant to the draws to be made in connection with the redemption of the Bonds in accordance with the Letter of Credit; and

WHEREAS, this Board desires to authorize the execution and delivery of any and all documents and instruments and the performance of any and all acts and things necessary or proper for carrying out the transactions contemplated by this resolution and the Indenture relating to the redemption of the Bonds.

NOW, THEREFORE, the Board of Directors of IRWD DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Pursuant to the Indenture, the Treasurer of IRWD (the “Treasurer”) is authorized and directed to cause all outstanding Bonds to be called for redemption and redeemed on June 1, 2014. The Treasurer is hereby authorized and directed to give instructions to the Trustee to cause a notice of redemption for the Bonds to be to be given in accordance with the Indenture.

Section 2. The Treasurer is authorized and directed to cause available funds of Improvement District Nos. 125, 188 and 240 to be applied to the reimbursement of draws on the Letter of Credit in connection with the redemption and to take any other actions as may be required by the Letter of Credit or reimbursement agreement in such connection.

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 as required by the Indenture and the other documents and instruments relating to the Bonds.

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

ADOPTED, SIGNED AND APPROVED this ____ day of _____, 2014.

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 _____

00174025/ 012814

Exhibit "B"

RESOLUTION NO. __

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT CALLING BONDS OF
SAID DISTRICT FOR REDEMPTION AND AUTHORIZING
CERTAIN ACTIONS IN CONNECTION THEREWITH
(CONSOLIDATED SERIES 1991)

WHEREAS, the Irvine Ranch Water District ("IRWD") issued the series of bonds designated Bonds of Irvine Ranch Water District, Consolidated Series 1991 (the "Bonds"), The Bonds were issued pursuant to an Indenture of Trust, dated as of August 1, 1991 (the "Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"); and

WHEREAS, Bank of America, N.A. (the "Bank") has issued an irrevocable letter of credit relating to the Bonds (the "Letter of Credit"); and

WHEREAS, pursuant to the reimbursement agreement entered into between IRWD and the Bank relating to the Letter of Credit, the Letter of Credit presently expires on August 2, 2014; and

WHEREAS, in consideration of the remaining principal amount outstanding, the time remaining to final maturity and other factors associated with the Bonds, the Board of Directors of IRWD has determined that it is in the interest of IRWD to call for redemption and redeem all of the outstanding Bonds on June 2, 2014; and

WHEREAS, the Bonds were issued as the consolidated, several general obligations of IRWD's Improvement District Nos. 105, 230 and 250; on November 11, 2013, Improvement District No. 105 was ordered by the Board of Directors to be consolidated along with other coterminous improvement districts into a consolidated improvement district designated "Improvement District No. 125," and Improvement District Nos. 230 and 250 were ordered by the Board of Directors to be consolidated along with other coterminous improvement districts into a consolidated improvement district designated "Improvement District No. 225." As a result of the foregoing actions, the Bonds currently constitute the consolidated, several general obligations of Improvement District No. 125 and 225. Pursuant to the California Water Code, Improvement District Nos. 125 and 225 are authorized to levy and collect the assessments and charges necessary to satisfy the obligations of their respective predecessor improvement districts, including the assessments and charges necessary to satisfy payment of the Bonds for Improvement District Nos. 105, 230 and 250; and

WHEREAS, the Board has identified funds of Improvement District Nos. 125 and 225 (as the legal successor improvement districts to Improvement District Nos. 105, 230 and 250) that are available and sufficient for the purpose of reimbursing the Bank pursuant to the draws to be made in connection with the redemption of the Bonds in accordance with the Letter of Credit; and

WHEREAS, this Board desires to authorize the execution and delivery of any and all documents and instruments and the performance of any and all acts and things necessary or proper for carrying out the transactions contemplated by this resolution and the Indenture relating to the redemption of the Bonds.

NOW, THEREFORE, the Board of Directors of IRWD DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Pursuant to the Indenture, the Treasurer of IRWD (the "Treasurer") is authorized and directed to cause all outstanding Bonds to be called for redemption and redeemed on June 2, 2014. The Treasurer is hereby authorized and directed to give instructions to the Trustee to cause a notice of redemption for the Bonds to be to be given in accordance with the Indenture.

Section 2. The Treasurer is authorized and directed to cause available funds of Improvement District Nos. 125 and 225 to be applied to the reimbursement of draws on the Letter of Credit in connection with the redemption and to take any other actions as may be required by the Letter of Credit or reimbursement agreement in such connection.

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 as required by the Indenture and the other documents and instruments relating to the Bonds.

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

ADOPTED, SIGNED AND APPROVED this ____ day of _____, 2014.

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 _____

00174018/ 012814

Exhibit “C”

Series 1989 and Series 1991 Early Redemption Calendar

1989 Bonds

- February 4, 2014 – Finance & Personnel Meeting
- February 10, 2014 – Board Meeting
- February 10, 2014 – IRWD requests and receives consent of BNY Mellon as LOC Bank to redeem Bonds
- February 14, 2014 – IRWD gives notice to Trustee of Bond Redemption
- February 28, 2014 – Trustee gives notice to Remarketing Agent (BofA Merrill Lynch), Paying Agent (BNY Mellon), Bank and Owners of Bond Redemption
- April 1, 2014 – Redeem 1989 Bonds

1991 Bonds

- February 4, 2014 – Finance & Personnel Meeting
- February 10, 2014 – Board Meeting
- February 10, 2014 – IRWD requests and receives consent of BNY Mellon as LOC Bank to redeem Bonds
- April 17, 2014 – IRWD gives notice to Trustee of Bond Redemption
- May 2, 2014 – Trustee gives notice to Remarketing Agent (Goldman Sachs), Paying Agent (BNY Mellon), Bank and Owners of Bond Redemption
- June 1, 2014 – Redeem 1991 Bonds (June 1 is a Sunday, so redemption will take place June 2)

February 10, 2014
Prepared by: C. Spangenberg/R. Mori
Submitted by: K. Burton
Approved by: Paul Cook

ACTION CALENDAR

DYER ROAD WELLFIELD WELL NO. 5 REHABILITATION CONSTRUCTION AWARD

SUMMARY:

Dyer Road Wellfield (DRWF) Well No. 5 was constructed by IRWD in 1998 and is in need of rehabilitation to maintain production capacity and to improve reliability. Bids were received from three contractors for the rehabilitation of Well No. 5. Staff recommends that the Board:

- Authorize a budget increase in the amount of \$160,600, from \$776,600 to \$937,200, for Project 11693;
- Approve an Expenditure Authorization in the amount of \$497,200 for Project 11693; and
- Authorize the General Manager to execute a construction contract with Best Drilling and Pump, Inc. in the amount of \$405,240 for the rehabilitation of DRWF Well No. 5.

BACKGROUND:

DRWF Well No. 5 is located in the City of Santa Ana near the intersection of Goetz Avenue and South Orange Avenue as shown in Exhibit "A". DRWF Well No. 5 was drilled in 1998. A video survey conducted in 2012 revealed that over 75 percent of the casing perforations were partially plugged with yellowish fibrous biological nodules and chemical iron oxide scale. About 10 feet of sediment at the bottom of the well was also observed. The most recent specific capacity ranged between 9 gallons per minute per foot (gpm/ft) of draw down (dd) to 11 gpm/ft dd as compared to the 1998 post construction value of 40 gpm/ft dd. The recent specific capacity measurements represent declines on the order of 72 to 77 percent from the original condition. In addition, the pump bowls and pump assembly, column piping, and line shaft need to be replaced. Richard C. Slade & Associates prepared a well rehabilitation program to address the biological and chemical plugging issues and to improve the specific capacity of the well.

Construction Award:

The project was advertised on December 20, 2013 to a select list of five contractors including Bakersfield Well & Pump Co., Best Drilling and Pump, Inc., South West Pump & Drilling, Inc., Cascade Drilling, and General Pump Company. The bid opening was held on January 23, 2014 with bids received from Best Drilling and Pump, Inc., South West Pump & Drilling, Inc., and General Pump Company. Best Drilling and Pump, Inc. was the apparent low bidder with a bid amount of \$405,240.

Staff reviewed Best Drilling and Pump's bid and has determined that it is responsive. Best Drilling and Pump has performed well on several other District projects. The engineer's estimate, prepared by Richard C. Slade & Associates, LLC, was \$403,200. Staff recommends awarding the construction contract to Best Drilling and Pump, Inc. in the amount of \$405,240. The Bid Summary is attached as Exhibit "B".

FISCAL IMPACTS:

Project 11693 (4326) is included in the FY 2013-14 Capital Budget. An Expenditure Authorization to fund the construction and construction phase services is requested as shown in the table below and in Exhibit "C". Richard C. Slade Associates, LLC is under contract to perform hydrogeologic construction phase services in the amount of \$24,096.

Project No.	Current Budget	Addition <Reduction>	Total Budget	Existing EA	This EA Request	Total EA Request
11693 (4326)	\$776,600	\$160,600	\$937,200	\$423,500	\$497,200	\$920,700

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. A Notice of Exemption for the project was filed on March 28, 2013.

COMMITTEE STATUS:

This item was not reviewed by a Committee.

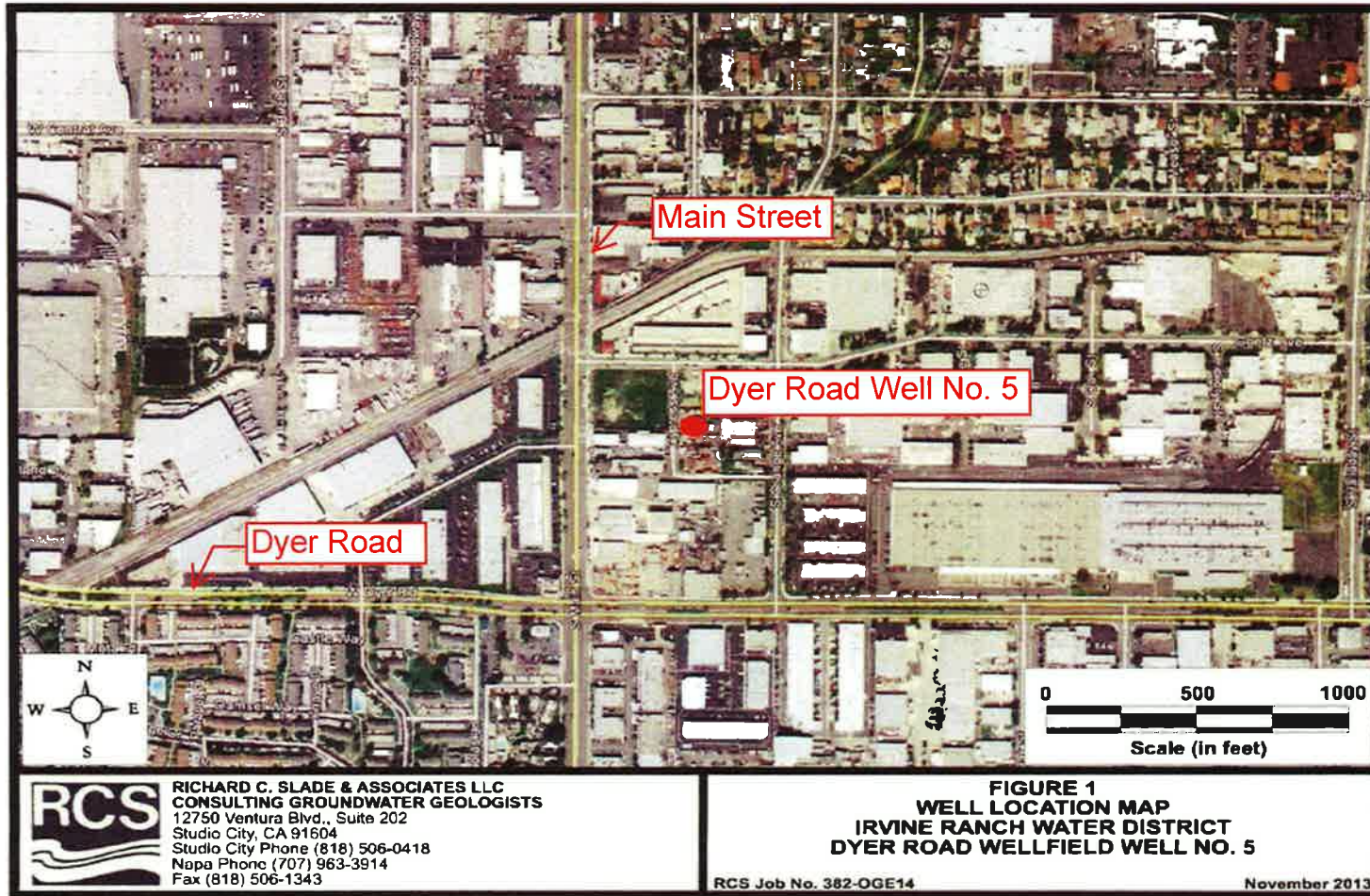
RECOMMENDATION:

THAT THE BOARD AUTHORIZE A BUDGET INCREASE IN THE AMOUNT OF \$160,600, FROM \$776,600 TO \$937,200, FOR PROJECT 11693 (4326); APPROVE AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$497,200 FOR PROJECT 11693 (4326); AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH BEST DRILLING AND PUMP, INC. IN THE AMOUNT OF \$405,240 FOR THE REHABILITATION OF DYER ROAD WELLFIELD WELL NO. 5, PROJECT 11693 (4326).

LIST OF EXHIBITS:

- Exhibit "A" – Project Location
- Exhibit "B" – Bid Summary
- Exhibit "C" – Expenditure Authorization

EXHIBIT "A"
DRWF Well No. 5 Location Map



2619 S. Cypress Ave., City of Santa Ana

Item No.	Description	Qty	Unit	Engineer's Estimate		1 Best Drilling & Pump Colton, CA		2 General Pump Co. San Dimas, CA		3 South West Pump & Drilling Coachella, CA	
				Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount
1	Mobilization/Demobilization of pump rig, equipment and accessories. Prepare contract documents and other preliminary work and procure NPDES permit from RWQCB, Santa Ana Region.	1	LS	\$35,000.00	\$35,000.00	\$50,000.00	\$50,000.00	\$59,800.00	\$59,800.00	\$114,600.00	\$114,600.00
2	Remove existing motor discharge head, pump, and all necessary appurtenances (pipes, electrical, cables, etc) and sound well. Deliver motor to IWD facility for storage	1	LS	\$17,000.00	\$17,000.00	\$7,000.00	\$7,000.00	\$9,000.00	\$9,000.00	\$8,295.00	\$8,295.00
3	Brush well casing initially with a stiff nylon brush and, later, if requested, with a stiff wire brush. Bail sediment following brushing.	16	Hours	\$400.00	\$6,400.00	\$375.00	\$6,000.00	\$300.00	\$4,800.00	\$375.00	\$6,000.00
4	Perform Casing Inspection Thickness Measurement (CITM) survey of well casing.	1	LS	\$7,500.00	\$7,500.00	\$7,700.00	\$7,700.00	\$2,200.00	\$2,200.00	\$5,450.00	\$5,450.00
5	Conduct initial well development using "air-jetting" methods via AirBursting or the BoreBlast methods, or approved equal.	1	LS	\$10,000.00	\$10,000.00	\$15,000.00	\$15,000.00	\$14,000.00	\$14,000.00	\$21,206.00	\$21,206.00
6	Perform chemical treatment of well water using acids, as specified.	1	LS	\$65,000.00	\$65,000.00	\$85,000.00	\$85,000.00	\$65,000.00	\$65,000.00	\$65,850.00	\$65,850.00
7	Perform mechanical development (airlifting and swabbing) of the well	60	Hours	\$400.00	\$24,000.00	\$425.00	\$25,500.00	\$300.00	\$18,000.00	\$425.00	\$25,500.00
8	Conduct treatment and discharge of mechanical development fluids via neutralization and blending and disposal of solids/sludges per specifications, including treatment, sampling, analysis and reporting for NPDES discharge compliance.	1	LS	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$35,000.00	\$35,000.00	\$10,200.00	\$10,200.00
9	Clear water column and provide two downwell interim color video surveys of well casing as specified.	2	EA	\$1,200.00	\$2,400.00	\$1,100.00	\$2,200.00	\$1,000.00	\$2,000.00	\$1,400.00	\$2,800.00
10	Mobilize, install, maintain, remove and demobilize a diesel or gasoline engine, temporary test pump, equipment and other appurtenances/accessories as necessary in accordance with specifications.	1	LS	\$15,000.00	\$15,000.00	\$16,000.00	\$16,000.00	\$20,000.00	\$20,000.00	\$23,700.00	\$23,700.00
11	Perform pumping development of the well including monitoring of water levels and measurement of sand content as specified.	48	Hours	\$300.00	\$14,400.00	\$400.00	\$19,200.00	\$220.00	\$10,560.00	\$425.00	\$20,400.00
12A	Perform step drawdown test including monitoring of water levels and measurements of sand content as specified.	12	Hours	\$300.00	\$3,600.00	\$400.00	\$4,800.00	\$200.00	\$2,400.00	\$425.00	\$5,100.00
12B	Perform 48-hour constant rate pumping (aquifer) test, including monitoring of water levels and measurement of sand content as specified.	48	Hours	\$300.00	\$14,400.00	\$400.00	\$19,200.00	\$200.00	\$9,600.00	\$425.00	\$20,400.00
13	Perform flow meter (spinner) survey under dynamic pumping conditions throughout the perforated section of the well as specified.	1	LS	\$5,000.00	\$5,000.00	\$3,700.00	\$3,700.00	\$2,500.00	\$2,500.00	\$8,333.00	\$8,333.00

				Engineer's Estimate		1 Best Drilling & Pump Colton, CA		2 General Pump Co. San Dimas, CA		3 South West Pump & Drilling Coachella, CA	
Item No.	Description	Qty	Unit	Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount
14	Provide depth-specific groundwater sampling at specific depth intervals. Collection, sampling and analysis are to be performed by the DISTRICT.	4	Per Sample	\$500.00	\$2,000.00	\$385.00	\$1,540.00	\$500.00	\$2,000.00	\$1,200.00	\$4,800.00
15A	Clear water column and provide a final downwell color video survey of the well casing as specified.	1	LS	\$1,200.00	\$1,200.00	\$1,100.00	\$1,100.00	\$1,000.00	\$1,000.00	\$1,400.00	\$1,400.00
15B	Perform spinner survey under static (non-pumping) conditions as specified.	1	LS	\$5,000.00	\$5,000.00	\$3,700.00	\$3,700.00	\$2,500.00	\$2,500.00	\$5,920.00	\$5,920.00
16	Conduct well disinfection and clean up site as specified	1	LS	\$7,500.00	\$7,500.00	\$5,000.00	\$5,000.00	\$3,000.00	\$3,000.00	\$16,500.00	\$16,500.00
17	Standby time with Active rig and crew as directed by DISTRICT	16	Hours	\$300.00	\$4,800.00	\$225.00	\$3,600.00	\$200.00	\$3,200.00	\$395.00	\$6,320.00
18	Standby time with Inactive rig and crew as directed by DISTRICT	16	Hours	\$250.00	\$4,000.00	\$175.00	\$2,800.00	\$200.00	\$3,200.00	\$145.00	\$2,320.00
19A	Obtain pump motor from DISTRICT and deliver to the site.	1	LS	\$5,000.00	\$5,000.00	\$1,000.00	\$1,000.00	\$500.00	\$500.00	\$990.00	\$990.00
19B	Furnish new pump bowls, column pipe, shaft, and ancillary parts and equipment per specifications and install all with DISTRICT motor.	1	LS	\$130,000.00	\$130,000.00	\$95,000.00	\$95,000.00	\$134,500.00	\$134,500.00	\$123,182.00	\$123,182.00
19C	Establish wiring and connection of permanent pump into DISTRICT, electrical system, in the presence of a DISTRICT electrician and conduct testing of the permanent pump for a period of 7 consecutive days.	1	LS	\$2,000.00	\$2,000.00	\$1,500.00	\$1,500.00	\$5,000.00	\$5,000.00	\$7,500.00	\$7,500.00
19D	Provide for vibration monitoring and testing of permanent pump.	1	LS	\$2,000.00	\$2,000.00	\$8,700.00	\$8,700.00	\$500.00	\$500.00	\$4,240.00	\$4,240.00
Subtotal					\$403,200.00		\$405,240.00		\$410,260.00		\$511,006.00
Adjustment (+ or -)					\$0.00		\$0.00		\$0.00		\$0.00
TOTAL AMOUNT OF BID					\$403,200.00		\$405,240.00		\$410,260.00		\$511,006.00
						Item Delivery Dates:		Item Delivery Dates:		Item Delivery Dates:	
						Air Jetting: 14 days		Air Jetting: 14 days		Air Jetting: 21 days	
						Pump Column: 24 weeks (Estimated production time of 17-18 weeks)		Pump Column: 28 weeks		Pump Column: 185 days	
						Manufacturers:		Manufacturers:		Manufacturers:	
						Pump: Goulds: 14RJHC-7 stage		Pump: Flowserve		Pump: Flowserve	
						Subcontractors:		Subcontractors:		Subcontractors:	
						Video, CITM, Sampling & Spinner Survey: Pacific Survey		None		General Pump Co: Item 5	
						Air Burst: Advanced Well Technology				Pacific Survey: Items 4, 9, 13, 14, 15A & 15B	

EXHIBIT "C"

IRVINE RANCH WATER DISTR Expenditure Authorization

Project Name: DRWF #2 & #5 REHABILITATION
EPMS Project No: 11693 **EA No:** 3
Oracle Project No: 4326
Project Manager: MORI, RICHARD
Project Engineer: SPANGENBERG, CARL
Request Date: January 24, 2014

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:	\$423,500
This Request:	\$497,200
Total EA Requests:	\$920,700
Previously Approved Budget:	\$776,600
Budget Adjustment Requested this EA:	\$160,600
Updated Budget:	\$937,200
Budget Remaining After This EA	\$16,500

Comments: This project is a "Replacement Expense".

Phase	This EA Request	Previous EA Requests	EA Requests to Date	This Budget Request	Previous Budget	Updated Budget	Start	Finish
ENGINEERING DESIGN - IRWD	0	14,000	14,000	0	14,000	14,000	7/13	1/14
ENGINEERING DESIGN - OUTSIDE	0	40,000	40,000	0	40,000	40,000	7/13	1/14
DESIGN STAFF FIELD SUPPORT	0	10,000	10,000	0	10,000	10,000	7/13	1/14
ENGINEERING - CA&I IRWD	6,000	6,000	12,000	0	12,000	12,000	7/13	11/14
ENGINEERING - CA&I OUTSIDE	30,000	40,000	70,000	(10,000)	80,000	70,000	7/13	11/14
CONSTRUCTION FIELD SUPPORT	10,000	10,000	20,000	0	20,000	20,000	7/13	11/14
CONSTRUCTION	406,000	250,000	656,000	156,000	500,000	656,000	7/13	11/14
LEGAL	0	5,000	5,000	0	10,000	10,000	7/13	11/14
WATER QUALITY	0	10,000	10,000	0	20,000	20,000	7/13	11/14
Contingency - 10.00% Subtotal	\$45,200	\$38,500	\$83,700	\$14,600	\$70,600	\$85,200		
Subtotal (Direct Costs)	\$497,200	\$423,500	\$920,700	\$160,600	\$776,600	\$937,200		
Estimated G/A - 170.00% of direct labor*	\$27,200	\$85,000	\$112,200	\$0	\$129,200	\$129,200		
Total	\$524,400	\$508,500	\$1,032,900	\$160,600	\$905,800	\$1,066,400		
Direct Labor	\$16,000	\$50,000	\$66,000	\$0	\$76,000	\$76,000		

*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 \$1,088,000. The above-captioned project is further described in the attached staff report and additional documents, if any, which are hereby incorporated by reference. This declaration of official intent to reimburse costs of the above-captioned project is made under Treasury Regulation Section 1.150-2.

February 10, 2014

Prepared by: C. Compton

Submitted by: P. Weghorst

Approved by: Paul Cook 

ACTION CALENDAR

2014 STATE LEGISLATIVE UPDATE

SUMMARY:

This report provides an update on the 2014 legislative session and IRWD priorities. As legislation develops, staff will provide updates and recommendations to the Board, as appropriate. A copy of the 2014 State Legislative Matrix is attached as Exhibit "A".

Staff recommends the Board review and discuss IRWD's "2014 Water Bond Funding & Amendment Requests" as a result of legislative discussions on the water bond. A copy of the District's current fund and amendment requests is attached as Exhibit "B". A comparison of IRWD's bond requests and the current bond proposals is attached as Exhibit "C".

Staff also recommends the Board adopt a resolution calling for a voluntary reduction in water usage in response to Governor Brown's Drought State of Emergency proclamation.

BACKGROUND:

The second year of the 2013-2014 legislative session is in full swing. Already, a new Speaker of the Assembly has been elected. Assemblymember Toni Atkins (D-San Diego) was unanimously elected Speaker by her caucus. A vote of the entire Assembly will take place in the spring to formalize her selection with the transition expected at some time after that. State Senator Kevin de León (D-Los Angeles) is expected to be elected Senate President pro Tem later this year. If that occurs, it will be the first time since 1947 that both legislative leaders will be from Southern California.

Members of the Legislature with two-year bills remaining in their house of origin had until January 17 to have the bill heard in policy committees. The house of origin deadline quickly followed on January 31 for bills introduced in 2013. Those bills failing to meet either of these two deadlines are now dead. Members will have until February 21 to introduce any new bills.

State of the State:

Governor Brown delivered his annual State of the State address to a joint session of the Legislature on January 22. The Governor began the address by outlining some of his accomplishments and several legislative actions California has to be proud of. He began on a positive note by stating:

"For a decade, budget instability was the order of the day. A lethal combination of national recessions, improvident tax cuts and too much spending created a financial sink hole that defied every effort to climb out. But three years later, here we are – with state spending and revenues solidly balanced, and more to come."

Governor Brown also emphasized several of the challenges that he believes lie ahead for the State. These challenges include paying down the State's debt, the need to establish a new rainy day fund, expanding healthcare coverage, and continuing to tackle climate change through further greenhouse gas reductions and a reduced dependency on oil. He also commented on the drought. His comments on the drought consisted of the following statement:

"Among all our uncertainties, weather is one of the most basic. We can't control it. We can only live with it, and now we have to live with a very serious drought of uncertain duration. Right now, it is imperative that we do everything possible to mitigate the effects of the drought. I have convened an Interagency Drought Task Force and declared a State of Emergency. We need everyone in every part of the state to conserve water. We need regulators to rebalance water rules and enable voluntary transfers of water and we must prepare for forest fires. As the State Water Action Plan lays out, water recycling, expanded storage and serious groundwater management must all be part of the mix. So too must be investments in safe drinking water, particularly in disadvantaged communities. We also need wetlands and watershed restoration and further progress on the Bay Delta Conservation Plan... But it is what we must do to get through this drought and prepare for the next."

State Budget:

December's Revenue Numbers: On January 9, 2014, State Controller John Chiang released his monthly report on the State's finances. He announced that the State took in \$10.6 billion in revenue during the month of December. This amount was \$2.3 billion, or 27 percent, higher than budgeted. December's revenues moved the State's total revenues \$2.5 billion, or 6.4 percent, past the total revenues anticipated in the 2013-14 Budget Act during the first half of the fiscal year. Despite these revenue increases, the State ended 2013 with a General Fund cash deficit of \$18.3 billion. This deficit was covered by internal and external borrowing.

Controller Chiang stated that the higher revenues "reflect a surging economy fueled by a boom in technology, rising exports, improving consumer confidence, and a new housing upswing." He cautioned that "our State's history of boom and bust revenue cycles calls for disciplined spending that emphasizes paying-off debt accumulated throughout the Great Recession."

Governor's Proposed Budget: Governor Brown submitted his proposed budget to the Legislature on January 8, 2014—two days before the constitutional deadline. The Governor's budget proposes \$106.8 billion in General Fund expenditures, which is an 8.5 percent increase over the Fiscal Year 2013-2014 approved budget, and \$154.9 billion in total expenditures. The budget also proposes investing \$618.7 million in water infrastructure, outlines a spending plan for \$850 million in Cap-and-Trade revenues, and proposes \$200.3 million for the relocation of the Drinking Water Program from the Department of Public Health (DPH) to the State Water Resources Control Board (SWRCB). More detail on each of these proposals is provided below. The Governor's proposed budget also discusses a replacement for redevelopment agencies.

Water Action Plan:

On January 28, the California Natural Resources Agency, jointly with the California Environmental Protection Agency and the Department of Food and Agriculture, released the

Final California Water Action Plan. The plan contains many of the action items included in the public draft of the plan released last year. After receiving public comments on the draft plan, the final plan contains greater emphasis on managing headwaters for greater benefits, an increased focus on conservation and water energy efficiency, and more discussion of drought measures. The California Natural Resources Agency's website on the action plan describes the final plan as "a synthesis of public input and a declaration of the priorities of the Brown administration." A copy of the final California Water Action Plan is attached as Exhibit "D".

As a means of beginning the work outlined in the Water Action Plan, the Governor has proposed investment of \$618.7 million in the Fiscal Year 2014-2015 budget with many of these funds going to existing programs. A summary of the proposed expenditures is below:

Fiscal Year 2014-2015 Water Action Plan Expenditures

Investment Category	Department	Program	Amount
Expand Water Storage Capacity	State Water Resources Control Board	Sustainable Groundwater Management	\$ 1,900,000
		Groundwater Ambient Monitoring and Assessment	\$ 3,000,000
	Department of Water Resources	Groundwater Data Collection and Evaluation	\$ 2,900,000
Safe Drinking Water	State Water Resources Control Board	Interim Replacement Drinking Water in Disadvantaged Communities	\$ 4,000,000
		Wastewater Projects in Small Disadvantaged Communities	\$ 7,000,000
Make Conservation a Way of Life	Department of Water Resources	Water and Energy Efficiency	\$ 20,000,000 <i>*Proposed as a use of Cap-and-Trade revenues</i>
Protect and Restore Important Ecosystems	Department of Fish and Wildlife	Restore Coastal and Mountain Watersheds and Wetlands for Waterfowl	\$ 30,000,000 <i>*Proposed as a use of Cap-and-Trade revenues</i>
		Salton Sea	\$ 400,000
Increase Flood Protection	Department of Water Resources	Flood SAFE	\$ 77,000,000
Regional Self-Reliance	Department of Water Resources	Integrated Regional Water Management Program	\$472,500,000 <i>*Proposed as use of Prop. 84 funds</i>
TOTAL			\$618,700,000

Cap-and-Trade Investment Plan:

California has held five Cap-and-Trade auctions to date with two additional auctions scheduled to occur in February and May of 2014. The auctions have generated \$532 million in state auction proceeds so far. In last year's budget, \$500 million was loaned to the General Fund. As part of his proposed budget, Governor Brown proposes expending \$850 million in Cap-and-Trade revenues, which includes repayment of \$100 million of the \$500 million borrowed last year. The expenditure of the \$850 million is proposed as follows:

Cap-and-Trade Expenditure Plan

Investment Category	Department	Program	Amount
Sustainable Communities and Clean Transportation	High-Speed Rail Authority/Caltrans	High-Speed Rail (\$250 million) Integration of Rail Systems (\$50 million)	\$300,000,000
	Strategic Growth Council	Sustainable Communities	\$100,000,000
	Air Resources Board	Low Carbon Transportation	\$200,000,000
Energy Efficiency and Clean Energy	Department of Community Services and Development	Energy Efficiency Upgrades/Weatherization in disadvantaged communities	\$ 80,000,000
	Department of General Services	Green State Buildings	\$ 20,000,000
	Department of Food and Agriculture	Agricultural Energy and Operational Efficiency	\$ 20,000,000
	Department of Water Resources	Water Action Plan- Water and Energy Efficiency	\$ 20,000,000
Natural Resources and Waste Diversion	Department of Fish and Wildlife	Water Action Plan- Wetlands and Watershed Restoration	\$ 30,000,000
	Department of Forestry and Fire Protection	Fire Prevention and Urban Forestry Projects	\$ 50,000,000
	Cal Recycled	Waste Diversion	\$ 30,000,000
TOTAL			\$850,000,000

As required by SB 535 (2011), at least ten percent of these proceeds must be invested in disadvantaged communities with at least 25 percent benefiting those communities. The communities, which qualify as disadvantaged, have been identified by the California Environmental Protection Agency using CalEnviroScreen.

The \$20 million proposed to fund the Water Action Plan/Water-Energy Efficiency at the Department of Water Resources is proposed to provide grants that will support water use efficiency projects that have a demonstrated ability to reduce greenhouse gas emissions. A portion of the funds are also proposed to help address water supply needs in disadvantaged communities and support efficiency upgrades at two State Water Project facilities. The \$30

million proposed to fund the Water Action Plan/Wetlands and Watershed Restoration at the Department of Fish and Wildlife is proposed for the implementation of projects that will provide carbon sequestration benefits including restoration of wetlands in the Delta, and in coastal and mountain meadow watersheds.

Drinking Water Program Relocation:

The Governor's proposed budget provides \$200.3 million and 291.2 positions for the relocation of the State's Drinking Water Program from DPH to the SWRCB. The proposal reflects a transfer of the 291.2 position from DPH to the SWRCB, and a reduction in DPH's budget by \$200.3 million. SWRCB's budget is proposed to increase by \$200.3 million. More information on the transition and its costs is expected to be released by the administration in late February. Staff will provide an update on the relocation effort as more information is released.

Redevelopment Replacement:

The Governor's budget also proposes expanded economic development tools to replace redevelopment agencies by expanding the permissible uses of infrastructure financing districts (IFDs). Specifically, the Governor has proposed:

- Expanding the types of projects that IFDs can fund to include military base reuse, urban infill, transit priority projects, affordable housing, and associated necessary consumer services;
- Allowing cities or counties that meet specified benchmarks to create these new IFDs, and to issue related debt, subject to receiving 55 percent voter approval;
- Allowing new IFD project areas to overlap with the project areas of the former RDAs, while strictly limiting the available funding in those areas to dollars available after payment on all of the former RDA's approved obligations; and
- Maintaining the current IFD prohibition on the diversion of property tax revenues from K-14 schools in order to ensure no state General Fund impact, and require entities to that seek to establish an IFD to gain the approval of the county, cities, and special districts that would contribute their revenue to the IFD.

Given the potential impact of the 2014-15 budget on IRWD and the potential expansion of IFDs, staff will continue to work with the District's associations and industry partners to monitor developments associated with the state budget and proposals related to local government revenues including property taxes and reserves, among others. Staff will provide updates and recommendations to the Board as appropriate.

Drought Proclamation:

On January 17, 2014, Governor Brown declared a Drought State of Emergency given the dry conditions experienced throughout California. The proclamation issued by the Governor on the drought orders a number of state agency actions and asks that Californians reduce their water usage by 20 percent. A copy of the proclamation is attached as Exhibit "E".

In response to the dry conditions State agencies have begun to take action. For example, the SWRCB has announced potential curtailment of water rights, the California Natural Resources Agency made modifications in the final California Water Action Plan to address the drought, and the “Save Our Water” campaign has focused its message on greater conservation in light of the state’s dry conditions. The Governor’s Office is also looking at potential administrative actions which could be taken to allow California to better manage through the drought.

The Governor’s Office has also asked that local water agencies help out during this dry period and encourage their customers to reduce water usage by 20 percent. While Southern California and IRWD— due to decades of planning, aggressive water conservation policies, acquisition of property, construction of facilities and billions of dollars of investment— is better prepared to address the current drought conditions than most, there are steps that can be taken to assist the state during this drought period. IRWD and others in Southern California can call upon their customers to voluntarily reduce their water usage by 20 percent as requested by the Governor. This voluntary conservation will reduce demand on current water supplies and extend water reserves if the drought continues for an extended period. At this time, staff recommends that IRWD adopt a resolution encouraging its customers to voluntarily conserve and reduce their water usage. A copy of the proposed resolution is attached as Exhibit “G”.

Staff will continue to work with industry and association partners on this issue, and will update the Board as appropriate.

IRWD 2014 Legislative Priorities:

Water Bond:

As expected, the water bond has been a topic of discussion in the State Capitol. Currently there are six bills related to the water bond. Those bills are AB 1331 (Rendon, D-Lakewood), AB 1445 (Louge, R-Choc), SB 40 (Pavely, D-Calabasas), SB 42 (Wolk1, D-Vacaville), SB 848 (Wolk), and SB 972 (Vidak, R-Hanford, and Cannella, R-Ceres). Of these SB 40 remains a spot bill. SB 42 has been abandoned with its contents being reintroduced in SB 848, and AB 1445, which would repeal the \$11.14 billion bond and place a \$5.8 billion on the November 2014 ballot, has not been assigned to a policy committee, as of yet.

As previously discussed with the Board, AB 1331 would repeal the Safe, Clean and Reliable Drinking Water Supply Act of 2012 and enact the Climate Change Response for Clean and Safe Drinking Water Act of 2014. The Climate Change Response for Clean and Safe Drinking Water Act of 2014 would authorize the issuance of a \$6.5 billion general obligation water bond upon approval by the voters in November 2014. SB 848 would repeal the Safe, Clean and Reliable Drinking Water Supply Act of 2012, and enact the Safe Drinking Water, Water Quality, and Flood Protection Act of 2014, a \$6.475 billion water bond. Both AB 1331 and SB 848 are in the Senate Natural Resources and Water Committee. SB 848 is set for hearing in Sen. Natural Resources on February 11, 2014, and is expected to be heard in the Senate Environmental Quality Committee on February 19.

SB 927 was introduced by Senators Andy Vidak and Anthony Cannella on January 29, 2014. The bill would modify the existing \$11.14 billion bond, and reduce it to \$9.217 billion.

Specifically, it would reduce the amount of funding available for drought relief and water supply reliability; remove the funding for ecosystem and watershed protection and restoration projects; and increase the amount of funds available for emergency actions on drinking water in disadvantaged communities. A copy of SB 927 is attached as Exhibit "F".

Over the last month IRWD has met with members of the Assembly and State Senate engaged in the water bond discussions. In light of those discussions, staff is recommending that IRWD review the District's "2014 Water Bond Funding & Amendment Requests" document which is attached as Exhibit "B".

Given the ongoing discussion surrounding the water bond's reformulation, staff will provide an oral update to the Board on any new developments. Staff has also prepared a comparison of the current bond proposals which is attached as Exhibit "C".

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resources Policy and Communications Committee on February 6, 2014.

RECOMMENDATION:

THAT THE BOARD REVIEW AND DISCUSS IRWD'S "2014 WATER BOND FUNDING & AMENDMENT REQUESTS" AS A RESULT OF LEGISLATIVE DISCUSSIONS ON THE WATER BOND AND ADOPT A RESOLUTION CALLING FOR A VOLUNTARY REDUCTION IN WATER USAGE IN RESPONSE TO GOVERNOR BROWN'S DROUGHT STATE OF EMERGENCY PROCLAMATION.

LIST OF EXHIBITS:

- Exhibit "A" – 2014 IRWD Legislative Matrix
- Exhibit "B" – IRWD's "2014 Water Bond Funding & Amendment Requests"
- Exhibit "C" – Summary of Water Bond Proposals
- Exhibit "D" – Final California Water Action Plan
- Exhibit "E" – Governor Brown's Drought State of Emergency Proclamation
- Exhibit "F" – SB 927 (Vidak/Cannella)
- Exhibit "G" – Proposed Resolution of the Board of Directors of the Irvine Ranch Water District Calling for a Voluntary Reduction in Water Usage

Exhibit "A"

<u>AB 1</u> Alejo (D)	Water Quality: Integrated Plan: Salinas Valley		Appropriates funds for use by the Greater Monterey County Regional Water Management Group, referred to as the management group, to develop the integrated plan to address the drinking water and wastewater needs of disadvantaged communities in the Salinas Valley whose waters have been affected by waste discharges.	05/24/2013 - In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.	
<u>AB 11</u> Logue (R)	Reserve Peace Officers: Emergency Rescue Personnel		Requires specified employers to permit an employee who performs emergency duty as a volunteer firefighter, reserve peace officer, or as emergency rescue personnel to take a leave of absence for the purpose of engaging in fire, law enforcement, or emergency rescue training.	08/19/2013 - Signed by GOVERNOR.;08/19/2013 - Chaptered by Secretary of State. Chapter No. 120	
<u>AB 21</u> Alejo (D)	Safe Drinking Water Small Community Grant Fund		Authorizes the assessment of a specified annual charge in lieu of interest on loans for water projects made pursuant to the Safe Drinking Water State Revolving Fund, and the deposit of that money into the Safe Drinking Water State Small Community Emergency Grant Fund and provides a monetary limit to the fund. Authorizes the expending of the money in the fund for grants for specified water projects that serve disadvantaged and severely disadvantaged communities. Limits the amount in the fund.	10/08/2013 - Signed by GOVERNOR.;10/08/2013 - Chaptered by Secretary of State. Chapter No. 628	
<u>AB 25</u> Campos (D)	Employment: Social Media		Applies existing law that prohibits a private employer from requiring or requesting an employee or applicant for employment to disclose a username or password for the purpose of accessing personal social media, to access personal social media in the presence of the employer, or to divulge any personal social media to public employers. Provides that these provisions apply to public employers generally, including charter cities and counties.	09/13/2013 - In SENATE. Held at desk.	
<u>AB 30</u> Perea (D)	Water Quality		Amends the Porter-Cologne Water Quality Control Act to authorize the Water Resources Control Board to assess an annual charge in connection with any financial assistance under the Water Pollution Control Revolving Fund without a change unless the board makes a prescribed determination, at which time the board would replace the charge with an identical interest rate. Relates to deposits into the State Water Pollution Control Revolving Fund Small Community Grant Fund and expansion of grants from the fund.	10/08/2013 - Signed by GOVERNOR.;10/08/2013 - Chaptered by Secretary of State. Chapter No. 629	
<u>AB 37</u>	Unemployment Insurance:		Requires the Employment Development Department, when the	08/14/2013 - Re-	

Perea (D)	Reporting: Status of Funds		Unemployment Fund indicates a negative balance, to include a status report on the Fund the estimated cost impact on employers from the changes in a specified federal tax credit and the estimated amount the state is expected to pay in interest on any outstanding loan to the federal government.	referred to SENATE Committee on LABOR AND INDUSTRIAL RELATIONS.	
AB 52 Gatto (D)	Native Americans: California Environmental Quality Act		Requires a lead agency to make best efforts to avoid, preserve, and protect specified Native American resources with a project that may have a significant effect on the environment, and to take specified mitigation measures if the project will have a substantial adverse change. Prohibits certain damage unless certain conditions are met. Requires consultation with tribes affiliated with the area prior to determining a negative declaration. Requires the revision of related guidelines.	09/10/2013 - In SENATE. Joint Rule 61(a)12 suspended.;09/10/2013 - In SENATE. Joint Rule 62(a) suspended.	
AB 69 Perea (D)	Groundwater: Drinking Water: Nitrate at Risk Fund		Establishes the Nitrate at Risk Fund to be administered by the State Department of Public Health for loans, principal forgiveness loans, or grants to certain water systems operating in a high-nitrate at-risk area for specified purposes. Requires fertilizer sellers to pay a materials charge for deposit in the Fund.	08/12/2013 - From SENATE Committee on AGRICULTURE with author's amendments.;08/12/2013 - In SENATE. Read second time and amended. Re-referred to Committee on AGRICULTURE.	
AB 72 Holden (D)	Municipal Water District: Board of Directors		Requires the directors of a municipal water district, except directors elected at a district formation election, to take office on the first Friday in December succeeding their election.	06/17/2013 - Signed by GOVERNOR.;06/17/2013 - Chaptered by Secretary of State. Chapter No. 8	
AB 115 Perea (D)	Safe Drinking Water State Revolving Fund		Relates to the state Safe Drinking Water Act. Authorizes a legal entity to apply for grant funding on behalf of one or more public water systems serving disadvantaged or severely disadvantaged communities if specified requirements are met, including having a signed agreement with each public water system for which it is applying for funding. Provides for transferring the statutory and	10/08/2013 - Signed by GOVERNOR.;10/08/2013 - Chaptered by Secretary of State. Chapter No. 630	

			regulatory authority for the California Safe Drinking Water Act from the Department of Public Health.		
AB 118 Env Safety & Toxic Material Cmt	Safe Drinking Water State Revolving Fund		Limits loans and grants from the Safe Drinking Water State Revolving Fund for planning and preliminary engineering studies, project design, and construction costs to those incurred by community and not-for-profit public water systems. Specifies that certain water systems have no ability to repay a loan. Authorizes a loan applicant to receive up to the full cost of a project in the form of a loan, subject to specified conditions.	10/08/2013 - Signed by GOVERNOR.;10/08/2013 - Chaptered by Secretary of State. Chapter No. 631	
AB 122 Rendon (D)	Energy Improvements: Financing		Enacts the Nonresidential Real Property Energy Retrofit Financing Act. Requires the Energy Resources Conservation and Development Commission to establish a program to develop a request for proposal for a third-party administrator and to develop and operate the program to provide financial assistance, through authorizing the issuance of, revenue bonds, to owners of eligible real property for implementing energy property improvement. Requires a public report on program efficacy.	01/06/2014 - From ASSEMBLY Committee on APPROPRIATIONS with author's amendments.;01/06/2014 - In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.	
AB 142 Water, Parks and Wildlife Cmt	Water Resources: Infrastructure		Requires the Department of Water Resources to initiate and complete a comprehensive study of state and local water supply infrastructure needs and to provide a report to the Legislature that summarizes those findings.	05/06/2013 - In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.	
AB 145 Perea (D)	State Water Resources Control Board: Drinking Water		Transfers to the State Water Resources Control Board the various duties and responsibilities imposed on the State Department of Public Health by the State Safe Drinking Water Act and the Safe Drinking Water State Revolving Fund Law of 1997. Requires the State Environmental Protection Agency to prepare a project initiation document for the transfer of the state drinking water program from the State Department of Public Health to a Division of Drinking Water Quality.	08/30/2013 - In SENATE Committee on APPROPRIATIONS: Held in committee.	

AB 153 Bonilla (D)	Global Warming Solutions Act of 2006: Offsets		Amends the Global Warming Solutions Act of 2006. Requires the State Air Resources Board to adopt a specified process for the review and consideration of new offset protocols for reducing greenhouse gases and, commencing in 2014 and continuing thereafter, use that process to review and consider new offset protocols. Requires the board to adopt guidelines and incentives that prioritize the approval of specified offset protocols. Requires the board to submit a specified annual report to the Legislature.	05/24/2013 - In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.	
AB 183 Dickinson (D)	Delta Protection Commission: Executive Director		Amends the Johnson-Baker-Andal-Boatwright Delta Protection Act of 1992. Requires the Executive Director of the Delta Commission to determine a discretionary project located in the primary zone to be consistent with the resource management plan provided that the project satisfies specified criteria. Authorizes appeals to specified decisions.	02/15/2013 - To ASSEMBLY Committees on WATER, PARKS AND WILDLIFE and NATURAL RESOURCES.	
AB 194 Campos (D)	Open Meetings: Actions For Violations		Amends the Ralph M. Brown Act that requires every agenda for a regular meeting or notice for a special meeting of a local legislative body to provide an opportunity for members of the public to address the legislative body on items being considered by the legislative body. Expands the authorization for a district attorney or interested party to seek a judicial determination that an action taken by a legislative body is null and void if the legislative body violates this requirement.	01/29/2014 - In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE.	
AB 218 Dickinson (D)	Employment Applications: Criminal History		Prohibits a state or local agency from asking an applicant for employment to disclose information regarding a criminal conviction until the agency has determined the applicant meets the minimum employment qualifications for the position. Includes specified findings and declarations of the Legislature in support of this policy.	10/10/2013 - Signed by GOVERNOR.;10/10/2013 - Chaptered by Secretary of State. Chapter No. 699	
AB 229 Perez J (D)	Infrastructure and Revitalization Financing Districts		Authorizes the creation by a city, county, city and county, and joint powers authority, of an infrastructure and revitalization financing district and the issuance of debt with voter approval. Authorizes the creation of a district and the issuance of debt. Authorizes a district to finance projects in redevelopment project areas and former redevelopment project areas and former military bases.	09/11/2013 - In ASSEMBLY. From Unfinished Business. To Inactive File.	

AB 243 Dickinson (D)	Local Government: Infrastructure Financing Districts		Authorizes the creation of an infrastructure and revitalization financing district and the issuance of debt with voter approval. Authorizes a district to finance projects in redevelopment project areas and former redevelopment project areas and former military bases if special conditions are met. Authorizes a district to fund various projects, including watershed land used for the collection and treatment of water for urban uses, flood management, open space, habitat restoration and development purposes.	09/11/2013 - In ASSEMBLY. To Inactive File.	
AB 294 Holden (D)	Local-State Joint Investment Partnership Program		Establishes a pilot program whereby certain local government entities, upon the approval and oversight of the Infrastructure and Economic Development Bank, are authorized to reallocate their annual payments of property tax revenue directed to the Educational Revenue Augmentation Fund to instead finance certain kinds of public works that further state policy. Requires each entity operating a project under the program and the bank to submit reports on program results.	05/24/2013 - In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.	
AB 295 Water, Parks and Wildlife Cmt	Water: Water Supply: Infrastructure		Requires the State Water Resources Control Board and the Drinking Water and Environmental Management Division of the State Department of Public Health to initiate and complete a comprehensive study relating to the need for state funding for water projects and to provide a report to the Legislature summarizing those findings.	05/06/2013 - In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.	
AB 371 Salas (D)	Sewage Sludge: Kern County		Requires the State Water Resources Board to require additional testing on the effects of sewage sludge or other biological solids to occur on properties in unincorporated areas of Kern County where the sludge or other biological solids are imported from another county within the State. Requires the Board to identify pathogens, endotoxins, and other hazards for testing based on the potential for contamination and potential to adversely affect human health. Requires a related report.	01/30/2014 - In ASSEMBLY. Read second time and amended. To second reading.;01/30/2014 - In ASSEMBLY. Read second time. To third reading.;01/30/2014 - In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE.	

<u>AB 378</u> Hueso (D)	Resources: Delta Research		Requires a person conducting Delta research whose research is funded, in whole or in part, by the state, to take specified actions with regard to the sharing of the primary data, samples, physical collections, and other supporting materials created or gathered in the course of that research. Authorizes the Delta Independent Science Board to adopt guidelines to provide adjustments to, and, where essential, exceptions from, these requirements.	03/07/2013 - To ASSEMBLY Committees on ACCOUNTABILIT Y AND ADMINISTRATIVE REVIEW and WATER, PARKS AND WILDLIFE.	
<u>AB 380</u> Dickinson (D)	California Environmental Quality Act: Notice		Amends the California Environmental Quality Act. Requires that notices regarding environmental impact reports filed by lead agencies need to be filed with the Office of Planning and Research and the county clerk and posted by the clerk for public review. Provides notice requirements for projects that are determined to be exempted from the Act.	06/13/2013 - To SENATE Committee on ENVIRONMENTAL QUALITY.	
<u>AB 410</u> Jones-Sawyer (D)	Public Employee Health Benefits: Enrollment		Permits an annuitant who reinstates from retirement under the Public Employees' Retirement System for employment by the state or a contracting agency and who subsequently retires again on or after a specified date to enroll in a health benefit plan under the Public Employees' Medical and Hospital Care Act for which they are eligible as an annuitant of the employer from which they retired, upon specified conditions. Requires the person's retirement to occur within a specified time period after separation.	10/04/2013 - Signed by GOVERNOR.;10/04/2013 - Chaptered by Secretary of State. Chapter No. 525	
<u>AB 416</u> Gordon (D)	Local Emission Reduction Program		Creates the Local Emission Reduction Program and requires money to be available from the general fund for providing grants and other financial assistance to develop and implement greenhouse gas emissions reduction projects in the state, giving consideration to the ability of a project to create local job training and job creation benefits and achieve greenhouse gas emissions reduction. Provides the public entities that will be required to administer the program.	05/24/2013 - In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.	
<u>AB 426</u> Salas (D)	Water Transfers: Water Rights Decrees		Amends existing law that provides that any water right determined under a court decree issued after a specified date, is transferable. Eliminates the requirement that a court decree be issued after a specified date.	10/08/2013 - Signed by GOVERNOR.;10/08/2013 - Chaptered by Secretary of State.	

				Chapter No. 634	
AB 436 Jones-Sawyer (D)	Inverse Condemnation: Comparative Fault		Applies the doctrine of comparative fault to inverse condemnation actions. Requires a court or arbitrator to reduce the compensation paid to a plaintiff in an inverse condemnation proceeding in direct proportion to his or her percentage of fault, if any, in the damaging of property that constitutes a taking. Provides the circumstances under which the plaintiff shall not recover his or her postoffer costs and shall pay the defendant's postoffer costs, including expert witness costs.	07/02/2013 - In SENATE Committee on JUDICIARY: Not heard.	
AB 507 Garcia (D)	Public Employees Retirement: Retirement Death Benefit		Requires that the amount paid pursuant to the Public Employees Retirement Law Post Retirement Death Benefit be a specified amount for a death occurring during a specified period. Increases that amount each year as specified at which point the amount would be a specified amount and would be adjusted annually thereafter.	05/24/2013 - In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.	
AB 515 Dickinson (D)	State Environmental Quality Act: Writ of Mandate		Amends the State Environmental Quality Act that requires a court, if the court finds that a public agency has violated the requirements of the Act, to issue an order, in the form of a peremptory writ of mandate, specifying what actions by the public agency are necessary to comply with the requirements of the Act. Requires the writ to specify the time by which the public agency is to make an initial return of the writ containing specified information.	01/27/2014 - In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE.	
AB 536 Wagner (R)	Contractors: Payments		Amends existing law that allows specified persons to withhold from a contractor or subcontractor no more than a specified percentage of any disputed amount if there is a good faith dispute over the amount due on a contract payment. Excludes the amount of specified claims from being considered disputed amounts.	01/14/2014 - From ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION: Do pass to Committee on JUDICIARY.	
AB 543 Campos (D)	California Environmental Quality Act: Translation	Oppose	Requires a lead agency to translate certain notices required by the California Environmental Quality Act and a summary of any negative declaration, mitigated negative declaration, or environmental impact report when a group of non-English-speaking people comprises at minimum percentage of the population within	06/13/2013 - Re-referred to SENATE Committee on ENVIRONMENTAL QUALITY.	

			the lead agency's jurisdiction and the proposed project is to be located at or near an area where the group of non-English-speaking people comprises that same percentage of residents of the area.		
<u>AB 551</u> Ting (D)	Local Government: Urban Agriculture Incentive Zones		Enacts the Urban Agriculture Incentive Zones Act. Authorizes, under specified conditions, a city, county, or city and county and a landowner to enter into a contract to enforceably restrict the use of vacant, unimproved or otherwise blighted lands for small-scale production of agricultural crops and animal husbandry. Requires the county assessor to consider, when valuing real property for property taxation purposes, property that is enforceably restricted by a contract entered into pursuant to the Act.	09/28/2013 - Chaptered by Secretary of State. Chapter No. 406	
<u>AB 607</u> Perea (D)	Worker's Compensation: Dependent Children		Amends existing law that establishes a workers' compensation system. Eliminates the requirement that, in order to conclusively presume that children under 18, or certain adult children, are wholly dependent for support on the deceased employee-parent, there not be a surviving totally dependent parent.	10/13/2013 - Chaptered by Secretary of State. Chapter No. 786	
<u>AB 613</u> Hueso (D)	Water Reclamation		Makes technical, nonsubstantive changes to a provision of the Water Recycling Law that provides that a person recycling water or using recycled water in violation of specific provisions is guilty of a misdemeanor.	02/20/2013 - INTRODUCED.	
<u>AB 621</u> Wagner (R)	Local Government: Bonds		Relates to local government bonds and investment firms. Prohibits a local agency from entering into a financial advisory, legal advisory, underwriting, or similar relationship with an individual or firm that provides or will provide bond campaign services to the bond campaign. Defines certain terms for those purposes.	07/03/2013 - In SENATE Committee on GOVERNANCE AND FINANCE: Heard, remains in Committee.	
<u>AB 662</u> Atkins (D)	Local Government: Redevelopment: Successor Agencies		Deletes a prohibition on the inclusion of redevelopment project areas in infrastructure financing districts. Authorizes the district to finance a project that is located in, or overlaps with, a redevelopment project area or former project area. Relates to procedures governing the contracting requirements and the commitment of new tax funds for new redevelopment agencies. Relates to the disposition of excess tax funds to local agencies and school entities. Relates to administrative costs.	10/13/2013 - Vetoed by GOVERNOR.	
<u>AB 683</u>	Local Government: Fines and		Authorizes a city, county, city and county, or special district to, after	10/05/2013 - Vetoed	

Mullin (D)	Penalties: Assessments		notice and public hearing, specially assess any fines or penalties not paid after demand by the city, county, city and county or district against real property owned by the person owing those fines or penalties, where the fines or penalties are related to ordinance violation on the real property upon which the fines or penalties would be specially assessed, and the ordinance violations constitute a threat to public health and safety.	by GOVERNOR.	
AB 687 Hernandez R (D)	Electricity		Requires the Public Utilities Commission, when authorizing additional direct transactions for retail nonresidential end-use customers, to provide the highest priority to acquire electric services from other providers to entities treating and remediating groundwater that is identified as contaminated on a site listed as a Superfund site in a disadvantaged or severely disadvantaged community or a public drinking water system of such communities. Requires the treatment and remediation using certain moneys.	08/30/2013 - In SENATE Committee on APPROPRIATIONS: Held in committee.	
AB 690 Campos (D)	State Government: International Relations		Repeals and recasts the provisions of existing law relating to the California-Mexico Border Relations Council and the Office of California-Mexico Affairs.	01/29/2014 - In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE.	
AB 743 Logue (R)	Local Government Reorganization		Amends Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Provides that the authority to initiate, conduct and complete specified changes in organization or reorganizations does not apply to any territory that became surrounded or substantially surrounded by a city to which the annexation is proposed, except for islands that were created as a result of boundary adjustments between two counties.	08/26/2013 - Signed by GOVERNOR.;08/26/2013 - Chaptered by Secretary of State. Chapter No. 138	
AB 756 Melendez (R)	Environmental Quality Act: Court Review: Public Works		Applies the provisions of the California Environmental Quality Act and the Jobs and Economic Improvement Through Environmental Leadership Act of 2011 to a public works project, defined to mean an infrastructure project carried out by the city, county, special district, or state government or contracted out to a private entity by the special district or local or state government.	04/11/2013 - From ASSEMBLY Committee on JUDICIARY with author's amendments.;04/11/2013 - In ASSEMBLY. Read	

				second time and amended. Re-referred to Committee on JUDICIARY.	
AB 766 Gaines B (R)	Attorney General: Investigations		Prohibits the Attorney General from offering a promise of use or transactional immunity during the course of an investigation into the misuse of public funds, unless specified findings are made. Requires the Attorney General to submit a written copy of the findings to a presiding judge.	04/16/2013 - In ASSEMBLY Committee on PUBLIC SAFETY: Not heard.	
AB 792 Mullin (D)	Utility User Tax: Exemption: Distributed Generation	Support	Exempts from any utility user tax imposed by a local jurisdiction, the consumption of electricity generated by a clean energy resource for the use of a single customer or customer's tenants.	10/04/2013 - Signed by GOVERNOR.;10/04/2013 - Chaptered by Secretary of State. Chapter No. 534	
AB 794 Gorell (R)	Environmental Quality: Use of Landfill & Organic Waste		Exempts from the requirements of the California Environmental Quality Act a project that takes landfill materials or organic waste and converts then into renewable green energy if the lead agency finds that the project will result in a net reduction in greenhouse gas emissions or support sustainable agriculture. Exempts from the requirements of the act a project that uses biological processes to convert organic waste streams into nonchemical soil fertility products.	03/04/2013 - To ASSEMBLY Committee on NATURAL RESOURCES.	
AB 801 Brown (D)	Junk Dealers and Recyclers: Nonferrous Materials		Requires junk dealers and recyclers to obtain specified information before providing payment for nonferrous materials marked with an indicia of ownership. Requires that this information be retained as part of the written record of purchases.	03/04/2013 - To ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION.	
AB 803 Gomez (D)	Water Recycling Act of 2013	Support	Creates the Water Recycling Act of 2013. Authorizes compliance with effluent limitations and any other permit or waste discharge requirements for the release or discharge of advanced treated purified water that meets certain conditions. Requires certain notification prior to any discharge being allowed. Requires a	10/08/2013 - Signed by GOVERNOR.;10/08/2013 - Chaptered by Secretary of State.	

			cemetery supplied with disinfected tertiary recycled treated water that installs a hose bib in a public access area to post visible signage and labeling indicating that the water is nonpotable.	Chapter No. 635	
AB 811 Lowenthal B (D)	Excavations: Regional Notification Center System		Amends existing law that requires any person planning to conduct an excavation to contact a regional notification center prior to excavation. Requires statewide information provided by operators and excavators regarding facility events to be compiled and made available in an annual report by regional notification centers and posted on the Internet Web sites of those regional notification centers.	09/06/2013 - Signed by GOVERNOR.;09/06/2013 - Chaptered by Secretary of State. Chapter No. 250	
AB 823 Eggman (D)	Environment: State Farmland Protection Act	Oppose	Enacts the Farmland Protection Act. Requires that a lead agency reviewing a development project require that all feasible mitigation of the identified significant environmental impacts associated with the conversion of agricultural lands be completed by the project applicant and to consider the permanent protection or replacement of such land as feasible mitigation for identified significant effects on the land caused by the project.	04/29/2013 - From ASSEMBLY Committee on NATURAL RESOURCES: Do pass to Committee on AGRICULTURE.	
AB 841 Torres (D)	Junk Dealers and Recyclers: Nonferrous Materials		Amends existing law that prohibits a junk dealer or a recycler from providing payment for nonferrous material unless the payment is made by cash or check, and the check is mailed or the cash or check is provided no later than three days after the date of the sale, and other requirements are met. Allows the payment for nonferrous materials only by check mailed to the seller's address.	10/03/2013 - Vetoed by GOVERNOR.	
AB 850 Nazarian (D)	Public Capital Facilities: Water Quality		Authorizes specified joint powers authorities, upon application of a local agency that owns and operates a publicly owned utility, to issue rate reduction bonds for a utility project. Provides the bonds are secured by utility project property. Authorizes a utility project charge to finance such bonds. Requires a bond review for issue qualification. Requires application fees for bond review cost reimbursement. Requires the Pollution Control Financing Authority to establish procedures for expedited review.	10/08/2013 - Signed by GOVERNOR.;10/08/2013 - Chaptered by Secretary of State. Chapter No. 636	
AB 892 Daly (D)	Parcel Taxes		Requires the State Board of Equalization to annually report specified information relating to the imposition of locally assessed parcel taxes including the type and rate of a parcel tax and the number of parcels subject to or exempt from the parcel tax.	05/24/2013 - In ASSEMBLY Committee on APPROPRIATIONS:	

				Held in committee.	
AB 953 Ammiano (D)	California Environmental Quality Act		Amends the California Environmental Quality Act, which defines environment and significant effect on the environment for certain purposes. Revises those definitions. Requires a lead agency to include in an environmental assessment report, a detailed statement on any effects that may result in the locating a proposed project near natural hazards or adverse environmental conditions.	05/31/2013 - In ASSEMBLY. To Inactive File.	
AB 993 Linder (R)	Contractors: Arbitration		Amends the Contractors' State License Law. Provides a party that submits a dispute with contractor to arbitration waives any right to recover attorney's fees or to challenge the arbitrator's award attorney's fees in a related civil action. Relates to the setting of the time, date, and location for a arbitration related hearing. Requires good cause to exclude any person from a hearing. Revises requirements regarding the recording of the hearing. Authorizes the reopening of a hearing prior to any award.	06/17/2013 - From SENATE Committee on BUSINESS, PROFESSIONS & ECON. DEVELOPMENT: Do pass to Committee on JUDICIARY.	
AB 1035 Muratsuchi (D)	Local Agencies: Financial Reports		Raises the amount forfeited for failure to submit financial reports to all local agencies. Doubles fines if the agency fails to submit the report to the Controller for 2 consecutive years. Triples the fines if the agency fails to submit the report to the Controller for 3 or more consecutive years. Requires the Controller to conduct an independent audit report of an agency that issues conduit revenue bonds. Specifies the agency that has a forfeiture or payment still must file the report.	06/11/2013 - In SENATE Committee on GOVERNANCE AND FINANCE: Not heard.	
AB 1043 Chau (D)	Drinking Water, Quality, Flood, River Protection		Amends the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006. Eliminates the requirement to develop and adopt regulations and requires a grantee of certain initiative bond act funds to take specific actions to recover the costs of cleanup and to utilize those funds for certain groundwater contamination cleanup projects.	06/25/2013 - In SENATE Committee on NATURAL RESOURCES AND WATER: Not heard.	
AB 1080 Alejo (D)	Community Revitalization & Investment Authorities		Authorizes certain public entities of a community revitalization and investment area to form a community revitalization plan within a community revitalization and investment authority to carry out the Community Redevelopment Law in a specified manner. Requires the authority to adopt a community revitalization plan for a community	08/30/2013 - In SENATE Committee on APPROPRIATIONS: Held in committee.	

			revitalization and investment area and authorizes the authority to include in that plan a provision for the receipt of tax increment funds.		
<u>AB 1090</u> Fong (D)	Public Officers: Conflicts of Interest: Contracts		Provides that a person who violates the prohibition against being financially interested in a contract, or who causes another person to violate the prohibition, is subject to administrative and civil fines. Establishes certain interests that are not subject. Authorizes the Fair Political Practices Commission to enforce these violations by bringing an administrative or civil action against a person who is subject to the prohibition, upon specified authorization. Relates to requests for advice.	10/08/2013 - Signed by GOVERNOR.;10/08/2013 - Chaptered by Secretary of State. Chapter No. 650	
<u>AB 1131</u> Skinner (D)	Firearms		Extends the prohibitory period for possession of a firearm or deadly weapon for a person who communicates to a licensed psychotherapist a serious threat of physical violence against a reasonably identifiable victim or victims. Allows a person to petition the court to allow them to possess a firearm under specified provisions of existing law. Relates to procedures for the return of a confiscated firearm for individual detained for examination and mentally ill individuals. Relates to required reporting.	10/11/2013 - Signed by GOVERNOR.;10/11/2013 - Chaptered by Secretary of State. Chapter No. 747	
<u>AB 1140</u> Daly (D)	Public Works: Prevailing Wages		States that if the Director of Industrial Relations determines, within a semiannual period, that there is a change in any prevailing rate of per diem wages in a locality, that determination applies to any public works. Authorizes any contractor, awarding body, or representative affected by a change in rates to file with the director a verified petition to review the determination of that rate. Requires the initiation of an investigation or hearing to make a final determination.	10/13/2013 - Vetoed by GOVERNOR.	
<u>AB 1149</u> Campos (D)	Identity Theft: Local Agencies		Relates to disclosure of any breach of an agency security to any resident whose unencrypted personal information was acquired by an unauthorized person. Expands disclosure requirements to apply to a breach of computerized data that is owned or licensed by a local agency.	09/27/2013 - Signed by GOVERNOR.;09/27/2013 - Chaptered by Secretary of State. Chapter No. 395	
<u>AB 1181</u> Gray (D)	Public Employee Organizations: Members:		Requires the local public agency to give reasonable time off, without loss of compensation or other benefits, to employee representatives	09/09/2013 - Chaptered by	

	Paid Leave		when they are testifying or appearing as the designated representative of the employee organization in proceedings before the Public Employment Relations Board concerning a charge filed by the organization against the public agency or by an agency against the organization, or when they are testifying or representing the organization in personnel or merit matters.	Secretary of State. Chapter No. 305	
<u>AB 1200</u> Levine (D)	Recycled Water: Agricultural Irrigation Impoundments	Support	Permits the San Francisco Bay Regional Water Quality Board to authorize a voluntary pilot project for the purposes of investigating potential water quality impacts associated with maximizing the supplementation of agricultural irrigation impoundments with disinfected tertiary treated recycled water, if the board finds the project satisfies specified criteria. Requires the project to include a stakeholder advisory group. Authorizes a formula development for future waste discharge requirements.	10/07/2013 - Vetoed by GOVERNOR.	
<u>AB 1212</u> Levine (D)	Public Contracts: Bids: Equal Materials or Service		Prohibits certain bid specifications from requiring a bidder to provide submission of data substantiating a request for a substitution of an equal item prior to the bid or proposal deadline.	03/07/2013 - To ASSEMBLY Committee on ACCOUNTABILITY AND ADMINISTRATIVE REVIEW.	
<u>AB 1248</u> Cooley (D)	Controller: Internal Guidelines for Local Agencies		Requires the Controller to develop internal control guidelines applicable to a local agency to prevent and detect financial errors and fraud. Requires the Controller to post the completed guidelines on the Controller's Internet Web site and update them, as he or she deems necessary.	08/28/2013 - Signed by GOVERNOR.;08/28/2013 - Chaptered by Secretary of State. Chapter No. 190	
<u>AB 1251</u> Gorell (R)	Water Quality: Stormwater		Requires the Secretary for Environmental Protection to convene a stormwater task force to review, plan, and coordinate stormwater-related activity to maximize regulatory effectiveness in reducing water pollution. Requires the task force to submit a statewide stormwater management plan to the Legislature. Requires the task force to consider specified issues in developing the plan.	05/24/2013 - In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.	
<u>AB 1331</u> Rendon (D)	Climate Change Response for Clean and Safe Water		Repeals the Safe, Clean, and Reliable Drinking Water Supply Act of 2012, Enacts the Clean and Safe Drinking Water Act of 2014, which,	01/07/2014 - From SENATE Committee	

			if adopted by the voters, would authorize the issuance of bonds in a specified amount pursuant to the State General Obligation Bond Law to finance a clean and safe drinking water program.	on NATURAL RESOURCES AND WATER with author's amendments.;01/07/2014 - In SENATE. Read second time and amended. Re-referred to Committee on NATURAL RESOURCES AND WATER.	
AB 1349 Gatto (D)	CalConserve Water Use Efficiency Revolving Fund		Establishes the CalConserve Water Use Efficiency Revolving Fund for the purpose of water use efficiency projects. Requires moneys in the fund to be used for purposes that include, but are not limited to, at-or-below market interest rate loans.	05/24/2013 - In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.	
AB 1365 Perez J (D)	State and Local Agency Reports: Legislative Counsel		Requires the Legislative Council to make a list of agency reports available to the public by posting it on an Internet Web site. Authorizes state and local agencies to file certain reports with the Counsel electronically, with a hyperlink for report access. Removes the requirement to remove obsolete reports from the list of reports and that the list be provided to each member of the Legislature. Requires providing a hyperlink to each member whereby the list or report could be accessed.	08/28/2013 - Signed by GOVERNOR.;08/28/2013 - Chaptered by Secretary of State. Chapter No. 192	
ACA 1 Donnelly (R)	Administrative Regulations: Legislative Approval		Requires an administrative agency to submit all regulations to the Legislature for approval. Authorizes the Legislature, by means of a concurrent resolution, to approve a regulation adopted by an administrative agency of the state.	05/01/2013 - In ASSEMBLY Committee on ACCOUNTABILITY AND ADMINISTRATIVE REVIEW: Failed passage.	
ACA 8 Blumenfield	Local Government Financing: Voter Approval		Proposes an amendment to the Constitution to create an additional exception to the 1% limit for an ad valorem tax rate imposed by a	06/27/2013 - To SENATE	

(D)			city, county, city and county, or special district, to service bonded indebtedness incurred to fund specified public improvements and facilities, or buildings used primarily to provide sheriff, police, or fire protection services, that is approved by 55% of the voters of the city, county, city and county, or special district.	Committees on GOVERNANCE AND FINANCE and ELECTIONS AND CONSTITUTIONAL AMENDMENTS.	
SB 1 Steinberg (D)	Sustainable Communities Investment Authority		Authorizes certain public entities of a Sustainable Communities Investment Area to form a Sustainable Communities Investment Authority to carry out the Community Redevelopment Law. Provides for tax increment funding receipt under certain economic development and planning criteria. Establishes prequalification requirements for receipt of funding. Requires monitoring and enforcement of prevailing wage requirements within the area. Excludes certain types of farmland.	09/12/2013 - In SENATE. To Inactive File.	
SB 13 Beall (D)	Public Employees' Retirement Benefits		Corrects an erroneous cross-reference in the Public Employees' Pension Reform Act of 2013 regarding the Judges' Retirement System I and II defined benefit formula adoption. Amends the act regarding employer defined benefit formulas to new safety members. Relates to contribution rates for defined pension plans. Repeals provisions regarding disability retirements. Relates to state miscellaneous or industrial members service credit. Relates to public employee bargaining rights.	10/04/2013 - Signed by GOVERNOR.;10/04/2013 - Chaptered by Secretary of State. Chapter No. 528	
SB 14 Gaines T (R)	Bear Lake Reservoir: Recreational Use		Relates to existing law which prohibits recreational use in which there is bodily contact with water in a reservoir in which water is stored for domestic use. Exempts from this prohibition any participant in the Bear Lake Reservoir, and establishes standards in this regard, including water treatment, monitoring, and reporting requirements. Subjects the Lake Alpine Water Company to suspension or revocation of any permit issued. Deems a violation would be subject to fines, penalties, or enforcement actions.	08/27/2013 - Signed by GOVERNOR.;08/27/2013 - Chaptered by Secretary of State. Chapter No. 172	
SB 24 Walters (R)	Public Employees' Retirement; Benefit Plans		Authorizes a local agency public employer or public retirement system that offers a defined benefit pension plan to offer a benefit formula with a lower normal cost factor at normal retirement age and that results in a lower normal cost than the benefit formulas that are currently required, for purposes of addressing a fiscal necessity.	01/10/2013 - To SENATE Committee on PUBLIC EMPLOYMENT AND	

				RETIREMENT.	
SB 33 Wolk (D)	Infrastructure Financing Districts: Voter Approval		Revises provisions governing infrastructure financing districts. Eliminates the requirement of voter approval for creation of the district and for bond issuance, and authorizes the legislative body to create the district subject to specified procedures. Authorizes the creation of such district subject to specified procedures. Authorizes a district to finance specified actions and project. Prohibits financing until a certain requirement is met. Prohibits assistance to a vehicle dealer or big box retailer.	09/11/2013 - In ASSEMBLY. To Inactive File.	
SB 39 De Leon (D)	Local Agencies: Public Officers: Claims and Liability		Requires the forfeiture of a contractual, common law, constitutional, or statutory claim against a local public agency employer to retirement or pension rights or benefits by a local public officer who exercised discretionary authority and who was convicted of a felony for conduct arising out of, or in the performance of, his or her official duties.	10/12/2013 - Chaptered by Secretary of State. Chapter No. 775	
SB 40 Pavley (D)	Safe, Clean, and Reliable Drinking Water Supply Act		Changes the name of the Safe, Clean, and Reliable Drinking Water Supply Act of 2012 to the Safe, Clean, and Reliable Drinking Water Supply Act of 2014. Declares the intent of the Legislature to amend the act for the purpose of reducing and potentially refocusing the bond.	01/06/2014 - From SENATE Committee on NATURAL RESOURCES AND WATER with author's amendments.;01/06/2014 - In SENATE. Read second time and amended. Re-referred to Committee on NATURAL RESOURCES AND WATER.	
SB 42 Wolk (D)	Safe Drinking Water, Water Quality, Flood Protection		Enacts the Safe Drinking Water, Water Quality, and Flood Protection Act of 2014, which, if adopted by the voters, would authorize the issuance of bonds in a specified amount pursuant to the State General Obligation Bond Law to finance a safe drinking water, water quality, and flood protection program.	09/11/2013 - In SENATE. Senate Rule 29.3(b) suspended.;09/11/2013 - From SENATE Committee on	

				NATURAL RESOURCES AND WATER with author's amendments.;09/11/2013 - In SENATE. Read second time and amended. Re-referred to Committee on NATURAL RESOURCES AND WATER.	
SB 64 Corbett (D)	Global Warming Solutions: Clean Technology Investment		Creates the Clean Technology Investment Account within the Greenhouse Gas Reduction Fund. Requires appropriations of moneys in the fund or other funds to the account in the Budget Act. Makes such funds available for grants to nonprofit public benefit corporations and regional technology alliances to design and implement program that accelerate the development, demonstration, and deployment of technologies that would reduce greenhouse gas emissions and foster job creation in the state.	06/24/2013 - Re-referred to ASSEMBLY Committee on NATURAL RESOURCES.	
SB 123 Corbett (D)	Environmental and Land-Use Court		Requires the Judicial Council to direct the creation of an environmental and land-use division within the Superior Courts selected by the Council to process civil proceedings brought pursuant to the California Environmental Quality Act or in specified subject areas, including air quality, biological resources, climate change, hazards and hazardous materials, land use planning, and water quality. Increases the fees for environmental license plates with revenue for the environmental and land use court.	05/23/2013 - In SENATE Committee on APPROPRIATIONS: Held in committee.	
SB 124 Corbett (D)	Public Contracts: Bid Preferences: Clean Energy		Authorizes a public agency including the Trustees of the California State University to award a contract based on the fact that a clean energy device, technology, or system was manufactured in the state if the contract is for an energy service contract determined to be in the best interests of the agency. Requires those entities to accept bids or proposals for such contract to provide a 5% preference to a bidder that certifies that everything regarding the device or technology was	08/30/2013 - In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.	

			manufactured in the state.		
SB 176 Galgiani (D)	Administrative Procedures		Requires the Office of Administrative Law to allow electronic submission to the Office by a state agency of notices required to be published and information required to be submitted pursuant to specified provisions of existing law. Expands the public discussion required described in existing law to require a state agency proposing to adopt regulations, prior to publication of a notice of proposed adoption, amendment, or repeal, to involve parties that would be subject to the regulations in such discussions.	08/30/2013 - In ASSEMBLY Committee on APPROPRIATIONS: To Suspense File.;08/30/2013 - In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.	
SB 182 Governance and Finance Cmt	Validations		Enacts the Second State Validating Act of 2013, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.	09/06/2013 - Signed by GOVERNOR.;09/06/2013 - Chaptered by Secretary of State. Chapter No. 207	
SB 183 Governance and Finance Cmt	Validations		Enacts the Third State Validating Act of 2013, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.	09/06/2013 - Signed by GOVERNOR.;09/06/2013 - Chaptered by Secretary of State. Chapter No. 209	
SB 184 Governance and Finance Cmt	Local Government: Omnibus Bill		Relates to the procedures governing the offering of subdivided lands for sale or lease, the definition of family member and domestic partner under the Public Cemetery District Law, the provisions of law regarding the abuse of public office or position to include bribery of a Member of the Legislature, subdivision map provisions, facsimile signatures and the county recorder, historical property use contracts recording, the Baldwin Hill Conservancy, and the Ventura County Resource Conservation District.	09/06/2013 - Signed by GOVERNOR.;09/06/2013 - Chaptered by Secretary of State. Chapter No. 210	
SB 193 Monning (D)	Hazard Evaluation System and Information Service		Relates to the repository of data on toxic materials and harmful physical agents in places of employment. Requires chemical manufacturers, formulators, suppliers, distributors, importers, and their agents to provide Hazard Evaluation System and Information	08/06/2013 - In ASSEMBLY. Read second time and amended. Re-referred	

			Service the names and addresses of their customers who have purchased specified chemicals or commercial products containing those chemicals, and certain other information upon a request from the Service. Exempts the names and address from disclosure.	to Committee on APPROPRIATIONS.	
SB 322 Hueso (D)	Water Recycling	Support	Requires the State Department of Public Health to investigate the feasibility of developing uniform water recycling criteria for direct potable reuse. Requires the department to convene a panel to establish regulatory criteria for such reuse. Requires the panel to include a limnologist. Requires convening of a related advisory group, task force, or other group. Authorizes the department to contract with a public university or other research institution. Authorizes acceptance of funds from nonstate sources.	10/08/2013 - Signed by GOVERNOR.;10/08/2013 - Chaptered by Secretary of State. Chapter No. 637	
SB 367 Block (D)	Developmental Services: Regional Centers		Requires that training and support to contracted regional centers for persons with developmental disabilities include issues relating to linguistic and cultural competency. Requires each regional center to post on its Internet Web site information regarding the training and support provided. Requires an annual review of the regional center performance in providing services that are linguistically and culturally appropriate. Authorizes the board to provide the center direction with review recommendations.	10/09/2013 - Signed by GOVERNOR.;10/09/2013 - Chaptered by Secretary of State. Chapter No. 682	
SB 390 Wright (D)	Employee Wage Withholdings: Failure to Remit		Makes it a crime for an employer to fail to remit withholdings from an employee's wages that were made pursuant to state, local, or federal law. Prescribes how recovered withholdings or court-imposed restitution, if any, are to be forwarded or paid.	10/10/2013 - Signed by GOVERNOR.;10/10/2013 - Chaptered by Secretary of State. Chapter No. 718	
SB 395 Jackson (D)	Hazardous Waste: Wells		Amends part of the Hazardous Waste Control Law that prohibits a person from discharging hazardous waste into an injection well unless certain conditions are met and imposes other requirements upon the operator of such well and defines injection for these purposes as excluding wells regulated by the Division of Oil and Gas. Deletes the exclusion of those regulated wells from the definition of injection well. Requires testing of the waste. Specifies that oil field waste does not include hazardous waste.	05/30/2013 - In SENATE. From third reading. To Inactive File.	
SB 407	Local Government: Officers		Relates to prohibitions against automatic renewal of contracts that	09/06/2013 - Signed	

Hill (D)	and Employees: Contracts		provide compensation increases for local agency executives. Includes within the definition of local agency executive any person who is a deputy or assistant chief executive officer, and any person whose position is held by an employment contract between that person and the local agency.	by GOVERNOR.;09/06/2013 - Chaptered by Secretary of State. Chapter No. 213	
SB 424 Emmerson (R)	Vehicles: Windshields: Obstructions		Exempts from the prohibition against placing an object that obstructs or reduces the driver's clear view in or upon a vehicle owned by a government agency if those objects or materials do not interfere with the driver's clear view of approaching traffic.	03/11/2013 - To SENATE Committee on TRANSPORTATION AND HOUSING.	
SB 425 DeSaulnier (D)	Public Works: the Public Works Peer Review Act of 2013		Allows a public agency, principally tasked with administering, planning, developing, and operating a public works project, to establish a specified peer review group. Requires the administering agency, if a peer group is established, to draft a charter, published on the agency's Internet Web site, related to the duties of the peer review group.	09/06/2013 - Signed by GOVERNOR.;09/06/2013 - Chaptered by Secretary of State. Chapter No. 252	
SB 436 Jackson (D)	Port Hueneme Beach Shoreline Protection.		Relates to Port Hueneme Beach shoreline protection. Appropriates moneys from the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund to the State Coastal Conservancy for a grant to the City of Port Hueneme. requires funding be allocated for emergency measures along Hueneme Beach to prevent severe infrastructure damage to streets and property caused by beach erosion and flooding.	09/28/2013 - Chaptered by Secretary of State. Chapter No. 416	
SB 449 Galgiani (D)	Local Water Supply Programs or Projects: Funding	Oppose	Requires the Department of Water Resources to conduct a statewide inventory of local regional water supply projects and post specified results of the inventory on the Department's Internet Web site.	08/22/2013 - Re-referred to SENATE Committee on NATURAL RESOURCES AND WATER.	
SB 462 Monning (D)	Employment: Compensation		Amends existing law which requires a court in any action brought for the nonpayment of wages, fringe benefits, or health and welfare or pension fund contributions, to award reasonable attorney's fees and costs to the prevailing party. Makes the award where the prevailing party is not an employee contingent on a finding that the employee brought the court action in bad faith.	08/26/2013 - Signed by GOVERNOR.;08/26/2013 - Chaptered by Secretary of State. Chapter No. 142	

SB 536 Berryhill T (R)	Property-Related Services		Provides that a county shall not be obligated to provide subsidies to cure any deficiencies in funding of property-related services provided within the jurisdiction of a defined district, under any of certain specified circumstances. Provides that this prohibition would not apply if the county's governing board had agreed to subsidize the district's services before the completion of a majority protest proceeding or election.	06/17/2013 - To ASSEMBLY Committee on LOCAL GOVERNMENT.	
SB 556 Corbett (D)	Agency: Ostensible: Nongovernmental Entities		Relates to third person contracts and ostensible agencies. Prohibits a person, firm, corporation, or association that is a nongovernmental entity and contracts to perform labor or services relating to public health or safety for a public entity from displaying on a vehicle or uniform a logo that reasonably could be interpreted as implying the labor or services are being performed by employees of a public agency, unless the vehicle and uniform displays a specified disclosure.	09/11/2013 - In ASSEMBLY. To Inactive File.	
SB 617 Evans (D)	California Environmental Quality Act		Amends various provisions of the California Environmental Quality Act. Requires that notices regarding environmental impact reports filed by lead agencies need to be filed with the Office of Planning and Research and the county clerk and posted by that clerk for public review. Provides additional duties regarding notices by the Office and the clerk. Requires a statement in the report regarding the placement of the project near natural hazards or adverse environment conditions. Repeals specified exemptions.	05/30/2013 - In SENATE. From third reading. To Inactive File.	
SB 620 Wright (D)	Water Replenishment Districts		Amends the Water Replenishment District Act. Eliminates a requirement that a specified percentage of a district reserve fund be expended for water purchases. Provides that an operator of a water-producing facility is liable to a district for a specified financial penalty for failing to be registered with the district or to make specified reports. Requires a district to establish a budget advisory committee. Relates to the awarding of attorney's fees in related civil actions.	10/08/2013 - Signed by GOVERNOR.;10/08/2013 - Chaptered by Secretary of State. Chapter No. 638	
SB 628 Beall (D)	Infrastructure Financing: Transit Priority Projects		Eliminates the requirement of voter approval for the adoption of an infrastructure financing plan, the creation of an infrastructure financing district, and the issuance of bonds with respect to a transit priority project. Requires a specified percentage of the revenue for	08/19/2013 - Withdrawn from Enrollment.;08/19/2013 - Ordered Held at	

			increasing, improving, and preserving the supply of lower and moderate-income housing. Requires a low-income housing replacement ordinance.	SENATE desk.	
SB 633 Pavley (D)	CEQA		Amends the California Environmental Quality Act. Specifies, for purposes of new information exception to the prohibition on requiring a subsequent or supplement environmental impact report, that a specified exception applies if new information was not known and could not have been known by the lead or any responsible agency at the time the report was certified as complete. Authorizes the development of guidelines to exempt projects involving minor temporary uses of land and public gatherings.	08/06/2013 - In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.	
SB 636 Hill (D)	Public Utilities Commission: Proceedings		Prohibits an officer, employee, or agent of the Public Utilities Commission personally involved in the prosecution or in the supervision of the prosecution of a ratesetting adjudication case from participating in the decision of the case or in the decision of any factually related proceeding. Permits such persons to participate in reaching a settlement of the case. Prohibits such persons from participating in the decision of the Commission to accept or reject the settlement. Provides an exception.	01/23/2014 - In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY.	
SB 658 Correa (D)	Orange County Water District Act	SupportinCo ncept	Relates to the Orange County Water District Act that requires the person causing or threatening to cause the contamination or pollution to the surface or groundwaters of the district to be liable to the district for reasonable costs actually incurred in cleaning up or containing the contamination or pollution, abating the effects of the contamination or pollution, or taking other remedial action. Makes that person also liable for costs in investigating the contamination and pollution.	05/24/2013 - In SENATE. From third reading. To Inactive File.	
SB 673 DeSaulnier (D)	Employees' Retirement: Contra Costa County		Makes the Contra Costa County retirement system for purposes of the County Employees Retirement System. Authorizes the board of retirement to appoint an administrator and personnel as required to accomplish the work of the board. Authorizes the administrator to make appointments on its behalf. Provides these employees are employees of the retirement system and not the county. Exempts such employees from civil service provisions and merit system rules. Makes the board a public agency for certain purposes.	01/28/2014 - In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY.	

<u>SB 731</u> Steinberg (D)	Environment: California Environmental Quality Act		Relates to the State Environmental Quality Act. Provides that certain impacts of a residential, mixed-use, or employment center project within a transit priority area shall not be considered significant impacts. Requires guidelines for thresholds of significance for noise and transportation impacts to be made available. Requires preparation of environmental impact reports. Extends the tolling of time for judicial actions and mitigation measures. Relates to sustainable communities planning and grants.	09/11/2013 - From ASSEMBLY Committee on LOCAL GOVERNMENT; Do pass as amended.	
<u>SB 735</u> Wolk (D)	Sacramento-San Joaquin Delta Reform Act		Amends existing law that establishes the Delta Stewardship Council to create a Delta management plan. Authorizes prescribed local entities to enter into a memorandum of understanding or other written agreement with the council and the Department of Fish and Wildlife regarding multispecies conservation plans that describes how the parties would ensure that multispecies conservation plans that have been adopted or are under development are consistent with the Delta Plan.	08/13/2013 - In ASSEMBLY Committee on WATER, PARKS AND WILDLIFE: Not heard.	
<u>SB 749</u> Wolk (D)	Habitat Protection: Endangered Species		Authorizes the Department of Fish and Wildlife to lease department-managed lands for agricultural activities. Authorizes the moneys collected from those leases to support the management, maintenance, restoration and operations of such lands. Requires the Department to annually provide an opportunity for hunters to comment and make recommendations concerning hunting programs. Relates to endangered species petitions and public hearings and the transfer of water when agricultural lands are being idled.	09/27/2013 - Signed by GOVERNOR.;09/27/2013 - Chaptered by Secretary of State. Chapter No. 387	
<u>SB 750</u> Wolk (D)	Building Standards: Water Meters: Multiunits		Requires a water purveyor providing water service to new multiunit residential or mixed use structures to require water measurement to each unit and to permit measurement to be by water meters or submeters. Requires submeters to comply with existing laws and regulations. Prohibits purveyor fees for submeters installed by the owner. Imposes certain requirements on landlords in related to the submetered water service. Relates to separate charge notification to tenant. Authorizes damages for violations.	08/13/2013 - In ASSEMBLY Committee on WATER, PARKS AND WILDLIFE: Failed passage.;08/13/2013 - In ASSEMBLY Committee on WATER, PARKS AND WILDLIFE:	

				Reconsideration granted.	
SB 754 Evans (D)	Environmental Quality Act		Amends the California Environmental Quality Act. Authorizes a person meeting specified requirements to bring an action or proceeding to enforce the implementation of the mitigation measures specified in a reporting and monitoring program if a project applicant fails to implement those measures. Prohibits a project proponent to contract for, direct or prepare the initial study, environmental impact report or negative declaration. Prohibits the use of a prior EIR for specified purposes.	05/23/2013 - In SENATE Committee on APPROPRIATIONS: Held in committee.	
SB 757 Berryhill T (R)	Junk Dealers		Relates to junk dealers and recyclers. Permits a seller to use a passport from any country or a Matricula Consular issued by Mexico, along with another form of identification bearing an address, or an identification card issued by the United States, as identification. Specifies that the provisions governing secondhand dealers and coin dealers do not apply to junk dealers.	09/06/2013 - In ASSEMBLY. To Inactive File.	
SB 761 DeSaulnier (D)	Income Taxes: Contributions: Homeless School Supplies		Requires the funds contributed from personal income tax contributions to be allocated to the State Department of Education for distribution to a single nonprofit organization for the sole purpose of assisting public in the State pursuant to the federal McKinney-Vento Homeless Assistance Act by providing grants of school supplies and health-related products to partnering learning education agencies.	01/23/2014 - In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY.	
SB 770 Jackson (D)	Unemployment Compensation: Disability Benefits		Relates to family temporary disability leave. Expands the scope of the family temporary disability insurance program to include time off to care for a seriously ill grandparent, grandchild, sibling, or parent-in-law.	09/24/2013 - Signed by GOVERNOR.;09/24/2013 - Chaptered by Secretary of State. Chapter No. 350	
SB 772 Roth (D)	County Water Company of Riverside: Liability		Relates to an exemption for the Elsinor Valley Municipal Water District and the Eastern Municipal Water District from liability for claims by past or existing County Water Company of Riverside concerning the operation and supply of water during an interim operation period for any good faith, reasonable effort using ordinary care to assume possession of, and to operate an supply water to the	01/09/2014 - Re-referred to SENATE Committees on JUDICIARY and ENVIRONMENTAL QUALITY.	

			company's water system. Provides immunity for future customer claims.		
SCA 10 Huff (R)	Legislative Procedure		Authorizes a committee to hear or act on a bill if the bill, in the form to be considered by the committee, has been in print and published on the Internet for at least 15 days. Prohibits either house of the Legislature from passing a bill until the bill, in the form to be voted on, has been made available to the public, in print and published on the Internet, for at least 72 hours preceding the vote.	01/31/2013 - To SENATE Committee on RULES.	

EXHIBIT "B"



January 21, 2014

2014 WATER BOND FUNDING & AMENDMENT REQUESTS

The reformulation of the 2014 water bond is currently proposed at approximately \$6.5 billion. The following are IRWD's recommended changes to the proposed bond, which if adopted would result in a water bond better able to address the state's water supply challenges:

- **INTEGRATED REGIONAL WATER MANAGEMENT PLANS-** Increase funding for water recycling projects to \$1 billion, and appropriate the \$1 billion outside of the Integrated Regional Water Management Plan process.
- **DELTA SUSTAINABILITY-** Increase funding for Delta sustainability to \$2.25 billion consistent with the currently approved version of the bond in order to promote the sustainability and resiliency of the threatened Delta ecosystem, which is a vital resource for fish, wildlife, water quality, water supply, agriculture and recreation.
- **WATER STORAGE-** Increase funding for water storage to \$3 billion consistent with the currently approved version of the bond, and provide a continuous appropriation.
- **WATER STORAGE-** Add "Construct and expand recycled water storage projects" to the purposes for which storage funds can be used, and add "Local and regional recycled water storage projects that allow for increased use of recycled water" to the list of projects for which the public benefits are eligible for funding under the water storage chapter of the bond.

Exhibit "C"
Summary of Water Bond Proposals

	SB7x-2 <i>(Bond Currently on the November 2014 ballot)</i>	SB 927 (Vidak/Canella) <i>(As introduced on January 29, 2014)</i>	SB 848 (Wolk) <i>(As introduced on January 9, 2014)</i>	AB 1331 (Rendon) <i>(January 7, 2014 Version)</i>	AB 1445 (Logue) <i>(As introduced on January 6, 2014)</i>	ACWA's <i>(As of January 30, 2014)</i>	IRWD's Asks <i>(As of January 21, 2014)</i>
Water Quality/Clean and Safe Water	\$1.453 billion	\$1.327 billion	\$900 million	\$1.0 billion <i>(Chapter 5)</i>		\$1.0 billion	
Water Quality in Disadvantaged Communities	\$90 million <i>(funding placed in Chapter 5)</i>	\$90 million	Funding outlined below.	Funding outlined below.		Funding outlined below.	
State Water Pollution Control Revolving Fund Small Community Grant Fund	\$75 million <i>(funding placed in Chapter 5)</i>	\$75 million	\$380 million <i>(funding placed in Chapter 4)</i>	\$400 million		\$200 million	
				*Amendments increased funding from \$100 million to \$400 million		*ACWA increased the amount of funding it is advocating be allocated for water quality by \$400 million. Originally a total of \$300 million was allocated for water quality in disadvantaged communities.	
Public Health Emergency Funding			\$100 million <i>(funding placed in Chapter 3)</i>	\$100 million *Amendments decreased funding from \$250 million to \$100 million		\$100 million	
Water Quality in Private Wells Serving Disadvantaged Communities			\$20 million <i>(funding placed in Chapter 4)</i>	\$10 million of the \$100 million may be made available for grants to private well owners that have no other source of water and serve members of a disadvantaged community			
Safe Drinking Water (Public Infrastructure Improvements)	\$290 million <i>(funding placed in Chapter 5)</i>	\$162 million	\$400 million <i>(funding placed in Chapter 3)</i>	\$400 million		\$400 million	
Groundwater Quality	\$1.0 billion <i>(funding placed in Chapter 10)</i>	\$1.0 billion		\$100 million *Amendments decreased funding from \$250 million to \$100 million		\$300 million	
Watersheds	\$1.763 billion <i>(Chapter 9)</i>	\$0	\$1.1 billion <i>(Chapter 4)</i>	\$1.5 billion <i>(Chapter 6)</i>		\$800 million	
Regional Watershed Funds	\$1.535 billion	\$0	\$1.1 billion* * For projects outside of the Delta	\$750 million* * Specific watersheds were removed & regions were inserted with blanks for allocations to be determined later.		\$550 million	
State Obligations	\$250	\$0		\$500 million		\$0	

Exhibit "C"
Summary of Water Bond Proposals

	Funding is allocated for Klamath River dam removal		Priority is given to State obligations	Includes funding the State's obligation for the Klamath Basin Restoration Agreement, Quantification Settlement Agreement, San Joaquin River Restoration Settlement, Section 3406(d) of Title 34 of Public Law 102-575, and other multiparty settlement agreement in effect as of January 1, 2014, including the Tahoe Regional Planning Compact.		State's obligations should compete for funding as other project would.	
Natural Resource Agency Support of State Conservancies	\$250 million			\$250 million		\$250 million	
Regional Water Security	\$2.65 billion	\$2.64 billion	\$1.875 billion	\$1.5 billion (Chapter 7)		\$1.55 billion	
Integrated Water Management Plans	\$1.4 billion <i>(funding in Chapter 6)</i>	1.39 billion	\$1.5 billion <i>(funding in Chapter 3)</i>	\$1 billion* * The IRWMP amount was reduced from \$1.5 billion to \$1 billion		\$1.1 billion	
Orange County's IRWMP Allocation	\$128 million of the \$1.4 billion is designated to the Santa Ana Region, which includes all of Orange County	\$128 million of the \$1.39 billion is designated to the Santa Ana Region, which includes all of Orange County	\$191 million of the \$1.5 billion is designated to the Santa Ana subregion & \$146 million is designated to the San Diego subregion	\$128 million of the \$1 billion is designated to the Santa Ana Region, which includes all of Orange County		Advocates that the Santa Ana Region receive \$151.75 million of the \$1.1 billion.	
Water Conservation	\$250 million <i>(funding in Chapter 11)</i>	\$250		\$250 million within the IRWMP Allocation		\$250 million within the IRWMP Allocation	
Multibenefit Stormwater Management Projects			\$375 million <i>(funding in Chapter 5)</i>	\$250 million within the IRWMP Allocation		\$250 million within the IRWMP Allocation	
Water Recycling & Advanced Treatment Technology Projects	\$1.0 billion <i>(funding in Chapter 11)</i>	\$1.0 billion		\$500 million		\$450 million* *Recycled water funding should be placed in its own chapter and not combined within the IRWMP chapter.	\$1 billion* * Funding should be provided outside of the IRWMP process.
Delta Sustainability	\$2.25 billion (Chapter 7)	\$2.25 billion	\$1.0 billion	\$1 billion (Chapter 8)		\$2.25 billion	\$2.25 billion
Ecosystem Restoration Flood/Levee Improvements	\$1.5 billion		\$600 million <i>(funding in Chapter 4)</i> \$400 million <i>(funding in Chapter 5)</i>	Funding is designated to for public benefits association with Delta sustainability projects, which include ecosystem & levee improvement projects.			
Water Storage	\$3.0 billion (Chapter 8)	\$3.0 billion	\$1 billion (Chapter 6)	\$1.5 billion (Chapter 9)	\$5.8 billion	\$3.0 billion	\$3.0 billion
Continuous Appropriation Provisions	<i>includes continuous appropriation</i>		<i>NO continuous appropriation</i>	<i>NO continuous appropriation; however, \$300 million is appropriated for FY 15-16 thru FY 19-20.</i>	<i>include continuous appropriation</i>	<i>include continuous appropriation</i>	<i>include continuous appropriation</i>
Eligible Storage Projects	Surface Storage Groundwater storage Groundwater aquifer remediation or contamination prevention		Surface Storage Groundwater storage Groundwater aquifer remediation or contamination prevention	Surface Storage Groundwater storage Groundwater aquifer remediation or contamination prevention	Surface Storage Groundwater storage Groundwater aquifer remediation or contamination prevention	Surface storage Groundwater storage	Recycled water storage should be added as a permissible use of these funds

Exhibit "C"
Summary of Water Bond Proposals

			Projects that result in a permanent reduction of water exported from the Delta and a transfer of the equivalent water right to instream flow Recycled water storage	Construct & Expand Stormwater Retention Facilities			
Flood Control & Stormwater Management			\$600 million <i>(Chapter 5)</i>				
Central Valley Flood Protection Plan			\$500 million				
Natural Resources Agency Flood Control Projects			\$75 million				
Control of Runoff from Agricultural Lands			\$25 million				
Total Investment (in billions)	\$11.14 billion	\$9.217 billion	\$6.475 billion	\$6.5 billion	\$5.5 billion	\$18.6 billion	

California Water Action Plan





Among all our uncertainties, weather is one of the most basic. We can't control it. We can only live with it, and now we have to live with a very serious drought of uncertain duration.

Right now, it is imperative that we do everything possible to mitigate the effects of the drought. I have convened an Interagency Drought Task Force and declared a State of Emergency. We need everyone in every part of the state to conserve water. We need regulators to rebalance water rules and enable voluntary transfers of water and we must prepare for forest fires. As the State Water Action Plan lays out, water recycling, expanded storage and serious groundwater management must all be part of the mix. So too must be investments in safe drinking water, particularly in disadvantaged communities. We also need wetlands and watershed restoration and further progress on the Bay Delta Conservation Plan.

It is a tall order.

But it is what we must do to get through this drought and prepare for the next.

Edmund G. Brown Jr.
State of the State Speech, January 22, 2014

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California Water Action Plan: Actions for Reliability, Restoration and Resilience

Introduction

California has seen many flood events, including the most recent flood of 1995 when 48 of 58 counties declared a state of emergency. After two years of dry weather and shrinking reservoir supplies, we are reminded once again that nothing focuses Californians' attention on our limited water resources like drought.

There is broad agreement that the state's water management system is currently unable to satisfactorily meet both ecological and human needs, too exposed to wet and dry climate cycles and natural disasters, and inadequate to handle the additional pressures of future population growth and climate change. Solutions are complex and expensive, and they require the cooperation and sustained commitment of all Californians working together. To be sustainable, solutions must strike a balance between the need to provide for public health and safety (e.g., safe drinking water, clean rivers and beaches, flood protection), protect the environment, and support a stable California economy. This action plan lays out our challenges, our goals and decisive actions needed now to put California's water resources on a safer, more sustainable path. While this plan commits the state to moving forward, it also serves to recognize that state government cannot do this alone. Collaboration between federal, state, local and tribal governments, in coordination with our partners in a wide range of industry, government and nongovernmental organizations is not only important—it is essential. The input and contributions received from all of these partners throughout the drafting of this action plan have resulted in a comprehensive and inclusive plan.

Challenges for Managing California's Water Resources

Water has always been a scarce resource in California. Most of the precipitation falls on the west-facing slopes of Northern California mountain ranges, yet most of the population and irrigated farmland is located in the drier southern half of the state. Precipitation is highly variable year-to-year, but the long warm summers are always dry. In the mid-20th century, state, federal and local agencies vastly expanded the state's system of reservoirs, canals, pumps and pipelines to store water and deliver it to agricultural and urban users in dry areas. Also, in the late 20th century, significant investments were made in the state's flood protection system, including levees and bypasses. These changes to the physical infrastructure have resulted in unintended consequences to the natural world. In general, there is broad consensus about our challenges.

Uncertain water supplies – Reductions in water from major watersheds like the Colorado River watershed and the Sacramento-San Joaquin Delta (Delta) watershed—due to hydrologic and declining environmental conditions—have made these water supplies less reliable. Moreover, climate change impacts to these sources and the Cascade and Sierra headwaters will further strain supply reliability throughout the state. These sources are foundational supplies around which communities develop and manage local resources through strategies such as water use efficiency, recycled water, and groundwater recharge. The unreliable nature of these supplies threatens local, regional and statewide economies. **Collectively, the actions in this plan will contribute to more reliable water supplies.**

Water scarcity/drought – California’s hydrology has always included extended dry periods. Much of California’s water system was originally designed to withstand a seven-year dry period without severe damage to the economy and environment. Today some regions and many communities struggle to maintain adequate water supplies after only a year or two of dry conditions. Climate change makes this situation even more challenging. Less outflow of water coming from the Cascades and Sierras during periods of drought increases seawater intrusion into the Delta. Improving our ability to manage scarce water supplies and over-stressed groundwater basins and better coordination of major reservoir operations is essential to economic and environmental sustainability. Taking action to address drought is especially urgent for agriculture where crops wither without water, and the world’s growing population and food demand create food security concerns. **This action plan includes both immediate steps for 2014 as well as actions that will better prepare California for future droughts.**

Declining groundwater supplies – Groundwater accounts for more than one-third of the water used by cities and farms – much more in dry years, when other sources are cut back. Some of California’s groundwater basins are sustainably managed, but unfortunately, many are not. Inconsistent and inadequate tools, resources and authorities make managing groundwater difficult in California and impede our ability to address problems such as overdraft, seawater intrusion, land subsidence, and water quality degradation. Pumping more than is recharged lowers groundwater levels – which makes extracting water more expensive and energy intensive. Under certain conditions, excessive groundwater pumping could mobilize toxins that impair water quality and cause irreversible land subsidence which damages infrastructure and diminishes the capacity of aquifers to store water for the future. When properly managed, groundwater resources will help protect communities, farms and the environment against the impacts of prolonged dry periods and climate change. **The strategies identified in this action plan will move California toward more sustainable management of our groundwater resources.**

Poor water quality – It is a fact that millions of Californians rely, at least in part, on contaminated groundwater for their drinking water. While most water purveyors blend or treat water to meet public health standards, many disadvantaged communities cannot afford to do so. In addition, domestic wells are drying up in many areas. All Californians have a right to safe, clean, affordable and accessible water adequate for human consumption, cooking and sanitary purposes. Safe water is necessary for public health and community prosperity. **The methods set forth in this action plan will improve the organization of our water quality programs and create new tools to help ensure that every Californian has access to safe water.**

Declining native fish species and loss of wildlife habitat – California’s once robust native fish populations are at or near historic lows. Federal and state fish agencies now list many species of salmon and other fish as endangered and threatened. Wildlife habitat is also being lost at a rapid pace. Climate change further threatens the state’s natural biodiversity. Many do not understand that our fish and wildlife are part of the complex system that provides and protects California’s water resources. Tourism and fishing which provide economic benefits to local communities and to the state are also reliant on healthy ecosystems. Declining species and lost habitat disrupt the cultural, spiritual and ecological practices of California’s Native American tribes. Simply put, California’s diverse and unique ecosystems are irreplaceable and their loss threatens the sustainability of all of California’s communities. **The objectives in this action plan include aggressive ecosystem restoration and other steps that will restore fish populations and benefit wildlife.**

Floods – Over 7 million Californians live in a floodplain. Historically, flooding has occurred in all regions of the state. Our state’s capital, Sacramento, has one of the lowest levels of flood protection of any major city in the nation. Climate change will only exacerbate this problem. More precipitation will fall as rain rather than snow, snowmelt will occur earlier, and there will be more extreme weather events. **This action plan will serve to coordinate and streamline flood control efforts and result in multi-benefit flood projects, helping to mitigate the significant investments needed to improve flood protection for existing communities and infrastructure.**

Supply disruptions – Many parts of California’s water system are vulnerable to earthquakes and flooding, particularly the Delta, which serves as the conveyance hub for a substantial percentage of all water supplies in the Bay Area, the San Joaquin Valley, and Southern California. A large earthquake along any of five major faults or a major storm-induced levee failure could render this water supply unreachable or unusable for urban and agricultural needs for months. **The combined benefits of many of the actions in this plan will better prepare us to manage through potential disruptions in the system.**

Population growth and climate change further increase the severity of these risks – The state’s population is projected to grow from 38 million to 50 million by 2049.¹ The effects of climate change are already being felt and will worsen. The Sierra snowpack is decreasing, reducing natural water storage and altering winter and spring runoff patterns. This is most likely the result of higher temperatures and may also be related to air pollution that deposits fine particulate on the surface of snow, changing its reflectivity and causing it to absorb more heat and melt faster. Higher river and ocean water temperatures will make it harder to maintain adequate habitat for native fish species. Higher ocean temperatures will alter the already changing weather patterns. Sea level rise threatens coastal communities and islands in the Delta. Sea level rise also amplifies the risk that the pumps that supply cities and farms with Delta water will be inundated with seawater in a large earthquake or storms that breach levees. **The strategies identified in this action plan will help protect our resources from more frequent and more severe dry periods which threaten the health of our natural systems and our ability to meet our diverse water supply and water quality needs.**

Goals: Reliability, Restoration and Resilience

The California Water Action Plan has been developed to meet three broad objectives: more reliable water supplies, the restoration of important species and habitat, and a more resilient, sustainably managed water resources system (water supply, water quality, flood protection, and environment) that can better withstand inevitable and unforeseen pressures in the coming decades. Over the next five years, the actions discussed below will move California toward more sustainable water management by providing a more reliable water supply for our farms and communities, restoring important wildlife habitat and species, and helping the state’s water systems and environment become more resilient.

¹ <http://www.dof.ca.gov/research/demographic/reports/projections/view.php> California’s population will cross the 50 million mark in 2049 and grow to nearly 52.7 million by 2060.

Working Together and Continued Collaboration is Essential

Despite the many challenges for water management in California, there is good progress to report. There are thousands of important projects that are being planned or implemented by all levels of government as well as by conservationists, tribes, farmers, water agencies and others. State, regional and local agencies have increasingly been pursuing a strategy of making regions more self-reliant by reducing water demand and by developing new or underused water resources locally. In the future, most new water will come from a combination of improved conservation and water use efficiency, conjunctive water management (i.e., coordinated management of surface and groundwater), recycled water, drinking water treatment, groundwater remediation, and brackish and seawater desalination. There is increased focus on projects with multiple benefits, such as stormwater capture and floodplain reconnection, that can help simultaneously improve the environment, flood management and water supplies. These diversified regional water portfolios will relieve pressure on foundational supplies and make communities more resilient against drought, flood, population growth and climate change.

This Water Action Plan does not replace these local efforts. It complements and leverages them. Collaboration is essential. Successful implementation of this plan will require increased collaboration between state, federal and local governments, regional agencies, tribal governments, and the public and the private sectors. The Legislature is also a key partner.

Water has shaped California's past, its present, and will help define its future. Water has always been among the state's most contentious issues. California is at its best when people come together in the face of adversity to solve difficult problems. Only by working together can we improve and sustain the state's water future for generations to come.

Actions

1. Make conservation a California way of life;
2. Increase regional self-reliance and integrated water management across all levels of government;
3. Achieve the co-equal goals for the Delta;
4. Protect and restore important ecosystems;
5. Manage and prepare for dry periods;
6. Expand water storage capacity and improve groundwater management;
7. Provide safe water for all communities;
8. Increase flood protection;
9. Increase operational and regulatory efficiency;
10. Identify sustainable and integrated financing opportunities.

Together, these actions address the most pressing water issues that California faces while laying the groundwork for a sustainable and resilient future and are critical to moving the state forward now. They reflect an integration of new ideas with the ongoing important work that the state and federal government, local agencies, and others are already engaged in and require coordination and collaboration across levels of government. They will not address all of our challenges. Some of these actions are new proposals. Some are currently being planned and should be completed more rapidly, implemented in a better way, or on a larger scale. Success will require the cooperation of many partners; the state's role is to lead, help others, and remove barriers to action.

1. MAKE CONSERVATION A CALIFORNIA WAY OF LIFE

Conservation must become a way of life for everyone in California. Much has changed in the past half century, and our technology, values and awareness of how we use water have helped to integrate conservation into our daily lives. There is more that can be done and all Californians must embrace this effort. In 2009, the state adopted the Water Conservation Act through the passage of Senate Bill X7 7 requiring that we achieve a 20 percent reduction in urban per capita water use by December 31, 2020, promoting expanded development of sustainable water supplies at the regional level, and requiring agricultural water management plans and efficient water management practices for agricultural water suppliers. Conservation and efficiency are also keys to reducing the energy needed to pump, transport, treat and deliver water – an important action included in the state’s Climate Change Scoping Plan for reducing greenhouse gas emissions. We must continue to build on our existing efforts to conserve water and promote the innovation of new systems for increased water conservation.

- **Expand Agricultural and Urban Water Conservation and Efficiency to Exceed SBX7 7 Targets**
The administration will expand existing programs to provide technical assistance, shared data and information, and incentives to urban and agricultural local and regional water agencies, as well as local governmental agencies, to promote agricultural and urban water conservation in excess of the amounts envisioned by SBX7 7. We will work collaboratively with stakeholders to identify and remove impediments to achieving statewide conservation targets, recycling and stormwater goals; to evaluate and update targets for additional water use efficiency, including consideration of expanding the 20 percent by 2020 targets by holding total urban water consumption at 2000 levels until 2030, achieving even greater per capita reductions in water use. The administration will also work with local and regional entities to develop performance measures to evaluate agricultural water management.
- **Provide Funding for Conservation and Efficiency**
The administration will work with the Legislature to expand funding for urban and agricultural water use efficiency research, and the development and implementation of efficiency standards through existing and new programs that save water and the energy associated with water use. Conservation programs must include numeric targets and be designed to achieve the state-developed targets and performance measures.
- **Increase Water Sector Energy Efficiency and Greenhouse Gas Reduction Capacity**
The administration will continue supporting the collection of regional data and development of efficiency standards that save water and energy associated with water use and will provide guidance on conservation rates and sustainable financing that achieve water and energy savings. The administration will also continue to collaborate with water and wastewater agencies and energy utilities to educate consumers on the water-energy nexus. The administration will work with the Legislature to eliminate barriers to co-funding projects with water and energy benefits and expand and prioritize funding and technical support for water and wastewater agencies that achieve energy efficiency co-benefits and greenhouse gas reductions.
- **Promote Local Urban Conservation Ordinances and Programs**
Local agencies are increasingly conserving water by prohibiting certain types of wasteful water use. Examples include: prohibiting watering hard surfaces such as sidewalks, walkways, driveways or parking areas; prohibiting outdoor watering during periods of rain; and not serving water to customers in restaurants unless specifically requested. Local agencies are also pioneering incentive programs, for example, converting lawns to drought tolerant landscapes—and programs to capture rainwater.

2. INCREASE REGIONAL SELF-RELIANCE AND INTEGRATED WATER MANAGEMENT ACROSS ALL LEVELS OF GOVERNMENT

While California has vast infrastructure to store and deliver water miles from its origin, the majority of infrastructure management and investment resides at the local and regional levels. Sometimes that management is done by agencies responsible for multiple functions such as flood management, water supply and water quality. Other times, individual agencies handle those functions separately. Over the past decade, the state has provided technical and financial assistance to regions to incentivize inter-agency/stakeholder cooperation in planning and implementing multi-objective actions that provide both regional and statewide benefits to water resources management and protection. Called "integrated water management," this approach balances the objectives of improving public safety, fostering environmental stewardship, and supporting economic stability. Developing local supplies can also save energy by reducing the distance that water must be transported. State grants are provided to both incentivize regional integration and leverage local financial investment.

Ensuring water security at the local level includes efforts to conserve and use water more efficiently, to protect or create habitat for local species, to recycle water for reuse, to capture and treat stormwater for reuse, and to remove salts and contaminants from brackish or contaminated water or from seawater. But, mostly it requires integrating disparate or individual government efforts into one combined regional commitment where the sum becomes greater than any single piece.

- **Support and Expand Funding for Integrated Water Management Planning and Projects**
The administration will work with the Legislature to enhance the Integrated Water Management Planning program. Providing funding for regionally-driven, multi-benefit projects that prioritize protection of public health is critical. The administration will target funding to local regional projects that increase regional self-reliance and result in integrated, multi-benefit solutions for ensuring sustainable water resources.
- **Update Land Use Planning Guidelines**
The Governor's Office of Planning and Research (OPR) will engage local land use authorities, California Native American tribes, and water agencies to amend the general plan guidelines to promote greater consistency between local land use plans and decisions and integrated regional water management plans and decisions. OPR will also work with the Legislature to determine whether water should be a mandatory feature of the general plan guidelines.
- **Legislation for Local and Regional Self Reliance**
The administration will work with the Legislature to encourage local governments to adopt or amend local ordinances that enhance local and regional water supply reliability and conservation, such as ordinances that establish minimum requirements for infiltration or injection of water into the groundwater table, detection and prevention of utility system leaks, landscaping measures, and indoor/outdoor water use efficiency standards.
- **Provide Assistance to Disadvantaged Communities**
The administration will provide technical assistance, tools, and allocate dedicated funds for grant administration, project development, and stakeholder collaboration to under-represented and economically-disadvantaged communities to promote greater participation and success in regional grant programs.

- **Demonstrate State Leadership**

All state agencies should take a leadership role in designing new and retrofitted state owned and leased facilities to increase water efficiency, use recycled water, and incorporate stormwater runoff capture and low-impact development strategies.

- **Encourage State Focus on Projects with Multiple Benefits**

The administration will direct agencies and departments to evaluate existing programs and propose modifications to incentivize and co-fund multi-benefit projects that promote integrated water management, such as stormwater permits that emphasize stormwater capture and infiltration, which provide both flood protection and groundwater recharge benefits, and agricultural groundwater recharge projects that emphasize water quality and conjunctive use. The commitment to emphasize multiple benefit projects will be applied to most of the actions in this plan.

- **Increase the Use of Recycled Water**

California needs more high quality water, and recycling is one way of getting there. The state will adopt uniform water recycling criteria for indirect potable reuse of recycled water for groundwater recharge. Technical and financial assistance will be provided to projects that meet these criteria. The administration will also develop criteria for direct potable reuse and will seek to consolidate the state's recycling programs in the State Water Resources Control Board to promote program efficiencies.

- **Streamline Permitting for Local Water Reuse or Enhancement Projects**

The administration will review and propose measures to streamline permitting for local projects that make better use of local water supplies such as recycling, stormwater capture, and desalination of brackish and seawater as well as projects that provide multiple benefits, such as enhancing local water supplies while improving wildlife habitat.

3. ACHIEVE THE CO-EQUAL GOALS FOR THE DELTA

The Delta is California's major collection point for water, serving two-thirds of our state's population and providing irrigation water for millions of acres of farmland. The region supports farming, wetland and riparian habitats, as well as numerous fish and wildlife species. In recent years, important fish populations have declined dramatically, leading to historic restrictions on water supply deliveries. Moreover, the current system relies on water flowing through a network of fragile levees from the northern part of the Delta to the pumps in the south, where two out of three fish trapped near the pumps die. These levees were not designed to resist a significant seismic event, the probability of which is greater than 60 percent over the next 50 years. They are also vulnerable to major floods and rising sea levels, all of which puts unacceptable risk on the people who live in the Delta as well as the water supply for 25 million people and 3 million acres of farmland. Plans are underway to address these problems. The issues are contentious and have been for decades. But, the status quo in the Delta is unacceptable and it would be irresponsible to wait for further degradation or a natural disaster before taking action.

The Delta Stewardship Council was created in legislation to achieve the state-mandated co-equal goals of providing a more reliable water supply for California and to protect, restore and enhance the Delta ecosystem. Those two goals are to be achieved in a manner that protects and enhances the unique cultural, recreational, natural resource and agricultural values of the Delta as an evolving place. The council recently adopted its Delta Plan and will establish a high-level interagency coordinating body to commence implementation of a suite of actions designed to achieve the co-equal goals. The Implementation Committee can play a strong role in moving forward on the actions included in this plan, which include and build on many of the priorities included in the council's Delta Plan.

- **Begin Implementation of the Delta Plan**

The administration directs all of its relevant agencies to fully participate in the Implementation Committee established by the Delta Stewardship Council and to work with the Delta Science Program, the Interagency Ecological Program, and others to implement the Delta Science Plan to enhance water and natural resource policy and management decisions.

- **Complete Comprehensive Plans to Recover Populations of Threatened and Endangered Species in the Delta and Improve Water Supply Reliability for Users of Delta Water**

State and federal agencies will complete planning for a comprehensive conservation strategy aimed at protecting dozens of species of fish and wildlife in the Delta, while permitting the reliable operation of California's two biggest water delivery projects. The Bay Delta Conservation Plan (BDCP) will help secure California's water supply by building new water delivery infrastructure and operating the system to improve the ecological health of the Delta. It will also restore or protect approximately 145,000 acres of habitat to address the Delta's environmental challenges. The BDCP is made up of specific actions, called conservation measures, to improve the Delta ecosystem. It includes 22 conservation measures aimed at improving water operations, protecting water supplies and water quality, and restoring the Delta ecosystem within a stable regulatory framework. The project will be guided by 214 specific biological goals and objectives, improved science, and an adaptive management approach for operating the water conveyance facilities and implementing other conservation measures including habitat restoration and programs to address other stressors. As the Delta ecosystem improves in response to the implementation of the conservation measures, water operations would become more reliable, offering secure water supplies for 25 million Californians, an agricultural industry that feeds millions, and a thriving economy.

State and federal agencies will complete the state and federal environmental review documents; seek approval of the BDCP by the state and federal fishery agencies; secure all permits required to implement the BDCP; finalize a financing plan; complete the design of BDCP facilities; and begin implementation of all conservation measures and mitigation measures, including construction of water conveyance improvements. Once the BDCP is permitted, it will become part of the Delta Plan.

- **Restore Delta Aquatic and Intertidal Habitat**

In coordination with restoration proposed by the BDCP, a specific set of projects or acreage for restoration will be identified in the six priority areas listed in the Delta Plan: (1) Yolo Bypass; (2) Cache Slough Complex; (3) the confluence of the Cosumnes and Mokelumne rivers; (4) the lower San Joaquin River floodplain; (5) Suisun Marsh; and, (6) western Delta/eastern Contra Costa County. The Department of Water Resources, in consultation and coordination with the Department of Fish and Wildlife, the Delta Science Program, and the Delta Plan Implementation Committee will initiate projects to restore 8,000 acres of intertidal and associated subtidal habitat in the Delta and Suisun Marsh. These agencies will also coordinate with federal agency partners to ensure consistency with federal restoration efforts or requirements.

- **Implement Near-Term Delta Improvement Projects**

In coordination with restoration proposed in BDCP, the Department of Water Resources will initiate a project to remove fish passage barriers within the Yolo Bypass and modify the Fremont Weir to increase the amount and quality of fish rearing habitat by improving access to seasonal floodplain habitat.

- **Maintain Important Infrastructure**

The Department of Water Resources will continue implementation of the Delta Levees Subventions, Delta Special Projects, and Floodway Corridor Programs to provide financial assistance to local agencies for repair and improvement of levees and other multipurpose projects in the Delta.

- **Bay Delta Water Quality Control Plan**

The State Water Resources Control Board will complete its update of the Water Quality Control Plan for the Delta and its upstream watersheds. The plan establishes both regulatory requirements and recommended actions. The State Water Resources Control Board's action will balance competing uses of water including, municipal and agricultural supply, hydropower, fishery protection, recreation, and other uses.

4. PROTECT AND RESTORE IMPORTANT ECOSYSTEMS

Streams and rivers once ran freely from high in the mountains to downstream reaches, meandering naturally through lowland and floodplain habitats, connecting with coastal estuaries and the Pacific Ocean. The variability of natural water flows in this complex system created vibrant and resilient habitat for many species and functioned to store water, recharge groundwater, naturally purify water, and moderate flooding. Over 80 percent of the Central Valley's historical floodplain, riparian and seasonal wetland habitats have been lost in the last 150 years. This loss affects the physical and ecological processes of the Central Valley and beyond, contributes to the decline of salmon and steelhead, restricts habitat for waterfowl and other species, and impacts water supply, flood protection, and sediment control. In watersheds around the state, fish and wildlife no longer have access to habitat or enough cold, clean water at key times of the year. In response to these losses and ecological challenges, as well as in anticipation of the effects of climate change on the timing, volume and temperature of water flows, activities to protect and restore the resiliency of our ecosystems will help support fish and wildlife populations, improve water quality, and restore natural system functions. This effort will increase collaboration and transparency and ensure that management decisions are supported by the best available science.

- **Restore Key Mountain Meadow Habitat**

The Department of Fish and Wildlife, in coordination with other state resource agencies, will restore 10,000 acres of mountain meadow habitat in strategic locations in the Sierra Nevada and Cascade mountain ranges, which can increase groundwater storage and provide habitat for more than 100 native species, many of which are at risk as threatened or endangered. The department will also coordinate with federal agencies, local governments, conservation organizations, tribes, and others as necessary on this action to maximize efforts and avoid duplication.

- **Manage Headwaters for Multiple Benefits**

Watersheds in the Cascades, Sierra Nevada and other forested areas of the state are the places of origin for more than two-thirds of the state's developed water supply. Water originating in the Cascades and Sierra Nevada supplies all or part of the need for 23 million Californians and millions of acres of agricultural land. Up to one-half of the fresh water flowing into the Delta begins as snow and rain in these watersheds.

Many of these crucial watersheds are in poor health due to a number of factors. A changing climate of warmer temperatures will exacerbate the diseases and pests that create additional fire risk and, with more precipitation falling as rain instead of snow, create significant operational challenges for our reservoirs. Large, intense fires such as the recent Rim Fire will produce tons of sediment, much of which will end up in reservoirs, significantly reducing storage capacity and impacting water quality.

In order to reduce the significant risks posed to the water resources flowing from the Cascade, Sierra and other watersheds in the state, there is a critical need to address the following:

- Restore forest health through ecologically sound forest management. Overgrown forests not only pose a risk of catastrophic fire, but can significantly reduce water yield.
- Protect and restore degraded stream and meadow ecosystems to assist in natural water management and improved habitat. Meadows provide a natural storage opportunity, critically important with a changing climate, while properly functioning stream systems reduce downstream sedimentation and enhance critical aquatic habitat.
- Support and expand funding for protecting strategically important lands within watersheds to ensure that conversion of these lands does not have a negative impact on our water resources. By working with willing landowners, protection of key lands from conversion will result in a healthier watershed by reducing polluted runoff and maintaining a properly functioning ecosystem.
- **Bring Back Salmon to the San Joaquin River**
The Department of Fish and Wildlife and the Department of Water Resources will lead the state's effort to achieve the goals of restoring flows to the San Joaquin River from Friant Dam to the confluence of the Merced River, and bring back a naturally-reproducing, self-sustaining Chinook salmon fishery while reducing or avoiding adverse water supply impacts. Chinook will be reintroduced pursuant to the San Joaquin River Restoration Program, and the Department of Fish and Wildlife will complete construction of the conservation hatchery and research facility. The Department of Water Resources will perform activities that support the implementation of channel and structural improvements that result in restoring fish and flows. The administration will work with the Legislature and others to secure further funding as necessary to achieve these activities and the restoration goal.
- **Protect Key Habitat of the Salton Sea Through Local Partnership**
The Natural Resources Agency, in partnership with the Salton Sea Authority, will coordinate state, local and federal restoration efforts and work with local stakeholders to develop a shared vision for the future of the Salton Sea. The Salton Sea is one of the most important migratory bird flyways in North America and is immediately threatened with reduced inflows and increasing salinity. The Department of Fish and Wildlife and the Department of Water Resources will begin immediately to implement the first phase of this effort with the construction of 600 acres of near shore aquatic habitat to provide feeding, nesting and breeding habitat for birds. This project is permitted to increase to 3,600 acres and could be scaled even greater with additional resources. Concurrently, the Natural Resources Agency and the Salton Sea Authority are developing a roadmap for the Salton Sea that will evaluate additional restoration projects and identify economic development opportunities through renewable energy development.
- **Restore Coastal Watersheds**
The Department of Fish and Wildlife in coordination with other state resource agencies and other stakeholders, as appropriate, will develop at least 10 off-channel storage projects, modernize at least 50 stream crossings, and also implement at least 10 large-scale habitat projects along the California coast in strategic coastal estuaries to restore ecological health and natural system connectivity, which will benefit local water systems and help defend against sea level rise.

- **Continue Restoration Efforts in the Lake Tahoe Basin**

California, in partnership with the state of Nevada and the federal government, will continue its efforts to protect the beautiful and unique waters of Lake Tahoe. The Natural Resources Agency will maintain its role in leading the coordination of the state departments, the boards, and the conservancy involved in the bi-state efforts underway to restore, preserve and enhance the Lake Tahoe region. California's restoration efforts at Lake Tahoe include, among other things, support of the Tahoe Regional Planning Agency's implementation of its Regional Plan Update, putting into place the science provisions contained in the recently enacted SB 630, and support for projects contained in the region's Environmental Improvement Program.

- **Continue Restoration Efforts in the Klamath Basin**

The Department of Fish and Wildlife and the Natural Resources Agency will continue to work with diverse stakeholders to implement the Klamath Basin restoration and settlement agreements. Those agreements include measures to improve water quality in the Klamath River, restore anadromous fish runs, including Chinook and Coho salmon, and improve water reliability for agricultural and other uses by providing a drought planning mechanism for low water years. The administration will work with Congress to secure the necessary federal authorizations for the agreements and secure the necessary funding for removal of four hydroelectric dams on the Klamath River and funding for the necessary basin restoration.

- **Water for Wetlands and Waterfowl**

The Department of Fish and Wildlife in coordination with other state resource agencies will develop and implement a water acquisition, management, and water use efficiency strategy in coordination with the U.S. Fish and Wildlife Service, U.S. Bureau of Reclamation, Central Valley Project Improvement Act refuge water program, and Central Valley Joint Venture to secure reliable and affordable water for managed wetlands statewide. The administration will work with the Legislature, and others, to secure funding to acquire water and to replace or repair the most in need conveyances for delivering water for wetlands.

- **Eliminate Barriers to Fish Migration**

This action has three parts. First, in coordination with the Central Valley Project Improvement Act Anadromous Fish Screen Program, the Department of Fish and Wildlife will create and publish a Priority Unscreened Diversion List in the Central Valley area. Second, the administration will work with the Legislature and others to secure funding to install or repair the top 10 unscreened diversions on the priority list described above. Third, in smaller watersheds around the state, the Department of Fish and Wildlife will complete a comprehensive analysis, working with other state and federal agencies, to optimize barrier removal projects and river and stream priorities, and then complete culvert and bridge improvement and small dam removal projects to provide anadromous fish species access to historic spawning and rearing habitat.

- **Assess Fish Passage at Large Dams**

The Department of Fish and Wildlife, in coordination with state and federal resource agencies, will develop an evaluation and feasibility process for addressing fish passage at California's rim dams and develop rim dam solution plans for the most feasible locations. Rim dams are the large dams at the base of most major river systems in California. They are too integral to California's water infrastructure to consider removing, but, where feasible, passage around the rim dams may be necessary to recover salmon and steelhead, because 95 percent of the historical habitat for these fish is above the dams. This action will require coordination with local water agencies and dam owners and operators, as well as other stakeholders.

- **Enhance Water Flows in Stream Systems Statewide**

The State Water Resources Control Board and the Department of Fish and Wildlife will implement a suite of individual and coordinated administrative efforts to enhance flows statewide in at least five stream systems that support critical habitat for anadromous fish. These actions include developing defensible, cost-effective, and time-sensitive approaches to establish instream flows using sound science and a transparent public process. When developing and implementing this action, the State Water Resources Control Board and the Department of Fish and Wildlife will consider their public trust responsibility and existing statutory authorities such as maintaining fish in good condition.

- **Achieve Ecological Goals through Integrated Regulatory and Voluntary Efforts**

The San Francisco Bay and Sacramento-San Joaquin River Delta are some of the most studied ecosystems in the nation. Similarly, there are many scientific and management plans about the decline of salmon and steelhead in California. A fundamental ecological principle is that aquatic species and estuarine ecosystems need enough cold, clean water at the right times of year to ensure species abundance and health and ecological function. Integration across and between all voluntary and regulatory efforts may be necessary to truly achieve basic ecological outcomes.

As a goal, the state must continue to consider how to provide water flows necessary to meet current state policy, such as significantly increasing salmon, steelhead and trout populations while also supporting viable, self-sustaining populations of a broad range of other native aquatic species, and ensure sustainable river and estuary habitat conditions for a healthy, functional Bay Delta ecosystem. The administration, with the involvement of stakeholders, will build on the work in tributaries to the Sacramento and San Joaquin rivers, analyze the many voluntary and regulatory proceedings underway related to flow criteria, and make recommendations on how to achieve the salmon and steelhead and ecological flow needs for the state's natural resources through an integrated, multi-pronged approach.

5. MANAGE AND PREPARE FOR DRY PERIODS

Water supply reliability is critical to maintaining California's economy. Temporary shortages caused today by extended, severe dry periods will become more frequent with climate change. Effective management of water resources through all hydrologic conditions will reduce impacts of shortages and lessen costs of state response actions. Many actions will help to secure more reliable water supplies and consequently improve drought preparedness. The actions identified below are specifically designed to address drought conditions and make California's water system more resilient.

- **Revise Operations to Respond to Extreme Conditions**

State natural resources and water quality agencies, in collaboration with their federal counterparts, will implement a series of administrative solutions through a transparent process to make water delivery decisions and propose options to address water quality and supply objectives in extreme conditions. Through these state agencies, the administration will exercise the maximum administrative discretion and flexibility possible to address the current dry conditions now and into 2014. Especially in drought conditions, adaptive management can have substantial fishery, water quality, and water supply benefits. The identification of such opportunities requires continued improved water forecasting and prompt inter and intra agency coordination and communication. It also requires an effective coordination mechanism involving the Department of Water Resources, the U.S. Bureau of Reclamation, the State Water Project and the Central Valley Project contractors, the state and federal fishery agencies, and the State Water Resources Control Board, at a minimum.

6. EXPAND WATER STORAGE CAPACITY AND IMPROVE GROUNDWATER MANAGEMENT

On average, the state receives about 200 million acre-feet of water per year in the form of rain and snow. In reality, the average rarely occurs, as California has the most variable weather conditions in the nation and climate change may increase the variability. Storage, whether surface storage or groundwater storage, can hold water when it flows heavily for use at times when it does not and create greater flexibility in the system. Above ground (surface storage) can be in the form of large on-stream dams and reservoirs, or smaller on stream and off stream reservoirs. Groundwater storage consists of replenishing groundwater basins either directly through injection, or by allowing water to percolate into the ground naturally or from constructed spreading basins and some forms of stormwater capture. Surface storage can be operated in conjunction with groundwater storage to increase opportunities for groundwater recharge during high flow periods and thereby increase comprehensive water management benefits. Constructing surface storage can be challenging for environmental or financial reasons. Developing groundwater storage can be challenging because many basins are contaminated and this method of storage also requires an ability to measure and withdraw water.

The bottom line is that we need to expand our state's storage capacity, whether surface or groundwater, whether big or small. Today, we need more storage to deal with the effects of drought and climate change on water supplies for both human and ecosystem needs. Climate change will bring more frequent drought conditions and could reduce by half our largest natural storage system—the Sierra snowpack—as more precipitation falls as rain rather than snow, and as snow melts earlier and more rapidly. Moreover, we must better manage our groundwater basins to reverse alarming declines in groundwater levels. Continued declines in groundwater levels could lead to irreversible land subsidence, poor water quality, reduced surface flows, ecosystem impacts, and the permanent loss of capacity to store water as groundwater.

Demand for water goes well beyond water supply and flood management, the traditional purposes for which California's major reservoirs were built. Today, water storage is also needed to help provide widespread public and environmental benefits, such as seasonal fish flows, improved water quality, water cool enough to sustain salmon, and increased flexibility to meet multiple demands, especially in increasingly dry years. The financing of additional water storage in California must reflect not just specific local benefits, but also these broader public benefits.

- **Provide Essential Data to Enable Sustainable Groundwater Management**

The administration will expand and fund the California Statewide Groundwater Elevation Monitoring Program, which provides essential data to characterize the state's groundwater basins, including identifying basins in decline. In coordination with federal, tribal, local and regional agencies, state agencies will conduct groundwater basin assessments and develop assessment reports.

- **Support Funding Partnerships for Storage Projects**

The administration will work with the Legislature to make funding available to share in the cost of storage projects if funding partners step forward. The state will facilitate among willing local partners and stakeholders the development of financeable, multi-benefit storage projects, including working with local partners to complete feasibility studies. For example, the Sites Project Joint Powers Agreement, formed by a group of local government entities in the Sacramento Valley, is a potential emerging partnership that can help federal and state government determine the viability of a proposed off stream storage project – Sites Reservoir.

- **Update Bulletin 118, California's Groundwater Plan**

The Department of Water Resources, in consultation with the U.S. Bureau of Reclamation, U.S. Geological Survey, the State Water Resources Control Board, and other agencies and stakeholders will update Bulletin 118 using field data, California Statewide Groundwater Elevation Monitoring, groundwater agency reports, satellite imagery, and other best available science, so that this information can be included in the next California Water Plan Update and be available for inclusion in future water management and land use plans. The Bulletin 118 update should include a systematic evaluation of major groundwater basins to determine sustainable yield and overdraft status; a projection of California's groundwater resources in 20 years if current groundwater management trends remain unchanged; anticipated impacts of climate change on surface water and groundwater resources; and recommendations for state, federal and local actions to improve groundwater management. In addition, the Bulletin 118 update should identify groundwater basins that are in a critical condition of overdraft.

- **Improve Sustainable Groundwater Management**

Groundwater is a critical buffer to the impacts of prolonged dry periods and climate change on our water system. The administration will work with the Legislature to ensure that local and regional agencies have the incentives, tools, authority and guidance to develop and enforce local and regional management plans that protect groundwater elevations, quality, and surface water-groundwater interactions. The administration will take steps, including sponsoring legislation, if necessary, to define local and regional responsibilities and to give local and regional agencies the authority to manage groundwater sustainably and ensure no groundwater basin is in danger of being permanently damaged by over drafting. When a basin is at risk of permanent damage, and local and regional entities have not made sufficient progress to correct the problem, the state should protect the basin and its users until an adequate local program is in place.

- **Support Distributed Groundwater Storage**

The administration will support a comprehensive approach to local and regional groundwater management by funding distributed groundwater storage projects that are identified in groundwater management plans and removing barriers to implementation.

- **Increase Statewide Groundwater Recharge**

The administration will work with the Legislature to discourage actions that cause groundwater basin overdraft and provide incentives that increase recharge. State agencies will work with tribes and federal, regional and local agencies on other actions related to promoting groundwater recharge and increasing storage, including improving interagency coordination, aligning land use planning with groundwater recharge, and identifying additional data and studies needed to evaluate opportunities, such as capturing and recharging stormwater flows and other water not used by other users or the environment.

- **Accelerate Clean-up of Contaminated Groundwater and Prevent Future Contamination**

Throughout the state, groundwater basins are contaminated by historic manufacturing, farming practices and other current uses. The State Water Resources Control Board and the Department of Toxic Substances Control will develop recommendations and take action to prevent the spread of contamination, accelerate cleanup, and protect drinking water in urban areas. The State Water Resources Control Board will continue to implement appropriate control measures to address these sources through its water quality permitting authority.

7. PROVIDE SAFE WATER FOR ALL COMMUNITIES

All Californians have a right to safe, clean, affordable and accessible water adequate for human consumption, cooking, and sanitary purposes. Disadvantaged communities, in particular, often struggle to provide an adequate supply of safe, affordable drinking water. The reasons for this are numerous: changes in drinking water quality standards, pollution, aging infrastructure, lack of funding for basic infrastructure, lack of funding for ongoing operation and maintenance, and unreliable supplies resulting in service interruptions are among the most common. Programs designed to protect the quality of our waters for drinking and other uses are housed in multiple agencies, reducing their effectiveness and ability to meet communities' needs.

- **Consolidate Water Quality Programs**

The administration is pursuing consolidation of the drinking water and surface and groundwater quality programs into a single agency to achieve broader program efficiencies and synergies that will best position the state to respond to existing and future challenges. This initiative will also better restore and protect water quality and public health for disadvantaged communities.

- **Provide Funding Assistance for Vulnerable Communities**

The administration will work with the Legislature to establish a stable, long-term funding source for provision of safe drinking water and secure wastewater systems for disadvantaged communities. The funding will be made available through a framework of statutory authorities for the state, tribes, regional organizations, and county agencies that will assess alternatives for providing safe drinking water and wastewater, including regional consolidation, and to develop, design, implement, operate and manage these systems for small disadvantaged communities impacted by contaminated drinking water and lack of sanitary wastewater infrastructure.

- **Manage the Supply Status of Community Water Systems**

The state will identify drought-vulnerable public water systems and monitor the status of these systems to help prevent or mitigate any anticipated shortfalls in supply and to secure alternative sources of water for the communities when needed. The state will also work with local governments and agencies to identify drought-vulnerable areas served by domestic wells and collaborate to prevent or mitigate any anticipated shortfalls.

8. INCREASE FLOOD PROTECTION

California's exposure to flood risk presents an unacceptable threat to public safety, infrastructure, and our economy. More than 7 million people and \$580 billion in assets are exposed to flood hazards in the state and the lack of sufficient and stable funding for flood management exacerbates the state's risk.

When California floods, public safety and health is endangered, critical infrastructure is damaged, vital services become isolated or interrupted, vast agricultural areas are rendered unproductive, and water supplies are threatened or impacted. The effects of climate change on the state's water runoff patterns will magnify these challenges. Actions by state, local, tribal and regional governments, however, can reduce flood risks and improve the state's preparedness and resiliency when flooding inevitably occurs. Flood projects done in an integrated, regionally-driven way can also achieve multiple benefits. It is possible through collaborative planning efforts to integrate our flood and water management systems, and implement flood projects that protect public safety, increase water supply reliability, conserve farmlands, and restore ecosystems.

- **Streamline and Consolidate Permitting**
 The administration will convene a task force of federal, state and local permitting and flood management agencies, to develop a programmatic regulatory permitting process to replace current site-by-site mitigation requirements and expedite permitting of critical maintenance activities and flood system improvement projects. The effort to streamline and consolidate will also incorporate regional advanced mitigation as a means to expedite planning.
- **Create a Delta Levee Assessment District**
 The administration will sponsor legislation establishing a Sacramento-San Joaquin River Delta levee assessment district with authority to collect fees needed to repair and maintain more than 1,000 miles of Delta levees, many of them privately constructed before modern engineering standards were in place.
- **Improve Access to Emergency Funds**
 The administration, in consultation with the Delta Protection Commission and the Department of Water Resources, will sponsor legislation revising the California Disaster Assistance Act to enhance the Governor's Office of Emergency Services' ability to advance funds for flood response efforts in close coordination with the Department of Water Resources.
- **Better Coordinate Flood Response Operations**
 The Governor's Office of Emergency Services, working in coordination with the Department of Water Resources, the U.S. Army Corp of Engineers, and others, will develop and implement a common interagency protocol that all jurisdictions and agencies at all levels of government operating in the Delta in an emergency will use to establish joint field incident commands for flood operations and other emergency response functions.
- **Prioritize Funding to Reduce Flood Risk and Improve Flood Response**
 An estimated \$50 billion is needed to reduce flood risk statewide. The administration will focus on the highest risk areas and develop proposals to fund projects through a combination of financing options.
- **Identify State Funding Priorities for Delta Levees**
 The Delta Stewardship Council, in consultation with the Department of Water Resources, the Central Valley Flood Protection Board, the Delta Protection Commission, local agencies, and the California Water Commission, should develop funding priorities for state investments in Delta levees. These priorities will be consistent with the provisions of the Delta Reform Act in promoting effective, prioritized strategic state investments in levee operations, maintenance, and improvements in the Delta for both levees that are a part of the State Plan of Flood Control and non-project levees.
- **Encourage Flood Projects That Plan for Climate Change and Achieve Multiple Benefits**
 State agencies engaged in planning and implementing flood projects, such as those outlined in the Central Valley Flood Protection Plan, will factor in the effects of climate change as well as pursue projects that provide the greatest number of benefits in addition to flood and public safety. Projects should be developed in a manner that anticipates the extremes that are predicted to worsen due to climate change, and pursue multiple benefits as a climate adaptation strategy like increasing water supply reliability, giving rivers more room to move through widening floodways, conserving farmlands, and restoring ecosystems.

9. INCREASE OPERATIONAL AND REGULATORY EFFICIENCY

Efficiently operating the State Water Project and Central Valley Project, while complying with the requirements of state and federal endangered species acts and operating consistent with the conditions of water rights, contracts and other entitlements, is a delicate balancing act. Current coordination efforts, while longstanding and intended to cover a broad range of conditions, do not reflect the entire Delta watershed, nor do they effectively integrate all of the activities that other agencies and organizations are undertaking to improve the ecosystem.

- **Prepare for 2014 and Beyond Through Better Technology and Improved Procedures**

The administration will work with federal and regional counterparts to improve coordination of operations of all major water supply (storage facilities and direct diversions), flood control, hatchery facilities, and habitat restoration projects to improve water supply and fishery conditions. The goals are to improve water project near-term operational flexibility for water year 2014 and build upon those actions in subsequent years. Better technology can result in improved coordination and more accurate data for decision making. Examples of better technology and improved coordination include but are not limited to the following:

- Improve data availability, communication procedures, and analytical methods used to monitor and communicate risks to listed fish species and to water supplies when making regulatory decisions associated with implementation of incidental take provisions in the existing biological opinions.
- Develop a pilot project to test if a new index for Old River and Middle River reverse flows enables compliance with biological opinion requirements.
- Develop and employ new turbidity models to improve real-time turbidity management in the south Delta.
- Analyze through the South Delta Science Collaborative associated operational approaches for minimizing loss of salmon in the area of the Old River barrier and effects of the operations on water supply.
- Develop a Delta smelt life cycle model to help manage operations to avoid entrainment of smelt at the water project's intakes.
- Implement a 3.5-year study to enhance and modernize Delta smelt monitoring (fish abundance and geographic distribution in the Delta), to improve the ability to protect fish populations while minimizing the impacts of fish protective measures on water project operations.
- Work with federal agencies to improve coordination of hatchery fish releases with hydrologic conditions and water project operations to improve fish survival.
- Improve state and federal interagency coordination and water contractor coordination on real-time forecasting and management associated with meeting water quality control objectives, to optimize project operations and avoid redirected fishery impacts.
- Fund and revive the National Hydrological Dataset for California to improve high-quality framework geospatial data and the precision and accuracy of mapping and scientific studies.

- **Improve and Clarify Coordination of State Bay Delta Actions**

The problems affecting the Delta need to be addressed on multiple fronts, including habitat loss, export conveyance, water projects operations, pollution control, and flows. The principal state entities charged with addressing these issues are the Delta Stewardship Council, Department of Water Resources, Department of Fish and Wildlife, and the State Water Resources Control Board. Several federal agencies exercise regulatory authority related to these issues. There are also multiple water districts, private parties, nongovernmental organizations and tribal communities with a profound stake in these issues.

A coordinated approach to managing the Delta is essential to serve the needs of California's residents. State agencies will commit to using collaborative processes to achieve water supply, water quality and ecosystem goals. This approach embraces enhanced sharing of data, consistent use of peer-reviewed science, coordinated review under the California Environmental Quality Act, improved integration of related processes, and encouragement of negotiated resolutions.

- The Delta Stewardship Council, Department of Water Resources, Department of Fish and Wildlife, and the State Water Resources Control Board will ensure all relevant information is shared and will assist each other, as appropriate, to complete respective efforts to improve Delta conditions.
- State entities will encourage negotiated agreements among interested parties to implement flow and non-flow actions to meet regulatory standards and support all beneficial uses of water. State staff will participate in these processes to the maximum extent possible when requested.
- The Delta Stewardship Council's Implementation Committee, which includes leaders from all the affected state entities, will meet regularly to review progress in coordination.
- The administration will direct relevant agencies and departments to work with the Delta Science Program, the Interagency Ecological Program, and others conducting science in the Delta to implement the Delta Science Plan, committing resources and funding for shared science to achieve integrated, collaborative and transparent science to enhance water and natural resource policy and management decisions.

10. IDENTIFY SUSTAINABLE AND INTEGRATED FINANCING OPPORTUNITIES

California has a long history of making sound financial investments in water resources. However, our current investments are not keeping pace with the need. Our infrastructure is aging, levees are in need of repair, communities are without safe water, and our environment, farms and economy are suffering from unreliable and degraded water supplies. The effects of climate change will only accelerate the challenges facing our water resources and infrastructure. This plan includes actions that will require multiple funding sources. We have access to a variety of funding sources including federal grants and loans, general obligation bonds, revenue bonds, rate payer dollars, local initiatives, user fees, beneficiary fees, local and statewide taxes, private investment, public-private partnerships, and more. A better understanding of the variety and types of funds and financing available for water investment will help us to make the best, most efficient and sustainable uses of the funding available.

- **Remove Barriers to Local and Regional Funding for Water Projects**

The administration will work to clarify the 1996 Right to Vote on Taxes Act's (Proposition 218) applicability to water related fees and taxes, including sponsoring legislation if necessary.

- **Develop Water Financing Strategy**

The administration will develop a water financing strategy that leverages various sources of water-related project funding and proposes options for eliminating funding barriers, including barriers to co-funding multi-benefit projects. The strategy will identify all potential funding sources for water-related projects including cap and trade auction revenue under AB 32, energy efficiency funds, user and beneficiary fees, polluter fees, local measures, and other sources and will establish principles to guide the use of these funding sources. The strategy will consider measures for energy efficiency and renewable energy to achieve greenhouse gas reductions that would be a co-benefit of water infrastructure investments.

- **Analyze User and Polluter Fees**

The administration will direct agencies to identify areas where user and/or polluter fees may be appropriate. The agencies will assess the following: areas where users may not be fully funding the costs or impacts associated with their use, instances where polluters are not able to diminish their pollution and have not adequately accounted for the impacts of that pollution, and opportunities to use fees to incentivize positive behavior. The agencies will provide recommendations on fees, who would pay them, how they would be collected, and how they would be used.

Conclusion

All Californians have a stake in our water future. These actions set us on a path toward reliability, restoration, and resilience in California water. We must adapt to this “new normal” and recapture California’s resource management leadership and our economic and environmental resilience and reliability. There are no silver bullets or single projects that will “fix the problem.” We must have a portfolio of actions to comprehensively address the challenges this state faces. Some actions must be taken immediately to address current risks such as the looming drought and inadequate safe drinking water. Additionally, over the next five years, we must address fundamental changes in our approach to water resource management and be prepared for the changes the future holds.

EXHIBIT "E"

A PROCLAMATION OF A STATE OF EMERGENCY

WHEREAS the State of California is experiencing record dry conditions, with 2014 projected to become the driest year on record; and

WHEREAS the state's water supplies have dipped to alarming levels, indicated by: snowpack in California's mountains is approximately 20 percent of the normal average for this date; California's largest water reservoirs have very low water levels for this time of year; California's major river systems, including the Sacramento and San Joaquin rivers, have significantly reduced surface water flows; and groundwater levels throughout the state have dropped significantly; and

WHEREAS dry conditions and lack of precipitation present urgent problems: drinking water supplies are at risk in many California communities; fewer crops can be cultivated and farmers' long-term investments are put at risk; low-income communities heavily dependent on agricultural employment will suffer heightened unemployment and economic hardship; animals and plants that rely on California's rivers, including many species in danger of extinction, will be threatened; and the risk of wildfires across the state is greatly increased; and

WHEREAS extremely dry conditions have persisted since 2012 and may continue beyond this year and more regularly into the future, based on scientific projections regarding the impact of climate change on California's snowpack; and

WHEREAS the magnitude of the severe drought conditions presents threats beyond the control of the services, personnel, equipment and facilities of any single local government and require the combined forces of a mutual aid region or regions to combat; and

WHEREAS under the provisions of section 8558(b) of the California Government Code, I find that conditions of extreme peril to the safety of persons and property exist in California due to water shortage and drought conditions with which local authority is unable to cope.

NOW, THEREFORE, I, EDMUND G. BROWN JR., Governor of the State of California, in accordance with the authority vested in me by the state Constitution and statutes, including the California Emergency Services Act, and in particular, section 8625 of the California Government Code HEREBY PROCLAIM A STATE OF EMERGENCY to exist in the State of California due to current drought conditions.

IT IS HEREBY ORDERED THAT:

1.State agencies, led by the Department of Water Resources, will execute a statewide water conservation campaign to make all Californians aware of the drought and encourage personal actions to reduce water usage. This campaign will be built on the existing Save Our Water campaign (www.saveourh20.org) and will coordinate with local water agencies. This campaign will call on Californians to reduce their water usage by 20 percent.

2.Local urban water suppliers and municipalities are called upon to implement their local water

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shortage contingency plans immediately in order to avoid or forestall outright restrictions that could become necessary later in the drought season. Local water agencies should also update their legally required urban and agricultural water management plans, which help plan for extended drought conditions. The Department of Water Resources will make the status of these updates publicly available.

3.State agencies, led by the Department of General Services, will immediately implement water use reduction plans for all state facilities. These plans will include immediate water conservation actions, and a moratorium will be placed on new, non-essential landscaping projects at state facilities and on state highways and roads.

4.The Department of Water Resources and the State Water Resources Control Board (Water Board) will expedite the processing of water transfers, as called for in Executive Order B-21-13. Voluntary water transfers from one water right holder to another enables water to flow where it is needed most.

5.The Water Board will immediately consider petitions requesting consolidation of the places of use of the State Water Project and Federal Central Valley Project, which would streamline water transfers and exchanges between water users within the areas of these two major water projects.

6.The Department of Water Resources and the Water Board will accelerate funding for water supply enhancement projects that can break ground this year and will explore if any existing unspent funds can be repurposed to enable near-term water conservation projects.

7.The Water Board will put water right holders throughout the state on notice that they may be directed to cease or reduce water diversions based on water shortages.

8.The Water Board will consider modifying requirements for reservoir releases or diversion limitations, where existing requirements were established to implement a water quality control plan. These changes would enable water to be conserved upstream later in the year to protect cold water pools for salmon and steelhead, maintain water supply, and improve water quality.

9.The Department of Water Resources and the Water Board will take actions necessary to make water immediately available, and, for purposes of carrying out directives 5 and 8, Water Code section 13247 and Division 13 (commencing with section 21000) of the Public Resources Code and regulations adopted pursuant to that Division are suspended on the basis that strict compliance with them will prevent, hinder, or delay the mitigation of the effects of the emergency. Department of Water Resources and the Water Board shall maintain on their websites a list of the activities or approvals for which these provisions are suspended.

10. The state's Drinking Water Program will work with local agencies to identify communities that may run out of drinking water, and will provide technical and financial assistance to help these communities address drinking water shortages. It will also identify emergency interconnections that exist among the state's public water systems that can help these threatened communities.

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11. The Department of Water Resources will evaluate changing groundwater levels, land subsidence, and agricultural land fallowing as the drought persists and will provide a public update by April 30 that identifies groundwater basins with water shortages and details gaps in groundwater monitoring.

12. The Department of Water Resources will work with counties to help ensure that well drillers submit required groundwater well logs for newly constructed and deepened wells in a timely manner and the Office of Emergency Services will work with local authorities to enable early notice of areas experiencing problems with residential groundwater sources.

13. The California Department of Food and Agriculture will launch a one-stop website (www.cdffa.ca.gov/drought) that provides timely updates on the drought and connects farmers to state and federal programs that they can access during the drought.

14. The Department of Fish and Wildlife will evaluate and manage the changing impacts of drought on threatened and endangered species and species of special concern, and develop contingency plans for state Wildlife Areas and Ecological Reserves to manage reduced water resources in the public interest.

15. The Department of Fish and Wildlife will work with the Fish and Game Commission, using the best available science, to determine whether restricting fishing in certain areas will become necessary and prudent as drought conditions persist.

16. The Department of Water Resources will take necessary actions to protect water quality and water supply in the Delta, including installation of temporary barriers or temporary water supply connections as needed, and will coordinate with the Department of Fish and Wildlife to minimize impacts to affected aquatic species.

17. The Department of Water Resources will refine its seasonal climate forecasting and drought prediction by advancing new methodologies piloted in 2013.

18. The California Department of Forestry and Fire Protection will hire additional seasonal firefighters to suppress wildfires and take other needed actions to protect public safety during this time of elevated fire risk.

19. The state's Drought Task Force will immediately develop a plan that can be executed as needed to provide emergency food supplies, financial assistance, and unemployment services in communities that suffer high levels of unemployment from the drought.

20. The Drought Task Force will monitor drought impacts on a daily basis and will advise me of subsequent actions that should be taken if drought conditions worsen.

I FURTHER DIRECT that as soon as hereafter possible, this Proclamation be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Proclamation.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of

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California to be affixed this 17th day of January, 2014.

EDMUND G. BROWN JR.,
Governor of California

ATTEST:

DEBRA BOWEN,
Secretary of State

EXHIBIT "F"

SENATE BILL

No. 927

Introduced by Senators Cannella and Vidak

January 29, 2014

An act to amend Sections 79700, 79702, 79716, 79720, 79720.1, 79720.4, 79721, 79722, 79732, 79744, 79745, 79747, 79749.5, 79770, and 79810 of, to amend the heading of Division 26.7 (commencing with Section 79700) of, to repeal Sections 79720.6 and 79824 of, and to repeal Chapter 9 (commencing with 79750) of Division 26.7 of, the Water Code, relating to the Safe, Clean, and Reliable Drinking Water Supply Act of 2014, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 927, as introduced, Cannella. Safe, Clean, and Reliable Drinking Water Supply Act of 2014.

Existing law creates the Safe, Clean, and Reliable Drinking Water Supply Act of 2012, which, if approved by the voters, would authorize the issuance of bonds in the amount of \$11,140,000,000 pursuant to the State General Obligation Bond Law to finance a safe drinking water and water supply reliability program. The bond act, among other things, makes specified amounts available for projects relating to drought relief, water supply reliability, ecosystem and watershed protection and restoration, and emergency and urgent actions that ensure safe drinking water supplies are available in disadvantaged communities and economically distressed areas. Existing law provides for the submission of the bond act to the voters at the November 4, 2014, statewide general election.

This bill would rename the bond act as the Safe, Clean, and Reliable Drinking Water Supply Act of 2014 and make conforming changes. The bill would instead authorize the issuance of bonds in the amount

of \$9,217,000,000 by reducing the amount available for projects related to drought relief and water supply reliability, as specified. The bill would remove the authorization for funds to be available for ecosystem and watershed protection and restoration projects, and would increase the amount of funds available for emergency and urgent actions to ensure safe drinking water supplies in disadvantaged communities and economically distressed areas.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The heading of Division 26.7 (commencing with
 2 Section 79700) of the Water Code, as amended by Section 1 of
 3 Chapter 126 of the Statutes of 2010, is amended to read:

4
 5 DIVISION 26.7. THE SAFE, CLEAN, AND RELIABLE
 6 DRINKING WATER SUPPLY ACT OF ~~2012~~ 2014

7
 8 SEC. 2. Section 79700 of the Water Code, as amended by
 9 Section 2 of Chapter 126 of the Statutes of 2010, is amended to
 10 read:

11 79700. This division shall be known, and may be cited, as the
 12 Safe, Clean, and Reliable Drinking Water Supply Act of ~~2012~~
 13 2014.

14 SEC. 3. Section 79702 of the Water Code, as amended by
 15 Section 3 of Chapter 126 of the Statutes of 2010, is amended to
 16 read:

17 79702. Unless the context otherwise requires, the definitions
 18 set forth in this section govern the construction of this division, as
 19 follows:

20 (a) "Bay Delta Conservation Plan" means the final plan prepared
 21 pursuant to the planning agreement regarding the Bay Delta
 22 Conservation Plan, dated October 6, 2006.

23 (b) "Bay-Delta Estuary" means the Delta, Suisun Bay, and
 24 Suisun Marsh.

25 (c) "CALFED Bay-Delta Program" means the program
 26 described in the Record of Decision dated August 28, 2000.

- 1 (d) "Commission" means the California Water Commission.
2 (e) "Committee" means the Safe, Clean, and Reliable Drinking
3 Water Supply Finance Committee created by Section 79812.
4 (f) "Delta" means the Sacramento-San Joaquin Delta, as defined
5 in Section 12220.
6 (g) "Delta conveyance facilities" means facilities that convey
7 water directly from the Sacramento River to the State Water Project
8 or the federal Central Valley Project pumping facilities in the south
9 Delta.
10 (h) "Delta counties" means the Counties of Solano, Yolo,
11 Sacramento, Contra Costa, and San Joaquin.
12 (i) "Delta Plan" has the meaning set forth in Section 85059.
13 (j) "Department" means the Department of Water Resources.
14 (k) "Director" means the Director of Water Resources.
15 (l) "Disadvantaged community" has the meaning set forth in
16 subdivision (a) of Section 79505.5.
17 (m) "Economically distressed area" means a municipality with
18 a population of 20,000 persons or less, a rural county, or a
19 reasonably isolated and divisible segment of a larger municipality
20 where the segment of the population is 20,000 persons or less,
21 with an annual median household income that is less than 85
22 percent of the statewide median household income, and with one
23 or more of the following conditions as determined by the
24 department:
25 (1) Financial hardship.
26 (2) Unemployment rate at least 2 percent higher than the
27 statewide average.
28 (3) Low population density.
29 (n) "Fund" means the Safe, Clean, and Reliable Drinking Water
30 Supply Fund of ~~2012~~ 2014 created by Section 79716.
31 (o) "Integrated regional water management plan" has the
32 meaning set forth in Section 10534.
33 (p) "Nonprofit organization" means an organization qualified
34 to do business in California and qualified under Section 501(c)(3)
35 of Title 26 of the United States Code.
36 (q) "Public agency" means a state agency or department, district,
37 joint powers authority, city, county, city and county, or other
38 political subdivision of the state.
39 (r) "Secretary" means the Secretary of the Natural Resources
40 Agency.

1 (s) "State General Obligation Bond Law" means the State
2 General Obligation Bond Law (Chapter 4 (commencing with
3 Section 16720) of Part 3 of Division 4 of Title 2 of the Government
4 Code).

5 SEC. 4. Section 79716 of the Water Code, as amended by
6 Section 4 of Chapter 126 of the Statutes of 2010, is amended to
7 read:

8 79716. The proceeds of bonds issued and sold pursuant to this
9 division shall be deposited in the Safe, Clean, and Reliable
10 Drinking Water Supply Fund of ~~2012~~ 2014, which is hereby created
11 in the State Treasury.

12 SEC. 5. Section 79720 of the Water Code, as added by Section
13 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes
14 of 2009, is amended to read:

15 79720. The sum of ~~four hundred fifty-five million dollars~~
16 ~~(\$455,000,000)~~ *three hundred twenty-seven million dollars*
17 ~~(\$327,000,000)~~ shall be available, upon appropriation by the
18 Legislature from the fund, for the purposes of this chapter.

19 SEC. 6. Section 79720.1 of the Water Code, as added by
20 Section 1 of Chapter 3 of the Seventh Extraordinary Session of
21 the Statutes of 2009, is amended to read:

22 79720.1. (a) From the funds described in Section 79720, ~~one~~
23 ~~hundred ninety million dollars~~ ~~(\$190,000,000)~~ *ninety million*
24 *dollars* ~~(\$90,000,000)~~ shall be available, upon appropriation by
25 the Legislature from the fund, for the planning, design, and
26 construction of local and regional drought relief projects that reduce
27 the impacts of drought conditions, including, but not limited to,
28 the impacts of reductions in Delta diversions. Eligible projects
29 include all of the following:

30 (1) Water conservation and efficiency projects, including
31 installation of the most water efficient fixtures commercially
32 available.

33 (2) Water recycling and related infrastructure.

34 (3) Groundwater cleanup.

35 (4) Local and regional conveyance projects that improve water
36 supplies and public benefits associated with conveyance facilities.

37 (5) Other local and regional water supply reliability projects.

38 (6) Local and regional surface water storage projects that provide
39 emergency water supplies and water supply reliability in drought
40 conditions.

1 (b) Projects funded pursuant to this section shall meet both of
2 the following requirements:

3 (1) The project will provide a sustainable water supply that does
4 not contribute to groundwater overdraft or increase surface water
5 diversions.

6 (2) The project is capable of being operational within two years
7 of receiving the grant.

8 (c) Preference shall be given to applicants that can demonstrate
9 substantial past and current investments in conservation and local
10 water projects.

11 (d) Not more than 10 percent of the funds provided pursuant to
12 this section shall be available for planning, investigations, studies,
13 and monitoring.

14 (e) The department shall require a cost share of not less than 50
15 percent of total project costs from nonstate sources. The department
16 may waive or reduce the cost-sharing requirement for projects that
17 directly benefit disadvantaged communities or economically
18 distressed areas.

19 ~~(f) From the funds described in this section, the sum of one~~
20 ~~hundred million dollars (\$100,000,000) shall be made available~~
21 ~~for local and regional water projects, including surface storage~~
22 ~~projects, that provide emergency water supplies and water supply~~
23 ~~reliability in drought conditions in San Diego County.~~

24 SEC. 7. Section 79720.4 of the Water Code, as added by
25 Section 1 of Chapter 3 of the Seventh Extraordinary Session of
26 the Statutes of 2009, is amended to read:

27 79720.4. ~~(a) From the funds described in Section 79720, eighty~~
28 ~~million dollars (\$80,000,000) seventy-two million dollars~~
29 ~~(\$72,000,000) shall be available for deposit into the Safe Drinking~~
30 ~~Water State Revolving Fund created pursuant to Section 116760.30~~
31 ~~of the Health and Safety Code.~~

32 ~~(b) From the funds described in this section, up to eight million~~
33 ~~dollars (\$8,000,000) shall be made available for grants for projects~~
34 ~~within the City of Maywood that design and implement water~~
35 ~~supply infrastructure upgrades that provide for safe drinking water.~~

36 SEC. 8. Section 79720.6 of the Water Code, as added by
37 Section 1 of Chapter 3 of the Seventh Extraordinary Session of
38 the Statutes of 2009, is repealed.

1 ~~79720.6. From the funds described in Section 79720, the sum~~
2 ~~of twenty million dollars (\$20,000,000) shall be available for water~~
3 ~~quality and public health projects on the New River.~~

4 SEC. 9. Section 79721 of the Water Code, as added by Section
5 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes
6 of 2009, is amended to read:

7 ~~79721. The sum of one billion fifty million dollars~~
8 ~~(\$1,050,000,000) *one billion forty million dollars (\$1,040,000,000)*~~
9 shall be available, upon appropriation by the Legislature, from the
10 fund to the department for competitive grants and expenditures in
11 accordance with Section 79722.

12 SEC. 10. Section 79722 of the Water Code, as added by Section
13 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes
14 of 2009, is amended to read:

15 79722. (a) Except as provided in subdivision (f), the
16 department shall award grants to eligible projects that implement
17 an adopted integrated regional water management plan.

18 (b) An urban water supplier that does not prepare, adopt, and
19 submit its urban water management plan in accordance with the
20 Urban Water Management Planning Act (Part 2.6 (commencing
21 with Section 10610) of Division 6) is ineligible to receive funds
22 made available pursuant to Section 79721 until the urban water
23 management plan is prepared and submitted in accordance with
24 the requirements of that act.

25 (c) For the purposes of awarding a grant under this chapter, the
26 department shall require a local cost share of not less than 50
27 percent of the total costs of the project. The department may waive
28 or reduce the cost-sharing requirement for projects that directly
29 benefit a disadvantaged community or an economically distressed
30 area.

31 (d) Eligible projects are those included in adopted integrated
32 regional water management plans consistent with Part 2.2
33 (commencing with Section 10530) of Division 6, including, but
34 not limited to, local and regional surface water storage projects.

35 (e) The funding provided in Section 79721 shall be allocated
36 to each hydrologic region as identified in the California Water
37 Plan in accordance with this subdivision. For the South Coast
38 hydrologic region, the department shall establish three funding
39 areas that reflect the watersheds of San Diego County (designated
40 as the San Diego subregion), the Santa Ana River watershed and

1 southern Orange County (designated as the Santa Ana subregion),
2 and the Los Angeles and Ventura County watersheds (designated
3 as the Los Angeles subregion), and shall allocate funds to those
4 areas in accordance with this subdivision. The North and South
5 Lahontan hydrologic regions shall be treated as one area for the
6 purpose of allocating funds. For purposes of this subdivision, the
7 Sacramento River hydrologic region does not include the Delta.
8 For purposes of this subdivision, the Mountain Counties Overlay
9 is not eligible for funds from the Sacramento River hydrologic
10 region or the San Joaquin River hydrologic region. The department
11 may recognize multiple integrated regional water management
12 plans in each of the areas allocated funding. Funds made available
13 by this chapter shall be allocated as follows:

- 14 (1) North Coast: \$45,000,000.
 - 15 (2) San Francisco Bay: \$132,000,000.
 - 16 (3) Central Coast: \$58,000,000.
 - 17 (4) Los Angeles subregion: \$198,000,000.
 - 18 (5) Santa Ana subregion: \$128,000,000.
 - 19 (6) San Diego subregion: \$87,000,000.
 - 20 (7) Sacramento River: \$76,000,000.
 - 21 (8) San Joaquin River: \$64,000,000.
 - 22 (9) Tulare/Kern: \$70,000,000.
 - 23 (10) North/South Lahontan: \$51,000,000.
 - 24 (11) Colorado River Basin: \$47,000,000.
 - 25 (12) Mountain Counties Overlay: \$44,000,000.
 - 26 (13) Interregional: ~~\$50,000,000~~ \$40,000,000.
- 27 (f) Interregional funds may be expended directly or granted by
28 the department to address multiregional needs or state priorities,
29 including, but not limited to, any of the following:
- 30 (1) Investing in new water technology development and
31 deployment.
 - 32 (2) Meeting state water recycling and water conservation goals.
 - 33 (3) Adapting to climate change impacts.
 - 34 (4) Reducing contributions to climate change.
 - 35 (5) Other projects to improve statewide water management
36 systems.
 - 37 (6) Other projects and activities designed to meet the needs of
38 disadvantaged communities or economically distressed areas
39 including technical and grant writing assistance.

1 ~~(g) Ten million dollars of the interregional funds shall be~~
2 ~~available for a grant to the University of California, Sierra Nevada~~
3 ~~Research Institute of the University of California, for the~~
4 ~~development and deployment of measurement infrastructure and~~
5 ~~related information technology to identify and analyze water supply~~
6 ~~impacts of climate change on the Sierra Nevada snow pack and~~
7 ~~runoff.~~

8 SEC. 11. Section 79732 of the Water Code, as added by Section
9 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes
10 of 2009, is amended to read:

11 79732. (a) A project that receives funding pursuant to
12 subdivision (a) of Section 79731 shall only be eligible for funding
13 pursuant to other provisions of this division to the extent that the
14 combined state funding pursuant to this division does not exceed
15 50 percent of the total project costs.

16 (b) The department shall determine what ~~constitutes~~ *constitutes*
17 a project for the purposes of subdivision (a).

18 SEC. 12. Section 79744 of the Water Code, as added by Section
19 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes
20 of 2009, is amended to read:

21 79744. In consultation with the Department of Fish and ~~Game~~
22 *Wildlife*, the State Water Resources Control Board, and the
23 department, the commission shall develop and adopt, by regulation,
24 methods for quantification and management of public benefits
25 described in Section 79743 by December 15, ~~2012~~ *2014*. The
26 regulations shall include the priorities and relative environmental
27 value of ecosystem benefits as provided by the Department of Fish
28 and ~~Game~~ *Wildlife* and the priorities and relative environmental
29 value of water quality benefits as provided by the State Water
30 Resources Control Board.

31 SEC. 13. Section 79745 of the Water Code, as added by Section
32 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes
33 of 2009, is amended to read:

34 79745. (a) Except as provided in subdivision (c), ~~no~~ funds
35 allocated pursuant to this chapter ~~may~~ *shall not* be allocated for a
36 project before December 15, ~~2012~~, *2015*, and until the commission
37 approves the project based on the commission's determination that
38 all of the following have occurred:

1 (1) The commission has adopted the regulations specified in
2 Section 79744 and specifically quantified and made public the cost
3 of the public benefits associated with the project.

4 (2) The department has entered into a contract with each party
5 that will derive benefits, other than public benefits, as defined in
6 Section 79743, from the project that ensures the party will pay its
7 share of the total costs of the project. The benefits available to a
8 party shall be consistent with that party's share of total project
9 costs.

10 (3) The department has entered into a contract with each public
11 agency identified in Section 79744 that administers the public
12 benefits, after that agency makes a finding that the public benefits
13 of the project for which that agency is responsible meet all the
14 requirements of this chapter, to ensure that the public contribution
15 of funds pursuant to this chapter achieves the public benefits
16 identified for the project.

17 (4) The commission has held a public hearing for the purposes
18 of providing an opportunity for the public to review and comment
19 on the information required to be prepared pursuant to this
20 subdivision.

21 (5) All of the following additional conditions are met:

22 (A) Feasibility studies have been completed.

23 (B) The commission has found and determined that the project
24 is feasible, is consistent with all applicable laws and regulations,
25 and will advance the long-term objectives of restoring ecological
26 health and improving water management for beneficial uses of the
27 Delta.

28 (C) All environmental documentation associated with the project
29 has been completed, and all other federal, state, and local approvals,
30 certifications, and agreements required to be completed have been
31 obtained.

32 (b) The commission shall submit to the Legislature its findings
33 for each of the criteria identified in subdivision (a) for a project
34 funded pursuant to this chapter.

35 (c) Notwithstanding subdivision (a), funds may be made
36 available under this chapter for the completion of environmental
37 documentation and permitting of a project.

38 SEC. 14. Section 79747 of the Water Code, as added by Section
39 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes
40 of 2009, is amended to read:

1 79747. (a) A project is not eligible for funding under this
2 chapter unless, by January 1, ~~2018~~, 2020, all of the following
3 conditions are met:

4 (1) All feasibility studies are complete and draft environmental
5 documentation is available for public review.

6 (2) The commission makes a finding that the project is feasible,
7 and will advance the long-term objectives of restoring ecological
8 health and improving water management for beneficial uses of the
9 Delta.

10 (3) The director receives commitments for not less than 75
11 percent of the nonpublic benefit cost share of the project.

12 (b) If compliance with subdivision (a) is delayed by litigation
13 or failure to promulgate regulations, the date in subdivision (a)
14 shall be extended by the commission for a time period that is equal
15 to the time period of the delay, and funding under this chapter that
16 has been dedicated to the project shall be encumbered until the
17 time at which the litigation is completed or the regulations have
18 been promulgated.

19 SEC. 15. Section 79749.5 of the Water Code, as amended by
20 Section 6 of Chapter 126 of the Statutes of 2010, is amended to
21 read:

22 79749.5. (a) In approving the Safe, Clean, and Reliable
23 Drinking Water Supply Act of ~~2012~~ 2014, the people were
24 informed and hereby declare that the provisions of this chapter are
25 necessary, integral, and essential to meeting the single object or
26 work of the Safe, Clean, and Reliable Drinking Water Supply Act
27 of ~~2012~~ 2014. As such, any amendment of the provisions of this
28 chapter by the Legislature without voter approval would frustrate
29 the scheme and design that induced voter approval of this act. The
30 people therefore find and declare that any amendment of the
31 provisions of this chapter by the Legislature shall require a vote
32 of two-thirds of the membership in each house of the Legislature
33 and voter approval.

34 (b) This section shall not govern or be used as authority for
35 determining whether the amendment of any other provision of this
36 act not contained in this chapter would constitute a substantial
37 change in the scheme and design of this act requiring voter
38 approval.

39 SEC. 16. Chapter 9 (commencing with Section 79750) of
40 Division 26.7 of the Water Code, as added by Section 1 of Chapter

1 3 of the Seventh Extraordinary Session of the Statutes of 2009, is
2 repealed.

3 SEC. 17. Section 79770 of the Water Code, as amended by
4 Section 1 of Chapter 226 of the Statutes of 2010, is amended to
5 read:

6 79770. (a) The sum of one billion dollars (\$1,000,000,000)
7 shall be available, upon appropriation by the Legislature from the
8 fund, for expenditures, grants, and loans for projects to prevent or
9 reduce the contamination of groundwater that serves as a source
10 of drinking water. Projects shall be consistent with an adopted
11 integrated regional water management plan. Funds appropriated
12 pursuant to this section shall be available to the State Department
13 of Public Health for projects necessary to protect public health by
14 preventing or reducing the contamination of groundwater that
15 serves as a major source of drinking water for a community.

16 (b) Projects shall be prioritized based upon the following criteria:

17 (1) The threat posed by groundwater contamination to the
18 affected community's overall drinking water supplies, including
19 the need for treatment of alternative supplies if groundwater is not
20 available due to contamination.

21 (2) The potential for groundwater contamination to spread and
22 reduce drinking water supply and water storage for nearby
23 population areas.

24 (3) The potential of the project, if fully implemented, to enhance
25 local water supply reliability.

26 (4) The potential of the project to increase opportunities for
27 groundwater recharge and optimization of groundwater supplies.

28 (c) The State Department of Public Health shall give additional
29 consideration to projects that meet any of the following criteria:

30 (1) The project is implemented pursuant to a comprehensive
31 basinwide groundwater quality management and remediation plan
32 or is necessary to develop a comprehensive groundwater plan.

33 (2) Affected groundwater provides a local supply that, if
34 contaminated and not remediated, will require import of additional
35 water from outside the region.

36 (3) The project will serve an economically disadvantaged
37 community or an economically distressed area.

38 (4) The project addresses contamination at a site where the
39 responsible parties have not been identified or where the
40 responsible parties are unwilling or unable to pay for cleanup.

1 (d) Of the amount made available by this section, not less than
2 one hundred million dollars (\$100,000,000) shall be available for
3 costs associated with projects, programs, or activities that meet
4 the requirements of this section and both of the following criteria:

5 (1) The costs are part of a basinwide management and
6 remediation plan for which federal funds have been allocated.

7 (2) The costs address contamination at a site on the list
8 maintained by the Department of Toxic Substances Control
9 pursuant to Section 25356 of the Health and Safety Code or a site
10 listed on the National Priorities List pursuant to the Comprehensive
11 Environmental Response, Compensation, and Liability Act of 1980
12 (42 U.S.C. Sec. 9601 et seq.).

13 (e) Of the amount made available by this section, ~~one hundred~~
14 ~~million dollars (\$100,000,000)~~ *four hundred million dollars*
15 *(\$400,000,000)* shall be available to the State Department of Public
16 ~~Health~~ *Health, or a successor agency*, for grants and direct
17 expenditures to finance emergency and urgent actions in
18 accordance with this section on behalf of disadvantaged
19 communities and economically distressed areas to ensure that safe
20 drinking water supplies are available to all Californians.

21 (f) The Legislature, by statute, shall establish both of the
22 following:

23 (1) Requirements for repayment of grant funds in the event of
24 cost recovery from parties responsible for the groundwater
25 contamination.

26 (2) Requirements for recipients of grants to make reasonable
27 efforts to recover costs from parties responsible for groundwater
28 contamination.

29 SEC. 18. Section 79810 of the Water Code, as added by Section
30 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes
31 of 2009, is amended to read:

32 79810. (a) Bonds in the total amount of ~~eleven billion one~~
33 ~~hundred forty million dollars (\$11,140,000,000)~~ *nine billion two*
34 *hundred seventeen million dollars (\$9,217,000,000)*, not including
35 the amount of any refunding bonds issued in accordance with
36 Section 79822, or so much thereof as is necessary, may be issued
37 and sold to provide a fund to be used for carrying out the purposes
38 expressed in this division and to reimburse the General Obligation
39 Bond Expense Revolving Fund pursuant to Section 16724.5 of the
40 Government Code. The bonds, when sold, shall be and constitute

1 valid and binding obligations of the State of California, and the
2 full faith and credit of the State of California is hereby pledged
3 for the punctual payment of both the principal of, and interest on,
4 the bonds as the principal and interest become due and payable.

5 (b) The Treasurer shall sell the bonds authorized by the
6 committee pursuant to this section. The bonds shall be sold upon
7 the terms and conditions specified in a resolution to be adopted
8 by the committee pursuant to Section 16731 of the Government
9 Code.

10 SEC. 19. Section 79824 of the Water Code, as added by Section
11 1 of Chapter 3 of the Seventh Extraordinary Session of the Statutes
12 of 2009, is repealed.

13 ~~79824. Of the eleven billion one hundred forty million dollars~~
14 ~~(\$11,140,000,000) in bonds authorized in this division, no more~~
15 ~~than five billion five hundred seventy million dollars~~
16 ~~(\$5,570,000,000) shall be sold by the Treasurer before July 1,~~
17 ~~2015.~~

18 SEC. 20. The Secretary of State shall submit Sections 79700,
19 79702, 79716, 79720, 79720.1, 79720.4, 79721, 79722, 79732,
20 79744, 79745, 79747, 79749.5, 79770, and 79810 of, and the
21 heading of Division 26.7 (commencing with Section 79700) of,
22 the Water Code, as amended by this act, in place of those sections
23 and that heading, as added or amended by previous statutes, in
24 order they are voted upon as a part of the Safe, Clean, and Reliable
25 Drinking Water Act of 2014, at the November 4, 2014, statewide
26 general election. The Secretary of State shall not submit Sections
27 79720.6 and 79824 of, and Chapter 9 (Commencing with Section
28 79750) of Division 26.7 of, the Water Code, which are repealed
29 by this act.

30 SEC. 21. This act is an urgency statute necessary for the
31 immediate preservation of the public peace, health, or safety within
32 the meaning of Article IV of the Constitution and shall go into
33 immediate effect. The facts constituting the necessity are:

34 In order to fund a safe, clean, and reliable water supply at the
35 earliest possible date, it is necessary that this act take effect
36 immediately.

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EXHIBIT "G"

RESOLUTION NO. 2014-

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT CALLING FOR A VOLUNTARY REDUCTION IN
WATER USAGE

WHEREAS, given the unprecedented lack of precipitation throughout California in 2013 and to date in 2014, the state is facing severe drought conditions in numerous communities that threaten residents, agriculture and our business community; and

WHEREAS, in response to these dry conditions, Governor Jerry Brown issued a proclamation declaring a Drought State of Emergency in California on January 17, 2014; and

WHEREAS, California's lack of sufficient investment in water infrastructure in the past has now resulted in the state, as a whole, not being prepared for our current drought conditions; and

WHEREAS, Irvine Ranch Water District has been proactive in its water supply diversification efforts over the last 20 years in order to prepare for periods of dry conditions; the District has worked hard to develop alternative water supply sources to reduce reliance on costly imported water supplies, has invested in water infrastructure, and has improved water supply reliability in Orange County in order to maintain a reliable water supply for its customers; and

WHEREAS, while Southern California – due to decades of planning, aggressive water conservation policies, acquisition of property, construction of facilities and billions of dollars of investment – is better prepared to address the current drought conditions than most, there are steps that can be taken by all to assist the state during this drought period; and

WHEREAS, one of the actions called upon by the Governor is that all Californians reduce their water usage by 20 percent; and

WHEREAS, during this emergency, Californians need to work together as one state to reduce water usage, and extend water reserves; and

WHEREAS, IRWD has resources and programs available to assist its customers in their water efficiency and conservation efforts.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Irvine Ranch Water District does hereby encourage all of its customers to voluntarily reduce their water usage by 20 percent as called upon by the Governor in order to help the state get through this dry period, extend available water reserves, and help reduce the severity of potential water shortages in the future.

ADOPTED, SIGNED AND APPROVED this 10th day of February 2014.

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