

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

January 23, 2017

PLEDGE OF ALLEGIANCE

CALL TO ORDER

5:00 p.m., Board Room, District Office
15600 Sand Canyon Avenue, Irvine, California

ROLL CALL

Directors LaMar, Matheis, Swan, Withers and President Reinhart

NOTICE

If you wish to address the Board on any item, including Consent Calendar items, please file your name with the Secretary. Forms are provided on the lobby table. Remarks are limited to three 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:

2. ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Recommendation: Determine the need to discuss and/or take immediate action on item(s).

PRESENTATION

Resolution No. 2017-3

3. FEDERAL LEGISLATIVE ACTIVITIES UPDATE

Mr. Hal Furman, the District's federal affairs consultant, will provide an update on 2017 federal legislative activities.

CONSENT CALENDAR

Items 4-13

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

Recommendation: That the Board ratify/approve the meetings and events for Steven LaMar, Douglas Reinhart, Mary Aileen Matheis and John Withers as described.

5. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the January 9, 2017 Regular Board Meeting and the January 13, 2017 Adjourned Regular Board Meeting be approved as presented.

6. 2017 LEGISLATIVE UPDATE

Recommendation: Receive and file.

7. RATIFICATION OF MEMORANDUM RELATIVE TO THE OFFICERS OF THE BOARD, COMMITTEES, AND OTHER ASSIGNMENTS

Recommendation: That the Board ratify the memorandum dated January 23, 2017 entitled Memorandum Relative to Officers of the Board, Committees, and Other Assignments; approve attendance for meetings and events for the Board's representation for Calendar Year 2017 as delineated, appoint Christine Compton as Assistant Secretary effective January 23, 2017; and adopt a resolution rescinding Resolution No. 2016-1 and revising the assignment of Directors to Committees of the Board.

Reso. No. 2017-

8. DECEMBER 2016 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for December 2016, and Disclosure Report of Reimbursements to Board Members and Staff; approve the December 2016 Summary of Payroll ACH payments in the total amount of \$1,687,698 and approve the December 2016 accounts payable Disbursement Summary of warrants 373188 through 373831, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$29,358,217.

CONSENT CALENDAR – Continued

Items 4-13

9. 2017 INDEX TENDER NOTES REMARKETING

Recommendation: That the Board approve the 2017 Index Tender Notes Remarketing Statements and adopt a resolution approving the Remarketing Statements to Unscheduled Mandatory Tenders (Refunding Series 2011 A-1 and Refunding Series 2011 A-2).

Reso. No. 2017-

10. AMENDMENT NO. 1 TO AMENDED AND RESTATED AGREEMENT FOR OPERATION AND MAINTENANCE OF THE BAKER PIPELINE

Recommendation: That the Board approve and authorize the execution of Amendment No. 1 to Amended and Restated Agreement for Maintenance and Operation of the Baker Pipeline.

11. DYER ROAD WELLFIELD WELL 7 AND IRVINE DESALTER PROJECT WELL 107 REHABILITATION CONSTRUCTION AWARD

Recommendation: That the Board authorize the General Manager to execute a construction contract with Best Drilling and Pump in the amount of \$886,835 for the Dyer Road Wellfield Well 7 Rehabilitation and Irvine Desalter Project Well 107 Rehabilitation, projects 7093 and 7589.

12. MEMORANDUM OF UNDERSTANDING FOR SMART TIMER DISTRIBUTION PROGRAM

Recommendation: That the Board authorize the General Manager to execute the Memorandum of Understanding between IRWD and Moulton Niguel Water District for the Smart Timer Distribution Program that commits funding in the amount of \$100,000 which will be reimbursed to IRWD through the water-energy grant with the California Department of Water Resources.

13. VARIANCE NO. 2 TO AGREEMENT WITH SYNERGY COMPANIES

Recommendation: That the Board authorize the General Manager to execute Variance No. 2 to the Agreement for Non-Consultant Services between IRWD and Synergy Companies in the amount of \$500,000 to be reimbursed through the Water-Energy Grant with the California Department of Water Resources.

ACTION CALENDAR

14. WATER EFFICIENCY TACTICAL INCENTIVE FUNDING AUTHORIZATION

Recommendation: That the Board authorize the General Manager to allocate \$1,250,000 in funding to the FY 2016-17 rebate programs administered through the multi-year Water Conservation Participation Agreement Between MWDOC and IRWD using existing and future addendums to the agreement as may be necessary to allocate funds based on actual participation rates and regional program funding.

15. MICHELSON WATER RECYCLING PLANT SECURITY UPGRADES

Recommendation: That the Board authorize the addition of the Michelson Water Recycling Plant Security projects 7824, 7825 and 7826 to the FY 2016-17 Capital Budget in the amount of \$99,000 each, for a total of \$297,000, for the design and construction of a guardhouse kiosk, vehicle barrier gates and lighting at the MWRP campus.

16. WILLIAMS PROPERTY PURCHASE

Recommendation: That the Board find that all matters currently identified with regard to the condition of title, physical condition and suitability of the Williams property for the uses contemplated are acceptable subject to subject to the sellers' removal of personal property and designated unserviceable structures, and subject to the District not discovering any significant findings through the completion of the due diligence period; approve the addition of project 7844 to the FY 2016-17 Capital Budget in the amount of \$25,340,000 for the purchase of the property; find that the property acquisition is exempt from CEQA; approve the project and authorize staff to post and file the Notices of Exemption in Orange and Riverside Counties; and authorize the General Manager, Treasurer and each other officer of the District, each acting singly, to execute and deliver any and all documents, assignments, certificates, instructions and instruments necessary or proper for carrying out and closing the real estate purchase transaction for the acquisition of the property.

ACTION CALENDAR

17. COOLING TOWER CONVERSION AGREEMENT WITH UNIVERSITY OF CALIFORNIA, IRVINE

Recommendation: That the Board authorize the General Manager to execute the agreement between Irvine Ranch Water District and the regents of the University of California on behalf of its Irvine campus for recycled water conversion of the UCI Central Plant, subject to non-substantive changes; and to authorize up to \$1,060,000 from the water conservation fund to fund the on-site improvements at UCI's Central Plant to be reimbursed under the terms of the executed agreement.

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.

- 18. A. General Manager's Report

- B. Directors' Comments


- C. Adjourn

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Irvine Ranch Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Board Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance to the Board of Directors Room of the District Office. The Irvine Ranch Water District Board Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.), please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

January 23, 2017

Prepared and

Submitted by: L. Bonkowski 

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

January 27 ACWA Federal Affairs Committee Meeting
January 27 City of Tustin's Reception/Dinner honoring Mayor Allan Bernstein

John Withers

January 20 Celebration of Retirement for Lake Forest City Manager Bob Dunek
January 27 City of Tustin's Reception/Dinner honoring Mayor Allan Bernstein
March 30 The Exchange Club of Irvine's 46th Annual Police Dept. Awards Banquet

Douglas Reinhart

February 23 Joint South Orange County Agency Meeting

Mary Aileen Matheis:

January 20 Celebration of Retirement for Lake Forest City Manager Bob Dunek

RECOMMENDATION:

THAT THE BOARD RATIFY/APPROVE THE MEETINGS AND EVENTS FOR STEVEN LAMAR, MARY AILEEN MATHEIS, DOUGLAS REINHART, AND JOHN WITHERS AS DESCRIBED.

LIST OF EXHIBITS:

None.

January 23, 2017

Prepared and

Submitted by: L. Bonkowski

Approved by: P. Cook

CONSENT CALENDAR

MINUTES OF BOARD MEETINGS

SUMMARY:

Provided are the minutes of the January 9, 2017 Regular Board Meeting and the January 13, 2017 Adjourned Regular Meeting for approval.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

Not applicable.

RECOMMENDATION:

THAT THE MINUTES OF THE JANUARY 9, 2017 REGULAR BOARD MEETING AND THE JANUARY 13, 2017 ADJOURNED REGULAR BOARD MEETING BE APPROVED AS PRESENTED.

LIST OF EXHIBITS:

Exhibit "A" – January 9, 2017 Minutes

Exhibit "B" – January 13, 2017 Minutes

EXHIBIT "A"

MINUTES OF REGULAR MEETING – JANUARY 9, 2017

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 Matheis on January 9, 2017 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Water Policy Weghorst, Executive Director of Operations Sheilds, Executive Director of Engineering and Water Quality Burton, Director of Water Resources Sanchez, Director of Public Affairs Beeman, Director of Human Resources Roney, Director of Treasury and Risk Management Jacobson, Legal Counsel Arneson (via teleconference), Assistant Director of Recycling Zepeda, Secretary Bonkowski, Government Relations Officer Compton, Principle Engineer Akiyoshi, Ms. Ruby Karimi, Mr. Allen Shinbashi, Mr. Bruce Newell, Mr. Jim Reed, Ms. Cheryl Kelly, Mr. Dan McDonough, and Mr. Marc Kleiman.

ORAL AND WRITTEN COMMUNICATIONS: None.

ITEMS TOO LATE TO BE AGENDIZED

CONSENT CALENDAR

On MOTION by Reinhart, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 7 WERE APPROVED AS FOLLOWS:

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

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

4. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the December 12, 2016 Regular Board Meeting be approved as presented.

5. 2016 GENERAL DISTRICT ELECTION RESULTS

Recommendation: That the Board adopt the following resolution declaring results of the November 8, 2016 General District Election.

RESOLUTION NO. 2017-1

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE
RANCH WATER DISTRICT DECLARING RESULTS OF
NOVEMBER 8, 2016 GENERAL DISTRICT ELECTION

CONSENT CALENDAR (CONTINUED)

6. SALARY GRADE SCHEDULE CHANGES FOR SUPERVISORS, MANAGERS, AND
CONFIDENTIAL EMPLOYEES

Recommendation: That the Board adopt the following resolution by title rescinding Resolution No.2016-16 and establishing a Revised Schedule of Positions and Salary Rate Changes.

RESOLUTION NO. 2017 - 2

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT,
RESCINDING RESOLUTION NO. 2016-16 AND
ESTABLISHING A REVISED SCHEDULE OF POSITIONS
AND SALARY RATE RANGES

7. SAN JOAQUIN MARSH CAMPUS SEWER LIFT STATION REHABILITATION
CONSTRUCTION AWARD

Recommendation: That the Board authorize a budget increase in the amount of \$57,700, from \$181,000 to \$238,700, for project 5186 and authorize the General Manager to execute a construction contract with GCI Construction in the amount of \$104,600 for San Joaquin Marsh Campus Sewer Lift Station Rehabilitation, project 5186.

ACTION CALENDAR

ASSET OPTIMIZATION – SERRANO SUMMIT PROPERTY PROJECT MARKETING AND
SALE ADVISORY SERVICES

Director of Treasury and Risk Management Jacobson reported in October 2016, staff distributed a Request for Proposal to provide advisory services relative to the sale of the Serrano Summit property. Mr. Jacobson said that the proposed services in the scope of work include managing the project's market study process and infrastructure cost analysis, as well as preparation of a project offering package, review of qualified bids and other services related to completing a sale transaction. He said that in November 2016, proposals were received from Province West, Land Advisors Organization and Hoffman Group. Evaluation of advisory/brokerage proposals also included an unsolicited proposal received in September 2016 from entitlement consultant Lewis Operating Group. He said that following an evaluation of the proposals and interviews with each firm, two finalists, Province West and Lewis, were invited to meet with the IRWD Asset Management Committee to discuss their respective firms' background and experience, strategy for

maximizing the District's return on the property sale, proposed fee structure and relevant transaction history. He said that based on information received during discussions with staff and the Committee, as well as its successful transaction history with similar properties in the Lake Forest/Orange County market and competitive fee proposal, staff recommends the retention of Province West to provide advisory/brokerage services related to the sale of the Serrano Summit residential property. Province West recently completed two large sale transactions in the City's Opportunity Study Area, including the sale of the Baker family's interest in the Baker Ranch project to Toll Brothers. Province West's proposed fee for advisory/brokerage services is 1.0% of the sale price.

Director Withers reported that this item was reviewed and approved by the Asset Management Committee on December 19, 2016. On MOTION by Withers, seconded and unanimously carried, **THE BOARD AUTHORIZED THE RETENTION OF PROVINCE WEST TO PROVIDE ADVISORY/LAND BROKERAGE FIRM SERVICES RELATED TO THE MARKETING AND SALE OF THE SERRANO SUMMIT PROPERTY FOR A FEE OF 1.0% OF THE SALE PRICE PAYABLE UPON CLOSE OF ESCROW.**

ELECTION OF OFFICERS FOR 2017

Outgoing President Matheis thanked staff for their efforts last year with various projects, and legislative issues. General Manager Cook acted as temporary Chair and called for nominations. Director Swan nominated Director Reinhart as President. There being no further nominations, Director Swan made a motion for nominations to be closed. On MOTION by Director Swan, seconded by Director Withers and unanimously carried, **DOUGLAS REINHART WAS ELECTED PRESIDENT FOR 2017.** Director Matheis nominated Director Swan as Vice President. There being no further nominations, Director Matheis made a motion for nominations to be closed. On MOTION by Director Matheis, seconded by Director Withers and unanimously carried, **PEER SWAN WAS ELECTED VICE PRESIDENT FOR 2017.** President Reinhart thanked Director Matheis for her efforts as President in 2016.

GENERAL MANAGER'S REPORT

General Manager Cook introduced Ms. Rubina Karimi, who is assisting in the General Manager's office due to the retirement of the Assistant Secretary Nancy Savedra.

Mr. Cook reported that last week the District hosted a Federal Funding coordination meeting with the District's Federal consultant, Mr. Hal Furman, and other Southern California agencies to discuss joint strategies with the incoming administration.

Mr. Cook said that at Tuesday's MWDOC Planning and Operations Committee meeting a discussion was held relative to desalination. He said that IRWD generated a letter reiterating our position relative to water reuse issues. He further said that he and staff will keep tracking this issue and report back to the Board.

Mr. Cook said that he was asked by Mr. A.G, Kawamura, former California Secretary of Agriculture, to speak to a farming group where he discussed IRWD's water use efficiencies, PVID purchases, and water banking activity.

Mr. Cook said that last Friday he and Directors LaMar and Matheis met with MWDOC's newly-elected Board member Ms. Megan Schneider for a briefing of IRWD.

DIRECTORS' COMMENTS

Director LaMar also reported on his attendance at the meeting relative to Federal funding to discuss how to obtain funding for water projects beneficial to IRWD, a WACO monthly meeting, a briefing meeting with MWDOC's newly-elected Board Member Ms. Megan Schneider, and that tomorrow he will be attending an NWRA annual planning session where he said it will be a good exercise to compare notes with 17 western state representatives.

Director Withers said that tomorrow he and Director Matheis will be attending an ISDOC Executive Committee meeting as well as an NWRI Operations Committee meeting, and Wednesday a LAFCO Commissioners' meeting. He said that the newly-elected OCWD Board President would like to meet with our newly-elected IRWD President sometime in the near future.

Director Swan reported on his attendance at a WACO meeting, a MWDOC meeting, and a West Basin meeting where Ms. Debra Mann from MWD spoke on recycled water projects.

Director Matheis reported on her attendance at a Colorado Water Users conference and noted that Lake Mead is at its lowest level ever in history, MWDOC's Elected Officials meeting where they discussed a Delta fix.

Director Reinhart reported that he attended MWDOC's Board and Committee meetings along with MWDOC's elected officials meeting, and a Colorado Rivers Users conference.

ADJOURNMENT

President Reinhart adjourned the meeting to 8:00 a.m. on Friday, January 13, 2017, to the Operations Center Multi-Purpose Room to hold a Strategic Planning Workshop.

APPROVED and SIGNED this 23rd day of January, 2017.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone

EXHIBIT "B"

MINUTES OF ADJOURNED REGULAR MEETING – JANUARY 13, 2017

The adjourned regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 8:00 a.m. by President Reinhart on January 13, 2017 at the Operations Center, 3512 Michelson, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Water Policy Weghorst, Executive Director of Operations Shields, Executive Director of Engineering Burton, Director of Treasury and Risk Management Jacobson, Director of Water Resources Sanchez, Director of Public Affairs Beeman, Director of Administrative Services Mossbarger, Director of Human Resources Roney, Assistant Director of Water Operations Roberts, Assistant Director of Maintenance Drake, Assistant Director of Recycling Operations Zepeda, and Government Relations Officer Compton.

Written and Oral Communications: None.

Items too later to be agendized:

General Manager Cook said that this morning staff received a request to assist landowners in Dudley Ridge to bank water in IRWD's water bank in Kern County as it is predicted that the water will be lost when San Luis Reservoir Spills due to the recent rain events. On MOTION by Swan, seconded by LaMar and unanimously carried, IT WAS DETERMINED THAT THERE WAS A NEED TO TAKE IMMEDIATE ACTION TO DETERMINE IF THE DISTRICT COULD ASSIST LANDOWNERS RESIDING IN DUDLEY RIDGE, RELATIVE TO WATER BANKING IN IRWD'S WATER BANKS IN KERN COUNTY, AND THE ITEM WAS ADDED TO THE AGENDA AS ITEM 2A.

WATER BANKING LANDOWNER REQUEST IN KERN COUNTY

Executive Director of Water Policy Weghorst said that he had a conversation this morning with a land owner in Dudley Ridge noting that 2,000 acre-feet or higher of water could be lost due to spillage at the San Luis Reservoir with the anticipated rain events. Mr. Weghorst said that staff recommended preparing a letter agreement to assist Dudley Ridge landowner(s) to bank available water. Following discussion, on MOTION by Reinhart, seconded by Swan, and unanimously carried, THE GENERAL MANAGER WAS AUTHORIZED TO DEVELOP AND EXECUTE A LETTER AGREEMENT TO ASSIST DUDLEY RIDGE LANDOWNER(S) TO BANK CARRYOVER WATER WITH IRVINE RANCH WATER DISTRICT WITH SHARED LOSSES AND COSTS OR AS OTHERWISE APPROVED BY THE SUPPLY RELIABILITY PROGRAMS COMMITTEE.

SHORT-TERM UNBALANCED EXCHANGE WITH CENTRAL COAST WATER AUTHORITY

Executive Director of Water Policy Weghorst reported during the week January 9, 2017, staff received an urgent request from the Executive Director of Central Coast Water Authority (CCWA) to facilitate a new short-term unbalanced exchange program for 10,000 AF of water under the terms of the 2011 program. The urgency of the request is based on the high likelihood the San Luis Reservoir is going to begin spilling starting February 1, 2017. Mr. Weghorst said that staff has prepared a letter agreement with CCWA that would facilitate a mutually beneficial short-term unbalanced exchange of 10,000 AF that is consistent with the terms of the 2011 program and with terms previously reviewed with the Supply Reliability Programs Committee for a long-term program.

On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE LETTER AGREEMENT FOR A 2017 SHORT-TERM WATER EXCHANGE PROGRAM WITH CENTRAL COAST WATER AUTHORITY SUBJECT TO THE APPROVAL BY THE SUPPLY RELIABILITY PROGRAMS COMMITTEE TO ANY SUBSEQUENT CHANGES AS NECESSARY.

DRAFT IRWD 2017 GOALS AND TARGET ACTIVITIES

General Manager Cook reviewed with the Board the District's Strategic Planning Process graph, the District Mission, Vision, and Values Statement, and the IRWD Strategic Objectives.

Mr. Cook reported that the IRWD Management Team met recently to develop some initial thoughts on changing conditions as an enhanced approach to strategic planning for the Board's consideration. He then reviewed the changed conditions which will drive the development of the District's goals and target activities as follows: 1) decreasing pressures from the drought, and changing messaging; 2) changing regulations, particularly from the State Water Resources Control Board; 3) future energy opportunities and challenges; 4) evolving workforce needs for the future; 5) greater uncertainty on water supply reliability; 6) increased exposure to third-party costs; 6) changing technology; 7) increasingly complex security challenges; 8) changes in Sacramento and Washington D.C. that will impact regulations and potential funding; and 9) IRWD's presence as a participant in the agricultural community.

Mr. Cook reviewed the list of goals proposed for IRWD's 2017 strategic planning process including: 1) optimize and protect local water supply utilization; 2) evaluate and invest in projects and programs that will enhance future long-term water supply reliability; 3) bank 90,000 AF of water for IRWD, develop 70 cfs of extraction and additional recharge and storage capacity as needed for IRWD and water banking partners; 4) minimize discharge of recyclable water to the ocean; 5) maximize resource recovery from fully functional biosolids and other resource recovery facilities; 6) improve electric service reliability, manage demands, and control costs; 7) maximize watershed protection; 8) ensure financial and rate stability; 9) identify, assess, and implement new technologies and systems to improve operating efficiency; 10) enhance customer communications; 11) maximize water use efficiency in the community; 12) recruit, develop, and retain a highly skilled, motivated, and educated work force; 13) guide and lead local, state and federal policies and legislation; 14) engage and shape policies and regulations put forth by local, state, and federal agencies; 15) increase collaboration with other agencies and entities through leadership and

innovation; and 16) evaluate opportunities that enhance safety and emergency preparedness throughout the District. The Board then provided input on the content.

PROPOSED POLICY PRINCIPLES ON SOUTH ORANGE COUNTY WATER RELIABILITY

Executive Director of Water Policy Weghorst reported that staff had prepared an update to the District’s Policy Principles Paper on South Orange County Water Reliability. Mr. Weghorst said that the most recent version of this paper was adopted by the Board of Directors on June 3, 2005. He said that staff recently made revisions to the paper taking into consideration IRWD water supply and system reliability projects and programs that have been implemented since 2005 as well as the results of the recent Orange County Water Reliability Study that was completed by Municipal Water District of Orange County (MWDOC) in 2016. Following review and input by the Board, on MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED THE REVISED POLICY PRINCIPLES PAPER ON SOUTH ORANGE COUNTY WATER RELIABILITY.**

ADJOURNMENT

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

APPROVED and SIGNED this 23rd day of January, 2017.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT


APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson,
Wiles & Giannone

January 23, 2017

Prepared and

submitted by: C. Compton

Approved by: Paul Cook 

CONSENT CALENDAR

2017 LEGISLATIVE UPDATE

SUMMARY:

This report provides an update on the 2017-2018 legislative session and IRWD priorities. As legislation develops, staff will provide updates and recommendations to the Water Resources Policy and Communications Committee and the Board, as appropriate.

BACKGROUND:

The 2017-2018 legislative session convened on December 5, 2016. New members of the Legislature were sworn into office that day. The Legislature then recessed until January 4, 2017, when the first year of the 2017-2018 legislative session was convened. Prior to the reconvening of the 2017-2018 session, 75 Assembly bills and 65 Senate bills had been introduced.

January 10 marked the day the proposed budget had to be submitted to the Legislature by the Governor. January 20 was the last day for bills to be submitted to the Office of the Legislative Counsel. The bill introduction deadline is February 17, though resolutions can be introduced after that date. First policy committee deadlines are in late April and early May.

A copy of the 2017 Legislative Matrix is attached as Exhibit "A". Exhibit "B" is the 2017 Legislative Update Report Links to Bill Texts, which contains links to the bills discussed below, unless a separate exhibit is noted.

State Budget Update:

November State Revenue Numbers Released:

Given the political implications that State revenues and the State's fiscal outlook can have on local government, staff continues to monitor the State's revenue and budget situation. On December 9, 2016, State Controller Betty Yee released her monthly report on the State's finances. She announced that the State took in \$7.98 billion in revenue during the month of November. This amount was \$556.9 million, or 7.5 percent, higher than the projections contained in the 2016-2017 Budget Act.

November's increased revenues were due in large part to personal income tax receipts outpacing budget estimates by \$559.7 million, or 14.0 percent. Fiscal-year-to-date, personal income tax revenues have come in \$560.7 million higher than estimates. Despite the more positive news on personal income tax receipts for November, the State Controller reported that

“Gross corporation tax collections of \$294.6 million for November beat projections by \$53.6 million. However, corporation tax refunds of \$399.7 million were \$110.7 million

higher than expected. In total, corporation tax receipts for November were in the red by \$105.1 million.

For the first five months of the fiscal year, total corporation tax receipts of \$1.46 billion are \$318.2 million lower than anticipated in the 2016-17 Budget Act—a shortfall of 17.9 percent.

Retail sales and use tax receipts of \$3.10 billion for November missed expectations by \$73.4 million. For the fiscal year-to-date, sales tax receipts of \$9.92 billion are \$238.3 million below estimates. For both the month and the fiscal year-to-date, sales tax receipts are 2.3 percent shy of budget projections.”

Fiscal-year-to-date, the State has received revenues of \$38.87 billion, which is 0.5 percent above budget estimates. Despite November’s revenue numbers showing a more positive State revenue picture than the first four months of the fiscal year, there is considerable uncertainty as to what revenue picture the remainder of Fiscal Year 2016-2017 will yield for the State.

Legislative Analyst’s Office Fiscal Outlook:

In November 2016, the Legislative Analyst’s Office (LAO) issued “*The 2017-18 Budget: California’s Fiscal Outlook.*” The outlook forecasts that the State will end Fiscal Year 2016-2017 with \$1 billion less in reserves than the \$8.5 billion included in the 2016-2017 Budget. This is due in large part to revenues in Fiscal Years 2015-2016 and 2016-2017 coming in at \$1.7 billion lower than budget estimates. Notwithstanding lower revenues in Fiscal year 2015-2016 and in early Fiscal Year 2016-2017, the LAO projects that revenues will increase for Fiscal Year 2017-2018, and cautions that the State could end Fiscal Year 2017-2018 with \$11.5 billion in reserves, if and only if the State makes no additional budget commitments and if there are no changes in federal policy that would impact the State’s expenditures or revenues.

Despite this more positive outlook for the Fiscal Year 2017-2018 budget, the LAO caveats its budget outlook and estimates on the fact that there is significant uncertainty surrounding the State’s revenues, California’s economy and stock market performance. Even with the LAO’s caution, there will undoubtedly be legislative pressure to increase State spending, especially if federal policy changes impact California.

Governor Jerry Brown, who has traditionally taken a less optimistic view of the State’s finances than the LAO, is scheduled to release his annual budget on January 10, 2017.

A copy of the LAO’s report can be viewed at <http://lao.ca.gov/reports/2016/3507/Fiscal-outlook-111616.pdf>.

2017 State Legislation and Regulatory Actions:

2017-2018 Bill Introduction Limit:

When the California State Legislature reconvened for the 2017-2018 Legislative Session in December 2016, it enacted its operating rules for the two-year legislative session. Both the State

Senate and the Assembly established a limit on the number of bills each legislator may introduce during the two-year cycle. For many years, the bill limit has been set at 40 bills per two-year cycle for each member of Assembly and 40 bills per two-year cycle for each member the State Senate. The California State Assembly changed its bill limit for the 2017-2018 Legislative Session, when it adopted its house rules. For the 2017-2018 Legislative Session, each Assemblymember may introduce 50 bills. With 80 Assemblymembers, the 10-bill increase per member will allow an additional 800 bills to be introduced. This means that over the next two years, the Assembly may put forth as many as 4,000 bills.

Park and Water Infrastructure Bond Proposals:

On the first day of the 2017-2018 Legislative Session, Senate President Pro Tem Kevin de León (D- Los Angeles) and newly appointed Assembly Water, Parks and Wildlife Committee Chairman Eduardo Garcia (D- Coachella) both introduced legislation proposing a general obligation park and water infrastructure bond.

Assemblymember Garcia proposes creation of the “California Clean Water, Climate, and Coastal Protection and Outdoor Access for All Act of 2018,” a \$3.005 billion general obligation bond in AB 18. AB 18 proposes \$3.005 billion for parks with limited funding opportunities for stormwater capture and groundwater recharge projects. The bill proposes funding in the following categories:

AB 18 Proposed Funding:

- \$900 million for safe neighborhood parks in park-poor neighborhoods;
- \$600 million for climate adaption and resiliency;
- \$540 million for local and regional parks;
- \$330 million for restoration and preservation of existing state park facilities;
- \$225 million for river recreation, creek, stormwater and waterway improvements, including \$5 million for the Santa Ana River Conservancy;
- \$180 million for ocean, bay and coastal protection;
- \$145 million for State conservancy and authority funding;
- \$45 million for trails and greenway investments; and
- \$40 million for rural recreation, tourism and economic enrichment.

Senator de León proposed creation of the “California Drought, Water, Parks Climate, Coastal Protection, and Outdoor Access for All Act of 2018,” a \$3 billion general obligation bond in SB 5. SB 5 proposes \$1.5 billion for parks and \$1.5 billion for drinking water and drought preparedness. The bill proposes funding in the following categories:

SB 5 Park Funding:

- \$600 million for safe neighborhood parks in park-poor neighborhoods;
- \$400 million for climate adaption and resiliency;

- \$125 million for river recreation, creek and waterway improvements, including \$75 million for the Santa Monica Mountains Conservancy and with no less than \$3.75 million for the Santa Ana River Conservancy;
- \$120 million for State conservancy and authority funding;
- \$100 million for restoration and preservation of existing state park facilities;
- \$80 million for ocean, bay and coastal protection;
- \$30 million for local and regional parks;
- \$25 million for trails and greenway investments; and
- \$20 million for rural recreation, tourism and economic enrichment.

SB 5 Drinking Water and Drought Funding:

- \$375 million for water quality and clean, safe and reliable drinking water;
- \$375 million for integrated regional water management;
- 375 million for water recycling; and
- \$375 million for ground water cleanup.

State Water Resources Control Board Emergency Regulations:

In response to the five-year statewide drought, Governor Brown issued Executive Order B-29-15 on April 1, 2015, mandating a 25 percent reduction in statewide potable water use between June 2015 and February 2016. On May 5, 2015, the State Board first adopted an Emergency Regulation to implement the provisions of the Executive Order requiring percentage reductions in potable water use for each urban water supplier. On November 13, 2015, Governor Brown issued Executive Order B-36-15 which directed the State Board to extend the May 2015 Emergency Regulation, if drought conditions persisted. Drought conditions continued and the Emergency Regulation was extended in February 2016.

In response to water supply conditions throughout the state improving, the State Board adjusted the Emergency Regulation in May 2016. The adjustment eliminated the percentage reduction and implemented a self-certification process. The self-certification process asked each urban water supplier to determine if it would have a water supply shortage during the next three years if the drought were to continue. The May 2016 Emergency Regulation will expire on February 28, 2017, unless the State Board takes further action.

On May 9, 2016, Governor Brown issued his most recent drought-related executive order, Executive Order B-37-16, which requires the State Board “to develop, by January 2017, a proposal to achieve a mandatory reduction in potable urban water usage that builds off of the mandatory 25% reduction called for in earlier executive orders and lessons learned through 2016.” In order to comply with the Executive Order, the State Board held a workshop on January 18, 2017, to solicit input as it considers readoption of the Emergency Regulation through October 2017.

Long-Term Conservation Framework:

On November 30, 2016, the Department of Water Resources (DWR) and the State Board released a draft plan/framework for achieving long-term water use efficiency and outlining drought preparedness goals for California. The draft framework, entitled “Making Water Conservation a California Way of Life,” was developed in response to the Governor’s Executive Order B-37-16, which directed the state agencies to build on the significant conservation achieved during the drought by developing a long-term conservation framework. Comments on the draft framework were due on December 19.

Throughout the fall staff worked with various stakeholders and the Association of California Water Agencies (ACWA) to provide comments to the state agencies on the development of the draft framework. The District also signed onto a comment letter on the draft framework developed by ACWA and signed by 114 water agencies and associations from throughout the state. That coalition letter was submitted on December 19.

Since the comment deadline, staff has continued to work with various stakeholders and ACWA on the long-term conservation framework. Because legislation will be needed to implement significant portions of the long-term conservation framework, several of the stakeholders, with whom staff has been collaborating, have developed potential policy positions on the various topics covered by the long-term conservation framework. A copy of the draft policy statements developed by these stakeholders is attached as Exhibit “C”.

Report to the Legislature on the Feasibility of Developing Uniform Water Recycling Criteria for Direct Potable Reuse:

On December 30, 2016, the State Board delivered its report to the Legislature on the “Feasibility of Developing Uniform Water Recycling Criteria for Direct Potable Reuse.” The report found that it is possible for the State Board to develop uniform water recycling criteria for direct potable reuse protective of public health, and that the uniform criteria can be developed concurrently with ongoing research on issues related to potable reuse. A copy of the report can be viewed at http://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/rw_dpr_criteria.shtml.

With the issuance of the final report to the Legislature, discussions are taking place throughout the state on how to move potable reuse forward in California.

2017 Federal Legislation:

Trump Administration Infrastructure Proposal:

As has been widely reported, President-Elect Donald Trump has indicated that he is interested in moving forward an infrastructure funding package to rebuild America’s infrastructure and to get Americans back to work. While details surrounding the new Administration’s infrastructure proposal are limited, it appears that the proposal will likely have limited direct funding and will instead propose the use of tax credit bonds and direct tax credits for private party participants in Public-Private Partnerships to encourage investments in the country’s infrastructure.

Staff is working with a coalition of California water agencies to develop a policy statement on which federal policies or funding would encourage investment in the nation's water infrastructure. The policy statement will likely:

- State the coalition's opposition to elimination or devaluing of tax exempt municipal bonds;
- Comment on the potential benefits tax credit bonds could provide for water supply infrastructure;
- State that future investments in water infrastructure must include new water supply infrastructure, as well as existing water infrastructure; and
- State the importance of maintaining and appropriately funding direct funding programs, including Title XVI and the Water Resources Development Act.

Staff is also in the process of developing a list of projects for which IRWD may want to seek federal funding if an infrastructure funding package moves forward. Staff will update the Committee and the Board on any new developments related to a Trump Administration infrastructure funding proposal.

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resources Policy and Communications Committee on January 12, 2017.

RECOMMENDATION:

RECEIVE AND FILE.

LIST OF EXHIBITS:

Exhibit "A" – IRWD Legislative Matrix

Exhibit "B" – 2016 Legislative Update Report Links to Bill Texts

Exhibit "C" – Draft "Making Conservation a Way of Life: Water Suppliers and Associations Position on Legislation to Implement Executive Order B-37-16"

EXHIBIT "A"
IRWD 2017 LEGISLATIVE MATRIX
Updated 01/05/2017

Bill No. Author	Title	IRWD Position	Summary/Effects	Status
AB 18 Garcia E (D)	Clean Water, Climate, and Coastal Protection Act		Enacts the California Clean Water, Climate, and Coastal Protection and Outdoor Access For All Act, which would authorize the issuance of bonds to finance a clean water, climate, and coastal protection and outdoor access for all program. Provides for the submission of these provisions to the voters at the statewide direct primary election.	12/05/2016 - INTRODUCED.
AB 47 Ting (D)	Budget Act of 2016		Expresses the intent of the Legislature to enact legislation that would amend the Budget Act of 2016.	12/05/2016 - INTRODUCED.
AB 48 Ting (D)	Budget Act of 2016		Expresses the intent of the Legislature to enact legislation that would amend the Budget Act of 2016.	12/05/2016 - INTRODUCED.
AB 49 Ting (D)	Budget Act of 2016		Expresses the intent of the Legislature to enact legislation that would amend the Budget Act of 2016.	12/05/2016 - INTRODUCED.
AB 50 Ting (D)	Budget Act of 2016		Expresses the intent of the Legislature to enact legislation that would amend the Budget Act of 2016.	12/05/2016 - INTRODUCED.
AB 51 Ting (D)	Budget Act of 2016		Expresses the intent of the Legislature to enact legislation that would amend the Budget Act of 2016.	12/05/2016 - INTRODUCED.
AB 52 Cooper (D)	Public Employee: Orientation And Informational Programs		Requires the public employers regulated by specified acts to provide all employees an orientation and to permit an exclusive representative to participate.	12/05/2016 - INTRODUCED.
SB 5 de Leon (D)	California Drought, Water, Parks, Climate		Enacts the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018. Authorizes the issuance of bonds in an amount of \$3,000,000,000 pursuant to the State General Obligation Bond Law to finance a drought, water, parks, climate, coastal protection, and outdoor access for all program.	12/05/2016 - INTRODUCED.

IRWD 2017 LEGISLATIVE MATRIX
Updated 01/05/2017

Bill No. Author	Title	IRWD Position	Summary/Effects	Status
SB 24 Portantino (D)	Political Reform Act of 1974: Economic Interest		Amends the Political Reform Act which requires certain disclosures to include a statement indicating the fair market value of investments or interests in real property and the aggregate value of income received from each reportable source. Revises the dollar amounts associated with these ranges.	12/05/2016 - INTRODUCED.
SB 45 Mendoza (D)	Political Reform Act of 1974: Mass Mailing		Prohibits a mass mailing from being sent within 90 days preceding an election by or on behalf of a candidate whose name will appear on the ballot.	12/05/2016 - INTRODUCED.
SB 47 de Leon (D)	Budget Act of 2016		Expresses the intent of the Legislature to enact statutory changes relating to the Budget Act of 2016.	12/05/2016 - INTRODUCED.
SB 48 de Leon (D)	Budget Act of 2016		Expresses the intent of the Legislature to enact statutory changes relating to the Budget Act of 2016.	12/05/2016 - INTRODUCED.
SB 49 de Leon (D)	Budget Act of 2016		Expresses the intent of the Legislature to enact statutory changes relating to the Budget Act of 2016.	12/05/2016 - INTRODUCED.
SB 50 de Leon (D)	Budget Act of 2016		Expresses the intent of the Legislature to enact statutory changes relating to the Budget Act of 2016.	12/05/2016 - INTRODUCED.
SB 51 de Leon (D)	Budget Act of 2016		Expresses the intent of the Legislature to enact statutory changes relating to the Budget Act of 2016.	12/05/2016 - INTRODUCED.
SB 57 Wilk (R)	Water Resources: Permit to Appropriate: Application		Provides that, if the State Water Resources Control Board has not rendered a final determination on an application for a permit to appropriate water within 25 years, the board is required to issue a notice and provide an opportunity for protests before rendering a final determination.	12/08/2016 - INTRODUCED.
SB 62 Jackson (D)	Unlawful Employment: Family Care and Medical Leave		Amends the Moore-Brown-Roberti Family Rights Act. Makes various changes to definitions, thereby expanding the persons and purposes for which leave is required to be provided under the act.	12/22/2016 - INTRODUCED.

IRWD 2017 LEGISLATIVE MATRIX
Updated 01/05/2017

Bill No. Author	Title	IRWD Position	Summary/Effects	Status
			Redefines the term "child" to include a biological, adopted, or foster son or daughter, a stepchild, a legal ward, a son or daughter of a domestic partner, or a person to whom the employee stands in loco parentis. Extends the definition of leave to also include leave to care for a grandparent or grandchild.	
SB 63 Jackson (D)	Unlawful Employment Practice: Parental Leave		Prohibits an employer from refusing to allow certain employees to take up to 12 weeks of parental leave to bond with a new child within one year of the child's birth, adoption, or foster care placement. Prohibits an employer from refusing to maintain and pay for coverage under a group health plan for an employee who takes this leave.	12/22/2016 - INTRODUCED.
HR 23 Valadao (R)	Drought Relief in the State of California		Provides drought relief in the State of California	01/03/2017 - INTRODUCED.;01/03/2017 - To HOUSE Committee on NATURAL RESOURCES.;01/03/2017 - To HOUSE Committee on AGRICULTURE.

Exhibit “B”

2017 Legislative Update Report:
Links to Bill Texts
(as of January 9, 2017)

Bill Number/Version Date	Link to Bill Text
AB 18 (Garcia), as introduced	http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB18
SB 5 (de León), as introduced	http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB5

DRAFT

**Making Conservation a Way of Life:
Water Suppliers and Associations Position on
Legislation to Implement Executive Order B-37-16**

January 4, 2017

Background

Governor Brown issued Executive Order B-37-16 on May 9, 2016. Included in the Executive Order were various mandates to the State Water Resources Control Board and the Department of Water Resources to develop recommendations for updating water use efficiency requirements promulgated by SB x7-7 of 2009 (Water Code 10608 et seq.) and water shortage contingency plan requirements of the Urban Water Management Planning Act. In November 2016, DWR and the SWRCB (and other Executive Order agencies) released their draft report in response to the Executive Order. A number of recommendations contained in the draft report will require legislation to implement. The position on such legislation of 114 California public water suppliers and associations, signatories to the December 19, 2016 joint comment letter, is described below.

Water Use Efficiency

Multiple Compliance Methods – SB x 7-7 established four methods that water suppliers can use to determine compliance with efficiency requirements. A single method does not account for the diversity within the state, and additional compliance methods that are based on the alternatives provided in SB x7-7 should be included. Additionally, the regional compliance option should be maintained.

No Impact on Water Rights – Water Code Section 1011, allowing water right holders to use or transfer conserved water, must continue to apply. The new legislation should not adversely impact water supply contracts or water rights.

Sustainable Water Management – as described in the California Water Action Plan, both water use efficiency measures and development of additional resilient water supplies will be required to sustainably manage California’s water. New laws or regulations must not result in stranded water resource assets nor discourage continued regional or local investments in these critical new water supplies.

Legislative Role in Updates – any revisions of standards or performance measures beyond the initially adopted standards must be approved by the Legislature.

Enforcement Measures – the current sanction for failure to meet efficiency targets – ineligibility for state water grant funds – should be maintained.

Compliance Reporting - we support reporting on compliance with the 2025 targets in the 2025 Urban Water Management Plan. We do not support annual reporting on targets either before or after the 2025 Plan.

Efficiency Standards – for a water budget based compliance method, we support 55 gallons per capita per day as the indoor standard and the Model Water Efficient Landscape Ordinance (MWELO) standard in place when landscapes were installed for irrigable areas. We support a stakeholder consultation process for developing efficiency standards for commercial, industrial and institutional uses, for developing variances for unique uses, and for any recommendations for changes to indoor or landscape standards.

Landscape Area Data – the state shall provide validated land use data of the irrigable area at the parcel level to each water supplier in a timely manner, and will defer to water suppliers that choose to utilize their own validated data sets.

Recycled Water – consistent with existing law, recycled water (including potable reuse) should be excluded from calculations of water budgets and corresponding efficiency standards, as it is already an efficient beneficial use.

Water Loss Requirements – we do not support including water loss standards in efficiency standards, as they will already be addressed through separate regulatory requirements and provisions of SB 555 of 2015 (Water Code 10608.34 et seq).

Water Shortage Contingency Plans

Plan Enhancements – we support the transition to a five-year drought planning sequence in the Urban Water Management Plan, and the additional components proposed for the Water Shortage Contingency Plans – communication plan, specific compliance and exemption procedures, monitoring and reporting protocols and a regular review process.

Annual Water Budget Forecast – we support providing State agencies with our annual supply and demand assessments, to facilitate better understanding of hydrologic and local supply conditions throughout the state.

Additional Dry Year Analyses - we support an analysis of one additional dry year in the annual water budget forecast, if conditions require a water supplier to implement its water shortage contingency plan.

SGMA Implementation - GSAs must consider the interests of all water users, but they do not have an explicit obligation to ensure water supply reliability for any and all users within the GSA jurisdiction. Additional requirements for Groundwater Sustainability Plans should be considered only within SGMA implementation stakeholder processes, and are inappropriate as part of this framework.

Small Supplier and Rural Community Drought Planning - those small water systems which have already established their own shortage plans should retain the flexibility to maintain the authority to implement their shortage plans and coordinate with their respective water wholesaler or County and not be subject to a new duplicative countywide effort.

January 23, 2017

Prepared by: Leslie Bonkowski

Approved by: Paul A. Cook 

CONSENT CALENDAR

RATIFICATION OF MEMORANDUM RELATIVE TO THE OFFICERS OF THE BOARD, COMMITTEES AND OTHER ASSIGNMENTS

SUMMARY:

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

- Ratify the January 23, 2017 Memorandum Relative to Officers of the Board, Committees and Other Assignments (Memorandum);
- Approve attendance for meetings and events for District representation by the Directors for the 2017 calendar year;
- Adopt a resolution revising the assignment of Directors to Committees of the Board; and
- Appoint Christine Compton as an Assistant Secretary.

BACKGROUND:

Directors serve on various standing and established ad hoc committees and represent the District in various other assignments. President Reinhart has reviewed various Committees and other assignments and has made changes to the Memorandum (provided as Exhibit "A") which are highlighted in bold text. Resolutions have also been prepared that revise the assignment of Directors to Committees of the Board (provided as Exhibit "B"). Additionally, due to the recent retirement of Assistant Secretary Savedra, staff recommends the appointment of Christine Compton as Assistant Secretary, effective January 23, 2017. The changes to the assignments are as follows:

Other Officers of the District:

Assistant District Secretary – Christine Compton

Standing Committees:

- Asset Management – Withers, Matheis (Alt. Swan)
- Finance and Personnel – Swan, Reinhart (Alt. LaMar)
- Engineering and Operations – LaMar, Withers (Alt. Reinhart)
- Water Resources Policy and Communications – Matheis, LaMar (Alt. Withers)
- Supply Reliability Programs – Swan, Reinhart (Alt. Matheis); no change from 2016

Ad Hoc Committees:

- Board Process/Legal Oversight – Reinhart, Matheis
- City of Lake Forest – Reinhart, Matheis
- Orange County Water District – Swan, LaMar

Consent Calendar: Memorandum Relative to Officers of the Board, Committees, and Other Assignments

January 23, 2017

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Agencies Representation:

- Orange County Water District (OCWD) – Swan (Representative), LaMar (Alternate)
- Santiago Aqueduct Commission (SAC) – Reed (Director) and Matheis (Alternate)

Organizations Representation:

None.

Internal Organizations:

- IRWD Improvement Corporation – Swan (President) and Reinhart (Vice President)
LaMar, Matheis and Withers (Members)
- Post-employment Benefits – Swan, Chairman; Reinhart, Vice Chair
Retirement Trust Board Cook (Member)

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 2017. 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 (Alt.) |
| • CalDesal | LaMar (Representative, Reinhart (Alt.) |
| • CA Association of San. Agencies (CASA) | Swan (Representative), Withers (Alt.) |
| • CA Environmental Dialogue Water Quality Task Force (CCEEB) | LaMar (Representative) |
| • CA Special Districts Association (CSDA) Education Committee | Matheis (Representative) |
| • El Toro Restoration Advisory Board | Matheis (Representative), Cook (Alt.) |
| • Independent Special Districts of OC (ISDOC) | Matheis (Representative), Withers (Alt.) |
| • Irvine Chamber of Commerce | Matheis (Representative), LaMar (Alt.) |
| • National Water Research Institute (NWRI) | Withers (Representative), Reinhart (Alt.) |
| • Natural Communities Coalition (NCC/NROC) | LaMar (Representative), Cook (Alt.) |
| • Newport Bay Watershed Executive Comm. | Swan (Representative), Cook and Matheis (Alts.) |
| • Newport Chamber of Commerce | Swan (Representative), Matheis (Alt.) |
| • Orange County Business Council (OCBC) | LaMar (Representative), Withers (Alt.) |
| • Orange County Council of Governments | Matheis (Representative), LaMar (Alt.) |

Consent Calendar: Memorandum Relative to Officers of the Board, Committees, and Other Assignments

January 23, 2017

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Organizations Representation (continued):

- | | |
|---|--|
| • South County Chamber of Commerce | Reed (Representative), Reinhart (Alt.) |
| • South Orange County Watershed Management Area Executive Committee | Matheis (Representative), LaMar (Alt.) |
| • Southern California Water Dialogue Group | Swan (Representative), LaMar (Alt.) |
| • So. California Water Committee (SCWC) | LaMar (Representative), Matheis (Alt.) |
| • Urban Water Institute (UWI) | Matheis (Representative), Swan (Alt.) |
| • WaterReuse Association | Reinhart (Representative), Cook (Alt.) |
| • 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 JANUARY 23, 2017 ENTITLED OFFICERS OF THE BOARD, COMMITTEES AND OTHER ASSIGNMENTS; APPROVE ATTENDANCE FOR THE MEETINGS AND EVENTS FOR THE BOARD'S REPRESENTATION FOR CALENDAR YEAR 2017 AS DELINEATED, APPOINT CHRISTINE COMPTON AS ASSISTANT SECRETARY EFFECTIVE JANUARY 23, 2017, AND ADOPT THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2017-

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, RESCINDING RESOLUTION NO. 2016-1 AND REVISING THE ASSIGNMENT OF DIRECTORS TO COMMITTEES OF THE BOARD

LIST OF EXHIBITS:

Exhibit "A" – Memorandum from President Matheis dated January 7, 2016 entitled Officers of the Board, Committees and Other Assignments

Exhibit "B" – Resolution Revising the Assignment of Directors to Committees of the Board

MEMORANDUM

DATE: January 23, 2017
TO: Board of Directors
FROM: Doug Reinhart, President
SUBJECT: MEMORANDUM RELATIVE TO OFFICERS OF THE BOARD, COMMITTEES,
AND OTHER ASSIGNMENTS

District Board of Directors:

- President Doug Reinhart
- Vice President Peer Swan
- Directors Steve LaMar, Mary Aileen Matheis, 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 **Christine Compton**, Joan Arneson

Standing Committees*:

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

Ad Hoc Committees*:

- **California** Bay Delta LaMar, Swan
- Board Process / **Legal Oversight** Reinhart, Matheis
- City of Newport Beach Swan, Matheis
- City of Irvine Matheis, LaMar
- City of Lake Forest Matheis, Reinhart
- City of Orange / OPA Reinhart, Withers
- City of Tustin/~~Unincorporated N. Tustin Area~~ LaMar, Matheis
- MWDOC Reinhart, LaMar
- Ocean Desalination LaMar, Swan
- Orange County Water District Swan, **LaMar**
- 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), **LaMar** (Alternate)
- So OC Wastewater Authority (SOCWA) Reinhart (Director), Cook (1st Alt.) and Reed (2nd Alt.)
- Santiago Aqueduct Commission (SAC)*** Reed** (Director) and **Matheis** (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 Environmental Dialogue Water Quality Task Force (CCEEB) LaMar (Representative)
- 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), Reinhart (Alternate)
- Natural Communities Coalition (NCC/NROC) LaMar (Representative), Cook (Alternate)
- Newport Bay Watershed Executive Comm. Swan (Representative), Cook and Matheis (Alternates)
- 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 and Matheis (Representatives)
- 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; **Reinhart**, Vice President
LaMar, Matheis, and Withers Members
Jacobson, Treasurer
L. Bonkowski, Secretary

** Appointed representative

*** Notify agency of any change(s)

Internal Organizations (continued):

- IRWD Water Service Corporation Matheis, President; Reinhart, Vice President
LaMar, Swan, and Withers, Members
Jacobson, Treasurer
L. Bonkowski, Secretary
- Post-employment Benefits Retirement Swan, Chairman; **Reinhart**, Vice Chair
Trust Board Cook, Member
Jacobson, Treasurer
Fournier, Assistant Treasurer
L. Bonkowski, Secretary

Supported Organizations:

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

Organization/Committee Staff Representation and Support:

- Association of CA Water Agencies (ACWA) Cook, Beeman, Compton
- **Association of CA Cities – OC (ACC—OC)** **Cook, Compton**
- California Assoc. of Sanitation Agencies Cook, Sheilds
- California Municipal Utilities Assoc. (CMUA) Cook, Compton
- California Special Districts Assoc. (CSDA) Compton
- **CA Environmental Dialogue Water Quality** **Cook, Compton**
Task Force (CCEEB)
- 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 Tettermer
Mgmt. Area Executive Committee
- WateReuse California Cook, Tettermer, and Compton
- National Water Research Institute (NWRI) Oldewage

EXHIBIT "B":

RESOLUTION NO. 2017-

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2016-1 AND REVISING THE
ASSIGNMENT OF DIRECTORS TO COMMITTEES
OF THE BOARD

WHEREAS, by adoption of Resolution No. 2016-1 on January 11, 2016, 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 President 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. 2016-1 be and hereby is rescinded.

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

Asset Management – Withers, Matheis (Alt. Swan)

Finance and Personnel – Swan, Reinhart (Alt. LaMar)

Engineering and Operations – LaMar, Withers (Alt. Reinhart)

Water Resources Policy and Communications – Matheis, LaMar, (Alt. Withers)

Supply Reliability Programs – Swan, Reinhart (Alt. Matheis)

- Committee Chair name shown first

ADOPTED, SIGNED and APPROVED this 23rd^h day of January 2017.

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

January 23, 2017

Prepared by: Jennifer Davis/Tanja Fournier

Submitted by: Robert Jacobson/Cheryl Clary

Approved by: Paul Cook

CONSENT CALENDAR

DECEMBER 2016 TREASURY REPORTS

SUMMARY:

The following is submitted for the Board's information and approval:

- A. The Investment Summary Report for December 2016. This Investment Summary Report is in conformity with the 2016 Investment Policy and provides sufficient liquidity to meet estimated expenditures during the next six months, as outlined in Exhibit "A".
- B. The Monthly Interest Rate Swap Summary as of December 31, 2016, as outlined in Exhibit "B".
- C. The Summary of Payroll ACH payments in the total amount of \$1,687,698, as outlined in Exhibit "C".
- D. The December 31, 2016 Disbursement Summary of warrants 373188 through 373831, wire transfers, Workers' Compensation distributions, payroll withholding distributions, and voided checks in the total amount of \$29,358,217 as outlined in Exhibit "D".
- E. The Disclosure Report of Reimbursements to Board Members and Staff for December 2016, detailing payments or reimbursements for individual charges of \$100.00 or more per transaction, as outlined in Exhibit "E".

FISCAL IMPACTS:

As of December 31, 2016, the book value of the investment portfolio was \$448,741,405, with a 0.95% rate of return and a market value of \$447,232,016. Based on the District's December 31, 2016 quarterly real estate investment rate of return of 13.35%, the weighted average return for the fixed income and real estate investments was 2.69%.

As of December 31, 2016, the total notional amount of the interest rate swap portfolio was \$130 million of fixed payer swaps. Cash accrual in December from all swaps was negative \$597,825.

Payroll ACH payments totaled \$1,687,698, and wire transfers, all other ACH payments, and checks issued for debt service, accounts payable, payroll, and water purchases for December totaled \$29,358,217.

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:

This item was not submitted to a Committee; however, the investment and interest rate swap reports are submitted to the Finance and Personnel Committee on a monthly basis.

RECOMMENDATION:

THAT THE BOARD RECEIVE AND FILE THE TREASURER'S INVESTMENT SUMMARY REPORT, THE MONTHLY INTEREST RATE SWAP SUMMARY FOR DECEMBER 2016, AND DISCLOSURE REPORT OF REIMBURSEMENTS TO BOARD MEMBERS AND STAFF; APPROVE THE DECEMBER 2016 SUMMARY OF PAYROLL ACH PAYMENTS IN THE TOTAL AMOUNT OF \$1,687,698 AND APPROVE THE DECEMBER 2016 ACCOUNTS PAYABLE DISBURSEMENT SUMMARY OF WARRANTS 373188 THROUGH 373831, WORKERS' COMPENSATION DISTRIBUTIONS, WIRE TRANSFERS, PAYROLL WITHHOLDING DISTRIBUTIONS AND VOIDED CHECKS IN THE TOTAL AMOUNT OF \$29,358,217.

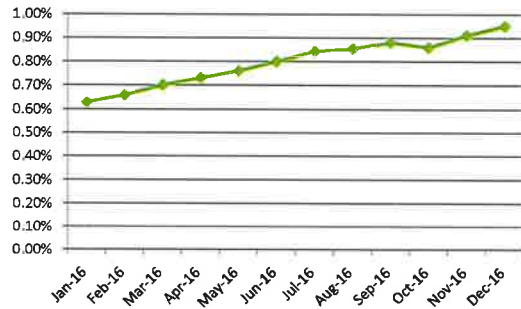
LIST OF EXHIBITS:

- Exhibit "A" – Investment Summary Report
- Exhibit "B" – Monthly Interest Rate Swap Summary
- Exhibit "C" – Monthly Payroll ACH Summary
- Exhibit "D" – Monthly Summary of District Disbursements
- Exhibit "E" – Disclosure of Reimbursements to Board Members and Staff

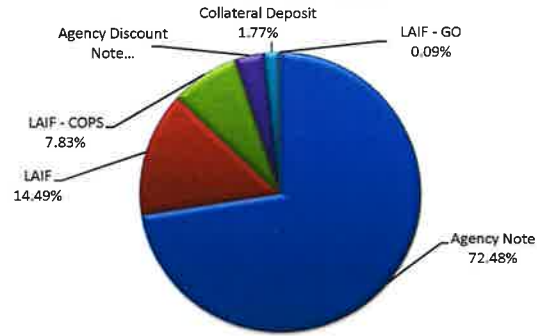
Exhibit "A"

Irvine Ranch Water District Investment Portfolio Summary December 2016

Monthly Fixed Income Yield



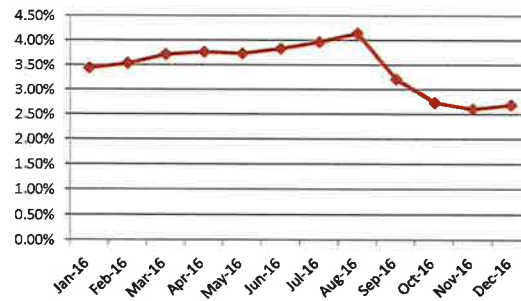
Portfolio Distribution



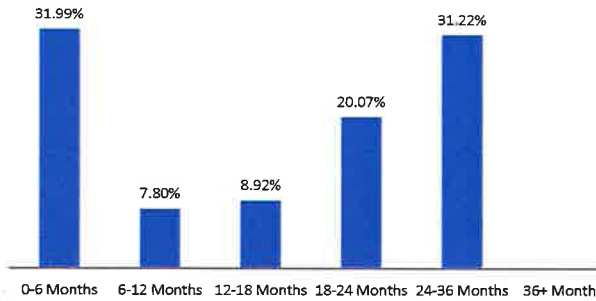
Investment Summary

Type	PAR	Book Value	Market Value
Agency Note	325,000,000	325,329,193	323,875,360
LAIF	65,000,000	65,000,000	64,962,548
LAIF - COPS	35,100,000	35,100,000	35,079,776
Agency Discount Note	15,000,000	14,964,650	14,967,000
Collateral Deposit	7,947,562	7,947,562	7,947,562
LAIF - GO	400,000	400,000	399,770
Grand Total	448,447,562	448,741,405	447,232,016

**Weighted Average Return
Including Real Estate Portfolio**



Maturity Distribution



Top Issuers

Issuer	PAR	% Portfolio
Fed Home Loan Bank	131,000,000	29.21%
State of California Treasury - LAIF	100,500,000	22.41%
Fed Home Loan Mortgage Corp	79,000,000	17.62%
Fed Natl Mortgage Assoc	70,000,000	15.61%
Fed Farm Credit Bank	60,000,000	13.38%
Citi-Group Collateral	4,217,562	0.94%
Merrill Lynch Collateral	3,730,000	0.83%
Grand Total	448,447,562	100%

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

12/31/16

SETTLMT *	Call Schedule	Initial Call	Maturity Date	Rating	INVESTMENT TYPE	INSTITUTION / ISSUER	PAR Amount	COUPON DISCOUNT	YIELD	ORIGINAL COST	CARRY VALUE	MARKET VALUE ⁽¹⁾ 12/31/2016	UNREALIZED ⁽²⁾ GAIN/(LOSS)
09/01/16	NA	NA	06/14/19	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	1.625%	0.987%	5,087,400.00	5,076,905.12	5,024,250.00	(52,655.12)
10/12/16	NA	NA	06/14/19	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	1.625%	1.103%	5,068,515.88	5,064,229.25	5,024,250.00	(39,979.25)
10/12/16	NA	NA	07/19/19	Aaa/AA+/AAA	FHLMC - Note	Fed Home Loan Mortgage Corp	5,000,000	0.875%	1.098%	4,969,652.90	4,971,485.74	4,933,950.00	(37,535.74)
09/01/16	One Time	01/26/17	07/26/19	Aaa/AA+/AAA	FNMA - Note	Fed Natl Mortgage Assoc	5,000,000	1.150%	1.180%	4,995,700.00	4,996,195.84	4,957,150.00	(39,045.84)
09/01/16	One Time	08/28/17	08/28/19	Aaa/AA+/AAA	FNMA - Note	Fed Natl Mortgage Assoc	5,000,000	1.150%	1.160%	4,998,500.00	4,998,667.74	4,926,150.00	(72,517.74)
09/01/16	One Time	02/28/17	08/28/19	Aaa/AA+/AAA	FNMA - Note	Fed Natl Mortgage Assoc	5,000,000	1.125%	1.132%	4,999,000.00	4,999,111.82	4,957,150.00	(41,961.82)
09/28/16	Quarterly	03/09/17	09/09/19	Aaa/AA+/AAA	FNMA - Note	Fed Natl Mortgage Assoc	5,000,000	1.125%	1.142%	4,997,500.00	4,997,720.11	4,919,200.00	(78,520.11)
09/28/16	Continuous after	12/27/16	09/27/19	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	1.250%	1.189%	5,001,500.00	5,001,369.74	4,946,300.00	(55,069.74)
10/12/16	Continuous after	10/03/17	10/03/19	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	10,000,000	1.125%	1.160%	9,989,780.00	9,990,354.05	9,887,800.00	(102,554.05)
10/12/16	Continuous after	10/11/17	10/11/19	Aaa/AA+/NR	FPCB - Note	Fed Farm Credit Bank	10,000,000	1.205%	1.205%	9,975,000.00	9,976,393.97	9,895,000.00	(81,393.97)
11/08/16	Quarterly	05/08/17	11/08/19	Aaa/AA+/NR	FNMA - Note	Fed Natl Mortgage Assoc	5,000,000	1.250%	1.245%	5,000,750.00	5,000,713.01	4,951,400.00	(49,313.01)
11/28/16	NA	NA	11/15/19	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	1.375%	1.440%	4,990,550.00	4,990,846.95	4,980,050.00	(10,796.95)
11/28/16	Quarterly	05/25/17	11/25/19	Aaa/AA+/NR	FNMA - Note	Fed Natl Mortgage Assoc	5,000,000	1.400%	1.503%	4,985,000.00	4,985,467.03	4,971,350.00	(14,117.03)
12/12/16	NA	NA	12/12/19	Aaa/AA+/NR	FPCB - Note	Fed Farm Credit Bank	5,000,000	1.450%	1.440%	5,001,450.00	5,001,423.49	4,991,250.00	(10,173.49)
12/21/16	NA	NA	12/19/19	Aaa/AA+/NR	FPCB - Note	Fed Farm Credit Bank	5,000,000	1.500%	1.621%	4,982,350.00	4,982,527.63	4,994,800.00	12,272.37
SUB-TOTAL							\$440,500,000			\$440,886,086.73	\$440,793,843.00	\$439,284,454.21	(\$1,509,388.79)
RESTRICTED CASH (Swap Collateral Deposits)⁽⁵⁾													
03/01/16					Collateral Deposit	Citi-Group	\$4,217,562		0.530%	\$4,217,561.53	\$4,217,561.53	4,217,561.53	
02/28/16					Collateral Deposit	Merrill Lynch	\$3,730,000		0.530%	\$3,730,000.00	\$3,730,000.00	3,730,000.00	
SUB-TOTAL							\$7,947,562			\$7,947,561.53	\$7,947,561.53	\$7,947,561.53	
TOTAL INVESTMENTS							\$448,447,562			\$448,833,648.26	\$448,741,404.53	\$447,232,015.74	
			December		Petty Cash Ck Balance	Bank of America				3,400.00			
										3,312,735.63			
										\$452,149,783.89			

⁽¹⁾ LAIF market value is as of the most recent quarter-end as reported by LAIF. Security market values are determined using Bank of New York ("Trading Prices"), Bloomberg and/or broker dealer pricing. ⁽²⁾ Gain (loss) calculated against carry value using the trading value provided by Bank of New York/or Brokers ⁽³⁾ Real estate rate of return is based on most recent quarter end return ⁽⁴⁾ Calculation excludes Direct Muni - ETWD ⁽⁵⁾ Swap Collateral Deposits assumes 6 month maturity, dependent on interest rate changes This Investment Summary Report is in conformity with the 2016 Investment Policy and provides sufficient liquidity to meet the next six months estimated expenditures. *S - Step up	Outstanding Variable Rate Debt \$307,100,000 Net Outstanding Variable Rate Debt (Less \$130 million fixed-payer swaps) \$177,100,000 Investment Balance: \$452,149,784 Investment to Variable Rate Debt Ratio: 255% Portfolio - Average Number of Days To Maturity ⁽⁴⁾ 470															
	<table border="1"> <thead> <tr> <th></th> <th>Investment Portfolio</th> <th>Real Estate⁽³⁾ Portfolio</th> <th>Weighted Avg. Return</th> </tr> </thead> <tbody> <tr> <td>December</td> <td>0.95%</td> <td>13.35%</td> <td>2.69%</td> </tr> <tr> <td>November</td> <td>0.91%</td> <td>12.97%</td> <td>2.60%</td> </tr> <tr> <td>Change</td> <td>0.04%</td> <td></td> <td>0.09%</td> </tr> </tbody> </table>		Investment Portfolio	Real Estate ⁽³⁾ Portfolio	Weighted Avg. Return	December	0.95%	13.35%	2.69%	November	0.91%	12.97%	2.60%	Change	0.04%	
	Investment Portfolio	Real Estate ⁽³⁾ Portfolio	Weighted Avg. Return													
December	0.95%	13.35%	2.69%													
November	0.91%	12.97%	2.60%													
Change	0.04%		0.09%													

IRVINE RANCH WATER DISTRICT
SUMMARY OF MATURITIES

12/31/16

DATE	TOTAL	%	LAIF	Agency Notes	Agency Discount Notes	Collateral Deposit	Direct Muni
12/16	\$100,500,000	22.41%	\$100,500,000				
01/17	5,000,000	1.11%		5,000,000			
02/17	5,000,000	1.11%		5,000,000			
03/17	5,000,000	1.11%		5,000,000			
04/17	10,000,000	2.23%		5,000,000	5,000,000		
05/17	17,947,562	4.00%		5,000,000	5,000,000	\$7,947,562	
06/17	5,000,000	1.11%		5,000,000			
07/17	5,000,000	1.11%			5,000,000		
08/17	5,000,000	1.11%		5,000,000			
09/17	5,000,000	1.11%		5,000,000			
10/17							
11/17	10,000,000	2.23%		10,000,000			
SUB-TOTAL	\$173,447,562	38.68%	\$100,500,000	\$50,000,000	\$15,000,000	\$7,947,562	
13 Months - 3 YEARS							
12/01/17-2/28/18	14,000,000	3.12%		14,000,000			
3/01/18 - 5/31/2018	20,000,000	4.46%		20,000,000			
06/01/18 - 8/31/2018	36,000,000	8.03%		36,000,000			
09/01/18 - 11/30/2018	50,000,000	11.15%		50,000,000			
12/01/2018-2/28/19	40,000,000	8.92%		40,000,000			
3/01/19 - 5/31/2019	30,000,000	6.69%		30,000,000			
06/01/2019 - 08/31/2019	20,000,000	4.46%		20,000,000			
09/01/2019 - 11/30/2019	55,000,000	12.26%		55,000,000			
12/01/2019 - 2/28/2020	10,000,000	2.23%		10,000,000			
04/30/2036	-						
TOTALS	\$448,447,562	100.00%	\$100,500,000	\$325,000,000	\$15,000,000	\$7,947,562	

% OF PORTFOLIO

22.41%

72.48%

3.34%

1.77%

**IRVINE RANCH WATER DISTRICT INVESTMENT SUMMARY REPORT
INVESTMENT ACTIVITY
Dec-16**

MATURITIES/SALES/CALLS

PURCHASES

DATE	SECURITY TYPE	PAR	YIELD	Settlement Date	Maturity Date	SECURITY TYPE	PAR	YIELD TO MATURITY
12/9/2016	FHLB - Note	\$5,000,000	0.53%	12/8/2016	11/21/2017	FHLB - Note	\$10,000,000	0.87%
12/22/2016	FHLB - Discount Note	\$10,000,000	0.31%	12/9/2016	7/17/2017	FHLB - Discount Note	\$5,000,000	0.66%
				12/12/2016	12/12/2019	FFCB - Note	\$5,000,000	1.44%
				12/21/2016	8/15/2018	FHLMC - Note	\$5,000,000	1.25%
				12/21/2016	12/5/2018	FFCB - Note	\$5,000,000	1.32%
				12/21/2016	12/19/2019	FFCB - Note	\$5,000,000	1.62%
				12/27/2016	12/14/2018	FHLB - Note	\$5,000,000	1.32%
				12/28/2016	9/14/2018	FHLB - Note	\$5,000,000	1.23%

Irvine Ranch Water District
 Summary of Real Estate
 12/31/2016

	<u>ACQUISITION DATE</u>	<u>PROPERTY TYPE</u>	<u>OWNERSHIP INTEREST</u>	<u>ORIGINAL COST</u>	<u>ESTIMATED MARKET VALUE 30-Jun-16</u>	<u>RATE OF RETURN QUARTER ENDED 31-Dec-16</u>
Sycamore Canyon	Dec-92	Apartments	Fee Simple	\$ 43,550,810	\$ 143,910,000	17.76%
Wood Canyon Villas	Jun-91	Apartments	Limited Partner	\$ 6,000,000	\$ 27,296,298	8.55%
ITC (230 Commerce)	Jul-03	Office Building	Fee Simple	\$ 5,739,845	\$ 9,384,000	2.51%
Waterworks Business Pk.	Nov-08	Research & Dev.	Fee Simple	\$ 8,630,577	\$ 7,650,000	5.93%
Sand Canyon Professional Center	Jul-12	Medical Office	Fee Simple	\$ 8,648,594	\$ 10,608,000	9.05%
				<u>\$ 72,569,826</u>	<u>\$ 198,848,298</u>	<u>13.35%</u>

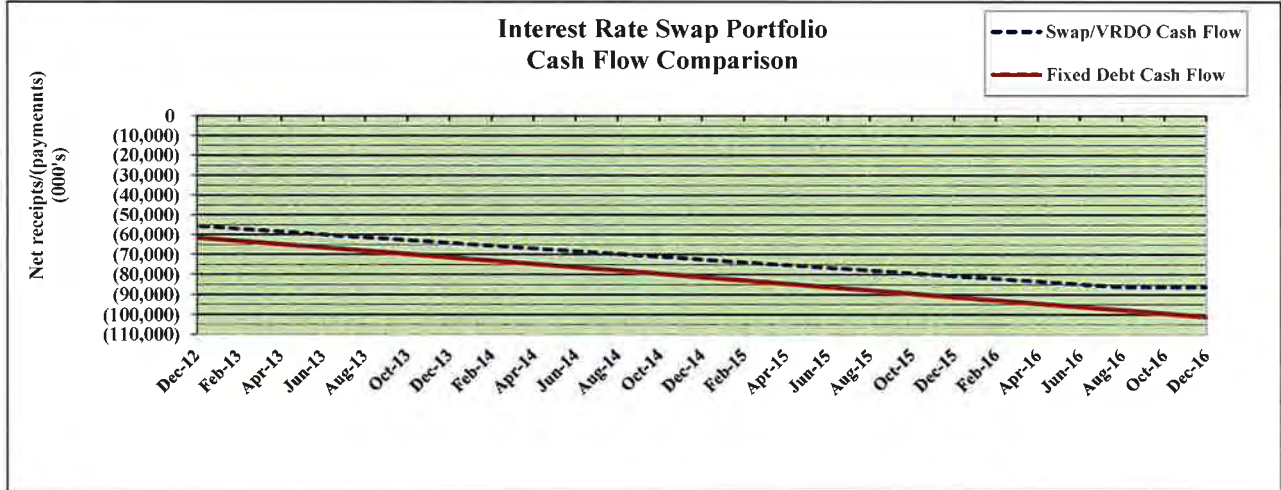
IRVINE RANCH WATER DISTRICT
INTEREST RATE SWAP MONTHLY SUMMARY REPORT - DETAIL
 December 31, 2016

LIBOR Avg %	Prior Mo.	Current Mo.	12-Mo Avg
	0.56%	0.71%	0.46%

Current Fiscal Year Active Swaps								Cash Flow			(Since 6/06)	Mark to Market	
Effective Date	Maturity Date	Years to Maturity	Counter Party	Notional Amt	Type	Base Index	Fixed Rate	Prior Month	Current Month	Fiscal YTD	Cumulative Cash Flow	Current Mark to Market	Notional Difference
Fixed Payer Swaps - By Effective Date													
6/4/2006	6/4/2019	2.4	ML	\$ 20,000,000	FXP	LIBOR	6.200%	(91,024)	(96,368)	\$ (569,944)	\$ (10,397,120)	\$ 17,706,890	\$ (2,293,110)
6/4/2006	6/4/2019	2.4	CG	20,000,000	FXP	LIBOR	6.200%	(91,024)	(96,368)	(569,944)	(10,397,120)	17,703,398	(2,296,602)
6/17/2006	6/17/2019	2.5	CG	30,000,000	FXP	LIBOR	6.140%	(137,380)	(142,613)	(847,708)	(15,426,159)	26,554,392	(3,445,608)
3/10/2007	3/10/2029	12.2	ML	30,000,000	FXP	LIBOR	5.687%	(124,069)	(131,238)	(777,337)	(13,892,366)	19,141,206	(10,858,794)
3/10/2007	3/10/2029	12.2	CG	30,000,000	FXP	LIBOR	5.687%	(124,069)	(131,238)	(777,337)	(13,892,366)	19,146,691	(10,853,309)
Totals/Weighted Avgs				6.9		\$ 130,000,000	5.949%	\$ (567,566)	\$ (597,825)	\$ (3,542,270)	\$ (64,005,132)	\$ 100,252,577	\$ (29,747,423)
Total Current Year Active Swaps						\$ 130,000,000		\$ (567,566)	\$ (597,825)	\$ (3,542,270)	\$ (64,005,132)	\$ 100,252,577	\$ (29,747,423)

Current Fiscal Year Terminated Swaps								Cash Flow			Mark to Market		
Effective Date	Maturity Date		Counter Party	Notional Amt	Type	Base Index	Fixed Rate	Prior Month	Current Month	Fiscal YTD	Cumulative Cash Flow	Current Mark to Market	Notional Difference
Total Current Year Terminated Swaps								\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Current Fiscal Year - Total Swaps								Cash Flow			Mark to Market	
Prior Month	Current Month	Fiscal YTD	Cumulative Cash Flow	Current Mark to Market	Notional Difference							
\$ (567,566)	\$ (597,825)	\$ (3,542,270)	\$ (64,005,132)	\$ 100,252,577	\$ (29,747,423)							



Cash Flow Comparison	
Synthetic Fixed vs. Fixed Rate Debt	
Cash Flow to Date	
Synthetic Fixed =	\$ 89,409,496
Fixed Rate =	\$ 106,151,468
Assumptions:	
- Fixed rate debt issued at 5.10% in Jun-06, and 4.93% in Mar-07 (estimated TE rates - Bloomberg)	
- 'Synthetic' includes swap cash flow + interest + fees to date	

Exhibit "C"

MONTHLY SUMMARY OF PAYROLL ACH PAYMENTS

**December
2016**

	AMOUNT	VENDOR	PURPOSE
12/9/2016	844,541.97	BANK OF AMERICA	ACH Payments for Payroll
12/23/2016	843,156.43	BANK OF AMERICA	ACH Payments for Payroll
	<u>\$1,687,698.40</u>		

Exhibit "D"

IRWD Ledger

Void Payment Register

Report Date: 29-DEC-2016 11:49

Include Zero Amount Payments: Yes
Display Payee Address: No

Period From: 01-DEC-16

Page: 1
To: 31-DEC-16
Date: Void Date

Bank: Bank of America N.A.

Branch: Los Angeles

Account: Checking AP and PR

Bank Account Currency: USD

Payment Currency: USD (US Dollar)

Payment Number	Date	Payee Name	Site	Address	Payment Amount	Void Date
Payment Document: IRWD CHECK						
369323	28-JUL-16	Lum, Christopher A (Christo	HOME		42.31	20-DEC-16
369733	11-AUG-16	DEPAULA, LUIZ	PAY		131.15	12-DEC-16
369970	18-AUG-16	KIGHTLINGER, DIANA	PAY		14.81	19-DEC-16
369972	18-AUG-16	KIMMERLE, SANDRA	PAY		8.12	19-DEC-16
369994	18-AUG-16	NATASHA, MELANIE	PAY		24.41	14-DEC-16
370030	18-AUG-16	SCHNEIDER, KAREN	PAY		15.00	19-DEC-16
370139	25-AUG-16	COLEY, JACQUELYN	PAY		17.14	19-DEC-16
370185	25-AUG-16	HOLT, JEANNE	PAY		5.00	19-DEC-16
370300	25-AUG-16	VASQUEZ, FERNANDO	PAY		3.90	19-DEC-16
370318	25-AUG-16	XU, JING	PAY		78.14	19-DEC-16
370348	01-SEP-16	BEVAN TRADING	PAY		13.11	19-DEC-16
370354	01-SEP-16	BRINDLE, SHIRLEY	PAY		9.08	19-DEC-16
370367	01-SEP-16	CAVALIER, ROBERT	PAY		13.67	19-DEC-16
370378	01-SEP-16	DAVID, KATRINE	PAY		3.88	19-DEC-16
370413	01-SEP-16	HENG, HWA	PAY		1.61	19-DEC-16
370425	01-SEP-16	JANG, HEUN SOUK	PAY		11.81	19-DEC-16
370478	01-SEP-16	PARRY, AYA	PAY		11.48	21-DEC-16
370479	01-SEP-16	PATIL, SHANKAR	PAY		16.35	29-DEC-16
370483	01-SEP-16	PEREZ, SANDRA	PAY		27.06	19-DEC-16
370499	01-SEP-16	ROUTSON, ALLISON	PAY		10.58	19-DEC-16
370523	01-SEP-16	STEPHENSON, ROBERT	PAY		14.59	20-DEC-16
370524	01-SEP-16	STOEWESAND, DARRIEL	PAY		21.05	19-DEC-16
370560	01-SEP-16	WIDAWSKY, WILLIAM H	PAY		17.82	19-DEC-16
370564	01-SEP-16	ZHOU, HONELEI	PAY		11.02	19-DEC-16
370600	08-SEP-16	BIBIKAR, SALIL	PAY		40.32	19-DEC-16
370606	08-SEP-16	BUI, CHRISTINE	PAY		24.40	19-DEC-16
370610	08-SEP-16	CAMACHO, CARLOS	PAY		33.99	19-DEC-16
370638	08-SEP-16	DO, CHRISTINA	PAY		13.50	19-DEC-16
370642	08-SEP-16	ELLER, JESSICA	PAY		12.22	19-DEC-16
370656	08-SEP-16	FIDELITY NATIONAL TITLE	PAY		15.77	19-DEC-16
370731	08-SEP-16	PAYNE, NANCY C	PAY		161.77	20-DEC-16
370830	15-SEP-16	BEAUFORD, RICO	PAY		12.70	19-DEC-16
370836	15-SEP-16	BIOQUIP PRODUCTS INC	RANCHO DOMINQUE		800.01	09-DEC-16
370841	15-SEP-16	BOWEN, DAVID	PAY		21.93	19-DEC-16
370907	15-SEP-16	KAISER, KAREN	PAY		46.90	19-DEC-16
370919	15-SEP-16	LE, QUAN	PAY		10.63	19-DEC-16
370929	15-SEP-16	MARSH, SALINA	PAY		28.17	20-DEC-16
370931	15-SEP-16	MATSUNAGA, ERIKA	PAY		33.61	20-DEC-16

IRWD Ledger

Void Payment Register

Report Date: 29-DEC-2016 11:49

Include Zero Amount Payments: Yes
Display Payee Address: No

Period From: 01-DEC-16

Page: 2
To: 31-DEC-16
Date: Void Date

Bank: Bank of America N.A.

Branch: Los Angeles

Account: Checking AP and PR

Bank Account Currency: USD

Payment Currency: USD (US Dollar)

Payment Number	Date	Payee Name	Site	Address	Payment Amount	Void Date
Payment Document: IRWD CHECK						
370945	15-SEP-16	NETTO, DEIRDRE	PAY		13.39	21-DEC-16
370979	15-SEP-16	ROSAL, CYRIL	PAY		30.97	19-DEC-16
370988	15-SEP-16	SEMPICO COMPANY	PAY		70.07	19-DEC-16
371016	15-SEP-16	TURNER, KARIN	PAY		13.14	19-DEC-16
371039	15-SEP-16	YANG, HUI MING	PAY		25.42	19-DEC-16
371104	22-SEP-16	CHARLU, BALAJI	PAY		15.14	21-DEC-16
371112	22-SEP-16	CHUNG, DAVID	PAY		13.58	29-DEC-16
371148	22-SEP-16	DOYLE, ANITA J	PAY		20.37	19-DEC-16
371176	22-SEP-16	FLOWERS, TAMARA	PAY		18.95	19-DEC-16
371222	22-SEP-16	HIS, INC.	PAY		36.11	19-DEC-16
371226	22-SEP-16	HONG, KYUNGHA	PAY		10.03	19-DEC-16
371234	22-SEP-16	IMBO, MELANIE	PAY		111.73	20-DEC-16
371435	29-SEP-16	KIRKSEY, SEAN	PAY		23.02	19-DEC-16
371443	29-SEP-16	KRISHAN, RACHNA	PAY		12.24	19-DEC-16
371444	29-SEP-16	KWITOSKI, STEPHEN A	PAY		10.53	19-DEC-16
371449	29-SEP-16	LECAL, MOHAMMED	PAY		74.37	19-DEC-16
371451	29-SEP-16	LEE, JUDY	PAY		13.57	19-DEC-16
371471	29-SEP-16	MCEUGH, ERIC	PAY		10.74	19-DEC-16
372446	03-NOV-16	Moore, Rory M (Rory)	HOME		172.00	14-DEC-16
373632	15-DEC-16	SCHULER CONSTRUCTORS, INC.	PURCHASE		44,449.63	15-DEC-16

Payment Document Subtotal 46,924.01

Bank Account Subtotal 46,924.01

Voids

Report Count: 58

Report Total 46,924.01

*** End of Report ***

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 1
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373188		01-DEC-16	Alfaro, Alvaro		165.00			Negotiable
373189		01-DEC-16	Bowman, Brandon		172.00	15-DEC-16	172.00	Reconciled
373190		01-DEC-16	Hatch, Lauren		44.28	19-DEC-16	44.28	Reconciled
373191		01-DEC-16	Velardes, Mattias		52.38	06-DEC-16	52.38	Reconciled
373192		01-DEC-16	J (Matt)					
373193		01-DEC-16	Swan, Peer		1,596.68	06-DEC-16	1,596.68	Reconciled
373194		01-DEC-16	Brown, Richard E		2,273.35	02-DEC-16	2,273.35	Reconciled
373195		01-DEC-16	(Richard)					
373196		01-DEC-16	Schulze, Richard W		172.00	12-DEC-16	172.00	Reconciled
373197		01-DEC-16	(Richard)					
373198		01-DEC-16	Johnson, Susanne		90.78	05-DEC-16	90.78	Reconciled
373199		01-DEC-16	ADVANCED		2,783.00	05-DEC-16	2,783.00	Reconciled
373200		01-DEC-16	ENVIRONMENTAL					
373201		01-DEC-16	COMPLIANCE, LLC					
373202		01-DEC-16	AGILENT		157.68	12-DEC-16	157.68	Reconciled
373203		01-DEC-16	TECHNOLOGIES, INC.					
373204		01-DEC-16	AIRGAS, INC.		604.80	05-DEC-16	604.80	Reconciled
373205		01-DEC-16	ANTHONY N. LARSEN		400.00	15-DEC-16	400.00	Reconciled
373206		01-DEC-16	APPLIED TECHNOLOGY		95.00	05-DEC-16	95.00	Reconciled
373207		01-DEC-16	GROUP INC					
373208		01-DEC-16	AT&T		247.41	06-DEC-16	247.41	Reconciled
373209		01-DEC-16	AUTOZONE PARTS,		94.54	05-DEC-16	94.54	Reconciled
373210		01-DEC-16	INC.					
373211		01-DEC-16	AXA EQUITABLE LIFE		9,780.00			Negotiable
373212		01-DEC-16	INSURANCE COMPANY					
373213		01-DEC-16	BEE EMERGENCY		175.00	06-DEC-16	175.00	Reconciled
373214		01-DEC-16	RESPONSE TEAM					
373215		01-DEC-16	BIOMAGIC INC		16,727.04	09-DEC-16	16,727.04	Reconciled
373216		01-DEC-16	BLACK BOX CORP OF		219.37	06-DEC-16	219.37	Reconciled
373217		01-DEC-16	PENNSYLVANIA					
373218		01-DEC-16	BOUDREAU PIPELINE		77,075.40	12-DEC-16	77,075.40	Reconciled
373219		01-DEC-16	CORPORATION					
373220		01-DEC-16	BSI SERVICES AND		380.02	06-DEC-16	380.02	Reconciled
373221		01-DEC-16	SOLUTIONS (WEST),					
373222		01-DEC-16	INC.					
373223		01-DEC-16	C WELLS PIPELINE		8,434.80	16-DEC-16	8,434.80	Reconciled
373224		01-DEC-16	MATERIALS INC					
373225		01-DEC-16	CALIFORNIA		2,085.00	05-DEC-16	2,085.00	Reconciled
373226		01-DEC-16	BARRICADE RENTAL,					
373227		01-DEC-16	INC.					
373228		01-DEC-16	CALIFORNIA		2,328.75	14-DEC-16	2,328.75	Reconciled
373229		01-DEC-16	SCREENPRINT INC.					
373230		01-DEC-16	CANON FINANCIAL		907.55	05-DEC-16	907.55	Reconciled
373231		01-DEC-16	SERVICES, INC					

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 2
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373213		01-DEC-16	CANON SOLUTIONS		151.52	05-DEC-16	151.52	Reconciled
373214		01-DEC-16	AMERICA, INC.					
373215		01-DEC-16	CDW GOVERNMENT LLC		3,845.72	05-DEC-16	3,845.72	Reconciled
373216		01-DEC-16	COUNTY OF ORANGE		206.25	07-DEC-16	206.25	Reconciled
373217		01-DEC-16	COX		3,367.38	07-DEC-16	3,367.38	Reconciled
373218		01-DEC-16	COMMUNICATIONS,					
373219		01-DEC-16	INC.					
373220		01-DEC-16	D & H WATER		2,446.79	08-DEC-16	2,446.79	Reconciled
373221		01-DEC-16	SYSTEMS INC.					
373222		01-DEC-16	DIRECTV INC		113.55	12-DEC-16	113.55	Reconciled
373223		01-DEC-16	DISCOUNT COURIER		668.95	06-DEC-16	668.95	Reconciled
373224		01-DEC-16	SERVICE					
373225		01-DEC-16	EISEL ENTERPRISES		5,216.40	09-DEC-16	5,216.40	Reconciled
373226		01-DEC-16	INC					
373227		01-DEC-16	ELECTRICAL SYSTEMS		3,750.00	08-DEC-16	3,750.00	Reconciled
373228		01-DEC-16	ENGINEERING CO					
373229		01-DEC-16	ELITE EQUIPMENT,		185.04	12-DEC-16	185.04	Reconciled
373230		01-DEC-16	INC.					
373231		01-DEC-16	FEDEX NATIONAL		391.07	05-DEC-16	391.07	Reconciled
373232		01-DEC-16	LTL, INC					
373233		01-DEC-16	POPCO INC		775.00	06-DEC-16	775.00	Reconciled
373234		01-DEC-16	FRONTIER		270.18	06-DEC-16	270.18	Reconciled
373235		01-DEC-16	CALIFORNIA INC.					
373236		01-DEC-16	GANAHL LUMBER CO.		36.83	09-DEC-16	36.83	Reconciled
373237		01-DEC-16	GM SAGER		4,762.00	05-DEC-16	4,762.00	Reconciled
373238		01-DEC-16	CONSTRUCTION					
373239		01-DEC-16	CO, INC.					

373228	01-DEC-16	GRAINGER	1,782.42	05-DEC-16	1,782.42	Reconciled
373229	01-DEC-16	HACH COMPANY	13,444.97	09-DEC-16	13,444.97	Reconciled
373230	01-DEC-16	HARTFORD LIFE INSURANCE COMPANY	26,775.20	08-DEC-16	26,775.20	Reconciled
373231	01-DEC-16	HELPMATES STAFFING SERVICES	8,362.86	05-DEC-16	8,362.86	Reconciled
373232	01-DEC-16	HILL BROTHERS CHEMICAL COMPANY	6,616.21	06-DEC-16	6,616.21	Reconciled
373233	01-DEC-16	HOME DEPOT USA INC	490.91	12-DEC-16	490.91	Reconciled
373234	01-DEC-16	HOPKINS TECHNICAL PRODUCTS INC	1,528.32	06-DEC-16	1,528.32	Reconciled
373235	01-DEC-16	IRVINE COMMUNITY DEVELOPMENT COMPANY LLC	396,031.18	12-DEC-16	396,031.18	Reconciled
373236	01-DEC-16	IRVINE PIPE & SUPPLY INC	1,433.53	05-DEC-16	1,433.53	Reconciled
373237	01-DEC-16	IRWD-PETTY CASH CUSTODIAN	818.22	02-DEC-16	818.22	Reconciled
373238	01-DEC-16	KENNY THE PRINTER	682.46	05-DEC-16	682.46	Reconciled

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 3
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373239		01-DEC-16	LAGUNA BEACH COUNTY WATER DISTRICT		3,526.27	12-DEC-16	3,526.27	Reconciled
373240		01-DEC-16	LANDCARE HOLDINGS, INC.		61,799.00	08-DEC-16	61,799.00	Reconciled
373241		01-DEC-16	MC MASTER CARR SUPPLY CO		1,452.23	05-DEC-16	1,452.23	Reconciled
373242		01-DEC-16	MICHAEL BAKER INTERNATIONAL, INC.		12,381.19	08-DEC-16	12,381.19	Reconciled
373243		01-DEC-16	MISSION COMMUNICATIONS LLC		347.40	06-DEC-16	347.40	Reconciled
373244		01-DEC-16	MRO ELECTRIC & SUPPLY CO.		6,640.00	06-DEC-16	6,640.00	Reconciled
373245		01-DEC-16	MUTUAL PROPANE		100.71	06-DEC-16	100.71	Reconciled
373246		01-DEC-16	NATIONAL READY MIXED CONCRETE CO.		1,501.40	05-DEC-16	1,501.40	Reconciled
373247		01-DEC-16	OLIN CORPORATION		2,845.07	05-DEC-16	2,845.07	Reconciled
373248		01-DEC-16	ON ASSIGNMENT LAB SUPPORT		1,190.00	05-DEC-16	1,190.00	Reconciled
373249		01-DEC-16	ON CALL EVENT RENTALS		826.92	08-DEC-16	826.92	Reconciled
373250		01-DEC-16	ONESOURCE DISTRIBUTORS LLC		396.62	12-DEC-16	396.62	Reconciled
373251		01-DEC-16	ORANGE COUNTY AUTO PARTS CO		28.38	05-DEC-16	28.38	Reconciled
373252		01-DEC-16	ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT		1,530.18	16-DEC-16	1,530.18	Reconciled
373253		01-DEC-16	ORANGE COUNTY TREASURER		66.95	05-DEC-16	66.95	Reconciled
373254		01-DEC-16	PACIFIC PARTS & CONTROLS INC		633.08	06-DEC-16	633.08	Reconciled
373255		01-DEC-16	PARKHOUSE TIRE INC		277.04	06-DEC-16	277.04	Reconciled
373256		01-DEC-16	PARKWAY LAWNMOWER SHOP		170.19	06-DEC-16	170.19	Reconciled
373257		01-DEC-16	PELLETIER & ASSOCIATES, INC.		1,020.00	06-DEC-16	1,020.00	Reconciled
373258		01-DEC-16	PIPELOGIX INC		3,307.40			Negotiable
373259		01-DEC-16	POLARIS SALES INC.		24,100.15	08-DEC-16	24,100.15	Reconciled
373260		01-DEC-16	PROCARE WORK INJURY CENTER		890.00	06-DEC-16	890.00	Reconciled
373261		01-DEC-16	QUICK MANUFACTURING INC		408.24	08-DEC-16	408.24	Reconciled

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 4
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373262		01-DEC-16	REACH EMPLOYEE ASSISTANCE INC		946.40	06-DEC-16	946.40	Reconciled
373263		01-DEC-16	RICHARD C. SLADE & ASSOCIATES LLC		10,564.00	12-DEC-16	10,564.00	Reconciled
373264		01-DEC-16	SANTA MARGARITA WATER DISTRICT		22,682.95	09-DEC-16	22,682.95	Reconciled
373265		01-DEC-16	SERRANO WATER DISTRICT		32,399.81	07-DEC-16	32,399.81	Reconciled
373266		01-DEC-16	SHAMROCK SUPPLY CO		3,597.70	05-DEC-16	3,597.70	Reconciled

373267	01-DEC-16	INC SIEMENS DEMAG DELAVAL TURBOMACHINERY, INC.	1,235.52	08-DEC-16	1,235.52	Reconciled
373268	01-DEC-16	SOUTHERN CALIFORNIA EDISON COMPANY	84,701.00	06-DEC-16	84,701.00	Reconciled
373269	01-DEC-16	SOUTHERN CALIFORNIA SECURITY CENTERS, INC.	197.00	08-DEC-16	197.00	Reconciled
373270	01-DEC-16	STANDARD REGISTER, INC.	2,627.09	05-DEC-16	2,627.09	Reconciled
373271	01-DEC-16	STANTEC CONSULTING SERVICES INC.	8,000.00	05-DEC-16	8,000.00	Reconciled
373272	01-DEC-16	STRADLING YOCCA CARLSON & RAUTH	175.50	05-DEC-16	175.50	Reconciled
373273	01-DEC-16	SUNSTATE EQUIPMENT CO	399.18	07-DEC-16	399.18	Reconciled
373274	01-DEC-16	TRABUCO CANYON WATER DISTRICT	76,024.88	07-DEC-16	76,024.88	Reconciled
373275	01-DEC-16	TRENCH SHORING COMPANY	86.29	06-DEC-16	86.29	Reconciled
373276	01-DEC-16	TRUCPARCO	1,514.30	08-DEC-16	1,514.30	Reconciled
373277	01-DEC-16	UNITED PARCEL SERVICE INC	26.44	07-DEC-16	26.44	Reconciled
373278	01-DEC-16	UNITED SITE SERVICES OF CALIFORNIA INC	478.25	07-DEC-16	478.25	Reconciled
373279	01-DEC-16	UNITED WATER WORKS, INC.	1,804.95	05-DEC-16	1,804.95	Reconciled
373280	01-DEC-16	VAN DYKE FARMS, INC.	276.10	05-DEC-16	276.10	Reconciled
373281	01-DEC-16	VERIZON WIRELESS SERVICES LLC	6,138.40	05-DEC-16	6,138.40	Reconciled

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 5
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373282		01-DEC-16	VWR INTERNATIONAL, LLC		3,117.24	05-DEC-16	3,117.24	Reconciled
373283		01-DEC-16	WALTERS WHOLESALE ELECTRIC		2,773.49	05-DEC-16	2,773.49	Reconciled
373284		01-DEC-16	WAXIE'S ENTERPRISES, INC		275.69	08-DEC-16	275.69	Reconciled
373285		01-DEC-16	WECK LABORATORIES INC		115.00	07-DEC-16	115.00	Reconciled
373286		01-DEC-16	WEST COAST SAND & GRAVEL INC.		570.51	05-DEC-16	570.51	Reconciled
373287		01-DEC-16	ZEE MEDICAL SERVICE CO		273.97	05-DEC-16	273.97	Reconciled
373288		08-DEC-16	McNulty, Amy K (Amy)		59.62			Negotiable
373289		08-DEC-16	Compton, Christine A		24.30			Negotiable
373290		08-DEC-16	Kanoff, Debbie G (Debbie)		133.26	19-DEC-16	133.26	Reconciled
373291		08-DEC-16	Lassalette, James P (Jim)		75.00	12-DEC-16	75.00	Reconciled
373292		08-DEC-16	Marcacchi, Mark		10.80	12-DEC-16	10.80	Reconciled
373293		08-DEC-16	Matheis, Mary Aileen		899.08	20-DEC-16	899.08	Reconciled
373294		08-DEC-16	Caena, Miguel		8.86			Negotiable
373295		08-DEC-16	Robinson, Mitchell S		10.80	12-DEC-16	10.80	Reconciled
373296		08-DEC-16	Bennett, Ray R (Ray)		486.79	14-DEC-16	486.79	Reconciled
373297		08-DEC-16	Toland, Scott Andrew		334.00	12-DEC-16	334.00	Reconciled
373298		08-DEC-16	LaMar, Steven E		136.39	12-DEC-16	136.39	Reconciled
373299		08-DEC-16	ABDULRAHMAN, ALSUBIHEEN		3.60			Negotiable
373300		08-DEC-16	AERATION INDUSTRIES INTERNATIONAL INC		8,636.80	12-DEC-16	8,636.80	Reconciled
373301		08-DEC-16	AFLAC		10,757.61	20-DEC-16	10,757.61	Reconciled
373302		08-DEC-16	AFLAC		404.85	16-DEC-16	404.85	Reconciled
373303		08-DEC-16	AIR RESOURCES BOARD		620.00			Negotiable
373304		08-DEC-16	ALEXANDER'S CONTRACT SERVICES, INC.		116,600.63	15-DEC-16	116,600.63	Reconciled
373305		08-DEC-16	ALSAUD, TURKI		177.26			Negotiable
373306		08-DEC-16	ANTHONY SUFFREDINI		4,000.00	12-DEC-16	4,000.00	Reconciled
373307		08-DEC-16	AT&T		3,599.67	14-DEC-16	3,599.67	Reconciled

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 6

Bank Account Currency: USD (US Dollar)
 Payment Type: All

Payment Currency: USD (US Dollar)
 Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373308		08-DEC-16	AT&T		51.73			Negotiable
373309		08-DEC-16	ATLANTIC MACHINERY, INC.		127,332.40	19-DEC-16	127,332.40	Reconciled
373310		08-DEC-16	AUTOZONE PARTS, INC.		47.23	12-DEC-16	47.23	Reconciled
373311		08-DEC-16	AVISTA TECHNOLOGIES, INC		16,997.01	14-DEC-16	16,997.01	Reconciled
373312		08-DEC-16	BATTERIES PLUS AND BATTERIES PLUS BULBS		475.12	12-DEC-16	475.12	Reconciled
373313		08-DEC-16	BAYAT, TALA		301.99			Negotiable
373314		08-DEC-16	BENJAMIN, LISA		135.00			Negotiable
373315		08-DEC-16	BIOMERIEUX INC		564.85	12-DEC-16	564.85	Reconciled
373316		08-DEC-16	BLOOMBERG FINANCE LP		12,465.00	16-DEC-16	12,465.00	Reconciled
373317		08-DEC-16	BRITHINEE ELECTRIC		7,567.72	12-DEC-16	7,567.72	Reconciled
373318		08-DEC-16	BURKE, WILLIAMS & SORENSEN, LLP		4,999.00	12-DEC-16	4,999.00	Reconciled
373319		08-DEC-16	BUSH & ASSOCIATES INC		4,880.00			Negotiable
373320		08-DEC-16	C WELLS PIPELINE MATERIALS INC		12,616.56	16-DEC-16	12,616.56	Reconciled
373321		08-DEC-16	CABELA'S MARKETING AND BRAND MANAGEMENT INC		1,037.91	14-DEC-16	1,037.91	Reconciled
373322		08-DEC-16	CALIFORNIA BARRICADE RENTAL, INC.		1,910.00	12-DEC-16	1,910.00	Reconciled
373323		08-DEC-16	CANON FINANCIAL SERVICES, INC		1,315.44			Negotiable
373324		08-DEC-16	CANON SOLUTIONS AMERICA, INC.		407.01			Negotiable
373325		08-DEC-16	CAPTIVE AUDIENCE MARKETING INC.		85.32			Negotiable
373326		08-DEC-16	CHARLES AND THERSA SHIPLER		149.19			Negotiable
373327		08-DEC-16	CHARLES P CROWLEY COMPANY INC		1,113.64	19-DEC-16	1,113.64	Reconciled
373328		08-DEC-16	CHEN, YUSHENT		27.19			Negotiable
373329		08-DEC-16	CHO DESIGN ASSOCIATES, INC		5,040.00			Negotiable
373330		08-DEC-16	CITIGROUP GLOBAL MARKETS INC.		2,281.15			Negotiable
373331		08-DEC-16	CITY OF TUSTIN		222.52	12-DEC-16	222.52	Reconciled
373332		08-DEC-16	CLA-VAL COMPANY		3,339.58	12-DEC-16	3,339.58	Reconciled
373333		08-DEC-16	CLEARINGHOUSE		477.67	12-DEC-16	477.67	Reconciled
IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49								
BANK: Bank of America N.A.			Branch : Los Angeles		Account: Checking AP and PR		Page: 7	
Bank Account Currency: USD (US Dollar)					Payment Currency: USD (US Dollar)			
Payment Type: All					Display Supplier Address: No			

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373334		08-DEC-16	COAST PLUMBING HEATING AND AIR, INC		430.00	12-DEC-16	430.00	Reconciled
373335		08-DEC-16	COLONIAL LIFE & ACCIDENT INSURANCE CO.		1,225.72			Negotiable
373336		08-DEC-16	CURT PRINGLE AND ASSOCIATES		6,000.00			Negotiable
373337		08-DEC-16	DATA CLEAN CORPORATION		542.00			Negotiable
373338		08-DEC-16	DATAZEO, INC.		125.00	14-DEC-16	125.00	Reconciled
373339		08-DEC-16	DISCOUNT COURIER SERVICE		155.80	12-DEC-16	155.80	Reconciled
373340		08-DEC-16	DMS FACILITY SERVICES, INC.		17,756.93	14-DEC-16	17,756.93	Reconciled
373341		08-DEC-16	EI&C ENGINEERING INC		58,005.00	16-DEC-16	58,005.00	Reconciled
373342		08-DEC-16	EMPLOYEE BENEFIT SPECIALIST, INC		1,095.00	12-DEC-16	1,095.00	Reconciled
373343		08-DEC-16	EVANS-HYDRO INC		30,942.00	22-DEC-16	30,942.00	Reconciled
373344		08-DEC-16	EXECUTIVE LIGHTING & ELECTRIC		2,456.51			Negotiable
373345		08-DEC-16	FEDEX		434.25	14-DEC-16	434.25	Reconciled
373346		08-DEC-16	FENCE SCREEN		79.64			Negotiable
373347		08-DEC-16	FENCE SCREEN		78.09			Negotiable
373348		08-DEC-16	FIRE EXTINGUISHING SAFETY & SERVICE		569.73	12-DEC-16	569.73	Reconciled
373349		08-DEC-16	FISERV		294.30	09-DEC-16	294.30	Reconciled
373350		08-DEC-16	FISHER SCIENTIFIC		4,998.58	12-DEC-16	4,998.58	Reconciled

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
373351		08-DEC-16	COMPANY LLC FRANCHISE TAX BOARD		20.00	16-DEC-16	20.00	Reconciled
373352		08-DEC-16	FREEWAY MACHINE & WELDING SHOP		4,860.00	12-DEC-16	4,860.00	Reconciled
373353		08-DEC-16	GRAINGER		977.48	12-DEC-16	977.48	Reconciled
373354		08-DEC-16	HACH COMPANY		1,591.71			Negotiable
373355		08-DEC-16	HARRINGTON INDUSTRIAL PLASTICS LLC		714.39	12-DEC-16	714.39	Reconciled
373356		08-DEC-16	HARTFORD LIFE AND ACCIDENT INSURANCE COMPANY		112.48			Negotiable
373357		08-DEC-16	HELP/SYSTEMS, LLC		1,550.00	12-DEC-16	1,550.00	Reconciled
373358		08-DEC-16	HELPMATES STAFFING SERVICES		3,411.36	12-DEC-16	3,411.36	Reconciled

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 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373359		08-DEC-16	HERITAGE FIELDS EL TORO, LLC		964,460.52	20-DEC-16	964,460.52	Reconciled
373360		08-DEC-16	HILLCREST CONTRACTING, INC.		687.78	14-DEC-16	687.78	Reconciled
373361		08-DEC-16	HOME DEPOT USA INC		596.73	16-DEC-16	596.73	Reconciled
373362		08-DEC-16	IBM CORPORATION		925.00	12-DEC-16	925.00	Reconciled
373363		08-DEC-16	INDUSTRIAL METAL SUPPLY CO		83.35	12-DEC-16	83.35	Reconciled
373364		08-DEC-16	IRVINE PIPE & SUPPLY INC		2,387.51	12-DEC-16	2,387.51	Reconciled
373365		08-DEC-16	IRWD EMPLOYEE ASSOCIATION		840.00	19-DEC-16	840.00	Reconciled
373366		08-DEC-16	JTG CONSULTANTS		199.20			Negotiable
373367		08-DEC-16	JOHN MICHAEL COVAS		195.80	19-DEC-16	195.80	Reconciled
373368		08-DEC-16	JOHNSON PLASTICS		1,224.40	12-DEC-16	1,224.40	Reconciled
373369		08-DEC-16	JONES COVEY GROUP, INC		915.37			Negotiable
373370		08-DEC-16	KAYUGA SOLUTION INC		25,080.00	22-DEC-16	25,080.00	Reconciled
373371		08-DEC-16	KAZARIANS & ASSOCIATES, INC.		7,510.00			Negotiable
373372		08-DEC-16	KIM, STEPHEN		14.52			Negotiable
373373		08-DEC-16	KIMBALL MIDWEST		3,522.48	14-DEC-16	3,522.48	Reconciled
373374		08-DEC-16	LANDCARE HOLDINGS, INC.		10,646.85	15-DEC-16	10,646.85	Reconciled
373375		08-DEC-16	LEONARD CHAIDEZ TREE SERVICE		950.00	12-DEC-16	950.00	Reconciled
373376		08-DEC-16	LEWIS MANAGEMENT CORP.		330.00			Negotiable
373377		08-DEC-16	LIARDON, PRISCILLA		148.54	14-DEC-16	148.54	Reconciled
373378		08-DEC-16	LUBRICATION ENGINEERS, INC.		1,821.35	12-DEC-16	1,821.35	Reconciled
373379		08-DEC-16	MAILFINANCE INC		9,912.62			Negotiable
373380		08-DEC-16	MC FADDEN-DALE INDUSTRIAL		564.85			Negotiable
373381		08-DEC-16	MC MASTER CARR SUPPLY CO		2,258.72	12-DEC-16	2,258.72	Reconciled
373382		08-DEC-16	MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED		17,293.99	16-DEC-16	17,293.99	Reconciled
373383		08-DEC-16	MICHAEL BAKER INTERNATIONAL, INC.		2,086.72	12-DEC-16	2,086.72	Reconciled
373384		08-DEC-16	MOBILE MODULAR MANAGEMENT CORPORATION		1,020.60	12-DEC-16	1,020.60	Reconciled

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Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373385		08-DEC-16	MUNICIPAL WATER DISTRICT OF ORANGE COUNTY		5,400.00	12-DEC-16	5,400.00	Reconciled
373386		08-DEC-16	NATIONAL SPECIALITY ALLOYS LLC		681.48	12-DEC-16	681.48	Reconciled
373387		08-DEC-16	NATURALWELL, LLC		1,677.50	12-DEC-16	1,677.50	Reconciled
373388		08-DEC-16	NATURES IMAGE INC		198.00			Negotiable
373389		08-DEC-16	NEPTUNE TECHNOLOGY GROUP, INC.		17.28	12-DEC-16	17.28	Reconciled
373390		08-DEC-16	NINYO & MOORE		10,063.25	14-DEC-16	10,063.25	Reconciled

373391	08-DEC-16	NORMAN A. OLSSON CONSTRUCTION, INC.	113,192.50	16-DEC-16	113,192.50	Reconciled
373392	08-DEC-16	NORTHWOOD PLACE APTS	15.99	21-DEC-16	15.99	Reconciled
373393	08-DEC-16	OH, CHRISTIAN	42.03	19-DEC-16	42.03	Reconciled
373394	08-DEC-16	ONESOURCE DISTRIBUTORS LLC	4,320.00	12-DEC-16	4,320.00	Reconciled
373395	08-DEC-16	ORACLE AMERICA, INC.	220,854.56	15-DEC-16	220,854.56	Reconciled
373396	08-DEC-16	ORANGE COUNTY AUTO PARTS CO	261.43	12-DEC-16	261.43	Reconciled
373397	08-DEC-16	ORANGE COUNTY SHERIFF'S OFFICE	62.50			Negotiable
373398	08-DEC-16	PACIFIC PARTS & CONTROLS INC	1,230.53	12-DEC-16	1,230.53	Reconciled
373399	08-DEC-16	PAPER DEPOT DOCUMENT DESTRUCTION LLC	720.00	19-DEC-16	720.00	Reconciled
373400	08-DEC-16	PARK PLACE MICHELSON LLC	2,041.66	12-DEC-16	2,041.66	Reconciled
373401	08-DEC-16	PARK WEST APTS	4,194.42	21-DEC-16	4,194.42	Reconciled
373402	08-DEC-16	PASCAL & LUDWIG CONSTRUCTORS	10,187.15			Negotiable
373403	08-DEC-16	PASCAL & LUDWIG CONSTRUCTORS	1,535.00			Negotiable
373404	08-DEC-16	PASCAL & LUDWIG CONSTRUCTORS	222,720.85	15-DEC-16	222,720.85	Reconciled
373405	08-DEC-16	PERS LONG TERM CARE	900.58	15-DEC-16	900.58	Reconciled
373406	08-DEC-16	PHAN, HENRY	32.87			Negotiable
373407	08-DEC-16	PILLSBURY WINTHROP SHAW PITTMAN LLP	1,487.50	12-DEC-16	1,487.50	Reconciled
373408	08-DEC-16	PRE-PAID LEGAL SERVICES INC	1,578.90	14-DEC-16	1,578.90	Reconciled

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Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373409		08-DEC-16	PROCARE WORK INJURY CENTER		385.00			Negotiable
373410		08-DEC-16	PRUDENTIAL OVERALL SUPPLY		7,136.48			Negotiable
373411		08-DEC-16	RAM AIR ENGINEERING INC		11,276.60	16-DEC-16	11,276.60	Reconciled
373412		08-DEC-16	RANCHO SAN JOAQUIN APTS		120.92	21-DEC-16	120.92	Reconciled
373413		08-DEC-16	RANCHO SANTA FE APTS		0.18	15-DEC-16	0.18	Reconciled
373414		08-DEC-16	RED WING SHOES		200.00			Negotiable
373415		08-DEC-16	REED, JAMES D		1,930.00	20-DEC-16	1,930.00	Reconciled
373416		08-DEC-16	REFRIGERATION SUPPLIES DISTRIBUTOR		239.54			Negotiable
373417		08-DEC-16	RELIANCE SAFETY CONSULTANTS, INC.		8,376.26	12-DEC-16	8,376.26	Reconciled
373418		08-DEC-16	REZAEI, MAHSA		182.85	12-DEC-16	182.85	Reconciled
373419		08-DEC-16	RICHARD C. SLADE & ASSOCIATES LLC		12,866.00			Negotiable
373420		08-DEC-16	RINCON TRUCK CENTER INC.		5,700.00	12-DEC-16	5,700.00	Reconciled
373421		08-DEC-16	RINGCLEAR LLC		80.40	12-DEC-16	80.40	Reconciled
373422		08-DEC-16	RITEWAY AUTO PAINT & BODYWORKS		2,539.84	12-DEC-16	2,539.84	Reconciled
373423		08-DEC-16	SANTA ANA BLUE PRINT		13.54	14-DEC-16	13.54	Reconciled
373424		08-DEC-16	SANTA MARGARITA FORD		492.04			Negotiable
373425		08-DEC-16	SANTIAGO AQUEDUCT COMMISSION		174,113.31	12-DEC-16	174,113.31	Reconciled
373426		08-DEC-16	SCHLOCKER, LINDA		15.15	12-DEC-16	15.15	Reconciled
373427		08-DEC-16	SECURTEC DISTRICT PATROL, INC.		10,700.00	15-DEC-16	10,700.00	Reconciled
373428		08-DEC-16	SHAMROCK SUPPLY CO INC		209.30			Negotiable
373429		08-DEC-16	SHOETERIA		145.79			Negotiable
373430		08-DEC-16	SIMI VALLEY LANDFILL AND RECYCLING CENTER		579.69	12-DEC-16	579.69	Reconciled
373431		08-DEC-16	SMITH SYSTEM DRIVER IMPROVEMENT INSTITUTE, INC.		1,371.69	12-DEC-16	1,371.69	Reconciled
373432		08-DEC-16	SOFTWAREONE INC		122,249.58	16-DEC-16	122,249.58	Reconciled
373433		08-DEC-16	SOLANA APTS		15.16	21-DEC-16	15.16	Reconciled

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 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373434		08-DEC-16	SOMERSET APARTMENTS		4.65	21-DEC-16	4.65	Reconciled
373435		08-DEC-16	SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT		2,023.00	22-DEC-16	2,023.00	Reconciled
373436		08-DEC-16	SOUTH COAST ANSWERING SERVICE		471.90	12-DEC-16	471.90	Reconciled
373437		08-DEC-16	SOUTH COAST WATER CO.		40.00	12-DEC-16	40.00	Reconciled
373438		08-DEC-16	SOUTH COAST WATER CO.		226.68	12-DEC-16	226.68	Reconciled
373439		08-DEC-16	SOUTHERN CALIFORNIA EDISON COMPANY		477,519.24	12-DEC-16	477,519.24	Reconciled
373440		08-DEC-16	SOUTHERN CALIFORNIA SECURITY CENTERS, INC.		359.04	22-DEC-16	359.04	Reconciled
373441		08-DEC-16	SPX CORP		1,094.00			Negotiable
373442		08-DEC-16	STEVEN ENTERPRISES INC		665.28	12-DEC-16	665.28	Reconciled
373443		08-DEC-16	STICE COMPANY INC		665.08			Negotiable
373444		08-DEC-16	STRAWSBURG, JONATHAN		28.69			Negotiable
373445		08-DEC-16	TAYLOR MORRISON		76.84	22-DEC-16	76.84	Reconciled
373446		08-DEC-16	TESTAMERICA LABORATORIES, INC		244.65	14-DEC-16	244.65	Reconciled
373447		08-DEC-16	THE FURMAN GROUP, INC.		12,540.00			Negotiable
373448		08-DEC-16	THE NEW HOME COMPANY		199.72			Negotiable
373449		08-DEC-16	THYSSENKRUPP ELEVATOR CORPORATION		179.64	12-DEC-16	179.64	Reconciled
373450		08-DEC-16	TIC-OFFICE PROPERTIES		632.14	19-DEC-16	632.14	Reconciled
373451		08-DEC-16	TIC-OFFICE PROPERTIES		5,309.18	19-DEC-16	5,309.18	Reconciled
373452		08-DEC-16	TIC-RETAIL PROPERTIES		31.65	19-DEC-16	31.65	Reconciled
373453		08-DEC-16	TIC-SPECTRUM OFFICE		970.62	19-DEC-16	970.62	Reconciled
373454		08-DEC-16	TIC-SPECTRUM OFFICE		253.04	19-DEC-16	253.04	Reconciled
373455		08-DEC-16	TITUS INDUSTRIAL GROUP, INC.		1,627.12			Negotiable

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Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373456		08-DEC-16	TRENCH SHORING COMPANY		29.73	15-DEC-16	29.73	Reconciled
373457		08-DEC-16	TRIPAC MARKETING INC		388.76			Negotiable
373458		08-DEC-16	TROPICAL PLAZA NURSERY INC		5,201.00	12-DEC-16	5,201.00	Reconciled
373459		08-DEC-16	TRUCPARCO		1,480.05	14-DEC-16	1,480.05	Reconciled
373460		08-DEC-16	TURTLE ROCK VISTA APTS		204.35	21-DEC-16	204.35	Reconciled
373461		08-DEC-16	ULINE INC		40.83	19-DEC-16	40.83	Reconciled
373462		08-DEC-16	UNITED SITE SERVICES OF CALIFORNIA INC		152.31	12-DEC-16	152.31	Reconciled
373463		08-DEC-16	UNITED STATES POST OFFICE		25,000.00			Negotiable
373464		08-DEC-16	UNITED WATER WORKS, INC.		8,009.48	12-DEC-16	8,009.48	Reconciled
373465		08-DEC-16	US BANK NAT'L ASSOC N.DAKOTA		11,437.15	19-DEC-16	11,437.15	Reconciled
373466		08-DEC-16	VERIZON WIRELESS SERVICES LLC		2,544.01			Negotiable
373467		08-DEC-16	VWR INTERNATIONAL, LLC		1,275.62	12-DEC-16	1,275.62	Reconciled
373468		08-DEC-16	W.M. LYLES CO		25,706.27	15-DEC-16	25,706.27	Reconciled
373469		08-DEC-16	W.M. LYLES CO		488,419.13	15-DEC-16	488,419.13	Reconciled
373470		08-DEC-16	WASTE MANAGEMENT OF ORANGE COUNTY		4,801.93	12-DEC-16	4,801.93	Reconciled
373471		08-DEC-16	WEST COAST SAND & GRAVEL INC.		570.74	12-DEC-16	570.74	Reconciled
373472		08-DEC-16	WESTAMERICA COMMUNICATIONS, INC.		3,468.40	12-DEC-16	3,468.40	Reconciled

373473	08-DEC-16	WESTERN EXTERMINATOR COMPANY		19,066.00	21-DEC-16	19,066.00	Reconciled
373474	08-DEC-16	WISNER, SEAN		250.00			Negotiable
373475	08-DEC-16	WOODBRIIDGE VILLAS		12.98	15-DEC-16	12.98	Reconciled
373476	08-DEC-16	ZUEHL, HERMINIA		1,442.47	12-DEC-16	1,442.47	Reconciled
373477	08-DEC-16	MARYANN BROWN	PURCHASE_P AY	1,102.80	15-DEC-16	1,102.80	Reconciled
373478	09-DEC-16	O'HAREN GOVERNMENTELK GROVE RELATIONS		7,043.92			Negotiable
373479	09-DEC-16	BIOQUIP PRODUCTS INC	RANCHO DOMINQUE	800.01			Negotiable
373480	12-DEC-16	FORESITE ESCROW, INC.	BARDEEN PT/PVID	250,000.00	14-DEC-16	250,000.00	Reconciled

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Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373481	12-DEC-16	FORESITE ESCROW, INC.	BARDEEN PT/PVID		50,000.00	14-DEC-16	50,000.00	Reconciled
373482	12-DEC-16	FORESITE ESCROW, INC.	BARDEEN PT/PVID		250,000.00	14-DEC-16	250,000.00	Reconciled
373483	12-DEC-16	JCI JONES CHEMICALS INC	CINCINNATI		3,455.38	15-DEC-16	3,455.38	Reconciled
373484	13-DEC-16	JCI JONES CHEMICALS INC	CINCINNATI		9,578.38	16-DEC-16	9,578.38	Reconciled
373485	15-DEC-16	Kalinsky, Arseny (Arseny)			150.00	15-DEC-16	150.00	Reconciled
373486	15-DEC-16	Carter, Cheryl L (Cheryl)			199.77	20-DEC-16	199.77	Reconciled
373487	15-DEC-16	Kanoff, Debbie G (Debbie)			218.98	19-DEC-16	218.98	Reconciled
373488	15-DEC-16	Cortez, Malcolm A (Malcolm)			46.44	16-DEC-16	46.44	Reconciled
373489	15-DEC-16	Saini, Mohit			115.64	15-DEC-16	115.64	Reconciled
373490	15-DEC-16	Jones, Morgan			55.00			Negotiable
373491	15-DEC-16	Torres, Richard P (Richard)			200.00			Negotiable
373492	15-DEC-16	De Leon, Sharon			18.88	19-DEC-16	18.88	Reconciled
373493	15-DEC-16	Malloy, Steven L (Steven)			592.00	20-DEC-16	592.00	Reconciled
373494	15-DEC-16	Johnson, Susanne			21.80	20-DEC-16	21.80	Reconciled
373495	15-DEC-16	Fournier, Tanja L (Tanja)			834.25	19-DEC-16	834.25	Reconciled
373496	15-DEC-16	ACCESS TECHNOLOGIES, INC.			2,620.89	19-DEC-16	2,620.89	Reconciled
373497	15-DEC-16	ACCUSOURCE, INC.			182.25	21-DEC-16	182.25	Reconciled
373498	15-DEC-16	AGOPIAN, G K			38.96	16-DEC-16	38.96	Reconciled
373499	15-DEC-16	AGUA DULCE WATER TRUCK & TRANSPORTATION			1,376.96	19-DEC-16	1,376.96	Reconciled
373500	15-DEC-16	AIRGAS, INC.			1,355.95	19-DEC-16	1,355.95	Reconciled
373501	15-DEC-16	AKM CONSULTING ENGINEERS, INC.			43,970.00	21-DEC-16	43,970.00	Reconciled
373502	15-DEC-16	ALLIANCE AG SERVICES, LLC			6,000.00			Negotiable
373503	15-DEC-16	APCO GRAPHICS INC			108.00	19-DEC-16	108.00	Reconciled
373504	15-DEC-16	ARIZONA INSTRUMENT LLC			1,025.00	19-DEC-16	1,025.00	Reconciled
373505	15-DEC-16	AT&T			1,660.26	20-DEC-16	1,660.26	Reconciled
373506	15-DEC-16	AT&T			939.50	20-DEC-16	939.50	Reconciled
373507	15-DEC-16	AUTOZONE PARTS, INC.			28.55	22-DEC-16	28.55	Reconciled
373508	15-DEC-16	BALDWIN, MICHELLE			92.24			Negotiable

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Payment Document : IRWD CHECK								
373509	15-DEC-16	BELMONTE, FRANCIS			507.62	23-DEC-16	507.62	Reconciled
373510	15-DEC-16	BILL'S SWEEPING SERVICE INC			900.00	20-DEC-16	900.00	Reconciled
373511	15-DEC-16	BLAIRS TOWING INC			110.00			Negotiable
373512	15-DEC-16	BORCHARD SURVEYING & MAPPING, INC.			3,450.00			Negotiable
373513	15-DEC-16	BOWIE, ARNESON, WILES & GIANNONE			27,725.33			Negotiable
373514	15-DEC-16	BOYD & ASSOCIATES			4,408.00	20-DEC-16	4,408.00	Reconciled
373515	15-DEC-16	BRIAN BOYD			165.00	19-DEC-16	165.00	Reconciled
373516	15-DEC-16	BRITHINEE ELECTRIC			1,096.75	19-DEC-16	1,096.75	Reconciled
373517	15-DEC-16	BROWN AND CALDWELL			4,995.84	19-DEC-16	4,995.84	Reconciled
373518	15-DEC-16	BRUCE NEWELL			2,500.00	19-DEC-16	2,500.00	Reconciled

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
373519		15-DEC-16	BURLINGTON SAFETY LABORATORY OF CALIFORNIA INC		329.17	19-DEC-16	329.17	Reconciled
373520		15-DEC-16	CALIFORNIA BARRICADE RENTAL, INC.		3,535.00			Negotiable
373521		15-DEC-16	CALIFORNIA SPECIAL DISTRICTS ASSOCIATION		6,485.00	21-DEC-16	6,485.00	Reconciled
373522		15-DEC-16	CASA		19,282.00			Negotiable
373523		15-DEC-16	CHAN, ANA		29.44	20-DEC-16	29.44	Reconciled
373524		15-DEC-16	CITY OF IRVINE		9,433.00	19-DEC-16	9,433.00	Reconciled
373525		15-DEC-16	CITY OF TUSTIN		575.89	16-DEC-16	575.89	Reconciled
373526		15-DEC-16	CLEAN ENERGY		2,067.55			Negotiable
373527		15-DEC-16	CLEVELAND, MYRON		295.02			Negotiable
373528		15-DEC-16	CR & R INCORPORATED		282.82	20-DEC-16	282.82	Reconciled
373529		15-DEC-16	CUNNINGHAM, MICHAEL C		186.35			Negotiable
373530		15-DEC-16	CV TECHNOLOGY, INC.		41,708.00	23-DEC-16	41,708.00	Reconciled
373531		15-DEC-16	D & G SIGNS		2,768.00			Negotiable
373532		15-DEC-16	DATASITE INC		3,242.00			Negotiable
373533		15-DEC-16	DAVIDSON, DEVIN		29.31			Negotiable
373534		15-DEC-16	DEE JASPAR & ASSOCIATES, INC.		54,074.28	23-DEC-16	54,074.28	Reconciled
373535		15-DEC-16	DENNIS E RISSE		560.11			Negotiable
373536		15-DEC-16	DEPARTMENT OF INDUSTRIAL RELATIONS STATE OF CALIFORNIA		13,785.11	21-DEC-16	13,785.11	Reconciled
373537		15-DEC-16	DEPAULA, LUIZ		131.15	21-DEC-16	131.15	Reconciled

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 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373538		15-DEC-16	DIGITAL MAP PRODUCTS, INC.		4,452.00	19-DEC-16	4,452.00	Reconciled
373539		15-DEC-16	DISCOUNT COURIER SERVICE		158.50	16-DEC-16	158.50	Reconciled
373540		15-DEC-16	DISCOVERY SCIENCE CENTER OF ORANGE COUNTY		7,609.26	19-DEC-16	7,609.26	Reconciled
373541		15-DEC-16	DRAEGER, INC.		4,769.97	19-DEC-16	4,769.97	Reconciled
373542		15-DEC-16	DUDEK		1,800.00	22-DEC-16	1,800.00	Reconciled
373543		15-DEC-16	E&M ELECTRIC AND MACHINERY, INC.		74,449.00	21-DEC-16	74,449.00	Reconciled
373544		15-DEC-16	ECO SERVICES LLC		5,007.46	20-DEC-16	5,007.46	Reconciled
373545		15-DEC-16	EHS INTERNATIONAL, INC		1,080.00			Negotiable
373546		15-DEC-16	EISEL ENTERPRISES INC		10,875.60			Negotiable
373547		15-DEC-16	ENVIRONMENTAL ENGINEERING AND CONTRACTING, INC.		13,110.00	21-DEC-16	13,110.00	Reconciled
373548		15-DEC-16	ESRI		24,650.00	22-DEC-16	24,650.00	Reconciled
373549		15-DEC-16	EUROFINS EATON ANALYTICAL, INC.		300.00	19-DEC-16	300.00	Reconciled
373550		15-DEC-16	EXECUTIVE LIGHTING & ELECTRIC		4,982.29	19-DEC-16	4,982.29	Reconciled
373551		15-DEC-16	FEDEX		320.17	20-DEC-16	320.17	Reconciled
373552		15-DEC-16	FERGUSON ENTERPRISES, INC.		157.68	19-DEC-16	157.68	Reconciled
373553		15-DEC-16	FISHER SCIENTIFIC COMPANY LLC		10,538.50	22-DEC-16	10,538.50	Reconciled
373554		15-DEC-16	FLEET SOLUTIONS LLC		4,664.50	19-DEC-16	4,664.50	Reconciled
373555		15-DEC-16	FLEXIBLE LIFELINE SYSTEMS		13,246.14			Negotiable
373556		15-DEC-16	FLUID CONSERVATION SYSTEMS INC		175.00			Negotiable
373557		15-DEC-16	FRONTIER CALIFORNIA INC.		50.97	19-DEC-16	50.97	Reconciled
373558		15-DEC-16	GANAHL LUMBER CO.		232.37	22-DEC-16	232.37	Reconciled
373559		15-DEC-16	GEIGER BROS		934.38	19-DEC-16	934.38	Reconciled
373560		15-DEC-16	GENERAL PUMP COMPANY INC		224,205.70	21-DEC-16	224,205.70	Reconciled
373561		15-DEC-16	GHD INC.		1,782.15	20-DEC-16	1,782.15	Reconciled
373562		15-DEC-16	GRAINGER		3,724.13	19-DEC-16	3,724.13	Reconciled
373563		15-DEC-16	GRAYBAR ELECTRIC COMPANY		2,105.87	19-DEC-16	2,105.87	Reconciled

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 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Cleared

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373564		15-DEC-16	GUILLERMO REYES SOUTO		165.00	19-DEC-16	165.00	Reconciled
373565		15-DEC-16	HACH COMPANY		3,778.90	20-DEC-16	3,778.90	Reconciled
373566		15-DEC-16	HARN R/O SYSTEMS, INC.		86,695.00	22-DEC-16	86,695.00	Reconciled
373567		15-DEC-16	HARRINGTON INDUSTRIAL PLASTICS LLC		557.66	19-DEC-16	557.66	Reconciled
373568		15-DEC-16	HELPMATES STAFFING SERVICES		12,633.54	21-DEC-16	12,633.54	Reconciled
373569		15-DEC-16	HILL BROTHERS CHEMICAL COMPANY		9,808.10	21-DEC-16	9,808.10	Reconciled
373570		15-DEC-16	HOME DEPOT USA INC		656.76	23-DEC-16	656.76	Reconciled
373571		15-DEC-16	HOPKINS TECHNICAL PRODUCTS INC		4,054.15	20-DEC-16	4,054.15	Reconciled
373572		15-DEC-16	HORACE MANN INSURANCE COMPANY		16,849.24			Negotiable
373573		15-DEC-16	HORIZON TECHNOLOGY INC		380.08	19-DEC-16	380.08	Reconciled
373574		15-DEC-16	HU, JIACHENG		48.79			Negotiable
373575		15-DEC-16	HYDROTECH ELECTRIC		6,151.00	19-DEC-16	6,151.00	Reconciled
373576		15-DEC-16	HYO SUN, KIM		30.21			Negotiable
373577		15-DEC-16	IBM CORPORATION		313,210.80	22-DEC-16	313,210.80	Reconciled
373578		15-DEC-16	INDUSTRIAL METAL SUPPLY CO		30.92	20-DEC-16	30.92	Reconciled
373579		15-DEC-16	IRVINE PIPE & SUPPLY INC		931.92	16-DEC-16	931.92	Reconciled
373580		15-DEC-16	IRWD-PETTY CASH CUSTODIAN		490.37	19-DEC-16	490.37	Reconciled
373581		15-DEC-16	JOE RHODES MAINT SERVICE INC		612.39	21-DEC-16	612.39	Reconciled
373582		15-DEC-16	JOHN ROBINSON CONSULTING, INC.		22,811.25			Negotiable
373583		15-DEC-16	JOHNSTONE SUPPLY		736.76	16-DEC-16	736.76	Reconciled
373584		15-DEC-16	KEMP-MEEK MFG, INC		1,393.95	20-DEC-16	1,393.95	Reconciled
373585		15-DEC-16	KIM, ED		313.89	21-DEC-16	313.89	Reconciled
373586		15-DEC-16	KLEINFELDER, INC.		70,761.90	22-DEC-16	70,761.90	Reconciled
373587		15-DEC-16	KNOWBE4, INC.		2,419.18	19-DEC-16	2,419.18	Reconciled
373588		15-DEC-16	KOELLER NEBEKER CARLSON & HALUCK, LLP		15,340.00	21-DEC-16	15,340.00	Reconciled
373589		15-DEC-16	LCS TECHNOLOGIES, INC.		4,725.00			Negotiable
373590		15-DEC-16	LEE & RO, INC.		20,827.60	22-DEC-16	20,827.60	Reconciled
373591		15-DEC-16	LEM, BRANDON		801.52	20-DEC-16	801.52	Reconciled
IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49								
BANK: Bank of America N.A.			Branch : Los Angeles		Account: Checking AP and PR		Page: 17	
Bank Account Currency: USD (US Dollar)					Payment Currency: USD (US Dollar)			
Payment Type: All				Display Supplier Address: No				

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373592		15-DEC-16	LIGHT COMMUNICATIONS INC		8,904.95	19-DEC-16	8,904.95	Reconciled
373593		15-DEC-16	LOCOCO, JENNIFER		747.36			Negotiable
373594		15-DEC-16	MAIDIANA NURDIN		231.24	20-DEC-16	231.24	Reconciled
373595		15-DEC-16	MARINA LANDSCAPE MAINTENANCE, INC.		6,152.82	19-DEC-16	6,152.82	Reconciled
373596		15-DEC-16	MBC APPLIED ENVIRONMENTAL SCIENCES		1,300.00	16-DEC-16	1,300.00	Reconciled
373597		15-DEC-16	MC MASTER CARR SUPPLY CO		1,576.73	19-DEC-16	1,576.73	Reconciled
373598		15-DEC-16	MIAO, MAOLIN		28.19			Negotiable
373599		15-DEC-16	MICHAEL BAKER INTERNATIONAL, INC.		11,803.90	22-DEC-16	11,803.90	Reconciled
373600		15-DEC-16	MISSION COMMUNICATIONS LLC		347.40	19-DEC-16	347.40	Reconciled
373601		15-DEC-16	MRO ELECTRIC & SUPPLY CO.		6,637.25	20-DEC-16	6,637.25	Reconciled
373602		15-DEC-16	MSC INDUSTRIAL SUPPLY CO		513.10			Negotiable
373603		15-DEC-16	MUNICIPAL WATER DISTRICT OF ORANGE COUNTY		26,610.98	21-DEC-16	26,610.98	Reconciled
373604		15-DEC-16	MUTUAL PROPANE		45.00	19-DEC-16	45.00	Reconciled
373605		15-DEC-16	NATIONAL READY MIXED CONCRETE CO.		1,924.64	19-DEC-16	1,924.64	Reconciled
373606		15-DEC-16	NATIONAL WATER RESEARCH INSTITUTE		2,500.00	20-DEC-16	2,500.00	Reconciled
373607		15-DEC-16	NATURES IMAGE INC		6,698.43	23-DEC-16	6,698.43	Reconciled
373608		15-DEC-16	NEGOV		13,950.00	22-DEC-16	13,950.00	Reconciled
373609		15-DEC-16	NEPTUNE TECHNOLOGY GROUP, INC.		179,366.40	22-DEC-16	179,366.40	Reconciled
373610		15-DEC-16	NMG GEOTECHNICAL INC		13,797.80			Negotiable

373611	15-DEC-16	NOSSAMAN LLP		4,781.00	19-DEC-16	4,781.00	Reconciled
373612	15-DEC-16	ODYSSEY POWER CORPORATION		33,593.65	21-DEC-16	33,593.65	Reconciled
373613	15-DEC-16	OLIN CORPORATION		14,702.68			Negotiable
373614	15-DEC-16	OMEGA INDUSTRIAL SUPPLY, INC.		353.03	19-DEC-16	353.03	Reconciled
373615	15-DEC-16	ON ASSIGNMENT LAB SUPPORT		1,904.00	21-DEC-16	1,904.00	Reconciled
373616	15-DEC-16	OPEN TEXT INC		3,631.23	21-DEC-16	3,631.23	Reconciled

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 18
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373617		15-DEC-16	ORANGE COUNTY SANITATION DISTRICT		3,111,874.86	21-DEC-16	3,111,874.86	Reconciled
373618		15-DEC-16	PACIFIC COAST BOLT CORP		295.59	20-DEC-16	295.59	Reconciled
373619		15-DEC-16	PARK PLACE MICHELSON LLC		64,969.24			Negotiable
373620		15-DEC-16	PAULUS ENGINEERING, INC.		19,497.09	21-DEC-16	19,497.09	Reconciled
373621		15-DEC-16	POLLARDWATER.COM		1,080.00	19-DEC-16	1,080.00	Reconciled
373622		15-DEC-16	PRAXAIR DISTRIBUTION INC		220.94	20-DEC-16	220.94	Reconciled
373623		15-DEC-16	PROCARE WORK INJURY CENTER		1,967.75	20-DEC-16	1,967.75	Reconciled
373624		15-DEC-16	PSOMAS		1,638.28	19-DEC-16	1,638.28	Reconciled
373625		15-DEC-16	RAINBOW DISPOSAL CO INC		357.36	22-DEC-16	357.36	Reconciled
373626		15-DEC-16	RAM AIR ENGINEERING INC		420.00	20-DEC-16	420.00	Reconciled
373627		15-DEC-16	REED, JAMES D		1,900.00	20-DEC-16	1,900.00	Reconciled
373628		15-DEC-16	RINCON TRUCK CENTER INC.		452.69	20-DEC-16	452.69	Reconciled
373629		15-DEC-16	RMC WATER AND ENVIRONMENT		1,382.00	20-DEC-16	1,382.00	Reconciled
373630		15-DEC-16	SAFETY-KLEEN SYSTEMS, INC		898.27	20-DEC-16	898.27	Reconciled
373631		15-DEC-16	SANTA ANA BLUE PRINT		1,196.81			Negotiable
373632		15-DEC-16	SCHULER CONSTRUCTORS, INC.		44,449.63			Voided
373633		15-DEC-16	SEAL ANALYTICAL INC		901.96	19-DEC-16	901.96	Reconciled
373634		15-DEC-16	SEPARATION PROCESSES INC		218.50			Negotiable
373635		15-DEC-16	SHAMROCK SUPPLY CO INC		1,513.17	19-DEC-16	1,513.17	Reconciled
373636		15-DEC-16	SITMATIC		692.19	19-DEC-16	692.19	Reconciled
373637		15-DEC-16	SMITH SYSTEM DRIVER IMPROVEMENT INSTITUTE, INC.		4,136.70	20-DEC-16	4,136.70	Reconciled
373638		15-DEC-16	SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT		7,546.36			Negotiable
373639		15-DEC-16	SOUTH COAST WATER CO.		151.68	22-DEC-16	151.68	Reconciled

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 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373640		15-DEC-16	SOUTHERN CALIFORNIA EDISON COMPANY		24,655.43	21-DEC-16	24,655.43	Reconciled
373641		15-DEC-16	STANTEC CONSULTING SERVICES INC.		11,058.50			Negotiable
373642		15-DEC-16	STANTON RADIATOR		2,793.40	23-DEC-16	2,793.40	Reconciled
373643		15-DEC-16	STATE BOARD OF EQUALIZATION		2,917.00	20-DEC-16	2,917.00	Reconciled
373644		15-DEC-16	STEEL UNLIMITED INC		196.61	19-DEC-16	196.61	Reconciled
373645		15-DEC-16	SUPPORT PRODUCT SERVICES, INC		7,666.95	23-DEC-16	7,666.95	Reconciled
373646		15-DEC-16	TEKDRAULICS		19,533.72	23-DEC-16	19,533.72	Reconciled
373647		15-DEC-16	TEREX SERVICES		963.80	20-DEC-16	963.80	Reconciled
373648		15-DEC-16	TESTAMERICA LABORATORIES, INC		52.50	20-DEC-16	52.50	Reconciled
373649		15-DEC-16	TETRA TECH, INC		43,502.66	23-DEC-16	43,502.66	Reconciled
373650		15-DEC-16	THE FURMAN GROUP, INC.		12,540.00			Negotiable

373651	15-DEC-16	THE GAS COMPANY	7,051.95	21-DEC-16	7,051.95	Reconciled
373652	15-DEC-16	THOMAS HARDER & CO	19,170.10			Negotiable
373653	15-DEC-16	TOTAL RESOURCE MANAGEMENT, INC.	41,052.00			Negotiable
373654	15-DEC-16	TROPICAL PLAZA NURSERY INC	1,476.00	19-DEC-16	1,476.00	Reconciled
373655	15-DEC-16	TRUCPARCO	695.20	21-DEC-16	695.20	Reconciled
373656	15-DEC-16	TUTTLE-CLICK FORD LINCOLN	117,473.46			Negotiable
373657	15-DEC-16	UNDERGROUND SERVICE ALERT OF SOUTHERN CALIFORNIA	865.50	20-DEC-16	865.50	Reconciled
373658	15-DEC-16	VRIDE INC	12,015.00			Negotiable
373659	15-DEC-16	VULCAN MATERIALS COMPANY	1,517.18	19-DEC-16	1,517.18	Reconciled
373660	15-DEC-16	VWR INTERNATIONAL, LLC	248.26	19-DEC-16	248.26	Reconciled
373661	15-DEC-16	WASTE MANAGEMENT OF ORANGE COUNTY	1,008.20	19-DEC-16	1,008.20	Reconciled
373662	15-DEC-16	WATER EDUCATION FOUNDATION	20,896.00	22-DEC-16	20,896.00	Reconciled
373663	15-DEC-16	WATER SYSTEMS OPTIMIZATION, INC.	11,836.68			Negotiable
373664	15-DEC-16	WATERSMART SOFTWARE, INC	17,975.00	21-DEC-16	17,975.00	Reconciled

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 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 20
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373665		15-DEC-16	WATERWISE CONSULTING, INC.		3,988.00	19-DEC-16	3,988.00	Reconciled
373666		15-DEC-16	WAXIE'S ENTERPRISES, INC		1,170.16	22-DEC-16	1,170.16	Reconciled
373667		15-DEC-16	WECK LABORATORIES INC		900.00	20-DEC-16	900.00	Reconciled
373668		15-DEC-16	WEST COAST SAND & GRAVEL INC.		474.73	19-DEC-16	474.73	Reconciled
373669		15-DEC-16	WESTAMERICA COMMUNICATIONS, INC.		450.00	19-DEC-16	450.00	Reconciled
373670		15-DEC-16	WESTERN EXTERMINATOR COMPANY		7,260.50	21-DEC-16	7,260.50	Reconciled
373671		15-DEC-16	WESTERN NATIONAL CONTRACTORS		747.35	21-DEC-16	747.35	Reconciled
373672		15-DEC-16	WIRELESS WATCHDOGS, LLC		500.00	20-DEC-16	500.00	Reconciled
373673		15-DEC-16	WISNER, SEAN		500.00	16-DEC-16	500.00	Reconciled
373674		15-DEC-16	WOODRUFF, SPRADLIN & SMART APC		17.60	16-DEC-16	17.60	Reconciled
373675		15-DEC-16	XIN BAI		361.02			Negotiable
373676		15-DEC-16	XYLEM WATER SOLUTIONS USA INC		1,628.64	20-DEC-16	1,628.64	Reconciled
373677		15-DEC-16	YAGER, PILAR		56.15	19-DEC-16	56.15	Reconciled
373678		15-DEC-16	YP LLC		123.50	20-DEC-16	123.50	Reconciled
373679		15-DEC-16	ZEE MEDICAL SERVICE CO		997.39	19-DEC-16	997.39	Reconciled
373680		15-DEC-16	SCHULER PURCHASE CONSTRUCTORS, INC.		42,227.15	21-DEC-16	42,227.15	Reconciled
373681		15-DEC-16	SCHULER ESC 2381 CONSTRUCTORS, INC.		2,222.48	19-DEC-16	2,222.48	Reconciled
373682		19-DEC-16	JUDICATE WEST	SANTA ANA	1,670.00	20-DEC-16	1,670.00	Reconciled
373683		21-DEC-16	FORESITE ESCROW, INC.	BARDEEN PT/PVID	250,000.00	23-DEC-16	250,000.00	Reconciled
373684		22-DEC-16	Compton, Christine A		49.58			Negotiable
373685		22-DEC-16	Johnson, Dane		35.53			Negotiable
373686		22-DEC-16	Martin, Didene J (De)		196.20			Negotiable
373687		22-DEC-16	Bertsch, Frederick J (Jeff)		379.21			Negotiable
373688		22-DEC-16	Broderick, Jacob		109.35			Negotiable
373689		22-DEC-16	Roney, Jenny Lauren		199.18	22-DEC-16	199.18	Reconciled
373690		22-DEC-16	Kulick, Michael		43.00			Negotiable

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 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373691		22-DEC-16	LaMar, Steven E		1,477.69			Negotiable

373692	22-DEC-16	Pisal, Sudhir	81.00			Negotiable
373693	22-DEC-16	AAF INTERNATIONAL	1,342.17			Negotiable
373694	22-DEC-16	ADS LLC	1,936.50			Negotiable
373695	22-DEC-16	AECOM TECHNICAL SERVICES, INC.	99,147.74			Negotiable
373696	22-DEC-16	AIR TECHNOLOGY LABORATORIES	289.00			Negotiable
373697	22-DEC-16	AIRGAS, INC.	257.58			Negotiable
373698	22-DEC-16	ALEXANDER'S CONTRACT SERVICES, INC.	2,212.50			Negotiable
373699	22-DEC-16	ALPHA TRAFFIC SERVICES, INC.	3,570.00			Negotiable
373700	22-DEC-16	ALSTON & BIRD LLP	29,853.78			Negotiable
373701	22-DEC-16	ANIXTER INC	22,226.40			Negotiable
373702	22-DEC-16	ANTHEM BLUE CROSS	1,089.40			Negotiable
373703	22-DEC-16	ANTHEM BLUE CROSS	207.81			Negotiable
373704	22-DEC-16	ANTHEM BLUE CROSS	281.13			Negotiable
373705	22-DEC-16	ANTHONY N. LARSEN	400.00			Negotiable
373706	22-DEC-16	ARCADIS U.S., INC.	65,882.27			Negotiable
373707	22-DEC-16	ARMORCAST PRODUCTS COMPANY	8,887.97			Negotiable
373708	22-DEC-16	AT&T	3,779.59			Negotiable
373709	22-DEC-16	AT&T	7,295.14			Negotiable
373710	22-DEC-16	AT&T	48.15			Negotiable
373711	22-DEC-16	ATHENS SERVICES	7,269.10	23-DEC-16	7,269.10	Reconciled
373712	22-DEC-16	AUTOZONE PARTS, INC.	32.78			Negotiable
373713	22-DEC-16	BIOQUIP PRODUCTS INC	596.36			Negotiable
373714	22-DEC-16	BLACK & VEATCH CORPORATION	462,613.28			Negotiable
373715	22-DEC-16	BRITHINEE ELECTRIC	8,674.57			Negotiable
373716	22-DEC-16	BUSH & ASSOCIATES INC	2,938.00			Negotiable
373717	22-DEC-16	C WELLS PIPELINE MATERIALS INC	4,395.22			Negotiable
373718	22-DEC-16	CALIFORNIA BANK & TRUST	22,487.92			Negotiable
373719	22-DEC-16	CALIFORNIA BARRICADE RENTAL, INC.	6,073.92			Negotiable
373720	22-DEC-16	CANON FINANCIAL SERVICES, INC	11,996.15			Negotiable

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 22
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373721		22-DEC-16	CAROLLO ENGINEERS, INC		103,443.47			Negotiable
373722		22-DEC-16	CHEM TECH INTERNATIONAL INC		26,684.86			Negotiable
373723		22-DEC-16	CITY OF NEWPORT BEACH		1,116.14			Negotiable
373724		22-DEC-16	CITY OF SANTA ANA		159.37			Negotiable
373725		22-DEC-16	CIVILSOURCE, INC.		820.00			Negotiable
373726		22-DEC-16	CLEARINGHOUSE		477.67			Negotiable
373727		22-DEC-16	COX COMMUNICATIONS, INC.		109.00			Negotiable
373728		22-DEC-16	CRAMER, KEVIN		702.77			Negotiable
373729		22-DEC-16	CRUMP & CO, INC.		3,168.60			Negotiable
373730		22-DEC-16	DIRECTV INC		120.98			Negotiable
373731		22-DEC-16	EAST ORANGE COUNTY WATER DISTRICT		2,895.86			Negotiable
373732		22-DEC-16	EMEDCO		853.32			Negotiable
373733		22-DEC-16	ENVIRONMENTAL SCIENCE ASSOCIATES		4,663.31			Negotiable
373734		22-DEC-16	FARRELL & ASSOCIATES		285.99			Negotiable
373735		22-DEC-16	FEDEX		173.68			Negotiable
373736		22-DEC-16	FERGUSON ENTERPRISES, INC.		2,241.00			Negotiable
373737		22-DEC-16	FIRST CHOICE SERVICES		1,571.82			Negotiable
373738		22-DEC-16	FISHER SCIENTIFIC COMPANY LLC		1,735.82			Negotiable
373739		22-DEC-16	FOOTHILL/EASTERN TRANSPORTATION		4,650.00			Negotiable
373740		22-DEC-16	FRANCHISE TAX BOARD		20.00			Negotiable
373741		22-DEC-16	FREEWAY MACHINE & WELDING SHOP		4,687.20			Negotiable
373742		22-DEC-16	FRONTIER CALIFORNIA INC.		574.13			Negotiable
373743		22-DEC-16	GANAHL LUMBER CO.		1,262.99			Negotiable
373744		22-DEC-16	GENTERRA CONSULTANTS INC		3,267.50			Negotiable

373745	22-DEC-16	GEORGE HILLS COMPANY, INC.	3,765.50	Negotiable
373746	22-DEC-16	GRAINGER	2,561.40	Negotiable
373747	22-DEC-16	HACH COMPANY	553.86	Negotiable
373748	22-DEC-16	HARTFORD LIFE INSURANCE COMPANY	27,031.16	Negotiable

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 23
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373749		22-DEC-16	HELPMATES STAFFING SERVICES		6,308.66			Negotiable
373750		22-DEC-16	HILL BROTHERS CHEMICAL COMPANY		18,494.88			Negotiable
373751		22-DEC-16	HOME DEPOT USA INC		511.25			Negotiable
373752		22-DEC-16	HUNSAKER & ASSOCIATES IRVINE		280.00			Negotiable
373753		22-DEC-16	I. KRUGER INC.		24,125.00			Negotiable
373754		22-DEC-16	IDEXX DISTRIBUTION, INC		3,382.74			Negotiable
373755		22-DEC-16	INFOSYS LIMITED		84,660.00			Negotiable
373756		22-DEC-16	IRVINE PIPE & SUPPLY INC		934.81			Negotiable
373757		22-DEC-16	IRWD EMPLOYEE ASSOCIATION		830.00			Negotiable
373758		22-DEC-16	IRWD-PETTY CASH CUSTODIAN		993.19			Negotiable
373759		22-DEC-16	KPMG LLP		80,360.00			Negotiable
373760		22-DEC-16	LANDCARE HOLDINGS, INC.		2,962.00			Negotiable
373761		22-DEC-16	LEWIS INVESTMENT COMPANY, LLC		249,826.92			Negotiable
373762		22-DEC-16	LEWIS MANAGEMENT CORP.		660.00			Negotiable
373763		22-DEC-16	LIEBERT CASSIDY WHITMORE		3,245.00			Negotiable
373764		22-DEC-16	LINKEDIN CORPORATION		6,131.25			Negotiable
373765		22-DEC-16	LU'S LIGHTHOUSE, INC.		291.12			Negotiable
373766		22-DEC-16	LUBRICATION ENGINEERS, INC.		13,603.97			Negotiable
373767		22-DEC-16	MARINA LANDSCAPE MAINTENANCE, INC.		364.04			Negotiable
373768		22-DEC-16	MARVIN GARDENS LLC		2,593.70	23-DEC-16	2,593.70	Reconciled
373769		22-DEC-16	MC FADDEN-DALE INDUSTRIAL		117.44			Negotiable
373770		22-DEC-16	MC MASTER CARR SUPPLY CO		2,161.12			Negotiable
373771		22-DEC-16	MESA PRODUCTS, INC		336.43			Negotiable
373772		22-DEC-16	MORRISROE, EDWARD		223.28			Negotiable
373773		22-DEC-16	MR CRANE INC		1,152.75			Negotiable
373774		22-DEC-16	NATIONAL READY MIXED CONCRETE CO.		1,040.00			Negotiable
373775		22-DEC-16	NATURES IMAGE INC		2,533.00			Negotiable
373776		22-DEC-16	NINYO & MOORE		1,937.75			Negotiable

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 24
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373777		22-DEC-16	OCEAN BLUE ENVIRONMENTAL SERVICES INC		5,943.75			Negotiable
373778		22-DEC-16	OLIN CORPORATION		11,784.17			Negotiable
373779		22-DEC-16	ONESOURCE DISTRIBUTORS LLC		659.38			Negotiable
373780		22-DEC-16	ORANGE COUNTY SHERIFF'S OFFICE		62.50			Negotiable
373781		22-DEC-16	ORANGE COUNTY TREASURER		367.90			Negotiable
373782		22-DEC-16	OUTSOURCE TECHNICAL LLC		56,115.00			Negotiable
373783		22-DEC-16	PARKHOUSE TIRE INC		6,910.04			Negotiable
373784		22-DEC-16	PAYNE & FEARS LLP		7,476.10			Negotiable
373785		22-DEC-16	PELLETIER & ASSOCIATES, INC.		325.00			Negotiable
373786		22-DEC-16	PERS LONG TERM CARE		900.58			Negotiable
373787		22-DEC-16	PINNACLE TOWERS LLC		692.68			Negotiable
373788		22-DEC-16	PONTO AND SON'S		1,837.95			Negotiable

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
373789		22-DEC-16	WHOLESALE PRAXAIR DISTRIBUTION INC		2,181.50			Negotiable
373790		22-DEC-16	R&M SERVICE SOLUTIONS, INC.		350.00			Negotiable
373791		22-DEC-16	RAM AIR ENGINEERING INC		9,075.82			Negotiable
373792		22-DEC-16	REACH EMPLOYEE ASSISTANCE INC		957.60			Negotiable
373793		22-DEC-16	ROYAL WHOLESALE ELECTRIC		1,641.60			Negotiable
373794		22-DEC-16	RS HUGHES COMPANY, INC.		1,232.29			Negotiable
373795		22-DEC-16	S & J SUPPLY CO INC		439.72			Negotiable
373796		22-DEC-16	SAFETY-KLEEN SYSTEMS, INC		1,086.54			Negotiable
373797		22-DEC-16	SANTA ANA BLUE PRINT		866.18			Negotiable
373798		22-DEC-16	SEAL ANALYTICAL INC		785.76			Negotiable
373799		22-DEC-16	SHAMROCK SUPPLY CO INC		255.71	23-DEC-16	255.71	Reconciled
373800		22-DEC-16	SHAW PUMP & SUPPLY, INC.		1,807.20			Negotiable

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 25
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373801		22-DEC-16	SIEMENS INDUSTRY INC		1,113.07			Negotiable
373802		22-DEC-16	SLATER WATERPROOFING, INC.		2,900.00			Negotiable
373803		22-DEC-16	SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT		3,640.60			Negotiable
373804		22-DEC-16	SOUTHERN CALIFORNIA EDISON COMPANY		6.29			Negotiable
373805		22-DEC-16	SOUTHERN CALIFORNIA EDISON COMPANY		336,007.41			Negotiable
373806		22-DEC-16	SOUTHLAND WATER TECHNOLOGIES LLC		87.36			Negotiable
373807		22-DEC-16	SPARKLETT'S		89.79			Negotiable
373808		22-DEC-16	STATE WATER RESOURCES CONTROL BOARD		206,179.00			Negotiable
373809		22-DEC-16	STETSON ENGINEERS INC.		2,069.50			Negotiable
373810		22-DEC-16	SUMMIT CHEMICAL SPECIALTY PRODUCTS		10,504.50			Negotiable
373811		22-DEC-16	SUNNYHILLS RESTORATION		20,336.13			Negotiable
373812		22-DEC-16	TEREX SERVICES		1,760.13			Negotiable
373813		22-DEC-16	TESTAMERICA LABORATORIES, INC		192.15			Negotiable
373814		22-DEC-16	TETRA TECH, INC		7,917.50			Negotiable
373815		22-DEC-16	THOMAS HARDER & CO		3,195.00			Negotiable
373816		22-DEC-16	TIC-SPECTRUM OFFICE		1,387.77			Negotiable
373817		22-DEC-16	TROPICAL PLAZA NURSERY INC		39,730.12			Negotiable
373818		22-DEC-16	TRUCPARCO		365.05			Negotiable
373819		22-DEC-16	TYCO INTEGRATED SECURITY, LLC		3,704.47			Negotiable
373820		22-DEC-16	ULTRA SCIENTIFIC		402.65			Negotiable
373821		22-DEC-16	VAUGHAN'S INDUSTRIAL REPAIR CO INC		24,972.15			Negotiable
373822		22-DEC-16	WALTERS WHOLESALE ELECTRIC		1,670.94			Negotiable
373823		22-DEC-16	WARE MALCOMB		9,688.35			Negotiable
373824		22-DEC-16	WAX DEPOT		349.37			Negotiable

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 26
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD CHECK								
373825		22-DEC-16	WAXIE'S ENTERPRISES, INC		83.11			Negotiable

373826	22-DEC-16	WEST COAST SAFETY SUPPLY INC		350.45			Negotiable
373827	22-DEC-16	WESTAMERICA COMMUNICATIONS, INC.		7,670.00	23-DEC-16	7,670.00	Reconciled
373828	22-DEC-16	WESTECH ENGINEERING, INC.		5,712.27			Negotiable
373829	22-DEC-16	ZEE MEDICAL SERVICE CO		377.48	23-DEC-16	377.48	Reconciled
373830	28-DEC-16	US BANK NAT'L ASSOCIATION NORTH DAKOTA	PO BOX 790428	110,717.97			Negotiable
373831	29-DEC-16	NELSON & FRAENKEL	3 PARK PLAZA, S	35,000.00			Negotiable

Payment Document Subtotal: 13,248,950.07 10,128,027.50

Payment Document : IRWD Wire

11835	06-DEC-16	YORK INSURANCE SERVICES GROUP INC - CA	PAY	11,702.50			Negotiable
11836	06-DEC-16	CALPERS	SACRAMENTO 1	437,620.49			Negotiable
11837	09-DEC-16	MERRILL LYNCH CAPITAL SERVICES, INC	CHARLOTTE	569,037.55			Negotiable
11838	09-DEC-16	CITIGROUP GLOBAL MARKETS INC.	NEW YORK	569,037.55			Negotiable
11839	12-DEC-16	EMPLOYEE BENEFIT SPECIALIST, INC	PAY	14,602.10			Negotiable
11840	13-DEC-16	YORK INSURANCE SERVICES GROUP INC - CA	PAY	3,725.74			Negotiable
11841	13-DEC-16	INTERNAL REVENUE SERVICE	FRESNO	200,230.39			Negotiable
11842	13-DEC-16	FRANCHISE TAX BOARD	SACRAMENTO	55,924.44			Negotiable
11843	13-DEC-16	EMPLOYMENT DEVELOPMENT DEPARTMENT	W SACRAMENTO	7,375.38			Negotiable
11844	13-DEC-16	ORDONEZ, CYNTHIA MARIE	DESERT HOT SPR	500.77			Negotiable

IRWD Ledger
 BANK: Bank of America N.A. Branch : Los Angeles
 Bank Account Currency: USD (US Dollar)
 Payment Type: All
 Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 Account: Checking AP and PR Page: 27
 Payment Currency: USD (US Dollar)
 Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD Wire								
11845		13-DEC-16	CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES	SACRAMENTO	2,843.05			Negotiable
11846		13-DEC-16	EMPLOYEE BENEFIT SPECIALIST, INC	PAY	10,164.14			Negotiable
11847		14-DEC-16	GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY	DENVER	103,796.45			Negotiable
11848		14-DEC-16	BANK OF NEW YORK MELLON TRUST COMPANY NA	NEWARK	44,898.00			Negotiable
11849		14-DEC-16	SUMITOMO MITSUI BANKING CORPORATION	NEW YORK	5,078.03			Negotiable
11850		14-DEC-16	U.S. BANK NATIONAL ASSOCIATION	PAY	23,446.04			Negotiable
11851		14-DEC-16	BANK OF AMERICA	SAN FRANCISCO	22,079.89			Negotiable
11852		14-DEC-16	BANK OF NEW YORK MELLON TRUST COMPANY NA	NEWARK	3,541.67			Negotiable
11853		14-DEC-16	SUMITOMO MITSUI BANKING CORPORATION	NEW YORK	21,988.52			Negotiable
11854		14-DEC-16	U.S. BANK NATIONAL ASSOCIATION	PAY	11,141.86			Negotiable
11855		19-DEC-16	CALPERS	SACRAMENTO 1	426,737.46			Negotiable
11856		20-DEC-16	YORK INSURANCE SERVICES GROUP INC - CA	PAY	8,866.12			Negotiable
11857		20-DEC-16	U.S. BANK NATIONAL ASSOCIATION	ST. LOUIS	10,173.67			Negotiable
11858		20-DEC-16	CALPERS	SACRAMENTO	87,922.31			Negotiable
11859		20-DEC-16	CALPERS	SACRAMENTO	87,937.50			Negotiable
11860		20-DEC-16	CALPERS	SACRAMENTO	87,482.15			Negotiable
11861		22-DEC-16	FILANC-BALFOUR BEATTY JV	ACT 4427724347	4,815,323.43			Negotiable
11862		22-DEC-16	FILANC-BALFOUR	ACT	5,870,000.01			Negotiable

11863	27-DEC-16	BEATTY JV CITIGROUP GLOBAL MARKETS INC.	4427724347 NEW YORK	843,449.17	Negotiable
11864	28-DEC-16	BANK OF NEW YORK MELLON TRUST COMPANY NA	NEWARK	2,444.44	Negotiable

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 28
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Payment Document : IRWD Wire								
11865		28-DEC-16	BANK OF NEW YORK MELLON TRUST COMPANY NA	NEWARK	17,500.00			Negotiable
11866		28-DEC-16	BANK OF NEW YORK MELLON TRUST COMPANY NA	NEWARK	416.67			Negotiable
11867		28-DEC-16	BANK OF NEW YORK MELLON TRUST COMPANY NA	NEWARK	3,159.72			Negotiable
11868		28-DEC-16	INTERNAL REVENUE SERVICE	FRESNO	196,996.63			Negotiable
11869		28-DEC-16	FRANCHISE TAX BOARD	SACRAMENTO	53,234.60			Negotiable
11870		28-DEC-16	EMPLOYMENT DEVELOPMENT DEPARTMENT	W SACRAMENTO	6,895.24			Negotiable
11871		28-DEC-16	ORDONEZ, CYNTHIA MARIE	DESERT HOT SPR	500.77			Negotiable
11872		28-DEC-16	CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES	SACRAMENTO	2,843.05			Negotiable
11873		28-DEC-16	EMPLOYEE BENEFIT SPECIALIST, INC	PAY	9,659.03			Negotiable
11874		28-DEC-16	GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY	DENVER	103,792.13			Negotiable
11875		28-DEC-16	BANK OF NEW YORK MELLON TRUST COMPANY NA	NEWARK	16,250.00			Negotiable
11876		28-DEC-16	MUNICIPAL WATER DISTRICT OF ORANGEVALLEY COUNTY	FOUNTAIN	1,107,737.77			Negotiable
11877		28-DEC-16	MUNICIPAL WATER DISTRICT OF ORANGEVALLEY COUNTY	FOUNTAIN	272,586.60			Negotiable
11878		28-DEC-16	YORK INSURANCE SERVICES GROUP INC - CA	PAY	5,548.32			Negotiable

Payment Document Subtotal: 16,156,191.35

IRWD Ledger Payment Register For 01-DEC-16 To 31-DEC-16 Report Date: 29-DEC-2016 11:49
 BANK: Bank of America N.A. Branch : Los Angeles Account: Checking AP and PR Page: 29
 Bank Account Currency: USD (US Dollar) Payment Currency: USD (US Dollar)
 Payment Type: All Display Supplier Address: No

Payment Number	Sequence Num	Date	Supplier Name	Site	Payment Amount	Cleared Date	Cleared Amount	Status
Bank Account Subtotal :					29,405,141.42		10,128,027.50	
Report Count : 688			Report Total:		29,405,141.42		10,128,027.50	

Disbursements

*** End of Report ***

\$ 29,405,141.42 Disbursements
<46,924.01> Voids
 \$ 29,358,217.41 Total Voids and Disbursements

Exhibit "E"

IRWD Gov Code 53065.5 Disclosure Report

Payment or Reimbursements for Individual charges of \$100 or more per transaction for services or product received.


01-DEC-16 to 31-DEC-16

NAME	CHECK NO.	CHECK DATE	TRANSACTION	ITEM DESCRIPTION	EXPENSE JUSTIFICATION
Alfaro, Alvaro	373188	1-Dec-16	105.00	Membership/Certification	SWRCB Distribution Operator Certification
Bennett, Ray	373296	8-Dec-16	165.24	Mileage	Rosedale Drip Project Site October 2016
Bennett, Ray	373296	8-Dec-16	165.24	Mileage	Rosedale Drip Project Site November 2016
Bertsch, Jeff	373687	22-Dec-16	257.00	Other(Misc)	Annual Staff Appreciation Dinner
Bowman, Brandon	373189	1-Dec-16	172.00	Membership/Certification	CWEA annual membership fee
Broderick, Jacob	373688	22-Dec-16	109.35	Other(Misc)	Safety shoe allowance
Fournier, Tanja	373495	15-Dec-16	199.00	Membership/Certification	Morningstar membership renewal
Fournier, Tanja	373495	15-Dec-16	600.00	Membership/Certification	NAGDCA membership renewal
Kalinsky, Arseny	373485	15-Dec-16	150.00	Membership/Certification	AMTA annual membership renewal
Kanoff, Debbie	373290	8-Dec-16	133.26	Other(Misc)	Meeting supplies
Kanoff, Debbie	373487	15-Dec-16	218.98	Other(Misc)	Meeting supplies
LaMar, Steven	373691	22-Dec-16	158.15	Lodging	CED Plenary meeting, Carson, CA - Nov. 3, 2016
LaMar, Steven	373691	22-Dec-16	348.52	Lodging	NWRA Annual Conf., San Diego, CA - Nov. 14, 2016
LaMar, Steven	373691	22-Dec-16	348.52	Lodging	NWRA Annual Conf., San Diego, CA - Nov. 15, 2016
LaMar, Steven	373691	22-Dec-16	137.08	Lodging	ACWA Board meeting, Sacramento, CA - Nov. 17, 2016
Malloy, Steve	373493	15-Dec-16	295.00	Membership/Certification	Memberships: ASCE & WEF
Malloy, Steve	373493	15-Dec-16	297.00	Membership/Certification	Memberships: ASCE & WEF
Martin, Didene	373686	22-Dec-16	196.20	Other(Misc)	Safety shoe allowance
Matheis, Mary Aileen	373293	8-Dec-16	159.58	Lodging	ACWA Regulatory Summit, Sacramento, CA - Oct. 3, 2016
Matheis, Mary Aileen	373293	8-Dec-16	179.19	Lodging	CSDA Annual Conf., San Diego, CA - Oct. 10, 2016
Matheis, Mary Aileen	373293	8-Dec-16	179.19	Lodging	CSDA Annual Conf., San Diego, CA - Oct. 11, 2016
Saini, Mohit	373489	15-Dec-16	115.64	Other(Misc)	Applications team lunch meeting
Schulze, Richard	373194	1-Dec-16	172.00	Membership/Certification	CWEA annual membership fee
Swan, Peer	373192	1-Dec-16	159.58	Lodging	ACWA Regulatory Summit, Sacramento, CA - Oct. 2, 2016
Swan, Peer	373192	1-Dec-16	526.46	Airfare	ACWA Regulatory Summit, Sacramento, CA - Oct. 2-4, 2016
Swan, Peer	373192	1-Dec-16	159.58	Lodging	ACWA Regulatory Summit, Sacramento, CA - Oct. 3, 2016
Swan, Peer	373192	1-Dec-16	250.09	Lodging	WEF Groundwater Tour, Sacramento, CA - Oct. 4, 2016
Toland, Scott	373297	8-Dec-16	334.00	Other(Misc)	OCCA fee for Baker Water Treatment Plant
Torres, Richard	373491	15-Dec-16	200.00	Other(Misc)	Safety shoe allowance
Total Amount:			\$6,490.85		

January 23, 2017

Prepared by: Tanja Fournier

Submitted by: Robert Jacobson/Cheryl Clary

Approved by: Paul Cook 

CONSENT CALENDAR

2017 INDEX TENDER NOTES REMARKETING

SUMMARY:

The District's Index 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. Staff recommends the Board approve the 2017 Index Tender Notes (ITNs) and adopt a resolution approving the Remarketing Statements to Unscheduled Mandatory Tenders (Refunding Series 2011 A-1 and 2011 A-2).

BACKGROUND:

The District currently has \$51,540,000 of ITNs remarketed by Goldman Sachs (2011 A-1) and \$34,360,000 of ITNs remarketed by Morgan Stanley (2011 A-2). The ITNs are remarketed annually based on a spread to the Securities Industry and Financial Markets Association (SIFMA) tax-exempt variable rate index. The last annual interest rate reset for the ITNs was in February 2016 at the SIFMA weekly index with a spread of eight basis points, resulting in an all-in rate for 2016 of 0.61%. The all-in rate was a 0.42% increase from calendar year 2015. The all-in rate includes the net interest rate (the index plus the spread) and annual remarketing fees of approximately 0.13%. The interest rate spread to the SIFMA index for the upcoming year is scheduled to be set on February 7, 2017.

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

Legal counsel has prepared a resolution for adoption by the Board approving the Remarketing Statements, attached as Exhibit "C".

FISCAL IMPACTS:

The current outstanding principal amount for the 2011 A-1 and A-2 ITN bond issues is \$85.9 million. The ITNs are priced annually at a spread to the SIFMA tax-exempt variable rate index, which will occur on February 7, 2017.

COMMITTEE STATUS:

Due to the cancellation of the January 2017 Finance and Personnel Committee meeting and timing of the February ITN pricing, this item was not reviewed by the Finance and Personnel Committee; however, the Remarketing Statement was provided to the Committee members on January 18, 2017 for review.

RECOMMENDATION:

THAT THE BOARD APPROVE THE 2017 INDEX TENDER NOTES REMARKETING STATEMENTS, AND ADOPT THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2017-

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)

LIST OF EXHIBITS:

- Exhibit "A" – Remarketing Statement for Series 2011A-1
- Exhibit "B" – Remarketing Statement for Series 2011A-2
- Exhibit "C" – Resolution Approving Remarketing Statements

Exhibit "A"

Stradling Yocca Carlson & Rauth
Draft of 1/18/17

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-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]

\$51,540,000
BONDS OF IRVINE RANCH WATER DISTRICT
REFUNDING SERIES 2011A-1
CUSIP[†]: 4636324Q9

Date of Initial Delivery: April 15, 2011 **Scheduled Mandatory Tender Date: _____, 2018** **Due: October 1, 2037**
Price: 100% **Call Protection Date: _____, 2017**

This Remarketing Statement replaces the Remarketing Statement dated February 9, 2016, as supplemented on February 17, 2016, 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 9, 2017.

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 9, 2017 with the Scheduled Mandatory Tender Date on _____, 2018; 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 9, 2017, 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 9, 2017 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 _____, 2018. 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

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2017 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Remarketing Agent takes any responsibility for the accuracy of such numbers.

“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 9, 2017 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 or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other 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 9, 2017 following their mandatory tender.

Goldman, Sachs & Co.
Series 2011A-1 Bonds Remarketing Agent

Dated: January 31, 2017

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

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

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
\$51,540,000
BONDS OF IRVINE RANCH WATER DISTRICT
REFUNDING SERIES 2011A-1

INTRODUCTION

This Remarketing Statement replaces the Remarketing Statement dated February 9, 2016, as supplemented on February 17, 2016, 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 9, 2017.

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 9, 2017 with the Scheduled Mandatory Tender Date of _____, 2018; 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 9, 2017, 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 9, 2017 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 \$51,540,000 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 only while in the Index Mode and for the Tender Period commencing February 9, 2017. 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 or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other 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 the 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 9, 2017. 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 ten 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 9, 2017 with the Scheduled Mandatory Tender Date of _____, 2018 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 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 _____, 2018. 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 in 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.

- As of December 31, 2016: (i) Improvement District No. 125 had \$305,517,268 aggregate principal amount of authorized but unissued *ad valorem* assessment bonds and \$196,008,026 aggregate principal amount of outstanding *ad valorem* assessment bonds, including the Series 2011A-1 Bonds; and (ii) Improvement District No. 225 had \$363,338,887 aggregate principal amount of authorized but unissued *ad valorem* assessment bonds and \$269,910,537 aggregate principal amount of outstanding *ad valorem* assessment bonds, including the Series 2011A-1 Bonds. See Table 3 under the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness” in Appendix A.

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 and commercial 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 Fiscal Year 2017 assessed value of the land in Improvement District No. 125 is \$[____], 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 Fiscal Year 2017 assessed value of the land in Improvement District No. 225 is \$[____], 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 6,813 dwelling units and 9,500,000 square feet of commercial, institutional and recreational uses. The Fiscal Year 2017 assessed value of the land in coterminous Improvement District Nos. 113 and 213 is \$885,391,548.

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	\$ 2,577,000	5.00%
125	24,069,180	46.70
213	3,247,020	6.30
225	<u>21,646,800</u>	<u>42.00</u>
Total	<u>\$ 51,540,000</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 or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other Tender Period.

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 9, 2017 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 9, 2017 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 captions “—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 9, 2017 is payable on the first Business Day of each calendar month, commencing March 1, 2017, 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 9, 2017, 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 9, 2017 and will have a Scheduled Mandatory Tender Date of _____, 2018. 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

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

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 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 9, 2017, the Scheduled Mandatory Tender Date is _____, 2018 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 9, 2017 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 9, 2017 is _____, 2017.

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 9, 2017 is _____, 2017.

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 _____, 2018 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 9, 2017 is _____, 2017.

Mandatory Redemption. The Series 2011A-1 Bonds are subject to mandatory redemption in part on October 1, 2017 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>
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 thereof. 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 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness" for a discussion of the bond authorization, amount of outstanding bonds and remaining bond authorization for each of the Improvement Districts, including the bond authorizations of Improvement District Nos. 125 and 225 as the legal successors to former Improvement District Nos. 105 and 250, respectively. 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.

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.”

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 Reimbursement Agreement, dated May 7, 2015, by and between the District and U.S. Bank National Association;

(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 \$776,581;

(vi) the 2010 Installment Sale Agreement, securing the District's Certificates of Participation, Irvine Ranch Water District Refunding Series 2010 (the "2010 Certificates") currently outstanding in the aggregate principal amount of \$12,525,000;

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

(viii) the Series 2011A-2 Bonds currently outstanding in the aggregate principal amount of \$34,360,000;

(ix) the Installment Sale Agreement, securing the District's Certificates of Participation Irvine Ranch Water District Series 2016 currently outstanding in the aggregate principal amount of \$116,745,000; and

(x) the District's Bonds of Irvine Ranch Water District Series 2016 (the "Series 2016 Bonds") currently outstanding in the aggregate principal amount of \$103,400,000.

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 under the caption “THE 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 2011, 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.

The District has previously entered into continuing disclosure undertakings under the Rule in connection with the issuance of municipal obligations. The District believes that it is currently in material compliance with all of its continuing disclosure undertakings. However: (i) the Annual Reports for Fiscal Years 2011, 2012 and 2013, when originally filed, did not contain updates of information relating to historic water supply, historic sewer daily average flow, assessed valuations of certain improvement districts by land use or largest secured taxpayers within such improvement districts; and (ii) the Annual Reports for Fiscal Years 2012, 2013 and 2014, when originally filed, were not linked by CUSIP to the EMMA page for the 2010 Certificates despite the District’s effort to link such Annual Reports to the CUSIPs for all District obligations. Makeup filings containing the required information were posted to EMMA prior to the date of this Remarketing Statement. Except as disclosed above, the District has not in the past five years failed to comply with its continuing disclosure undertakings in any material respect.

In order to promote compliance by the District with its continuing disclosure undertakings in the future, the District has developed policies and procedures to govern its continuing disclosure practices.

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 Series 2011A-1 Bonds of "A-1+" on December 18, 2014. Although S&P has not assigned a long-term rating to the Series 2011A-1 Bonds, S&P assigned the long-term rating of "AAA" to the Series 2016 Bonds, which are Parity Obligations, on September 1, 2016. Fitch affirmed the short-term rating of "F1+" and the long-term rating of "AAA" for the Series 2011A-1 Bonds on February 26, 2015. In addition, Fitch assigned the long-term rating of "AAA" to the Series 2016 Bonds, which are Parity Obligations, on September 1, 2016. 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 9, 2017. Generally, rating agencies base their ratings on information and material furnished directly to them (which may include information and material from the District which is not included in this Remarketing Statement) 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, presidential budget proposals in previous years have proposed legislation 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 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 MATTERS

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, 2016, included in Appendix B to this Remarketing Statement, have been audited by Davis Farr LLP, independent accountants (the "Auditor"), as set forth in their Independent Auditor's Report, 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.

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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.

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

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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 tighter lending standards for real estate loans generally. Real estate development activity also may be affected by general economic conditions, which currently reflect 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 ten 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 181-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 370,000 through approximately 109,000 potable water and approximately

103,000 sewer service and recycled water connections. The number of service connections has increased by approximately 19% 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 previously 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 ten 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.

See Table 3 under the caption "—Outstanding Indebtedness—Improvement District Indebtedness" for information with respect to the amount of authorized and outstanding *ad valorem* assessment bonds for Improvement District Nos. 113, 125 and 213 and 225.

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

Board of Directors and General Manager

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:

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 currently serves as President and previously served as President in 2007, 2009, 2010 and 2013 and as Vice President in 2016. He currently serves on the Supply Reliability Programs and Finance and Personnel Committees. Mr. Reinhart is a registered civil engineer with over 40 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. Mr. Reinhart's current term ends in November 2018.

Peer Swan. Mr. Swan was elected to the District's Board of Directors in 1979 and has since been elected to subsequent terms. Mr. Swan currently serves as Vice President, in which capacity he also served in 2014. He previously served as President from December 1981 until December 1995 and again in 2006. Mr. Swan is chairman of the Supply Reliability Programs and Finance and Personnel Committees. 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 served on the Board of Directors and on the Executive Committee. Mr. Swan has also been active in the California Association of Sanitation Agencies and the Newport Chamber of Commerce. Mr. Swan was the Treasurer of the Pacific Scientific Company prior to its acquisition in 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 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 November 2018.

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 previously served as President in 2001, 2012 and 2016 and as Vice President in 2005 and 2011. She currently serves on the District's Asset Management Committee and is chairman of the Water Resources Policy and Communications Committee. 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 master's 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 November 2019.

Steven E. LaMar. Mr. LaMar was appointed to the District's Board of Directors in 2009 and has been elected to two subsequent terms. Mr. LaMar previously served as President in 2011, 2014 and 2015. He is a water policy and planning expert with more than 25 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 Water Resources Policy and Communications Committee and is chairperson of the Engineering and Operations 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. He has served as a water policy leader in the California Building Industry Association for over 20 years. He represents the District on the boards of the National Water Research Institute and the Nature Reserve of Orange County. Mr. LaMar holds a bachelor's degree in political science from Pittsburg State University (Kansas) and a certificate from the Environmental Management Institute, a U.S. Environmental Protection Agency environmental training program administered by the University of Southern California. Mr. LaMar's current term ends in November 2018.

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 previously served as Vice President in 2012 and President in 2004. He also serves on the Engineering and Operations Committee and is chairman of the Asset Management 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 on 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 November 2019.

General Manager. Paul A. Cook, the General Manager of the District, heads a staff of approximately 370 employees. Mr. Cook was appointed General Manager 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 master's of science degree in Civil Engineering from California State University of Long Beach and his master's in business administration from the University of California, Irvine.

Employees

The District currently employs approximately 370 persons, including full-time, part-time and temporary employees. On April 1, 2015, the current Memorandum of Understanding (the "**MOU**") between the District and the Irvine Ranch Water District Employee Association (the "**Association**") went into effect. The MOU expires on June 30, 2018. The Association currently represents 225 general employees of the District, of which 84 are voting members; supervisors, managers and confidential employees are unrepresented. The District has not experienced any strike or other labor actions.

Pension Benefits

In June 2012, the Governmental Accounting Standards Board ("**GASB**") adopted new standards (GASB Statement No. 68, or "**GASB 68**") with respect to accounting and financial reporting by state and local government employers for defined benefit pension plans. The new standards revise the accounting treatment of defined benefit pension plans, changing the way expenses and liabilities are calculated and how state and local government employers report those expenses and liabilities in their financial statements. Major changes include the following: (i) unfunded pension liabilities are shown on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (ii) pension expense incorporates more rapid recognition of actuarial experience and investment returns and is no longer based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are 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. The reporting requirements took effect in the fiscal year ended June 30 ("**Fiscal Year**"), 2015. Based on the adoption of the new accounting standards, beginning with the Fiscal Year 2015 actuarial valuation, the annual required contribution (the "**ARC**") and the annual pension expense will be different. GASB 68 is a change in accounting reporting and disclosure requirements, but it does not change the District's pension plan funding obligations. For additional information relating to the District's plan, see Note 13 to the District's audited financial statements for Fiscal Year 2016 attached to the Remarketing Statement as Appendix B.

The District participates in two plans to fund pension benefits for its employees, the California Public Employees Retirement System (“**CalPERS**”) Plan and the Pension Benefits Trust. The District makes a required annual contribution to the CalPERS Plan and has elected to fund additional amounts to the Pension Benefits Trust to assist in reducing any unfunded pension obligation. The District’s total pension assets include funds held by both CalPERS and the Pension Benefits Trust, and its net pension asset or liability is based on that amount. Assumptions used by both funds to calculate the net pension asset or liability are consistent.

Under GASB 68, which was implemented beginning in Fiscal Year 2015, the District’s pension plan was fully funded as of June 30, 2015. The District had a net pension liability in the amount of approximately \$1.9 million as of June 30, 2016. The net pension liability is the difference between total pension liability and the fair market value of pension assets.

CalPERS Plan. The District contributes to 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.

CalPERS plan benefit provisions and all other requirements are established by State statute and the District’s Board of Directors. Participants in the District’s CalPERS plan contribute the full amount of the required employee contribution, which is up to 8% of their annual covered salary, depending on benefit level.

Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount, expressed as a percentage of payroll, that is necessary to finance the costs of benefits that are earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District’s contribution rates for Fiscal Year 2015 and 2016 were 17.7% and 18.3%, respectively. The District’s contribution rate for Fiscal Year 2017 has been established at 19.3%. The District’s projected contribution rate for Fiscal Year 2018 is 20.5%.

For Fiscal Years 2016 and 2015, the District made lump sum pension contributions of \$4,926,000 and \$4,524,000, respectively. The District currently expects its annual required contribution in Fiscal Year 2017 to be approximately \$5,450,000 (assuming that the District elects the lump sum payment option).

Pension Benefits Trust. The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue by establishing a Pension Benefits Trust in Fiscal Year 2013 to assist in funding its 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. The Pension Benefits Trust holds the funding contributions from the District pending future remittance to CalPERS’ pension trust fund, which will pay all retiree benefit payments to employees associated with the District’s plan. Future contributions will be transferred to CalPERS at the District’s discretion. The funds held in the Pension Benefits Trust are legally protected from the claims of the general creditors of the District. Contributions to the Pension Benefits Trust and earnings on those contributions are irrevocable.

In Fiscal Year 2013, the District made a \$35.0 million contribution to the Pension Benefits Trust, bringing the District (as shown in the table below) to a 90.2% funded ratio (including the amounts in the Pension Benefits Trust and the District’s CalPERS plan) as of June 30, 2013. In Fiscal Years 2014, 2015 and 2016, the District made additional contributions of \$2.2 million, \$2.1 million and \$1.9 million, respectively, to the Pension Benefits Trust. As of June 30, 2016, the fair market value of the assets in the Pension Benefits

Trust was approximately \$47.1 million, and the moneys in the Pension Benefits Trust were invested in the Vanguard Institutional Index Fund, Vanguard Extended Market Index Fund, Vanguard Developed Market Index Fund, Metropolitan West Total Return Bond Fund, Baird Core Plus Bond Fund, Vanguard High-Yield Corporate Fund and Federated Government Obligations Money Market Fund. The District currently expects to make an additional contribution of \$1.8 million to the Pension Benefits Trust in Fiscal Year 2017. Additional information on the Pension Benefits Trust’s investments can be found in Note 2 to the District’s audited financial statements for Fiscal Year 2016 attached to the Remarketing Statement as Appendix B.

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2016 is shown below.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate ⁽¹⁾	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry age and service
Investment Rate of Return	7.65% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.75%
Mortality Rate Table ⁽²⁾	Derived using CalPERS’ membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies

⁽¹⁾ On December 21, 2016, the CalPERS Board voted to reduce the discount rate to 7.00% over the next three years beginning July 1, 2018.

⁽²⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Source: The District.

The above information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries, as well as the District’s actuary for the Pension Benefits Trust. The District has not independently verified the information provided and neither makes any representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future.

Funding of CalPERS Plan. The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll for the District’s CalPERS plan.

IRVINE RANCH WATER DISTRICT
Schedule of Funding Progress
(In Thousands)

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/11	\$170,392	\$128,753	\$41,639	75.6%	\$24,379
06/30/12	183,096	129,953	53,143	71.0	24,203
06/30/13 ⁽¹⁾	207,663	187,209	20,454	90.2	25,499
06/30/14	219,410	220,977	(1,567)	100.7	26,264
06/30/15	227,796	225,873	1,923	99.2	27,596

⁽¹⁾ The Pension Benefits Trust was established in Fiscal Year 2013. Fiscal Year 2013 amount includes Pension Benefits Trust assets of \$35.0 million, significantly reducing the District’s unfunded liability to \$20.5 million as of June 30, 2013. In Fiscal Years 2014, 2015 and 2016, the District made additional contributions of \$2.2 million, \$2.1 million and \$1.9 million to the Pension Benefits Trust. For the reporting period ended June 30, 2016, the fair market value of the assets in the Pension Benefits Trust (reflecting the fair market value as of June 30, 2015) was approximately \$45.3 million, resulting in a net pension liability of approximately \$1.9 million. See the caption “—Pension Benefits Trust.”

Source: The District.

Changes in the Net Pension Liability. The changes in the net pension liability for the District’s CalPERS plan were as follows (in thousands):

TABLE 1
IRVINE RANCH WATER DISTRICT
Changes in Net Pension Liability
(In Thousands)

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2015	\$ 219,410	\$ 220,977	\$ (1,567)
Changes	<u>8,386</u>	<u>4,896</u>	<u>3,490</u>
Balance at June 30, 2016	\$ 227,796	\$ 225,873	\$ 1,923

Source: The District.

The June 30, 2016 balances are based on CalPERS actuarial valuation data of June 30, 2014 with assumptions and market values updated through June 30, 2015.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the net pension liability of the District’s CalPERS Plan (in thousands), calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%) than the current rate:

TABLE 2
IRVINE RANCH WATER DISTRICT
Sensitivity of the Net Pension Liability to Changes in the Discount Rate
(In Thousands)

	<i>Discount Rate – 1% (6.65%)</i>	<i>Current Discount Rate (7.65%)</i>	<i>Discount Rate + 1% (8.65%)</i>
Plan’s Net Pension Liability/(Asset)	\$33,507	\$1,923	\$ (24,190)

Source: The District.

Other Pension Benefits. The District enables all of its part-time and certain temporary employees to participate in a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For Fiscal Year 2016, the District’s payroll covered by the plan was \$150,340. The eligible employees contributed \$11,275 (the required 7.5% of current covered payroll). The District made no contributions to the defined contribution plan during such Fiscal Year for part-time and temporary employees.

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 2016 is \$18,000. 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: (i) 100% matching of employee Section 457 plan contributions up to an annual maximum of 3% of the employee’s base salary; and (ii) as of July 1, 2015, a 1% direct contribution to managerial, supervisory, and confidential employees with two or more years of service. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During Fiscal Year 2016, the District contributed \$779,689 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

GASB has 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 consideration therefor receives certain salaries and benefits, part of which are OPEB, which they will not actually use until some point in the future. 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 \$125.00 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 0.34% of the PEMHCA premium to cover administrative fees. In Fiscal Year 2016, the District contributed \$118,936 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 each case for up to five years. In Fiscal Year 2016, the District contributed \$305,749 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 2016, the District contributed \$27,380 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 2016, the District contributed \$452,065 on behalf of retirees participating in the OPEB programs. The budgeted amount for the District’s OPEB in Fiscal Year 2017 is approximately \$476,200.

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 unfunded liability for the District’s OPEB as of July 1, 2014 was approximately \$7.3 million. The Annual Required Contribution (the “**OPEB ARC**”) was \$726,031 in Fiscal Year 2016, of which the District contributed \$452,065. The OPEB 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. Beginning in Fiscal Year 2018, new accounting rules will require the OPEB plan’s funding status to be reflected in the District’s annual Statement of Net Position.

For additional information relating to the District’s OPEB obligations, see Note 14 to the District’s audited financial statements for Fiscal Year 2016 attached to the Remarketing Statement as Appendix B.

Budget Process

Prior to July 1 of each year, the General Manager prepares an operating 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 operating budget for Fiscal Year 2016 was approved on April 25, 2016.

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 participation in the California State Association of Counties Excess Insurance Authority (“**CSAC-EIA**”). 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 CSAC-EIA. Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Illinois Union 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, 2016, the District had \$585,500,000 aggregate principal amount of outstanding *ad valorem* assessment bonds (the “**Ad Valorem Assessment Bonds**”) on behalf of the Improvement Districts. The Ad Valorem Assessment Bonds are secured by *ad valorem* assessments on land 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**”), the Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the “**Series 2011A-2 Bonds**”) and the Bonds of Irvine Ranch Water District, Series 2016 (the “**Series 2016 Bonds**”), each of which is described below under the caption “—Parity Obligations.” The District’s 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, 2016.

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, 2016</i>
Waterworks Bonds				
112	\$ 28,512,300	\$ 8,111,479	\$ 20,400,821	\$ 7,658,979
113⁽¹⁾	25,769,500	16,299,920	9,469,580	14,869,920
125⁽¹⁾⁽²⁾	735,246,000	429,728,732	305,517,268	196,008,026
153	237,300,000	7,601,244	229,698,756	7,601,244
154	4,839,000	0	4,839,000	0
185 ⁽³⁾	13,500,000	1,492,889	12,007,111	1,492,889
188	8,174,000	4,589,618	3,584,382	1,602,618
Total Waterworks Bonds	<u>\$ 1,053,340,800</u>	<u>\$ 467,823,883</u>	<u>\$ 585,516,917</u>	<u>\$ 229,233,678</u>
Sewer Bonds				
1 ⁽⁴⁾	\$ 2,000,000	\$ 2,000,000	\$ 0	\$ 0
212	108,712,000	26,013,323	82,698,677	24,800,823
213⁽¹⁾	87,648,000	28,565,396	59,082,604	24,949,596
225⁽¹⁾⁽⁵⁾	856,643,000	493,304,113	363,338,887	269,910,537
240	117,273,000	49,722,056	67,550,944	22,526,238
252	0	0	0	0
253	122,283,000	11,877,248	110,405,752	11,877,248
256	0	0	0	0
285 ⁽⁶⁾	21,300,000	1,808,776	19,491,224	1,808,776
288	8,977,000	443,106	8,533,894	393,106
Total Sewer Bonds	<u>\$ 1,324,836,000</u>	<u>\$ 613,734,018</u>	<u>\$ 711,101,983</u>	<u>\$ 356,266,322</u>
Total District	<u>\$ 2,378,176,800</u>	<u>\$ 1,081,557,900</u>	<u>\$ 1,296,618,900</u>	<u>\$ 585,500,000</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⁾ Improvement District No. 125 was created on November 11, 2013. Reflects the consolidation of portions of former Improvement District Nos. 105, 106, 102, 121, 130, 135, 140, 161, 182, 184 and 186.

⁽³⁾ On March 4, 2014, *ad valorem* assessment bonds for Improvement District No. 185 in the maximum authorized principal amount of \$13,500,000 were approved at a special election.

⁽⁴⁾ Also referred to as Improvement District No. 210.

⁽⁵⁾ Improvement District No. 225 was 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.

⁽⁶⁾ On March 4, 2014, *ad valorem* assessment bonds for Improvement District No. 285 in the maximum authorized principal amount of \$21,300,000 were approved at a special election.

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, 2016 in an aggregate principal amount of \$776,581 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 variable interest rate *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. Variable interest rate bonds that are purchased by a Prior Bank bear interest at a significantly higher interest rate, and a Prior Bank that has purchased such bonds may elect to convert the term of such bonds into a term loan that is amortizable over a period of up to three years, depending upon the applicable Prior Reimbursement Agreement, resulting in significant increases in debt service. 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, 2016

<i>General Obligation Bonds</i>	<i>Outstanding Principal</i>	<i>Letter of Credit Bank</i>	<i>Expiration Date</i>	<i>Letter of Credit Stated Amount</i>	<i>Reimbursement Obligations Outstanding</i>
Series 1993	\$ 33,100,000	U.S. Bank National Association	11/07/18	\$ 33,546,170	\$ 0
Series 1995	12,100,000	Sumitomo Mitsui Banking Corp.	07/14/17	12,279,014	0
Series 2008A	51,000,000	Sumitomo Mitsui Banking Corp.	07/14/17	51,754,521	0
Series 2009A	62,500,000	U.S. Bank National Association	12/22/20	63,198,630	0
Series 2009B	<u>62,500,000</u>	Bank of America, N.A.	07/15/19	<u>63,198,630</u>	<u>0</u>
TOTAL	<u>\$ 221,200,000</u>			<u>\$ 223,976,965</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, 2016 in the aggregate principal amount of \$12,525,000 and matures in 2020. The District’s obligation to make installment payments pursuant to the 2010 Installment Sale Agreement is payable from Net Revenues 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, 2016 in the aggregate principal amount of \$175,000,000 and mature in 2040. In addition to *ad valorem* assessments on taxable land in certain Improvement Districts levied pursuant to the Act, water or sewer charges, as applicable, which in the discretion of the Board of Directors of the District are fixed and collected in such Improvement Districts in lieu of *ad valorem* assessments pursuant to the Act and proceeds from the sale of property in such Improvement Districts for the enforcement of delinquent assessments pursuant to the Act (collectively, “**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—Reduction in BAB Credits” 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, 2016 in the aggregate principal amount of \$34,360,000 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.
- 2016 Installment Sale Agreement. In 2016, the District entered into an Installment Sale Agreement (the “**2016 Installment Sale Agreement**”) in connection with the execution and delivery of the District’s \$116,745,000 aggregate principal amount of Certificates of Participation Irvine Ranch Water District Series 2016. The 2016 Installment Sale Agreement was outstanding as of December 31, 2016 in the aggregate principal amount of \$116,745,000 and matures in 2046. The District’s obligation to make installment payments pursuant to the 2010 Installment Sale Agreement is payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations.
- Series 2016 Bonds. In 2016, the District issued \$103,400,000 aggregate principal amount of Series 2016 Bonds. The Series 2016 Bonds were outstanding as of December 31, 2016 in the aggregate principal amount of \$103,400,000 and mature in 2046. In addition to Assessment Proceeds, the Series 2016 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, 2016, 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 the Series 2011A-1 Bonds and debt service on 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, 2016, 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 \$7,947,562. 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 principal of and interest 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 \$626,000 as of December 31, 2016 and final payment due in 2025; and (ii) a promissory note payable to Foothill/Eastern Transportation Corridor Agency with a remaining balance of approximately \$527,000 and a final payment date in 2045.

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, 2016, the District had investments (excluding the real estate investments and ISA that are described below) of approximately \$447.3 million as follows:

**TABLE 5
IRVINE RANCH WATER DISTRICT
Summary of Investments⁽¹⁾**

<i>Investment Type</i>	<i>Approximate Investment Amount in Millions</i>	<i>Percentage of Total Investments</i>
Federal Agency Securities	\$ 338.9	75.77%
Local Agency Investment Fund	100.5	22.47
Treasury Equivalents ⁽²⁾	<u>7.9</u>	<u>1.76</u>
Total	\$ 447.3	100.00%

⁽¹⁾ As of December 31, 2016. Rounded. Excludes real estate investments and ISA that are described below. Includes invested proceeds of previously issued District bonds and certificates of participation.

⁽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 the Local Agency Investment Fund, 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. Effective for Fiscal Year 2016, new accounting rules require real estate investments to be shown at fair market value. The current book value of the District’s real estate assets is approximately \$43 million. Appraisals of the District’s real estate assets as of June 30, 2015 concluded that the total fair market value of such assets was approximately \$193.3 million. Any future changes in fair market value will be reflected in the District’s annual Statement of Revenues, Expenses and Changes in Net Position.

In February 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 may not exceed \$12,500,000. The outstanding principal amount of \$9,732,623 was repaid in full on December 20, 2016.

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>
2012	\$6,736
2013	6,566
2014	7,760
2015	8,191
2016	8,693

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⁽¹⁾</i>
2017	\$8,868
2018	9,045
2019	9,226
2020	9,411
2021	9,599

⁽¹⁾ Based on existing and expected leases. 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**”), which was approved by the voters in November 2004, restricted State authority to reduce major local tax revenues. Proposition 1A provides that 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.

A portion of the District’s 1% Property Tax Revenues was previously subject to borrowing by the State under Proposition 1A and 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 principal of and interest 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.

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

<i>Fiscal Year</i>	<i>1% Property Tax Revenues</i>
2012	\$26,478
2013 ⁽¹⁾	29,265
2014 ⁽²⁾	31,545
2015	33,128
2016	34,871

⁽¹⁾ Reflects shift of property tax revenues of approximately \$2.1 million to Educational Revenue Augmentation Fund in Fiscal Year 2010 as described above. Such moneys were received, with interest, in Fiscal Year 2013.

⁽²⁾ Beginning in Fiscal Year 2014, the District receives 1% Property Tax Revenues from an area that was previously served by Orange County Sanitation District.

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 by the District 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 Ad Valorem Assessment 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 for the purpose of obtaining a water supply for municipal and irrigation uses. For the twelve month period ended June 30, 2016, of the water supplied by the District, approximately 15% was imported water, approximately 57% was groundwater and native stream flows and approximately 28% was recycled water. Recycled water sales were not subject to the mandatory drought conservation measures that were imposed by the State, as discussed under the caption "—Drought Proclamation." Accordingly, District recycled water supplies represented a higher a percentage of total water supplies in the period ended June 30, 2016 than in prior years.

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 and is also used to store imported untreated water. The District's share of

such 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 5,250 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 2016, the District purchased 11,853 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 cost of treated imported water from MWDOC as of June 30, 2016 is \$942 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, as of June 30, 2016, total \$144,249 per month, while the service connection charge is paid annually and, for Fiscal Year 2016, was \$1,086,655.

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. One of the goals of the District’s Water Resources Master Plan is to identify a reliable water supply mix, which 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, to produce other local groundwater and to have sufficient capacity to meet demands during supply interruptions. 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 of a groundwater pumping agency such as the District, that can be pumped from the Orange County groundwater basin during the year by the 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**”). Between Fiscal Years 2012 and 2016, the BPP has varied from 62% to 72%. In connection with the annexation of certain land by OCWD (as discussed in detail below), the District has agreed to a maximum BPP of 70% through 2023.

Currently, OCWD calculates total water use for the purpose of the BPP without considering recycled water sales to customers. This methodology reduces the amount of groundwater that recycled water sellers such as the District may pump from the Orange County groundwater basin without incurring additional assessments. See the caption “—Complaint against OCWD” for a discussion of a lawsuit that the District filed against OCWD in June 2016 with respect to this issue.

The additional assessment incurred by an agency that pumps non-exempt groundwater above the limit established by the BPP formula is called the basin equity assessment (the “**BEA**”). The BEA is established annually by OCWD for every acre foot of groundwater produced from the Orange County groundwater basin above the BPP formula (with exemptions described further below for pumping determined by OCWD to benefit water quality and other purposes) and is intended to increase the cost of producing groundwater in amounts above the BPP formula 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 2015, the amount of groundwater that the District pumped from the Orange County groundwater basin exceeded its BPP by approximately 300 acre feet under the methodology prescribed by OCWD. As further discussed under the caption “—Complaint against OCWD,” OCWD’s methodology prohibits the District from counting its use of recycled water as part of its total water demand, which the District believes inflates the amount of District pumping over the BPP. Based on the figure of 300 acre feet of pumping over the BPP, the District paid a BEA of approximately \$182,000 to OCWD in Fiscal Year 2015. Based on OCWD’s methodology, the District paid under protest a BEA of approximately \$1.7 million for Fiscal Year 2016. The District has filed a court challenge to OCWD’s methodology and policies regarding BEA calculations that exclude the District’s use of recycled water. See the caption “—Complaint against OCWD.” As a result of this litigation, the District expects that all or a portion of the \$1.7 million amount could be refunded to the District in the event that the litigation is resolved favorably to the District.

OCWD has sought to enable groundwater producers to derive a larger percentage of their water supplies from local sources in times of Statewide drought so that such producers can reduce purchases of imported water at increased rates. For these reasons, OCWD has gradually increased the BPP in recent years. For Fiscal Years 2011, 2012 and 2013 the BPP was 62%, 65% and 68%, respectively. As a result of continued recharge of the Orange County groundwater basin, the BPP for Fiscal Year 2014 was raised to 70%, which allowed the District to pump approximately 54,000 acre feet from the Orange County groundwater basin without incurring any BEA. The District has agreed to a maximum BPP of 70% through 2023. In accordance with its 70% BPP, the District pumped approximately 45,700 acre feet of water from the Orange County groundwater basin in Fiscal Year 2016. The District pays OCWD a replenishment assessment of \$322 per acre

foot for all groundwater pumped and a BEA equal to an additional \$584 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. Currently, approximately 20% of the District's water demand is from outside the OCWD jurisdictional boundary. In 2014, the Orange County Local Agency Formation Commission approved the annexation of approximately 6,482 acres of land within the District into OCWD. The majority of such land is open space and is not expected to be subject to additional water demand at this time.

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 (the "DATS"), which treats water from a deep aquifer in order to remove 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.

As discussed above, effective October 2, 2013, the District entered into an agreement with OCWD pursuant to which approximately 6,482 acres of the District's territory was annexed to OCWD upon the Orange County Local Agency Formation Commission's approval in July 2014. Under the annexation agreement, the District agreed to a specified termination date for its BEA exemption on the DATS, represented that the DATS wells would be used to supply the groundwater used in the annexed territory, and agreed that for a period of ten years from the effective date of the annexation agreement, the District will be deemed subject to a BPP equal to the lesser of OCWD's actual BPP or 70%.

The District also produces groundwater from its Irvine Desalter Project, which is described in greater detail under the caption "—Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects." In Fiscal Year 2016, the Irvine Desalter Project provided a combined total potable and non-potable water production of 8,279 acre feet per year that is exempt from the BPP. A combined additional 1,685 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 returned to service in spring 2015. Well 115 was taken out of service in Fiscal Year 2011 and was returned to service in October 2014. Production from the Orange Park Acres well and Well 115 is subject to the BPP and the BEA, while production from Well 2 in the amount of approximately 307 acre feet per year 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, on average, an additional 6,400 acre feet per year of groundwater. In Fiscal Years 2015 and 2016, the Wells 21 and 22 facility produced approximately 3,550 acre feet and 1,601 acre feet, respectively, of groundwater. These wells are exempt from the BPP and the BEA. The District plans 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.

Complaint against OCWD. As discussed under the caption “—General,” OCWD annually establishes the BPP, which is the amount of groundwater, as a percentage of total water demands, that groundwater producers can pump from the Orange County groundwater basin without incurring additional assessments. Currently, OCWD calculates total water demands without considering recycled water sales. As discussed under the caption “—Recycled Water” and “THE SEWER SYSTEM—Historic Recycled Water Sales and Sewer Service Charge Revenues,” the District sells significant quantities of recycled water to its customers. Because OCWD does not consider recycled water sales in calculating the District’s total water demands, OCWD considers the District’s total water demands to be lower than they would be if recycled water sales were counted. As a result, the amount of groundwater that the District can pump from the Orange County groundwater basin without incurring additional assessments is lower than it would be if recycled water sales were considered.

As discussed above, in June 2016, the District filed a complaint (the “**Complaint**”) against OCWD in the Superior Court for the State of California, County of Orange, seeking an order determining that OCWD’s BPP calculation methodology is unlawful. In August 2016, OCWD filed an answer to the Complaint denying all substantive allegations. In addition, the City of Anaheim, three local water agencies and one private water company that produce groundwater from the Orange County groundwater basin have filed an answer and joined the litigation as interested parties. In September 2016, the parties entered into a stipulation under which: (i) the District amended the Complaint to clarify certain allegations; and (ii) venue was moved to the Superior Court for the State of California, County of Los Angeles. [TO BE CONFIRMED PRIOR TO POSTING] [The discovery process has commenced with respect to the litigation, but a trial date has not yet been set.] If the Complaint is successful, the District may recover past assessments and would be able to pump additional amounts of groundwater without incurring additional assessments, thereby reducing the groundwater pumping charges that the District pays to OCWD. The projected water production expenses that are set forth under the caption “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results” do not assume any reduction in payments to OCWD as a result of the Complaint.

Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects. The Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects are groundwater development projects that were constructed by the District in cooperation with OCWD, the United States Departments of the Navy and Justice, MWD and MWDOC. The two projects commenced operations in early 2007.

The Irvine Desalter Potable Water Project consists of a potable water wellfield, pipelines and a purification plant. This project 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. The Irvine Desalter Potable Water Project was originally anticipated to pump approximately 5,100 acre feet of groundwater per year. However actual pumping may vary each year based on operational conditions. In Fiscal Years 2015 and 2016, the Irvine Desalter Potable Water Project produced 4,629 acre feet and 4,667 acre feet of groundwater, respectively.

The El Toro Groundwater Remediation 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 originated from the now-closed El Toro Marine Corps Air Station (the “**MCAS**”). The El Toro Groundwater Remediation Project consists of a treatment system that removes volatile organic compounds in the groundwater from solvent degreasers previously used at the MCAS. The treatment plant removes contaminants 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 a minimum of 3,400 acre feet of recycled water per year. In Fiscal Years 2015 and 2016, the El Toro Groundwater Remediation Project produced 2,885 acre feet and 3,612 acre feet, respectively, 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 such 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, are designed to treat approximately 640 acre feet per year of contaminated groundwater. The treated Shallow Groundwater Unit water is disposed of via an existing ocean outfall. In Fiscal Years 2015 and 2016, the Shallow Groundwater Unit treated approximately 600 acre feet and 640 acre feet, respectively, 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⁽²⁾</i>	<i>Irvine Sub-basin</i>	<i>Other⁽⁵⁾</i>	<i>Total</i>
2012	19,917 ⁽¹⁾	8,916	5,796	627	0	35,256
2013	27,763	8,858	7,123 ⁽³⁾	2,866 ⁽⁴⁾	281	46,891
2014	27,774	8,707	9,343	7,957	376	54,157
2015	28,304	8,600	8,661	4,731	536	50,832
2016	27,320	7,365	8,284	1,787	2,140	46,896

- (1) Excludes 8,083 acre feet of water purchased at OCWD’s request in Fiscal Year 2012 in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2013 through 2016.
- (2) Excludes water pumped from the Shallow Groundwater Unit. Includes non-potable water used in the District’s recycled water system and from Well 115.
- (3) Increase from Fiscal Year 2012 amount reflects the fact that a groundwater well was returned to service in October 2012. See the caption “—Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects.”
- (4) Includes Wells 72, 106, 21 and 22. Increase from Fiscal Year 2012 amount in Fiscal Year 2013 reflects completion of Wells 21 and 22. See the caption “—General.”
- (5) Includes Well 2 in Lake Forest. Also includes the Orange Park Acres well, which was returned to service in spring 2015, and Kern County Water Bank. See the captions “—Groundwater—General” and “—Water Supply Reliability.”
- Source: The District.

OCWD. OCWD faces various challenges in managing the Orange County 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.

Sustainable Groundwater Management Act. On September 16, 2014, the California Governor signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or “**SGMA**”) into law. The SGMA constitutes a legislative effort to regulate groundwater on a Statewide basis. Pursuant to the SGMA, the California Department of Water Resources (“**DWR**”) has designated the Orange County groundwater basin as a medium priority basin for purposes of groundwater management. By January 31, 2017, local groundwater producers must establish or designate an entity (referred to as a groundwater sustainability agency, or “**GSA**”), subject to DWR’s approval, to manage each high and medium priority groundwater basin. Each GSA is tasked with submitting a groundwater sustainability plan for DWR’s approval by January 31, 2020. Alternatively, an existing groundwater management agency can submit a groundwater management plan under Part 2.75 of the California Water Code (an “**Alternative Plan**”) or an analysis for DWR’s review demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years. Such Alternative Plans were required to be submitted by January 31, 2017 and must be updated every five years thereafter.

If local groundwater producers do not create or nominate an entity to serve as a GSA, the SGMA authorizes DWR to assume management of a groundwater basin until such time as a GSA can perform such functions.

GSAs must consider the interests of all groundwater users in the basin and may require registration of groundwater users, the installation of flow meters to measure groundwater extractions and annual reporting of extractions. In addition, GSAs are authorized to impose spacing requirements on new wells, monitor, regulate and limit or condition groundwater production and establish production allocations among groundwater producers, among other powers. GSAs are authorized to impose fees to fund such activities and to fine or issue cease and desist orders against producers that violate the GSA’s regulations. A local agency that manages groundwater pursuant to its principal act (such as OCWD) may not exercise such authority in a manner that is inconsistent with any prohibitions or limitations in its principal act unless the governing board of such local agency makes a finding that such local agency is unable to sustainably manage the groundwater basin without the prohibited authority. Groundwater sustainability plans must include sustainability goals and a plan to implement such goals within 20 years.

The SGMA specifically allows OCWD, which manages the Orange County groundwater basin, to develop an Alternative Plan under Part 2.75 of the California Water Code to manage those portions of the basin that are within OCWD’s boundaries. See the caption “—Groundwater—General.” In order for OCWD to submit an Alternative Plan, the entire groundwater basin (as mapped by DWR) must be included. OCWD’s service area includes about 89% of the Orange County groundwater basin and is described in the Alternative Plan as the OCWD Management Area (“**MA**”). The remaining fringe areas, which include portions of multiple agencies, were aggregated into the La Habra/Brea MA, the Santa Ana River Canyon MA and the Southeast Basin MA.

On May 4, 2016, OCWD sent letters to thirteen agencies located in the La Habra/Brea, Santa Ana River Canyon and Southeast Basin MAs requesting that such agencies participate in the development of an Alternative Plan. On December 22, 2016, an Alternative Plan was jointly submitted to DWR, with the OCWD MA and Santa Ana River Canyon MA portions prepared by OCWD, the Southeast Basin MA portion prepared by the District and the La Habra/Brea MA portion prepared by the City of La Habra. Other agencies within the groundwater basin either participated in preparing the Alternative Plan that was submitted and/or reviewed such Alternative Plan. The sustainability goal for the OCWD MA is to continue to manage the groundwater basin to prevent conditions that would lead to significant and unreasonable: (1) lowering of groundwater

levels; (2) reductions in storage; (3) water quality degradation; (4) seawater intrusion; and (5) inelastic land subsidence. The sustainability goal for the Southeast MA and Santa Ana Canyon MA is to recognize that these MAs are a small part of the larger groundwater basin managed by OCWD, the groundwater levels and water quality in which will be monitored to achieve the same goals as the OCWD MA. The City of La Habra has decided to form a separate GSA to manage the La Habra/Brea MA, which requires the development of a groundwater sustainability plan and the execution of a coordination agreement with OCWD. No additional groundwater management or monitoring by OCWD or the District is required by the Alternative Plan.

The District's wells within OCWD's jurisdictional boundaries are presently metered and operated within the management guidelines established by OCWD. The District's wells in the Southeast MA are presently metered and operated by the District.

The District does not currently expect its groundwater extraction rights or costs in the Orange County groundwater basin to change significantly as a result of the enactment of the SGMA, nor does the District currently expect the enactment of the SGMA to have a material adverse effect on the District's ability to pay principal of and interest on the Series 2011A-1 Bonds from Net Revenues. The District notes that *ad valorem* property assessments constitute an additional source of moneys available to pay the interest on and principal of the Series 2011A-1 Bonds. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS."

Drought Proclamation

State Orders. Precipitation in the Santa Ana River Watershed and the State as a whole has been below average in recent years. On January 17, 2014, the California Governor declared a state of emergency due to a statewide drought by proclamation (the "**Proclamation**") with immediate effect. The Proclamation includes the following orders, among others: (a) local urban water suppliers, including the District, were called upon to implement their local water shortage contingency plans; the District's plan is discussed under the caption "—District Response to Drought;" (b) local urban water suppliers, including the District, were encouraged to update their urban water management plans, which plan for extended drought conditions; (c) DWR and the State Water Resources Control Board (the "**SWRCB**") were directed to expedite the processing of water transfers; (d) the SWRCB was directed to put water rights holders throughout the State on notice that they may be directed to cease or reduce water diversions based on water shortages; (e) the SWRCB was directed to consider modifying requirements for reservoir releases or diversion limitations, where existing requirements were established to implement a water quality control plan; and (f) DWR was directed to take necessary actions to protect water quality and supply in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the "**Bay-Delta**"), including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species. On April 25, 2014, the Governor issued a proclamation of a continued state of emergency based on continued drought conditions. On July 15, 2014, the SWRCB adopted emergency measures requiring water suppliers to take mandatory statewide water conservation actions.

On March 17, 2015, the SWRCB adopted additional emergency regulations limiting outdoor irrigation to two days per week, extending certain measures set forth in the July 15, 2014 emergency regulation for an additional 270 days, prohibiting outdoor irrigation for 48 hours following rain and prohibiting restaurants from serving water to customers unless requested. The District has complied with the March 17, 2015 regulations through its water shortage contingency plan (the "**WSCP**"), as discussed under the caption "—District Response to Drought." MWD also invoked its Water Supply Allocation Plan (the "**WSAP**") in response to the March 17, 2015 regulations. The WSAP provides for the equitable distribution of available water supplies in case of extreme water shortage within MWD's service area. On April 14, 2015, MWD approved implementation of WSAP Level 3 (Water Supply Allocation) effective July 1, 2015, which among other things imposed a surcharge of between \$1,480 and \$2,960 per acre foot for water usage above MWD members' water allocation. To date, no surcharges have been imposed on the District; any such surcharges would be passed through to customers. As a result of improved hydrologic conditions, primarily in northern California, on May

10, 2016, MWD rescinded the WSAP, declared a Level 2 Water Supply Alert and decided not to implement the WSAP for Fiscal Year 2017.

On April 1, 2015, the California Governor issued an Executive Order extending the measures set forth in the Proclamation and issued the following additional orders, among others: (i) the SWRCB was directed to impose restrictions to achieve a statewide reduction in potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, of 25% compared to 2013 usage through February 28, 2016; the restrictions were to consider the relative per capita water usage of each water supplier's service area and require those areas with higher per capita use to achieve proportionally greater reductions than areas with lower per capita use; (ii) DWR was directed to lead a statewide initiative to replace 50 million square feet of lawns with drought tolerant landscaping; (iii) the California Energy Commission was directed to implement a rebate program for replacement of inefficient household appliances; (iv) urban water suppliers were required to provide monthly water usage, conservation and enforcement information; (v) local agencies in high and medium priority groundwater basins were required to implement all requirements of the California Statewide Groundwater Elevation Monitoring Program pursuant to California Water Code § 10933; (vi) State permitting agencies were required to prioritize the review and approval of water infrastructure and supply projects and programs that increase local water supplies; and (vii) DWR was required to plan and, if necessary, implement Emergency Drought Salinity Barriers in the Bay-Delta. On May 6, 2015, the SWRCB adopted regulations in response to the Governor's executive order that required the District to effect a 16% reduction from its 2013 water usage.

On November 13, 2015, the Governor issued Executive Order B-36-15, which called for an extension of urban water use restrictions until October 31, 2016 should drought conditions persist through January 2016. In February 2016, the SWRCB extended its previous emergency regulations through October 2016 while making available credits and adjustments of up to 8% in urban water suppliers' conservation mandates based upon climate, water-efficient growth and investments in drought-resilient supply sources.

On May 9, 2016, the Governor issued Executive Order B-37-16, which required the SWRCB to adjust its emergency regulation and extend it through the end of January 2017. On May 18, 2016 the SWRCB adopted a revised regulation that recognized improved and differing water supply conditions across the State. The revised regulation gives water agencies the ability to establish their own conservation standards based on a "stress test" of supply reliability. By June 22, 2016, water agencies were required to submit self-certifications to the SWRCB demonstrating that they have sufficient supplies to withstand three additional years of severe drought. Any identified percentage gap between supplies and demands would become the water agency's updated mandatory conservation target. As a result of significant investments in water supply reliability, the District demonstrated that it has more than sufficient supplies to meet its projected demands, even if the State endures three more years of drought. See the caption "—Water Supply Reliability." Consequently, the District's mandatory conservation target was eliminated, retroactive to June 1, 2016. The District intends to continue to encourage its customers to conserve and meet a voluntary reduction target of up to 10% compared to 2013 usage for the duration of the term of the emergency regulation.

District Response to Drought. Under the District's WSCP, the District responds to a drought in stages based upon four levels of supply cutbacks: Level One (supply reductions of up to 10%), Level Two (supply reductions of between 10% and 25%), Level Three (supply reductions of between 25% and 40%) and Level Four (supply reductions of over 40%). Each shortage level triggers a District response that is intended to reduce demand to the amount of available supply. Responses include public outreach, education and awareness of water waste and water leaks, the implementation of an allocation-based tiered rate structure and mandatory restrictions on water use (beginning with irrigation and other outdoor uses), together with enforcement actions.

In response to the Governor's Proclamation and executive orders and the SWRCB's emergency measures, the District took the following actions pursuant to the implementation of Level Two of the WSCP as adopted by the District's Board of Directors in July 2015: (i) potable water irrigation of ornamental turf on

public street medians and in non-circulating decorative water features is prohibited; (ii) outdoor irrigation during and 48 hours following measurable precipitation is prohibited; (iii) cars must be washed with hoses that have shutoff nozzles; (iv) commercial conveyor and in-bay car wash systems must reuse water if equipped to do so; (v) swimming pools must be filled to a lower level to minimize water loss from splashing; (vi) potable water irrigation runoff is prohibited; (vii) using potable water to wash paved areas is prohibited; (viii) potable water landscape irrigation must be reduced by up to 50%; (ix) recycled water is required to be used for construction activities and street sweeping; and (x) homeowners associations may not fine owners for reducing water usage. The District also increased staff resources devoted to conservation and water use efficiency programs; such programs include a conservation hotline, online customer interaction forms, smart irrigation controller installations, a water-saving landscape contest, educational workshops, expanded home survey programs and other customer outreach and assistance efforts.

In addition, in 2015, the District adjusted its existing allocation-based tiered rate structure to encourage greater water conservation. Under the District's current allocation-based tiered rate structure, customers are assigned a water allocation based on four non-residential tiers. The water allocation for each customer is designed to allow a reasonable amount of water use for the customer's needs and provide an economic incentive not to exceed such allocation. Customers that exceed the water allocation within their tier are subject to progressively higher water rates. See the caption "THE WATER SYSTEM—Water System Rates and Charges." As part of the implementation of the WSCP, the District reduced the allocation for outdoor potable water use and reduced tier percentages, which causes customers to ascend through the tiers more rapidly, increasing customers' water costs.

On July 11, 2016, in response to the improved hydrologic conditions and the elimination of the District's mandatory conservation target (as discussed under the caption "—State Orders"), the District's Board of Directors rescinded the Level Two shortage and declared a Level One shortage under the District's WSCP, with a conservation target of 10% compared to 2013 usage. Although the District has demonstrated the sufficiency of its available supplies, Level One is a shortage warning that reflects the continued State drought emergency and calls from the State for additional voluntary conservation. Response actions that remain in effect include the following: (i) potable water irrigation of ornamental turf on public street medians and in non-circulating decorative water features is prohibited; (ii) cars must be washed with hoses that have shutoff nozzles; (iii) commercial conveyor and in-bay car wash systems must reuse water if equipped to do so; (iv) potable water irrigation runoff is prohibited; (v) using potable water to wash paved areas is prohibited; and (vi) homeowners associations may not fine owners for reducing water usage. The District will continue to implement enhanced conservation awareness and outreach programs. The District will also continue to provide targeted on-site assistance to customers with usage in the higher billing tiers.

While implementation of Level One of the WSCP may result in slightly lower water sales revenues, it is also likely to result in lower operating costs, in particular water purchase costs and energy costs for water deliveries. As discussed under the caption "THE WATER SYSTEM—Water System Rates and Charges," the District's rate structure consists of variable and fixed rate components. Decreased water consumption is largely offset by a decrease in related variable costs, while fixed water charges largely cover the District's fixed operating and maintenance costs. As a result, the District does not currently anticipate a significant shortfall in Net Revenues of the water system as a result of the implementation of Level One of the WSCP.

The projected operating results set forth under the caption "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results" reflect the implementation of Level One of the WSCP. The District does not believe that the implementation of Level One of the WSCP will have a material adverse effect on its ability to pay principal of and interest on the Series 2011A-1 Bonds from Net Revenues. The District notes that the Series 2011A-1 Bonds are also secured by a pledge of Assessment Proceeds. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS."

If the statewide water shortage should persist or worsen, legal issues exist as to whether different California Water Code provisions should be invoked to require reasonable regulations for the allocation of

water in time of shortage. Any curtailment pursuant to State orders that is accompanied by an increase in MWD water charges (such as the surcharge under MWD's WSAP discussed under the caption "—State Orders") to its member agencies could necessitate an increase in the District's water rates to District customers. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for a discussion of certain restrictions on the District's ability to raise water rates.

Water Supply Reliability

Water Banking. In addition to developing its local groundwater and recycled water systems, the District is further diversifying its water supply reliability by developing water banking facilities 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 Water Bank is situated on groundwater recharge lands that overlie the regional Kern County groundwater basin. The purpose of the Water Bank is to improve the District's water supply reliability by capturing and storing low cost water available during wet hydrologic periods for use during dry periods, with the target of providing enough water to meet approximately 15% of customers' needs for three years. The Water Bank will enhance the District's ability to respond to drought conditions and potential water supply interruptions and enable it to reduce the cost of water delivered under such conditions.

The District has entered into agreements for a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District ("**Rosedale**") in Kern County. These agreements provide for Rosedale to operate the Water Bank on behalf of the District and permit the District: (i) to store up to 76,000 acre feet of water in the aquifer; (ii) to recharge a minimum of 44,600 acre feet of water per year in the aquifer; and (iii) to recover a minimum of 28,750 acre feet of water per year from the aquifer.

The District has constructed 740 acres of recharge ponds and other facilities at the Water Bank that are necessary to divert water from an adjacent canal and into the ponds. Seven groundwater wells that provide the ability to recover water have been constructed on the Strand Ranch property and three additional recovery wells are currently being constructed on the Stockdale West property. The construction and equipping of these wells is expected to be complete in late 2017. The District, in partnership with Rosedale and other agencies, is also constructing six additional wells that will increase the ability to recover water from the Water Bank during peak summer demand periods.

The District has secured water from a number of sources for recharge at the Water Bank. These sources are available as described below.

- Pursuant to the District's agreement with Rosedale, Rosedale has first priority rights to use District facilities to divert and recharge 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% and 50% of all Kern River floodwaters recharged on the Strand Ranch and Stockdale West recharge ponds, respectively.
- The District has also secured access to State Water Project water which can be stored in the Water Bank. Such water is available as a result of the District's acquisition of approximately 883 acres located within the Dudley Ridge Water District ("**Dudley Ridge**"), including the rights to use up to 1,749 acre feet per year of Table A State Water Project water allocated to Dudley Ridge. Under an existing agreement, the District can store its Table A water in the Water Bank, with half of the water being available for future use in the District's service area. The acquisition also included certain participation rights in the Kern Water Bank that allow the District to store approximately 9,495 acre feet of water.

- In 2011, the District entered into a long-term exchange program (the “**Exchange Program**”) with Buena Vista Water Storage District (“**BVWSD**”) that allows BVWSD to store water in the Water Bank in exchange for allocating to the District 50% of such stored water. BVWSD is responsible for all costs of delivering water to the Water Bank and the District is responsible for all costs of returning BVWSD its share of the water. The District is entitled to keep an additional 10% of the stored water each calendar year after the fourth calendar year that BVWSD does not call on the return of its share of the water. The District is entitled to 100% of the water if BVWSD does not call for the return of its share of the water by the end of the ninth year.
- In recent years, the District also entered into separate Pilot Exchange Agreements with the Central Coast Water Authority and the Antelope Valley-East Kern Water Agency that provided for such agencies to store portions of their 2012 allocation of State Water Project water at the Water Bank in exchange for allocating the District’s 50% share of such stored water. The District also recently entered into a short-term agreement with the Central Coast Water Authority for up to 10,000 acre feet on an unbalanced exchange basis under which the District is allocated 50% of such stored water. The District is seeking long-term partnerships with these agencies and other to facilitate similar transactions in the future.

The District has entered into a Coordinated Operating, Water Storage, Exchange and Delivery Agreement with MWD which allows the District to cause State Water Project water recovered from the Water Bank to be delivered to the District’s service area. In 2014, the District entered into an additional agreement with MWD that allowed MWD to receive 4,000 acre feet of the District’s non-State Water Project water recovered from the Water Bank in exchange for a future return to the District’s service area. Under the additional agreement with MWD that was entered into in 2014, the District recovered and delivered approximately 1,000 acre feet from the Water Bank for use in the District’s service area in 2015. The District is pursuing exchange opportunities with other agencies that will maximize the ability to use water stored in the Water Bank.

Since 2010, the District has delivered a total of approximately 37,200 acre feet of water to the Water Bank through the water supply partnerships that are described above. The District has returned its partners’ share of the water and holds approximately 18,100 acre feet of water in storage for its future use during droughts and major supply interruptions. The District is currently pursuing additional potential water supply opportunities for diversion into the Water Bank for later use by the District.

A summary of water held in storage pursuant to the District’s water banking program as of June 30, 2016 (after water losses) is set forth below.

TABLE 10
IRVINE RANCH WATER DISTRICT
Summary of Water Banking Programs’ Storage After Losses
As of December 31, 2016 (Acre Feet)

<i>Facility</i>	<i>Total Capacity</i>	<i>Total Water in Storage</i>	<i>District Share of Total Water in Storage</i>
Strand Ranch Integrated Banking ⁽¹⁾	50,000	16,631	16,631
Stockdale West ⁽¹⁾	26,000	1,459	1,459
Kern Water Bank ⁽²⁾	<u>9,495</u>	<u>4,267</u>	<u>4,267</u>
Total	85,495	22,357	22,357

⁽¹⁾ The District has executed exchanges with MWD that have diversified the ability to call on the District’s share of the banked water from the Water Bank and MWD supplies. The above numbers take into consideration Water Bank losses as well as small purchases of water made by the District when land was taken out of agricultural production. Extractions from Strand Ranch are currently limited to approximately 17,500 acre feet per year. Upon completion of the Stockdale West project

recovery facilities, the District is expected to be able to recover approximately 11,250 acre feet per year of additional water from the Water Bank.

(2) The District's share of total water stored in the Kern Water Bank is to be used on the District's Dudley Ridge property.
Source: The District.

Other Water Supply Reliability Programs. As of December 31, 2016, the District has purchased approximately 800 acres of agricultural land (the "**PVID Properties**") in Riverside County, California. The PVID Properties are located within the water service area of Palo Verde Irrigation District ("**PVID**"), which has first priority rights on the Colorado River. Of the total acres purchased, approximately 310 acres of the land are subject to and enrolled in an MWD/PVID fallowing program under which MWD makes payments to landowners in exchange for letting land lie fallow. Water that is conserved through fallowing is available for use within MWD's service area (which includes the District's service area). The non-fallowed land is currently being farmed either through leases with tenant farmers or through agricultural management agreements with contract farmers. In the near term, the District expects to lease the PVID Properties to tenant farmers for agricultural uses. The District plans to work with MWD and MWDOC in the future to develop mutually beneficial arrangements through which the District would receive increased water supply reliability during periods of drought or supply interruptions in consideration for the water conserved on the PVID Properties.

In October 2015, the District's Board of Directors authorized the expenditure of up to \$25 million to purchase land within the PVID service area. As of December 31, 2016, the District has expended \$13,071,000 on land purchases. In December 2016, the Board of Directors authorized the expenditure of up to a total of \$50 million to purchase land within the PVID service area. As of December 31, 2016, the District is currently in escrow to purchase: (i) a property that consists of approximately 1,584 acres of land within the PVID service area, which includes approximately 1,444 acres that are enrolled in the MWD/PVID fallowing program that is described in the previous paragraph; (ii) a property that consists of approximately 104 acres of land within the PVID service area, which includes approximately 91 acres that are enrolled in the MWD/PVID fallowing program; and (iii) a property that consists of approximately 555 acres of land within the PVID service area, which includes approximately 538 acres that is enrolled in the MWD/PVID fallowing program. If the purchases are successfully closed, the land will become part of the District's PVID Properties subject to future arrangements with MWD and MWDOC. These purchases are expected to close in the first quarter of 2017. Due to the preliminary nature of its discussions with MWD and MWDOC, the District can make no assurance as to the amount of water, if any, it would receive from MWD through conservation of water on the PVID Properties. Should the expected water supply reliability benefits of the land not be realized, the District's expected \$49 million investment in the PVID Properties (consisting of a total of approximately 3,042 acres (assuming that the purchase of 2,243 acres that is described above is closed)) could be recovered in whole or in part through the sale of the land.

Recycled Water

During Fiscal Year 2016, the District produced 23,206 acre feet of recycled water and supplied an additional 4,880 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 5,400 customers within the District. As of December 31, 2016, the District had approximately 525 miles of recycled water mains and recycled water storage capacity of approximately 5,250 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⁽¹⁾**

<i>Fiscal Year</i>	<i>Local Water⁽²⁾</i>	<i>Imported Water</i>	<i>Recycled Water</i>	<i>Total</i>
2012	39,409	26,155 ⁽³⁾	20,602	86,166
2013 ⁽⁴⁾	49,967	20,151	22,983	93,101
2014 ⁽⁵⁾	55,015	22,508	21,038	98,561
2015 ⁽⁶⁾	54,057	18,628	22,866	95,551
2016 ⁽⁶⁾	46,926	11,853	23,206	81,985

- (1) Differences between the amounts that are shown in the table and the water sales figures that are set forth under the caption “THE WATER SYSTEM—Historic Water Deliveries/Sales” reflect water losses and the timing of billing.
- (2) Includes groundwater and native water. Excludes water pumped from the Shallow Groundwater Unit, which is disposed of via an existing ocean outfall following treatment.
- (3) Includes 8,083 acre feet of water purchased at OCWD’s request in Fiscal Year 2012 in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2013 through 2016.
- (4) Increase from Fiscal Year 2012 reflects growth and the economic recovery within the District’s service area as well as increased irrigation requirements.
- (5) Reflects completion of Wells 21 and 22. See the caption “—Groundwater—General.”
- (6) Reduced water production reflects effects of Statewide drought and State orders with respect thereto. See the caption “—Drought Proclamation.”

Source: The District.

Set forth below is a summary of the District’s projection of total water production to meet expected water demand (as discussed under the caption “THE WATER SYSTEM—Projected Water Deliveries”) for the current and next four Fiscal Years. The below table reflects projected water production from groundwater extractions, water purchases and recycled water production and does not reflect all available water supplies of the District.

**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>
2017	48,651	17,905	22,300	88,856	8.38% ⁽³⁾
2018	49,624	18,800	22,746	91,170	2.60
2019	50,617	19,740	23,201	93,558	2.62
2020	51,629	20,727	23,665	96,021	2.63
2021	52,661	21,764	24,138	98,563	2.65

- (1) Includes groundwater and native water. Excludes water pumped from the Shallow Groundwater Unit, which is disposed of via an existing ocean outfall following treatment.
- (2) Recycled water production projected to increase approximately 2% per annum.
- (3) Projected increase from Fiscal Year 2016 amount reflects rescission of Level Two water shortage restrictions under the District’s WSCP (as discussed under the caption “—Drought Proclamation—District Response to Drought”), as well as projected increases in connections.

Source: The District.

Set forth below is a comparison of the District’s sources of supply for Fiscal Year 2016 as compared to other neighboring agencies supplying water for Fiscal Year 2015.

TABLE 13
IRVINE RANCH WATER DISTRICT
Water Supply Comparison by Source

	<i>Imported Water</i>	<i>Groundwater</i>	<i>Surface Water</i>	<i>Recycled Water</i>
Irvine Ranch Water District⁽¹⁾	15%	57%	0%	28%
City of Anaheim	24	76	0	0
South Coast Water District ⁽²⁾	80	0	0	20
Moulton Niguel Water District ⁽²⁾	100	0	0	0
Mesa Water District	0	100	0	0

⁽¹⁾ Approximately 20% of the District’s water demand is from areas outside of OCWD’s jurisdictional boundaries.

⁽²⁾ This agency is not located within OCWD’s jurisdictional boundaries.

Source: 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 local storage facilities, which currently provide more than a seven-day supply.

At June 30, 2016, the District had approximately 2,131 miles of water mains in its potable and recycled water systems and storage capacity of approximately 24,000 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 800 acre feet, 1,100 acre feet, 450 acre feet and 2,900 acre feet respectively. See the caption “WATER SUPPLY.”

In 2013, the District completed a study of the feasibility of increasing storage capacity in Syphon Reservoir from 450 acre feet up to approximately 5,000 acre feet. Additional storage capacity, if constructed, would allow the District to recycle 100% of the sewage flows tributary to the District’s Michelson Water Reclamation Plant (the “MWRP”) and reduce the District’s need to supplement the recycled water system with imported water in dry years. The District is currently evaluating funding alternatives for the Syphon Reservoir expansion. See the caption “FUTURE CAPITAL IMPROVEMENTS—Water Supply Reliability.”

See the caption “WATER SUPPLY—Water Supply Reliability—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.

Currently, the District purchases treated water from MWD for delivery to residential and commercial customers, as well as small amounts of untreated water for delivery to non-domestic customers. Groundwater that is produced from District wells is generally of high quality and is subject to minimal treatment to meet drinking water standards. In Fiscal Year 2009, the District commenced the engineering design for a new water treatment plant, the Baker WTP. The Baker WTP commenced operations in January 2017.

The Baker WTP is expected to treat to drinking water standards approximately 28 million gallons per day (“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 cost was approximately \$106 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 financed a portion of its 24% share of the costs from the proceeds of the Series 2016 Bonds that are described under the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness.”

The District expects that it will reduce treated water purchases and increase raw water purchases from MWD going forward. Raw water, which will be treated at the Baker WTP, is available at a lower rate than treated water. Accordingly, the District expects the Baker WTP to reduce its water purchase costs in future years.

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 Potable Water Connections⁽¹⁾**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2012	99,377	0.75%
2013	101,020	1.56
2014	102,990	1.95
2015	104,994	1.95
2016 ⁽²⁾	108,952	3.77

⁽¹⁾ Excludes recycled water and non-potable water connections.

⁽²⁾ Increase in connections in Fiscal Year 2016 reflects development within the District’s service area.

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 Potable Water Connections⁽¹⁾**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2017	112,591	3.34%
2018	116,524	3.49
2019	120,855	3.72
2020	125,157	3.56
2021	128,800	2.91

⁽¹⁾ Excludes recycled water and non-potable water connections. Increases in connections reflect District estimates of increased development activity.

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 \$1,386 to \$3,696 for each residential unit and \$5,867 to \$31,237 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/Sales

The following table presents a summary of historic water deliveries by 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/Sales in Acre Feet Per Year⁽¹⁾**

<i>Fiscal Year</i>	<i>Potable and Non-Potable System</i>	<i>Recycled System⁽²⁾</i>	<i>Total</i>	<i>Percentage Change</i>
2012	54,818	25,011	79,829	8.50%
2013	57,203	28,259	85,462	7.06
2014	59,907	30,021	89,928	5.23
2015	58,319	32,139	90,458	0.59
2016 ⁽³⁾	51,098	26,879	77,977	(13.80)

⁽¹⁾ Differences between the amounts that are shown in the table and the water production figures that are set forth under the caption “WATER SUPPLY—Historic and Projected Water Supply” reflect water losses and the timing of billing.

⁽²⁾ Recycled water sales in excess of the historic recycled water production amounts set forth in Table 11 under the caption “WATER SUPPLY—Historic and Projected Water Supply” reflect supplemental water supplied in excess of recycled water produced by the District.

(3) Reduced deliveries reflect effects of Statewide drought and State orders with respect thereto. See the caption “WATER SUPPLY—Drought Proclamation.”

Source: The District.

Projected Water Deliveries/Sales

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 at a slower pace than the increase in connections after the current Fiscal Year, as set forth in the table under the caption “—Projected Water Connections,” as a result of increased conservation efforts and a return to long-term historical average hydrological conditions in the State. The District notes that recycled water use is not subject to the mandatory conservation orders imposed by the State in connection with the Statewide drought. See the caption “WATER SUPPLY—Drought Proclamation.” 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/Sales in Acre Feet Per Year

<i>Fiscal Year</i>	<i>Potable and Non-Potable System</i>	<i>Recycled System⁽¹⁾</i>	<i>Total</i>	<i>Percentage Change</i>
2017	54,385	27,004	81,389	4.38%
2018	55,799	27,706	83,505	2.60
2019	57,250	28,426	85,676	2.60
2020	58,738	29,166	87,904	2.60
2021	60,265	29,924	90,189	2.60

(1) Projected recycled water sales in excess of the projected recycled water production amounts set forth in Table 12 under the caption “WATER SUPPLY—Historic and Projected Water Supply” reflect supplemental water projected to be supplied in excess of recycled water produced by the District.

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
(In Thousands)

<i>Fiscal Year</i>	<i>Sales and Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2012	\$57,558	5.04%
2013	62,565	8.70
2014	66,321	6.00
2015	70,110	5.71
2016	76,692	9.39

(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
(In Thousands)**

<i>Fiscal Year</i>	<i>Sales and Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2017	\$85,499	11.48% ⁽²⁾
2018	88,064	3.00
2019	90,706	3.00
2020	93,427	3.00
2021	96,230	3.00

⁽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.”

⁽²⁾ Projected increase from Fiscal Year 2016 amount reflects rescission of Level Two water shortage restrictions under the District’s WSCP (as discussed under the caption “WATER SUPPLY—Drought Proclamation—District Response to Drought”), as well as projected increases in connections.

Source: The District.

Largest Water Customers

The following table sets forth the ten largest water customers of the District for Fiscal Year 2016, as determined by annual payments.

**TABLE 20
IRVINE RANCH WATER DISTRICT
Ten Largest Water Customers
Fiscal Year 2016**

<i>Customer</i>	<i>Fiscal Year 2016 Payment</i>	<i>Percentage of Total Water Sales Revenues</i>
1. The Irvine Company/Irvine Apartment Communities	\$ 6,840,148	8.92%
2. University of California, Irvine	1,323,149	1.73
3. Jazz Semiconductor	982,407	1.28
4. B Braun Medical Inc.	860,399	1.12
5. Allergan Sales, LLC	333,733	0.44
6. City of Irvine	320,057	0.42
7. ERP Operating LP	268,513	0.35
8. Royalty Carpet Mills	239,695	0.31
9. City of Lake Forest	223,565	0.29
10. Irvine Unified School District	<u>202,414</u>	<u>0.27</u>
TOTAL	\$11,594,080	15.12%

Source: The District.

These ten largest customers accounted for approximately 15.12% of water sales revenues in Fiscal Year 2016.

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. Effective July 1, 2016, the average monthly service charge for residential water meters is \$10.30. The monthly service charges for commercial and industrial water meters range from \$10.30 to \$2,935.50 based on meter size. Quantity charges are set according to a water conservation oriented allocation-based ascending block rate structure with rates ranging from \$1.21 to \$12.01 per 100 cubic feet (“ccf”), as shown in the below table.

IRVINE RANCH WATER DISTRICT Residential Water Rates

<i>Tier</i>	<i>Allocation</i>	<i>Rate per ccf</i>
Low Volume	0-40%	\$1.21
Base ⁽¹⁾	41-100	1.65
Inefficient	101-130	4.01
Wasteful	131+	12.01

⁽¹⁾ The “base” rate reflects an average cost of water from all sources that are used by the District.
Source: The District.

See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218—Article XIID” for a discussion of a 2015 California Court of Appeal decision with respect to allocation-based rates similar to those of the District. Rates are based on a cost of service study.

Set forth below is a comparison of the District’s water bill for a typical residential customer as compared to neighboring communities. For the past ten Fiscal Years, including in the current Fiscal Year, the District has increased its water system rates and charges by an average of approximately 5% each year for an average residential customer using approximately 12 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 the implementation of Level One of the District’s WSCP (as discussed under the caption “WATER SUPPLY—Drought Proclamation”), as well as projected water rate increases of between 3% and 4% in Fiscal Years 2017 through 2021, including a rate increase of 4% beginning July 1, 2016. Future 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

<i>Water Service Provider</i>	<i>Charge⁽¹⁾</i>
City of Newport Beach	\$78.87
City of Tustin	67.23
City of Costa Mesa	63.90
City of Anaheim	45.15
City of Orange	43.20
City of Santa Ana	41.61
City of Huntington Beach	38.81
Irvine Ranch Water District⁽²⁾	27.90

⁽¹⁾ Based on the average residential usage for each water service provider in ccf. For the District, the first 5 ccf is billed at the low volume rate of \$1.21 and next 7 ccf is billed at \$1.65.

⁽²⁾ Information is as of prior year for providers other than the District and as of July 1, 2016 for the District. 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 the District 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, 2016, the District had approximately 1,019 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 10.2 billion gallons of sewage were treated by the District during Fiscal Year 2016.

In 1986, the District cooperated with Orange County Sanitation District (“**OCS**D”) to form Sanitation District 14 (functionally replaced by “Revenue Area 14” of OCS D, upon the consolidation of the several sanitation districts comprising OCS D’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 OCS D in connection with such formation, the District paid approximately \$34 million for an approximate 6% interest in OCS D’s sewage processing facilities (such percentage of interest will vary over time pursuant to a formula set forth in the agreement between OCS D and the District). This agreement currently provides treatment capacity (in addition to the capacity at District-owned facilities (the MWRP and the LAW RP)) of up to 15 mgd. The agreement also provides for the purchase by the District of certain additional capacity in OCS D sewage processing facilities determined from annual flows. In Fiscal Years 2015 and 2016, the District utilized approximately 1.9 billion gallons of capacity each year pursuant to its agreement with OCS D. Currently, approximately 80% of the District’s wastewater is treated by the MWRP and LAW RP operated by the District, and approximately 20% is treated by OCS D.

The District treats and recycles wastewater sufficient to meet recycled water customer demand and fill available capacity in seasonal storage reservoirs for later delivery to recycled water customers. The remainder of the wastewater collected by the District is diverted to OCS D for treatment and ultimate disposal into the Pacific Ocean through OCS D’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 evaluated alternative approaches to handling its wastewater solids. In May 2013, the District began construction of a facility for handling MWRP solids, which are currently conveyed to 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 the solids handling facility at the MWRP is anticipated to be completed in late 2018. See the caption “FUTURE CAPITAL IMPROVEMENTS—Solids Handling.”

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>
2012	93,828	1.07%
2013	95,488	1.77
2014	97,482	2.09
2015	99,397	1.96
2016	103,328	3.95

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⁽¹⁾**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2017	106,994	3.55%
2018	110,927	3.68
2019	115,258	3.90
2020	119,560	3.73
2021	123,203	3.05

⁽¹⁾ Increases in connections 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 \$2,251 to \$25,839 for each residential unit and \$5,894 to \$64,170 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>
2012	28.3	1.80%
2013	28.1	(0.71) ⁽²⁾
2014	29.5	4.98 ⁽³⁾
2015	28.6	(3.05) ⁽²⁾
2016	27.8	(2.80) ⁽²⁾

⁽¹⁾ Includes District flow treated by OCSD.

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

⁽³⁾ Increase in flows reflects changes to flows in the Irvine Business Complex in accordance with a flow study per agreement with OCSD.

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>
2017	28.5	2.60%
2018	29.2	2.60
2019	30.0	2.60
2020	30.8	2.60
2021	31.6	2.60

⁽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. Increases reflect increases in connections as well as rate increases adopted by the Board of Directors.

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

<i>Fiscal Year</i>	<i>Recycled Water Sales and Sewer Service Charge Revenues</i>	<i>Percentage Change</i>
2012	\$49,234	8.50%
2013	53,085	7.82
2014	58,109	9.46
2015	62,808	8.09
2016	67,682	7.76

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
(In Thousands)

<i>Fiscal Year</i>	<i>Recycled Water Sales and Sewer Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2017	\$75,135	11.01% ⁽²⁾
2018	77,389	3.00
2019	79,711	3.00
2020	82,102	3.00
2021	84,565	3.00

⁽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.”

⁽²⁾ Projected increase from Fiscal Year 2016 amount reflects adopted increase in fixed charges of approximately 7% and projected increases in connections.

Source: The District.

Largest Sewer and Recycled Water Service Customers

The following table sets forth the ten largest sewer service customers of the District for Fiscal Year 2016, as determined by annual payments.

**TABLE 28
IRVINE RANCH WATER DISTRICT
Ten Largest Sewer and Recycled Water Service Customers
Fiscal Year 2016**

<i>Customer</i>	<i>Fiscal Year 2016 Payment</i>	<i>Percentage of Total Sewer and Recycled Service Revenues</i>
1. The Irvine Company/Irvine Apartment Communities	\$ 10,980,957	16.22%
2. City of Irvine	2,067,260	3.05
3. University of California, Irvine.	1,848,176	2.73
4. B Braun Medical Inc.	743,310	1.10
5. Irvine Unified School District	546,002	0.81
6. California Department of Transportation, District 12	417,388	0.62
7. Orange County Produce	386,681	0.57
8. Royalty Carpet Mills	377,990	0.56
9. Heritage Fields	342,817	0.51
10. Crystal Cove Community Association	<u>327,704</u>	<u>0.48</u>
TOTAL	\$18,038,285	26.65%

Source: The District.

These ten largest customers accounted for approximately 26.65% of total sewer and recycled water service revenues in Fiscal Year 2016.

Sewer System Rates and Charges

Effective July 1, 2016, residential users pay a fixed monthly service charge which ranges from \$19.30 to \$25.75. Commercial and industrial users pay \$25.75 for the first ten ccf of water use and from \$2.74 to \$2.874 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 6% each year.

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% to 6% in Fiscal Years 2017 through 2021 and projected recycled water rate increases of between 3% and 6% in Fiscal Years 2017 through 2021, including increases in sewer rates and recycled water rates effective July 1, 2016. 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.

TABLE 29
IRVINE RANCH WATER DISTRICT
Typical Residential Customer Sewer Bill

<i>Sewer Service Provider</i>	<i>Charge⁽¹⁾</i>
City of Tustin	\$47.16
City of Huntington Beach	38.57
City of Newport Beach	38.56
City of Santa Ana	34.02
City of Orange	27.76
City of Costa Mesa	27.76
City of Anaheim	27.76
Irvine Ranch Water District	19.30 – 25.75

⁽¹⁾ Information is as of prior year for providers other than the District and as of July 1, 2016 for the District. Excludes *ad valorem* assessments levied by District.

Source: The District.

FUTURE CAPITAL IMPROVEMENTS

The District anticipates spending approximately \$395,000,000 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 bonds, certificates of participation, District revenues and fund balances in Fiscal Years 2017 through 2021, including the Series 2016 Bonds. The District anticipates that the cost of such improvements will be financed from proceeds of the 2016 Certificates, the Series 2016 Bonds and additional bonds in the estimated principal amount of approximately \$75 million that are expected to be issued in Fiscal Year 2019, and that the remaining cost 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:

TABLE 30
IRVINE RANCH WATER DISTRICT
Projected Water, Recycled Water and Sewer Systems Capital Improvements
For Fiscal Years 2017 through 2021

<i>Project</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>Total</i>
Solids Handling	\$41,165,000	\$26,237,000	\$3,766,000	\$3,461,000	\$1,862,000	\$76,491,000
OCSD / CORF	14,747,000	9,706,000	5,568,000	4,339,000	4,497,000	38,857,000
Water Supply Reliability	34,180,000	17,652,000	3,546,000	6,191,000	11,919,000	73,488,000
Development-Related Expansion	14,985,000	24,756,000	27,476,000	17,563,000	9,738,000	94,518,000
Replacement and Refurbishment	27,777,000	32,141,000	19,600,000	4,956,000	1,621,000	86,095,000
Operational Improvements	<u>7,734,000</u>	<u>10,611,000</u>	<u>6,245,000</u>	<u>706,000</u>	<u>71,000</u>	<u>25,367,000</u>
Total	\$ 140,588,000	\$ 121,103,000	\$ 66,201,000	\$ 37,216,000	\$ 29,708,000	\$ 394,816,000

Source: The District.

Solids Handling

The solids handling capital projects include 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 LAWRP for drying and pelletization. In addition, facilities for the receipt and transfer of fats, oil and grease to the digesters are 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. A portion of the costs of these projects will be financed from proceeds of the 2016 Installment Sale Agreement and the

Series 2016 Bonds. See the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness.”

OCSD CORF

OCSD’s Capital Outlay Revolving Fund (“**CORF**”) funds OCSD 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 OCSD’s total wastewater flow. Wastewater flows from the District presently comprise approximately 2% – 3% of OCSD flows. See the caption “THE SEWER SYSTEM—General—OCSD” 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, including, but not limited to, booster pump stations and interagency pipeline construction. 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 Davis Farr LLP, Certified Public Accountants (the “**Auditor**”), are included as Appendix B (the “**Financial Statements**”) and should be read in their entirety. The Auditor’s letter is set forth at the beginning of the Financial Section of the Financial Statements. 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.

Reduction in BAB Credits

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**”). The originally scheduled BAB Credit was reduced by 8.7% in federal fiscal year 2013 (which ended September 30, 2013) and by 7.2%, 7.3%, 6.8% and 6.9% in federal fiscal years 2014, 2015,

2016 and 2017, respectively. Under a federal budget bill enacted in December 2013, the reduction of BAB Credits will continue through federal fiscal year 2023.

The District's Series 2010B Bonds are BABs and the historic and projected operating results shown under the captions "—Historic Operating Results and Debt Service Coverage" and "—Projected Operating Results and Debt Service Coverage" reflect the announced reduction in BAB Credits. While the District continues to monitor the effects of the reduction in BAB Credits on District finances, the District does not currently expect such reduction to have a material adverse effect on the ability of the District to pay the principal of and interest on the Series 2010B Bonds or the Parity Obligations 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.

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TABLE 31
IRVINE RANCH WATER DISTRICT
Historic Operating Results and Debt Service Coverage
Fiscal Years 2012 through 2016
(In Thousands)

	2012	2013	2014	2015	2016
REVENUES					
Water sales and service charges	\$ 57,558	\$ 62,565	\$ 66,321	\$ 70,110	\$ 76,692 ⁽¹⁷⁾
Recycled water sales and sewer service charges	49,234	53,085	58,109	62,808	67,682
Connection fees	9,030	17,314	22,429	29,183	32,109
Net real estate income	6,736	6,566	7,760	8,191	8,693
Interest income	1,739	1,549	1,671	1,515	1,585
Net earnings on JPA ⁽¹⁾	11,927	20,294 ⁽¹²⁾	12,356 ⁽¹²⁾	-	-
Available 1% Property Tax Revenues ⁽²⁾	23,165	25,796	28,532	29,770	31,645
Other ⁽³⁾	6,141	8,323	10,974	7,899	7,836
Total Revenues	<u>\$ 165,530</u>	<u>\$ 195,492</u>	<u>\$ 208,152</u>	<u>\$ 209,476</u>	<u>\$ 226,242</u>
OPERATION AND MAINTENANCE EXPENSES					
Water services	\$ 42,741	\$ 48,911	\$ 57,624	\$ 57,978	\$ 57,499
Sewer services	31,754	36,688 ⁽¹³⁾	37,715	54,575 ⁽¹⁵⁾	40,413 ⁽¹⁸⁾
Administrative and general	20,097	22,667 ⁽¹³⁾	22,272	15,145 ⁽¹⁶⁾	19,451 ⁽¹⁹⁾
Customer accounts ⁽⁴⁾	3,474	3,753	0	0	0
Other	10,713	6,110 ⁽¹⁴⁾	7,163	9,752	2,800 ⁽²⁰⁾
Total Operation & Maintenance Expenses	<u>\$ 108,779</u>	<u>\$ 118,129</u>	<u>\$ 124,774</u>	<u>\$ 137,450</u>	<u>\$ 120,163</u>
NET REVENUES	\$ 56,751	\$ 77,363	\$ 83,378	\$ 72,026	\$ 106,079
ASSESSMENT PROCEEDS⁽⁵⁾	\$ 5,823	\$ 5,838	\$ 6,409	\$ 4,839	\$ 6,036
TOTAL NET REVENUES AND ASSESSMENT PROCEEDS	<u>\$ 62,574</u>	<u>\$ 83,201</u>	<u>\$ 89,787</u>	<u>\$ 76,865</u>	<u>\$ 112,115</u>
PARITY OBLIGATION DEBT SERVICE					
Series 2011A-1/A-2 Bonds	\$ 2,284	\$ 2,306	\$ 2,360	\$ 2,455	\$ 2,927
Series 2010B Bonds ⁽⁶⁾	7,533	7,519	7,825	7,829	7,823
2010 Installment Sale Agreement ⁽⁷⁾	8,016	8,388	8,753	9,098	9,487
1997 State Loan #3	226	226	227	227	227
Prior Reimbursement Agreements	0	0	0	0	0
Total Parity Obligation Debt Service	<u>\$ 18,059</u>	<u>\$ 18,439</u>	<u>\$ 19,165</u>	<u>\$ 19,609</u>	<u>\$ 20,464</u>
PARITY OBLIGATION COVERAGE⁽⁸⁾	3.5x	4.5x	4.7x	3.9x	5.5x
Revenues Available For Subordinate Debt Service	\$ 44,515	\$ 64,762	\$ 70,622	\$ 57,256	\$ 91,651
SUBORDINATE OBLIGATION DEBT SERVICE					
Swap Payments ⁽⁹⁾	\$ 7,734	\$ 7,452	\$ 7,475	\$ 7,734	\$ 7,712
State Loans and SCWD Debt ⁽¹⁰⁾	308	308	308	308	308
Total Subordinate Obligation Debt Service	<u>\$ 8,042</u>	<u>\$ 7,760</u>	<u>\$ 7,783</u>	<u>\$ 8,042</u>	<u>\$ 8,020</u>
Sources of Payment for Ad Valorem					
Assessment Bonds:					
Remaining Revenues	\$ 36,473	\$ 57,002	\$ 62,839	\$ 49,214	\$ 83,631
1% Pledged Property Tax Revenues ⁽¹¹⁾	3,313	3,470	3,013	3,358	3,226
<i>Ad valorem</i> Assessments	5,761	5,965	4,797	4,463	5,396
Total Funds Available for Ad Valorem Assessment Bonds	\$ 45,547	\$ 66,437	\$ 70,649	\$ 57,035	\$ 92,253
Ad Valorem Assessment Bond Debt Service	(16,899)	(17,129)	(10,968)	(12,840)	(11,173)
NET REVENUES AVAILABLE FOR OTHER PURPOSES	<u>\$ 28,648</u>	<u>\$ 49,308</u>	<u>\$ 59,681</u>	<u>\$ 44,195</u>	<u>\$ 81,080</u>

(FOOTNOTES ON FOLLOWING PAGE)

- (1) Reflects earnings from investment of proceeds of taxable bonds issued by Irvine Ranch Water District Joint Powers Agency in excess of payments of principal of and interest on such obligations. Such obligations matured in Fiscal Year 2014 and the Irvine Ranch Water District Joint Powers Agency was thereupon terminated in accordance with its joint powers agreement.
- (2) 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 2002-10, adopted by the Board of Directors of the District on April 8, 2002 (the "**Secured Bonds**") from 1% Property Tax Revenues and *ad valorem* assessments.
- (3) Other Revenues includes golf course lease, cell site leases, conservation revenue, penalty revenue, grants and Allen-McColloch pipeline income.
- (4) In Fiscal Year 2014, the District began recording Customer Accounts expenses in the Water Services and Sewer Services line items.
- (5) 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, Series 2011A-2 Bonds and Series 2016 Bonds and are not available to pay other Parity Obligations which are not general obligation bonds secured by *ad valorem* assessments.
- (6) Debt Service net of BAB Credit on Series 2010B Bonds. Reflects announced reductions in BAB Credits. See the caption "—Reduction in BAB Credits."
- (7) Entered into in February 2010 in connection with the prepayment of the 2008 Certificates of Participation and the 1986 Certificates of Participation.
- (8) Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.
- (9) Net swap payments made.
- (10) Santiago County Water District was consolidated into the District as of July 1, 2006.
- (11) 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 reflect scheduled mandatory sinking fund payments and redemption of approximately \$3.1 million in Secured Bonds.
- (12) Refunding of Irvine Ranch Water District Joint Powers Agency bonds described in Footnote 1 in Fiscal Year 2010 resulted in a savings of approximately \$32.0 million, of which a portion was realized in each of Fiscal Years 2013 and 2014.
- (13) Increase from Fiscal Year 2012 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."
- (14) Decrease from Fiscal Year 2012 reflects significant reduction in capital improvement project reclassifications and writeoffs. See Footnote 13.
- (15) Increase from Fiscal Year 2014 reflects approximately \$10 million in projects that were financed from capital funds but not capitalized and approximately \$7 million in one-time OCSD-related expenses.
- (16) Decrease from Fiscal Year 2014 reflects the effect of the new GASB 68 reporting standards. See the caption "THE IRVINE RANCH WATER DISTRICT—Pension Benefits."
- (17) Increase from Fiscal Year 2015 reflects increases in connections as set forth under the caption "—Historic Water Connections" as well as increases in water production charges by MWDOC and OCWD that were passed through to District customers. See the captions "WATER SUPPLY—Imported Water" and "WATER SUPPLY—Groundwater."
- (18) Decrease from Fiscal Year 2015 reflects decrease of approximately \$11.0 million in the cost of handling, treatment, and disposal of sewage solids residuals sent to OCSD and a decrease in sewer system projects associated with the District's capital program.
- (19) Increase from Fiscal Year 2015 reflects increased payroll costs for water and sewer operations and increased District overhead.
- (20) Decrease from Fiscal Year 2015 reflects reduction of approximately \$7.0 million in other expenses, including capital assets and project write-offs.

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 2017 through 2021
(In Thousands)

	2017 ⁽¹⁾	2018	2019	2020	2021
REVENUES					
Water sales and service charges ⁽²⁾	\$ 85,499	\$ 88,064	\$ 90,706	\$ 93,427	\$ 96,230
Recycled water sales and sewer service charges ⁽³⁾	75,135	77,389	79,711	82,102	84,565
Connection fees ⁽⁴⁾	22,000	21,000	20,000	20,000	20,000
Net real estate income ⁽⁵⁾	8,868	9,045	9,226	9,411	9,599
Interest income ⁽⁶⁾	3,559	5,419	7,657	8,166	7,942
Available 1% Property Tax Revenues ⁽⁷⁾	33,378	34,228	34,992	35,943	37,183
Other ⁽⁸⁾	6,500	6,565	6,631	6,697	6,764
Total Revenues	<u>\$ 234,939</u>	<u>\$ 241,710</u>	<u>\$ 248,922</u>	<u>\$ 255,746</u>	<u>\$ 262,282</u>
OPERATION AND MAINTENANCE EXPENSES					
Water services ⁽⁹⁾	\$ 67,451	\$ 69,475	\$ 71,559	\$ 73,706	\$ 75,917
Sewer services ⁽⁹⁾	44,154	45,479	46,843	48,248	49,696
Administrative and general ⁽⁹⁾	21,013	21,643	22,293	22,961	23,650
Other ⁽¹⁰⁾	5,761	5,876	5,994	6,114	6,236
Total Operation & Maintenance Expenses	<u>\$ 138,379</u>	<u>\$ 142,473</u>	<u>\$ 146,688</u>	<u>\$ 151,029</u>	<u>\$ 155,499</u>
NET REVENUES	\$ 96,560	\$ 99,237	\$ 102,234	\$ 104,717	\$ 106,784
ASSESSMENT PROCEEDS⁽¹¹⁾	\$ 7,343	\$ 7,828	\$ 7,416	\$ 7,857	\$ 8,313
TOTAL NET REVENUES AND ASSESSMENT PROCEEDS	<u>\$ 103,903</u>	<u>\$ 107,066</u>	<u>\$ 109,650</u>	<u>\$ 112,574</u>	<u>\$ 115,097</u>
PARITY OBLIGATION DEBT SERVICE⁽¹²⁾					
Series 2016 Bonds	\$ 1,605	\$ 5,301	\$ 5,301	\$ 5,301	\$ 5,301
2016 Installment Sale Agreement ⁽¹³⁾	2,919	5,837	5,837	5,837	9,257
Series 2011A-1/A-2 Bonds ⁽¹⁴⁾	3,294	3,751	4,223	4,273	4,321
Series 2010B Bonds ⁽¹⁵⁾	7,813	7,813	7,813	7,813	7,813
2010 Installment Sale Agreement ⁽¹³⁾	8,757	1,885	1,984	2,079	0
1997 State Loan #3 ⁽¹³⁾⁽¹⁶⁾	227	227	227	227	0
Prior Reimbursement Agreements	0	0	0	0	0
Total Parity Obligation Debt Service	<u>\$ 24,614</u>	<u>\$ 24,814</u>	<u>\$ 25,385</u>	<u>\$ 25,530</u>	<u>\$ 26,692</u>
PARITY OBLIGATION COVERAGE⁽¹⁷⁾	4.2x	4.3x	4.3x	4.4x	4.3x
Revenues Available For Subordinate Debt Service	\$ 79,289	\$ 82,252	\$ 84,265	\$ 87,043	\$ 88,404
SUBORDINATE OBLIGATION DEBT SERVICE⁽¹²⁾					
Swap Payments ⁽¹⁸⁾	\$ 6,110	\$ 5,395	\$ 4,940	\$ 2,280	\$ 2,292
State Loans and SCWD Debt ⁽¹³⁾	308	308	308	308	308
Total Subordinate Obligation Debt Service	<u>\$ 6,418</u>	<u>\$ 5,703</u>	<u>\$ 5,248</u>	<u>\$ 2,588</u>	<u>\$ 2,600</u>
Sources of Payment for Ad Valorem					
Assessment Bonds:					
Remaining Revenues	\$ 72,871	\$ 76,549	\$ 79,017	\$ 84,455	\$ 85,804
1% Pledged Property Tax Revenues ⁽¹⁹⁾	3,422	3,672	4,108	4,257	4,217
Ad valorem Assessments ⁽²⁰⁾	4,557	4,672	5,784	5,943	6,087
Total Funds Available for Ad Valorem	\$ 80,850	\$ 84,892	\$ 88,909	\$ 94,655	\$ 96,108
Ad Valorem Assessment Bond Debt Service ⁽²¹⁾	(12,946)	(13,875)	(16,330)	(16,485)	(16,254)
NET REVENUES AVAILABLE FOR OTHER PURPOSES	<u>\$ 67,904</u>	<u>\$ 71,017</u>	<u>\$ 72,578</u>	<u>\$ 78,824</u>	<u>\$ 79,854</u>

(FOOTNOTES ON FOLLOWING PAGE)

- (1) Based on Fiscal Year 2017 budgeted amounts with certain adjustments.
- (2) Projected to increase approximately 3% per annum from Fiscal Year 2017 budgeted amount. See the caption “THE WATER SYSTEM—Projected Water Sales and Service Charge Revenues.”
- (3) Projected to increase approximately 3% per annum from Fiscal Year 2017 budgeted amount. See the caption “THE SEWER SYSTEM—Projected Recycled Water Sales and Sewer Service Charge Revenues.”
- (4) Based on District projections of development.
- (5) Based on existing and expected leases. See the captions “THE IRVINE RANCH WATER DISTRICT—Current Investments” and “THE IRVINE RANCH WATER DISTRICT—Projected Net Real Estate Income.”
- (6) Assumes interest rates increasing from 1.00% in Fiscal Year 2017 to 2.00% in Fiscal Year 2021.
- (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 and grants. Projected to increase approximately 1% per annum from Fiscal Year 2017 budgeted amount.
- (9) Projected to increase approximately 3% per annum from Fiscal Year 2017 budgeted amount. Water services expenses do not reflect any reduction in payments to OCWD as a result of the Complaint that is discussed under the caption “WATER SUPPLY—Groundwater—General.”
- (10) Projected to increase approximately 2% per annum from Fiscal Year 2017 budgeted amount.
- (11) 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, Series 2011A-2 Bonds and Series 2016 Bonds and are not available to pay other Parity Obligations which are not general obligation bonds secured by *ad valorem* assessments.
- (12) Does not reflect the issuance of additional debt to finance future capital improvements. See the caption “FUTURE CAPITAL IMPROVEMENTS.”
- (13) Reflects scheduled debt service.
- (14) Projected at SIFMA rates increasing from 0.80% in Fiscal Year 2017 to 1.75% in Fiscal Year 2021. Assumes that the purchase price of Series 2011A-1 Bonds and Series 2011A-2 Bonds is paid from remarketing proceeds.
- (15) Debt Service net of BAB Credit on Series 2010B Bonds. Reflects announced reductions in BAB Credits. See the caption “—Reduction in BAB Credits.”
- (16) The 1997 State Loan matures in Fiscal Year 2020.
- (17) Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.
- (18) Net swap payments. Assumes LIBOR rate with respect to swaps increasing from 0.45% in Fiscal Year 2017 to 1.00% in Fiscal Year 2021. See the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Subordinate Debt—Interest Rate Swap Transactions.”
- (19) 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.
- (20) 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, Series 2011A-2 Bonds and Series 2016 Bonds.
- (21) Ad Valorem Assessment Bonds debt projection assumes annual sinking fund payments, SIFMA rates ranging from 0.80% in Fiscal Year 2017 to 1.75% in Fiscal Year 2021 and letter of credit fees equal to 0.39% of principal. Does not include Series 2010B Bonds, Series 2011A-1, Series 2011A-2 Bonds or Series 2016 Bonds, which are Parity Obligations. Assumes \$75 million of new variable rate *ad valorem* assessment bonds issued in Fiscal Year 2019.

Source: The District.

THE IMPROVEMENT DISTRICTS

General

The District contains seven water Improvement Districts and ten 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 areas that 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 to repay 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 *ad valorem* assessments on taxable land and In Lieu Charges (as such term is defined in Appendix C) within Improvement District Nos. 113, 125, 213 and 225. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Covenant to Collect Assessment Proceeds" 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 17. 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 Remarketing 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 Remarketing 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. 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 and commercial properties. 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 Fiscal Year 2016 assessed value of the land in Improvement District No. 125 is \$32,752,414,757. The Fiscal Year 2016 assessed value of the land in Improvement District No. 225 is \$27,557,606,802.

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. 125 for the last three Fiscal Years. 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. 125
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured⁽¹⁾</i>	<i>Total</i>
2014	\$27,277,013,090	\$ 404,065 ⁽²⁾	\$27,277,417,155
2015	29,578,234,550	404,065 ⁽²⁾	29,578,638,615
2016	32,702,471,690	49,943,067	32,752,414,757

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

⁽²⁾ Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Years 2014 and 2015 have been omitted from the table.

Source: California Municipal Statistics, Inc.

The following table presents the assessed valuations of land in Improvement District No. 225 for the last three Fiscal Years. 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. 225
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured⁽¹⁾</i>	<i>Total</i>
2014	\$22,829,136,845	\$ 404,065 ⁽²⁾	\$22,829,540,910
2015	24,757,084,884	404,065 ⁽²⁾	24,757,488,949
2016	27,510,931,539	46,675,263	27,557,606,802

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

⁽²⁾ Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Years 2014 and 2015 have been omitted from 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, 2016:

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

	<i>Fiscal Year 2016 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Rural/Undeveloped	\$ 173,490,512	0.53%	187	0.18%
Commercial/Office	3,008,781,732	9.20	1,437	1.36
Industrial	1,605,919,061	4.91	1,129	1.07
Government/Social/Institutional	7,742,093	0.02	297	0.28
Miscellaneous	<u>15,562,383</u>	<u>0.05</u>	<u>10</u>	<u>0.01</u>
Subtotal Non-Residential	\$ 4,811,495,781	14.71%	3,060	2.89%
Residential:				
Single Family Residence	\$18,994,890,422	58.08%	35,870	33.88%
Condominium	8,294,685,868	25.36	28,869	27.27
2+ Residential Units/Apartments	521,541,832	1.59	225	0.21
Timeshare Interests	<u>79,857,787</u>	<u>0.24</u>	<u>37,847</u>	<u>35.75</u>
Subtotal Residential	\$27,890,975,909	85.29%	102,811	97.11%
Total	<u>\$32,702,471,690</u>	<u>100.00%</u>	<u>105,871</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (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. 225 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2016:

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

	<i>Fiscal Year 2016 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Rural/Undeveloped	\$ 152,285,830	0.55%	165	0.25%
Commercial/Office	2,938,679,309	10.68	1,389	2.08
Industrial	1,593,696,108	5.79	1,106	1.65
Government/Social/Institutional	7,397,890	0.03	284	0.42
Miscellaneous	<u>15,319,968</u>	<u>0.06</u>	<u>10</u>	<u>0.01</u>
Subtotal Non-Residential	\$ 4,707,379,105	17.11%	2,954	4.41%
Residential:				
Single Family Residence	\$ 14,390,372,044	52.31%	35,125	52.48%
Condominium	7,855,847,728	28.56	28,626	42.77
2+ Residential Units/Apartments	<u>557,332,662</u>	<u>2.03</u>	<u>229</u>	<u>0.34</u>
Subtotal Residential	\$ 22,803,552,434	82.89%	63,980	95.59%
Total	<u>\$ 27,510,931,539</u>	<u>100.00%</u>	<u>66,934</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (possessory interests in tax exempt utility property and gas and oil leases).

Source: California Municipal Statistics, Inc.

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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, 2016:

**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 2016 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	The Irvine Company	Commercial	\$ 966,865,770	2.96%
2.	Irvine Apartment Communities LP	Apartments	121,562,365	0.37
3.	Heritage Fields El Toro LLC	Commercial	105,243,885	0.32
4.	Olen Property Corp.	Industrial	66,289,205	0.20
5.	ABS CA-O DCI LLC	Commercial	57,398,636	0.18
6.	PPC Irvine Center Investment LLC	Commercial	33,579,157	0.10
7.	Kia Motors America Inc.	Commercial	33,514,293	0.10
8.	Avalon Baker Ranch LP	Undeveloped	32,589,871	0.10
9.	Oakley Inc.	Industrial	31,866,025	0.10
10.	52 Discovery LLC	Commercial	<u>30,599,400</u>	<u>0.09</u>
	TOTAL		<u>\$ 1,479,508,607</u>	<u>4.52%</u>

⁽¹⁾ Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): \$32,702,471,690.
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, 2016:

**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 2016 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	The Irvine Company	Commercial	\$ 918,972,451	3.34%
2.	Irvine Apartment Communities LP	Apartments	129,502,530	0.47
3.	Heritage Fields El Toro LLC	Commercial	105,243,885	0.38
4.	Olen Property Corp.	Industrial	66,289,205	0.24
5.	ABS CA-O DCI LLC	Commercial	52,579,741	0.19
6.	PPC Irvine Center Investment LLC	Commercial	33,579,157	0.12
7.	Kia Motors America Inc.	Commercial	33,514,293	0.12
8.	Avalon Baker Ranch LP	Undeveloped	32,589,871	0.12
9.	Oakley Inc.	Industrial	31,866,025	0.12
10.	52 Discovery LLC	Commercial	<u>30,599,400</u>	<u>0.01</u>
	TOTAL		<u>\$ 1,434,736,558</u>	<u>5.11%</u>

⁽¹⁾ Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): \$27,510,931,539.
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 Reports–I.D. 125/225**”) for Improvement District Nos. 125 and 225, respectively, prepared by California Municipal Statistics, Inc. and effective December 31, 2016. The Debt Reports–I.D.

125/225 were 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 Reports–I.D. 125/225 generally include 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 2016 Land Only Assessed Valuation: \$32,752,414,757

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 12/31/16</u>
Metropolitan Water District	2.549%	\$ 2,367,129
Coast Community College District	5.088	25,382,226
Rancho Santiago Community College District	0.976	2,616,196
Laguna Beach Unified School District	14.910	3,890,019
Newport Mesa Unified School District	14.210	31,952,485
Saddleback Valley Unified School District	33.855	39,701,759
Tustin Unified School District School Facilities Improvement District No. 2002-1	4.082	1,962,148
Tustin Unified School District School Facilities Improvement District No. 2008-1	4.221	3,802,488
Tustin Unified School District School Facilities Improvement District No. 2012-1	33.194	9,901,770
Irvine Ranch Water District Improvement District No. 125	100.000	182,346,395⁽²⁾
Irvine Ranch Water District Improvement District No. 225	95.804	222,003,002
Irvine Ranch Water District Improvement District No. 240	99.995	22,615,929
Community Facilities Districts	0.737-100.000	842,015,915
County 1915 Act Bonds	100.000	68,430,000
City 1915 Act Bonds	Various	<u>636,522,829</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,096,933,957
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	12.518%	\$ 9,653,381
Orange County Pension Obligations	12.518	31,766,660
Orange County Board of Education Certificates of Participation	12.518	1,901,484
Coast Community College District General Fund Obligations	5.088	
Orange Unified School District Certificates of Participation and Benefit Obligations	2.039	2,328,352
City of Lake Forest Certificates of Participation	83.336	7,112,728
City of Newport Beach Certificates of Participation	23.199	<u>410,680</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 79,540,108
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)</u>		 \$ 6,138,884
 <u>GROSS COMBINED TOTAL DEBT</u>		 \$2,182,612,949⁽³⁾
<u>NET COMBINED TOTAL DEBT</u>		\$2,182,202,269

Ratios to Fiscal Year 2016 Land Only Assessed Valuation:

Direct Debt (\$182,346,395)0.56%
 Total Direct and Overlapping Tax and Assessment Debt.....7.00%

Ratios to Adjusted All Property Assessed Valuation:

Combined Total Debt.....3.83%

Ratios to Redevelopment Incremental Valuation \$(357,495,447):

Total Overlapping Tax Increment Debt.....1.66%

⁽¹⁾ Based on all property assessed valuation of \$62,465,858,066.

⁽²⁾ Improvement District No. 125 was formed by consolidating former Improvement District Nos. 105, 106, 102, 121, 130, 135, 140, 161, 182, 184 and 186. Excludes the Series 2016 Bonds.

⁽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.

TABLE 40
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Direct and Overlapping Debt Statement

Fiscal Year 2016 Land Only Assessed Valuation: \$27,557,606,802

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 12/31/16</u>
Metropolitan Water District	2.207%	\$ 2,049,531
Coast Community College District	0.311	1,551,469
Rancho Santiago Community College District	0.020	53,611
Newport Mesa Unified School District	3.200	7,195,493
Saddleback Valley Unified School District	33.167	38,894,941
Tustin Unified School District School Facilities Improvement District No. 2002-1	5.806	2,790,845
Tustin Unified School District School Facilities Improvement District No. 2008-1	6.004	5,408,703
Tustin Unified School District School Facilities Improvement District No. 2012-1	34.386	10,257,344
Irvine Ranch Water District Improvement District No. 125	82.952	151,259,981
Irvine Ranch Water District Improvement District No. 225	100.000	229,935,424⁽²⁾
Community Facilities Districts	0.737-100.000	821,808,340
County 1915 Act Bonds	2.729	131,947
City 1915 Act Bonds	Various	<u>790,154,783</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,061,492,412
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	10.838%	\$ 9,449,544
Orange County Pension Obligations	10.838	37,753,774
Orange County Board of Education Certificates of Participation	10.838	1,608,359
Coast Community College District General Fund Obligations	0.311	11,709
Orange Unified School District Certificates of Participation and Benefit Obligations	0.041	45,429
City of Lake Forest Certificates of Participation	81.455	6,952,184
City of Newport Beach Certificates of Participation	3.986	<u>4,408,317</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 60,229,316
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)</u>		 \$ 5,928,855
 <u>COMBINED TOTAL DEBT</u>		 \$2,127,650,584⁽³⁾

Ratios to Fiscal Year 2016 Land Only Assessed Valuation:

Direct Debt (\$229,935,424)0.83%
 Total Direct and Overlapping Tax and Assessment Debt.....7.48%

Ratios to Adjusted All Property Assessed Valuation:

Combined Total Debt3.93%

Ratios to Redevelopment Incremental Valuation \$(357,495,447):

Total Overlapping Tax Increment Debt.....1.6%

⁽¹⁾ Based on all property assessed valuation of \$54,086,274,785.

⁽²⁾ Improvement District No. 225 was formed by consolidating former Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286. Excludes Series 2016 Bonds.

⁽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 6,813 dwelling units and approximately 9,500,000 square feet of commercial, institutional and recreational uses.

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, 2013 through June 30, 2017.

TABLE 41
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured⁽¹⁾</i>	<i>Total</i>
2013	\$535,648,801	\$720,289	\$536,369,090
2014	561,601,211	637,882	562,239,093
2015	673,958,777	637,562	674,596,339
2016	826,913,605	610,480	827,524,085
2017	884,813,999	577,549	885,391,548

⁽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, 2017:

TABLE 42
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Assessed Valuation and Parcels by Land Use

	<i>Fiscal Year 2017 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial	\$ 105,030,137	11.87%	19	0.58%
Government/Social/Institutional	<u>0</u>	<u>0.00</u>	<u>169</u>	<u>5.14</u>
Subtotal Non-Residential	\$ 105,030,137	11.87%	188	5.72%
Residential:				
Single Family Residence	\$ 394,790,914	44.62%	1,299	39.52%
Condominium/Townhouse	327,962,967	37.07	1,389	42.26
Apartments	32,484,014	3.67	3	0.09
Vacant Residential	<u>24,545,967</u>	<u>2.77</u>	<u>408</u>	<u>12.41</u>
Subtotal Residential	\$ 779,783,862	88.13%	3,099	94.28%
Total	<u>\$ 884,813,999</u>	<u>100.00%</u>	<u>3,287</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (possessory interests in 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, 2017:

TABLE 43
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Largest Local Secured Taxpayers

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2017 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	Vestar/Kimco Tustin LP	Commercial	\$ 78,655,930	8.89%
2.	Standard Pacific Corp.	Residential Development	35,412,187	4.00
3.	Legacy Villas LLC	Apartments	32,484,014	3.67
4.	Costco Wholesale Corporation	Commercial	15,032,347	1.70
5.	Lowes HIW Inc.	Commercial	11,151,522	1.26
6.	Calatlantic Group Inc.	Residential Development	6,030,904	0.68
7.	Brookfield Huntley 77 LLC	Residential Development	5,703,574	0.64
8.	Liang Inc.	Residential	1,010,591	0.11
9.	Tat Wa Ng	Residential	980,569	0.11
10.	Sanh Hoa Truong	Residential	<u>839,322</u>	<u>0.09</u>
	TOTAL		<u>\$ 187,300,960</u>	<u>21.15%</u>

⁽¹⁾ Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): \$884,813,999.

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. 113/213**”) for Improvement District No. 113 and Improvement District No. 213 prepared by California Municipal Statistics, Inc. and effective December 31, 2016. 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 44
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Direct and Overlapping Debt Statement

Fiscal Year 2017 Land Only Assessed Valuation: \$885,391,548

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 12/31/16</u>
Metropolitan Water District	0.074%	\$ 68,904
Rancho Santiago Community College District	0.100	258,097
Rancho Santiago Community College District School Facilities Improvement District No. 1	0.191	108,918
Irvine Unified School District School Facilities Improvement District	1.059	1,006,050
Santa Ana Unified School District	0.236	626,604
Tustin Unified School District School Facilities Improvement District No. 2002-1	6.138	2,904,160
Tustin Unified School District School Facilities Improvement District No. 2008-1	3.093	2,732,356
Tustin Unified School District School Facilities Improvement District No. 2012-1	2.102	582,674
Tustin Unified School District Community Facilities District No. 06-1	100.000	15,060,000
City of Irvine Community Facilities District No. 2005-2	99.263	15,489,991
Irvine Ranch Water District Improvement District No. 113	100.000	14,869,920
Irvine Ranch Water District Improvement District No. 213	100.000	24,949,596
City of Tustin Community Facilities District Nos. 04-1, 06-1 and 07-1	60.350-100.000	<u>97,241,645</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$175,898,915

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	0.365%	\$ 314,853
Orange County Pension Obligation Bonds	0.365	877,816
Orange County Board of Education Certificates of Participation	0.365	54,166
Santa Ana Unified School District Certificates of Participation	0.236	<u>148,024</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 1,394,859

<u>OVERLAPPING TAX INCREMENT DEBT</u>		
Tustin Redevelopment Agency Housing Bonds	50.787%	\$ 10,365,627
Tustin Redevelopment Agency Marine Corps Air Station Project	90.409	<u>35,490,053</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$ 45,855,680

COMBINED TOTAL DEBT \$223,149,454⁽³⁾

Ratios to Fiscal Year 2017 Land Only Assessed Valuation:

Direct Debt (\$39,819,516)	4.50%
Total Direct and Overlapping Tax and Assessment Debt.....	19.87%

Ratios to Adjusted All Property Assessed Valuation:

Combined Total Debt	11.64%
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Ratios to Redevelopment Incremental Valuation (\$608,972,603):

Overlapping Tax Increment Debt	7.53%
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⁽¹⁾ Based on all property assessed valuation of \$1,916,833,570.

⁽²⁾ 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 a user fee or charge 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 accordance with Article XIII D and the decision in *Bighorn*, the District has conducted notice and hearing proceedings to comply with requirements of Article XIII D with respect to proposed increases of rates and charges since Fiscal Year 2007. See the captions “THE WATER SYSTEM—Water System Rates and Charges” and “THE SEWER SYSTEM—Sewer System Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (“**SJC**”) upholding tiered water rates under Proposition 218 provided that the rates correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District’s tiered water rates are described under the caption “THE WATER SYSTEM—Water System Rates and Charges.” The District does not currently expect the *SJC* ruling to affect its water rate structure or have a material adverse effect on its financial condition.

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 the caption “—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 has affected 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.

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

Exhibit “C”

RESOLUTION NO. __

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 9, 2017 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

Exhibit "B"

Stradling Yocca Carlson & Rauth
Draft of 1/18/17

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]

\$34,360,000
BONDS OF IRVINE RANCH WATER DISTRICT
REFUNDING SERIES 2011A-2
CUSIP[†]: 4636324R7

Date of Initial Delivery: April 15, 2011 **Scheduled Mandatory Tender Date: _____, 2018** **Due: October 1, 2037**
Price: 100% **Call Protection Date: _____, 2017**

This Remarketing Statement replaces the Remarketing Statement dated February 9, 2016, as supplemented on February 17, 2016, 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 9, 2017.**

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 9, 2017 with the Scheduled Mandatory Tender Date on _____, 2018; 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 9, 2017, 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 9, 2017 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 _____, 2018. 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

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2017 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Remarketing Agent takes any responsibility for the accuracy of such numbers.

“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 9, 2017 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 or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other 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 9, 2017 following their mandatory tender.

Morgan Stanley
Series 2011A-2 Bonds Remarketing Agent

Dated: January 31, 2017

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

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

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

\$34,360,000 BONDS OF IRVINE RANCH WATER DISTRICT REFUNDING SERIES 2011A-2

INTRODUCTION

This Remarketing Statement replaces the Remarketing Statement dated February 9, 2016, as supplemented on February 17, 2016, 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 9, 2017.

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 9, 2017 with the Scheduled Mandatory Tender Date of _____, 2018; 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 9, 2017, 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 9, 2017 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 \$34,360,000 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 only while in the Index Mode and for the Tender Period commencing February 9, 2017. 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 or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other 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 the 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 9, 2017. 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 ten 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 9, 2017 with the Scheduled Mandatory Tender Date of _____, 2018 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 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 _____, 2018. 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 in 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.

- As of December 31, 2016: (i) Improvement District No. 125 had \$305,517,268 aggregate principal amount of authorized but unissued *ad valorem* assessment bonds and \$196,008,026 aggregate principal amount of outstanding *ad valorem* assessment bonds, including the Series 2011A-2 Bonds; and (ii) Improvement District No. 225 had \$363,338,887 aggregate principal amount of authorized but unissued *ad valorem* assessment bonds and \$269,910,537 aggregate principal amount of outstanding *ad valorem* assessment bonds, including the Series 2011A-2 Bonds. See Table 3 under the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness” in Appendix A.

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 and commercial 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 Fiscal Year 2017 assessed value of the land in Improvement District No. 125 is \$[____], 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 Fiscal Year 2017 assessed value of the land in Improvement District No. 225 is \$[____], 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 6,813 dwelling units and 9,500,000 square feet of commercial, institutional and recreational uses. The Fiscal Year 2017 assessed value of the land in coterminous Improvement District Nos. 113 and 213 is \$885,391,548.

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	\$ 1,718,000	5.00%
125	16,046,120	46.70
213	2,164,680	6.30
225	<u>14,431,200</u>	<u>42.00</u>
Total	<u>\$ 34,360,000</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 or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other Tender Period.

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 9, 2017 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 9, 2017 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 captions “—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 9, 2017 is payable on the first Business Day of each calendar month, commencing March 1, 2017, 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 9, 2017, 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 9, 2017 and will have a Scheduled Mandatory Tender Date of _____, 2018. 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

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

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 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 9, 2017, the Scheduled Mandatory Tender Date is _____, 2018 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 9, 2017 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 9, 2017 is _____, 2017.

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 9, 2017 is _____, 2017.

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 _____, 2018 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 9, 2017 is _____, 2017.

Mandatory Redemption. The Series 2011A-2 Bonds are subject to mandatory redemption in part on October 1, 2017 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>
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 thereof. 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 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness" for a discussion of the bond authorization, amount of outstanding bonds and remaining bond authorization for each of the Improvement Districts, including the bond authorizations of Improvement District Nos. 125 and 225 as the legal successors to former Improvement District Nos. 105 and 250, respectively. 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.

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.”

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 Reimbursement Agreement, dated May 7, 2015, by and between the District and U.S. Bank National Association;

(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 \$776,581;

(vi) the 2010 Installment Sale Agreement, securing the District's Certificates of Participation, Irvine Ranch Water District Refunding Series 2010 (the "2010 Certificates") currently outstanding in the aggregate principal amount of \$12,525,000;

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

(viii) the Series 2011A-1 Bonds currently outstanding in the aggregate principal amount of \$51,540,000;

(ix) the Installment Sale Agreement, securing the District's Certificates of Participation Irvine Ranch Water District Series 2016 currently outstanding in the aggregate principal amount of \$116,745,000; and

(x) the District's Bonds of Irvine Ranch Water District Series 2016 (the "Series 2016 Bonds") currently outstanding in the aggregate principal amount of \$103,400,000.

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 under the caption “THE 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 2011, 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.

The District has previously entered into continuing disclosure undertakings under the Rule in connection with the issuance of municipal obligations. The District believes that it is currently in material compliance with all of its continuing disclosure undertakings. However: (i) the Annual Reports for Fiscal Years 2011, 2012 and 2013, when originally filed, did not contain updates of information relating to historic water supply, historic sewer daily average flow, assessed valuations of certain improvement districts by land use or largest secured taxpayers within such improvement districts; and (ii) the Annual Reports for Fiscal Years 2012, 2013 and 2014, when originally filed, were not linked by CUSIP to the EMMA page for the 2010 Certificates despite the District’s effort to link such Annual Reports to the CUSIPs for all District obligations. Makeup filings containing the required information were posted to EMMA prior to the date of this Remarketing Statement. Except as disclosed above, the District has not in the past five years failed to comply with its continuing disclosure undertakings in any material respect.

In order to promote compliance by the District with its continuing disclosure undertakings in the future, the District has developed policies and procedures to govern its continuing disclosure practices.

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 Series 2011A-2 Bonds of "A-1+" on December 18, 2014. Although S&P has not assigned a long-term rating to the Series 2011A-2 Bonds, S&P assigned the long-term rating of "AAA" to the Series 2016 Bonds, which are Parity Obligations, on September 1, 2016. Fitch affirmed the short-term rating of "F1+" and the long-term rating of "AAA" for the Series 2011A-2 Bonds on February 26, 2015. In addition, Fitch assigned the long-term rating of "AAA" to the Series 2016 Bonds, which are Parity Obligations, on September 1, 2016. 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 9, 2017. Generally, rating agencies base their ratings on information and material furnished directly to them (which may include information and material from the District which is not included in this Remarketing Statement) 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, presidential budget proposals in previous years have proposed legislation 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 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 & Co. LLC, Remarketing Agent for the Series 2011A-2 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 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 MATTERS

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, 2016, included in Appendix B to this Remarketing Statement, have been audited by Davis Farr LLP, independent accountants (the "Auditor"), as set forth in their Independent Auditor's Report, 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.

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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.

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

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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 tighter lending standards for real estate loans generally. Real estate development activity also may be affected by general economic conditions, which currently reflect 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 ten 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 181-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 370,000 through approximately 109,000 potable water and approximately

103,000 sewer service and recycled water connections. The number of service connections has increased by approximately 19% 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 previously 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 ten 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.

See Table 3 under the caption "—Outstanding Indebtedness—Improvement District Indebtedness" for information with respect to the amount of authorized and outstanding *ad valorem* assessment bonds for Improvement District Nos. 113, 125 and 213 and 225.

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

Board of Directors and General Manager

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:

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 currently serves as President and previously served as President in 2007, 2009, 2010 and 2013 and as Vice President in 2016. He currently serves on the Supply Reliability Programs and Finance and Personnel Committees. Mr. Reinhart is a registered civil engineer with over 40 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. Mr. Reinhart's current term ends in November 2018.

Peer Swan. Mr. Swan was elected to the District's Board of Directors in 1979 and has since been elected to subsequent terms. Mr. Swan currently serves as Vice President, in which capacity he also served in 2014. He previously served as President from December 1981 until December 1995 and again in 2006. Mr. Swan is chairman of the Supply Reliability Programs and Finance and Personnel Committees. 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 served on the Board of Directors and on the Executive Committee. Mr. Swan has also been active in the California Association of Sanitation Agencies and the Newport Chamber of Commerce. Mr. Swan was the Treasurer of the Pacific Scientific Company prior to its acquisition in 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 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 November 2018.

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 previously served as President in 2001, 2012 and 2016 and as Vice President in 2005 and 2011. She currently serves on the District's Asset Management Committee and is chairman of the Water Resources Policy and Communications Committee. 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 master's 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 November 2019.

Steven E. LaMar. Mr. LaMar was appointed to the District's Board of Directors in 2009 and has been elected to two subsequent terms. Mr. LaMar previously served as President in 2011, 2014 and 2015. He is a water policy and planning expert with more than 25 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 Water Resources Policy and Communications Committee and is chairperson of the Engineering and Operations 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. He has served as a water policy leader in the California Building Industry Association for over 20 years. He represents the District on the boards of the National Water Research Institute and the Nature Reserve of Orange County. Mr. LaMar holds a bachelor's degree in political science from Pittsburg State University (Kansas) and a certificate from the Environmental Management Institute, a U.S. Environmental Protection Agency environmental training program administered by the University of Southern California. Mr. LaMar's current term ends in November 2018.

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 previously served as Vice President in 2012 and President in 2004. He also serves on the Engineering and Operations Committee and is chairman of the Asset Management 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 on 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 November 2019.

General Manager. Paul A. Cook, the General Manager of the District, heads a staff of approximately 370 employees. Mr. Cook was appointed General Manager 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 master's of science degree in Civil Engineering from California State University of Long Beach and his master's in business administration from the University of California, Irvine.

Employees

The District currently employs approximately 370 persons, including full-time, part-time and temporary employees. On April 1, 2015, the current Memorandum of Understanding (the "**MOU**") between the District and the Irvine Ranch Water District Employee Association (the "**Association**") went into effect. The MOU expires on June 30, 2018. The Association currently represents 225 general employees of the District, of which 84 are voting members; supervisors, managers and confidential employees are unrepresented. The District has not experienced any strike or other labor actions.

Pension Benefits

In June 2012, the Governmental Accounting Standards Board ("**GASB**") adopted new standards (GASB Statement No. 68, or "**GASB 68**") with respect to accounting and financial reporting by state and local government employers for defined benefit pension plans. The new standards revise the accounting treatment of defined benefit pension plans, changing the way expenses and liabilities are calculated and how state and local government employers report those expenses and liabilities in their financial statements. Major changes include the following: (i) unfunded pension liabilities are shown on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (ii) pension expense incorporates more rapid recognition of actuarial experience and investment returns and is no longer based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are 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. The reporting requirements took effect in the fiscal year ended June 30 ("**Fiscal Year**"), 2015. Based on the adoption of the new accounting standards, beginning with the Fiscal Year 2015 actuarial valuation, the annual required contribution (the "**ARC**") and the annual pension expense will be different. GASB 68 is a change in accounting reporting and disclosure requirements, but it does not change the District's pension plan funding obligations. For additional information relating to the District's plan, see Note 13 to the District's audited financial statements for Fiscal Year 2016 attached to the Remarketing Statement as Appendix B.

The District participates in two plans to fund pension benefits for its employees, the California Public Employees Retirement System (“**CalPERS**”) Plan and the Pension Benefits Trust. The District makes a required annual contribution to the CalPERS Plan and has elected to fund additional amounts to the Pension Benefits Trust to assist in reducing any unfunded pension obligation. The District’s total pension assets include funds held by both CalPERS and the Pension Benefits Trust, and its net pension asset or liability is based on that amount. Assumptions used by both funds to calculate the net pension asset or liability are consistent.

Under GASB 68, which was implemented beginning in Fiscal Year 2015, the District’s pension plan was fully funded as of June 30, 2015. The District had a net pension liability in the amount of approximately \$1.9 million as of June 30, 2016. The net pension liability is the difference between total pension liability and the fair market value of pension assets.

CalPERS Plan. The District contributes to 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.

CalPERS plan benefit provisions and all other requirements are established by State statute and the District’s Board of Directors. Participants in the District’s CalPERS plan contribute the full amount of the required employee contribution, which is up to 8% of their annual covered salary, depending on benefit level.

Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount, expressed as a percentage of payroll, that is necessary to finance the costs of benefits that are earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District’s contribution rates for Fiscal Year 2015 and 2016 were 17.7% and 18.3%, respectively. The District’s contribution rate for Fiscal Year 2017 has been established at 19.3%. The District’s projected contribution rate for Fiscal Year 2018 is 20.5%.

For Fiscal Years 2016 and 2015, the District made lump sum pension contributions of \$4,926,000 and \$4,524,000, respectively. The District currently expects its annual required contribution in Fiscal Year 2017 to be approximately \$5,450,000 (assuming that the District elects the lump sum payment option).

Pension Benefits Trust. The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue by establishing a Pension Benefits Trust in Fiscal Year 2013 to assist in funding its 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. The Pension Benefits Trust holds the funding contributions from the District pending future remittance to CalPERS’ pension trust fund, which will pay all retiree benefit payments to employees associated with the District’s plan. Future contributions will be transferred to CalPERS at the District’s discretion. The funds held in the Pension Benefits Trust are legally protected from the claims of the general creditors of the District. Contributions to the Pension Benefits Trust and earnings on those contributions are irrevocable.

In Fiscal Year 2013, the District made a \$35.0 million contribution to the Pension Benefits Trust, bringing the District (as shown in the table below) to a 90.2% funded ratio (including the amounts in the Pension Benefits Trust and the District’s CalPERS plan) as of June 30, 2013. In Fiscal Years 2014, 2015 and 2016, the District made additional contributions of \$2.2 million, \$2.1 million and \$1.9 million, respectively, to the Pension Benefits Trust. As of June 30, 2016, the fair market value of the assets in the Pension Benefits

Trust was approximately \$47.1 million, and the moneys in the Pension Benefits Trust were invested in the Vanguard Institutional Index Fund, Vanguard Extended Market Index Fund, Vanguard Developed Market Index Fund, Metropolitan West Total Return Bond Fund, Baird Core Plus Bond Fund, Vanguard High-Yield Corporate Fund and Federated Government Obligations Money Market Fund. The District currently expects to make an additional contribution of \$1.8 million to the Pension Benefits Trust in Fiscal Year 2017. Additional information on the Pension Benefits Trust’s investments can be found in Note 2 to the District’s audited financial statements for Fiscal Year 2016 attached to the Remarketing Statement as Appendix B.

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2016 is shown below.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate ⁽¹⁾	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry age and service
Investment Rate of Return	7.65% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.75%
Mortality Rate Table ⁽²⁾	Derived using CalPERS’ membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies

⁽¹⁾ On December 21, 2016, the CalPERS Board voted to reduce the discount rate to 7.00% over the next three years beginning July 1, 2018.

⁽²⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Source: The District.

The above information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries, as well as the District’s actuary for the Pension Benefits Trust. The District has not independently verified the information provided and neither makes any representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future.

Funding of CalPERS Plan. The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll for the District’s CalPERS plan.

IRVINE RANCH WATER DISTRICT
Schedule of Funding Progress
(In Thousands)

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/11	\$170,392	\$128,753	\$41,639	75.6%	\$24,379
06/30/12	183,096	129,953	53,143	71.0	24,203
06/30/13 ⁽¹⁾	207,663	187,209	20,454	90.2	25,499
06/30/14	219,410	220,977	(1,567)	100.7	26,264
06/30/15	227,796	225,873	1,923	99.2	27,596

⁽¹⁾ The Pension Benefits Trust was established in Fiscal Year 2013. Fiscal Year 2013 amount includes Pension Benefits Trust assets of \$35.0 million, significantly reducing the District's unfunded liability to \$20.5 million as of June 30, 2013. In Fiscal Years 2014, 2015 and 2016, the District made additional contributions of \$2.2 million, \$2.1 million and \$1.9 million to the Pension Benefits Trust. For the reporting period ended June 30, 2016, the fair market value of the assets in the Pension Benefits Trust (reflecting the fair market value as of June 30, 2015) was approximately \$45.3 million, resulting in a net pension liability of approximately \$1.9 million. See the caption "—Pension Benefits Trust."

Source: The District.

Changes in the Net Pension Liability. The changes in the net pension liability for the District's CalPERS plan were as follows (in thousands):

TABLE 1
IRVINE RANCH WATER DISTRICT
Changes in Net Pension Liability
(In Thousands)

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2015	\$ 219,410	\$ 220,977	\$ (1,567)
Changes	<u>8,386</u>	<u>4,896</u>	<u>3,490</u>
Balance at June 30, 2016	\$ 227,796	\$ 225,873	\$ 1,923

Source: The District.

The June 30, 2016 balances are based on CalPERS actuarial valuation data of June 30, 2014 with assumptions and market values updated through June 30, 2015.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the net pension liability of the District's CalPERS Plan (in thousands), calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%) than the current rate:

TABLE 2
IRVINE RANCH WATER DISTRICT
Sensitivity of the Net Pension Liability to Changes in the Discount Rate
(In Thousands)

	<i>Discount Rate – 1% (6.65%)</i>	<i>Current Discount Rate (7.65%)</i>	<i>Discount Rate + 1% (8.65%)</i>
Plan’s Net Pension Liability/(Asset)	\$33,507	\$1,923	\$ (24,190)

Source: The District.

Other Pension Benefits. The District enables all of its part-time and certain temporary employees to participate in a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For Fiscal Year 2016, the District’s payroll covered by the plan was \$150,340. The eligible employees contributed \$11,275 (the required 7.5% of current covered payroll). The District made no contributions to the defined contribution plan during such Fiscal Year for part-time and temporary employees.

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 2016 is \$18,000. 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: (i) 100% matching of employee Section 457 plan contributions up to an annual maximum of 3% of the employee’s base salary; and (ii) as of July 1, 2015, a 1% direct contribution to managerial, supervisory, and confidential employees with two or more years of service. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During Fiscal Year 2016, the District contributed \$779,689 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

GASB has 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 consideration therefor receives certain salaries and benefits, part of which are OPEB, which they will not actually use until some point in the future. 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 \$125.00 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 0.34% of the PEMHCA premium to cover administrative fees. In Fiscal Year 2016, the District contributed \$118,936 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 each case for up to five years. In Fiscal Year 2016, the District contributed \$305,749 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 2016, the District contributed \$27,380 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 2016, the District contributed \$452,065 on behalf of retirees participating in the OPEB programs. The budgeted amount for the District’s OPEB in Fiscal Year 2017 is approximately \$476,200.

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 unfunded liability for the District’s OPEB as of July 1, 2014 was approximately \$7.3 million. The Annual Required Contribution (the “**OPEB ARC**”) was \$726,031 in Fiscal Year 2016, of which the District contributed \$452,065. The OPEB 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. Beginning in Fiscal Year 2018, new accounting rules will require the OPEB plan’s funding status to be reflected in the District’s annual Statement of Net Position.

For additional information relating to the District’s OPEB obligations, see Note 14 to the District’s audited financial statements for Fiscal Year 2016 attached to the Remarketing Statement as Appendix B.

Budget Process

Prior to July 1 of each year, the General Manager prepares an operating 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 operating budget for Fiscal Year 2016 was approved on April 25, 2016.

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 participation in the California State Association of Counties Excess Insurance Authority (“**CSAC-EIA**”). 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 CSAC-EIA. Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Illinois Union 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, 2016, the District had \$585,500,000 aggregate principal amount of outstanding *ad valorem* assessment bonds (the “**Ad Valorem Assessment Bonds**”) on behalf of the Improvement Districts. The Ad Valorem Assessment Bonds are secured by *ad valorem* assessments on land 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**”), the Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the “**Series 2011A-2 Bonds**”) and the Bonds of Irvine Ranch Water District, Series 2016 (the “**Series 2016 Bonds**”), each of which is described below under the caption “—Parity Obligations.” The District’s 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, 2016.

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, 2016</i>
Waterworks Bonds				
112	\$ 28,512,300	\$ 8,111,479	\$ 20,400,821	\$ 7,658,979
113⁽¹⁾	25,769,500	16,299,920	9,469,580	14,869,920
125⁽¹⁾⁽²⁾	735,246,000	429,728,732	305,517,268	196,008,026
153	237,300,000	7,601,244	229,698,756	7,601,244
154	4,839,000	0	4,839,000	0
185 ⁽³⁾	13,500,000	1,492,889	12,007,111	1,492,889
188	8,174,000	4,589,618	3,584,382	1,602,618
Total Waterworks Bonds	<u>\$ 1,053,340,800</u>	<u>\$ 467,823,883</u>	<u>\$ 585,516,917</u>	<u>\$ 229,233,678</u>
Sewer Bonds				
1 ⁽⁴⁾	\$ 2,000,000	\$ 2,000,000	\$ 0	\$ 0
212	108,712,000	26,013,323	82,698,677	24,800,823
213⁽¹⁾	87,648,000	28,565,396	59,082,604	24,949,596
225⁽¹⁾⁽⁵⁾	856,643,000	493,304,113	363,338,887	269,910,537
240	117,273,000	49,722,056	67,550,944	22,526,238
252	0	0	0	0
253	122,283,000	11,877,248	110,405,752	11,877,248
256	0	0	0	0
285 ⁽⁶⁾	21,300,000	1,808,776	19,491,224	1,808,776
288	8,977,000	443,106	8,533,894	393,106
Total Sewer Bonds	<u>\$ 1,324,836,000</u>	<u>\$ 613,734,018</u>	<u>\$ 711,101,983</u>	<u>\$ 356,266,322</u>
Total District	<u>\$ 2,378,176,800</u>	<u>\$ 1,081,557,900</u>	<u>\$ 1,296,618,900</u>	<u>\$ 585,500,000</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⁾ Improvement District No. 125 was created on November 11, 2013. Reflects the consolidation of portions of former Improvement District Nos. 105, 106, 102, 121, 130, 135, 140, 161, 182, 184 and 186.

⁽³⁾ On March 4, 2014, *ad valorem* assessment bonds for Improvement District No. 185 in the maximum authorized principal amount of \$13,500,000 were approved at a special election.

⁽⁴⁾ Also referred to as Improvement District No. 210.

⁽⁵⁾ Improvement District No. 225 was 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.

⁽⁶⁾ On March 4, 2014, *ad valorem* assessment bonds for Improvement District No. 285 in the maximum authorized principal amount of \$21,300,000 were approved at a special election.

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, 2016 in an aggregate principal amount of \$776,581 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 variable interest rate *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. Variable interest rate bonds that are purchased by a Prior Bank bear interest at a significantly higher interest rate, and a Prior Bank that has purchased such bonds may elect to convert the term of such bonds into a term loan that is amortizable over a period of up to three years, depending upon the applicable Prior Reimbursement Agreement, resulting in significant increases in debt service. 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, 2016

<i>General Obligation Bonds</i>	<i>Outstanding Principal</i>	<i>Letter of Credit Bank</i>	<i>Expiration Date</i>	<i>Letter of Credit Stated Amount</i>	<i>Reimbursement Obligations Outstanding</i>
Series 1993	\$ 33,100,000	U.S. Bank National Association	11/07/18	\$ 33,546,170	\$ 0
Series 1995	12,100,000	Sumitomo Mitsui Banking Corp.	07/14/17	12,279,014	0
Series 2008A	51,000,000	Sumitomo Mitsui Banking Corp.	07/14/17	51,754,521	0
Series 2009A	62,500,000	U.S. Bank National Association	12/22/20	63,198,630	0
Series 2009B	<u>62,500,000</u>	Bank of America, N.A.	07/15/19	<u>63,198,630</u>	<u>0</u>
TOTAL	<u>\$ 221,200,000</u>			<u>\$ 223,976,965</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, 2016 in the aggregate principal amount of \$12,525,000 and matures in 2020. The District’s obligation to make installment payments pursuant to the 2010 Installment Sale Agreement is payable from Net Revenues 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, 2016 in the aggregate principal amount of \$175,000,000 and mature in 2040. In addition to *ad valorem* assessments on taxable land in certain Improvement Districts levied pursuant to the Act, water or sewer charges, as applicable, which in the discretion of the Board of Directors of the District are fixed and collected in such Improvement Districts in lieu of *ad valorem* assessments pursuant to the Act and proceeds from the sale of property in such Improvement Districts for the enforcement of delinquent assessments pursuant to the Act (collectively, “**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—Reduction in BAB Credits” 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, 2016 in the aggregate principal amount of \$34,360,000 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.
- 2016 Installment Sale Agreement. In 2016, the District entered into an Installment Sale Agreement (the “**2016 Installment Sale Agreement**”) in connection with the execution and delivery of the District’s \$116,745,000 aggregate principal amount of Certificates of Participation Irvine Ranch Water District Series 2016. The 2016 Installment Sale Agreement was outstanding as of December 31, 2016 in the aggregate principal amount of \$116,745,000 and matures in 2046. The District’s obligation to make installment payments pursuant to the 2010 Installment Sale Agreement is payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations.
- Series 2016 Bonds. In 2016, the District issued \$103,400,000 aggregate principal amount of Series 2016 Bonds. The Series 2016 Bonds were outstanding as of December 31, 2016 in the aggregate principal amount of \$103,400,000 and mature in 2046. In addition to Assessment Proceeds, the Series 2016 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, 2016, 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 the Series 2011A-1 Bonds and debt service on 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, 2016, 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 \$7,947,562. 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 principal of and interest 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 \$626,000 as of December 31, 2016 and final payment due in 2025; and (ii) a promissory note payable to Foothill/Eastern Transportation Corridor Agency with a remaining balance of approximately \$527,000 and a final payment date in 2045.

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, 2016, the District had investments (excluding the real estate investments and ISA that are described below) of approximately \$447.3 million as follows:

**TABLE 5
IRVINE RANCH WATER DISTRICT
Summary of Investments⁽¹⁾**

<i>Investment Type</i>	<i>Approximate Investment Amount in Millions</i>	<i>Percentage of Total Investments</i>
Federal Agency Securities	\$ 338.9	75.77%
Local Agency Investment Fund	100.5	22.47
Treasury Equivalents ⁽²⁾	<u>7.9</u>	<u>1.76</u>
Total	\$ 447.3	100.00%

⁽¹⁾ As of December 31, 2016. Rounded. Excludes real estate investments and ISA that are described below. Includes invested proceeds of previously issued District bonds and certificates of participation.

⁽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 the Local Agency Investment Fund, 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. Effective for Fiscal Year 2016, new accounting rules require real estate investments to be shown at fair market value. The current book value of the District’s real estate assets is approximately \$43 million. Appraisals of the District’s real estate assets as of June 30, 2015 concluded that the total fair market value of such assets was approximately \$193.3 million. Any future changes in fair market value will be reflected in the District’s annual Statement of Revenues, Expenses and Changes in Net Position.

In February 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 may not exceed \$12,500,000. The outstanding principal amount of \$9,732,623 was repaid in full on December 20, 2016.

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>
2012	\$6,736
2013	6,566
2014	7,760
2015	8,191
2016	8,693

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⁽¹⁾</i>
2017	\$8,868
2018	9,045
2019	9,226
2020	9,411
2021	9,599

⁽¹⁾ Based on existing and expected leases. 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**”), which was approved by the voters in November 2004, restricted State authority to reduce major local tax revenues. Proposition 1A provides that 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.

A portion of the District’s 1% Property Tax Revenues was previously subject to borrowing by the State under Proposition 1A and 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 principal of and interest 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.

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

<i>Fiscal Year</i>	<i>1% Property Tax Revenues</i>
2012	\$26,478
2013 ⁽¹⁾	29,265
2014 ⁽²⁾	31,545
2015	33,128
2016	34,871

⁽¹⁾ Reflects shift of property tax revenues of approximately \$2.1 million to Educational Revenue Augmentation Fund in Fiscal Year 2010 as described above. Such moneys were received, with interest, in Fiscal Year 2013.

⁽²⁾ Beginning in Fiscal Year 2014, the District receives 1% Property Tax Revenues from an area that was previously served by Orange County Sanitation District.

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 by the District 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 Ad Valorem Assessment 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 for the purpose of obtaining a water supply for municipal and irrigation uses. For the twelve month period ended June 30, 2016, of the water supplied by the District, approximately 15% was imported water, approximately 57% was groundwater and native stream flows and approximately 28% was recycled water. Recycled water sales were not subject to the mandatory drought conservation measures that were imposed by the State, as discussed under the caption "—Drought Proclamation." Accordingly, District recycled water supplies represented a higher a percentage of total water supplies in the period ended June 30, 2016 than in prior years.

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 and is also used to store imported untreated water. The District's share of

such 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 5,250 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 2016, the District purchased 11,853 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 cost of treated imported water from MWDOC as of June 30, 2016 is \$942 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, as of June 30, 2016, total \$144,249 per month, while the service connection charge is paid annually and, for Fiscal Year 2016, was \$1,086,655.

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. One of the goals of the District’s Water Resources Master Plan is to identify a reliable water supply mix, which 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, to produce other local groundwater and to have sufficient capacity to meet demands during supply interruptions. 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 of a groundwater pumping agency such as the District, that can be pumped from the Orange County groundwater basin during the year by the 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**”). Between Fiscal Years 2012 and 2016, the BPP has varied from 62% to 72%. In connection with the annexation of certain land by OCWD (as discussed in detail below), the District has agreed to a maximum BPP of 70% through 2023.

Currently, OCWD calculates total water use for the purpose of the BPP without considering recycled water sales to customers. This methodology reduces the amount of groundwater that recycled water sellers such as the District may pump from the Orange County groundwater basin without incurring additional assessments. See the caption “—Complaint against OCWD” for a discussion of a lawsuit that the District filed against OCWD in June 2016 with respect to this issue.

The additional assessment incurred by an agency that pumps non-exempt groundwater above the limit established by the BPP formula is called the basin equity assessment (the “**BEA**”). The BEA is established annually by OCWD for every acre foot of groundwater produced from the Orange County groundwater basin above the BPP formula (with exemptions described further below for pumping determined by OCWD to benefit water quality and other purposes) and is intended to increase the cost of producing groundwater in amounts above the BPP formula 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 2015, the amount of groundwater that the District pumped from the Orange County groundwater basin exceeded its BPP by approximately 300 acre feet under the methodology prescribed by OCWD. As further discussed under the caption “—Complaint against OCWD,” OCWD’s methodology prohibits the District from counting its use of recycled water as part of its total water demand, which the District believes inflates the amount of District pumping over the BPP. Based on the figure of 300 acre feet of pumping over the BPP, the District paid a BEA of approximately \$182,000 to OCWD in Fiscal Year 2015. Based on OCWD’s methodology, the District paid under protest a BEA of approximately \$1.7 million for Fiscal Year 2016. The District has filed a court challenge to OCWD’s methodology and policies regarding BEA calculations that exclude the District’s use of recycled water. See the caption “—Complaint against OCWD.” As a result of this litigation, the District expects that all or a portion of the \$1.7 million amount could be refunded to the District in the event that the litigation is resolved favorably to the District.

OCWD has sought to enable groundwater producers to derive a larger percentage of their water supplies from local sources in times of Statewide drought so that such producers can reduce purchases of imported water at increased rates. For these reasons, OCWD has gradually increased the BPP in recent years. For Fiscal Years 2011, 2012 and 2013 the BPP was 62%, 65% and 68%, respectively. As a result of continued recharge of the Orange County groundwater basin, the BPP for Fiscal Year 2014 was raised to 70%, which allowed the District to pump approximately 54,000 acre feet from the Orange County groundwater basin without incurring any BEA. The District has agreed to a maximum BPP of 70% through 2023. In accordance with its 70% BPP, the District pumped approximately 45,700 acre feet of water from the Orange County groundwater basin in Fiscal Year 2016. The District pays OCWD a replenishment assessment of \$322 per acre

foot for all groundwater pumped and a BEA equal to an additional \$584 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. Currently, approximately 20% of the District's water demand is from outside the OCWD jurisdictional boundary. In 2014, the Orange County Local Agency Formation Commission approved the annexation of approximately 6,482 acres of land within the District into OCWD. The majority of such land is open space and is not expected to be subject to additional water demand at this time.

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 (the "DATS"), which treats water from a deep aquifer in order to remove 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.

As discussed above, effective October 2, 2013, the District entered into an agreement with OCWD pursuant to which approximately 6,482 acres of the District's territory was annexed to OCWD upon the Orange County Local Agency Formation Commission's approval in July 2014. Under the annexation agreement, the District agreed to a specified termination date for its BEA exemption on the DATS, represented that the DATS wells would be used to supply the groundwater used in the annexed territory, and agreed that for a period of ten years from the effective date of the annexation agreement, the District will be deemed subject to a BPP equal to the lesser of OCWD's actual BPP or 70%.

The District also produces groundwater from its Irvine Desalter Project, which is described in greater detail under the caption "—Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects." In Fiscal Year 2016, the Irvine Desalter Project provided a combined total potable and non-potable water production of 8,279 acre feet per year that is exempt from the BPP. A combined additional 1,685 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 returned to service in spring 2015. Well 115 was taken out of service in Fiscal Year 2011 and was returned to service in October 2014. Production from the Orange Park Acres well and Well 115 is subject to the BPP and the BEA, while production from Well 2 in the amount of approximately 307 acre feet per year 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, on average, an additional 6,400 acre feet per year of groundwater. In Fiscal Years 2015 and 2016, the Wells 21 and 22 facility produced approximately 3,550 acre feet and 1,601 acre feet, respectively, of groundwater. These wells are exempt from the BPP and the BEA. The District plans 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.

Complaint against OCWD. As discussed under the caption “—General,” OCWD annually establishes the BPP, which is the amount of groundwater, as a percentage of total water demands, that groundwater producers can pump from the Orange County groundwater basin without incurring additional assessments. Currently, OCWD calculates total water demands without considering recycled water sales. As discussed under the caption “—Recycled Water” and “THE SEWER SYSTEM—Historic Recycled Water Sales and Sewer Service Charge Revenues,” the District sells significant quantities of recycled water to its customers. Because OCWD does not consider recycled water sales in calculating the District’s total water demands, OCWD considers the District’s total water demands to be lower than they would be if recycled water sales were counted. As a result, the amount of groundwater that the District can pump from the Orange County groundwater basin without incurring additional assessments is lower than it would be if recycled water sales were considered.

As discussed above, in June 2016, the District filed a complaint (the “**Complaint**”) against OCWD in the Superior Court for the State of California, County of Orange, seeking an order determining that OCWD’s BPP calculation methodology is unlawful. In August 2016, OCWD filed an answer to the Complaint denying all substantive allegations. In addition, the City of Anaheim, three local water agencies and one private water company that produce groundwater from the Orange County groundwater basin have filed an answer and joined the litigation as interested parties. In September 2016, the parties entered into a stipulation under which: (i) the District amended the Complaint to clarify certain allegations; and (ii) venue was moved to the Superior Court for the State of California, County of Los Angeles. [TO BE CONFIRMED PRIOR TO POSTING] [The discovery process has commenced with respect to the litigation, but a trial date has not yet been set.] If the Complaint is successful, the District may recover past assessments and would be able to pump additional amounts of groundwater without incurring additional assessments, thereby reducing the groundwater pumping charges that the District pays to OCWD. The projected water production expenses that are set forth under the caption “WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results” do not assume any reduction in payments to OCWD as a result of the Complaint.

Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects. The Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects are groundwater development projects that were constructed by the District in cooperation with OCWD, the United States Departments of the Navy and Justice, MWD and MWDOC. The two projects commenced operations in early 2007.

The Irvine Desalter Potable Water Project consists of a potable water wellfield, pipelines and a purification plant. This project 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. The Irvine Desalter Potable Water Project was originally anticipated to pump approximately 5,100 acre feet of groundwater per year. However actual pumping may vary each year based on operational conditions. In Fiscal Years 2015 and 2016, the Irvine Desalter Potable Water Project produced 4,629 acre feet and 4,667 acre feet of groundwater, respectively.

The El Toro Groundwater Remediation 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 originated from the now-closed El Toro Marine Corps Air Station (the “**MCAS**”). The El Toro Groundwater Remediation Project consists of a treatment system that removes volatile organic compounds in the groundwater from solvent degreasers previously used at the MCAS. The treatment plant removes contaminants 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 a minimum of 3,400 acre feet of recycled water per year. In Fiscal Years 2015 and 2016, the El Toro Groundwater Remediation Project produced 2,885 acre feet and 3,612 acre feet, respectively, 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 such 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, are designed to treat approximately 640 acre feet per year of contaminated groundwater. The treated Shallow Groundwater Unit water is disposed of via an existing ocean outfall. In Fiscal Years 2015 and 2016, the Shallow Groundwater Unit treated approximately 600 acre feet and 640 acre feet, respectively, 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⁽²⁾</i>	<i>Irvine Sub-basin</i>	<i>Other⁽⁵⁾</i>	<i>Total</i>
2012	19,917 ⁽¹⁾	8,916	5,796	627	0	35,256
2013	27,763	8,858	7,123 ⁽³⁾	2,866 ⁽⁴⁾	281	46,891
2014	27,774	8,707	9,343	7,957	376	54,157
2015	28,304	8,600	8,661	4,731	536	50,832
2016	27,320	7,365	8,284	1,787	2,140	46,896

- (1) Excludes 8,083 acre feet of water purchased at OCWD’s request in Fiscal Year 2012 in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2013 through 2016.
- (2) Excludes water pumped from the Shallow Groundwater Unit. Includes non-potable water used in the District’s recycled water system and from Well 115.
- (3) Increase from Fiscal Year 2012 amount reflects the fact that a groundwater well was returned to service in October 2012. See the caption “—Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects.”
- (4) Includes Wells 72, 106, 21 and 22. Increase from Fiscal Year 2012 amount in Fiscal Year 2013 reflects completion of Wells 21 and 22. See the caption “—General.”
- (5) Includes Well 2 in Lake Forest. Also includes the Orange Park Acres well, which was returned to service in spring 2015, and Kern County Water Bank. See the captions “—Groundwater—General” and “—Water Supply Reliability.”
- Source: The District.

OCWD. OCWD faces various challenges in managing the Orange County 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.

Sustainable Groundwater Management Act. On September 16, 2014, the California Governor signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or “**SGMA**”) into law. The SGMA constitutes a legislative effort to regulate groundwater on a Statewide basis. Pursuant to the SGMA, the California Department of Water Resources (“**DWR**”) has designated the Orange County groundwater basin as a medium priority basin for purposes of groundwater management. By January 31, 2017, local groundwater producers must establish or designate an entity (referred to as a groundwater sustainability agency, or “**GSA**”), subject to DWR’s approval, to manage each high and medium priority groundwater basin. Each GSA is tasked with submitting a groundwater sustainability plan for DWR’s approval by January 31, 2020. Alternatively, an existing groundwater management agency can submit a groundwater management plan under Part 2.75 of the California Water Code (an “**Alternative Plan**”) or an analysis for DWR’s review demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years. Such Alternative Plans were required to be submitted by January 31, 2017 and must be updated every five years thereafter.

If local groundwater producers do not create or nominate an entity to serve as a GSA, the SGMA authorizes DWR to assume management of a groundwater basin until such time as a GSA can perform such functions.

GSAs must consider the interests of all groundwater users in the basin and may require registration of groundwater users, the installation of flow meters to measure groundwater extractions and annual reporting of extractions. In addition, GSAs are authorized to impose spacing requirements on new wells, monitor, regulate and limit or condition groundwater production and establish production allocations among groundwater producers, among other powers. GSAs are authorized to impose fees to fund such activities and to fine or issue cease and desist orders against producers that violate the GSA’s regulations. A local agency that manages groundwater pursuant to its principal act (such as OCWD) may not exercise such authority in a manner that is inconsistent with any prohibitions or limitations in its principal act unless the governing board of such local agency makes a finding that such local agency is unable to sustainably manage the groundwater basin without the prohibited authority. Groundwater sustainability plans must include sustainability goals and a plan to implement such goals within 20 years.

The SGMA specifically allows OCWD, which manages the Orange County groundwater basin, to develop an Alternative Plan under Part 2.75 of the California Water Code to manage those portions of the basin that are within OCWD’s boundaries. See the caption “—Groundwater—General.” In order for OCWD to submit an Alternative Plan, the entire groundwater basin (as mapped by DWR) must be included. OCWD’s service area includes about 89% of the Orange County groundwater basin and is described in the Alternative Plan as the OCWD Management Area (“**MA**”). The remaining fringe areas, which include portions of multiple agencies, were aggregated into the La Habra/Brea MA, the Santa Ana River Canyon MA and the Southeast Basin MA.

On May 4, 2016, OCWD sent letters to thirteen agencies located in the La Habra/Brea, Santa Ana River Canyon and Southeast Basin MAs requesting that such agencies participate in the development of an Alternative Plan. On December 22, 2016, an Alternative Plan was jointly submitted to DWR, with the OCWD MA and Santa Ana River Canyon MA portions prepared by OCWD, the Southeast Basin MA portion prepared by the District and the La Habra/Brea MA portion prepared by the City of La Habra. Other agencies within the groundwater basin either participated in preparing the Alternative Plan that was submitted and/or reviewed such Alternative Plan. The sustainability goal for the OCWD MA is to continue to manage the groundwater basin to prevent conditions that would lead to significant and unreasonable: (1) lowering of groundwater

levels; (2) reductions in storage; (3) water quality degradation; (4) seawater intrusion; and (5) inelastic land subsidence. The sustainability goal for the Southeast MA and Santa Ana Canyon MA is to recognize that these MAs are a small part of the larger groundwater basin managed by OCWD, the groundwater levels and water quality in which will be monitored to achieve the same goals as the OCWD MA. The City of La Habra has decided to form a separate GSA to manage the La Habra/Brea MA, which requires the development of a groundwater sustainability plan and the execution of a coordination agreement with OCWD. No additional groundwater management or monitoring by OCWD or the District is required by the Alternative Plan.

The District's wells within OCWD's jurisdictional boundaries are presently metered and operated within the management guidelines established by OCWD. The District's wells in the Southeast MA are presently metered and operated by the District.

The District does not currently expect its groundwater extraction rights or costs in the Orange County groundwater basin to change significantly as a result of the enactment of the SGMA, nor does the District currently expect the enactment of the SGMA to have a material adverse effect on the District's ability to pay principal of and interest on the Series 2011A-1 Bonds from Net Revenues. The District notes that *ad valorem* property assessments constitute an additional source of moneys available to pay the interest on and principal of the Series 2011A-1 Bonds. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS."

Drought Proclamation

State Orders. Precipitation in the Santa Ana River Watershed and the State as a whole has been below average in recent years. On January 17, 2014, the California Governor declared a state of emergency due to a statewide drought by proclamation (the "**Proclamation**") with immediate effect. The Proclamation includes the following orders, among others: (a) local urban water suppliers, including the District, were called upon to implement their local water shortage contingency plans; the District's plan is discussed under the caption "—District Response to Drought;" (b) local urban water suppliers, including the District, were encouraged to update their urban water management plans, which plan for extended drought conditions; (c) DWR and the State Water Resources Control Board (the "**SWRCB**") were directed to expedite the processing of water transfers; (d) the SWRCB was directed to put water rights holders throughout the State on notice that they may be directed to cease or reduce water diversions based on water shortages; (e) the SWRCB was directed to consider modifying requirements for reservoir releases or diversion limitations, where existing requirements were established to implement a water quality control plan; and (f) DWR was directed to take necessary actions to protect water quality and supply in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the "**Bay-Delta**"), including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species. On April 25, 2014, the Governor issued a proclamation of a continued state of emergency based on continued drought conditions. On July 15, 2014, the SWRCB adopted emergency measures requiring water suppliers to take mandatory statewide water conservation actions.

On March 17, 2015, the SWRCB adopted additional emergency regulations limiting outdoor irrigation to two days per week, extending certain measures set forth in the July 15, 2014 emergency regulation for an additional 270 days, prohibiting outdoor irrigation for 48 hours following rain and prohibiting restaurants from serving water to customers unless requested. The District has complied with the March 17, 2015 regulations through its water shortage contingency plan (the "**WSCP**"), as discussed under the caption "—District Response to Drought." MWD also invoked its Water Supply Allocation Plan (the "**WSAP**") in response to the March 17, 2015 regulations. The WSAP provides for the equitable distribution of available water supplies in case of extreme water shortage within MWD's service area. On April 14, 2015, MWD approved implementation of WSAP Level 3 (Water Supply Allocation) effective July 1, 2015, which among other things imposed a surcharge of between \$1,480 and \$2,960 per acre foot for water usage above MWD members' water allocation. To date, no surcharges have been imposed on the District; any such surcharges would be passed through to customers. As a result of improved hydrologic conditions, primarily in northern California, on May

10, 2016, MWD rescinded the WSAP, declared a Level 2 Water Supply Alert and decided not to implement the WSAP for Fiscal Year 2017.

On April 1, 2015, the California Governor issued an Executive Order extending the measures set forth in the Proclamation and issued the following additional orders, among others: (i) the SWRCB was directed to impose restrictions to achieve a statewide reduction in potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, of 25% compared to 2013 usage through February 28, 2016; the restrictions were to consider the relative per capita water usage of each water supplier's service area and require those areas with higher per capita use to achieve proportionally greater reductions than areas with lower per capita use; (ii) DWR was directed to lead a statewide initiative to replace 50 million square feet of lawns with drought tolerant landscaping; (iii) the California Energy Commission was directed to implement a rebate program for replacement of inefficient household appliances; (iv) urban water suppliers were required to provide monthly water usage, conservation and enforcement information; (v) local agencies in high and medium priority groundwater basins were required to implement all requirements of the California Statewide Groundwater Elevation Monitoring Program pursuant to California Water Code § 10933; (vi) State permitting agencies were required to prioritize the review and approval of water infrastructure and supply projects and programs that increase local water supplies; and (vii) DWR was required to plan and, if necessary, implement Emergency Drought Salinity Barriers in the Bay-Delta. On May 6, 2015, the SWRCB adopted regulations in response to the Governor's executive order that required the District to effect a 16% reduction from its 2013 water usage.

On November 13, 2015, the Governor issued Executive Order B-36-15, which called for an extension of urban water use restrictions until October 31, 2016 should drought conditions persist through January 2016. In February 2016, the SWRCB extended its previous emergency regulations through October 2016 while making available credits and adjustments of up to 8% in urban water suppliers' conservation mandates based upon climate, water-efficient growth and investments in drought-resilient supply sources.

On May 9, 2016, the Governor issued Executive Order B-37-16, which required the SWRCB to adjust its emergency regulation and extend it through the end of January 2017. On May 18, 2016 the SWRCB adopted a revised regulation that recognized improved and differing water supply conditions across the State. The revised regulation gives water agencies the ability to establish their own conservation standards based on a "stress test" of supply reliability. By June 22, 2016, water agencies were required to submit self-certifications to the SWRCB demonstrating that they have sufficient supplies to withstand three additional years of severe drought. Any identified percentage gap between supplies and demands would become the water agency's updated mandatory conservation target. As a result of significant investments in water supply reliability, the District demonstrated that it has more than sufficient supplies to meet its projected demands, even if the State endures three more years of drought. See the caption "—Water Supply Reliability." Consequently, the District's mandatory conservation target was eliminated, retroactive to June 1, 2016. The District intends to continue to encourage its customers to conserve and meet a voluntary reduction target of up to 10% compared to 2013 usage for the duration of the term of the emergency regulation.

District Response to Drought. Under the District's WSCP, the District responds to a drought in stages based upon four levels of supply cutbacks: Level One (supply reductions of up to 10%), Level Two (supply reductions of between 10% and 25%), Level Three (supply reductions of between 25% and 40%) and Level Four (supply reductions of over 40%). Each shortage level triggers a District response that is intended to reduce demand to the amount of available supply. Responses include public outreach, education and awareness of water waste and water leaks, the implementation of an allocation-based tiered rate structure and mandatory restrictions on water use (beginning with irrigation and other outdoor uses), together with enforcement actions.

In response to the Governor's Proclamation and executive orders and the SWRCB's emergency measures, the District took the following actions pursuant to the implementation of Level Two of the WSCP as adopted by the District's Board of Directors in July 2015: (i) potable water irrigation of ornamental turf on

public street medians and in non-circulating decorative water features is prohibited; (ii) outdoor irrigation during and 48 hours following measurable precipitation is prohibited; (iii) cars must be washed with hoses that have shutoff nozzles; (iv) commercial conveyor and in-bay car wash systems must reuse water if equipped to do so; (v) swimming pools must be filled to a lower level to minimize water loss from splashing; (vi) potable water irrigation runoff is prohibited; (vii) using potable water to wash paved areas is prohibited; (viii) potable water landscape irrigation must be reduced by up to 50%; (ix) recycled water is required to be used for construction activities and street sweeping; and (x) homeowners associations may not fine owners for reducing water usage. The District also increased staff resources devoted to conservation and water use efficiency programs; such programs include a conservation hotline, online customer interaction forms, smart irrigation controller installations, a water-saving landscape contest, educational workshops, expanded home survey programs and other customer outreach and assistance efforts.

In addition, in 2015, the District adjusted its existing allocation-based tiered rate structure to encourage greater water conservation. Under the District's current allocation-based tiered rate structure, customers are assigned a water allocation based on four non-residential tiers. The water allocation for each customer is designed to allow a reasonable amount of water use for the customer's needs and provide an economic incentive not to exceed such allocation. Customers that exceed the water allocation within their tier are subject to progressively higher water rates. See the caption "THE WATER SYSTEM—Water System Rates and Charges." As part of the implementation of the WSCP, the District reduced the allocation for outdoor potable water use and reduced tier percentages, which causes customers to ascend through the tiers more rapidly, increasing customers' water costs.

On July 11, 2016, in response to the improved hydrologic conditions and the elimination of the District's mandatory conservation target (as discussed under the caption "—State Orders"), the District's Board of Directors rescinded the Level Two shortage and declared a Level One shortage under the District's WSCP, with a conservation target of 10% compared to 2013 usage. Although the District has demonstrated the sufficiency of its available supplies, Level One is a shortage warning that reflects the continued State drought emergency and calls from the State for additional voluntary conservation. Response actions that remain in effect include the following: (i) potable water irrigation of ornamental turf on public street medians and in non-circulating decorative water features is prohibited; (ii) cars must be washed with hoses that have shutoff nozzles; (iii) commercial conveyor and in-bay car wash systems must reuse water if equipped to do so; (iv) potable water irrigation runoff is prohibited; (v) using potable water to wash paved areas is prohibited; and (vi) homeowners associations may not fine owners for reducing water usage. The District will continue to implement enhanced conservation awareness and outreach programs. The District will also continue to provide targeted on-site assistance to customers with usage in the higher billing tiers.

While implementation of Level One of the WSCP may result in slightly lower water sales revenues, it is also likely to result in lower operating costs, in particular water purchase costs and energy costs for water deliveries. As discussed under the caption "THE WATER SYSTEM—Water System Rates and Charges," the District's rate structure consists of variable and fixed rate components. Decreased water consumption is largely offset by a decrease in related variable costs, while fixed water charges largely cover the District's fixed operating and maintenance costs. As a result, the District does not currently anticipate a significant shortfall in Net Revenues of the water system as a result of the implementation of Level One of the WSCP.

The projected operating results set forth under the caption "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results" reflect the implementation of Level One of the WSCP. The District does not believe that the implementation of Level One of the WSCP will have a material adverse effect on its ability to pay principal of and interest on the Series 2011A-1 Bonds from Net Revenues. The District notes that the Series 2011A-1 Bonds are also secured by a pledge of Assessment Proceeds. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS."

If the statewide water shortage should persist or worsen, legal issues exist as to whether different California Water Code provisions should be invoked to require reasonable regulations for the allocation of

water in time of shortage. Any curtailment pursuant to State orders that is accompanied by an increase in MWD water charges (such as the surcharge under MWD's WSAP discussed under the caption "—State Orders") to its member agencies could necessitate an increase in the District's water rates to District customers. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for a discussion of certain restrictions on the District's ability to raise water rates.

Water Supply Reliability

Water Banking. In addition to developing its local groundwater and recycled water systems, the District is further diversifying its water supply reliability by developing water banking facilities 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 Water Bank is situated on groundwater recharge lands that overlie the regional Kern County groundwater basin. The purpose of the Water Bank is to improve the District's water supply reliability by capturing and storing low cost water available during wet hydrologic periods for use during dry periods, with the target of providing enough water to meet approximately 15% of customers' needs for three years. The Water Bank will enhance the District's ability to respond to drought conditions and potential water supply interruptions and enable it to reduce the cost of water delivered under such conditions.

The District has entered into agreements for a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District ("**Rosedale**") in Kern County. These agreements provide for Rosedale to operate the Water Bank on behalf of the District and permit the District: (i) to store up to 76,000 acre feet of water in the aquifer; (ii) to recharge a minimum of 44,600 acre feet of water per year in the aquifer; and (iii) to recover a minimum of 28,750 acre feet of water per year from the aquifer.

The District has constructed 740 acres of recharge ponds and other facilities at the Water Bank that are necessary to divert water from an adjacent canal and into the ponds. Seven groundwater wells that provide the ability to recover water have been constructed on the Strand Ranch property and three additional recovery wells are currently being constructed on the Stockdale West property. The construction and equipping of these wells is expected to be complete in late 2017. The District, in partnership with Rosedale and other agencies, is also constructing six additional wells that will increase the ability to recover water from the Water Bank during peak summer demand periods.

The District has secured water from a number of sources for recharge at the Water Bank. These sources are available as described below.

- Pursuant to the District's agreement with Rosedale, Rosedale has first priority rights to use District facilities to divert and recharge 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% and 50% of all Kern River floodwaters recharged on the Strand Ranch and Stockdale West recharge ponds, respectively.
- The District has also secured access to State Water Project water which can be stored in the Water Bank. Such water is available as a result of the District's acquisition of approximately 883 acres located within the Dudley Ridge Water District ("**Dudley Ridge**"), including the rights to use up to 1,749 acre feet per year of Table A State Water Project water allocated to Dudley Ridge. Under an existing agreement, the District can store its Table A water in the Water Bank, with half of the water being available for future use in the District's service area. The acquisition also included certain participation rights in the Kern Water Bank that allow the District to store approximately 9,495 acre feet of water.

- In 2011, the District entered into a long-term exchange program (the “**Exchange Program**”) with Buena Vista Water Storage District (“**BVWSD**”) that allows BVWSD to store water in the Water Bank in exchange for allocating to the District 50% of such stored water. BVWSD is responsible for all costs of delivering water to the Water Bank and the District is responsible for all costs of returning BVWSD its share of the water. The District is entitled to keep an additional 10% of the stored water each calendar year after the fourth calendar year that BVWSD does not call on the return of its share of the water. The District is entitled to 100% of the water if BVWSD does not call for the return of its share of the water by the end of the ninth year.
- In recent years, the District also entered into separate Pilot Exchange Agreements with the Central Coast Water Authority and the Antelope Valley-East Kern Water Agency that provided for such agencies to store portions of their 2012 allocation of State Water Project water at the Water Bank in exchange for allocating the District’s 50% share of such stored water. The District also recently entered into a short-term agreement with the Central Coast Water Authority for up to 10,000 acre feet on an unbalanced exchange basis under which the District is allocated 50% of such stored water. The District is seeking long-term partnerships with these agencies and other to facilitate similar transactions in the future.

The District has entered into a Coordinated Operating, Water Storage, Exchange and Delivery Agreement with MWD which allows the District to cause State Water Project water recovered from the Water Bank to be delivered to the District’s service area. In 2014, the District entered into an additional agreement with MWD that allowed MWD to receive 4,000 acre feet of the District’s non-State Water Project water recovered from the Water Bank in exchange for a future return to the District’s service area. Under the additional agreement with MWD that was entered into in 2014, the District recovered and delivered approximately 1,000 acre feet from the Water Bank for use in the District’s service area in 2015. The District is pursuing exchange opportunities with other agencies that will maximize the ability to use water stored in the Water Bank.

Since 2010, the District has delivered a total of approximately 37,200 acre feet of water to the Water Bank through the water supply partnerships that are described above. The District has returned its partners’ share of the water and holds approximately 18,100 acre feet of water in storage for its future use during droughts and major supply interruptions. The District is currently pursuing additional potential water supply opportunities for diversion into the Water Bank for later use by the District.

A summary of water held in storage pursuant to the District’s water banking program as of June 30, 2016 (after water losses) is set forth below.

TABLE 10
IRVINE RANCH WATER DISTRICT
Summary of Water Banking Programs’ Storage After Losses
As of December 31, 2016 (Acre Feet)

<i>Facility</i>	<i>Total Capacity</i>	<i>Total Water in Storage</i>	<i>District Share of Total Water in Storage</i>
Strand Ranch Integrated Banking ⁽¹⁾	50,000	16,631	16,631
Stockdale West ⁽¹⁾	26,000	1,459	1,459
Kern Water Bank ⁽²⁾	<u>9,495</u>	<u>4,267</u>	<u>4,267</u>
Total	85,495	22,357	22,357

⁽¹⁾ The District has executed exchanges with MWD that have diversified the ability to call on the District’s share of the banked water from the Water Bank and MWD supplies. The above numbers take into consideration Water Bank losses as well as small purchases of water made by the District when land was taken out of agricultural production. Extractions from Strand Ranch are currently limited to approximately 17,500 acre feet per year. Upon completion of the Stockdale West project

recovery facilities, the District is expected to be able to recover approximately 11,250 acre feet per year of additional water from the Water Bank.

(2) The District's share of total water stored in the Kern Water Bank is to be used on the District's Dudley Ridge property.
Source: The District.

Other Water Supply Reliability Programs. As of December 31, 2016, the District has purchased approximately 800 acres of agricultural land (the "**PVID Properties**") in Riverside County, California. The PVID Properties are located within the water service area of Palo Verde Irrigation District ("**PVID**"), which has first priority rights on the Colorado River. Of the total acres purchased, approximately 310 acres of the land are subject to and enrolled in an MWD/PVID fallowing program under which MWD makes payments to landowners in exchange for letting land lie fallow. Water that is conserved through fallowing is available for use within MWD's service area (which includes the District's service area). The non-fallowed land is currently being farmed either through leases with tenant farmers or through agricultural management agreements with contract farmers. In the near term, the District expects to lease the PVID Properties to tenant farmers for agricultural uses. The District plans to work with MWD and MWDOC in the future to develop mutually beneficial arrangements through which the District would receive increased water supply reliability during periods of drought or supply interruptions in consideration for the water conserved on the PVID Properties.

In October 2015, the District's Board of Directors authorized the expenditure of up to \$25 million to purchase land within the PVID service area. As of December 31, 2016, the District has expended \$13,071,000 on land purchases. In December 2016, the Board of Directors authorized the expenditure of up to a total of \$50 million to purchase land within the PVID service area. As of December 31, 2016, the District is currently in escrow to purchase: (i) a property that consists of approximately 1,584 acres of land within the PVID service area, which includes approximately 1,444 acres that are enrolled in the MWD/PVID fallowing program that is described in the previous paragraph; (ii) a property that consists of approximately 104 acres of land within the PVID service area, which includes approximately 91 acres that are enrolled in the MWD/PVID fallowing program; and (iii) a property that consists of approximately 555 acres of land within the PVID service area, which includes approximately 538 acres that is enrolled in the MWD/PVID fallowing program. If the purchases are successfully closed, the land will become part of the District's PVID Properties subject to future arrangements with MWD and MWDOC. These purchases are expected to close in the first quarter of 2017. Due to the preliminary nature of its discussions with MWD and MWDOC, the District can make no assurance as to the amount of water, if any, it would receive from MWD through conservation of water on the PVID Properties. Should the expected water supply reliability benefits of the land not be realized, the District's expected \$49 million investment in the PVID Properties (consisting of a total of approximately 3,042 acres (assuming that the purchase of 2,243 acres that is described above is closed)) could be recovered in whole or in part through the sale of the land.

Recycled Water

During Fiscal Year 2016, the District produced 23,206 acre feet of recycled water and supplied an additional 4,880 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 5,400 customers within the District. As of December 31, 2016, the District had approximately 525 miles of recycled water mains and recycled water storage capacity of approximately 5,250 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⁽¹⁾**

<i>Fiscal Year</i>	<i>Local Water⁽²⁾</i>	<i>Imported Water</i>	<i>Recycled Water</i>	<i>Total</i>
2012	39,409	26,155 ⁽³⁾	20,602	86,166
2013 ⁽⁴⁾	49,967	20,151	22,983	93,101
2014 ⁽⁵⁾	55,015	22,508	21,038	98,561
2015 ⁽⁶⁾	54,057	18,628	22,866	95,551
2016 ⁽⁶⁾	46,926	11,853	23,206	81,985

- (1) Differences between the amounts that are shown in the table and the water sales figures that are set forth under the caption “THE WATER SYSTEM—Historic Water Deliveries/Sales” reflect water losses and the timing of billing.
- (2) Includes groundwater and native water. Excludes water pumped from the Shallow Groundwater Unit, which is disposed of via an existing ocean outfall following treatment.
- (3) Includes 8,083 acre feet of water purchased at OCWD’s request in Fiscal Year 2012 in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2013 through 2016.
- (4) Increase from Fiscal Year 2012 reflects growth and the economic recovery within the District’s service area as well as increased irrigation requirements.
- (5) Reflects completion of Wells 21 and 22. See the caption “—Groundwater—General.”
- (6) Reduced water production reflects effects of Statewide drought and State orders with respect thereto. See the caption “—Drought Proclamation.”

Source: The District.

Set forth below is a summary of the District’s projection of total water production to meet expected water demand (as discussed under the caption “THE WATER SYSTEM—Projected Water Deliveries”) for the current and next four Fiscal Years. The below table reflects projected water production from groundwater extractions, water purchases and recycled water production and does not reflect all available water supplies of the District.

**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>
2017	48,651	17,905	22,300	88,856	8.38% ⁽³⁾
2018	49,624	18,800	22,746	91,170	2.60
2019	50,617	19,740	23,201	93,558	2.62
2020	51,629	20,727	23,665	96,021	2.63
2021	52,661	21,764	24,138	98,563	2.65

- (1) Includes groundwater and native water. Excludes water pumped from the Shallow Groundwater Unit, which is disposed of via an existing ocean outfall following treatment.
- (2) Recycled water production projected to increase approximately 2% per annum.
- (3) Projected increase from Fiscal Year 2016 amount reflects rescission of Level Two water shortage restrictions under the District’s WSCP (as discussed under the caption “—Drought Proclamation—District Response to Drought”), as well as projected increases in connections.

Source: The District.

Set forth below is a comparison of the District’s sources of supply for Fiscal Year 2016 as compared to other neighboring agencies supplying water for Fiscal Year 2015.

TABLE 13
IRVINE RANCH WATER DISTRICT
Water Supply Comparison by Source

	<i>Imported Water</i>	<i>Groundwater</i>	<i>Surface Water</i>	<i>Recycled Water</i>
Irvine Ranch Water District⁽¹⁾	15%	57%	0%	28%
City of Anaheim	24	76	0	0
South Coast Water District ⁽²⁾	80	0	0	20
Moulton Niguel Water District ⁽²⁾	100	0	0	0
Mesa Water District	0	100	0	0

⁽¹⁾ Approximately 20% of the District’s water demand is from areas outside of OCWD’s jurisdictional boundaries.

⁽²⁾ This agency is not located within OCWD’s jurisdictional boundaries.

Source: 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 local storage facilities, which currently provide more than a seven-day supply.

At June 30, 2016, the District had approximately 2,131 miles of water mains in its potable and recycled water systems and storage capacity of approximately 24,000 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 800 acre feet, 1,100 acre feet, 450 acre feet and 2,900 acre feet respectively. See the caption “WATER SUPPLY.”

In 2013, the District completed a study of the feasibility of increasing storage capacity in Syphon Reservoir from 450 acre feet up to approximately 5,000 acre feet. Additional storage capacity, if constructed, would allow the District to recycle 100% of the sewage flows tributary to the District’s Michelson Water Reclamation Plant (the “MWRP”) and reduce the District’s need to supplement the recycled water system with imported water in dry years. The District is currently evaluating funding alternatives for the Syphon Reservoir expansion. See the caption “FUTURE CAPITAL IMPROVEMENTS—Water Supply Reliability.”

See the caption “WATER SUPPLY—Water Supply Reliability—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.

Currently, the District purchases treated water from MWD for delivery to residential and commercial customers, as well as small amounts of untreated water for delivery to non-domestic customers. Groundwater that is produced from District wells is generally of high quality and is subject to minimal treatment to meet drinking water standards. In Fiscal Year 2009, the District commenced the engineering design for a new water treatment plant, the Baker WTP. The Baker WTP commenced operations in January 2017.

The Baker WTP is expected to treat to drinking water standards approximately 28 million gallons per day (“**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 cost was approximately \$106 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 financed a portion of its 24% share of the costs from the proceeds of the Series 2016 Bonds that are described under the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness.”

The District expects that it will reduce treated water purchases and increase raw water purchases from MWD going forward. Raw water, which will be treated at the Baker WTP, is available at a lower rate than treated water. Accordingly, the District expects the Baker WTP to reduce its water purchase costs in future years.

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 Potable Water Connections⁽¹⁾

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2012	99,377	0.75%
2013	101,020	1.56
2014	102,990	1.95
2015	104,994	1.95
2016 ⁽²⁾	108,952	3.77

⁽¹⁾ Excludes recycled water and non-potable water connections.

⁽²⁾ Increase in connections in Fiscal Year 2016 reflects development within the District’s service area.

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 Potable Water Connections⁽¹⁾

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2017	112,591	3.34%
2018	116,524	3.49
2019	120,855	3.72
2020	125,157	3.56
2021	128,800	2.91

⁽¹⁾ Excludes recycled water and non-potable water connections. Increases in connections reflect District estimates of increased development activity.

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 \$1,386 to \$3,696 for each residential unit and \$5,867 to \$31,237 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/Sales

The following table presents a summary of historic water deliveries by 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/Sales in Acre Feet Per Year⁽¹⁾

<i>Fiscal Year</i>	<i>Potable and Non-Potable System</i>	<i>Recycled System⁽²⁾</i>	<i>Total</i>	<i>Percentage Change</i>
2012	54,818	25,011	79,829	8.50%
2013	57,203	28,259	85,462	7.06
2014	59,907	30,021	89,928	5.23
2015	58,319	32,139	90,458	0.59
2016 ⁽³⁾	51,098	26,879	77,977	(13.80)

⁽¹⁾ Differences between the amounts that are shown in the table and the water production figures that are set forth under the caption "WATER SUPPLY—Historic and Projected Water Supply" reflect water losses and the timing of billing.

⁽²⁾ Recycled water sales in excess of the historic recycled water production amounts set forth in Table 11 under the caption "WATER SUPPLY—Historic and Projected Water Supply" reflect supplemental water supplied in excess of recycled water produced by the District.

⁽³⁾ Reduced deliveries reflect effects of Statewide drought and State orders with respect thereto. See the caption “WATER SUPPLY—Drought Proclamation.”

Source: The District.

Projected Water Deliveries/Sales

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 at a slower pace than the increase in connections after the current Fiscal Year, as set forth in the table under the caption “—Projected Water Connections,” as a result of increased conservation efforts and a return to long-term historical average hydrological conditions in the State. The District notes that recycled water use is not subject to the mandatory conservation orders imposed by the State in connection with the Statewide drought. See the caption “WATER SUPPLY—Drought Proclamation.” 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/Sales in Acre Feet Per Year

<i>Fiscal Year</i>	<i>Potable and Non-Potable System</i>	<i>Recycled System⁽¹⁾</i>	<i>Total</i>	<i>Percentage Change</i>
2017	54,385	27,004	81,389	4.38%
2018	55,799	27,706	83,505	2.60
2019	57,250	28,426	85,676	2.60
2020	58,738	29,166	87,904	2.60
2021	60,265	29,924	90,189	2.60

⁽¹⁾ Projected recycled water sales in excess of the projected recycled water production amounts set forth in Table 12 under the caption “WATER SUPPLY—Historic and Projected Water Supply” reflect supplemental water projected to be supplied in excess of recycled water produced by the District.

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
(In Thousands)

<i>Fiscal Year</i>	<i>Sales and Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2012	\$57,558	5.04%
2013	62,565	8.70
2014	66,321	6.00
2015	70,110	5.71
2016	76,692	9.39

⁽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
(In Thousands)

<i>Fiscal Year</i>	<i>Sales and Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2017	\$85,499	11.48% ⁽²⁾
2018	88,064	3.00
2019	90,706	3.00
2020	93,427	3.00
2021	96,230	3.00

⁽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.”

⁽²⁾ Projected increase from Fiscal Year 2016 amount reflects rescission of Level Two water shortage restrictions under the District’s WSCP (as discussed under the caption “WATER SUPPLY—Drought Proclamation—District Response to Drought”), as well as projected increases in connections.

Source: The District.

Largest Water Customers

The following table sets forth the ten largest water customers of the District for Fiscal Year 2016, as determined by annual payments.

TABLE 20
IRVINE RANCH WATER DISTRICT
Ten Largest Water Customers
Fiscal Year 2016

<i>Customer</i>	<i>Fiscal Year 2016 Payment</i>	<i>Percentage of Total Water Sales Revenues</i>
1. The Irvine Company/Irvine Apartment Communities	\$ 6,840,148	8.92%
2. University of California, Irvine	1,323,149	1.73
3. Jazz Semiconductor	982,407	1.28
4. B Braun Medical Inc.	860,399	1.12
5. Allergan Sales, LLC	333,733	0.44
6. City of Irvine	320,057	0.42
7. ERP Operating LP	268,513	0.35
8. Royalty Carpet Mills	239,695	0.31
9. City of Lake Forest	223,565	0.29
10. Irvine Unified School District	<u>202,414</u>	<u>0.27</u>
TOTAL	\$11,594,080	15.12%

Source: The District.

These ten largest customers accounted for approximately 15.12% of water sales revenues in Fiscal Year 2016.

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. Effective July 1, 2016, the average monthly service charge for residential water meters is \$10.30. The monthly service charges for commercial and industrial water meters range from \$10.30 to \$2,935.50 based on meter size. Quantity charges are set according to a water conservation oriented allocation-based ascending block rate structure with rates ranging from \$1.21 to \$12.01 per 100 cubic feet (“ccf”), as shown in the below table.

IRVINE RANCH WATER DISTRICT Residential Water Rates

<i>Tier</i>	<i>Allocation</i>	<i>Rate per ccf</i>
Low Volume	0-40%	\$1.21
Base ⁽¹⁾	41-100	1.65
Inefficient	101-130	4.01
Wasteful	131+	12.01

⁽¹⁾ The “base” rate reflects an average cost of water from all sources that are used by the District.

Source: The District.

See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218—Article XIID” for a discussion of a 2015 California Court of Appeal decision with respect to allocation-based rates similar to those of the District. Rates are based on a cost of service study.

Set forth below is a comparison of the District’s water bill for a typical residential customer as compared to neighboring communities. For the past ten Fiscal Years, including in the current Fiscal Year, the District has increased its water system rates and charges by an average of approximately 5% each year for an average residential customer using approximately 12 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 the implementation of Level One of the District’s WSCP (as discussed under the caption “WATER SUPPLY—Drought Proclamation”), as well as projected water rate increases of between 3% and 4% in Fiscal Years 2017 through 2021, including a rate increase of 4% beginning July 1, 2016. Future 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

<i>Water Service Provider</i>	<i>Charge⁽¹⁾</i>
City of Newport Beach	\$78.87
City of Tustin	67.23
City of Costa Mesa	63.90
City of Anaheim	45.15
City of Orange	43.20
City of Santa Ana	41.61
City of Huntington Beach	38.81
Irvine Ranch Water District⁽²⁾	27.90

⁽¹⁾ Based on the average residential usage for each water service provider in ccf. For the District, the first 5 ccf is billed at the low volume rate of \$1.21 and next 7 ccf is billed at \$1.65.

⁽²⁾ Information is as of prior year for providers other than the District and as of July 1, 2016 for the District. 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 the District 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, 2016, the District had approximately 1,019 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 10.2 billion gallons of sewage were treated by the District during Fiscal Year 2016.

In 1986, the District cooperated with Orange County Sanitation District (“**OCS**D”) to form Sanitation District 14 (functionally replaced by “Revenue Area 14” of OCS D, upon the consolidation of the several sanitation districts comprising OCS D’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 OCS D in connection with such formation, the District paid approximately \$34 million for an approximate 6% interest in OCS D’s sewage processing facilities (such percentage of interest will vary over time pursuant to a formula set forth in the agreement between OCS D and the District). This agreement currently provides treatment capacity (in addition to the capacity at District-owned facilities (the MWRP and the LAW RP)) of up to 15 mgd. The agreement also provides for the purchase by the District of certain additional capacity in OCS D sewage processing facilities determined from annual flows. In Fiscal Years 2015 and 2016, the District utilized approximately 1.9 billion gallons of capacity each year pursuant to its agreement with OCS D. Currently, approximately 80% of the District’s wastewater is treated by the MWRP and LAW RP operated by the District, and approximately 20% is treated by OCS D.

The District treats and recycles wastewater sufficient to meet recycled water customer demand and fill available capacity in seasonal storage reservoirs for later delivery to recycled water customers. The remainder of the wastewater collected by the District is diverted to OCS D for treatment and ultimate disposal into the Pacific Ocean through OCS D’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 evaluated alternative approaches to handling its wastewater solids. In May 2013, the District began construction of a facility for handling MWRP solids, which are currently conveyed to 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 the solids handling facility at the MWRP is anticipated to be completed in late 2018. See the caption “FUTURE CAPITAL IMPROVEMENTS—Solids Handling.”

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>
2012	93,828	1.07%
2013	95,488	1.77
2014	97,482	2.09
2015	99,397	1.96
2016	103,328	3.95

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⁽¹⁾**

<i>Fiscal Year</i>	<i>Connections</i>	<i>Percentage Change</i>
2017	106,994	3.55%
2018	110,927	3.68
2019	115,258	3.90
2020	119,560	3.73
2021	123,203	3.05

⁽¹⁾ Increases in connections 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 \$2,251 to \$25,839 for each residential unit and \$5,894 to \$64,170 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>
2012	28.3	1.80%
2013	28.1	(0.71) ⁽²⁾
2014	29.5	4.98 ⁽³⁾
2015	28.6	(3.05) ⁽²⁾
2016	27.8	(2.80) ⁽²⁾

⁽¹⁾ Includes District flow treated by OCSD.

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

⁽³⁾ Increase in flows reflects changes to flows in the Irvine Business Complex in accordance with a flow study per agreement with OCSD.

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>
2017	28.5	2.60%
2018	29.2	2.60
2019	30.0	2.60
2020	30.8	2.60
2021	31.6	2.60

⁽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. Increases reflect increases in connections as well as rate increases adopted by the Board of Directors.

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

<i>Fiscal Year</i>	<i>Recycled Water Sales and Sewer Service Charge Revenues</i>	<i>Percentage Change</i>
2012	\$49,234	8.50%
2013	53,085	7.82
2014	58,109	9.46
2015	62,808	8.09
2016	67,682	7.76

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
(In Thousands)

<i>Fiscal Year</i>	<i>Recycled Water Sales and Sewer Service Charge Revenues⁽¹⁾</i>	<i>Percentage Change</i>
2017	\$75,135	11.01% ⁽²⁾
2018	77,389	3.00
2019	79,711	3.00
2020	82,102	3.00
2021	84,565	3.00

⁽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.”

⁽²⁾ Projected increase from Fiscal Year 2016 amount reflects adopted increase in fixed charges of approximately 7% and projected increases in connections.

Source: The District.

Largest Sewer and Recycled Water Service Customers

The following table sets forth the ten largest sewer service customers of the District for Fiscal Year 2016, as determined by annual payments.

**TABLE 28
IRVINE RANCH WATER DISTRICT
Ten Largest Sewer and Recycled Water Service Customers
Fiscal Year 2016**

<i>Customer</i>	<i>Fiscal Year 2016 Payment</i>	<i>Percentage of Total Sewer and Recycled Service Revenues</i>
1. The Irvine Company/Irvine Apartment Communities	\$ 10,980,957	16.22%
2. City of Irvine	2,067,260	3.05
3. University of California, Irvine.	1,848,176	2.73
4. B Braun Medical Inc.	743,310	1.10
5. Irvine Unified School District	546,002	0.81
6. California Department of Transportation, District 12	417,388	0.62
7. Orange County Produce	386,681	0.57
8. Royalty Carpet Mills	377,990	0.56
9. Heritage Fields	342,817	0.51
10. Crystal Cove Community Association	<u>327,704</u>	<u>0.48</u>
TOTAL	\$18,038,285	26.65%

Source: The District.

These ten largest customers accounted for approximately 26.65% of total sewer and recycled water service revenues in Fiscal Year 2016.

Sewer System Rates and Charges

Effective July 1, 2016, residential users pay a fixed monthly service charge which ranges from \$19.30 to \$25.75. Commercial and industrial users pay \$25.75 for the first ten ccf of water use and from \$2.74 to \$2.874 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 6% each year.

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% to 6% in Fiscal Years 2017 through 2021 and projected recycled water rate increases of between 3% and 6% in Fiscal Years 2017 through 2021, including increases in sewer rates and recycled water rates effective July 1, 2016. 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.

TABLE 29
IRVINE RANCH WATER DISTRICT
Typical Residential Customer Sewer Bill

<i>Sewer Service Provider</i>	<i>Charge</i> ⁽¹⁾
City of Tustin	\$47.16
City of Huntington Beach	38.57
City of Newport Beach	38.56
City of Santa Ana	34.02
City of Orange	27.76
City of Costa Mesa	27.76
City of Anaheim	27.76
Irvine Ranch Water District	19.30 – 25.75

⁽¹⁾ Information is as of prior year for providers other than the District and as of July 1, 2016 for the District. Excludes *ad valorem* assessments levied by District.

Source: The District.

FUTURE CAPITAL IMPROVEMENTS

The District anticipates spending approximately \$395,000,000 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 bonds, certificates of participation, District revenues and fund balances in Fiscal Years 2017 through 2021, including the Series 2016 Bonds. The District anticipates that the cost of such improvements will be financed from proceeds of the 2016 Certificates, the Series 2016 Bonds and additional bonds in the estimated principal amount of approximately \$75 million that are expected to be issued in Fiscal Year 2019, and that the remaining cost 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:

TABLE 30
IRVINE RANCH WATER DISTRICT
Projected Water, Recycled Water and Sewer Systems Capital Improvements
For Fiscal Years 2017 through 2021

<i>Project</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>Total</i>
Solids Handling	\$41,165,000	\$26,237,000	\$3,766,000	\$3,461,000	\$1,862,000	\$76,491,000
OCSD / CORF	14,747,000	9,706,000	5,568,000	4,339,000	4,497,000	38,857,000
Water Supply Reliability	34,180,000	17,652,000	3,546,000	6,191,000	11,919,000	73,488,000
Development-Related Expansion	14,985,000	24,756,000	27,476,000	17,563,000	9,738,000	94,518,000
Replacement and Refurbishment	27,777,000	32,141,000	19,600,000	4,956,000	1,621,000	86,095,000
Operational Improvements	<u>7,734,000</u>	<u>10,611,000</u>	<u>6,245,000</u>	<u>706,000</u>	<u>71,000</u>	<u>25,367,000</u>
Total	\$ 140,588,000	\$ 121,103,000	\$ 66,201,000	\$ 37,216,000	\$ 29,708,000	\$ 394,816,000

Source: The District.

Solids Handling

The solids handling capital projects include 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 LAWRP for drying and pelletization. In addition, facilities for the receipt and transfer of fats, oil and grease to the digesters are 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. A portion of the costs of these projects will be financed from proceeds of the 2016 Installment Sale Agreement and the

Series 2016 Bonds. See the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness.”

OCSD CORF

OCSD’s Capital Outlay Revolving Fund (“**CORF**”) funds OCSD 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 OCSD’s total wastewater flow. Wastewater flows from the District presently comprise approximately 2% – 3% of OCSD flows. See the caption “THE SEWER SYSTEM—General—OCSD” 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, including, but not limited to, booster pump stations and interagency pipeline construction. 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 Davis Farr LLP, Certified Public Accountants (the “**Auditor**”), are included as Appendix B (the “**Financial Statements**”) and should be read in their entirety. The Auditor’s letter is set forth at the beginning of the Financial Section of the Financial Statements. 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.

Reduction in BAB Credits

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**”). The originally scheduled BAB Credit was reduced by 8.7% in federal fiscal year 2013 (which ended September 30, 2013) and by 7.2%, 7.3%, 6.8% and 6.9% in federal fiscal years 2014, 2015,

2016 and 2017, respectively. Under a federal budget bill enacted in December 2013, the reduction of BAB Credits will continue through federal fiscal year 2023.

The District's Series 2010B Bonds are BABs and the historic and projected operating results shown under the captions "—Historic Operating Results and Debt Service Coverage" and "—Projected Operating Results and Debt Service Coverage" reflect the announced reduction in BAB Credits. While the District continues to monitor the effects of the reduction in BAB Credits on District finances, the District does not currently expect such reduction to have a material adverse effect on the ability of the District to pay the principal of and interest on the Series 2010B Bonds or the Parity Obligations 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.

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TABLE 31
IRVINE RANCH WATER DISTRICT
Historic Operating Results and Debt Service Coverage
Fiscal Years 2012 through 2016
(In Thousands)

	2012	2013	2014	2015	2016
REVENUES					
Water sales and service charges	\$ 57,558	\$ 62,565	\$ 66,321	\$ 70,110	\$ 76,692 ⁽¹⁷⁾
Recycled water sales and sewer service charges	49,234	53,085	58,109	62,808	67,682
Connection fees	9,030	17,314	22,429	29,183	32,109
Net real estate income	6,736	6,566	7,760	8,191	8,693
Interest income	1,739	1,549	1,671	1,515	1,585
Net earnings on JPA ⁽¹⁾	11,927	20,294 ⁽¹²⁾	12,356 ⁽¹²⁾	-	-
Available 1% Property Tax Revenues ⁽²⁾	23,165	25,796	28,532	29,770	31,645
Other ⁽³⁾	6,141	8,323	10,974	7,899	7,836
Total Revenues	<u>\$ 165,530</u>	<u>\$ 195,492</u>	<u>\$ 208,152</u>	<u>\$ 209,476</u>	<u>\$ 226,242</u>
OPERATION AND MAINTENANCE EXPENSES					
Water services	\$ 42,741	\$ 48,911	\$ 57,624	\$ 57,978	\$ 57,499
Sewer services	31,754	36,688 ⁽¹³⁾	37,715	54,575 ⁽¹⁵⁾	40,413 ⁽¹⁸⁾
Administrative and general	20,097	22,667 ⁽¹³⁾	22,272	15,145 ⁽¹⁶⁾	19,451 ⁽¹⁹⁾
Customer accounts ⁽⁴⁾	3,474	3,753	0	0	0
Other	10,713	6,110 ⁽¹⁴⁾	7,163	9,752	2,800 ⁽²⁰⁾
Total Operation & Maintenance Expenses	<u>\$ 108,779</u>	<u>\$ 118,129</u>	<u>\$ 124,774</u>	<u>\$ 137,450</u>	<u>\$ 120,163</u>
NET REVENUES	\$ 56,751	\$ 77,363	\$ 83,378	\$ 72,026	\$ 106,079
ASSESSMENT PROCEEDS⁽⁵⁾	\$ 5,823	\$ 5,838	\$ 6,409	\$ 4,839	\$ 6,036
TOTAL NET REVENUES AND ASSESSMENT PROCEEDS	<u>\$ 62,574</u>	<u>\$ 83,201</u>	<u>\$ 89,787</u>	<u>\$ 76,865</u>	<u>\$ 112,115</u>
PARITY OBLIGATION DEBT SERVICE					
Series 2011A-1/A-2 Bonds	\$ 2,284	\$ 2,306	\$ 2,360	\$ 2,455	\$ 2,927
Series 2010B Bonds ⁽⁶⁾	7,533	7,519	7,825	7,829	7,823
2010 Installment Sale Agreement ⁽⁷⁾	8,016	8,388	8,753	9,098	9,487
1997 State Loan #3	226	226	227	227	227
Prior Reimbursement Agreements	0	0	0	0	0
Total Parity Obligation Debt Service	<u>\$ 18,059</u>	<u>\$ 18,439</u>	<u>\$ 19,165</u>	<u>\$ 19,609</u>	<u>\$ 20,464</u>
PARITY OBLIGATION COVERAGE⁽⁸⁾	3.5x	4.5x	4.7x	3.9x	5.5x
Revenues Available For Subordinate Debt Service	\$ 44,515	\$ 64,762	\$ 70,622	\$ 57,256	\$ 91,651
SUBORDINATE OBLIGATION DEBT SERVICE					
Swap Payments ⁽⁹⁾	\$ 7,734	\$ 7,452	\$ 7,475	\$ 7,734	\$ 7,712
State Loans and SCWD Debt ⁽¹⁰⁾	308	308	308	308	308
Total Subordinate Obligation Debt Service	<u>\$ 8,042</u>	<u>\$ 7,760</u>	<u>\$ 7,783</u>	<u>\$ 8,042</u>	<u>\$ 8,020</u>
Sources of Payment for Ad Valorem					
Assessment Bonds:					
Remaining Revenues	\$ 36,473	\$ 57,002	\$ 62,839	\$ 49,214	\$ 83,631
1% Pledged Property Tax Revenues ⁽¹¹⁾	3,313	3,470	3,013	3,358	3,226
Ad valorem Assessments	5,761	5,965	4,797	4,463	5,396
Total Funds Available for Ad Valorem Assessment Bonds	\$ 45,547	\$ 66,437	\$ 70,649	\$ 57,035	\$ 92,253
Ad Valorem Assessment Bond Debt Service	(16,899)	(17,129)	(10,968)	(12,840)	(11,173)
NET REVENUES AVAILABLE FOR OTHER PURPOSES	<u>\$ 28,648</u>	<u>\$ 49,308</u>	<u>\$ 59,681</u>	<u>\$ 44,195</u>	<u>\$ 81,080</u>

(FOOTNOTES ON FOLLOWING PAGE)

- (1) Reflects earnings from investment of proceeds of taxable bonds issued by Irvine Ranch Water District Joint Powers Agency in excess of payments of principal of and interest on such obligations. Such obligations matured in Fiscal Year 2014 and the Irvine Ranch Water District Joint Powers Agency was thereupon terminated in accordance with its joint powers agreement.
- (2) 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 2002-10, adopted by the Board of Directors of the District on April 8, 2002 (the "**Secured Bonds**") from 1% Property Tax Revenues and *ad valorem* assessments.
- (3) Other Revenues includes golf course lease, cell site leases, conservation revenue, penalty revenue, grants and Allen-McColloch pipeline income.
- (4) In Fiscal Year 2014, the District began recording Customer Accounts expenses in the Water Services and Sewer Services line items.
- (5) 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, Series 2011A-2 Bonds and Series 2016 Bonds and are not available to pay other Parity Obligations which are not general obligation bonds secured by *ad valorem* assessments.
- (6) Debt Service net of BAB Credit on Series 2010B Bonds. Reflects announced reductions in BAB Credits. See the caption "—Reduction in BAB Credits."
- (7) Entered into in February 2010 in connection with the prepayment of the 2008 Certificates of Participation and the 1986 Certificates of Participation.
- (8) Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.
- (9) Net swap payments made.
- (10) Santiago County Water District was consolidated into the District as of July 1, 2006.
- (11) 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 reflect scheduled mandatory sinking fund payments and redemption of approximately \$3.1 million in Secured Bonds.
- (12) Refunding of Irvine Ranch Water District Joint Powers Agency bonds described in Footnote 1 in Fiscal Year 2010 resulted in a savings of approximately \$32.0 million, of which a portion was realized in each of Fiscal Years 2013 and 2014.
- (13) Increase from Fiscal Year 2012 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."
- (14) Decrease from Fiscal Year 2012 reflects significant reduction in capital improvement project reclassifications and writeoffs. See Footnote 13.
- (15) Increase from Fiscal Year 2014 reflects approximately \$10 million in projects that were financed from capital funds but not capitalized and approximately \$7 million in one-time OCSD-related expenses.
- (16) Decrease from Fiscal Year 2014 reflects the effect of the new GASB 68 reporting standards. See the caption "THE IRVINE RANCH WATER DISTRICT—Pension Benefits."
- (17) Increase from Fiscal Year 2015 reflects increases in connections as set forth under the caption "—Historic Water Connections" as well as increases in water production charges by MWDOC and OCWD that were passed through to District customers. See the captions "WATER SUPPLY—Imported Water" and "WATER SUPPLY—Groundwater."
- (18) Decrease from Fiscal Year 2015 reflects decrease of approximately \$11.0 million in the cost of handling, treatment, and disposal of sewage solids residuals sent to OCSD and a decrease in sewer system projects associated with the District's capital program.
- (19) Increase from Fiscal Year 2015 reflects increased payroll costs for water and sewer operations and increased District overhead.
- (20) Decrease from Fiscal Year 2015 reflects reduction of approximately \$7.0 million in other expenses, including capital assets and project write-offs.

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 2017 through 2021
(In Thousands)

	2017 ⁽¹⁾	2018	2019	2020	2021
REVENUES					
Water sales and service charges ⁽²⁾	\$ 85,499	\$ 88,064	\$ 90,706	\$ 93,427	\$ 96,230
Recycled water sales and sewer service charges ⁽³⁾	75,135	77,389	79,711	82,102	84,565
Connection fees ⁽⁴⁾	22,000	21,000	20,000	20,000	20,000
Net real estate income ⁽⁵⁾	8,868	9,045	9,226	9,411	9,599
Interest income ⁽⁶⁾	3,559	5,419	7,657	8,166	7,942
Available 1% Property Tax Revenues ⁽⁷⁾	33,378	34,228	34,992	35,943	37,183
Other ⁽⁸⁾	6,500	6,565	6,631	6,697	6,764
Total Revenues	<u>\$ 234,939</u>	<u>\$ 241,710</u>	<u>\$ 248,922</u>	<u>\$ 255,746</u>	<u>\$ 262,282</u>
OPERATION AND MAINTENANCE EXPENSES					
Water services ⁽⁹⁾	\$ 67,451	\$ 69,475	\$ 71,559	\$ 73,706	\$ 75,917
Sewer services ⁽⁹⁾	44,154	45,479	46,843	48,248	49,696
Administrative and general ⁽⁹⁾	21,013	21,643	22,293	22,961	23,650
Other ⁽¹⁰⁾	5,761	5,876	5,994	6,114	6,236
Total Operation & Maintenance Expenses	<u>\$ 138,379</u>	<u>\$ 142,473</u>	<u>\$ 146,688</u>	<u>\$ 151,029</u>	<u>\$ 155,499</u>
NET REVENUES	\$ 96,560	\$ 99,237	\$ 102,234	\$ 104,717	\$ 106,784
ASSESSMENT PROCEEDS⁽¹¹⁾	\$ 7,343	\$ 7,828	\$ 7,416	\$ 7,857	\$ 8,313
TOTAL NET REVENUES AND ASSESSMENT PROCEEDS	<u>\$ 103,903</u>	<u>\$ 107,066</u>	<u>\$ 109,650</u>	<u>\$ 112,574</u>	<u>\$ 115,097</u>
PARITY OBLIGATION DEBT SERVICE⁽¹²⁾					
Series 2016 Bonds	\$ 1,605	\$ 5,301	\$ 5,301	\$ 5,301	\$ 5,301
2016 Installment Sale Agreement ⁽¹³⁾	2,919	5,837	5,837	5,837	9,257
Series 2011A-1/A-2 Bonds ⁽¹⁴⁾	3,294	3,751	4,223	4,273	4,321
Series 2010B Bonds ⁽¹⁵⁾	7,813	7,813	7,813	7,813	7,813
2010 Installment Sale Agreement ⁽¹³⁾	8,757	1,885	1,984	2,079	0
1997 State Loan #3 ⁽¹³⁾⁽¹⁶⁾	227	227	227	227	0
Prior Reimbursement Agreements	0	0	0	0	0
Total Parity Obligation Debt Service	<u>\$ 24,614</u>	<u>\$ 24,814</u>	<u>\$ 25,385</u>	<u>\$ 25,530</u>	<u>\$ 26,692</u>
PARITY OBLIGATION COVERAGE⁽¹⁷⁾	4.2x	4.3x	4.3x	4.4x	4.3x
Revenues Available For Subordinate Debt Service	\$ 79,289	\$ 82,252	\$ 84,265	\$ 87,043	\$ 88,404
SUBORDINATE OBLIGATION DEBT SERVICE⁽¹²⁾					
Swap Payments ⁽¹⁸⁾	\$ 6,110	\$ 5,395	\$ 4,940	\$ 2,280	\$ 2,292
State Loans and SCWD Debt ⁽¹³⁾	308	308	308	308	308
Total Subordinate Obligation Debt Service	<u>\$ 6,418</u>	<u>\$ 5,703</u>	<u>\$ 5,248</u>	<u>\$ 2,588</u>	<u>\$ 2,600</u>
Sources of Payment for Ad Valorem					
Assessment Bonds:					
Remaining Revenues	\$ 72,871	\$ 76,549	\$ 79,017	\$ 84,455	\$ 85,804
1% Pledged Property Tax Revenues ⁽¹⁹⁾	3,422	3,672	4,108	4,257	4,217
Ad valorem Assessments ⁽²⁰⁾	4,557	4,672	5,784	5,943	6,087
Total Funds Available for Ad Valorem	\$ 80,850	\$ 84,892	\$ 88,909	\$ 94,655	\$ 96,108
Ad Valorem Assessment Bond Debt Service ⁽²¹⁾	(12,946)	(13,875)	(16,330)	(16,485)	(16,254)
NET REVENUES AVAILABLE FOR OTHER PURPOSES	<u>\$ 67,904</u>	<u>\$ 71,017</u>	<u>\$ 72,578</u>	<u>\$ 78,824</u>	<u>\$ 79,854</u>

(FOOTNOTES ON FOLLOWING PAGE)

- (1) Based on Fiscal Year 2017 budgeted amounts with certain adjustments.
- (2) Projected to increase approximately 3% per annum from Fiscal Year 2017 budgeted amount. See the caption “THE WATER SYSTEM—Projected Water Sales and Service Charge Revenues.”
- (3) Projected to increase approximately 3% per annum from Fiscal Year 2017 budgeted amount. See the caption “THE SEWER SYSTEM—Projected Recycled Water Sales and Sewer Service Charge Revenues.”
- (4) Based on District projections of development.
- (5) Based on existing and expected leases. See the captions “THE IRVINE RANCH WATER DISTRICT—Current Investments” and “THE IRVINE RANCH WATER DISTRICT—Projected Net Real Estate Income.”
- (6) Assumes interest rates increasing from 1.00% in Fiscal Year 2017 to 2.00% in Fiscal Year 2021.
- (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 and grants. Projected to increase approximately 1% per annum from Fiscal Year 2017 budgeted amount.
- (9) Projected to increase approximately 3% per annum from Fiscal Year 2017 budgeted amount. Water services expenses do not reflect any reduction in payments to OCWD as a result of the Complaint that is discussed under the caption “WATER SUPPLY—Groundwater—General.”
- (10) Projected to increase approximately 2% per annum from Fiscal Year 2017 budgeted amount.
- (11) 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, Series 2011A-2 Bonds and Series 2016 Bonds and are not available to pay other Parity Obligations which are not general obligation bonds secured by *ad valorem* assessments.
- (12) Does not reflect the issuance of additional debt to finance future capital improvements. See the caption “FUTURE CAPITAL IMPROVEMENTS.”
- (13) Reflects scheduled debt service.
- (14) Projected at SIFMA rates increasing from 0.80% in Fiscal Year 2017 to 1.75% in Fiscal Year 2021. Assumes that the purchase price of Series 2011A-1 Bonds and Series 2011A-2 Bonds is paid from remarketing proceeds.
- (15) Debt Service net of BAB Credit on Series 2010B Bonds. Reflects announced reductions in BAB Credits. See the caption “—Reduction in BAB Credits.”
- (16) The 1997 State Loan matures in Fiscal Year 2020.
- (17) Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.
- (18) Net swap payments. Assumes LIBOR rate with respect to swaps increasing from 0.45% in Fiscal Year 2017 to 1.00% in Fiscal Year 2021. See the caption “THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Subordinate Debt—Interest Rate Swap Transactions.”
- (19) 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.
- (20) 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, Series 2011A-2 Bonds and Series 2016 Bonds.
- (21) Ad Valorem Assessment Bonds debt projection assumes annual sinking fund payments, SIFMA rates ranging from 0.80% in Fiscal Year 2017 to 1.75% in Fiscal Year 2021 and letter of credit fees equal to 0.39% of principal. Does not include Series 2010B Bonds, Series 2011A-1, Series 2011A-2 Bonds or Series 2016 Bonds, which are Parity Obligations. Assumes \$75 million of new variable rate *ad valorem* assessment bonds issued in Fiscal Year 2019.

Source: The District.

THE IMPROVEMENT DISTRICTS

General

The District contains seven water Improvement Districts and ten 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 areas that 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 to repay 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 *ad valorem* assessments on taxable land and In Lieu Charges (as such term is defined in Appendix C) within Improvement District Nos. 113, 125, 213 and 225. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Covenant to Collect Assessment Proceeds" 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 17. 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 Remarketing 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 Remarketing 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. 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 and commercial properties. 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 Fiscal Year 2016 assessed value of the land in Improvement District No. 125 is \$32,752,414,757. The Fiscal Year 2016 assessed value of the land in Improvement District No. 225 is \$27,557,606,802.

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. 125 for the last three Fiscal Years. 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. 125
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured⁽¹⁾</i>	<i>Total</i>
2014	\$27,277,013,090	\$ 404,065 ⁽²⁾	\$27,277,417,155
2015	29,578,234,550	404,065 ⁽²⁾	29,578,638,615
2016	32,702,471,690	49,943,067	32,752,414,757

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

⁽²⁾ Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Years 2014 and 2015 have been omitted from the table.

Source: California Municipal Statistics, Inc.

The following table presents the assessed valuations of land in Improvement District No. 225 for the last three Fiscal Years. 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. 225
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured⁽¹⁾</i>	<i>Total</i>
2014	\$22,829,136,845	\$ 404,065 ⁽²⁾	\$22,829,540,910
2015	24,757,084,884	404,065 ⁽²⁾	24,757,488,949
2016	27,510,931,539	46,675,263	27,557,606,802

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

⁽²⁾ Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Years 2014 and 2015 have been omitted from 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, 2016:

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

	<i>Fiscal Year 2016 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Rural/Undeveloped	\$ 173,490,512	0.53%	187	0.18%
Commercial/Office	3,008,781,732	9.20	1,437	1.36
Industrial	1,605,919,061	4.91	1,129	1.07
Government/Social/Institutional	7,742,093	0.02	297	0.28
Miscellaneous	<u>15,562,383</u>	<u>0.05</u>	<u>10</u>	<u>0.01</u>
Subtotal Non-Residential	\$ 4,811,495,781	14.71%	3,060	2.89%
Residential:				
Single Family Residence	\$18,994,890,422	58.08%	35,870	33.88%
Condominium	8,294,685,868	25.36	28,869	27.27
2+ Residential Units/Apartments	521,541,832	1.59	225	0.21
Timeshare Interests	<u>79,857,787</u>	<u>0.24</u>	<u>37,847</u>	<u>35.75</u>
Subtotal Residential	\$27,890,975,909	85.29%	102,811	97.11%
Total	<u>\$32,702,471,690</u>	<u>100.00%</u>	<u>105,871</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (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. 225 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2016:

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

	<i>Fiscal Year 2016 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Rural/Undeveloped	\$ 152,285,830	0.55%	165	0.25%
Commercial/Office	2,938,679,309	10.68	1,389	2.08
Industrial	1,593,696,108	5.79	1,106	1.65
Government/Social/Institutional	7,397,890	0.03	284	0.42
Miscellaneous	<u>15,319,968</u>	<u>0.06</u>	<u>10</u>	<u>0.01</u>
Subtotal Non-Residential	\$ 4,707,379,105	17.11%	2,954	4.41%
Residential:				
Single Family Residence	\$ 14,390,372,044	52.31%	35,125	52.48%
Condominium	7,855,847,728	28.56	28,626	42.77
2+ Residential Units/Apartments	<u>557,332,662</u>	<u>2.03</u>	<u>229</u>	<u>0.34</u>
Subtotal Residential	\$ 22,803,552,434	82.89%	63,980	95.59%
Total	<u>\$ 27,510,931,539</u>	<u>100.00%</u>	<u>66,934</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (possessory interests in tax exempt utility property and gas and oil leases).

Source: California Municipal Statistics, Inc.

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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, 2016:

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 2016 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	The Irvine Company	Commercial	\$ 966,865,770	2.96%
2.	Irvine Apartment Communities LP	Apartments	121,562,365	0.37
3.	Heritage Fields El Toro LLC	Commercial	105,243,885	0.32
4.	Olen Property Corp.	Industrial	66,289,205	0.20
5.	ABS CA-O DCI LLC	Commercial	57,398,636	0.18
6.	PPC Irvine Center Investment LLC	Commercial	33,579,157	0.10
7.	Kia Motors America Inc.	Commercial	33,514,293	0.10
8.	Avalon Baker Ranch LP	Undeveloped	32,589,871	0.10
9.	Oakley Inc.	Industrial	31,866,025	0.10
10.	52 Discovery LLC	Commercial	<u>30,599,400</u>	<u>0.09</u>
	TOTAL		<u>\$ 1,479,508,607</u>	<u>4.52%</u>

⁽¹⁾ Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): \$32,702,471,690.
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, 2016:

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 2016 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	The Irvine Company	Commercial	\$ 918,972,451	3.34%
2.	Irvine Apartment Communities LP	Apartments	129,502,530	0.47
3.	Heritage Fields El Toro LLC	Commercial	105,243,885	0.38
4.	Olen Property Corp.	Industrial	66,289,205	0.24
5.	ABS CA-O DCI LLC	Commercial	52,579,741	0.19
6.	PPC Irvine Center Investment LLC	Commercial	33,579,157	0.12
7.	Kia Motors America Inc.	Commercial	33,514,293	0.12
8.	Avalon Baker Ranch LP	Undeveloped	32,589,871	0.12
9.	Oakley Inc.	Industrial	31,866,025	0.12
10.	52 Discovery LLC	Commercial	<u>30,599,400</u>	<u>0.01</u>
	TOTAL		<u>\$ 1,434,736,558</u>	<u>5.11%</u>

⁽¹⁾ Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): \$27,510,931,539.
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 Reports–I.D. 125/225**”) for Improvement District Nos. 125 and 225, respectively, prepared by California Municipal Statistics, Inc. and effective December 31, 2016. The Debt Reports–I.D.

125/225 were 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 Reports–I.D. 125/225 generally include 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 2016 Land Only Assessed Valuation: \$32,752,414,757

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 12/31/16</u>
Metropolitan Water District	2.549%	\$ 2,367,129
Coast Community College District	5.088	25,382,226
Rancho Santiago Community College District	0.976	2,616,196
Laguna Beach Unified School District	14.910	3,890,019
Newport Mesa Unified School District	14.210	31,952,485
Saddleback Valley Unified School District	33.855	39,701,759
Tustin Unified School District School Facilities Improvement District No. 2002-1	4.082	1,962,148
Tustin Unified School District School Facilities Improvement District No. 2008-1	4.221	3,802,488
Tustin Unified School District School Facilities Improvement District No. 2012-1	33.194	9,901,770
Irvine Ranch Water District Improvement District No. 125	100.000	182,346,395⁽²⁾
Irvine Ranch Water District Improvement District No. 225	95.804	222,003,002
Irvine Ranch Water District Improvement District No. 240	99.995	22,615,929
Community Facilities Districts	0.737-100.000	842,015,915
County 1915 Act Bonds	100.000	68,430,000
City 1915 Act Bonds	Various	<u>636,522,829</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,096,933,957
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	12.518%	\$ 9,653,381
Orange County Pension Obligations	12.518	31,766,660
Orange County Board of Education Certificates of Participation	12.518	1,901,484
Coast Community College District General Fund Obligations	5.088	
Orange Unified School District Certificates of Participation and Benefit Obligations	2.039	2,328,352
City of Lake Forest Certificates of Participation	83.336	7,112,728
City of Newport Beach Certificates of Participation	23.199	<u>410,680</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 79,540,108
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)</u>		 \$ 6,138,884
 <u>GROSS COMBINED TOTAL DEBT</u>		 \$2,182,612,949⁽³⁾
<u>NET COMBINED TOTAL DEBT</u>		\$2,182,202,269

Ratios to Fiscal Year 2016 Land Only Assessed Valuation:

Direct Debt (\$182,346,395)0.56%
Total Direct and Overlapping Tax and Assessment Debt.....7.00%

Ratios to Adjusted All Property Assessed Valuation:

Combined Total Debt.....3.83%

Ratios to Redevelopment Incremental Valuation \$(357,495,447):

Total Overlapping Tax Increment Debt.....1.66%

⁽¹⁾ Based on all property assessed valuation of \$62,465,858,066.

⁽²⁾ Improvement District No. 125 was formed by consolidating former Improvement District Nos. 105, 106, 102, 121, 130, 135, 140, 161, 182, 184 and 186. Excludes the Series 2016 Bonds.

⁽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.

TABLE 40
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Direct and Overlapping Debt Statement

Fiscal Year 2016 Land Only Assessed Valuation: \$27,557,606,802

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 12/31/16</u>
Metropolitan Water District	2.207%	\$ 2,049,531
Coast Community College District	0.311	1,551,469
Rancho Santiago Community College District	0.020	53,611
Newport Mesa Unified School District	3.200	7,195,493
Saddleback Valley Unified School District	33.167	38,894,941
Tustin Unified School District School Facilities Improvement District No. 2002-1	5.806	2,790,845
Tustin Unified School District School Facilities Improvement District No. 2008-1	6.004	5,408,703
Tustin Unified School District School Facilities Improvement District No. 2012-1	34.386	10,257,344
Irvine Ranch Water District Improvement District No. 125	82.952	151,259,981
Irvine Ranch Water District Improvement District No. 225	100.000	229,935,424⁽²⁾
Community Facilities Districts	0.737-100.000	821,808,340
County 1915 Act Bonds	2.729	131,947
City 1915 Act Bonds	Various	<u>790,154,783</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,061,492,412
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	10.838%	\$ 9,449,544
Orange County Pension Obligations	10.838	37,753,774
Orange County Board of Education Certificates of Participation	10.838	1,608,359
Coast Community College District General Fund Obligations	0.311	11,709
Orange Unified School District Certificates of Participation and Benefit Obligations	0.041	45,429
City of Lake Forest Certificates of Participation	81.455	6,952,184
City of Newport Beach Certificates of Participation	3.986	<u>4,408,317</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 60,229,316
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)</u>		 \$ 5,928,855
 <u>COMBINED TOTAL DEBT</u>		 \$2,127,650,584⁽³⁾

Ratios to Fiscal Year 2016 Land Only Assessed Valuation:

Direct Debt (\$229,935,424)0.83%
 Total Direct and Overlapping Tax and Assessment Debt.....7.48%

Ratios to Adjusted All Property Assessed Valuation:

Combined Total Debt3.93%

Ratios to Redevelopment Incremental Valuation \$(357,495,447):

Total Overlapping Tax Increment Debt.....1.6%

⁽¹⁾ Based on all property assessed valuation of \$54,086,274,785.

⁽²⁾ Improvement District No. 225 was formed by consolidating former Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286. Excludes Series 2016 Bonds.

⁽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 6,813 dwelling units and approximately 9,500,000 square feet of commercial, institutional and recreational uses.

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, 2013 through June 30, 2017.

TABLE 41
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Assessed Valuations (Land Only)

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Unsecured⁽¹⁾</i>	<i>Total</i>
2013	\$535,648,801	\$720,289	\$536,369,090
2014	561,601,211	637,882	562,239,093
2015	673,958,777	637,562	674,596,339
2016	826,913,605	610,480	827,524,085
2017	884,813,999	577,549	885,391,548

⁽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, 2017:

TABLE 42
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Assessed Valuation and Parcels by Land Use

	<i>Fiscal Year 2017 Assessed Valuation⁽¹⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial	\$ 105,030,137	11.87%	19	0.58%
Government/Social/Institutional	<u>0</u>	<u>0.00</u>	<u>169</u>	<u>5.14</u>
Subtotal Non-Residential	\$ 105,030,137	11.87%	188	5.72%
Residential:				
Single Family Residence	\$ 394,790,914	44.62%	1,299	39.52%
Condominium/Townhouse	327,962,967	37.07	1,389	42.26
Apartments	32,484,014	3.67	3	0.09
Vacant Residential	<u>24,545,967</u>	<u>2.77</u>	<u>408</u>	<u>12.41</u>
Subtotal Residential	\$ 779,783,862	88.13%	3,099	94.28%
Total	<u>\$ 884,813,999</u>	<u>100.00%</u>	<u>3,287</u>	<u>100.00%</u>

⁽¹⁾ Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (possessory interests in 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, 2017:

TABLE 43
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Largest Local Secured Taxpayers

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2017 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	Vestar/Kimco Tustin LP	Commercial	\$ 78,655,930	8.89%
2.	Standard Pacific Corp.	Residential Development	35,412,187	4.00
3.	Legacy Villas LLC	Apartments	32,484,014	3.67
4.	Costco Wholesale Corporation	Commercial	15,032,347	1.70
5.	Lowes HIW Inc.	Commercial	11,151,522	1.26
6.	Calatlantic Group Inc.	Residential Development	6,030,904	0.68
7.	Brookfield Huntley 77 LLC	Residential Development	5,703,574	0.64
8.	Liang Inc.	Residential	1,010,591	0.11
9.	Tat Wa Ng	Residential	980,569	0.11
10.	Sanh Hoa Truong	Residential	<u>839,322</u>	<u>0.09</u>
	TOTAL		<u>\$ 187,300,960</u>	<u>21.15%</u>

⁽¹⁾ Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): \$884,813,999.

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. 113/213**”) for Improvement District No. 113 and Improvement District No. 213 prepared by California Municipal Statistics, Inc. and effective December 31, 2016. 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 44
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Direct and Overlapping Debt Statement

Fiscal Year 2017 Land Only Assessed Valuation: \$885,391,548

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 12/31/16</u>
Metropolitan Water District	0.074%	\$ 68,904
Rancho Santiago Community College District	0.100	258,097
Rancho Santiago Community College District School Facilities Improvement District No. 1	0.191	108,918
Irvine Unified School District School Facilities Improvement District	1.059	1,006,050
Santa Ana Unified School District	0.236	626,604
Tustin Unified School District School Facilities Improvement District No. 2002-1	6.138	2,904,160
Tustin Unified School District School Facilities Improvement District No. 2008-1	3.093	2,732,356
Tustin Unified School District School Facilities Improvement District No. 2012-1	2.102	582,674
Tustin Unified School District Community Facilities District No. 06-1	100.000	15,060,000
City of Irvine Community Facilities District No. 2005-2	99.263	15,489,991
Irvine Ranch Water District Improvement District No. 113	100.000	14,869,920
Irvine Ranch Water District Improvement District No. 213	100.000	24,949,596
City of Tustin Community Facilities District Nos. 04-1, 06-1 and 07-1	60.350-100.000	<u>97,241,645</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$175,898,915

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	0.365%	\$ 314,853
Orange County Pension Obligation Bonds	0.365	877,816
Orange County Board of Education Certificates of Participation	0.365	54,166
Santa Ana Unified School District Certificates of Participation	0.236	<u>148,024</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 1,394,859

<u>OVERLAPPING TAX INCREMENT DEBT</u>		
Tustin Redevelopment Agency Housing Bonds	50.787%	\$ 10,365,627
Tustin Redevelopment Agency Marine Corps Air Station Project	90.409	<u>35,490,053</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$ 45,855,680

COMBINED TOTAL DEBT \$223,149,454⁽³⁾

Ratios to Fiscal Year 2017 Land Only Assessed Valuation:

Direct Debt (\$39,819,516)	4.50%
Total Direct and Overlapping Tax and Assessment Debt.....	19.87%

Ratios to Adjusted All Property Assessed Valuation:

Combined Total Debt	11.64%
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Ratios to Redevelopment Incremental Valuation (\$608,972,603):

Overlapping Tax Increment Debt	7.53%
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⁽¹⁾ Based on all property assessed valuation of \$1,916,833,570.

⁽²⁾ 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 a user fee or charge 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 accordance with Article XIII D and the decision in *Bighorn*, the District has conducted notice and hearing proceedings to comply with requirements of Article XIII D with respect to proposed increases of rates and charges since Fiscal Year 2007. See the captions “THE WATER SYSTEM—Water System Rates and Charges” and “THE SEWER SYSTEM—Sewer System Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (“**SJC**”) upholding tiered water rates under Proposition 218 provided that the rates correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District’s tiered water rates are described under the caption “THE WATER SYSTEM—Water System Rates and Charges.” The District does not currently expect the *SJC* ruling to affect its water rate structure or have a material adverse effect on its financial condition.

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 the caption “—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 has affected 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.

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-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

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 ____ day of _____, 2017.

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/ 00194399/ 011617

January 23, 2017

Prepared and submitted by: K. Burton ^{KLB}

Approved by: Paul Cook *[Signature]*

CONSENT CALENDAR

AMENDMENT NO. 1 TO AMENDED AND RESTATED AGREEMENT FOR OPERATION AND MAINTENANCE OF THE BAKER PIPELINE

SUMMARY:

The Amended and Restated Agreement for Maintenance and Operation of the Baker Pipeline dated July 1, 2007 (Agreement) between the Santiago Aqueduct Commission (Commission) and IRWD expired June 30, 2012. Neither party to the Agreement provided notice of renewal or non-renewal and the terms of the Agreement have been continued in effect by implied mutual consent. Staff recommends that the Board approve and authorize the execution of Amendment No. 1 to Amended and Restated Agreement for Maintenance and Operation of the Baker Pipeline.

BACKGROUND:

In July 2007 the Commission and IRWD entered into the Amended and Restated Agreement for Maintenance and Operation of the Baker Pipeline, which is attached as Exhibit "A". The 2007 Agreement was for a period of five years with the option to be renewed for additional periods of five years by mutual consent. In June 2012 neither party provided notice of renewal or non-renewal and the terms of the Agreement have been continued in effect by implied mutual consent.

Per Section 7 of the Agreement, IRWD has provided notice of its intent to continue to provide the operation and maintenance of the Baker Pipeline to June 30, 2021, unless terminated earlier in accordance with the Amendment. The Amendment continues all terms of the prior Agreement, with modification that the renewal for additional periods of five years shall be automatic unless notice of non-renewal or written notice of a request to modify the terms is provided by either the Commission or IRWD six months in advance of the expiration date. The Amendment is attached as Exhibit "B". On December 15, 2016, the Commission approved and executed the Amendment.

FISCAL IMPACTS:

Operation and maintenance budgets are prepared by IRWD and presented annually to the Commission. IRWD's costs are reimbursed per the terms of the Agreement.

ENVIRONMENTAL COMPLIANCE:

The activity is categorically exempt from the California Environmental Quality Act (CEQA) as authorized under the California Code of Regulations, Title 14, Chapter 3, Section 15301 (class 1) which provides exclusions for operations and maintenance of existing public facilities.

Consent Calendar: Amendment No. 1 to Amended and Restated Agreement for Operation and Maintenance of the Baker Pipeline

January 23, 2017

Page 2

COMMITTEE STATUS:

This item was reviewed by the Engineering and Operations Committee on January 17, 2017.

RECOMMENDATION:

THAT THE BOARD APPROVE AND AUTHORIZE THE EXECUTION OF AMENDMENT NO. 1 TO AMENDED AND RESTATED AGREEMENT FOR MAINTENANCE AND OPERATION OF THE BAKER PIPELINE.

LIST OF EXHIBITS:

Exhibit "A" – Amended and Restated Agreement for Maintenance and Operation of the Baker Pipeline, dated July 1, 2007

Exhibit "B" – Amendment No. 1 to Amended and Restated Agreement for Maintenance and Operation of the Baker Pipeline

EXHIBIT "A"

AMENDED AND RESTATED AGREEMENT FOR MAINTENANCE AND OPERATION OF THE BAKER PIPELINE

This Amended and Restated Agreement is entered into as of and becomes effective on July 1, 2007 by and between SANTIAGO AQUEDUCT COMMISSION ("SAC") and IRVINE RANCH WATER DISTRICT ("IRWD").

WITNESSETH:

WHEREAS, SAC was formed by joint exercise of powers agreement on September 11, 1961 to build, operate and manage the Santiago Aqueduct Pipeline; and

WHEREAS, the Santiago Aqueduct Pipeline has been modified in connection with the construction of the Allen McColloch Pipeline and is now known as the Baker Pipeline; and

WHEREAS, SAC has heretofore contracted with Irvine Ranch Water District ("IRWD") to maintain and operate the Baker Pipeline; and

WHEREAS, SAC and IRWD have been maintaining and operating the Baker Pipeline pursuant to an Agreement for Maintenance and Operation of the Baker Pipeline, as extended by letter of January 17, 2002 evidencing the parties' mutual consent ("Prior Agreement"), which by its terms will expire on June 30, 2007; and

WHEREAS, SAC and IRWD desire to continue to have IRWD provide the maintenance and operation of the Baker Pipeline and desire to amend and restate the Prior Agreement, to become effective when the Prior Agreement expires;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

Section 1. Authority.

SAC shall retain ultimate responsibility and authority for management, operation and maintenance of the Baker Pipeline and shall direct IRWD from time to time with respect to performance of its obligations hereunder.

Section 2. Maintenance and Operation Duties of IRWD.

IRWD shall on behalf of SAC maintain and operate the Baker Pipeline for the benefit of the owners of capacity in the Baker Pipeline.

IRWD shall prepare annual projected maintenance and operation budgets and present such to SAC each April during the term of the Agreement.

IRWD shall prepare and keep proper and appropriate records. Copies of all such reports shall be furnished to SAC.

IRWD shall make periodic bills to SAC for the cost of operation, maintenance and any repair or any capital improvement costing less than \$20,000 as set forth in Section 3 below. Repairs and capital improvements in excess of \$20,000 shall be approved by SAC prior to the expenditure and reimbursement to IRWD.

Section 3. Reimbursement of IRWD Expenses.

SAC shall reimburse IRWD for expenses incurred in rendering the services pursuant to this Agreement as follows:

a. Direct Labor. Direct labor costs shall be paid within thirty (30) days after presentation by IRWD of an invoice setting forth the costs of direct labor, multiplied by a factor of 1.5. The overhead factor shall apply to all direct labor, including administration and management personnel.

b. Materials, Supplies and Equipment. Costs of materials, supplies and equipment use shall be paid within thirty (30) days after presentation by IRWD of an invoice setting forth the cost of materials, supplies and equipment use. Materials and supplies shall be charged to SAC at their actual cost without mark-up added for such materials or supplies. Equipment use shall be charged to SAC at actual cost including G&A.

c. Administration Services. In addition to the overhead factor applied to direct labor there shall be paid to IRWD, for administrative services, an amount to be agreed upon by the General Managers for SAC and IRWD, which payment shall be a fixed amount paid monthly and included in the budgets for the respective agencies.

Section 4. Responsibility/Liability.

IRWD and SAC promise and agree that they will, to the fullest extent permitted by law, at all times defend, indemnify and hold harmless each other and their officers, agents, directors, servants and employees, jointly and severally, against all claims, injuries, damages, demands, liability or expense, of whatever nature, sustained by the other as result of or arising out of the negligent or intentional acts, errors or omissions of the other in the performance of this Agreement.

Section 5. Relationship.

It is agreed that the relationship of IRWD to SAC is that of an independent contractor, and that in no event shall IRWD or its employees be deemed to be agents, officers or employees of SAC.

Section 6. Attorney's Fees.

In the event an action is commenced by any party to this Agreement to enforce or construe its rights, the party prevailing in such action, in addition to any other relief and recovery awarded by the court, shall be entitled to recover all taxable costs plus a reasonable amount of attorney's fees.

Section 7. Term and Termination of Services.

The maintenance and operation of the Baker Pipeline provided for in this Agreement shall commence as of the 1st day of July 2007 and shall terminate on the 30th day of June 2012, unless terminated earlier in accordance with this Agreement. This Agreement may be renewed for additional periods of five (5) years by mutual consent of

the parties on like terms or as otherwise agreed. Notice of renewal or non-renewal shall be given six (6) months in advance of the expiration date of the original term or any extension of the term of this Agreement.

This agreement may be terminated by either party upon ninety (90) days written notice to the other party. Also, this Agreement may be terminated for cause by either party upon thirty (30) days written notice; however either party may remedy the cause of termination and in such instance this Agreement shall remain in existence for the remainder of its specified term.

Section 8. Notices.

Any notice or instrument required to be given or delivered may be given or delivered by depositing the same in any United States Post Office registered or certified, postage prepaid, addressed to:

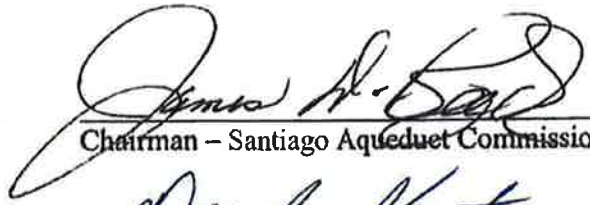
Santiago Aqueduct Commission
15600 Sand Canyon Avenue
Irvine, CA 92618
Attn: General Manager


Irvine Ranch Water District
15600 Sand Canyon Avenue
Irvine, CA 92618
Attn: General Manager

Or such other address as a party may designate by notice to the other part in the manner provided herein.

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Agreement, and it is entered into and becomes effective on July 1, 2007.

Dated: 2-8-07


Chairman - Santiago Aqueduct Commission



Secretary - Santiago Aqueduct Commission

APPROVED AS TO FORM:

Stradling, Yocca, Carlson and Rauth
Legal Counsel for Santiago Aqueduct
Commission



Dated: 1-30-07


President
IRVINE RANCH WATER DISTRICT
and the Board of Directors thereof


Secretary
IRVINE RANCH WATER DISTRICT
and the Board of Directors thereof

APPROVED AS TO FORM:

BOWIE, ARNESON,
WILES & GIANONE
Legal Counsel - IRWD

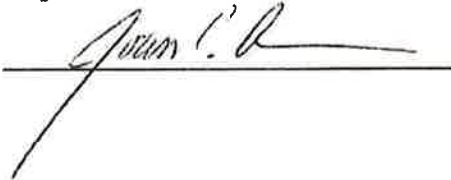


EXHIBIT "B"

**AMENDMENT NO. 1
TO
AMENDED AND RESTATED
AGREEMENT FOR MAINTENANCE AND
OPERATION OF THE BAKER PIPELINE**

This Amendment No. 1 to Amended and Restated Agreement For Maintenance and Operation of the Baker Pipeline (this "Amendment") is entered into as of and become effective on _____, 2016, by and between SANTIAGO AQUEDUCT COMMISSION ("SAC") and IRVINE RANCH WATER DISTRICT ("IRWD") (each, a "Party" and together, the "Parties").

W I T N E S S E T H:

WHEREAS, the Parties have entered into the Amended and Restated Agreement For Maintenance and Operation of the Baker Pipeline, dated as of July 1, 2007 (the "O&M Agreement"); and

WHEREAS, the O&M Agreement provided for termination thereof on the 30th day of June 2012, and provided that the term may be renewed for additional periods of five (5) years by mutual consent of the parties on like terms or as otherwise agreed; and

WHEREAS, following the termination date of June 30, 2012, the term of the O&M Agreement has been continued in effect by the mutual consent of the Parties pending the preparation of an amendment or new agreement to extend the term; and

WHEREAS, SAC desires to continue to have IRWD provide the maintenance and operation of the Baker Pipeline as provided in the O&M Agreement and IRWD desires to continue providing such operation and maintenance;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

Section 1. Extension of Term.

Section 7 of the O&M Agreement is deleted in its entirety and amended to read as follows:

“Section 7. Term and Termination of Services.

a. Expiration. The term of the O&M Agreement shall continue until June 30, 2021, subject to renewal and non-renewal as provided in paragraph b of this Section, unless terminated earlier pursuant to paragraph c of this Section.

b. Renewal. The O&M Agreement may be renewed for additional periods of five (5) years. Renewal shall be automatic unless written notice of non-renewal or written notice of a Party’s request to modify the terms and provisions of the O&M Agreement, shall be given by either of the Parties six (6) months in advance of the expiration date of the term set forth in paragraph a hereof or any renewal term

c. Termination. The O&M Agreement may be terminated by either Party upon ninety (90) days written notice to the other Party. In addition, the O&M Agreement may be terminated for cause by either Party upon thirty (30) days written notice; however either Party may remedy the cause of termination and in such instance the O&M Agreement shall remain in effect.”

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to be effective on the date first referenced above.

[signatures on following page]

Dated: 12/15/16


Chairman – Santiago Aqueduct Commission


Secretary – Santiago Aqueduct Commission

APPROVED AS TO FORM:

Stradling, Yocca, Carlson and Rauth
Legal Counsel for Santiago Aqueduct
Commission



Dated: 12/15/16

President
IRVINE RANCH WATER DISTRICT
and the Board of Directors thereof

Secretary
IRVINE RANCH WATER DISTRICT
and the Board of Directors thereof

APPROVED AS TO FORM:

BOWIE, ARNESON,
WILES & GIANONE
Legal Counsel - IRWD

January 23 2017

Prepared by: C. Spangenberg/M. Cortez

Submitted by: K. Burton *K.B.*

Approved by: Paul Cook */C.*

CONSENT CALENDAR

DYER ROAD WELLFIELD WELL 7 AND IRVINE DESALTER PROJECT WELL 107 REHABILITATION CONSTRUCTION AWARD

SUMMARY:

Dyer Road Wellfield (DRWF) Well 7 and Irvine Desalter Project (IDP) Well 107 have experienced decreased production over the years and need to be rehabilitated. Staff recommends that the Board authorize the General Manager to execute a construction contract with Best Drilling and Pump in the amount of \$886,835 for the rehabilitation of both DRWF Well 7 and IDP Well 107.

BACKGROUND:

Two IRWD wells, DRWF Well 7 and IDP Well 107, require immediate rehabilitation in order to improve their hydraulic performance. DRWF Well 7 was constructed in 1992 with copper bearing steel as the casing material. The specific capacity of DRWF Well 7 has decreased from 48 gallons per minute per foot (gpm/foot) of drawdown to the current specific capacity of 11.2 gpm/foot. A recent video survey has shown that the casing louvers have become plugged. The well was taken out of service in February 2016.

IDP Well 107 was constructed in 2012 and is one of five wells that provide a source of raw water to the IDP. The casing material is 316 stainless steel. Like DRWF Well 7, the specific capacity of Well 107 has decreased over time. This well is located within the Irvine Sub-Basin where wells typically experience extensive bio-growth due to iron-related bacteria that result in plugging of the louvers. In addition, the sanding rate has increased fivefold since the well was constructed resulting in significant plugging and an increase in cartridge filter replacement at the Irvine Desalter membrane facility. The well completion summary report reflected that the well's original specific capacity of 8.7 gpm/foot has decreased to 4.2 gpm/foot. The average flow rate for Well 107 last year was approximately 759 gpm; the current pumping rate has dropped to 588 gpm. A location map showing both wells is attached as Exhibit "A".

Construction Award:

In September 2016, IRWD retained Richard C. Slade & Associates to provide design services for the rehabilitation of the two wells. Richard C. Slade & Associates completed the rehabilitation design in December 2016, and the project was advertised for construction to a select list of four contractors. The bid opening was held on January 12, 2017; two bids in the amounts of \$886,835 and \$912,203 were received. Two of the invited contractors declined to bid citing their lack of available resources to perform the work. Best Drilling and Pump was the apparent low bidder with a bid amount of \$886,835. The engineer's estimate was \$958,100. The bid summary is attached as Exhibit "B".

FISCAL IMPACTS:

DRWF Well 7 and IDP Well 107 Rehabilitation, Projects 7093 and 7589, are included in the FY 2016-17 Capital Budget and the existing budgets are sufficient to fund the construction phase of the projects.

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 with the Orange County Clerk Recorder on September 27, 2016.

COMMITTEE STATUS:

Construction awards are not routinely taken to Committee prior to submittal to the Board.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH BEST DRILLING AND PUMP IN THE AMOUNT OF \$886,835 FOR THE DYER ROAD WELLFIELD WELL 7 AND IRVINE DESALTER PROJECT WELL 107 REHABILITATION, PROJECTS 7093 AND 7589.

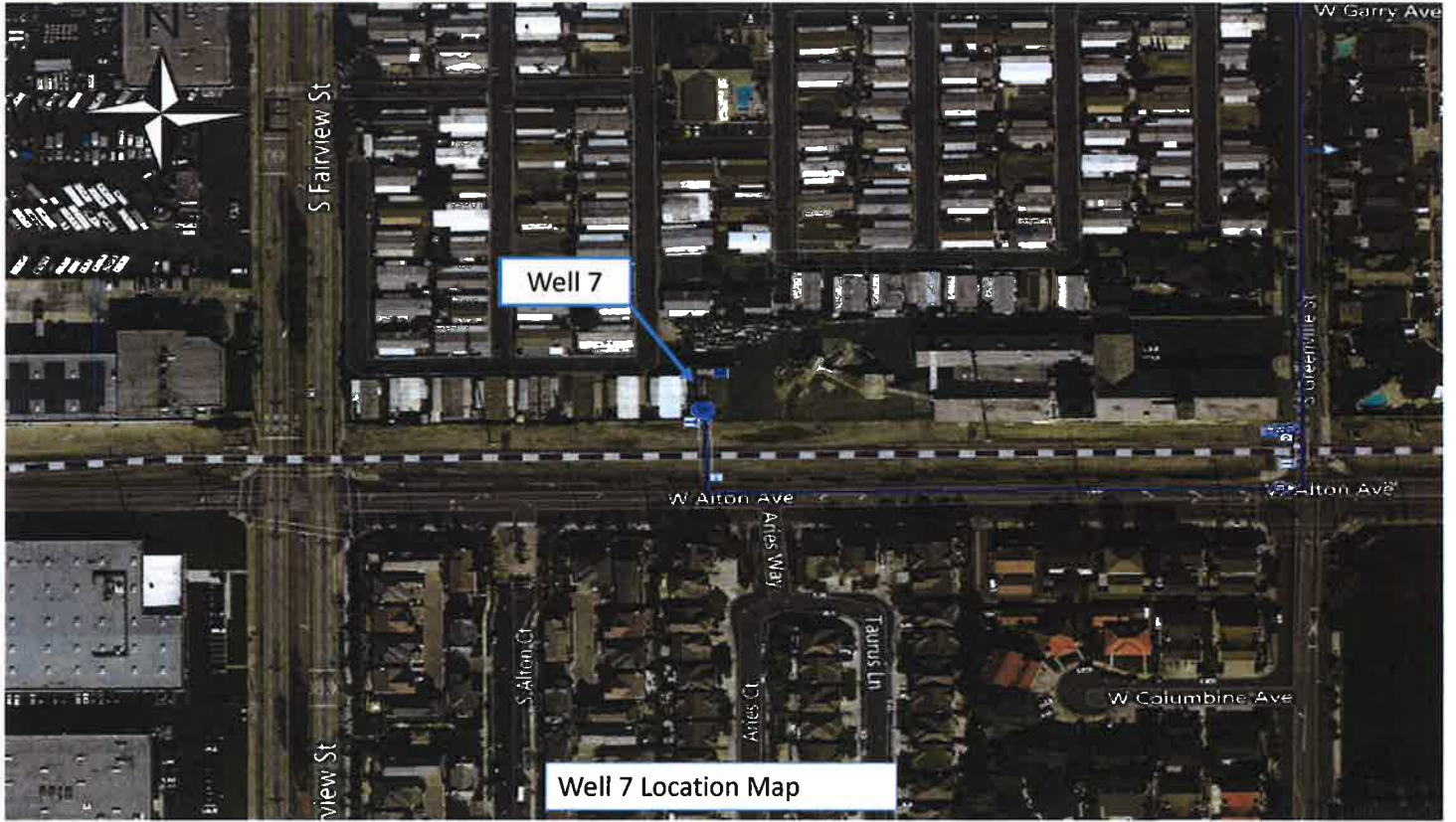
LIST OF EXHIBITS:

Exhibit "A" – Location Map
Exhibit "B" – Bid Summary

EXHIBIT "A"

1/16/2017

Maplet Print Preview



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1/1



Bid Opening: Thursday, January 12, 2017
@ 2:00 p.m.

EXHIBIT "B"
Irvin For
DRWf well no. 7 and Irvine Desalter Project
Well No. 107 Rehabilitation
PR 7093 AND 7589, Code 6925

Entered By: L. Gates

Item No.	Description	Qty	Unit	Engineer's Estimate		1 Best Drilling and Pump, Inc. Colton, CA		2 Bakersfield Well & Pump Co. Bakersfield, CA		3	
				Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount
A-1	Mobilization/Demobilization of pump rig, equipment and accessories. Prepare contract documents and other preliminary work, procure NPDES permit from RWQCB, Santa Ana Region and prepare site as specified.	1	LS	\$50,000.00	\$50,000.00	\$42,000.00	\$42,000.00	\$30,000.00	\$30,000.00		\$0.00
A-2	Disconnect motor from electrical system, remove discharge header, pipe, motor column pipe, submersible pump, couplings, electrical cable and all other appurtenances and sound well. Deliver pump and discharge header to DISTRICT storage facility. Retain and protect column pipe from damage for pump re-installation task.	1	LS	\$10,000.00	\$10,000.00	\$7,500.00	\$7,500.00	\$15,000.00	\$15,000.00		
A-3	Install and maintain sound barriers (walls) and conduct other sound mitigation measure, as necessary.	300	LF	\$150.00	\$45,000.00	\$70.00	\$21,000.00	\$250.00	\$75,000.00		\$0.00
A-4	Brush well casing with a stiff nylon and/or steel brush. Bail sediment following brushing.	20	HRS	\$450.00	\$9,000.00	\$400.00	\$8,000.00	\$450.00	\$9,000.00		\$0.00
A-5	Perform Casing Inspection Thickness Measurement (CITM) survey of well casing.	1	LS	\$9,000.00	\$9,000.00	\$8,500.00	\$8,500.00	\$9,500.00	\$9,500.00		\$0.00
A-6	Conduct initial well development using "air-jetting" methods, via the AirBurst™ or BoreBlast™ methods.	1	LS	\$15,000.00	\$15,000.00	\$17,500.00	\$17,500.00	\$15,500.00	\$15,500.00		\$0.00
A-7	Perform chemical treatment of well water using HercChemTech chemical treatment plan, as specified.	1	LS	\$66,000.00	\$66,000.00	\$90,000.00	\$90,000.00	\$62,380.00	\$62,380.00		\$0.00
A-8	Conduct gyroscopic and caliper surveys of the well casing, install a Type 304L Stainless Steel liner with wire-wrapped screen and gravel pack and consolidate the gravel via the AirBurst® or other acceptable (to the DISTRICT) method. (This is a deletable bid item)	1	LS	\$200,000.00	\$200,000.00	\$190,000.00	\$190,000.00	\$186,893.00	\$186,893.00		\$0.00
A-9	Perform mechanical development (airlifting and swabbing) of the well.	60	HRS	\$500.00	\$30,000.00	\$550.00	\$33,000.00	\$450.00	\$27,000.00		\$0.00
A-10	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		\$0.00
A-11	Clear water column and provide up to three downwell interim, clear-viewing, color video surveys of well casing as specified.	3	EA	\$1,200.00	\$3,600.00	\$1,200.00	\$3,600.00	\$2,500.00	\$7,500.00		\$0.00
A-12	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	\$20,000.00	\$20,000.00	\$17,500.00	\$17,500.00	\$15,000.00	\$15,000.00		\$0.00

				Engineer's Estimate		1 Best Drilling and Pump, Inc. Colton, CA		2 Bakersfield Well & Pump Co. Bakersfield, CA		3	
Item No.	Description	Qty	Unit	Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount
A-13	Perform pumping development of the well including monitoring of water levels, pumping rates, and sand content, as specified.	48	HRS	\$450.00	\$21,600.00	\$400.00	\$19,200.00	\$350.00	\$16,800.00		\$0.00
A-14A	Perform a step drawdown test including monitoring of water levels, pumping rates, and sand content, as specified.	12	HRS	\$450.00	\$5,400.00	\$400.00	\$4,800.00	\$350.00	\$4,200.00		\$0.00
A-14B	Perform a minimum 24-hour constant rate pumping (aquifer) test, including monitoring of water levels, pumping rates, and sand content, as specified.	24	HRS	\$450.00	\$10,800.00	\$400.00	\$9,600.00	\$350.00	\$8,400.00		\$0.00
A-15	Perform a flowmeter (spinner) survey under dynamic pumping conditions throughout the perforated sections of the well, as specified.	1	LS	\$6,000.00	\$6,000.00	\$4,200.00	\$4,200.00	\$8,200.00	\$8,200.00		\$0.00
A-16	Conduct depth-specific groundwater sampling at specific depth intervals. Collection, sampling and analysis are to be performed by the DISTRICT.	3	Per Sample	\$500.00	\$1,500.00	\$415.00	\$1,245.00	\$2,000.00	\$6,000.00		\$0.00
A-17A	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	\$1,200.00	\$1,200.00	\$2,500.00	\$2,500.00		\$0.00
A-17B	Conduct a static spinner survey of the well under non-pumping conditions.	1	LS	\$6,000.00	\$6,000.00	\$4,200.00	\$4,200.00	\$8,200.00	\$8,200.00		\$0.00
A-18A	Obtain pump, motor, discharge header, electrical cable from DISTRICT and re-install pump to previous depth prior to removal, as specified.	1	LS	\$15,000.00	\$15,000.00	\$9,500.00	\$9,500.00	\$17,500.00	\$17,500.00		\$0.00
A-18B	Re-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 three (3) consecutive days.	1	LS	\$1,000.00	\$1,000.00	\$2,500.00	\$2,500.00	\$5,000.00	\$5,000.00		\$0.00
A-18C	Allowance for additional costs for parts and/or materials during replacement of permanent pump.	1	Allowance	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00		\$0.00
A-19	Conduct well disinfection and clean-up site, as specified.	1	LS	\$7,000.00	\$7,000.00	\$8,500.00	\$8,500.00	\$1,500.00	\$1,500.00		\$0.00
A-20A	Standby time with <u>active</u> rig and crew as directed by DISTRICT.	16	HRS	\$100.00	\$1,600.00	\$50.00	\$800.00	\$300.00	\$4,800.00		\$0.00
A-20B	Standby time with <u>inactive</u> rig and crew as directed by DISTRICT.	16	HRS	\$100.00	\$1,600.00	\$50.00	\$800.00	\$150.00	\$2,400.00		\$0.00
A-21	Restore site and proximity to pre-existing conditions.	1	LS	\$5,000.00	\$5,000.00	\$10,000.00	\$10,000.00	\$5,500.00	\$5,500.00		\$0.00
SUBTOTAL, Base Bid Schedule A						\$566,300.00		\$540,145.00		\$583,773.00	
B-1	Mobilization/Demobilization of pump rig, equipment and accessories. Prepare contract documents and other preliminary work, procure NPDES permit from RWQCB, Santa Ana Region and prepare site as specified.	1	LS	\$50,000.00	\$50,000.00	\$42,000.00	\$42,000.00	\$30,000.00	\$30,000.00		\$0.00

				Engineer's Estimate		1 Best Drilling and Pump, Inc. Colton, CA		2 Bakersfield Well & Pump Co. Bakersfield, CA		3	
Item No.	Description	Qty	Unit	Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount
B-2	Brush well casing with a stiff nylon and/or steel brush. Bail sediment following brushing and remove strainer from bottom of well.	20	HRS	\$450.00	\$9,000.00	\$400.00	\$8,000.00	\$450.00	\$9,000.00		\$0.00
B-3	Conduct initial well development using "air-jetting" methods, via the AirBurst™ or BoreBlast™ methods.	1	LS	\$15,000.00	\$15,000.00	\$17,500.00	\$17,500.00	\$15,000.00	\$15,000.00		\$0.00
B-4	Perform chemical treatment of well water using HercChemTech chemical treatment plan, as specified.	1	LS	\$125,000.00	\$125,000.00	\$90,000.00	\$90,000.00	\$74,080.00	\$74,080.00		\$0.00
B-5	Perform mechanical development (airlifting and swabbing) of the well.	160	HRS	\$500.00	\$80,000.00	\$550.00	\$88,000.00	\$450.00	\$72,000.00		\$0.00
B-6	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		\$0.00
B-7	Clear water column and provide up to three downwell interim, clear-viewing, color video surveys of well casing as specified.	3	EA	\$1,200.00	\$3,600.00	\$1,200.00	\$3,600.00	\$2,500.00	\$7,500.00		\$0.00
B-8	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	\$20,000.00	\$20,000.00	\$17,500.00	\$17,500.00	\$15,000.00	\$15,000.00		\$0.00
B-9	Perform pumping development of the well including monitoring of water levels, pumping rates, and sand content, as specified.	48	HRS	\$450.00	\$21,600.00	\$400.00	\$19,200.00	\$350.00	\$16,800.00		\$0.00
B-10A	Perform a step drawdown test including monitoring of water levels, pumping rates, and sand content, as specified.	12	HRS	\$450.00	\$5,400.00	\$400.00	\$4,800.00	\$350.00	\$4,200.00		\$0.00
B-10B	Perform a minimum 24-hour constant rate pumping (aquifer) test, including monitoring of water levels, pumping rates, and sand content, as specified.	24	HRS	\$450.00	\$10,800.00	\$400.00	\$9,600.00	\$350.00	\$8,400.00		\$0.00
B-11	Perform a flowmeter (spinner) survey under dynamic pumping conditions throughout the perforated sections of the well, as specified.	1	LS	\$6,000.00	\$6,000.00	\$5,600.00	\$5,600.00	\$7,275.00	\$7,275.00		\$0.00
B-12	Conduct depth-specific groundwater sampling at specific depth intervals. Collection, sampling and analysis are to be performed by the DISTRICT.	6	Per Sample	\$500.00	\$3,000.00	\$415.00	\$2,490.00	\$2,000.00	\$12,000.00		\$0.00
B-13A	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	\$1,200.00	\$1,200.00	\$2,500.00	\$2,500.00		\$0.00
B-13B	Conduct a static spinner survey of the well under non-pumping conditions.	1	LS	\$6,000.00	\$6,000.00	\$5,600.00	\$5,600.00	\$5,675.00	\$5,675.00		\$0.00

				Engineer's Estimate		1 Best Drilling and Pump, Inc. Colton, CA		2 Bakersfield Well & Pump Co. Bakersfield, CA		3	
Item No.	Description	Qty	Unit	Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount	Unit Price	Total Amount
B-14	Conduct well disinfection and clean-up site, as specified.	1	LS	\$7,000.00	\$7,000.00	\$7,500.00	\$7,500.00	\$1,500.00	\$1,500.00		\$0.00
B-15A	Standby time with <u>active</u> rig and crew as directed by DISTRICT.	16	HRS	\$100.00	\$1,600.00	\$50.00	\$800.00	\$350.00	\$5,600.00		\$0.00
B-15B	Standby time with <u>inactive</u> rig and crew as directed by DISTRICT.	16	HRS	\$100.00	\$1,600.00	\$50.00	\$800.00	\$150.00	\$2,400.00		\$0.00
B-16	Restore site and proximity to pre-existing conditions.	1	LS	\$5,000.00	\$5,000.00	\$2,500.00	\$2,500.00	\$5,500.00	\$5,500.00		\$0.00
SUBTOTAL, Base Bid Schedule B					\$391,800.00	\$346,690.00	***	\$329,430.00			
Subtotal, Base Bid Schedules A & B					\$958,100.00	\$886,835.00		\$913,203.00			
Adjustment (+ or -)					\$0.00	\$0.00		\$0.00			\$0.00
TOTAL AMOUNT OF A & B BID					\$958,100.00	\$886,835.00		\$913,203.00			\$0.00
				Item	Manufacturers:		Manufacturers:		Manufacturers:		
					N/A		Roscoe Moss for Casing Liner				
							Premier Silica for Gravel Pack				
***Anomaly with submitted calculation for Schedule B by \$500.00 (submitted \$329,930.00)											
					Subcontractors:		Subcontractors:		Subcontractors:		
					General Pump		HCT, LLC				
							Pacific Survery, LLC				

January 23, 2017

Prepared by: A. McNulty

Submitted by: F. Sanchez/P. Weghorst *PAW*

Approved by: Paul Cook *[Signature]*

CONSENT CALENDAR

MEMORANDUM OF UNDERSTANDING FOR SMART TIMER DISTRIBUTION PROGRAM

SUMMARY:

Staff proposes that IRWD participate with Moulton Niguel Water District (MNWD) and Santa Margarita Water District (SMWD) in implementing a Smart Timer Distribution Program that will be administered by MNWD. This program will benefit IRWD customers who participate in the One-Stop Shop for Water and Energy Efficiency Program which is supported by grant funding. Staff recommends that the Board authorize the General Manager to execute a Memorandum of Understanding (MOU) with MNWD in the amount of \$100,000 to implement the Smart Timer Distribution Program. IRWD's expenditures through the MOU will be reimbursed to IRWD from grant funds.

BACKGROUND:

Over-watering is one of the leading causes of customer over-allocation water use. Smart timers can help customers avoid over-watering by automatically making the appropriate schedule adjustments based on the current weather and season. Staff has been working with MNWD and SMWD in the development of a Smart Timer Distribution Program that will provide residential customers with a smart timer and the assistance of a landscape professional to ensure the devices are correctly programmed. The program would be administered by MNWD and IRWD's participation would be facilitated through an MOU.

Smart Timer Distribution Program:

The Smart Timer Distribution Program will provide IRWD customers who participate in the One-Stop Shop for Water and Energy Efficiency Program with a new smart irrigation timer, a detailed assessment of their landscapes and on-site customer training on how to install and program the smart timer. MNWD has entered into an agreement with Valley Soils, a professional landscape company, to provide the landscape assessments and training. The Rachio smart timer has been selected as the device to be distributed through the program.

Landscape Assessment and Training:

An accurate landscape assessment is vital to the proper setup of a smart timer. Participating customers will receive a landscape assessment conducted by Valley Soils to confirm that the customer's irrigation system is functional, to ensure adequate Wi-Fi is available and to collect all information necessary to program the smart timer. Valley Soils will also provide training to customers on how to program and operate the controller. If customers choose to not install the devices themselves, they will have the option to pay the contractor a fixed price for installation.

The inclusion of customer education, site-specific details and professional support will give customers a superior understanding of their new smart timers, thereby ensuring continued use and associated water savings.

Smart Timer Device:

The Rachio smart timer has been selected for the Smart Timer Distribution Program. Each smart timer provides information on anticipated run times and total gallons of water used, and allows customer control of the system from a smart phone. The Rachio device's features are illustrated in Exhibit "A".

Rachio smart timers also provide utility dashboards. The dashboards may be utilized by District staff to verify that all smart timers have been installed and are online. The utility dashboards will also allow staff to view participating customer irrigation usage. All IRWD customers must consent to staff viewing the data from their smart timers as a condition of program participation. The Customer Participation Agreement is attached as Exhibit "B".

Memorandum of Understanding:

The MOU with MNWD is attached as Exhibit "C" which defines the terms of IRWD's participation in the program, including the District's proposed funding commitment of \$100,000. The terms clarify that MNWD will pay contractors for work completed for IRWD customers who are participating in the Smart Time Distribution Program. MNWD will then invoice IRWD for the work. The MOU provides IRWD flexibility in establishing the terms for customer eligibility considering criteria such as size of landscape thresholds, size of turf areas or prior program participation requirements.

Grant Funding:

Within IRWD's service area, the program will be incorporated into the One-Stop Shop for Water and Energy Efficiency Program that relies on funding from the California Department of Water Resources (DWR) Water-Energy Grant which was awarded to IRWD in 2015. Staff plans to perform a random 10% onsite installation verification and conduct customer satisfaction surveys regarding the program. Depending on customer response, the program may be modified or expanded based on the availability of remaining grant funding and Board approval.

FISCAL IMPACTS:

Funding for the Smart Timer Distribution Program is included in the FY 2016-17 Operating Budget. IRWD will be reimbursed through the DWR Water-Energy Grant for payments paid to MNWD for its contractor's work in supporting IRWD customers participating in the program.

ENVIRONMENTAL COMPLIANCE:

This program 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 Water Resources Policy and Communications Committee on January 12, 2017.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE MEMORANDUM OF UNDERSTANDING BETWEEN IRWD AND MOULTON NIGUEL WATER DISTRICT FOR THE SMART TIMER DISTRIBUTION PROGRAM THAT COMMITS FUNDING IN THE AMOUNT OF \$100,000 WHICH WILL BE REIMBURSED TO IRWD THROUGH THE WATER-ENERGY GRANT WITH THE CALIFORNIA DEPARTMENT OF WATER RESOURCES.

LIST OF EXHIBITS:

Exhibit "A" – Rachio Product Features

Exhibit "B" – Customer Participation Agreement

Exhibit "C" – Memorandum of Understanding for the Smart Timer Distribution Program

EXHIBIT "A" RACHIO SMART TIMER FEATURES

The Hardware

Easy Install and setup.

Under 30 minutes with no special tools or expertise required. Quickly connect to your home's Wi-Fi.

Replaces almost any controller.

Works with your current sprinkler system, up to 16 zones.

Water directly from controller.

Run zones right from controller. Manual access allows for local control.

Make It waterproof.

Our optional outdoor enclosure protects your controller in all weather situations. Hardwire option included.

[Full Hardware Specs](#)



The App

Remote control.

Start, stop, and change your sprinklers from your phone or computer.

Real-time notifications.

The Rachio apps will let you know what's happening with your yard, from rain delays to faulty valves.

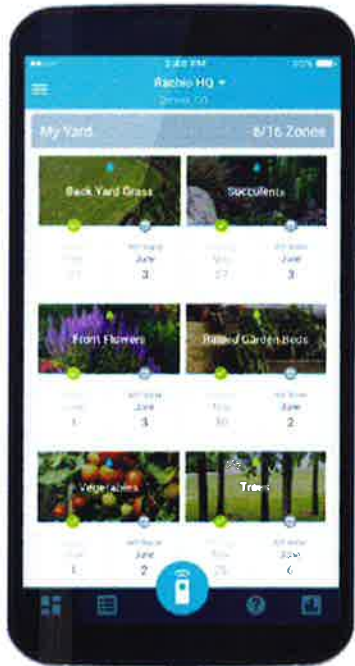
Detailed water usage reporting.

Know how much water you're using in your yard.

Share access with others.

Option to share full or limited access with your irrigation professional.

[Preview the App](#)



Scheduling

Customized for Each Zone

Get a tailored schedule based on specific plant types, soil types, nozzles and sun exposure.

Any Schedule You Want

Specify times and dates for when your schedules should run.

Eliminate Runoff

Smart Cycle breaks up your schedule into smaller periods to maximize soil absorption rate.

Certified and Tested

EPA WaterSense Certified and SWAT tested, Rachio is proven to save water while keeping your plants healthy.



Weather

Never Water in the Rain

Rachio connects to a network of thousands of weather stations to get the latest weather.

Forecasted Rain Skipping

Automatically skips watering due to forecasted rain, instead of just reacting to real-time rain.

Cold Weather Delays

Automatically skips watering due to low temperatures.

Weather Intelligence™

Waters automatically based on past, present, and future weather, plus seasonal adjustments. No need to worry about updating schedules.



EXHIBIT "B"

Customer Participation Agreement

Water District

Smart Timer Distribution Program

The Smart Timer Distribution Program ("Program") is a partnership between the _____ Water District ("District") and the Moulton Niguel Water District. The District and Moulton Niguel Water District are sometimes referred to as "Agencies" or "Agency." The goal of the Program is to provide customers with a simple, time-saving approach to Smart Timer installation and achieve measurable water savings. Customers receive: (i) an irrigation system audit, (ii) up to two Smart Timers, (iii) the option to self-install or receive installation of the Smart Timer(s) (iv) programming instruction by a landscape professional ("Contractor") or a landscape professional of his/her own choosing, and (v) training on the operation and maintenance of the device(s). The audit, programming instruction and training will be provided by a Contractor selected for the Program by the District. Applicant will have the option to hire Contractor to install the Smart Timer(s) at a price that has been negotiated by District, to hire a landscape professional of his/her own choosing, or to self-install. The anticipated benefits of this Program are reduced water use, improved irrigation efficiency, and money savings on the water bills.

Program Eligibility Requirements Applicants are required to meet certain criteria in order to participate in the Program. Eligibility requirements will include, but are not necessarily limited to, the following, as determined from time to time in the sole discretion of the Agencies:

1. Applicant must be a residential customer of District in good financial standing. (No delinquencies on District bills in the last 12 months.)
2. Applicant must own the home located at the service address requesting the Smart Timer.
3. Applicant must not have received a prior rebate for turf removal, synthetic turf, or Smart Timers.
4. Applicant must currently have an existing in-ground irrigation system and non-weather-based automatic sprinkler timer installed at the property.
5. Applicant must have live irrigated landscape of 2,500 square feet or larger (subject to change by District).
6. Applicant must have used a minimum of 15 billing units (BU's) on average (1 billing unit = 100 cubic feet of water) per month for the previous 12 months (subject to change by District).
7. Applicant is limited to 2 Smart Timers per service address.

8. Applicant will be required to be present during the landscape audit when the Contractor will make a determination if Applicant qualifies for the Program and installation of the Smart Timer and also receive instruction and training from Contractor on programming and maintenance of the Smart Timer device. Applicant will have the option to: (i) hire Contractor to install the Smart Timer(s); (ii) self-install; or (iii) hire a third party contractor of his/her own choosing to perform the installation.

9. Applicant must consent to receive a pre-installation irrigation system audit, as well as post-installation verification. (Any Applicant not allowing a post-installation verification will be subject to a reimbursement fee applied to their monthly water bill equal to the cost of the Smart Timer and installation charge.)

10. Applicant shall provide District and Contractor, all as defined herein, with the right of ingress and egress to and from Applicant's property and access to Applicant's property for the pre-installation audit, post-installation verification and access to Applicant's irrigation system including, but not limited to, electrical lines and outlets, Wi-Fi internet access, irrigation lines, valves and sprinkler heads ("Irrigation System").

11. Applicant further consents to monitoring of the Smart Timer(s) through data which is collected and reported back to District. District will have the right to make use of such data for any purpose, subject to District's privacy policy for Smart Timer data collection.

Pre-Installation Irrigation System Audit Prior to installation of the Smart Timer at the service location, Applicant shall allow Contractor to inspect and audit the service location to confirm the site satisfies the minimum eligibility requirement of the Program. Contractor will make a determination in the audit whether the proper installation and operation of the Smart Timer is possible at the service location. Pre-installation procedures are listed below.

1. Applicant will be contacted by Contractor to schedule the irrigation audit of the existing system and installation eligibility of the Smart Timer. At the appointed date and time, Contractor will meet Applicant at Applicant's service address and perform the irrigation audit.

2. If Contractor determines that the property does not qualify for the Program, Applicant will have 60 days to make the necessary repairs and corrections and may then contact Contractor for a follow-up appointment to reconsider the eligibility determination. Site conditions that may prevent participation in the Program include, but are not limited to, broken irrigation lines, broken sprinkler heads, broken nozzles, broken valves, or the absence of Wi-Fi.

Eligibility for Smart Timer If the irrigation system audit concludes that Applicant is eligible for a Smart Timer, then Applicant will be required to acknowledge his or her approval of the terms of the Program in writing and Contractor will provide the following:

1. At the request of Applicant, Contractor will perform the installation of the smart timer(s) for the fee of ___ to be paid by the customer either at the time of application or the time of the audit.
2. Certain Smart Timers require an enclosure if placed outdoors. If the wiring and outlet for the timer is outdoors, an enclosure will be provided by Contractor.
3. The Agencies will not pay for, nor be responsible for, sub-standard work. District's Conservation staff will perform quality control inspections after Smart Timers are installed and programmed to insure proper installation and programming.
4. Contractor will provide training to Applicant on how to program and maintain the Smart Timer. Contractor will leave with Applicant a copy of manufacturers' warranty documentation, user manual for the Smart Timer, phone number for technical assistance and/or product malfunction.
5. Applicant agrees to operate and maintain the Smart Timer for at least 4 years or reimburse District the full amount of the device. Proper use of the Smart Timer requires the device to be connected to the Internet at all times via a Wi-Fi connection provided by Applicant and Applicant consents to the collection of data from the Smart Timer by District. Said reimbursement may be made by adding the amounts due and owing to Applicant's account with the District. [Proper use of the Smart Timer requires the device to be connected to the Internet at all times via a Wi-Fi connection provided by Applicant and Applicant consents to the collection of data from the Smart Timer by District for a period of 4 years. Upon expiration of said 4-year period, Applicant's consent will be required for further collection of data.](#)

Applicant Responsibility

1. Participation in the Program is voluntary. Regular supervision of landscape water use or the day-to-day operation of the installed equipment remains the responsibility of Applicant.
2. The Smart Timer will be programmed with default or estimated scheduling criteria based on a professional assessment of the existing landscape. To ensure appropriate water is applied to the landscape, Applicant is responsible for fine-tuning and adjusting all Smart Timer scheduling criteria including but not limited to: plant type, climate exposure, soil type, root depth, precipitation rate, irrigation efficiency, and degree of slope.
3. Upon installation, ownership and operation of the new Smart Timer and all peripheral equipment becomes the responsibility of Applicant. The controller(s), replaced by the Smart Timer(s), along with any and all existing mounting components will remain with Applicant. Applicant will be responsible for properly disposing of the removed materials.

Agreement By signing below and participating in the Program, you ("Applicant") agree to all of the terms in this Customer Participation Agreement and applicable policies and documents of the Agencies which apply to this Program, as said materials may be revised from time to time.

1. You agree that any and all equipment, including the Smart Timer(s), ("Equipment"), which you obtain through the Program, shall be deemed to be solely owned by you and are not the Agencies' property. The Agencies do not make any representation or warranty as to the condition or performance of the Equipment.
2. You agree that you are solely responsible for the proper installation, operation, maintenance and repair of your irrigation system and the Equipment received through this Program. You agree that it will be your responsibility to contact the product manufacturer, distributor or installer for any assistance or regarding any defect, failure of performance or warranty.
3. You understand that you are solely liable for any damage to you and your property and any other person(s) or property(ies) which may be caused by the installation, maintenance, operation or repair, improvement, alteration or use of the Equipment.
4. You agree that the Agencies have no liability associated with your voluntary participation in this Program.
5. You understand that the Agencies do not endorse, recommend or make any representations as to specific brands, products, contractors or dealers nor do they guarantee material or workmanship.
6. You agree to waive and release the Agencies and their respective officers, agents and employees from, and agree to indemnify, defend and hold the Agencies and their respective officers, agents and employees harmless from, any and all claims and causes of action, damages, injuries or other liabilities related to or arising out of the installation, improvement, alteration, use, maintenance or repair of the Equipment distributed as part of this Program, or any other activities in connection with this Program. Such indemnification may include, for example and not by way of limitation, alleged liability or damages in connection with you or third parties. You acknowledge that you may wish to consult an attorney in regard to the terms of this Agreement and that your participation and execution of this Agreement are completely voluntary.
7. You agree that it is your responsibility to keep the Smart Timer(s) connected to the Internet via a local Wi-Fi network and that District has the right to collect and use data from the Smart Timer(s).
8. You understand that the Contractor has been selected to conduct the audit for Agencies and any use of the Contractor for installation is at your sole risk and expense. Agencies are not responsible for the acts of Contractor or its personnel while present on your property.

Name of Applicant: _____

Service Address: _____

Account Number: _____

Signature: _____

Date: _____

EXHIBIT "C"

Memorandum of Understanding

Moulton Niguel Water District ("MNWD") and

_____ Water District ("Participant")

Participation In Smart Timer Distribution Program ("Program")

Program:

1. MNWD and Participant hereby enter into this Memorandum of Understanding ("MOU") in order to partner for the sole purpose of extending MNWD's Program to the residential customers within Participant's service area.
2. Implementation of the Program within Participant's service area, funded by Participant, will seek to incentivize the installation and programming of smart irrigation timers ("Smart Timers"), pre-installation irrigation audits and customer training for long term operation of Smart Timers to assist Participant's customers in efficient outdoor water usage. The Program offering period will be from _____, 2016 to _____, 201_.
3. Participant shall notify MNWD by [date TBD] as to the maximum budget ("Maximum Amount") it is willing to commit to participation in the Program which will take into account the number of Participation Agreements submitted to Participant by its customers prior to said deadline. However, if Participant modifies its Maximum Amount for its Participation Agreements after the above-mentioned deadline, Participant shall notify MNWD promptly in writing of any increase or decrease in the Maximum Amount and shall be responsible for any additional payments.
 - a. The maximum budget, not to be exceeded shall be \$_____.
4. A sample Participation Agreement to be used by Participant is attached hereto as Exhibit A. Participant shall decide the eligibility criteria for its customers, which information Participant will provide to MNWD and such criteria will be included by Participant in the Participation Agreement. In no event shall MNWD be responsible for obtaining information from or otherwise implementing the Participation Agreements with Participant's customers, and MNWD's sole source of contact shall be Participant. MNWD and Participant hereby agree to work together and coordinate the implementation of the Program as described in this MOU and as further set forth in applicable MNWD policies and documents ("Informational Materials") as said Informational Materials may be revised from time to time.

5. Nothing in this MOU shall be deemed to be the provision of any service or other activity outside of each party's respective service area, and to the extent the performance of any aspect of this MOU can be considered a "service," California Government Code Section 54981 permits a local agency to contract with another local agency for performance by the latter of municipal services or functions within the territory of the former. The purpose of this MOU is to facilitate implementation of the Program in order to further each party's conservation goals. In addition, in consideration of efficiencies and economies of scale that can be fostered by extending MNWD's Program to Participant and its service area, MNWD desires to enter into this MOU in order to obtain funding and other operational support toward recovery of the cost and requirements for implementation of the Program.

Understandings and Agreements:

1. MNWD's website and a web-based customer and utility portal will be utilized to administer the Program and will include the Informational Materials. MNWD also plans to promote the Program to specific customers through its participation in the California Data Collaborative which is a partnership project with other private and public entities consisting of a study on targeted digital advertising. In addition to the details of the Program set forth in the Informational Materials, the Program is described as follows.
2. The current version of the Program offers a rebate program which is administered by the Municipal Water District of Orange County ("MWDOC") through the SoCal WaterSmart website, with funding provided by MNWD, MWDOC and the Metropolitan Water District of Southern California ("Metropolitan"). Under this current version of the Program, MNWD offers rebates up to \$150 per Smart Timer in addition to the base Metropolitan rebate of \$85, for a maximum of two devices per residential property. Eligible residential properties under the Program must be less than 1 acre in size.
3. MNWD will retain a contractor (the "Contractor") for the purpose of performing pre-installation audits of the landscaping of customers identified to MNWD by Participant. In the event the audit concludes that a participating customer's site qualifies for the Program, the customer will have the following options for installation and programming of the Smart Timer: (a) customer may contract separately with the Contractor for performance of such work; (b) customer may contract separately with an installation contractor of its own choosing for performance of such work; or (c) e customer may perform such work on a do-it-yourself basis. Neither MNWD nor Participant will pay for, nor be responsible for, sub-standard work. The customer

shall be solely responsible for, and/or shall look solely to the Contractor or customer's own contractor, whichever performs installation and programming, for correcting any errors in programming, at no expense to MNWD nor Participant. The Contractor or customer's own contractor, as applicable, will provide training to the customer on how to program and maintain the Smart Timer. The customer must agree to operate and maintain the Smart Timer for at least 4 years or reimburse the Participant the full amount of the device.

4. For every audit which is performed and Smart Timer distributed under the Program, MNWD will invoice Participant, and Participant shall pay the amounts shown in the applicable fee schedule of Contractor or any other amounts which may be in effect as of the date of the applicable invoice as determined by MNWD under the Program. The amount payable by Participant shall not exceed the Maximum Amount set forth in this MOU, provided that Participant has promptly notified MNWD of any change in the Maximum Amount.
5. MNWD will, on a monthly or quarterly basis, as determined by MNWD, prepare a fully documented invoice, stating the amount due for the number of audits performed and devices distributed during the previous period. Participant shall pay each invoice within thirty (30) days from the date of said invoice.
6. Participant will coordinate and participate in the overall administrative oversight of, and foster the multiple-agency participation in, the Program within the Participant's service area. Participant will be responsible for providing information as may be requested by customers.
7. The term of this MOU shall extend from the date of full execution until _____, 20___. This MOU shall remain in effect during the term unless earlier terminated under the following procedures:
 - (a) If either party believes that the other party has failed to perform any obligation of that party in accordance with the terms of this MOU ("Default"), the party alleging the Default shall provide written notice ("Default Notice") to the other party, setting forth the nature of the alleged Default. The party claimed to be in Default shall have: (i) With respect to a Default involving the payment of money, ten (10) days after its receipt of the Default Notice to completely cure such Default; and (ii) With respect to any other type of Default, thirty (30) days from the receipt of the Default Notice to completely cure such Default or, if such Default cannot reasonably be cured within such thirty (30) day period, to commence the cure of such Default within the thirty (30) day period and diligently prosecute the cure to completion thereafter. If the party claimed to be in Default does not cure such Default within the time periods and procedures as

set forth herein, the party alleging Default may then pursue the applicable legal and equitable remedies. In the event such results in termination, the parties will remain obligated to perform and pay for any obligation incurred prior to the effective date of said termination unless otherwise prohibited by law or regulation.

(b) In the event either party determines it is not feasible or permissible to continue to perform this MOU due to legal or regulatory restrictions, either party may terminate this MOU upon ten (10) days prior written notice to the other party. In the event of any such termination, the parties will remain obligated to perform and pay for any obligation incurred prior to the effective date of said termination unless otherwise prohibited by law or regulation.

(c) Either party may terminate this MOU for convenience at any time upon thirty (30) days written notice. In the event of any such termination, the parties will remain obligated to perform and pay for any obligation incurred prior to the effective date of said termination unless otherwise prohibited by law or regulation.

(d) Upon termination of this MOU, MNWD shall immediately stop using any data provided by Participant to MNWD and shall, as directed by Participant, return or destroy such data and certify the destruction of same. In the event Participant exercises its right to terminate its participation in the Program, MNWD will be compensated for costs incurred up to the effective date of such termination. Obligations with respect to confidentiality, use, and destruction of data, indemnification, and payment shall survive the termination of this Agreement.

8. Confidentiality and Usage of Data.

(a) Pursuant to California Government Code Section 6254.5(e), Participant agrees to provide MNWD with Participant's customer names, addresses and account numbers ("Confidential Data") solely for the purpose of allowing Participant's customers to participate in the Program ("Authorized Use"). Confidential Data will remain the property of Participant and its customers. MNWD shall use Confidential Data solely for the Authorized Use. MNWD shall not use Confidential Data for commercial purposes or for any use other than the Authorized Use.

(b) Any confidential information, including Confidential Data, disclosed by the disclosing party (the "Disclosing Party") to the receiving party (the "Receiving Party") shall be treated as confidential and maintained in confidence by the Receiving Party. The Receiving Party shall not disclose any confidential

information of the Disclosing Party except to its own personnel who have a need to know. Without limiting the foregoing, the Receiving Party shall take at least the same steps and use the same methods to prevent the unauthorized use or disclosure of any confidential information of the Disclosing Party as it takes to protect its own confidential or proprietary information.

(c) In the event a public records request is made to the Receiving Party for the Disclosing Party's Confidential Data, or to the Receiving Party for other information obtained from the Disclosing Party, the Receiving Party shall provide notice to the Disclosing Party in order to provide the Disclosing Party with the opportunity to pursue actions as it may deem appropriate for withholding any such records from disclosure.

9. General Provisions

(a) Indemnification Each party ("Indemnitor") hereby agrees to defend, indemnify and hold free and harmless the other party, its officers, employees and agents (collectively, the "Indemnitees") from and against any and all liability, including legal fees, and claims for damages of any nature whatsoever, arising from or connected with Indemnitor's activities under this MOU, including any Worker's Compensation suits, liability, or expense. Indemnitor's duty to indemnify the Indemnitees shall survive the expiration or other termination of this MOU as to any injuries, occurrences or claims occurring or alleged to have occurred prior to its expiration or termination.

(b) Relationship of the Parties Nothing contained in this MOU shall be deemed or construed by the parties or by any third person to create the relationship of principal and agent, or partnership or joint venture, or any association between the parties, and none of the provisions contained in this MOU or any act of the parties shall be deemed to create any relationship other than as specified herein, nor shall this MOU be construed, except as expressly provided herein, to authorize either of the parties to act as the agent for the other.

(c) Notices All notices or other communications to either party by the other will be deemed given when made in writing and delivered or mailed to such party at their respective addresses as follows:

To MNWD:

To Participant:

(d) Incorporation of Recitals The Recitals set forth above are incorporated herein and made an operative part of this MOU.

(e) Complete Agreement This MOU constitutes the entire agreement between the parties, both written and oral, with respect to the subject matter hereof. Any prior agreements respecting the subject matter hereof, written or oral, express or implied, between the parties, are hereby canceled.

[signatures are on the following page]

“MNWD”

MOULTON NIGUEL WATER DISTRICT

By: _____

Title: _____

Date: _____

“PARTICIPANT”

_____ WATER DISTRICT

By: _____

Title: _____

Date: _____

January 23, 2017

Prepared by: A. McNulty

Submitted by: F. Sanchez/P. Weghorst *FW*

Approved by: Paul Cook *PC*

CONSENT CALENDAR

VARIANCE NO. 2 TO AGREEMENT WITH SYNERGY COMPANIES

SUMMARY:

In October 2015, IRWD was awarded a Water-Energy Grant from the California Department of Water Resources (DWR). The grant provides funding for a program that offers customers in single-family homes with the opportunity to upgrade their homes with efficient energy and water fixtures. IRWD has an agreement with Synergy Companies to install indoor water efficient fixtures for the program. An initial pilot phase of the program has been completed that installed water efficient fixtures in a small mobile home park. The next phase of the project will be to install water efficient fixtures in 350 single-family homes in IRWD's service area. Staff recommends that the Board authorize the General Manager to execute Variance No. 2 to the agreement with Synergy Companies in the amount of \$500,000 to fund the next phase of the program. IRWD's expenditures through the Synergy Companies agreement will be fully reimbursed to IRWD by DWR from the grant funds.

BACKGROUND:

A Water-Energy Grant was awarded to IRWD in October 2015 in the amount of \$1,932,621 for the development and implementation of a water and energy efficiency device installation program. Upon receiving the grant, staff has worked in collaboration with Southern California Edison (SCE) and Southern California Gas Company (SoCalGas) in the development of a program that provides customers in single-family homes with the opportunity to upgrade their homes with efficient energy and water fixtures. This program is called the "One-Stop Shop for Water and Energy Efficiency Program".

The grant from DWR is used to reimburse IRWD for the cost of installing toilets, showerheads and faucet aerators. Funding for the energy efficient devices is provided by SCE and SoCalGas. All devices are being installed under contract with Synergy Companies which is a full-service energy management organization that assists in controlling energy demands. IRWD, SCE and SoCalGas maintain separate contracts with Synergy Companies for the installation of utility-specific devices under the program. The program flyer announcing the program to utility customers is included as Exhibit "A".

Agreement with Synergy Companies:

In August 2015, IRWD entered into an agreement with Synergy Companies to install water efficient toilets, showerheads and aerators as a pilot program for customers in a small mobile home park in the District's service area. The Agreement for Non-Consultant Services Between IRWD and Synergy Companies is attached as Exhibit "B". The pilot was successful and the participating customers were satisfied with Synergy's installation work and gave positive feedback on the

program partnership. The next phase of the program will include installing water efficient fixtures in 350 single-family residences for a cost of \$500,000. The remaining grant funding will be used in future water efficient retrofit programs that will be facilitated through additional variances and/or new agreements.

Variance Request:

Variance No. 1 to the agreement with Synergy Companies was executed in October 2016 to extend the program to single-family customers and to accommodate requirements of the DWR grant without increasing costs. Variance No. 2 has been prepared that would increase the program budget by \$500,000 to provide funding for next phase of the program which will include installing water efficient fixtures at 350 single-family homes in IRWD's service area. Staff recommends the Board authorize the General Manager to execute Variance No. 2 which is provided as Exhibit "C".

FISCAL IMPACTS:

Funding for the One-Stop Shop for Water and Energy Efficiency Program is included in the FY 2016-17 Operating Budget. The District will be fully reimbursed for Synergy Companies' efforts through the DWR Water-Energy Grant.

ENVIRONMENTAL COMPLIANCE:

This program 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 Water Resources Policy and Communication Committee on January 12, 2017.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2 TO THE AGREEMENT FOR NON-CONSULTANT SERVICES BETWEEN IRWD AND SYNERGY COMPANIES IN THE AMOUNT OF \$500,000 TO BE REIMBURSED THROUGH THE WATER-ENERGY GRANT WITH THE CALIFORNIA DEPARTMENT OF WATER RESOURCES.

LIST OF EXHIBITS:

Exhibit "A" – One-Stop Shop for Water and Energy Efficiency Program Flyer
Exhibit "B" – Non-Consultant Services Agreement with Synergy Companies
Exhibit "C" – Variance No. 2 to IRWD's Non-Consulting Services Agreement with Synergy Companies

EXHIBIT "A"
We are **Teaming Up**
to help you save **water,**
energy and **money.**

Q: What's **your** part in the **water-energy nexus?**

(Hint: a *nexus* is a series of connections linking two or more things.)

A: It takes energy to heat water,
energy to move water and
energy to clean water.

It takes water to make electricity.

It takes natural gas to make electricity.

Saving water saves energy
and it all starts with **you.**



You have the power to make a big difference
in the **water-energy nexus.**

For details, visit

RightscapeNow.com/nexus

Funding for this One-Stop Shop for Water and Energy Efficiency is provided by:



One-Stop Shop *for* water *and* energy efficiency

To take advantage of this unique opportunity **at no cost to you**,*
visit: **RightscapeNow.com/nexus**



Irvine Ranch Water District can help you...

Replace 3.5 gallons per flush (gpf) toilets with 1.06 gpf or less



Install a smart irrigation timer**



Southern California Edison can help you...

Upgrade to a more efficient pool pump



Replace old, inefficient indoor and/or outdoor lighting



SoCalGas® can help you...

Replace faucet aerators and showerheads
with more energy-efficient models



The Water and Energy Residential Resource Saving Program is funded by a Water-Energy Grant Program: Agreement No. 4600011091 from the State of California Department of Water Resources. This program will continue until funding is exhausted or program is terminated. This program is subject to change without notice. Additional terms and conditions apply.

All other programs are funded by California energy utility customers and administered by Southern California Gas Company (SoCalGas®) and Southern California Edison Company (SCE) under the auspices of the California Public Utilities Commission. Rebates and upgrade incentives are available on a first-come, first-serve basis, until program funds are no longer available. All programs are subject to change without notice. Programs may be modified or terminated without notice. Additional terms and conditions may apply. SoCalGas and SCE are not responsible for any goods or services selected by the customer. The selection, purchase and ownership of goods and services are the sole responsibility of the customer. **SoCalGas, SCE and IRWD make no warranty, whether express or implied, including the warranty of merchantability or fitness for a particular purpose, of goods or services selected by customer.**

This material has been developed and is provided by the Irvine Ranch Water District.

*Certain home improvements may be available at a small fee. **Small optional fee for professional installation.

EXHIBIT "B"

AGREEMENT FOR NON-CONSULTANT SERVICES BETWEEN IRVINE RANCH WATER DISTRICT AND SYNERGY COMPANIES

This AGREEMENT FOR NON-CONSULTANT SERVICES ("Agreement") is made and entered into this 10 day of August, 2015 by and between the IRVINE RANCH WATER DISTRICT, a California Water District formed and existing pursuant to the California Water District Law ("District"), and SYNERGY COMPANIES ("Contractor"), who agree as follows:

1. Agreement. The following documents (if applicable) are incorporated into this Agreement by this reference:

Certificate(s) of Insurance, Endorsements and Payment Bond

In the event of conflict between any of the terms and conditions contained in the above-listed documents and any of the terms and conditions contained in this Agreement, the parties agree that the terms and conditions contained in this Agreement will control.

2. Services. Subject to the terms and conditions set forth in this Agreement, Contractor agrees to provide District the services described in the Scope of Services, attached hereto as Exhibit 1 ("Services"). Contractor must, at its sole cost and expense, furnish all equipment that may be required for furnishing the Services. Contractor will not be compensated for services outside the scope of the Services as described in Exhibit 1, and in the Contractor's proposal, unless prior to the commencement of such out of scope services: (a) Contractor notifies District and District agrees that such services are out of scope services; (b) Contractor estimates the additional compensation required for such out of scope services; and (c) District, after notice, approves in writing a variance in the form attached hereto as Exhibit 6, specifying such out of scope services and amount of compensation for performing those out of scope services. District does not have any obligations whatsoever under this Agreement and/or any variance unless and until this Agreement and/or any variance is approved by the District's General Manager or authorized designee. Specific authorization to proceed with the Services shall be granted in writing by District. Contractor shall not proceed with the Services unless authorized. If it is specified in the Scope of Services as described in Exhibit 1 that the Services are to be performed in phases as authorized, Contractor shall not proceed with any phase unless it is separately authorized.

3. Exhibits. The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

- ___ Exhibit 1 – Scope of Services
- ___ Exhibit 2 – Fee Schedule (including Schedule of Charges for Services)
- ___ Exhibit 3 – Insurance Requirements
- ___ Exhibit 4 – Public Works Requirements
- ___ Exhibit 5 – Special Provisions
- ___ Exhibit 6 – Non-consultant Services Variance

4. Payment. District must pay Contractor for the Services in the manner specified in Exhibit 2. The payments specified in Exhibit 2 are the only payments to be made to Contractor for the services rendered pursuant to this Agreement unless pursuant to Section 1, above, District approves additional compensation for additional services. Contractor must submit all billings for said services to District in the manner specified in Exhibit 2.

5. No Guarantee of Compensation for On-Call Services. If this Agreement is an agreement for “on-call” Services, District makes no guarantee to Contractor as to the amount of Contractor-provided on-call Services will be requested by the District or the amount of compensation that will be provided Contractor pursuant to this Agreement. Under no circumstances, will Contractor or any of its subcontractors be entitled to or compensated for any direct or indirect loss arising from or relating to District’s failure to authorize performance of services under this Agreement. Such direct and indirect loss includes, but is not limited to, loss of expected profits, business overhead, loss of productivity, and loss of opportunity to work on other projects.

6. Standards of Performance. Contractor must perform all Services required pursuant to this Agreement in the manner and according to the standards currently observed by a competent practitioner of Contractor’s industry in California. Contractor must prepare all deliverables provided to District pursuant to this Agreement in a professional manner and conform to the standards of quality normally observed by a person currently practicing in Contractor’s industry, and must be provided in accordance with any schedule of performance specified in Exhibit 1. Contractor must assign only competent personnel to perform Services. Contractor must also devote such time and effort to the performance of Services as is necessary for the satisfactory and timely performance of Contractor’s obligations under this Agreement. Neither party will be deemed in default of this Agreement, to the extent that party’s performance is prevented or delayed by any cause, present or future, that is beyond the reasonable control of that party.

7. Independent Contractor. It is understood and agreed that Contractor (including Contractor’s employees) is an independent contractor and that no relationship of employer-employee exists between the parties hereto for any purpose whatsoever.

Neither Contractor nor Contractor's assigned personnel shall be entitled to any benefits payable to employees of District. District is not required to make any deductions or withholdings from the compensation payable to Contractor under the provisions of this Agreement. It is further understood and agreed by the parties hereto that Contractor, in the performance of its obligations hereunder, is subject to the control and direction of District as to the designation of tasks to be performed and the results to be accomplished under this Agreement, but not as to the means, methods, or sequence used by Contractor for accomplishing such results. To the extent that Contractor obtains permission to, and does, use District facilities, space, equipment or support services in the performance of this Agreement, this use is at the Contractor's sole discretion based on the Contractor's determination that such use will promote Contractor's efficiency and effectiveness. Except as may be specifically provided elsewhere in this Agreement, the District does not require that Contractor use District facilities, equipment or support services or work in District locations in the performance of this Agreement. If, in the performance of this Agreement, any third persons are employed by Contractor, then Contractor must ensure that such persons are entirely and exclusively under Contractor's direction, supervision, and control.

8. Contractor Not Agent of District. Except as District may specify in writing, Contractor and Contractor's personnel do not have authority, express or implied, to act on behalf of District in any capacity whatsoever as an agent. Contractor and Contractor's personnel do not have the authority, express or implied, to bind District to any obligations whatsoever.

9. Conflicts of Interest. Contractor covenants that neither it, nor any officer or principal of its firm, has or will acquire any interest, directly or indirectly, that would conflict in any manner with the interests of District or that would in any way hinder Contractor's performance of the Services. Contractor further covenants that in the performance of this Agreement, no person having any such interest will be employed by Contractor as an officer, employee, agent or subcontractor, without the written consent of District. Contractor agrees to avoid conflicts of interest or the appearance of any conflicts of interest with the interests of District at all times during the performance of this Agreement.

10. Licenses and Permits. Except for any licenses, permits, or approvals which are expressly provided by the Scope of Services to be obtained by the District, Contractor represents and warrants that Contractor has all licenses, permits, qualifications, and approvals that are legally required for Contractor to provide the Services. Contractor represents and warrants that Contractor will, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement any licenses, permits, and

approvals that are legally required for Contractor to provide the Services. Without limiting the generality of the foregoing, if Contractor is an out-of-state corporation, Contractor warrants and represents that it possesses a valid certificate of qualification to transact business in the State of California issued by the California Secretary of State pursuant to Section 2105 of the California Corporations Code.

11. Indemnification. Contractor agrees to defend, hold harmless and indemnify District, its officers and employees, and each and every one of them, from and against any and all actions, damages, costs, liabilities, claims, demands, losses, judgments, penalties, costs and expenses of every type and description, including, but not limited to, any fees and/or costs reasonably attorney fees and any fees and expenses incurred in enforcing this provision (hereafter collectively referred to as "Liabilities"), including but not limited to Liabilities arising from personal injury or death, damage to personal, real or intellectual property or the environment, contractual or other economic damages, or regulatory penalties, arising out of or in any way connected with performance of or failure to perform this Agreement by Contractor, any subcontractor or agent, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, whether or not (i) such Liabilities are caused in part by a party indemnified hereunder or (ii) such Liabilities are litigated, settled or reduced to judgment; provided that the foregoing indemnity does not apply to liability for any damage or expense for death or bodily injury to persons or damage to property to the extent arising from the negligence or willful misconduct of District.

12. Insurance Requirements. During the entire term of this Agreement, Contractor must maintain the insurance coverage described in Exhibit 3.

13. Public Works Requirements. If the Services include "public work" subject to the requirements of the California Labor Code or other applicable statutes (generally, any of the following paid for by the District, with a contract amount of \$1,000 or more: construction work (including inspection and land surveying), alteration work, demolition work, installation work, street or other improvement work, repair work, certain refuse hauling for disposal, and maintenance work other than routine or recurring janitorial or custodial work), Contractor shall comply with the requirements set forth in Exhibit 4, to the extent applicable to any of the Services.

14. Non-Discrimination. Contractor represents and warrants that it has and adheres to a policy of equal opportunity non-discrimination, and non-harassment of all persons regardless of race, religion, color, national origin, ancestry, disability, medical condition, marital status, gender, age, veteran status, or sexual orientation. Such policy must be in conformance with applicable State and Federal guidelines including the California

Government Code "Section 12940(h), 12940(i)," and the Federal Equal Opportunity Clause "Section 60-1.4 of Title 41, Part 60 of the Code of Federal Regulations" and must apply to all employment practices including recruitment, candidate selection, training, compensation, promotion, demotion, and recreation. Contractor will designate a specific person responsible for assuring nondiscrimination and non-harassment as provided in the Agreement. That named individual will be responsible for investigating all complaints directed to him/her by District. District will refer complaints in writing, and investigations will be deemed concluded only upon submission of a written investigation report from the Contractor to the District. The scope of such investigations includes not only officers, employees, and agents of the Contractor, but also all subcontractors, subcontractors, material, men, and suppliers of the Contractor. In cases where such investigation results in a finding of discrimination, harassment, or hostile work environment, Contractor must take prompt, effective disciplinary action against the offender. Failure to take appropriate action may be considered a material breach of the Agreement.

15. Compliance with Laws. In the performance of this Agreement, Contractor must at all times comply with all applicable governmental laws, statutes, ordinances, rules, codes, regulations, orders and other requirements. Upon the District's request, Contractor must provide the District with documentation demonstrating Contractor's compliance with such governmental requirements. After reasonable notice and under reasonable conditions, Contractor agrees that the District has the right to inspect and copy any records of Contractor regarding such compliance. Contractor represents and warrants that neither Contractor nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any government department or agency.

16. Term; Suspension; Termination. This Agreement will become effective on the date that it is approved by both parties, set forth on the first page of the Agreement, and continues in effect until both parties have fully performed their respective obligations under this Agreement, unless sooner terminated as provided herein. District must have the right at any time to temporarily suspend Contractor's performance hereunder, in whole or in part, by giving a written notice of suspension to Contractor. If District gives such notice of suspension, Contractor must immediately suspend its activities under this Agreement, as specified in such notice. District may terminate this Agreement at any time by giving at least 10-days prior written notice of termination to Contractor. If District gives such notice of termination, Contractor must immediately cease rendering Services pursuant to this Agreement. If District terminates this Agreement, Contractor must, no later than five days after such notice of termination, deliver to District all Work Product

prepared pursuant to this Agreement. District must pay Contractor the reasonable value of Services rendered by Contractor prior to termination.

17. Confidentiality of District Information. During performance of this Agreement, Contractor may gain access to and use District information regarding personnel, future plans, business affairs, governmental affairs, processes, trade secrets, security of facilities, customer account information, and other sensitive information (hereafter collectively referred to as "District Information"). Contractor agrees to protect all District Information and treat it as strictly confidential, and further agrees not at any time, either directly or indirectly, to divulge, disclose or communicate in any manner any District Information to any third party without the prior written consent of District. A violation by Contractor of this Section is a material violation of this Agreement and must justify legal and/or equitable relief.

18. Ownership of Work Product. Contractor agrees that District has full ownership and control, including ownership of any copyrights, of all information prepared, produced, or provided by Contractor pursuant to this Agreement ("Work Product"). Contractor is not responsible for any unauthorized modification or use of such Work Product for other than its intended purpose by District. Contractor agrees to fully defend, indemnify and hold harmless District, its officers and employees, and each and every one of them, from and against any and all claims, actions, lawsuits or other proceedings alleging that all or any part of the information prepared, produced, or provided by Contractor pursuant to this Agreement infringes upon any third party's trademark, trade name, copyright, patent or other intellectual property rights.

19. California Public Records Act. All proprietary and other information received from Contractor by District, whether received in connection with Contractor's proposal to District or in connection with any Services performed by Contractor, will be disclosed upon receipt of a request for disclosure, pursuant to the California Public Records Act; provided, however, that, if any information is set apart and clearly marked "trade secret" when it is provided to District, District must give notice to Contractor of any request for the disclosure of such information. The Contractor has five (5) days from the date it receives such notice to enter into an agreement with the District, satisfactory to the District Counsel, providing for the defense of, and complete indemnification and reimbursement for all costs (including plaintiff's attorney fees) incurred by District in any legal action to compel the disclosure of such information under the California Public Records Act. The Contractor has sole responsibility for defense of the actual "trade secret" designation of such information. The failure of Contractor to respond to the notice provided by District constitutes a complete waiver by Contractor of any rights regarding

the information designated "trade secret" by Contractor, and such information will be disclosed by District pursuant to the California Public Records Act.

20. Severability. The parties agree that if any portion of this Agreement or the application thereof to any person or circumstance is held invalid or unenforceable, then the remainder of this Agreement will remain effective and is enforceable to the greatest extent permitted by law.

21. Waiver. Neither District acceptance of, or payment for, any Service or Additional Service performed by Contractor, nor any waiver by either party of any default, breach or condition precedent, may be construed as a waiver of any provision of this Agreement, nor as a waiver of any other default, breach or condition precedent or any other right hereunder.

22. Choice of Law and Venue. The parties agree that this Agreement is to be governed, construed and enforced in accordance with the laws of the State of California. The parties also agree that the venue of any litigation arising out of or connected with this Agreement will lie exclusively in the state trial court or Federal District Court located in Orange County in the State of California, and the parties consent to jurisdiction over their persons and over the subject matter of any such litigation in such courts, and consent to service of process issued by such courts.

23. No Assignment. The expertise and experience of Contractor are material considerations for this Agreement. District has a strong interest in the qualifications and capability of the persons and entities who will fulfill the obligations imposed on Contractor under this Agreement. In recognition of this interest, Contractor must not assign any right or obligation pursuant to this Agreement without the written consent of the District. Any attempted or purported assignment without District's written consent is void and of no effect.

24. Survival of Terms. The provisions of Section 5, 7, 8, 9, 10, 11, 15, and 17 through 26, survive termination of this Agreement.

25. Binding Effect. This Agreement is binding on the heirs, executors, administrators, successors and assigns of the parties.

26. Entire Agreement. This document, including all Exhibits, contains the entire agreement between the parties and supersedes whatever oral or written understanding they may have had prior to the execution of this Agreement. No alteration to the terms of this Agreement is valid unless approved in the form of a written variance signed by an authorized representative of Contractor and District.

27. Authority. The person signing this Agreement for Contractor hereby represents and warrants that he/she is fully authorized to sign this Agreement on behalf of Contractor and to bind Contractor to the performance of its obligations hereunder.

EXECUTED AS OF THE DATE FIRST STATED ABOVE.

IRVINE RANCH WATER DISTRICT

Approved as to form:

Name: Paul Cook

Title: General Manager

Signature: 



Contractor:

Name of Firm: Synergy Companies

Federal I.D. No.: 87-0389611

State I.D. No.: C2420016

Type of Business Entity (check one):

Individual/Sole Proprietor

Partnership

Corporation (i.e. either corporate president must sign or two corporate officers)

Limited Liability Company

Other (please specify: _____)

Name of Firm's Authorized Representative: Steve Shallenberger


Title: President

Signature: 

(If the firm is a corporation and its president did not sign above, then another corporate officer must sign below)

Name of Firm's Authorized Representative: David Shallenberger

Title: Legal Counsel

Signature: 

**EXHIBIT 1
SCOPE OF SERVICES**

1. Representatives.

a. The District Representative for this Agreement is:

Amy McNulty, Water Efficiency Manager
15600 Sand Canyon Avenue
Irvine, CA 92618
(949) 453-5634
mcnulty@irwd.com

All Contractor questions pertaining to this Agreement must be referred to the District Representative or the District Representative's designee.

b. The Contractor Representative for this Agreement is:

Matthew Clark, Project Director
90 Business Park Drive
Perris, CA 92571
(951) 230-6425
matt.clark@synergycompanies.org

All District questions pertaining to this Agreement must be referred to the Contractor Representative. All correspondence to Contractor must be addressed to the address set forth on page one of this Agreement. Unless otherwise provided in this Agreement, all correspondence to the District must be addressed to the District Representative.

2. Scope of Services.

The scope of services for the Water-Energy Combined Manufactured Homes Direct Install Program and One-Stop Shop Program will consist of the direct installation of high efficiency toilets, low-flow showerheads, and kitchen and bathroom faucet aerators within the manufactured homes and single-family homes of Irvine Ranch Water District customers. The program will consist of multiple phases depending on customer participation rates. Each phase will have a not-to-exceed amount of \$80,000. Each phase requires separate authorization by the District to proceed. Any additional phases will be considered sequentially, when the prior phase is completed, and the determination to authorize each such phase will be at the District's sole discretion. The District's authorization to proceed with a subsequent phase will include a Notice to Proceed for such phase.

Manufactured Homes Direct Install Program

The Contractor will engage in the following activities to acquire customer participation: manufactured housing clubhouse presentations, direct outreach and customer

enrollment. Clubhouse presentations consist of collaboration with manufactured housing community managers to promote the event through flyers, newsletters and manufactured housing television channels. The presentation will be given by trained presenters with audiovisual slide show and video to educate the attendees and answer questions courteously and thoughtfully. Attendees are encouraged to enroll in the program throughout the presentation.

After the presentation, marketing associates politely contact community residents through door-to-door and phone outreach. Interested residents are educated by the marketing associate, enrolled electronically on the program and given an appointment date and time with reminder card. Contractor will work with IRWD to develop a customer participation form.

Contractor replaces the existing 3.5 gallon per flush (gpf) or greater toilet with a more water efficient model. The existing toilet is also removed from the site and recycled. The contractor installs a 0.8 gpf toilet including the toilet seat, wax ring, seal and hose. If site conditions prohibit the installation of the 0.8 gpf toilet model, IRWD staff will be contacted to approve the installation of the 1.28 gpf model as an alternative.

Single-Family One-Stop Shop Program

The Contractor will manage the customer intake process via the program web portal developed by IRWD. The Contractor will be responsible for contacting customers who register via the portal to schedule an on-site appointment to determine customer's eligibility for the direct installation of high efficiency toilets, low-flow showerheads, and kitchen and bathroom faucet aerators within the single-family homes. After performing the installation for qualified customers, the Contractor will leave behind outreach materials for rebates and other programs for additional outdoor direct installation measures as determined by IRWD. The Contractor will provide the names and addresses of customers interested in outdoor measures to IRWD.

The Contractor will replace eligible showerheads with low-flow 1.8 gallon per minute (gpm) or higher efficiency model, kitchen faucet aerator with 1.5 gpm or higher efficiency model, bathroom faucet aerator with 0.5 gpm or higher efficiency model. The Contractor will remove the existing showerhead and aerators from the site and recycle if able. The contractor performs post installation tests to ensure the new water efficient toilets, kitchen and bath faucet aerators, and showerheads are functioning properly.

Invoices will be submitted routinely and include information on the customer name, address, old toilet gpf, new toilet gpf, **old bath and kitchen faucet aerator gpm, new bath and kitchen faucet aerator gpm, old showerhead gpm, new showerhead gpm,** quantity of toilets installed, **quantity of bath and kitchen faucet aerators installed, quantity of showerheads installed,** installation date, customer water account number, and the signed customer participation agreement.

3. Time of Performance.

The time from the onset of program marketing to complete installation varies depending on customer participation. Payments are made for completed installations only.

4. Additional Services. If the District requests Contractor to provide services in addition to those specified above, Contractor shall develop a scope of work detailing the specific tasks to be completed and the estimated costs to complete those tasks. Contractor shall not perform any additional services unless authorized to provide those additional services are specified in a variance to this Agreement signed by both parties.

EXHIBIT 2

FEE SCHEDULE

1. Contractor's Compensation. The parties agree that the total of all fees paid to the Contractor for the performance of all services set forth in Exhibit 1, including normal revisions (hereafter the "Services"), and for all authorized reimbursable expenses, must not exceed the total sum of \$80,000.

2. Billable Rates. Contractor must be paid for the performance of Services on an hourly rate, daily rate, flat fee, lump sum or other basis, as set forth in the Schedule of Charges for Services, attached hereto and incorporated by this reference.

3. Contractor's Reimbursable Expenses. Reimbursable expenses are limited to actual expenditures of Contractor for expenses that are necessary for the proper completion of the Services and are only be payable if specifically authorized in writing in advance by District.

4. Payments to Contractor.

a. Undisputed invoices must be paid by the District within 30 days after receipt of such invoices. Contractor must be responsible for the cost of supplying all documentation necessary to verify the invoiced amounts to the satisfaction of District.

b. All invoices submitted by Contractor must contain the following information:

- i. Date of Invoice Issuance
- ii. Sequential Invoice Number
- iii. Purchase Order Number
- iv. Total Agreement Not-to-Exceed Amount
- v. Amount of this Invoice (Itemize all reimbursable expenses, if any)
- vi. Database with customer address, name, water account number, model and gallons per flush of toilet installed, model and gallons per minute of showerhead installed model and gallons per minute of faucet aerator installed, and the installation date.

c. Billings that do not conform to the format outlined above must be returned to Contractor for correction. District must not be responsible for delays in payment to Contractor resulting from Contractor's failure to comply with the invoice format described below.

d. Requests for payment must be sent to the District Representative.

5. Contractor's Accounting Records. During performance of this Agreement and for a period of three (3) years after completing all Services and Additional Services hereunder, Contractor must maintain all accounting and financial records related to this Agreement, including, but not limited to, records of Contractor's costs for all Services and Additional Services performed under this Agreement and records of Contractor's Reimbursable Expenses, in accordance with generally accepted accounting practices, and must keep and make such records available for inspection and audit by representatives of the District upon reasonable written notice.

SCHEDULE OF CHARGES FOR SERVICES FOR IRVINE RANCH WATER DISTRICT

PRICE PER INSTALLATION
(INCLUDES EQUIPMENT, INSTALLATION, TOILET RECYCLING, TAXES AND ANY
ADDITIONAL FEES)

	COST EACH	MaP SCORE
Tank-Style High Efficiency Toilet	\$ 487.92	
Make and Model: Niagara Stealth .8 GPF		600
Tank-Style High Efficiency Toilet	\$ 437.92	
Make and Model: Western Pottery 1.28 GPF		900
<u>Handheld Low-Flow Showerhead</u>	<u>\$ 34.95</u>	
<u>Make and Models: Earth N2945CH or N2945 1.5 GPM</u>		
<u>Evolve EV3030-CP150-SB or EV3040-CP150-SB 1.5 GPM</u>		
<u>Evolve EV3030-CP175-SB or EV3040-CP175-SB 1.75 GPM</u>		
<u>Standard Low-Flow Showerhead</u>	<u>\$ 19.95</u>	
<u>Make and Models: Evolve EV3010-CP150-SB or EV3020-CP150-SB 1.5 GPM</u>		
<u>Evolve EV3010-CP175-SB or EV3020-CP175-SB 1.75 GPM</u>		
<u>Swivel Kitchen Faucet Aerator</u>	<u>\$ 13.95</u>	
<u>Make and Model: Niagara Conservation N3115-P 1.5 GPM</u>		
<u>Standard Kitchen Faucet Aerator</u>	<u>\$ 9.95</u>	
<u>Make and Models: AM Conservation FA014CPB1 1.0 GPM</u>		
<u>AM Conservation FA012CPB1 1.5 GPM</u>		
<u>Bathroom Faucet Aerator</u>	<u>\$ 9.95</u>	
<u>Make and Model: Niagara Conservation N3205N-PC 0.5 GPM</u>		

EXHIBIT 3

INSURANCE REQUIREMENTS

1. **General.** CONTRACTOR shall not commence or continue to perform any Services unless they, at their own expense, have in full force and effect all required insurance. CONTRACTOR shall not permit any Subcontractor to perform Services on this project until the same insurance requirements have been complied with by such Subcontractor.
2. **Types of Insurance.** CONTRACTOR shall obtain and maintain for the full period of the Agreement are Worker's compensation insurance, commercial general liability insurance, and business automobile liability insurance.
3. **Insurer Rating.** Insurers shall have financial and size ratings of at least an "A", VIII in accordance with the most current Best's Key Rating Guide, Property Casualty.
4. **Evidence of Insurance.** As evidence that specified insurance coverage has been obtained for the period of the Agreement, the CONTRACTOR shall provide, on forms satisfactory to District, including endorsements providing that policies cannot be canceled or reduced except on thirty (30) calendar days written notice by the insurance carrier of cancellation or non-renewal (ten (10) calendar days notice for non-payment of premium). Industry standard forms for "certificate on insurance" from ACORD are accepted, provided that appropriate language regarding notice of non-renewal or cancellation is provided on the form. Contractor shall provide proof that policies of insurance required herein expiring or terminated during the term of this Agreement have been renewed or replaced with other policies providing coverage meeting the requirements hereof. Such proof will be furnished at least fourteen (14) calendar days prior to the expiration or termination of the coverages. No alteration or substitution of said forms will be allowed. Certified copies of insurance policies from the insurance company affording coverage shall be provided by CONTRACTOR upon request.
5. **Noncompliance.** DISTRICT reserves the right to withhold payments to CONTRACTOR in the event of material noncompliance with insurance requirements.
6. **Limitation of Contractor liability.** The requirements set forth herein as to the types and limits of insurance coverage to be maintained by the CONTRACTOR and any approval of said insurance by the DISTRICT or its insurance consultant(s) is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the CONTRACTOR pursuant to the Agreement, including but not limited to the provisions concerning indemnification.
7. **Worker's Compensation Insurance.** CONTRACTOR shall provide worker's compensation insurance coverage for no less than the statutory limits and employer's liability insurance coverage, with limits not less than those listed in 7.A, for all persons

whom CONTRACTOR employs or may employ in carrying out the Services. This insurance shall be in strict accordance with the requirements of the most current and applicable state worker's compensation insurance laws.

A. Employer's Liability Insurance shall be for not less than:

- \$1,000,000 Each Accident
- \$1,000,000 Each Disease – Policy Limit
- \$1,000,000 Each Disease – Each Employee

B. Notwithstanding the requirements of Section 3, above, DISTRICT will accept Workers Compensation Insurance from the State Compensation Fund (State Fund) that is not rated and that is evidenced on the State Fund's certificate form. Except as provided above with respect to State Fund, all other insurance shall comply with all requirements of this Exhibit.

8. Waiver of right of subrogation. The worker's compensation insurance shall include a waiver of right of subrogation against the DISTRICT, the District Board of Directors, DISTRICT's Representative, the Engineer/Architect, owners of record of all private properties on which entry will be made, and their consultants, and each of their officers, agents, and employees but only while acting in their capacity as such and only in respect to operations of the original named insured, their Subcontractors, agents, officers, and employees in the performance of the Services.

9. Commercial General Liability Insurance. CONTRACTOR shall provide commercial general liability insurance coverage equivalent to Insurance Services Office Form CG 00 01, with limits not less than those specified in 9.A.

A. Commercial General Liability Insurance shall be for not less than:

Bodily Injury	Products/Completed
Property Damage	Completed
Personal Injury	Operations
<u>(Occur/Aggr)</u>	<u>(Occur/Aggr)</u>
\$1M/\$2M	\$1M/\$2M

B. Included in such insurance shall be blanket contractual liability coverage and severability of interests (no cross suits exclusion).

C. The commercial general liability insurance shall be primary and non-contributory and include as additional insureds: DISTRICT, the District Board of Directors, DISTRICT's Representative, the State of California, its officers, agents, and employees, the Engineer/Architect, owners of record of all private properties on which entry will be made, and their consultants, and each of their officers, agents, and employees but only while acting in their capacity as such and only in respect to

operations of the original named insured, their Subcontractors, agents, officers, and employees in the performance of the Services and shall be evidenced by ISO CG 20 33 07 04 endorsement form or equivalent.

D. Such insurance shall have a deductible or self insured retention not to exceed \$25,000.

10. Automobile Liability Insurance. CONTRACTOR shall provide business automobile liability insurance coverage equivalent to Insurance Services Office Form CA 00 01, with limits not less than those specified in 10 A. Business automobile liability insurance coverage shall be provided for all owned, non-owned and hired vehicles.

A. Automobile liability insurance shall be for not less than:

\$2,000,000 Bodily injury and property damage each occurrence.

B. The same requirements stated in 9.C shall apply to the automobile liability insurance.

11. CONTRACTOR's Responsibility Not Limited by Insurance. Nothing contained in these insurance requirements is to be construed as limiting the extent of the liability of CONTRACTOR or CONTRACTOR's sureties.

12. Maintaining Insurance. The maintenance of proper insurance in conformity with the Contract Documents is a material element of this Agreement. If at any time during the life of the Agreement, including the guarantee period, or any extension, CONTRACTOR fails to maintain the required insurance in full force and effect, the Services shall be discontinued immediately and all payments due or that become due to CONTRACTOR shall be withheld until notice is received by DISTRICT that the required insurance has been restored to full force and effect and that the premiums have been paid for a period satisfactory to DISTRICT. Failure to maintain or renew coverage or to provide evidence of renewal upon request of DISTRICT may be treated by DISTRICT as a material breach of contract.

EXHIBIT 4

SUPPLEMENTARY CALIFORNIA PUBLIC WORKS REQUIREMENTS

If the Scope of Work includes construction work to be performed during the construction phase or design and preconstruction phases of construction, including, but not limited to, inspection and land surveying work, or work to be performed during the post-construction phases of construction, including, but not limited to, all cleanup work at the jobsite, or any other work that has been determined by the California Director of Industrial Relations to constitute "public work," that portion of the Scope of Work is subject to the following provisions which amend and supplement the contract, or to the extent of any inconsistency supersede and take precedence over the contract.

SECTION 1. Bidding Requirements. The requirements of this Section apply to the public work portion of the Scope of Work if the contract is to be obtained by competitive bidding.

1.01 *Additive and Deductive Bid Items.* (applicable if a bid contains additive or deductive items – Public Contract Code 20103.8)

If a schedule of work items includes bid items or schedule(s) of bid items that may be added to ("Additive Items") or deducted from ("Deductive Items") the bids, the lowest responsible bidder will be determined by adding all Additive Items to, and deducting all Deductive Items from, the total of the base bid, unless another method is provided in the bid documents. IRWD reserves the right to award the Work to the lowest responsible bidder based on any single schedule or combination of schedules of bid items deemed by IRWD, in its sole discretion, to be in IRWD's best interest.

1.02 *Listing of Subcontractors.* (applicable if bids are taken – Public Contract Code 4104)

The name, State of California license number, and location of place of business of each subcontractor who will perform work or labor or render service to the bidder in or about the construction of the Work, or improvements, in an amount in excess of 1/2 of 1 percent (0.5%) of the bidder's total Bid, and the portion of the Work which will be done by each subcontractor shall be set forth in the bid. CONTRACTOR agrees that except to the extent that subcontractors were set forth in its bid, that all work in excess of one-half of one percent shall be performed by CONTRACTOR. It is agreed and acknowledged that should CONTRACTOR fail to conform hereto or with any of the requirements of Section 4100 through and inclusive of Section 4114 of the Public Contract Code, Contractor shall be subject to the requirements and penalties of Section 4106 of the Public Contract Code.

1.03 *Registration.* (applicable if bids are taken – Labor Code 1725.5)

Qualification to bid on this project or to be listed as a subcontractor (if required by Section 1.02), or to engage in the performance of any of the work requires proof of the contractor's or subcontractor's current registration and qualification to perform public work pursuant to Labor Code Section 1725.5. A bid shall not be accepted nor any contract or subcontract entered into without proof of the contractor's or subcontractor's current registration.

1.04 *Non-Collusion Affidavit.* (applicable if bids are taken – Public Contract Code 4104)

SECTION 2. Bonding. This Section applies to the direct contractor awarded a public works contract exceeding \$25,000. This requirement does not apply to a design professional.

2.01 *Payment and Performance Bond.* Before commencing performance of the work, CONTRACTOR shall furnish a payment bond and a faithful performance bond approved by IRWD, each in an amount not less than one hundred (100%) percent of the Contract Price, from a surety company satisfactory to IRWD and who is authorized to transact business in California. CONTRACTOR shall use the bond forms provided by IRWD. A certified copy of power of attorney must be attached to each bond.

SECTION 3. Labor. The requirements of this Section apply to the public work portion of the Scope of Work, if more than \$1,000 (Labor Code 1771).

3.01 *Compliance Monitoring; Registration; Notices.* The project is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

Qualification to engage in the performance of any of the work requires that CONTRACTOR and subcontractors maintain their current registration to perform public work pursuant to Labor Code Section 1725.5.

CONTRACTOR shall post on the jobsite all notices as prescribed by law or regulation.

3.02 *Prevailing Wage Requirements.* Under the provisions of the California Labor Code, the Director of the Department of Industrial Relations has determined the prevailing rate of wages for the locality in which the Work is to be performed and IRWD has adopted said prevailing rate of wages. A copy of these prevailing rates is on file at the office of IRWD and shall be made available to any interested party on request. A copy of such prevailing wage rates shall be posted on the jobsite by CONTRACTOR.

CONTRACTOR shall comply with Labor Code Section 1775. In accordance with said Section 1775, CONTRACTOR shall forfeit as a penalty to IRWD, up to two hundred dollars (\$200), as determined by the Labor Commissioner, for each calendar day or

portion of a day for each worker paid less than the stipulated prevailing rates for such work or craft in which such worker is employed for any work done under the contract by them or, except as provided by the Labor Code, by any Subcontractor under them in violation of the provisions of the Labor Code, and in particular, Labor Code Sections 1770 to 1780, inclusive. In addition to said penalty and pursuant to Section 1775, the difference between the stipulated prevailing wage rates and the amount paid to each worker for each calendar day or portion of a day for which each worker was paid less than the stipulated prevailing wage rate shall be paid to each worker by CONTRACTOR.

CONTRACTOR shall forfeit as a penalty to IRWD \$25 for each worker employed in the execution of the Work by CONTRACTOR or any Subcontractor under them for each calendar day during which such worker is required or permitted to work more than eight (8) hours in any one (1) calendar day and forty (40) hours in any one calendar week in violation of the provisions of the Labor Code, in particular, Section 1810 to Section 1815 thereof, inclusive, except that work performed by employees of CONTRACTOR in excess of eight (8) hours per day and forty (40) hours during any one (1) week shall be permitted upon compensation for all hours worked in excess of eight (8) hours per day at not less than one and one half (1 1/2) times the basic rate of pay as provided in said Section 1815.

3.03 Payroll Records. CONTRACTOR and each of their Subcontractors shall keep an accurate payroll record, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by them in connection with the Work. The records shall be in a format prescribed by the Labor Commissioner. The records may consist of printouts of payroll data maintained as computer records, if the printouts are in a format prescribed by the Labor Commissioner and are verified as required under this paragraph. Each payroll record shall contain or be verified by a written declaration that it is made under penalty of perjury, stating that (1) the information contained in the payroll record is true and correct, and (2) CONTRACTOR (or the Subcontractor, as the case may be) has complied with the requirements of Sections 1771, 1811 and 1815 of the Labor Code for any of the work performed by their employees. The payroll records shall be submitted monthly to IRWD and directly to the Labor Commissioner and shall be available for inspection at all reasonable hours at the principal office of CONTRACTOR (or the Subcontractor, as the case may be) to the employee or their authorized representative on request, to the Division of Labor Standards Enforcement on request, and the public, provided that requests by the public must be made through IRWD or the Division of Labor Standards Enforcement in accordance with the requirements of Labor Code Section 1776. Copies shall be provided to the requesting entity within ten (10) days after receipt of a written request. Any copy of a payroll record made available to the public or any public agency by IRWD shall be marked or obliterated to prevent disclosure of individual workers' names, addresses and social security numbers. CONTRACTOR shall inform IRWD of the location address of payroll records of CONTRACTOR and each Subcontractor and notify

IRWD of a change in any such location within five (5) working days. In the event CONTRACTOR or a subcontractor fails to comply with the above-specified 10-day period, CONTRACTOR or the subcontractor shall forfeit as a penalty to IRWD one hundred dollars (\$100) for each calendar day or portion of a day for each worker until strict compliance is effectuated. CONTRACTOR is not subject to a penalty under this paragraph due to the failure of a subcontractor to comply with this paragraph.

3.04 *Apprentices.* (applicable if contract is \$30,000 or more) CONTRACTOR and any Subcontractor under them shall comply with the requirements of Sections 1777.5 and 1777.6 of the Labor Code in the employment of apprentices. Information relative to apprenticeship standards, wage schedules, and other requirements may be obtained from the Department of Industrial Relations. Willful violations of Section 1777.5 will result in forfeiture of one hundred dollars (\$100) for each calendar day of noncompliance, or up to three hundred dollars (\$300) for each calendar day of noncompliance for second and subsequent violations within a three-year period that result in apprenticeship training not being provided as required by the Labor Code, and may also result in debarment sanctions in the case of violations, as determined by the Labor Commissioner pursuant to Section 1777.7. Section 1777.7 also imposes requirements that, if not observed by CONTRACTOR, will result in CONTRACTOR's liability for Subcontractor violations of Section 1777.5.

3.05 *Subcontracting.* CONTRACTOR is prohibited from performing any of the work with a subcontractor who is ineligible to perform such Work pursuant to Section 1777.1 or 1777.7 of the Labor Code. CONTRACTOR agrees that in accordance with Public Contract Code Section 6109, a subcontract with an ineligible subcontractor is void as a matter of law, amounts paid to the subcontractor shall be returned to IRWD, and CONTRACTOR is responsible for paying wages of the subcontractor's employees if the subcontractor is allowed to perform any part of the work.

3.06 *CONTRACTOR'S Certificate Regarding Workers' Compensation* (Labor Code Section 1861): I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code, and I will comply with such provisions before commencing the performance of the work of this Contract.

SECTION 4. Site Conditions. The requirements of this Section apply to the public work portion of the Scope of Work, subject to the applicability further specified below.

4.01 *Utilities* (applicable if the contract with IRWD is made pursuant to an invitation for bids and includes removal, relocation or protection of main or trunkline utility facilities – Government Code Section 4215)

CONTRACTOR shall be compensated by IRWD for the costs of locating, repairing damage not due to the failure of CONTRACTOR to exercise reasonable care, and removing, relocating, protecting, or temporarily maintaining main or trunk line utility facilities not indicated with reasonable accuracy in the plans and specifications, and for equipment in the project necessarily idled during such work. Alternatively IRWD may change the project grade or alignment to avoid such removal, relocation or protection or make arrangements with the owner of the utility for such work to be done at no cost to CONTRACTOR. No forfeiture due to delay shall be made because of any delays in the completion of the Work due to the failure of IRWD or the owner of a utility to provide for removal or relocation of main or trunk line facilities not indicated in the plans or specifications with reasonable accuracy.

IRWD is not responsible for removal, relocation or temporary maintenance of (i) main or trunk line utilities or other structures which are in the position shown on the plans, or (ii) service connections, and CONTRACTOR shall bear all expenses incidental thereto. Such work shall be done in a manner satisfactory to the owner of the utility or service connection, it being understood that the owner has the option of doing such work with their own forces or permitting the work to be done by CONTRACTOR. It shall be the responsibility of CONTRACTOR to investigate to find out whether or not this cost is required to be borne by the owner of the utility.

4.02 *Excavation Plans for Worker Protection* (applicable if the public work portion is over \$25,000, and involves excavation of any trench five (5) feet or more in depth – Labor Code Section 6705)

CONTRACTOR shall submit to IRWD for acceptance, in advance of excavation, a detailed plan showing the design of shoring, bracing, sloping, or other provisions to be made for worker protection from the hazard of caving ground during the excavation of any trench or trenches five (5) feet or more in depth. The plan shall be prepared specifically for the work by a registered civil or structural engineer who is licensed by the State of California. The plan shall be in an original format, not a reproduced copy, and shall include the engineer's original signature and seal. As a part of the plan, a note shall be included stating that the registered civil or structural engineer certifies that the plan complies with the CAL OSHA Construction Safety Orders, or stating that the registered civil or structural engineer certifies that the plan is not less effective than the shoring, bracing, sloping, or other provisions of the safety orders.

All shoring submittals shall include surcharge loads from adjacent embankments, construction loads and spoil bank. The submittal shall indicate the minimum horizontal distance from the top of trench to the edge of all surcharge loads for all cases of shoring and side slopes.

The detailed plan showing the design of shoring, etc., which CONTRACTOR is required to submit to IRWD for acceptance in advance of excavation, will not be accepted if the plan

is based on subsurface conditions which are more favorable than those revealed by the investigations made by IRWD or the Engineer/Architect or their consultants; nor will the plan be accepted if it is based on soils related design criteria that are less restrictive than the criteria set forth in the report on the investigations of subsurface conditions.

Nothing contained in this paragraph shall be construed as relieving CONTRACTOR of the full responsibility for providing shoring, bracing, sloping, or other provisions which are adequate for worker protection.

4.03 Differing Physical Conditions. (applicable if the public work portion involves excavation more than four (4) feet in depth – Public Contract Code Section 7104)

CONTRACTOR shall promptly notify IRWD of the following work site conditions (hereinafter called differing physical conditions), in writing, upon their discovery and before they are disturbed: (1) any material that CONTRACTOR believes may be material that is a hazardous waste, as defined in Section 25117 of the Health and Safety Code, that is required to be removed to a Class I, Class II, or Class III disposal site in accordance with provisions of existing law; (2) subsurface or latent physical conditions differing from those indicated by information about the site made available to bidders prior to the deadline for submitting bids; (3) unknown physical conditions of any unusual nature, differing materially from those ordinarily encountered and generally recognized as inherent in work of the character being performed.

IRWD will promptly investigate the conditions, and if it finds that the conditions do materially so differ, or do involve hazardous waste, and cause a decrease or increase in CONTRACTOR's cost of, or the time required for, performance of any part of the work, shall issue a change order under the procedures described in the Contract.

In the event that a dispute arises between IRWD and CONTRACTOR whether the conditions materially differ, or involve hazardous waste, or cause a decrease or increase in CONTRACTOR's cost of, or time required for, performance of any part of the work, CONTRACTOR shall not be excused from any scheduled completion date provided for by the Contract, but shall proceed with all work to be performed under the Contract. CONTRACTOR shall retain any and all rights provided either by the Contract or by law which pertain to the resolution of disputes and protests between the contracting parties.

CONTRACTOR shall not be required to resume work in connection with a condition involving hazardous waste until after IRWD has obtained any required permits related thereto and delivered to CONTRACTOR written notice specifying any special conditions under which such work may be resumed safely.

SECTION 5. Materials. The requirements of this Section apply to the public work portion of the Contract, pursuant to Public Contract Code §3400.

5.01 *Substitutions.* Whenever materials or equipment are specified or described in the Plans or specifications by using the name of a proprietary item or the name of a particular supplier, the naming of the item is intended to establish the type, function and quality required. Unless the name is followed by words indicating that no substitution is permitted, the name shall be deemed to be followed by the words "or approved equivalent" and materials or equipment of other suppliers may be accepted by IRWD if sufficient information is submitted by CONTRACTOR to allow IRWD to determine that the material or equipment proposed is equivalent to that named. Approval of proposed equivalent materials or equipment is at the sole discretion of IRWD. No substitute shall be ordered or installed without IRWD's prior written acceptance.

CONTRACTOR assumes sole responsibility for verifying the proposed substitute items are in accordance with the requirements of the contract documents, and that the dimensions, arrangement, design and construction details and all other features of substitute items are suitable for their intended purpose.

In the event that a substitute item, and said difference was not expressly identified in CONTRACTOR's request for the substitution, or the incorporation of the substitute into the work results in a change(s) to the work or in the function or general design of the project, which was not expressly identified in CONTRACTOR's request for the substitution, IRWD may require the removal and replacement of the substitute at CONTRACTOR's sole expense.

CONTRACTOR may submit data substantiating requests for substitutions of equivalent items at any time after notice of award. Under no circumstances shall CONTRACTOR be entitled to an increase in Contract Time as a result of the submission or review of a substitution request.

SECTION 6. Claims. The requirements of this Section apply to the public work portion of the Contract, pursuant to Public Contract Code §20104.

6.01 *Resolution of Construction Claims.* (applicable to a claim meeting the below-described criteria – Public Contract Code Section 20104)

This Section is intended as a summary of the provisions of Article 1.5 (commencing with Section 20104) of Chapter 1 of Part 3 of Division 2 of the Public Contract Code ("Claims Resolution Statute") and is subject to the actual provisions of the Claims Resolution Statute. This Section shall govern the resolution of any claim of \$375,000 or less which may be made by CONTRACTOR.

"Claim" is defined as CONTRACTOR's demand for (i) a time extension, (ii) money or damages arising from the work, payment for which is not otherwise expressly provided for or CONTRACTOR is not otherwise entitled to, or (iii) an amount disputed by IRWD.

CONTRACTOR shall make all claims in writing and include the necessary substantiating documents. Any claim which is intended to invoke the procedures under the Claims Resolution Statute shall specify that the claim is being made pursuant to the Claims Resolution Statute. All claims by CONTRACTOR must be filed on or before the date of final payment.

IRWD shall respond in writing, within forty-five (45) days of receipt of a claim less than \$50,000 and within sixty (60) days of receipt of a claim over \$50,000 and less than \$375,000, or IRWD may request, in writing, within thirty (30) days of receipt of the claim, any additional documentation supporting the claim or relating to defenses or claims IRWD may have against CONTRACTOR. If additional information is thereafter required, it shall be requested and provided upon mutual agreement of IRWD and CONTRACTOR. If IRWD requests additional documentation, IRWD's written response to the claim shall be submitted to CONTRACTOR, (i) within fifteen (15) days after receipt of the additional documentation for a claim less than \$50,000 and within thirty (30) days after receipt of the additional documentation for a claim over \$50,000 and less than \$375,000, or (ii) within the same time period as used by CONTRACTOR in producing the additional documentation, whichever is greater.

If CONTRACTOR disputes IRWD's written response, or IRWD fails to respond within the time prescribed, CONTRACTOR may, by giving written notice to IRWD within fifteen (15) days of receipt of IRWD's response (or within fifteen (15) days of IRWD's failure to respond), demand an informal conference to meet and confer for settlement of the issues in dispute. Upon such demand, IRWD shall schedule a "meet and confer" conference within thirty (30) days.

If after the "meet and confer" conference, any portion of the claim remains in dispute, CONTRACTOR may file a claim pursuant to Government Code Section 900 et seq. If a court action is thereafter filed to resolve the claim, the court must, within the time specified by law, submit the matter to nonbinding mediation unless waived by mutual stipulation of IRWD and CONTRACTOR. If after the mediation process, the matter remains in dispute, the case must then be submitted to judicial arbitration pursuant to the applicable law.

6.02 *Third Party Claims.* In accordance with Public Contract Code Section 9201, IRWD shall timely notify CONTRACTOR if IRWD receives any third-party claim relating to the Work. IRWD shall be entitled to recover from CONTRACTOR the reasonable costs incurred by IRWD in providing such notification.

SECTION 7. Payment and Retention. The requirements of this Section apply to construction contracts.

7.01 *Progress Payments.*

The following is a summary of the provisions of Article 1.7 of Chapter 1 of Part 3 of Division 2 (commencing with Section 20104.50) of the Public Contract Code, regarding progress payments, and is subject to the actual provisions of that statute. For purposes of this Section, a "progress payment" includes all payments due CONTRACTOR, except that portion of the final payment designated under this Agreement as retention.

If IRWD fails to make any progress payment within thirty (30) days after receipt of an undisputed and properly submitted progress payment request from CONTRACTOR, IRWD shall pay interest to CONTRACTOR equivalent to the legal rate set forth in subdivision (a) of Section 685.010 of the Civil Code of Procedure.

Upon receipt of a progress payment request, IRWD shall (i) review each payment request as soon as practicable after receipt for the purpose of determining that the payment request is a proper payment request, and (ii) return to CONTRACTOR, as soon as practicable but not later than seven (7) days after receipt, any payment request determined not to be a proper payment request suitable for payment. A request returned pursuant to this paragraph shall be accompanied by a document setting forth in writing why the payment request is not proper. The number of days available to IRWD to make a payment without incurring interest shall be reduced by the number of days by which IRWD exceeds the seven (7) day return requirement.

7.02 *Progress Payment Retention.* (Applies if performance retention will apply.) IRWD shall retain five (5) percent of such estimated value as part security for fulfillment of the Contract by CONTRACTOR and shall pay to CONTRACTOR the balance of such estimated value after deducting all previous payments and all sums to be kept or retained under the terms of the Contract. Nothing herein shall require payment of a disputed amount or limit IRWD's ability to withhold an amount in respect of a disputed amount as provided for in Section 7107 of the Public Contract Code. The retention payment shall not be due and payable until the expiration of thirty-five (35) days from the date of IRWD's recording of a notice of completion of the work in the office of the County Recorder.

7.03 *Substitution of Securities for Amounts Withheld.* Pursuant to Section 22300 of the Public Contract Code, CONTRACTOR may substitute securities for any monies withheld by IRWD to ensure performance of the Work. At the request and expense of CONTRACTOR, securities equivalent to the amount withheld shall be deposited with IRWD or with a state or federally chartered bank in California as the escrow agent. Such securities shall be released to CONTRACTOR at the same time as amounts retained would be released upon satisfactory completion of the work, to the extent such

securities have not previously been utilized or are not then being held by IRWD or the escrow agent for purposes as provided in this Contract. Alternately, CONTRACTOR may request, and IRWD shall make, payment of retention earned directly to the escrow agent at the expense of CONTRACTOR.

If the securities are deposited with IRWD, IRWD shall determine their value. IRWD shall also be entitled in their discretion to sell, redeem, or otherwise convert them or portions thereof to cash in order to apply them to any of the purposes set forth in the Contract for which amounts may be withheld from CONTRACTOR and used. CONTRACTOR shall furnish such documents as are deemed necessary by IRWD to enable IRWD to make such sales, redemptions, or conversions. If the securities are deposited with an escrow agent, CONTRACTOR, escrow agent and IRWD shall execute IRWD's form entitled "Escrow Agreement for Security Deposits in Lieu of Retention."

SECTION 8. Miscellaneous. The requirements of this Section apply as specified.

8.01 *Audit.* (applicable if the contract exceeds \$10,000 – Government Code 8546.7)

Pursuant to Government Code Section 8546.7, this contract, and CONTRACTOR and IRWD as the contracting parties, are subject to the examination and audit of the California State Auditor, at the request of IRWD or as part of any audit of IRWD, for a period of three years after the final payment under the contract.

8.02 *Notice of Taxable Possessory Interest.*

The terms of this contract may result in the creation of a possessory interest. If such a possessory interest is vested in CONTRACTOR, CONTRACTOR may be subjected to the payment of property taxes levied on such interest.

8.03 *Antitrust Claims Assignment.* (applicable if contract is awarded by competitive bidding)

In entering into a public works contract or subcontract to supply goods, services, or materials pursuant to a public works contract, CONTRACTOR or subcontractor offers and agrees to assign to the awarding body all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Section 15) or under the Cartwright Act (Chapter 2, commencing with Section 16700, of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, services, or materials pursuant to the public works contract or the subcontract. This assignment shall be made and become effective at the time the awarding body tenders final payment to CONTRACTOR, without further acknowledgment by the parties.

8.04 *License.*

CONTRACTOR shall possess a State of California license for the contracting class(es) applicable to the work.

8.05 *Delays.* (Applies if contract documents specify damages for failure to complete work by applicable contract times.)

No forfeiture due to delay shall be made because of any delays in the completion of the work due to unforeseeable causes beyond the control and without the fault or negligence of CONTRACTOR (including but not restricted to acts of God or of the public enemy, acts of the government, acts of IRWD, or acts of another contractor in the performance of a contract with IRWD, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather or delays caused by the failure of IRWD, or the owner of a utility to provide for removal or relocation of main or trunk line facilities not indicated in the plans or specifications with reasonable accuracy). Any such delays shall not entitle CONTRACTOR to any additional compensation, and the sole remedy of CONTRACTOR shall be an extension of time obtained in accordance with the contract; the only exception shall be if the delay has been caused solely by acts for which IRWD is responsible and which delay is unreasonable under the circumstances involved, is not within the contemplation of the parties, and continues after CONTRACTOR's notice to IRWD of such acts.

8.06 DRUG-FREE WORKPLACE CERTIFICATION

Certification of Compliance: By signing the Agreement For Non-Consultant Services Between Irvine Ranch Water District and Synergy Companies, dated August 10, 2015 ("Agreement"), Contractor, its contractors or subcontractors hereby certify, under penalty of perjury under the laws of State of California, compliance with the requirements of the Drug-Free Workplace Act of 1990 (Government Code 8350 et seq.) and have or will provide a drug-free workplace by taking the following actions:

- a) **Publish a statement notifying employees, contractors, and subcontractors that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees, contractors, or subcontractors for violations, as required by Government Code Section 8355(a)(1).**
- b) **Establish a Drug-Free Awareness Program, as required by Government Code Section 8355(a)(2) to inform employees, contractors, or subcontractors about all of the following:**
 - i) **The dangers of drug abuse in the workplace,**
 - ii) **Contractor's policy of maintaining a drug-free workplace,**
 - iii) **Any available counseling, rehabilitation, and employee assistance programs, and**
 - iv) **Penalties that may be imposed upon employees, contractors, and subcontractors for drug abuse violations.**
- c) **Provide, as required by Government Code Sections 8355(a)(3), that every**

employee, contractor, and/or subcontractor who works under this Grant Agreement:

- i) Will receive a copy of Contractor's drug-free policy statement, and
- ii) Will agree to abide by terms of Contractor's condition of employment, contract or subcontract.

8.07 Right to Inspection

The State of California shall have the right to inspect the work being performed under this Agreement and any subcontracts at any and all reasonable times during the term of the District's agreement with the State to obtain grant funding for the Services. This right shall extend to any subcontracts entered into pursuant to this Agreement.

EXHIBIT 5

SPECIAL PROVISIONS

(e.g., project schedule, form of customer participation releases and other items not covered elsewhere)

EXHIBIT 6

NON-CONSULTANT SERVICES VARIANCE

Purpose. This procedure shall be used to identify, estimate, and report variances to the scope of work in non-consultant services agreements between IRWD and a contracting engineer or other type of contractor. A variance may be initiated by either IRWD's Project Manager or by the Engineer/Contractor.

Variance. The Variance shall be used to identify all changes to the original scope of work, budget, and schedule for any study, design, or construction phases services.

Engineer/Contractor Initiates Variance. If a Variance is initiated by the Engineer/Contractor, the Engineer/Contractor shall prepare the Variance including the Description of Variance, the Engineering & Management Cost Impact, the Schedule Impact, and the Required Approval Determination sections. The Engineer/Contractor shall then sign the Variance and submit it to the IRWD Project Manager for action.

IRWD Initiates Variance. If a Variance is initiated by IRWD's Project Manager, the IRWD Project Manager shall complete the Description of Variance and fill-in the Total Original Contract amount and Previous Variances amount (if any). The Variance shall then be given to the Engineer/Contractor to complete the Cost Impact, the Schedule Impact, and the Required Approval Determination sections. The Engineer/Contractor shall then sign the Variance and submit it to the IRWD Project Manager for action.

Variance Processing. Once a Variance is signed and submitted by the Engineer/Contractor, the IRWD Project Manager shall:

1. Enter the Variance's details onto a Variance Register for the project,
2. Review, sign, and date the Variance, and
3. Obtain appropriate approvals.

Notice to Proceed. Work covered by a Variance may proceed upon signing by the department Director. A copy of the Variance, signed by the Director, shall be the Engineer's/Contractor's Notice to Proceed with the required work.

Contractual Authorization. Work covered by a Variance which has been signed by the Director may require final approval from the General Manager, Committee, or Board based upon the requirements of the Procurement Policy. These approvals may be obtained after the Engineer/Contractor has been given a copy of the Variance signed by the Director (the Engineer's/Contractor's Notice to Proceed). The IRWD Project Manager shall promptly thereafter prepare a memo to the General Manager, Committee and/or Board agenda items(s) for approvals as required. Once the Variance is properly approved, it modifies the existing Engineer's/Contractor's agreement.

Financial Authorization. An approved Variance may require any of the following:

1. A Capital Budget increase,
2. A new Expenditure Authorization,
3. An extension to an existing Purchase Order, and/or
4. A new Purchase Order.

It is the IRWD Project Manager's responsibility to process the necessary paperwork to grant the required financial authorization

**IRVINE RANCH WATER DISTRICT
NON-CONSULTANT SERVICES VARIANCE**

Project Title: DWR Water-Energy Grant 4600011091 File No.: _____
Water-Energy Combined Customer Programs Date: September 20, 2016
 Project No.: 6703 (DWR Grant) Variance No.: 1
 Purchase Order No.: _____ Project No. _____
 Originator: IRWD ENGINEER/CONTRACTOR Other (Explain) _____

Description of Variance (*attach any back-up material*):
Exhibit 1, the Scope of Work, was modified to extend the program to single-family homes. State DWR requirements were added to the contract to extend liability coverage to the state, certify contractor has drug free workplace policy in place and authorize the state to inspect sites that receive grant funds. Exhibit 2, the Fee Schedule, was modified to include aerators and showerheads. Exhibits 1, 2, 3, and 4 are replaced with the attached exhibits. Added language is identified by bold and underlined text.

Engineering & Management Cost Impact:

Classification	Manhours	Billing Rate	Labor \$	Direct Costs	Subcon. \$	Total \$
Contract changes to comply with DWR grant terms	0	0	0	0	0	0
Contracted changes to extend funding to single-family homes	0	0	0	0	0	0
Contract changes to include schedule fee for additional measures	0	0	0	0	0	0
Total \$ =						0

Schedule Impact:

Task No.	Task Description	Original Schedule	Schedule Variance	New Schedule

Required Approval Determination:

Total Original Contract	\$ <u>80,000</u>	<input type="checkbox"/> General Manager: Single Variance less than or equal to \$30,000. <input type="checkbox"/> Committee: Single Variance greater than \$30,000, and less than or equal to \$60,000. <input type="checkbox"/> Board: Single Variance greater than \$60,000. <input type="checkbox"/> Board: Cumulative total of Variances greater than \$60,000, or 30% of the original contract, whichever is higher.
Previous Variances	\$ <u>0.00</u>	
This Variance	\$ <u>0.00</u>	
Total Sum of Variances	\$ <u>0.00</u>	
New Contract Amount	\$ <u>80,000</u>	
Percentage of Total Variances to Original Contract	0 %	

ENGINEER/CONTRACTOR: Synergy Companies

Company Name

[Signature]
Project Engineer/Manager

[Signature]

Engineer's/Contractor's Management

10/20/16
Date

Oct 20, 2016

Date

IRVINE RANCH WATER DISTRICT

[Signature]
Department Director

Department Director

General Manager/Comm./Board

10-25-16
Date

Date

Date

**IRVINE RANCH WATER DISTRICT
NON-CONSULTANT SERVICES VARIANCE REGISTER**

Project Title: DWR Water-Energy Grant 4600011091 Water-Energy Combined Customer Programs

Project No.: 6703 Project Manager: Amy McNulty

Variance No.	Description	Dates		Variance Amount
		Initiated	Approved	
1	Changes to Exhibit 1			\$0; extend eligibility to single-family homes
1	Changes to Exhibit 2			\$0; include pricing for installation and materials of showerheads and aerators
1	Changes to Exhibit 3, Section 9.C and 10.B			\$0; extend liability insurance coverage to State and make conforming change to auto liability coverage requirements
1	Changes to Exhibit 4, Section 8.06			\$0; add drug-free workplace certification
1	Changes to Exhibit 4, Section 8.07			\$0; add State right of inspection

EXHIBIT "C"
IRVINE RANCH WATER DISTRICT
PROFESSIONAL SERVICES VARIANCE

Project Title: DWR Water-Energy Grant 4600011091; One-Stop Shop for Water and Energy Efficiency

Project No.: 6703 Date: January 12, 2017
 Purchase Order No.: 527414 Variance No.: 2

Originator: IRWD ENGINEER/CONSULTANT Other (Explain)_____

Description of Variance (*attach any back-up material*):
Increase to agreement amount of \$500,000 to expand the One-Stop Shop for Water and Energy Efficiency Program to approximately 350 single-family homes. Funding is provided by a grant from the Department of Water Resources.

Engineering & Management Cost Impact:

Classification	Manhours	Billing Rate	Labor \$	Direct Costs	Subcon. \$	Total \$
Agreement increase amount for program expansion.						500,000
Total \$=						500,000

Schedule Impact:

Task No.	Task Description	Original Schedule	Schedule Variance	New Schedule

Required Approval Determination:

Total Original Contract	<u>\$ 80,000</u>	<input type="checkbox"/> Director: Cumulative total of Variances less than or equal to \$50,000.
Previous Variances \$ <u>0</u>		
This Variance	<u>\$ 500,000</u>	<input type="checkbox"/> Executive Director: Cumulative total of Variances less than or equal to \$75,000.
Total Sum of Variances	<u>\$ 500,000</u>	<input type="checkbox"/> General Manager: Cumulative total of Variances less than or equal to \$100,000.
New Contract Amount	<u>\$ 580,000</u>	
Percentage of Total Variances to Original Contract	<u>625</u> %	<input checked="" type="checkbox"/> Board: Cumulative total of Variances greater than \$100,000.

ENGINEER/CONSULTANT: Synergy Companies IRVINE RANCH WATER DISTRICT

Project Engineer/Manager _____ Date _____ Department Director _____ Date _____

Engineer's/Consultant's Management _____ Date _____ General Manager/Board _____ Date _____

**IRVINE RANCH WATER DISTRICT
PROFESSIONAL SERVICES VARIANCE REGISTER**

Project Title: DWR Water-Energy Grant 4600011091; One-Stop Shop for Water and Energy Efficiency

Project No.: 6703 Project Manager: Amy McNulty

Variance No.	Description	Dates		Variance Amount
		Initiated	Approved	
1	Changes to Exhibit 1	10/20/16	10/25/16	\$0; extend eligibility to single-family homes
1	Changes to Exhibit 2	10/20/16	10/25/16	\$0; include pricing for installation and materials of showerheads and aerators
1	Changes to Exhibit 3, Section 9.C and 10.B	10/20/16	10/25/16	\$0; extend liability insurance coverage to State and make conforming change to auto liability coverage requirements
1	Changes to Exhibit 4, Section 8.06	10/20/16	10/25/16	\$0; add drug-free workplace certification
1	Changes to Exhibit 4, Section 8.07	10/20/16	10/25/16	\$0; add State right of inspection
2	Agreement increase amount to expand program	01/12/17		\$500,000

January 23, 2017

Prepared by: A. McNulty

Submitted by: F. Sanchez/P. Weghorst *PHW*

Approved by: Paul Cook *P. Cook*

ACTION CALENDAR

WATER EFFICIENCY TACTICAL INCENTIVE FUNDING AUTHORIZATION

SUMMARY:

IRWD's Water Use Efficiency Program includes a "Tactical Incentives" element to encourage customers to install water conservation devices. In 2015, IRWD executed a multi-year agreement with the Municipal Water District of Orange County (MWDOC) to administer IRWD's incentives for regional rebate programs. The Fiscal Year 2016-17 operating budget includes funding for IRWD's tactical incentive programs. Staff recommends that the Board authorize the General Manager to allocate \$1,250,000 in funding to the FY 2016-17 rebate programs administered through the multi-year agreement with MWDOC using existing and future addendums to the agreement as may be necessary to allocate funds based on actual participation rates and regional program funding.

BACKGROUND:

Tactical Incentives are one of the key elements of IRWD's Water Use Efficiency Program. The financial incentives provided by IRWD are used to supplement existing regional rebate programs administered by Metropolitan Water District of Southern California or MWDOC. The incentives are cost effective and are provided taking into consideration costs that are avoided as a result of the installation of the various water conservation devices.

In July 2015, the Board approved the multi-year Water Conservation Participation Agreement with MWDOC that is provided as Exhibit "A". Addendums to the agreement have been prepared for the Residential, Commercial, and Turf Removal programs that specify the device rebate funding levels for FY 2016-17. These addendums are provided as Exhibit "B", Exhibit "C", and "Exhibit "D", respectively. Based on prior customer participation rates and regional funding, the addendums allocate IRWD's tactical incentive funding among the programs, as shown in Exhibit "E".

Program funding in the amount of \$1,250,000 is included in the adopted FY 2016-17 Operating Budget. Financial incentives have been provided during the first half of the fiscal year from accruals of the previous year's funding. The Board's authorization to allocate funds to the agreement with MWDOC is needed to continue providing program incentives through the remainder of the fiscal year.

FISCAL IMPACTS:

Funding from over-allocation revenues for tactical incentives in the amount of \$1,250,000 is included in the adopted FY 2016-17 Operating Budget.

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 Water Resources Policy and Communications Committee on January 12, 2017.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO ALLOCATE \$1,250,000 IN FUNDING TO THE FY 2016-17 REBATE PROGRAMS ADMINISTERED THROUGH THE MULTI-YEAR WATER CONSERVATION PARTICIPATION AGREEMENT BETWEEN MWDOC AND IRWD USING EXISTING AND FUTURE ADDENDUMS TO THE AGREEMENT AS MAY BE NECESSARY TO ALLOCATE FUNDS BASED ON ACTUAL PARTICIPATION RATES AND REGIONAL PROGRAM FUNDING.

LIST OF EXHIBITS:

- Exhibit "A" – Water Conservation Participation Agreement with MWDOC
- Exhibit "B" – Addendum 2A: FY 16-17 Residential Program, Participant Agency Supplemental Funding Authorization
- Exhibit "C" – Addendum 2B: FY 16-17 CII Program, Participant Agency Supplemental Funding Authorization
- Exhibit "D" – Addendum 3B1: FY 16-17 Turf Removal Rebate Program, Participant Agency Using MWDOC as Turf Removal Rebate Vendor Fully Funded by Participant Agency
- Exhibit "E" – Device Funding Levels FY 2016-2017

EXHIBIT "A"

Water Conservation Participation Agreement between the Municipal Water District of Orange County and Irvine Ranch Water District

This Water Conservation Participation Agreement ("Agreement") is made between the Municipal Water District of Orange County ("MWDOC") and Irvine Ranch Water District ("Participant Agency"). MWDOC and Participant Agency may be collectively referred to as "Parties" and individually as "Party."

Recitals

- A. The Metropolitan Water District of Southern California ("Metropolitan") provides incentive funding to residential, commercial, and industrial water users in its service area for a variety of water conservation activities, including, but not limited to, rebates for the purchase and installation of water-saving devices ("Metropolitan Base Incentives").
- B. MWDOC is a member agency of Metropolitan and has agreements with Metropolitan that enable residential, commercial, and industrial water users in MWDOC's service area, and for the benefit of MWDOC's member agencies, to participate in and take advantage of Metropolitan's Base Incentives.
- C. Participant Agency, as a MWDOC member agency or a direct Metropolitan member agency, may elect to participate in Metropolitan's program to replace non-conserving items within its service area.
- D. The Metropolitan Base Incentives amounts for each eligible device or program available to MWDOC and Metropolitan member agencies are listed in the attached Addendums 1A and 1B. It is expected that Metropolitan will establish funding for additional water conservation items and to change some or all of the existing funding rates throughout the term of this Agreement. Any such changes will be incorporated herein by amendment to Addendums 1A and 1B.
- E. Metropolitan and MWDOC each have fiscal responsibility to manage their individual budgets, and hence may have a need to limit availability of funds.
- F. MWDOC and Metropolitan member agencies may also choose to provide additional supplemental funding of their own to augment the Metropolitan Base Incentives. Based on the terms and conditions of this Agreement, MWDOC will facilitate supplemental funding for Participant Agency through the Metropolitan rebate contractor ("Rebate Contractor") or MWDOC directly. Metropolitan member agencies will coordinate any supplemental funding directly with Metropolitan.
- G. In addition to the Metropolitan Base Incentives, MWDOC has developed and arranged additional local, state, and federal grant funding ("Grant Funding") for eligible devices in a number of water conservation programs ("MWDOC Administered Programs") that MWDOC offers to Participant Agency and Metropolitan member agencies. This grant funding may be used to enhance the Metropolitan Base Incentives. Granting agencies

include, but are not limited to, the Department of Water Resources and the United States Bureau of Reclamation.

- H. Participant Agency may also operate customized, local water conservation incentive programs in their respective service areas (“Participant Agency Administered Programs”) and may have access to the Metropolitan Base Incentives and Grant Funding for such, subject to MWDOC and Metropolitan approval and the terms and conditions of this Agreement and any MWDOC and/or Metropolitan agreements.
- I. The purpose of this Agreement is to create a master water conservation participation agreement between MWDOC and Participant Agency that combines all of the conservation programs and incentives (“Programs”) into one agreement. Addendums to this Agreement will be issued for changes involving Metropolitan approved items, MWDOC Board approved items, Grant Funding, adding and subtracting MWDOC Administered Programs and Participant Agency Administered Programs as identified in Section 2, and changes to incentive programs, including funding and incentive levels.

NOW THEREFORE, in consideration of the promises and covenants hereinafter set forth, the Parties do agree as follows:

Section I: Agreement Term and Administration

- 1.1 This Agreement will be effective on July 1, 2015 or upon execution of this Agreement by all Parties, whichever is later, and shall terminate on June 30, 2025 (“Term”). Continuance of this Agreement will be subject to annual budget approval by MWDOC’s Board of Directors.
- 1.2 This Agreement may be amended at any time by written mutual agreement of the Parties, or by Addendums issued by MWDOC as set forth in Recital I.
- 1.3 This Agreement may be terminated by either Party for any reason upon thirty (30) days written notice to the other Party.
- 1.4 All Addendums are enforced for the duration of this Agreement unless the Addendums are amended or terminated by either Party.
- 1.5 In the event the Agreement is terminated early, Participant Agency is responsible for payment of any funding contributions required by this Agreement that that were initiated prior to the effective date of the termination. For purposes of this Agreement, an application is deemed initiated when an application has been received by Metropolitan’s rebate vendor, EGIA, by MWDOC, or a reservation has been made within any of MWDOC’s online application portals that is pursuant to any of the programs described within this Agreement and the attached Addendums.
- 1.6 Notwithstanding any other provision in this Agreement, funds for all of the programs described within this Agreement and the attached Addendums are conditioned upon the

availability of funds and MWDOC is under no obligation to provide funding for any of the programs if MWDOC determines, in its own discretion, that such funding is exhausted, reduced, eliminated, or unavailable from any funding source, for any reason.

Section 2: Program Funding

2.1 Supplemental Funding

2.1.1 In addition to the Metropolitan Base Incentives, Participant Agency may provide additional funding to augment the Metropolitan Base Incentives amounts for those programs and devices that Participant Agency identifies, and in the amounts indicated, in the appropriate locations in Addendums 2A, 2B, and 2C (“Supplemental Funding”). The Supplemental Funding listed in Addendums 2A through 2C shall specify the amount of Supplemental Funding Participant Agency will provide per device or program, as well as the total maximum Supplemental Funding amount committed to each category of device or program. If the Participant Agency does not complete, sign, and return Addendums 2A through 2C to MWDOC, notwithstanding any other provision of this Agreement, the Participant Agency will not be bound by this Section or the provisions in Addendums 2A through 2C. In general, Supplemental Funding Addendums submitted by the 15th of a month will become effective the first of the following month.

2.1.2 If Participant Agency elects to provide Supplemental Funding or enhanced incentives under this Agreement for any device or program, Participant Agency is responsible for tracking the use of and the remaining availability of those funds. MWDOC will assist, in every way possible, but the ultimate responsibility for tracking all Participant Agency funding is the responsibility of Participant Agency. Participant Agency will ultimately be responsible for any overuse of Participant Agency Supplemental Funding.

2.1.3 Any requests for changes or revisions to Participant Agency’s Supplemental Funding, including funding transfers between Programs, must be submitted by Participant Agency to MWDOC in the form of revised Addendum 2s listing the new funding amounts/limits.

2.1.4 The Participant Agency may elect to participate in the Supplemental Funding Program and be bound by the provisions of this Section 2.1, Sections 3, 5, 6, 7, and 8 of this Agreement, and Addendum 2A through 2C by having its authorized representative complete and sign Addendum 2A through 2C in the spaces provided.

2.2 MWDOC Administered Programs

2.2.2 Participant Agency may elect to take advantage of the MWDOC Administered Programs by having its authorized representative complete and sign Addendums 3A through 3C in the spaces provided. If Participant Agency completes and signs Addendums 3A through 3C, Participant Agency agrees to be bound by the provisions of this Section 2.2, Sections 3, 5, 6, 7, and 8 of this Agreement, and Addendums 3A through

3C. If the Participant Agency does not complete, sign, and return Addendums 3A through 3C, notwithstanding any other provision of this Agreement, the Participant Agency will not be bound by this Section or the provisions in Addendums 3A through 3C.

2.3 Participant Agency Administered Programs

2.3.1 From time to time, funding may be made available for Participant Agency to operate a customized member agency administered local water conservation incentive program or programs (“Participant Agency Administered” “PA” or “MAA Program”) in its service area and access the Metropolitan Base Incentives for such, subject to MWDOC approval of the program and the terms and conditions of this Agreement and Addendum 4. The Participant Agency Administered Program(s) and requirements in connection with it are described in more detail in Addendum 4.

2.3.2 Upon receipt of approval of a Participant Agency Administered Program by MWDOC, Participant Agency is bound by the provisions of Sections 3, 5, 6, 7, and 8 of this Agreement and Addendum 4.

2.4 Exhaustion of Funding

2.4.1 In the event Participant Agency provided funding for any Program or device is exhausted, and Participant Agency does not elect to add additional funding or transfer available funding from another Program or device, MWDOC will discontinue offering the additional rebate funding for that Program or device in Participant Agency’s service area. Notwithstanding any other provision in this Agreement, MWDOC may terminate this Agreement as it relates to Section 2 at any time without prior notice in the event that MWDOC determines that funding for any device or program on Addendums 2 through 4 or MWDOC Grant Funding is exhausted, reduced, eliminated, or unavailable from any funding source, for any reason.

Section 3: Participant Agency Responsibility and Ownership

- 3.1 Participant Agency, at its sole discretion, may independently contract with its own agents under separate agreements for program administration and management for any Participant Agency Administered Program provided that doing so does not compromise program performance, create or present a conflict of interest, or violate the terms of this Agreement.
- 3.2 Participant Agency and/or its agent shall provide all necessary services and materials for such Participant Agency Administered Programs including, but not limited to the following: program administration, promotion, marketing materials, data collection, and analysis, installation verification, and reporting.
- 3.3 All materials and supplies necessary to implement a Participant Agency Administered Program shall be the exclusive property of Participant Agency. MWDOC shall have no

ownership, right, title, security interest, or other interest in any Participant Agency Administered Program materials or supplies, nor any rights duties, or responsibilities, therefor.

- 3.4 Participant Agency is responsible for assuring that any Participant Agency Administered Program complies with all federal, state, and local requirements.
- 3.5 Participant Agency agrees to cooperate with MWDOC's data management activities related to assessing device saturation and program success.
- 3.6 As part of any Participant Agency Administered Program, Participant Agency shall use, maintain, and submit to MWDOC within the designated timeframe an electronic database, to be approved by MWDOC prior to use, for any conservation items installed, distributed, or rebated by Participant Agency or its agents to avoid duplicate distributions and to determine the saturation rate of items by the appropriate geographic delineation.
- 3.7 Participant Agency is solely responsible for the performance of its staff or representatives in complying with the terms of this Agreement and for the proper allocation and appropriate use of funds provided by Metropolitan and/or MWDOC for the purpose of achieving water conservation savings under this Agreement.

Section 4: MWDOC's Obligations

- 4.1 MWDOC will be response to Participant Agency for ensuring that timely reports on the Programs' results are prepared by MWDOC's staff.
- 4.2 MWDOC will develop a database of information regarding participation in the Programs and provide monthly electronic and/or written reports of activity to Participant Agency.
- 4.3 MWDOC will invoice Participant Agency for any Participant Agency funding obligations on a monthly basis for rebates issued in the previous month.
- 4.4 MWDOC does not guarantee any minimum number of rebates will be available for Participant Agency's service area.

Section 5 Marketing.

- 5.1 Participant Agency agrees to assist in the marketing of programs it participates in under this Agreement. With regard to Participant Agency Administered Programs, Participant Agency will be solely responsible for marketing its Participant Agency Administered Program to customers in its service area.

Section 6: Installation Verification

- 6.1 Participant Agency shall be responsible for conducting installation verifications of items installed, distributed, and/or rebated by Participant Agency under Participant Agency

Administered Programs, and/or for paying all costs associated with this verification. Installation verification measures for program devices must be designed to ensure that materials, installation verifications of eligible program devices, and services meet requirements established by Metropolitan, which requirements will be provided to Participant Agency by MWDOC.

- 6.2 Participant Agency may be responsible for conducting installation verifications of items installed, distributed, and/or rebated by Participant Agency or MWDOC under MWDOC Administered Programs, and/or for paying all costs associated with this verification. Installation verification measures for program devices must be designed to ensure that materials, installation verifications of eligible program devices, and services meet requirements established by Metropolitan, which requirements will be provided to Participant Agency by MWDOC.
- 6.3 MWDOC reserves the right to conduct installation verification of items within Participant Agency's service area.
- 6.4 Participant Agency acknowledges that any device receiving funding from Metropolitan may be subject to an installation verification to be performed by Metropolitan, or its agent(s), at Metropolitan's discretion.
- 6.5 Participant Agency shall promptly refund to MWDOC any amounts paid under any Participant Agency Administered Program or MWDOC Administered Program for installed or distributed devices in the event MWDOC or Metropolitan establishes via installation verification that the program devices were not installed.

Section 7: Reporting and Invoicing

- 7.1 For any and all Supplemental Funding provided by Participant Agency and/or Participant Agency provided funding or inspection costs under the MWDOC Administered Programs pursuant to Section 2 of this Agreement, and as more particularly described in Addendums 2 and 3, MWDOC will invoice Participant Agency on a monthly basis for the cost of such funding, and Participant Agency must pay the full amount of such invoice within thirty (30) days of receipt of any such invoice.
- 7.2 For any and all Participant Agency Administered Program(s), Participant Agency will invoice MWDOC on a monthly basis, by the 10th of each month, for any approved funding and costs associated with the Participant Agency Administered Program(s) as indicated in and subject to the provisions of Addendum 4. MWDOC is under no responsibility to reimburse Participant Agency for any costs incurred by Participant Agency that are not approved by MWDOC consistent with the terms and conditions of this Agreement and Addendum 4. The invoice package shall include a fully completed, to the satisfaction of MWDOC, Excel customer/applicant spreadsheet showing program activity, and an invoice, signed by the General Manager or designee of Participant Agency, certifying the information provided as accurate. Participant Agency shall use the Excel customer/applicant spreadsheet and Invoice forms approved by MWDOC.

- 7.3 Participant Agency shall maintain all Participant Agency Administered Program information, including Participant Agency applications, water bills, and purchase receipts, for a period of seven years from the end date of this Agreement.
- 7.4 Payment of Participant Agency invoices shall be in the form of either a credit on MWDOC's water bill to Participant Agency or a check made payable to Participant Agency. Method of payment shall be at MWDOC's discretion.

Section 8: Confidentiality

- 8.1 MWDOC agrees to maintain the confidentiality of Participant Agency's customer names, addresses, and other information gathered in connection with this Agreement. MWDOC will not cause or permit the disclosure of such information except as necessary to carry out any of the MWDOC Administered or Participant Agency Administered Programs, or as required by law. To the extent that MWDOC contracts with third party contractors to carry out all or any portion of any of the Programs, MWDOC will require such contractors to maintain the confidentiality of such customer information.
- 8.2 Notwithstanding anything to the contrary in this Agreement, Participant Agency acknowledges and agrees that MWDOC may request and use historical water consumption data for purposes of satisfying any grant water use and water quality evaluation requirements of any of the Programs. Participant Agency also acknowledges and agrees that MWDOC may also request to use Program applicant information, such as name, mailing address, site photos, and email address to market other water use efficiency programs to past applicants. A similar provision will be required of every individual applicant.

Section 9. Indemnification.

- 9.1 The parties agree that each Party shall be responsible for its own actions, and the actions of its officers, employees, and agents, in performing services under this Agreement. Except as provided in this Agreement and its Addendums, each Party agrees to indemnify and hold the other Party and its officers and agents harmless and agrees to defend the other Party against any claim or asserted liability arising out of its actions, either willful or negligent, or the actions of its officers, employees, and agents, in performing services pursuant to this Agreement. Such indemnity will include any losses relating to any claim made, whether or not a court action is filed, and will include attorney fees and administrative and overhead costs related to or arising out of such claim or asserted liability.
- 9.2 Participant Agency shall include the following language in its agreement with any consultant or contractor retained by Participant Agency to work on any of the Program”
“(Consultant) agrees at is sole cost and expense to protect, indemnify, defend, and hold harmless Metropolitan, MWDOC, and their associated Boards of Directors, officers, representatives, agents and employees from and against any and all claims and liability

of any kind (including, but not limited to, any claims or liability for injury or death to any person, damage to property, natural resources or to the environment, or water quality problems) that arise out of or related to Participant Agency's approval, construction, operation, repair, or ownership of any Program. Such indemnity shall include all damages and losses related to any claim made, whether or not a court action is filed, and shall include attorneys' fees, administrative and overhead costs, engineering and consulting fees, and all other costs related to our arising out of such claim or asserted liability."

Section 10. Certification re Lobbying (43 CFR 18)

- 10.1 The undersigned hereby certifies on behalf of Participant Agency that no Federal appropriated funds have been paid or will be paid, by or on behalf of the Participant Agency, to any person for influencing or attempting to influence an officer or employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with a Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying" in accordance with its instructions. To the extent federal funds are involved, the Participant Agency shall require that the language of this certification be included in the awards documents for any sub-awards by the Participant Agency at all tiers (including sub-contracts, sub-grants, and contracts under grants, loans and cooperative agreements) and that sub-recipients, if any, shall certify accordingly.

Section 11. Other Terms

- 11.1 Any alteration or variation of the terms of this Agreement will not be valid unless made in writing and signed by both Parties.
- 11.2 This Agreement will inure to the benefit of and be binding upon the Parties and their respective successors.
- 11.3 The partial or total invalidity of one or more parts of this Agreement will not affect the intent or validity of this Agreement.
- 11.4 This agreement shall be deemed a contract made under the laws of the State of California, and for all purposes will be interpreted in accordance with such laws. The Parties hereby agree and consent to the exclusive jurisdiction of the courts of the State of California, and that the venue of any action brought hereunder will be in Orange County, California.


///
///


11.5 This Agreement constitutes the entire agreement between the Parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.


MUNICIPAL WATER DISTRICT
OF ORANGE COUNTY

IRVINE RANCH WATER DISTRICT

By: 
Robert J. Hunter
General Manager
Date: 7-14-15

By: 
Paul Cook
General Manager
Date: 7-9-15

Approved as to Form:
Bowie, Arneson, Wiles & Giannone


Joan C. Arneson
Legal Counsel
Date: 6/25/15

**FIRST AMENDMENT TO WATER CONSERVATION PARTICIPATION
AGREEMENT**

This First Amendment to Water Conservation Participation Agreement ("First Amendment") is effective on July 1, 2016 ("Effective Date"), by and between the Municipal Water District of Orange County ("MWDOC") and Irvine Ranch Water District ("Participant Agency") MWDOC and Participant Agency may be collectively referred to as "Parties" and individually as "Party."

RECITALS

- A. MWDOC and Participating Agency entered into a Water Conservation Participation Agreement regarding the Participating Agency's participation in certain water conservation programs ("Agreement").
- B. The Parties now desire to amend the Agreement to make certain changes to provisions regarding verification of the installation of items and devices installed as part of certain water conservation incentive programs.

TERMS

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to amend the Agreement as follows:

1. **Amendment.** Section J is added to the Recitals to read as follows:
 - "J. The purpose of this Agreement is also to acknowledge that Participating Agency is participating in MWDOC's Choice Water Use Efficiency Program ("WUE Program") and in doing so is agreeing to pay for its proportionate share of MWDOC's administrative and direct program costs of the WUE Program."

2. **Amendment.** Section 1.7 is added to the Agreement to read as follows:
 - "1.7 Participating Agency understands that by entering into this Agreement it is participating in MWDOC's Choice Water Use Efficiency Program ("WUE Program") and agrees to pay MWDOC for its proportionate share of MWDOC's costs for administering the WUE Program based on Participating Agency's level of participation in the WUE Program. MWDOC will annually invoice Participating Agency."

3. Amendment. Section 6 is amended in its entirety to read as follows:

“Section 6: Installation Verification/Inspection

- 6.1 Participant Agency shall be responsible for conducting installation verifications/inspections of items and devices installed, distributed, and/or rebated by Participant Agency under Participant Agency Administered Programs to ensure compliance with program requirements, and/or for paying all costs associated with this verification/inspection. Installation verification/inspection measures must be designed to ensure that materials, installation verifications/inspections of eligible program items and devices, and services meet requirements established by Metropolitan and MWDOC, which requirements will be provided to Participant Agency by MWDOC as Attachment A.
- 6.2 Participant Agency shall be responsible for conducting installation verifications/inspections of items or devices installed, distributed, and/or rebated by Participant Agency or MWDOC under MWDOC Administered Programs to ensure compliance with program requirements, and/or for paying all costs associated with this verification/inspection. Installation verification/inspection measures for program items and devices must be designed to ensure that materials, installation verifications/inspections of eligible program items and devices, and services meet requirements established by Metropolitan and MWDOC, which requirements will be provided to Participant Agency by MWDOC as Attachment A.
- 6.3 Participant Agency may elect to (1) conduct its own installation verifications/inspections by either utilizing its in-house staff or contracting with a third party vendor of its choice; or (2) utilize MWDOC’s installation verification/inspection contractor to conduct the installation verification/inspections. If Participant Agency elects to utilize MWDOC’s verification/inspection vendor, Participant Agency may elect to contract directly with MWDOC’s verification/inspection vendor. If Participant Agency elects not to enter into such contract, MWDOC, in MWDOC’s sole discretion, may require that Participant Agency contract directly with MWDOC’s verification/inspection vendor.
- 6.3.1 Notwithstanding any other provision in this Agreement, Participant Agency understands and agrees that if Participant Agency utilizes MWDOC’s verification/inspection vendor, Participant Agency must still comply with all of the requirements of this Agreement, including the refund requirements in Section 6.6, and MWDOC is in no way liable or responsible for the acts or omissions of such vendor and makes no

representations or warranties regarding the quality of such vendor's work. Participant's sole recourse as to any action, claims or damages arising out of the acts or omissions of MWDOC's verification/inspection vendor is with the vendor and not with MWDOC.

- 6.4 MWDOC reserves the right to conduct installation verification/inspection of items and devices within Participant Agency's service area.
- 6.5 Participant Agency acknowledges that any item or device receiving funding from Metropolitan may be subject to an installation verification/inspection to be performed by Metropolitan, or its agent(s), at Metropolitan's discretion.
- 6.6 Participant Agency shall promptly refund to MWDOC any amounts paid under any Participant Agency Administered Program or MWDOC Administered Program for installed or distributed items or devices, including any grant funds, in the event MWDOC or Metropolitan establishes via installation verification/inspection and/or audit that the program items or devices were not installed in compliance with the requirements established by Metropolitan and MWDOC pursuant to this Agreement. If such a refund is not provided to MWDOC within thirty (30) days of request, the requested amount may be debited by MWDOC on Participating Agency's next water service invoice.
- 6.7 "Items" and "devices" includes, but is not limited to, plumbing fixtures, irrigation devices, turf (removal and replacement), and any other items, devices or materials that are installed in connection with a program covered by this Agreement.

4. Authority to enter into First Amendment. Each Party represents to the other that the person executing this First Amendment has the requisite power and authority to execute the First Amendment and to bind each respective Party.

5. Continuing Effect of Agreement. Except as amended by this First Amendment, all other provisions of the Agreement remain in full force and effect. From and after the date of this First Amendment, whenever the term "Agreement" appears in the Agreement, it shall mean the Agreement as amended by this First Amendment.

6. Execution in Counterparts. This First Amendment may be executed in duplicate counterparts, each of which shall be deemed an original.

MWDOC and Participating Agency have each caused this First Amendment to be executed by its duly authorized representative as of the date set forth below the authorized signature.

IN WITNESS WHEREOF, the Parties hereto have executed this First Amendment.

MUNICIPAL WATER DISTRICT
OF ORANGE COUNTY

PARTICIPANT AGENCY


By: _____
Robert Hunter
General Manager

Date: _____

Approved as to Form:

Joseph Byrne
General Counsel

Date: _____

By: 
Name Paul Cook
Title General Manager

Date: 18 OCTOBER 2016

Approved as to Form:



Joan C. Arneson
General Counsel

Date: September 8, 2016

Addendum 2A FY 16-17

Residential Program

Participant Agency Supplemental Funding Authorization (as of September 7, 2016)

Regional Incentive Program	Metropolitan Incentive	Participant Agency Incentive	Total Incentive	Authorized Funding
High Efficiency Clothes Washer (HECW)	\$85	\$165	\$250	See below
Premium High Efficiency Toilet (4 Liter) (Single-family)	\$40	\$110	\$150	See below
Rotating Nozzles (minimum 30)	\$2	\$	\$2	\$
Rain Barrels	\$75	\$	\$75	\$
Cistern	\$300	\$	\$300	\$

Select one: Check here if the supplemental incentives are flat regardless of actual device cost
 Check here if the supplemental incentives are limited to the actual device cost
 (Actual device cost is the retail price of the device excluding tax, shipping, labor or other charges)

If Participant Agency has complex or more detailed requirements, please check this box, sign this form and attach a spreadsheet or other documentation showing funding details.

To STOP any or all Supplemental Funding, please check this box, sign form, and submit to MWDOC.

Participant Agency Name Irvine Ranch Water District

Authorized Funding \$ 300,000

Add/Subtract Additional Funds¹ \$ 205,000 (FY 15/16 carryover)

Total Authorized Funding \$ 505,000

Start Date: September 7, 2016

End Date: June 30, 2017

¹If this is not the first form this fiscal year, indicate amount of funding being added or subtracted.

This funding authorization is effective only for the period designated by the Participant Agency above, or until a new authorization is approved and implemented by Metropolitan's vendor. Each form submitted shall include the total authorization of the Agency for the specified time period. No funds will be carried over from prior forms.

Supplemental funding forms received by MWDOC by the 15th of a month will be sent to Metropolitan by the 20th of a month. Funding forms received by Metropolitan by the 20th of a month shall become effective on the first day of the following month unless a later Start Date is specified. Incentives will not be applied retroactively.

Participant Agency is obligated to pay supplemental funding for any on-line commitments/applications made while this authorization is in effect, even if final payment for these commitments is/are due after the End Date specified. **By signing, Participant Agency agrees to these terms.**

 13 SEPT 2016
 Authorizing Signature General Manager /Designee Date

MWDOC Use Only: Date received: _____ Approved by _____
 Date sent to Metropolitan: _____

Comments:

Addendum 2B FY 16-17

CII Program

Participant Agency Supplemental Funding Authorization (as of Sept. 7, 2016)

Regional Incentive Program	Metropolitan Incentive	Participant Agency Incentive	Total Incentive	Authorized Funding
Plumbing Flow Control Valve	\$ 5 each	\$0	\$5	\$
Laminar Flow Restrictors	\$ 10 per Restrictor	\$0	\$10	\$
Commercial Premium HET	\$ 40	\$60	\$100	See below
Multi-Family Premium HET	\$ 40	\$110	\$150	See below
Zero Water Urinals (ZWU)	\$ 200	\$100	\$300	See below
Ultra Low Water Urinal (ULWU)	\$ 200	\$100	\$300	See below
Large Rotary Nozzles	\$ 13 per Set	\$0	\$13	\$
Rotating Nozzles for Pop-up Spray Heads Retrofits	\$ 2 per Nozzle	\$0	\$2	\$
In-Stem Flow Regulator	\$ 1 per Regulator	\$0	\$1	\$
pH-Cooling Tower Controller (pH-CTC)	\$1,750	\$0	\$1,750	\$
Cooling Tower Conductivity Controller (CTCC)	\$ 625	\$0	\$625	\$
Dry Vacuum Pump	\$ 125 per 0.5 HP	\$0	\$125	\$
Connectionless Food Steamers	\$ 485 per compartment	\$485	\$970	See below
Ice-Making Machines	\$1,000	\$250	\$1,250	See below
Select one:	Check here <input type="checkbox"/> if the supplemental incentives are flat regardless of actual device cost			
	Check here <input checked="" type="checkbox"/> if the supplemental incentives are limited to the actual device cost (Actual device cost is the retail price of the device excluding tax, shipping, labor or other charges)			
<input type="checkbox"/>	If Participant Agency has complex or more detailed requirements, please check this box, sign this form and attach a spreadsheet or other documentation showing funding details.			
<input type="checkbox"/>	To STOP any or all Supplemental Funding, please check this box, sign form, and submit to MWDOC			
Participant Agency Name	<u>Irvine Ranch Water District</u>			
Authorized Funding	<u>\$ 300,000</u>			
Add/Subtract Additional Funds ¹	<u>\$ 250,000 (FY 15/16 carryover)</u>			
Total Authorized Funding	<u>\$ 550,000</u>			
Start Date:	<u>September 7, 2016</u>			
End Date:	<u>June 30, 2017</u>			

1. *If this is not the first form for this fiscal year, indicate amount of funding being added or subtracted*

This funding authorization is effective only for the period designated by the Participant Agency, or until a new authorization is approved and implemented by Metropolitan's vendor. Each form submitted shall include the total authorization of the Agency for the specified time period. No funds will be carried over from prior forms.

Supplemental funding forms received by MWDOC by the 15th of a month will be sent to Metropolitan by the 20th of a month. Funding forms received by Metropolitan by the 20th of a month shall become effective on the first day of the following month unless a later Start Date is specified. Incentives will not be applied retroactively.

Participant Agency is obligated to pay supplemental funding for any on-line commitments/applications made while this authorization is in effect, even if final payment for these commitments is/are due after the End Date specified.

By signing, Participant Agency agrees to these terms.

Participant Agency: Irvine Ranch Water District



 Authorizing Signature General Manager
 /Designee

13 SEPT 2016

 Date

MWDOC Date received: _____

Approved by: _____

Use Only: Date sent to Metropolitan, if applicable: _____

Comments:

EXHIBIT "D"

**Addendum 3B1 FY 16-17
Turf Removal Rebate Program
Participant Agency Using MWDOC as Turf Removal Rebate Vendor
Fully Funded by Participant Agency
Participant Agency: Irvine Ranch Water District**

Incentive Funding Activated Upon Participant Agency Agreement to Fund Turf Removal Rebates (Per Square Foot)			
Turf Removal Rebate	Participant Agency Incentive Funding Per Square Foot	Participant Agency Rebating (X)	Admin Fees Per Application
Residential Turf Removal (One application per property address per lifetime)	\$2.00/sf Maximum of 3,000 sf	<input checked="" type="checkbox"/>	\$65.00 per app
Commercial Turf Removal (One application per customer per year)	\$1.00/sf Maximum of 25,000 sf	<input checked="" type="checkbox"/>	\$65.00 per app
Public Agency Turf Removal (One application per customer per year)	\$2.00 sf up to 3,000 sf \$1.00 sf up to 44,000 sf Maximum of 47,000 sf	<input checked="" type="checkbox"/>	\$65.00 per app

Site Inspection. Participant Agency must conduct mandatory, onsite pre-turf and post-turf removal verifications/inspections, as described in Amendment 1 to the Water Conservation Participation Agreement and the MWDOC Inspection and Verification Procedures document. Participant Agency may elect to (1) conduct its own installation verifications/inspections by either utilizing its in-house staff or contracting with a third party vendor of its choice; or (2) utilize MWDOC's installation verification/inspection contractor to conduct the installation verification/inspections. An authorized representative(s) of Participant Agency must approve all pre-turf and post-turf removal inspections work orders, whether conducted by Participant Agency or a third-party vendor. Participant Agency shall designate its authorized representative(s) by completing Table 1 below. All authorized representative(s) identified in Table 1 must have signing authority with Participant Agency to certify that all information contained in the pre-turf and post-turf removal work orders is true and correct and to approve all rebate funding amounts.

**Table 1
Designation by Participant Agency of Authorized Representative(s)**

Name	Title
Amy McNulty	Water Efficiency Manager
Shavonne Mays	Sr. Water Efficiency Specialist

If Participant Agency elects to utilize MWDOC's verification/inspection vendor, Participant Agency may elect to contract directly with the inspection vendor. Participant Agency understands and agrees that if Participant Agency utilizes MWDOC's verification/inspection vendor, Participant Agency must still comply with all of the requirements of the Water Conservation Participation Agreement, including the refund requirements in Section 6.6, and MWDOC is in no way liable or responsible for the acts or omissions of such vendor and makes no representations or warranties regarding the quality of such vendor's work. Participant's sole recourse as to any action, claims or

damages arising out of the acts or omissions of MWDOC's verification/inspection vendor is with the vendor and not with MWDOC.

By its initials below, Irvine Ranch Water District hereby elects to either:
Name of Participant Agency

(1) Conduct its own inspections:

P. Cas.
Initials Here

or

(2) Provide funding to MWDOC to conduct inspections:

Initials Here

By signing below, Participant Agency agrees to the following: Participating Agency is electing to use MWDOC as the vendor to provide rebates. Participant Agency will be fully-funding rebates and must pay associated administrative fees, as described herein. Participant Agency acknowledges that it is responsible for managing its own rebate funding and administrative fees budget(s) via the Droplet online portal. MWDOC will not be tracking the status of Participant Agency's funding. Participant Agency also acknowledges that any application originating under the term of this Addendum 3B1 shall be fully funded by Participant Agency and not eligible for funding from any other source. Furthermore, Participant Agency understands that it is obligated to pay all rebate amounts and administrative fees for any applications initiated during the term of this Addendum 3B1, regardless of when the project is completed and the rebate check is issued. Additionally, Participant Agency acknowledges that should MWDOC, Grant, and/or Metropolitan funding become available and Participant Agency elects to participate in that funding for new applications received at that time, that Participant Agency will be subject to and adhere to any square footage caps and rebate levels (as base rebate levels; supplemental funding will be allowed) established by MWDOC for said funding.

This funding authorization is effective for applications received by MWDOC on or after July 1, 2016 and continues through June 30, 2017 or until a replacement Addendum is approved and implemented by MWDOC, whichever comes first. All invoicing shall be pursuant to the terms of the Water Conservation Participation Agreement. Incentives will not be applied retroactively.

By signing, Participant Agency agrees to these terms.

Participant Agency Irvine Ranch Water District

[Signature]
Authorizing Signature General Manager/Designee

20 Sept 2016
Date

MWDOC
Use Only:

Date received

Approved by

Date sent to vendor

Comments:

Exhibit “E”

Device Funding Levels FY 2016-2017

Program	Maximum Funding	Devices	IRWD Rebate Funding Level Per Device
<u>SoCal WaterSmart</u> Residential Program	\$300,000	High Efficiency Clothes Washer	\$165
		High Efficiency Toilet Premium	\$110
		Residential Smart Timer	Up to \$75
Program	Maximum Funding	Devices	IRWD Rebate Funding Level Per Device
<u>SoCal WaterSmart</u> Commercial Program	\$300,000	Commercial High Efficiency Toilet	\$60
		Multi-Family High Efficiency Toilet	\$110
		Zero Water/Ultra Low Water Urinals	\$100
		Connectionless Food Steamer	\$485 Per Compartment
		Commercial Ice Making Machine (Tier III)	\$250
		Water Savings Incentive Program	\$3 Per 1,000 gallons/ 1 year
Turf Removal Program	\$650,000	Turf Removal	Not to exceed \$2/sqft
Total Funding for All Programs	\$1,250,000		

January 23, 2017

Prepared and submitted by: J. Roney

Approved by: Paul Cook 

ACTION CALENDAR

MICHELSON WATER RECYCLING PLANT SECURITY UPGRADES

SUMMARY:

A security and vulnerability assessment of District facilities was conducted in April 2015. A key finding of this assessment was that the open-campus nature at the Michelson Water Recycling Plant (MWRP) provides an opportunity for theft, vandalism, assaults and accidents to unauthorized personnel entering the site. To mitigate the risks as identified in the assessment, the report recommended several alternatives to improve security at the MWRP. A key recommended improvement is the construction of a controlled access point at the entrance of the MWRP with a guardhouse, vehicle barrier gates, and lighting. Staff recommends the addition of Projects 7824, 7825, and 7826 for \$99,000 each to the Capital Budget, for a total of \$297,000, and that the General Manager approve Expenditure Authorizations for same amount for the design and construction of the recommended security improvements at the MWRP.

BACKGROUND:

In April 2015, a security assessment of District facilities and report of findings was completed by IRWD's consultant, TelSec, Inc. A significant security risk to IRWD identified was the open-campus nature of the 45-acre MWRP, which includes the water recycling plant, the biosolids dewatering facilities (currently under construction), maintenance buildings and equipment, a state-of-the-art water quality laboratory, warehousing, supply and equipment storage, and administrative offices that also serve as IRWD's primary Emergency Operations Center. Factors that contribute to the security concerns at the MWRP facility include:

- Significant increase in value of facilities, equipment and assets located at the MWRP;
- Encroaching urbanism surrounding the MWRP site resulting in an increase in security breaches as shown in Exhibit "A"; and
- Significant increase in traffic through the MWRP access points; up to 4,500 vehicles per week as measured by an August 2016 traffic study.

TelSec's assessment reports suggested alternatives to mitigate the identified MWRP security risks including: 1) construction of a controlled access point into and out of the MWRP campus as shown in Exhibit "B"; 2) segregation of the plant operation facilities from the parking and administrative components of the campus via fencing and locked gates as shown in Exhibit "C"; and 3) locking all entrance gates at all times which would require the installation of sophisticated intercom systems to provide staff a method to grant access to visitors and contractors when needed as shown in Exhibit "D".

Staff has reviewed and evaluated these alternatives and concluded that the most secure and efficient method to mitigate security risks to the MWRP is to implement Telsec's recommendation to construct a guardhouse, vehicle barrier gates and lighting adjacent to Tree Hill's parking area and staff the guardhouse with full-time contract security services as described in Exhibit "B". It is anticipated that implementation of this recommended alternative will

include construction of a small building consisting of a workspace, restroom and storage and electrical/communication room, extension of water sewer and power and communication utilities from the Operations Center, security gates and monitoring equipment. This project would also include minor grading and street improvements adjacent to Tree Hill's parking area and asphalt replacement surrounding the guardhouse's perimeter and along the utility trenches.

If staff's recommendation to proceed with this project is approved, staff will prepare a Request for Proposal for engineering services to evaluate and then design the facilities. A Preliminary Design Report will be presented to the Engineering and Operations Committee for review prior to commencing with the final design. The award of a Professional Services Agreement for the preliminary and final design services is anticipated to be within the authority of the General Manager.

FISCAL IMPACTS:

Staff requests the addition of Michelson Campus Security Projects 7824, 7825 and 7826 to the FY 2016-17 Capital Budget in the amount of \$99,000 each. Expenditure Authorizations, attached as Exhibit "E", will be approved by the General Manager.

Project No.	Current Budget	Addition <Reduction>	Total Budget
7824	-0-	\$99,000	\$99,000
7825	-0-	\$99,000	\$99,000
7826	-0-	\$99,000	\$99,000
Total	-0-	\$297,000	\$297,000

ENVIRONMENTAL COMPLIANCE:

This project is subject to the California Environmental Quality Act (CEQA). In conformance with the California Code of Regulations, Title 14, Chapter 3, Section 15004, the appropriate environmental documents will be prepared when the "meaningful information" becomes available.

COMMITTEE STATUS:

This item was reviewed and approved by the Engineering and Operations Committee on January 17, 2017.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE ADDITION OF THE MICHELSON WATER RECYCLING PLANT SECURITY PROJECTS 7824, 7825 AND 7826 TO THE FY 2016-17 CAPITAL BUDGET IN THE AMOUNT OF \$99,000 EACH, FOR A TOTAL OF \$297,000, FOR THE DESIGN AND CONSTRUCTION OF A GUARDHOUSE KIOSK, VEHICLE BARRIER GATES AND LIGHTING AT THE MWRP CAMPUS.

LIST OF EXHIBITS:

Exhibit "A" – MWRP and San Joaquin Marsh Security Incidents

Exhibit "B" – Diagram of Security Kiosk Location

Exhibit "C" – Diagram of Internal Fencing/Gates

Exhibit "D" – Diagram of Locked Gates/Intercom System

Exhibit "E" – Expenditure Authorizations

EXHIBIT "A"**MWRP & MARSH SECURITY INCIDENTS****04/2015 TO 12/2016**

TYPE OF INCIDENT	MWRP	MARSH	TOTAL
Arrests	2	1	3
Graffiti	0	24	24
Homeless Encampment	0	1	1
Lewd Acts	0	1	1
Police/ Fire Dept. Visits	3	2	5
Public/ Irate Customers	2	0	2
Suspicious Person/Activities	5	10	15
Theft/ Burglary	0	2	2
Trespassing	7	0	7
Unauthorized/ Towing Vehicles	0	0	0
Unauthorized Visitors	25	0	25
Unlock door/ gates/ facilities	15	10	25
Vandalism/ Property Damages	5	1	6
Workplace Threat	2	0	2
TOTAL	66	52	118

EXHIBIT "A"

MWRP & MARSH SECURITY INCIDENTS

04/2015 TO 12/2016

TYPE OF INCIDENT	MWRP	MARSH	TOTAL
Arrests	2	1	3
Graffiti	0	24	24
Homeless Encampment	0	1	1
Lewd Acts	0	1	1
Police/ Fire Dept. Visits	3	2	5
Public/ Irate Customers	2	0	2
Suspicious Person/Activities	5	10	15
Theft/ Burglary	0	2	2
Trespassing	7	0	7
Unauthorized/ Towing Vehicles	0	0	0
Unauthorized Visitors	25	0	25
Unlock door/ gates/ facilites	15	10	25
Vandalism/ Property Damages	5	1	6
Workplace Threat	2	0	2
TOTAL	66	52	118

EXHIBIT "B"



EXHIBIT 'C

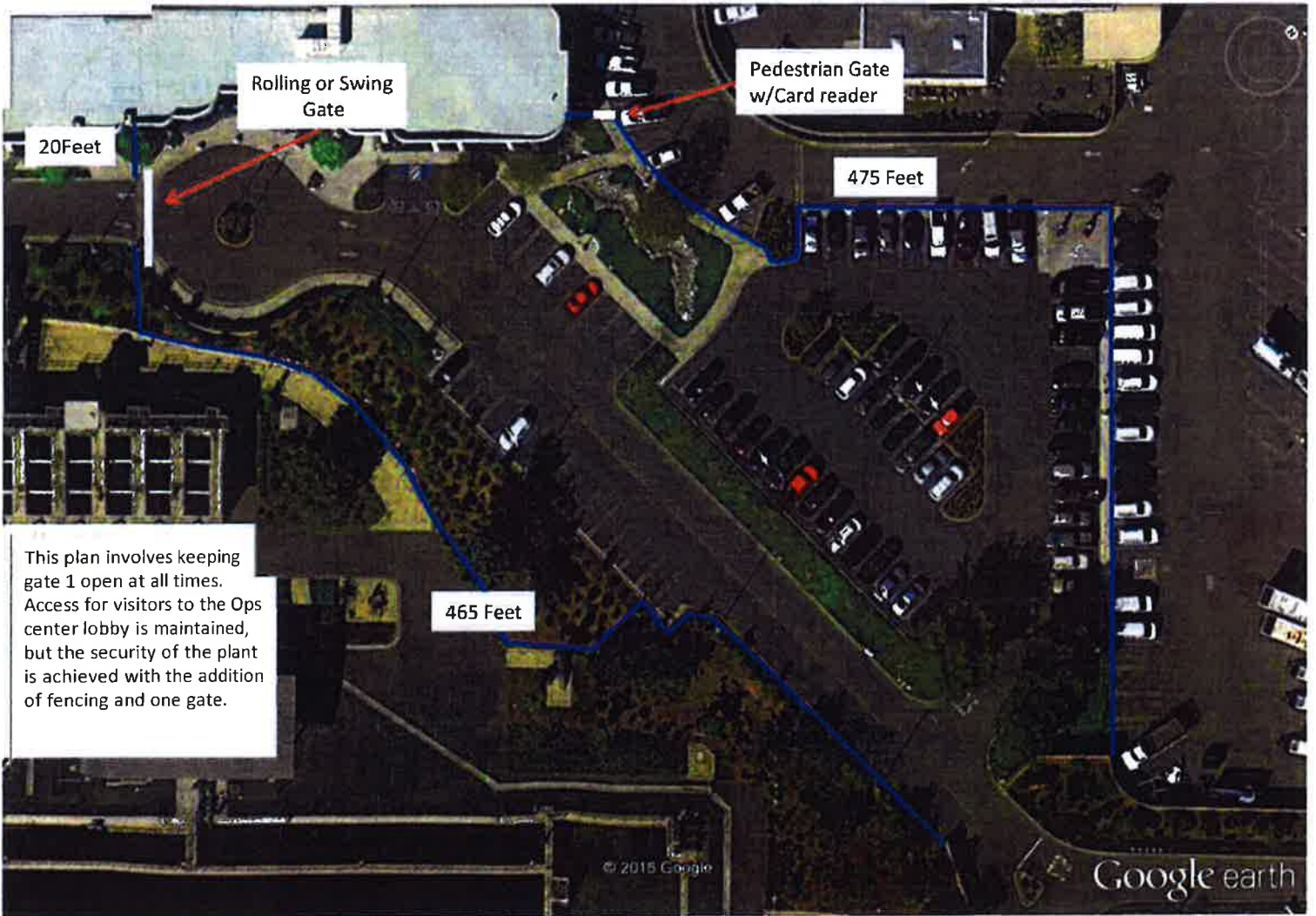


EXHIBIT "D"

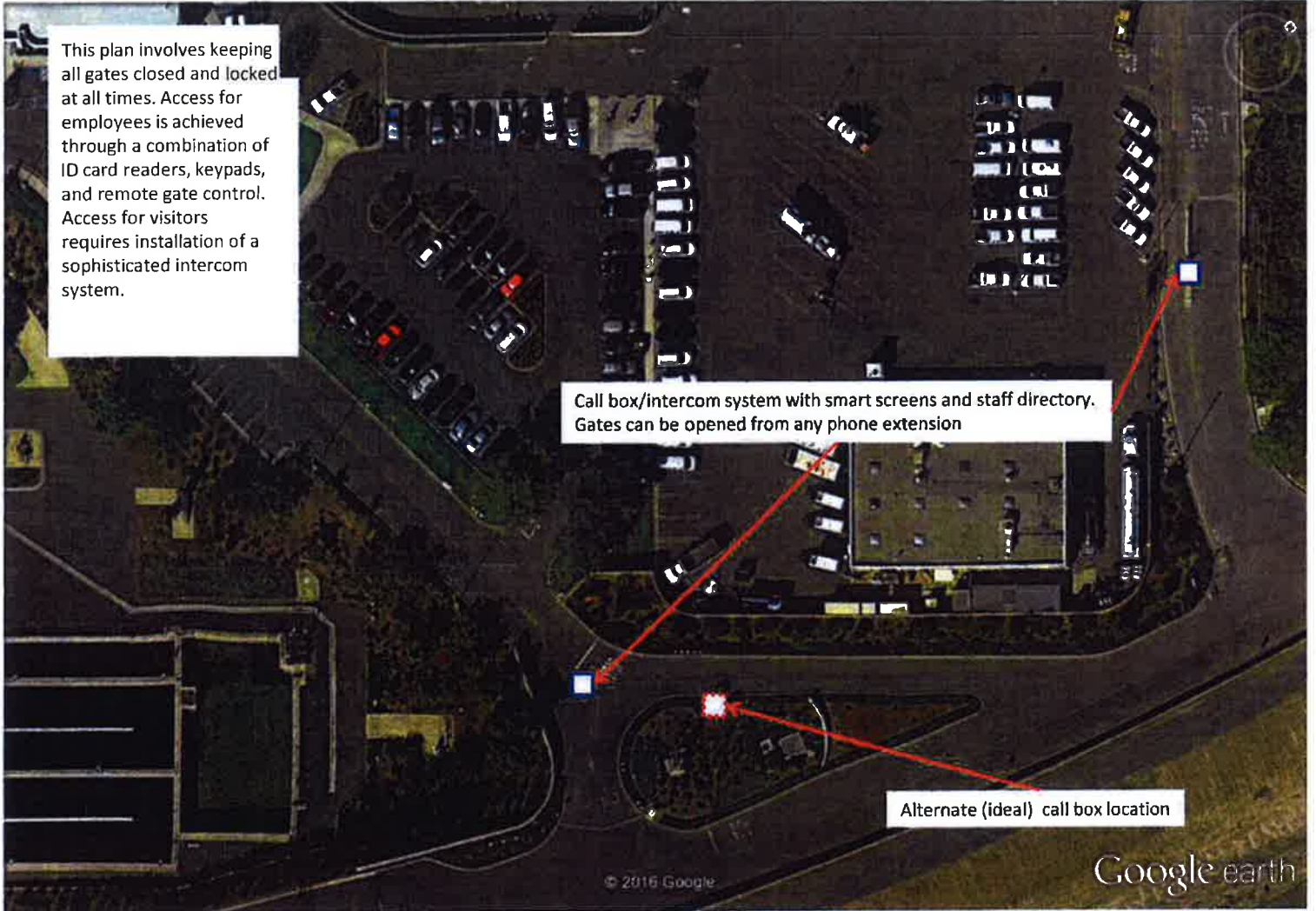
This plan involves keeping all gates closed and locked at all times. Access for employees is achieved through a combination of ID card readers, keypads, and remote gate control. Access for visitors requires installation of a sophisticated intercom system.

Call box/intercom system with smart screens and staff directory. Gates can be opened from any phone extension

Alternate (ideal) call box location

© 2016 Google

Google earth



IRVINE RANCH WATER DISTRICT EXHIBIT "E"

Expenditure Authorization

Project Name: MICHELSON CAMPUS SECURITY - DW
EPMS Project No: 11991 **EA No:** 1
Oracle Project No: 7824
Project Manager: CORTEZ, MALCOLM
Project Engineer: MURPHY, ALEXANDER
Request Date: January 4, 2017

ID Split: Regional Water Split with LAWD (11/08)

Improvement District (ID) Allocations

ID No.	Allocation %	Source of Funds
112	3.6	BONDS YET TO BE SOLD**
113	4.4	BONDS YET TO BE SOLD**
115	6.2	CAPITAL FUND
121	12.8	BONDS YET TO BE SOLD**
130	10.0	BONDS YET TO BE SOLD**
135	16.2	PREVIOUSLY SOLD BONDS
140	3.5	BONDS YET TO BE SOLD**
150	26.1	BONDS YET TO BE SOLD**
153	2.9	BONDS YET TO BE SOLD**
154	1.2	BONDS YET TO BE SOLD**
161	6.7	BONDS YET TO BE SOLD**
182	2.5	BONDS YET TO BE SOLD**
184	2.3	BONDS YET TO BE SOLD**
186	.8	BONDS YET TO BE SOLD**
188	.8	BONDS YET TO BE SOLD**
Total	100.0%	

Summary of Direct Cost Authorizations

Previously Approved EA Requests:	\$0
This Request:	\$99,000
Total EA Requests:	\$99,000
Previously Approved Budget:	\$0
Budget Adjustment Requested this EA:	\$99,000
Updated Budget:	\$99,000
Budget Remaining After This EA	\$0

Comments:

Phase	This EA Request	Previous EA Requests	EA Requests to Date	This Budget Request	Previous Budget	Updated Budget	Start	Finish
ENGINEERING DESIGN - IRWD	6,000	0	6,000	6,000	0	6,000	1/17	6/17
ENGINEERING DESIGN - OUTSIDE	13,000	0	13,000	13,000	0	13,000	2/17	7/17
DESIGN STAFF FIELD SUPPORT	2,000	0	2,000	2,000	0	2,000	2/17	7/17
ENGINEERING - CA&I IRWD	6,000	0	6,000	6,000	0	6,000	8/17	1/18
ENGINEERING - CA&I OUTSIDE	10,000	0	10,000	10,000	0	10,000	9/17	1/18
CONSTRUCTION FIELD SUPPORT	2,000	0	2,000	2,000	0	2,000	9/17	1/18
CONSTRUCTION	50,000	0	50,000	50,000	0	50,000	9/17	12/17
LEGAL	1,000	0	1,000	1,000	0	1,000	2/17	1/18
Contingency - 10.00% Subtotal	\$9,000	\$0	\$9,000	\$9,000	\$0	\$9,000		
Subtotal (Direct Costs)	\$99,000	\$0	\$99,000	\$99,000	\$0	\$99,000		
Estimated G/A - 185.00% of direct labor*	\$29,600	\$0	\$29,600	\$29,600	\$0	\$29,600		
Total	\$128,600	\$0	\$128,600	\$128,600	\$0	\$128,600		
Direct Labor	\$16,000	\$0	\$16,000	\$16,000	\$0	\$16,000		

*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:

Malcolm Cortez

1/4/17

Department Director:

Kari L. Butts

1/4/17

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 \$137,000. This project is further described in the attached staff report and official intent to reimburse costs of the above-captioned project is made under Treasury Regulation Section 1.150-2

IRVINE RANCH WATER DISTRICT

Expenditure Authorization

Project Name: MICHELSON CAMPUS SECURITY - SS
EPMS Project No: 21991 **EA No:** 1
Oracle Project No: 7825
Project Manager: CORTEZ, MALCOLM
Project Engineer: MURPHY, ALEXANDER
Request Date: January 4, 2017

ID Split: Regional Sewer Split with LAWD (11/08)

Improvement District (ID) Allocations

ID No.	Allocation %	Source of Funds
211	7.7	CAPITAL FUND
212	3.3	BONDS YET TO BE SOLD**
213	4.4	BONDS YET TO BE SOLD**
215	7.2	CAPITAL FUND
221	15.4	BONDS YET TO BE SOLD**
230	10.1	BONDS YET TO BE SOLD**
235	13.3	PREVIOUSLY SOLD BONDS
240	2.9	BONDS YET TO BE SOLD**
250	24.0	BONDS YET TO BE SOLD**
253	.9	BONDS YET TO BE SOLD**
261	6.3	BONDS YET TO BE SOLD**
282	1.7	BONDS YET TO BE SOLD**
284	1.8	BONDS YET TO BE SOLD**
286	.5	BONDS YET TO BE SOLD**
288	.5	BONDS YET TO BE SOLD**
Total	100.0%	

Summary of Direct Cost Authorizations

Previously Approved EA Requests:	\$0
This Request:	\$99,000
Total EA Requests:	\$99,000
Previously Approved Budget:	\$0
Budget Adjustment Requested this EA:	\$99,000
Updated Budget:	\$99,000
Budget Remaining After This EA	\$0

Comments:

Phase	This EA Request	Previous EA Requests	EA Requests to Date	This Budget Request	Previous Budget	Updated Budget	Start	Finish
ENGINEERING DESIGN - IRWD	6,000	0	6,000	6,000	0	6,000	1/17	6/17
ENGINEERING DESIGN - OUTSIDE	13,000	0	13,000	13,000	0	13,000	2/17	7/17
DESIGN STAFF FIELD SUPPORT	2,000	0	2,000	2,000	0	2,000	2/17	7/17
ENGINEERING - CA&I IRWD	6,000	0	6,000	6,000	0	6,000	8/17	1/18
ENGINEERING - CA&I OUTSIDE	10,000	0	10,000	10,000	0	10,000	9/17	1/18
CONSTRUCTION FIELD SUPPORT	2,000	0	2,000	2,000	0	2,000	9/17	1/18
CONSTRUCTION	50,000	0	50,000	50,000	0	50,000	9/17	12/17
LEGAL	1,000	0	1,000	1,000	0	1,000	2/17	1/18
Contingency - 10.00% Subtotal	\$9,000	\$0	\$9,000	\$9,000	\$0	\$9,000		
Subtotal (Direct Costs)	\$99,000	\$0	\$99,000	\$99,000	\$0	\$99,000		
Estimated G/A - 185.00% of direct labor*	\$29,600	\$0	\$29,600	\$29,600	\$0	\$29,600		
Total	\$128,600	\$0	\$128,600	\$128,600	\$0	\$128,600		
Direct Labor	\$16,000	\$0	\$16,000	\$16,000	\$0	\$16,000		

*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: Malcolm Cortez 1/4/17

Department Director: Chris L. Burt 1/4/17

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 further described in the attached staff report and additional documents, if any, which are hereby incorporated project is made under Treasury Regulation Section 1.150-2.

IRVINE RANCH WATER DISTRICT

Expenditure Authorization

Project Name: MICHELSON CAMPUS SECURITY - RW
EPMS Project No: 31991 **EA No:** 1
Oracle Project No: 7826
Project Manager: CORTEZ, MALCOLM
Project Engineer: MURPHY, ALEXANDER
Request Date: January 4, 2017

ID Split: Regional Reclaimed Water Split with LAWD (11/08)

Improvement District (ID) Allocations

ID No.	Allocation %	Source of Funds
211	2.1	CAPITAL FUND
212	13.2	BONDS YET TO BE SOLD**
213	4.8	BONDS YET TO BE SOLD**
215	.7	CAPITAL FUND
221	13.2	BONDS YET TO BE SOLD**
230	9.6	BONDS YET TO BE SOLD**
235	7.9	PREVIOUSLY SOLD BONDS
240	7.7	BONDS YET TO BE SOLD**
250	31.7	BONDS YET TO BE SOLD**
261	9.1	BONDS YET TO BE SOLD**
Total	100.0%	

Summary of Direct Cost Authorizations

Previously Approved EA Requests:	\$0
This Request:	\$99,000
Total EA Requests:	\$99,000
Previously Approved Budget:	\$0
Budget Adjustment Requested this EA:	\$99,000
Updated Budget:	\$99,000
Budget Remaining After This EA	\$0

Comments:

Phase	This EA Request	Previous EA Requests	EA Requests to Date	This Budget Request	Previous Budget	Updated Budget	Start	Finish
ENGINEERING DESIGN - IRWD	6,000	0	6,000	6,000	0	6,000	1/17	6/17
ENGINEERING DESIGN - OUTSIDE	13,000	0	13,000	13,000	0	13,000	2/17	7/17
DESIGN STAFF FIELD SUPPORT	2,000	0	2,000	2,000	0	2,000	2/17	7/17
ENGINEERING - CA&I IRWD	6,000	0	6,000	6,000	0	6,000	8/17	1/18
ENGINEERING - CA&I OUTSIDE	10,000	0	10,000	10,000	0	10,000	9/17	1/18
CONSTRUCTION FIELD SUPPORT	2,000	0	2,000	2,000	0	2,000	9/17	1/18
CONSTRUCTION	50,000	0	50,000	50,000	0	50,000	9/17	12/17
LEGAL	1,000	0	1,000	1,000	0	1,000	2/17	1/18
Contingency - 10.00% Subtotal	\$9,000	\$0	\$9,000	\$9,000	\$0	\$9,000		
Subtotal (Direct Costs)	\$99,000	\$0	\$99,000	\$99,000	\$0	\$99,000		
Estimated G/A - 185.00% of direct labor*	\$29,600	\$0	\$29,600	\$29,600	\$0	\$29,600		
Total	\$128,600	\$0	\$128,600	\$128,600	\$0	\$128,600		
Direct Labor	\$16,000	\$0	\$16,000	\$16,000	\$0	\$16,000		

*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:

Malcolm Cortez

1/4/17

Department Director:

Rain Z. Burton

1/4/17

Finance:

Board/General Manager:

** IRWD hereby declares that it reasonably expects those exp incurred by IRWD in a maximum principal amount of \$132,0 additional documents, if any, which are hereby incorporated t project is made under Treasury Regulation Section 1.150-2.

E-3

to be reimbursed with proceeds of future debt to be further described in the attached staff report and al intent to reimburse costs of the above-captioned

January 23, 2017

Prepared by: K. Welch

Submitted By: R. Jacobson/P. Weghorst

Approved By: Paul Cook

ACTION CALENDAR

WILLIAMS PROPERTY PURCHASE

SUMMARY:

IRWD is pursuing the purchase of property within the Palo Verde Irrigation District (PVID) that will become an element of IRWD's long-term program to increase water supply reliability for its customers during droughts and other potential water supply interruptions. In December 2016, the District executed Real Property Purchase Agreements (Purchase Agreements) and related amendments for the Williams Property, comprised of approximately 1,615 acres of land within PVID in Riverside County (Property). The Purchase Agreements provide an opportunity to conduct tests, inspections, evaluations and other such due diligence activities as deemed necessary prior to the acquisition of the Property. This report provides the findings of the due diligence work. Staff recommends that the Board:

- Find that all matters currently identified with regard to the condition of title, physical condition and suitability of the Property for the uses contemplated are acceptable, subject to:
 - The sellers' removal of personal property and designated unserviceable structures; and
 - The District not discovering any significant findings through the completion of the due diligence period.
- Approve the addition of Project 7844 to the FY 2016-17 Capital Budget in the amount of \$25,340,000 for the purchase of the Property;
- Determine the acquisition of the Property is exempt from CEQA, approve the project and authorize staff to post and file the Notices of Exemption in Orange and Riverside Counties; and
- Authorize the General Manager, Treasurer and each other officer of the District, each acting singly, to execute and deliver any and all documents, assignments, certificates, instructions and instruments necessary or proper for carrying out and closing the real estate purchase transaction for the acquisition of the Property.

BACKGROUND:

IRWD is pursuing the purchase of property in Riverside County that is located within PVID. PVID is located in Riverside and Imperial Counties adjacent to the Colorado River and has the highest priority water rights from the Colorado River in California. As an owner of land within PVID, IRWD would be able to participate in water conservation programs implemented by Metropolitan Water District of Southern California (Metropolitan) and PVID. Conservation programs such as land fallowing make water available for other uses. Because Metropolitan owns the rights to any Colorado River water that is conserved as a result of Metropolitan and PVID programs, water conserved from the land owned by IRWD would benefit the Metropolitan service area which includes IRWD. In the future, IRWD would work with Metropolitan and

Municipal Water District of Orange County (MWDOC) to develop mutually beneficial agreements through which IRWD would receive increased water supply reliability during periods of drought and supply interruptions in consideration of the water conserved on IRWD land in PVID.

On December 13, 2016, the District executed Purchase and Sale Agreements to purchase the Williams Property comprised of approximately 1,368 water toll acres (1,510 gross acres) within PVID. On December 23, 2016, the agreements were amended to add 76 water toll acres (105 gross acres). Following is an overview of the Williams Property, due diligence work conducted on the Property, the existing Metropolitan and PVID Fallowing Program and recommendations for the purchase of the Property.

Williams Property Overview:

The Williams Property is located within PVID in Riverside County and consists of approximately 1,615 gross acres owned by three separate family entities. A location map is included as Exhibit "A", which includes the Williams properties and other IRWD-owned lands in PVID. There are approximately 50 acres included in the proposed purchase that are located on PVID mesa lands that have third priority Colorado River water rights and voting rights within PVID. There are 1,444 water toll acres with first priority water rights, which are currently enrolled in the existing Palo Verde Land Management, Crop Rotation and Water Supply Program (Fallowing Program). There are also numerous existing structures on the overall Property including four single-family homes and four apartment rental units.

Plan for Williams Property:

In the near term, land purchased by IRWD in the PVID service area would continue to be farmed essentially as it is today:

- Residential leases and Tenant farm leases which would generate income for IRWD would be secured and maintained on the Property and the farming operations would be supervised by District staff and consultants; and
- As a landowner and therefore a participant in the existing Metropolitan/PVID Fallowing Program, IRWD would receive fallowing payments from Metropolitan.

In the long term, IRWD-owned land within PVID would be utilized as follows:

- The land would continue to be cultivated through tenant farm leases;
- As a landowner, IRWD could participate in any fallowing and other water conservation programs developed and implemented by Metropolitan and PVID; and
- IRWD would work with Metropolitan and MWDOC to develop mutually beneficial programs and agreements through which IRWD would receive increased water supply reliability during periods of drought and supply interruptions in exchange for water conserved on IRWD-owned lands in PVID.

Due Diligence Investigations:

The Purchase Agreement provides for a 60-day due diligence period in which there is an opportunity to conduct any studies, tests and inspections that are deemed necessary prior to the acquisition of the Property. The due diligence period for the Williams Property ends on February 11, 2017. Dee Jasper & Associates (DJA) was retained to oversee the due diligence investigations and to complete a Baseline Property Assessment Report on the Williams Property. Property investigations for the Property have been completed by DJA. The investigations included a Preliminary Title Report review; an Environmental Phase 1 site assessment; examination of surface soils, flood and seismic hazards; a review of mineral rights; a review of the general plan for the area and a review of Williamson Act and zoning designations. DJA is finalizing the mineral rights report, American Land Title Association survey and crop water use study of the Property.

Due diligence work completed to date shows the Williams Property is currently farmed with designated fields fallowed under the Fallowing Program. The Williams Property farms are well managed with no recognized onsite environmental conditions. Approximately 955 acres are currently leased for farming through October 31, 2017. The properties have been primarily planted with alfalfa and the current crop appears to be in very good condition. The fields are uniform and free from weeds. Similar to the other PVID properties, there are drainage channels and concrete irrigation ditches for providing water onto the Property.

Other structures on the property include hay barns, an equipment yard, four residences, four rental apartment units, old corrals and a mobile home. One of the residences owned by former PVID Trustee, Mrs. Johnson, will be vacated within 60 days after close of escrow, one home is vacant, one home is a life estate and the fourth residence is leased on a month-to-month basis. The owner of the life estate is absentee and the property is rented. Two of the four rental apartment units are vacant and the other two are leased on a month-to-month basis.

Following is a summary of the findings of the due diligence work:

Phase 1 Environmental Site Assessment:

A Phase 1 Environmental Site Assessment was performed by subcontractor Advanced Environmental Concepts, Inc. (AEC). The Phase 1 evaluation did not identify any environmental conditions or concerns.

Surface Soils, Flood and Seismic Hazards:

The soils are lean clays, silty sands, sandy silts and clayey sands. Subcontractor Kleinfelder, Inc. performed hand auger borings and groundwater was encountered at nine feet below ground surface. This level is normal based on the fact that historic groundwater levels in this area are in the range of eight feet to 10 feet below ground surface. There are no active faults in the area and the Property is included in the Riverside County liquefaction hazard zone, which makes it susceptible to liquefaction hazard. The Property is susceptible to subsidence based on Riverside County subsidence maps.

ALTA Survey:

Subcontractor Cal Vada Surveying, Inc. is finalizing an American Land Title Association (ALTA) survey of the Property that will document all easements. Legal descriptions and boundary definitions will need to be addressed and resolved by the title company. There is no Williamson Act Contract on the Property, and the Property is not located in the boundaries of the Blythe Redevelopment Project Area.

Mineral Rights:

The Purchase Agreement provides for the buyer to acquire any oil, gas or mineral rights (mineral rights) held by the seller. Based on the mineral rights search and the Preliminary Title Report, the seller owns the mineral rights for the Property.

Existing Water Facilities:

Irrigation water is provided to the Property by PVID through a series of water transfer canals and ditches along the property perimeter. The four residences have domestic wells. There is a well adjacent to the four rental apartment units for non-potable uses, and the tenants are responsible for providing their own drinking water.

Preliminary Title Report Review:

Staff found no items of record to contest in the initial Preliminary Title Report. The few minor discrepancies stated above will need to be addressed and resolved by the title company.

Existing Following Program:

In 2002, Metropolitan and PVID entered into the 35-year Following Program whereby Metropolitan makes following payments to participating PVID landowners. Williams entered into a Following Agreement with Metropolitan and PVID in July 2005 to participate in the Following Program by enrolling 1,444 water toll acres with a maximum following commitment of 446 water toll acres. Exhibit "B" provides an overview of the Following Program and the landowner agreement.

FISCAL IMPACTS:

The total purchase cost for the Property is \$25,270,000, plus approximately \$70,000 for closing costs. The cost for the Baseline Property Assessment including staff and legal time was approximately \$110,000. Sufficient budget exists in Project No. 6245 to cover the due diligence work. Staff requests the addition of Project 7844 to the FY 2016-17 Capital Budget in the amount of \$25,340,000 as shown below to provide for the purchase of the Property and the associated closing costs.

Project No.	Current Budget	Addition <Reduction>	Total Budget
7844	\$-0-	\$25,340,000	\$25,340,000

ENVIRONMENTAL COMPLIANCE:

Any new lands purchased for water supply purposes would be subject to compliance with the California Environmental Quality Act of 1970 as amended (CEQA), codified at California Public Resources Code Sections 21000 et. seq., and the State CEQA Guidelines in the Code of Regulations, Title 14, Division 6, Chapter 3. Pursuant to direction by the Board, staff will file a Notice of Exemption for the purchase of the Williams Property within the Counties of Orange and Riverside. The Notice of Exemption states that the District is not presently contemplating changes in the existing use of the land and therefore no environmental impacts associated with the Property acquisition are expected. The Notice of Exemption states that the District specifically conditions any proposed future change in use of the Property on subsequent CEQA compliance actions.

COMMITTEE STATUS:

This item was reviewed by the Supply Reliability Programs Committee on November 17, 2016.

RECOMMENDATION:

THAT THE BOARD FIND THAT ALL MATTERS CURRENTLY IDENTIFIED WITH REGARD TO THE CONDITION OF TITLE, PHYSICAL CONDITION AND SUITABILITY OF THE WILLIAMS PROPERTY FOR THE USES CONTEMPLATED ARE ACCEPTABLE SUBJECT TO SUBJECT TO THE SELLERS' REMOVAL OF PERSONAL PROPERTY AND DESIGNATED UNSERVICEABLE STRUCTURES, AND SUBJECT TO THE DISTRICT NOT DISCOVERING ANY SIGNIFICANT FINDINGS THROUGH THE COMPLETION OF THE DUE DILIGENCE PERIOD; APPROVE THE ADDITION OF PROJECT 7844 TO THE FY 2016-17 CAPITAL BUDGET IN THE AMOUNT OF \$25,340,000 FOR THE PURCHASE OF THE PROPERTY; FIND THAT THE PROPERTY ACQUISITION IS EXEMPT FROM CEQA; APPROVE THE PROJECT AND AUTHORIZE STAFF TO POST AND FILE THE NOTICES OF EXEMPTION IN ORANGE AND RIVERSIDE COUNTIES; AND AUTHORIZE THE GENERAL MANAGER, TREASURER AND EACH OTHER OFFICER OF THE DISTRICT, EACH ACTING SINGLY, TO EXECUTE AND DELIVER ANY AND ALL DOCUMENTS, ASSIGNMENTS, CERTIFICATES, INSTRUCTIONS AND INSTRUMENTS NECESSARY OR PROPER FOR CARRYING OUT AND CLOSING THE REAL ESTATE PURCHASE TRANSACTION FOR THE ACQUISITION OF THE PROPERTY.

LIST OF EXHIBITS:

Exhibit "A" – Location Map of Williams Property

Exhibit "B" – Following Program Agreement Overview

EXHIBIT "A"

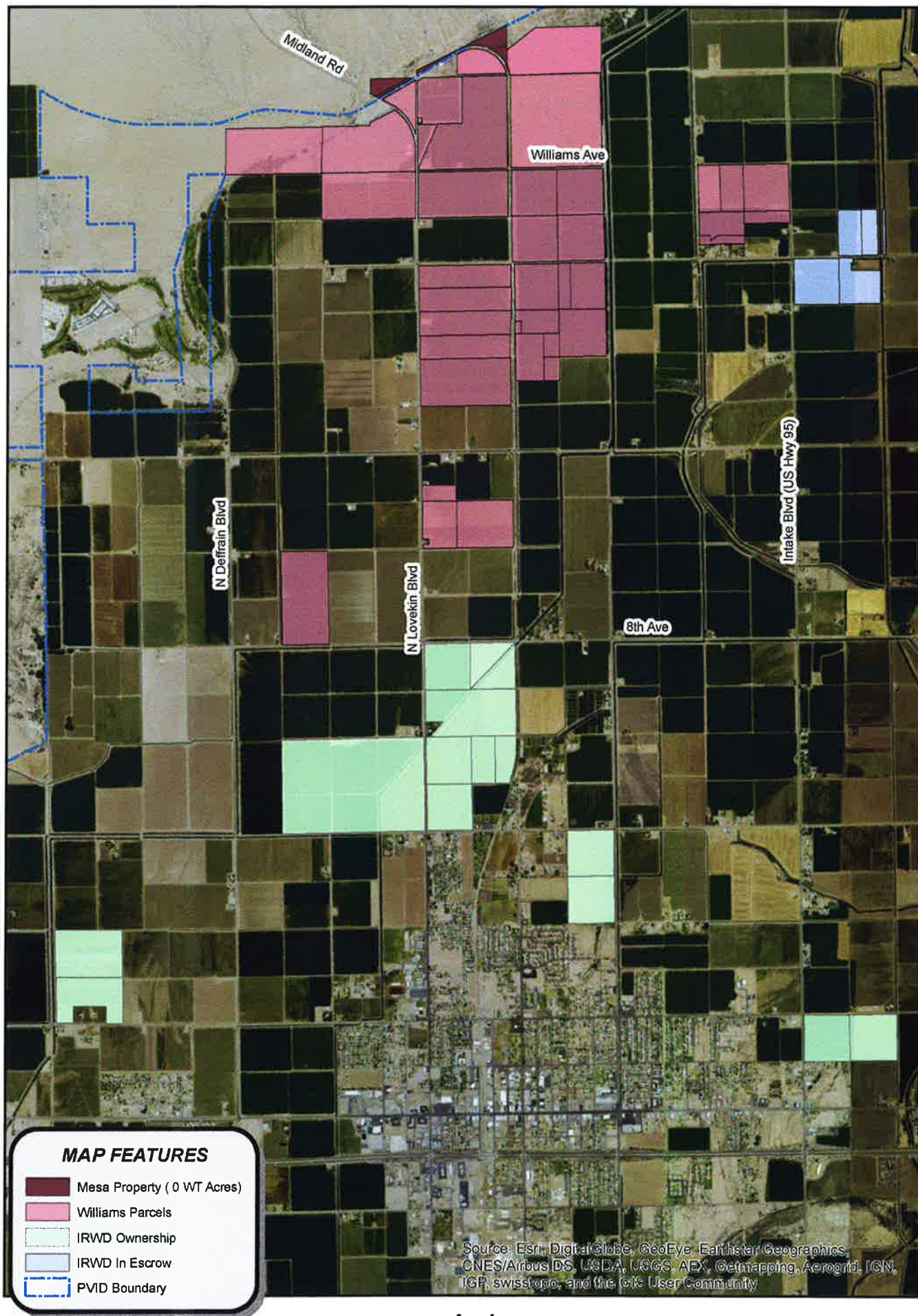


EXHIBIT “B”

Fallowing Program Agreement Overview

Metropolitan Water District of Southern California (Metropolitan) and the Palo Verde Irrigation District (PVID) developed a 35-year Land Management, Crop Rotation and Water Supply Program (Fallowing Program), expiring in 2040. Key provisions of the Fallowing Program include:

- Total fallowing under the Program is limited to a maximum of 26,500 acres or 29% of PVID’s irrigated lands with Priority 1 water rights.
- A minimum base of 6,000 acres (7% of irrigated PVID lands) must be fallowed each contract year.
- The maximum area that would be fallowed each contract year would not exceed 24,000 acres in any 25 years and 26,500 acres in any 10 years during the 35 years.
- Eligible land must have Priority 1 Colorado River water and a history of irrigated crop production for two out of five years preceding Program enrollment.

In July 2005, Williams and Metropolitan and PVID entered into the standard Landowner Fallowing Program Agreement (Fallowing Agreement). The Fallowing Agreement includes:

- 1,444 water toll (WT) acres of Program Qualified Land owned by Williams;
- A Maximum Fallowing Commitment (MFC) of 446 WT acres;
- As required, Williams granted an easement to Metropolitan for the 446 WT acres;
- Metropolitan makes annual payments directly to Williams for fallowed acres. In 2016, Metropolitan paid \$789.89 per fallowed acre (payment escalates a minimum of 2.5% per year)
- Landowners are required control weed growth and wind erosion on the fallowed areas at their own cost. Metropolitan and PVID staff inspect the fallowed areas each year.
- Metropolitan does not pay for any acreage that is fallowed greater than the MFC, this is considered voluntary fallowing.

Since the commencement of the Fallowing Agreement, the landowner has fallowed the following amounts:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Acres	446	201	201	446	446	446	446	112	112	223	446
%	100%	45.16%	45.16%	100%	100%	100%	100%	25%	25%	50%	100%

Per the Fallowing Agreement there is a limit of 10 times that Metropolitan can call for the MFC. After 10 times, the maximum would be reduced to 90.6% of MFC, or 404 WT acres. The first two years of the program were not included, so the MFC for the Williams properties has been called 5 times including 2016.

January 23, 2017

Prepared by: M. Tetteimer

Submitted by: P. Weghorst

Approved by: Paul Cook



ACTION CALENDAR

COOLING TOWER CONVERSION AGREEMENT WITH THE UNIVERSITY OF CALIFORNIA, IRVINE

SUMMARY:

In order to bolster potable water conservation efforts, staff continues to encourage customers to convert from certain potable water uses to recycled water. One such customer is the University of California, Irvine (UCI), which operates a Central Plant that provides cooling for much of the Irvine campus. UCI intends to convert the cooling towers at its Central Plant to recycled water in order to conserve approximately 125 acre-feet per year (AFY) of potable water. Staff has been working with UCI to prepare an agreement to define respective roles and responsibilities in implementing the conversion project and to facilitate IRWD funding the UCI on-site improvements to its Central Plant in return for reimbursements to IRWD. Staff recommends that the Board authorize the General Manager to:

- Execute the agreement between IRWD and the Regents of the University of California on Behalf of its Irvine Campus for Recycled Water Conversion of the UCI Central Plant, subject to non-substantive changes, and
- Authorize up to \$1,060,000 from IRWD's water conservation fund to pay for the UCI on-site improvements at its Central Plant in exchange for reimbursements to be paid under the terms of the executed agreement.

BACKGROUND:

Over the past two years, staff has been working with UCI towards the conversion of its Central Plant cooling towers to recycled water. UCI intends to convert its Central Plant to recycled water to help UCI meet its potable water conservation goals. Once completed, the conversion will result in a savings of approximately 125 AFY of potable water. The use of recycled water at the Central Plant will require construction of a new pipeline as well as on-site improvements within the Central Plant.

Staff has worked with UCI to develop an agreement to define roles and responsibilities and to facilitate the design, construction, operation and maintenance of the facilities associated with the recycled water conversion project. Terms for the agreement were reviewed with the Water Resources Policy and Communications Committee on December 10, 2015. At the meeting, the Committee authorized staff to work with UCI to prepare an agreement based on the terms presented at the meeting and to present the resulting agreement for consideration by the Board of Directors. Staff has worked with UCI in preparing the agreement that is attached as Exhibit "A". The following is an overview of the project and important terms of the agreement.

Project Summary and Proposed Agreement Terms:

Recycled Water Pipeline:

To facilitate the use of recycled water at the Central Plant, IRWD has designed approximately 3,550 feet of recycled water pipeline that will have a capacity to convey 1,500 gallons per minute. The proposed pipeline will be located in California Avenue, Academy Way, West Peltason Drive and Mesa Road and will deliver recycled water to the back of the Central Plant. Attached as Exhibit "B" is an aerial photograph with the pipeline alignment shown. Under the terms of the agreement, the portion of the pipeline in California Avenue (approximately 750 feet of 16-inch diameter pipeline) and the meter will remain IRWD property, whereas the pipeline in Academy Way, West Peltason Drive and Mesa Road (approximately 2,800 feet of 12-inch diameter pipeline) will be turned over to UCI for its ownership, operation and maintenance. Some improvements in California Avenue have already been completed. The engineer's estimate for the cost of all the pipeline improvements is approximately \$1,000,000.

Central Plant Improvements:

To use recycled water in the Central Plant, UCI will need to implement on-site plant improvements which will include the piping needed to deliver recycled water within the Central Plant as well as a pre-treatment system. UCI has designed these systems with an estimated total cost of \$1,060,000. UCI plans to apply for a grant from Metropolitan Water District of Southern California (Metropolitan) through its On-Site Retrofit Program to pay for approximately \$122,000 of the plant improvements.

Possible Bureau of Reclamation Grant:

Another possible source of funding for UCI's cooling tower conversion project is a \$300,000 Drought Resiliency Project grant from the Bureau of Reclamation that could be available through the Bureau of Reclamation's WaterSMART Drought Response Program. The draft agreement calls for any funds received from a Reclamation grant to be split equally between IRWD and UCI to offset project costs. The grant application is due in February and the Bureau is expected to issue notices of award in May 2017.

IRWD Funding of On-Site Improvements:

The terms of the draft agreement call for IRWD to fund UCI's \$1,060,000 in costs for its on-site Central Plant improvements. The agreement calls for UCI to pay the prevailing potable water rate for any recycled water delivered to the Central Plant. IRWD would be reimbursed through the difference between the applicable prevailing potable water commodity rate and the applicable prevailing recycled water commodity rate until the loan is fully repaid. As shown in Exhibit "C", the period for reimbursements would be approximately 22 years based on the current potable and recycled water commodity rates escalating at 3% annually. The amount that IRWD would fund for the Central Plant improvements would be reduced by any grant funding received from Metropolitan's On-Site Retrofit Program or from the Bureau of Reclamation. The actual time required for IRWD to be fully reimbursed will vary based on the initial funding amount, the amount of recycled water used and commodity rates.

Commitment to Use of Recycled Water:

The agreement calls for UCI to commit to the use of recycled water for Central Plant cooling tower operations for the longer of the following:

- 25 years (expected life of the cooling towers);
- Until IRWD is fully reimbursed for the Central Plan improvements; or
- As mutually extended by the parties.

The agreement allows for UCI to temporarily suspend use of recycled water at the Central Plant while it works with IRWD to resolve water quality issues or to maintain or modify project facilities.

FISCAL IMPACTS:

Funding for design and construction of recycled water pipeline to the UCI Central Plant is included in the FY 2016-17 Capital Budget under Projects 7101 and 7102. The cost of the project would be largely offset over a 12-year period by Local Resource Program subsidies in the amount of \$117 per acre-foot that will be received from Metropolitan and by \$472 per acre-foot in avoided costs by eliminating the need for IRWD to purchase treated water from Metropolitan for use at the UCI cooling towers. IRWD would fund the UCI Central Plant improvements from the District's water conservation fund and would be reimbursed over time by UCI paying the prevailing potable water rate for all recycled water used at the Central Plant.

ENVIRONMENTAL COMPLIANCE:

The construction and operation of a pipeline to the UCI Central Plant will be subject to compliance with the California Environmental Quality Act (CEQA) of 1970 (as amended), codified at California Public Resources Code Sections 21000 et. seq., and the State CEQA Guidelines in the Code of Regulations, Title 14, Division 6, Chapter 3. Compliance with the National Environmental Protection Act will also be required if Bureau of Reclamation grant funds are received for the project. UCI will be the lead agency for completing any required environmental documents. IRWD will rely upon the UCI environmental documents as a responsible agency.

COMMITTEE STATUS:

This item was reviewed by the Water Resources Policy and Communications Committee on December 10, 2015, which authorized staff to prepare an agreement for consideration by the Board of Directors.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT BETWEEN IRVINE RANCH WATER DISTRICT AND THE REGENTS OF THE UNIVERSITY OF CALIFORNIA ON BEHALF OF ITS IRVINE CAMPUS FOR RECYCLED WATER CONVERSION OF THE UCI CENTRAL PLANT, SUBJECT TO NON-SUBSTANTIVE CHANGES; AND TO AUTHORIZE UP TO \$1,060,000 FROM THE WATER CONSERVATION FUND TO FUND THE ON-SITE IMPROVEMENTS AT UCI'S CENTRAL PLANT TO BE REIMBURSED UNDER THE TERMS OF THE EXECUTED AGREEMENT.

LIST OF EXHIBITS:

- Exhibit "A" – Agreement between Irvine Ranch Water District and the Regents of the University of California on Behalf of its Irvine Campus for Recycled Water Conversion of the UCI Central Plant
- Exhibit "B" – Aerial with Pipeline Alignment
- Exhibit "C" – Reimbursement Schedule

EXHIBIT "A"

**AGREEMENT BETWEEN
IRVINE RANCH WATER DISTRICT AND
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
ON BEHALF OF ITS IRVINE CAMPUS,
FOR RECYCLED WATER CONVERSION
AT THE UCI CENTRAL PLANT
(01/20/17)**

THIS AGREEMENT (the "Agreement"), dated as of this _____ day of _____, 2017, is made and entered into by and between the REGENTS OF THE UNIVERSITY OF CALIFORNIA on behalf of its Irvine CAMPUS ("UCI") or ("University") and the IRVINE RANCH WATER DISTRICT, a California Water District formed under and existing pursuant to Section 34000 *et seq.* of the California Water Code ("IRWD") (together, the "Parties").

RECITALS:

WHEREAS, UCI is one of ten campuses of the University of California system, the State of California's premier educational and research institution. IRWD is a California water district that provides water, wastewater, and urban runoff treatment services to a population of approximately 380,000 in the central portion of Orange County. IRWD's service area includes the main and north UCI campus areas, and IRWD provides service to UCI through various water and wastewater service agreements. UCI and IRWD have a more than 50-year history of collaboration regarding water conservation and water recycling programs on the UCI campus; and

WHEREAS, IRWD is a leader in water conservation programs including the provision of recycled water to its customers; and

WHEREAS, the University of California's Policy on Sustainable Practices requires UCI to make significant and enduring reductions in potable water use; and

WHEREAS, UCI's central plant and co-generation cooling tower on the main UCI campus (hereinafter, the "Central Plant") currently uses potable water for which disinfected tertiary recycled water (recycled water) can be safely substituted; and

WHEREAS, IRWD produces and distributes recycled water for State-approved non-potable purposes, which include industrial or commercial cooling or air conditioning that involves the use of a cooling tower, evaporative condenser, or spraying [22 CCR 60306]; and

WHEREAS, UCI has analyzed the use of IRWD's recycled water and initially determined that it can be safely used at the Central Plant, and that such use is estimated to reduce UCI's potable water use by approximately 40 million gallons per year; and

WHEREAS, IRWD wishes to sell and UCI wishes to purchase recycled water for use at the Central Plant; and

WHEREAS, UCI must make improvements to permit delivery and use of recycled water at the Central Plant, but the cost of such improvements poses a financial impediment to the conversion; and

WHEREAS, in recognition of the benefit to IRWD and the region in maximizing the use of recycled water, IRWD is willing to fund a portion of the cost to complete the improvements, subject to reimbursement under the terms and conditions herein provided;

NOW, THEREFORE, in consideration of the promises and covenants herein contained, UCI and IRWD agree as follows:

AGREEMENT:

Section 1. Definitions of Certain Terms.

1.1 Academy Recycled Water Pipeline means the recycled water pipeline to be located in Academy Way, West Peltason Drive and Mesa Road on the UCI campus, extending from the Recycled Water Meter to the perimeter of the Central Plant, as generally depicted in Exhibit A.

1.2 California Recycled Water Pipeline means the recycled water pipeline to be located in California Avenue on the UCI campus, extending from University Drive to the Recycled Water Meter, as generally depicted in Exhibit A.

1.3 Central Plant means UCI's cooling towers and co-generation facilities on the main UCI campus, as generally depicted in Exhibit "A" attached to this Agreement and incorporated herein by this reference.

1.4 Central Plant Improvements means facility improvements at the Central Plant required to accept recycled water provided by IRWD and allow the use of recycled water for cooling and other authorized purposes, as generally depicted in Exhibit A.

1.5 Infrastructure means the improvements to permit delivery and use of recycled water at the Central Plant, consisting of four elements: the California Recycled Water Pipeline, the Recycled Water Meter, the Academy Recycled Water Pipeline and the Central Plant Improvements.

1.6 Recycled Water Meter means the recycled water service connection and meter, to be located near the intersection of California Avenue and Academy Way, dedicated to serving the Central Plant, as generally depicted in Exhibit A.

1.7 Recycled Water Pipelines means the California Recycled Water Pipeline and the Academy Recycled Water Pipeline.

Section 2. Construction of the Recycled Water Pipelines.

2.1 Design. IRWD shall cause the preparation of the plans, specifications and bidding documents for the Recycled Water Pipelines work, in accordance with applicable law and IRWD's own procedures, incorporating requirements, conditions and standards to meet IRWD's Procedural Guidelines. IRWD shall provide opportunities for UCI to review and comment on concept plans, preliminary plans and final construction documents prior to completion thereof. The Parties shall work together to resolve matters raised by UCI's comments, and IRWD shall determine whether modifications will be made to address the comments without unreasonably impacting the Recycled Water Pipelines work and associated costs.

2.2 Review and Inspection. At the request of UCI, IRWD shall provide opportunities for UCI representatives to review and comment on submittals and shop drawings and to attend construction meetings. UCI will have the opportunity for an inspector to shadow IRWD and review special inspection reports, daily logs, and progress photo documentation. Parties shall work together to resolve matters raised by UCI representatives. All questions and communications regarding the work being performed will be directed to IRWD's representatives and not to IRWD Contractors (defined below).

2.3 Alignment. The Recycled Water Pipelines shall be in the general alignment shown on Exhibit A. IRWD will work collaboratively with UCI on the alignment through the review process set forth in Section 2.1.

2.4 Access. UCI will provide Access License Agreement(s) in the form attached as "Attachment 1" which will be executed concurrently with this agreement and incorporated herein to allow IRWD and its contractor(s) to construct the Recycled Water Pipelines on the UCI campus.

2.5 Contracting and Construction. IRWD shall contract for and carry out the Recycled Water Pipelines work in accordance with California Department of Industrial relations (DIR) requirements governing public works projects, all applicable laws, and IRWD's own procedures. All contractors must be registered with the Department of Industrial Relations.

2.6 Insurance. IRWD shall require its contractor(s) ("Contractor") for the construction of the Recycled Water Pipelines to comply with the provisions listed below:

Contractor shall, at its expense, purchase and maintain in full force and effect such insurance as will protect itself and University from claims, such as for bodily injury, wrongful death, and property damage, which may arise out of or result from the work required by the contract documents, whether such work is done by Contractor, by any subcontractor, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable. The amounts of such insurance and any additional insurance requirements are specified below.

The following policies and coverages shall be furnished by Contractor:

COMMERCIAL FORM GENERAL LIABILITY INSURANCE covering all work done by or on behalf of Contractor and providing insurance for bodily injury, wrongful death, personal injury, property damage, and contractual liability. Except with respect to bodily injury and property damage included within the products and completed operations hazards, the aggregate limit shall apply separately to work required of Contractor by the Contract Documents. If the insurance under is written on a claims-made form, coverage shall continue for a period of not less than 3 years following termination of this Contract. Coverage shall provide for a retroactive date of placement prior to or coinciding with the effective date of this Contract.

BUSINESS AUTOMOBILE LIABILITY INSURANCE on an "Occurrence" form covering owned, hired, leased, and non-owned automobiles used by or on behalf of Contractor and providing insurance for bodily injury and property damage.

WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE as required by Federal and State of California law. Contractor shall also require all of its Subcontractors to maintain this insurance coverage.

The coverages required shall not in any way limit the liability of Contractor or IRWD.

Certificates of Insurance, as evidence of the insurance required by these Contract Documents and on the form contained in the Exhibits, shall be submitted by Contractor or IRWD to University for review and approval. The Certificates of Insurance shall provide for no cancellation or modification of coverage without prior written notice to University, in accordance with policy provisions.

Contractor's insurance as required, shall, by endorsement to the policies, include the following:

The Regents of the University of California, The University of California, University, and each of their Representatives, consultants, officers, agents, employees, and each of their Representative's consultants, are included as additional insureds on the general liability policy as required by contract and pursuant to additional insured endorsement CG2010 (11/85) or a combination of both CG 2010 (10/01 or 11/85) or a combination of both CG 2010 (10/01 or 07/04) and CG 2037 (10/01 or 07/04) but only in connection with ALL PROJECTS on the UCI campus.

The General Liability coverage shall contain a Severability of Interest provision and shall be primary insurance as respects The Regents of the University of California, its officers, agents and employees. Any insurance or self-insurance maintained by The Regents of the University of California shall be excess of and non-contributory with this insurance. At the request of University, IRWD or Contractor shall submit to University copies of the policies.

2.7 Payment and Performance. Contractor shall furnish bonds covering the faithful performance of the Contract (Performance Bond) and payment of obligations arising thereunder (Payment Bond. The Payment Bond (for Contract over \$25,000) and Performance Bond (for Contract over \$50,000) shall each be in the amount of the Contract Sum and shall be in effect on

the date the Contract is signed. Surety companies used by Contractor shall be, on the date the Contract is signed, an admitted surety insurer (as defined in the California Code of Civil Procedure Section 995.120). The premiums for the Payment Bond and Performance Bond shall be paid by Contractor.

Section 3. Installation of the Recycled Water Meter.

3.1 Design. IRWD will design the Recycled Water Meter to meet the current and presently predicted future peak demand of UCI at the Central Plant, which will be 1,500 gallons per minute.

3.2 Construction. IRWD will install the Recycled Water Meter per its established standard designs for such facilities.

Section 4. Construction of Central Plant Improvements.

4.1 Design. UCI shall design the Central Plant Improvements to accommodate the use of recycled water at the Central Plant. UCI shall determine what improvements are necessary. The Central Plant Improvements shall be in accordance with applicable IRWD and State rules, regulations and requirements, including applicable requirements of Title 22 of the California Code of Regulations. UCI shall provide opportunities for IRWD to review and comment on concept plans, preliminary plans, and final construction documents prior to completion thereof, and the parties shall work together diligently to resolve any comments of IRWD.

4.2 Engineer's Report. If required by the state health agency, UCI shall work with IRWD on the preparation of the Engineer's Report that IRWD will submit to the State Water Resources Control Board and the Orange County Health Care Agency for their review and approval.

4.3 Construction. UCI shall install the Central Plant Improvements in accordance with the plans approved pursuant to Section 4.1. IRWD may, but shall not be obligated to conduct on-site inspection to verify the installation and functioning of the Central Plant Improvements and to ensure compliance with recycled water use requirements of CCR Title 22 and IRWD's Rules and Regulations.

4.4 Insurance. UCI shall require its contractor(s) for the construction of the Central Plant Improvements to name IRWD as an additional insured on all liability insurance coverages it requires the contractor(s) to obtain and maintain.

4.5 Preservation of Potable Backup Supply. Subject to meeting applicable cross-connection control requirements, UCI will preserve in place, repair, modify, or extend any potable water infrastructure serving the Central Plant, as a backup supply in the event recycled water service is interrupted by unplanned outage, or is suspended by UCI as provided in Section 7.2, 7.3 and 7.4 or if for any reason IRWD water is not available in sufficient quantity to meet the needs of UCI.

Section 5. Ownership, Operation and Maintenance.

5.1 California Recycled Water Pipeline. IRWD shall own, operate, and maintain the California Recycled Water Pipeline in accordance with IRWD's standard practices.

5.2 Recycled Water Meter. IRWD shall own, operate, maintain, and periodically read the Recycled Water Meter which will be the basis for billing UCI for its recycled water use at the Central Plant.

5.3 Academy Recycled Water Pipeline. Following completion and acceptance of the Academy Recycled Water Pipeline, IRWD agrees to execute and deliver a bill of sale conveying the pipeline to UCI and to provide UCI with complete record documents. UCI will accept the Academy Recycled Water Pipeline from IRWD and will own and be responsible for operation and maintenance of the Academy Recycled Water Pipeline downstream of the Recycled Water Meter, throughout the life of the Academy Recycled Water Pipeline.

5.4 Central Plant Improvements. UCI shall own, operate and maintain the Central Plant Improvements. Notwithstanding consultation by IRWD with UCI in the determination of what Central Plant Improvements, modifications and work are necessary and IRWD's inspection of the work, IRWD makes no representation or warranty regarding any installations or any component device, equipment, repair, improvement, or installation, and will have no responsibility for the performance operation, suitability for intended use, maintenance or repair of any component device, equipment, repair, improvement, or installation, or for any design, manufacturing or other defect in any component device, equipment, repair, improvement, or installation, or for any damage or injury resulting therefrom. It will be UCI's responsibility to contact the product manufacturer, distributor or installer for any assistance or regarding any defect, failure of performance or warranty. IRWD will have no responsibility for damages to UCI property and assumes no liability or responsibility for injuries or damages arising out of the purchase, installation or use of the Central Plant Improvements or any component device, equipment, repair, maintenance or improvement.

Section 6. Funding of Infrastructure.

6.1 California Recycled Water Pipeline. IRWD will fund, design, and construct the California Recycled Water Pipeline.

6.2 Recycled Water Meter. The cost to design and construct the Recycled Water Meter shall be sole responsibility of IRWD.

6.3 Academy Recycled Water Pipeline. Under IRWD's Rules and Regulations For Water, Sewer, Recycled Water, and Natural Treatment Service, the Academy Recycled Water Pipeline improvements constitute facilities that are downstream of the IRWD meter and are typically required to be provided by the applicant for service. However, in consideration of the collaboration recited above, IRWD is agreeing to fund and carry out the design and construction

of the Academy Recycled Water Pipeline, subject to the provisions hereof.

6.4 Central Plant Improvements. IRWD has agreed to fund the cost to design and construct the Central Plant Improvements. Those funds are to be repaid as described in Section 6.4,3.

6.4.1 Grant Funding.

UCI will prepare, with IRWD's assistance, an application for a Metropolitan Water District of Southern California On-Site Retrofit Program funding for the Central Plant Improvements for the maximum amount allowable (currently estimated to be \$120,000).

IRWD may apply for a grant from the U.S. Department of the Interior/Bureau of Reclamation which may provide up to \$300,000. If the project is awarded these grant funds, both parties agree to equally divide these funds to offset capital costs.

6.4.2 Reimbursement Amount. Following completion and acceptance of the Central Plant Improvements, UCI shall submit to IRWD an invoice for the project costs including design, construction, construction management - including but not limited to - project management, project inspection, project accounting, project contract management, Fire Marshal review, EH&S review, plan review and environmental approvals, less any grants or other funds received that offset the cost of the Central Plant Improvements (hereinafter "Reimbursement Amount"). IRWD agrees to fund the Reimbursement Amount subject to reimbursement as provided herein at no interest.

6.4.3 Reimbursement. To recover Reimbursement Amount, IRWD will charge and UCI will pay the applicable prevailing potable water commodity rate for the quantity of recycled water used at the Central Plant as established by the Recycled Water Meter, and IRWD will apply the difference between the applicable prevailing potable water commodity rate and the applicable prevailing recycled water commodity rate on such quantity, to reduce the Reimbursement Amount until it is paid in full to IRWD. Upon payment of the Reimbursement Amount to IRWD, IRWD shall thereafter charge UCI the applicable prevailing recycled water commodity rate for recycled water used at the Central Plant. Exhibit "B" provides an estimated schedule by which the Reimbursement Amount will be paid based on anticipated recycled water usage.

6.5 Deferral. The Parties will coordinate the commencement of the Infrastructure work. If either Party is unable to secure funding that it considers adequate to support construction of the Infrastructure, either Party may elect to defer construction until such time as adequate funding is available. If some funding has been obtained, or if expenses have been incurred for design or construction of Infrastructure, any deferral elected by a Party shall require an amendment to this Agreement setting forth the obligations of the Parties with respect to the funding already obtained and costs already incurred.

Section 7. Use of Recycled Water.

7.1 Commitment. Subject to suspension as provided in Sections 7.2, 7.3 and 7.4, UCI agrees to use IRWD-provided recycled water for Central Plant cooling tower operations for the longer of: i) 25 years, ii) until the reimbursement that is described in Section 6.4 is fully paid to IRWD, or iii) as mutually extended by the parties. UCI agrees to notify IRWD within 72 hours in the event recycled water use is temporarily suspended.

7.2 Compatibility. If the water quality of IRWD's recycled water declines to the point where it is no longer compatible with Central Plant operations, or has deleterious effects on Central Plant equipment, UCI may revert to potable water use until such time as UCI and IRWD staff can meet and remedy the water quality deficiencies.

7.3 Central Plant Modifications. UCI may temporarily suspend recycled water use at the Central Plant for necessary, future modifications to the Academy Recycled Water Pipeline or the Central Plant Improvements. UCI agrees to notify IRWD within 72 hours in the event modifications need to be made to the Academy Recycled Water Pipeline or the Central Plant Improvements, which shall be made at UCI's expense. UCI will inform IRWD prior to the commencement of the modification work. UCI shall not modify the California Recycled Water Pipeline or the Recycled Water Meter.

7.4 Operational Necessity. UCI retains full, complete, and total operational control of its facilities and may, at its sole discretion, at any time temporarily suspend use of recycled water and revert to use of potable water. Examples of such suspensions are, but not limited to, maintenance of facilities, chemical balance, and water quality.

Section 8. Environmental Compliance.

8.1 Lead Agency. UCI will serve as lead agency for processing environmental compliance for the Infrastructure and will prepare and defend the appropriate environmental documentation in conformance with the California Environmental Quality Act (CEQA). UCI will consult with IRWD in the development of the CEQA documents.

8.2 Responsible Agency. IRWD will serve as a responsible agency and may rely on the UCI CEQA documentation to make findings regarding approvals of the Infrastructure.

Section 9. Indemnification. IRWD shall defend, indemnify and hold UCI, its officers, employees and agents harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees) or claims for injury or damages arising out of the performance of this Agreement but only in proportion to and to the extent such liability, loss, expense, attorney's fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of IRWD, its officers, employees or agents.

UCI shall defend, indemnify and hold IRWD, its officers, employees and agents harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees) or claims for injury or damages arising out of the performance of this Agreement but only in proportion to and

to the extent such liability, loss, expense, attorneys' fees or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of UCI, its officers, employees or agents.

Section 10. Dispute Resolution. Any dispute arising regarding the interpretation or implementation of this Agreement, including any claims for breach of this Agreement which cannot be resolved directly by the parties in a reasonable time period, shall be resolved by submitting the claim for mediation with a reputable mediator located in Orange County California. If after mediation the dispute still cannot be resolved it will be submitted for arbitration with a reputable arbitration company located in Orange County California, in accordance with its rules and procedures applicable to commercial disputes except that the parties shall be entitled to undertake discovery in the arbitration in accordance with the statutory provisions and rules applicable, as of the date of the first Arbitration Notice, to discovery in civil actions before a Superior Court of the State of California in Orange County . The location of any arbitration hearing shall be Orange County, California, and any enforcement of the arbitrator's decision shall be brought in a court of competent jurisdiction in Orange County, California.

Section 11. Attorney's Fees. In any action brought by a party to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs. The prevailing party shall be entitled to the reasonable value of any services provided to it by in-house counsel. The reasonable value of services provided by in-house counsel shall be calculated by applying an hourly rate commensurate with prevailing market rates charged by attorneys in private practice for such services.

Section 12. Severability. In the event that any provision of the Agreement is determined by a court to be invalid, the court shall reform the provision in a manner that is both consistent with the terms of the Agreement taken as a whole and legally valid. The remainder of the Agreement shall not be affected thereby.

Section 13. No Third Party Beneficiaries. Neither UCI nor IRWD shall have any obligation under this Agreement to any third party

Section 14. Integration; Amendment. This Agreement represents the entire understanding by and between UCI and IRWD as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may not be modified or altered except in writing signed by both Parties hereto.

Section 15. Counterparts. This Agreement may be executed in counterparts. Facsimile and other electronic signatures shall be binding for all purposes.

Section 16. Term. The term of this Agreement shall commence on the date first written above and continue for the life of the Central Plant and Co-gen facilities or until as mutually agreed to by both parties.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first hereinabove written.

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UNIVERSITY OF CALIFORNIA, IRVINE

By: _____

Title: _____

IRVINE RANCH WATER DISTRICT

By: _____
Paul Cook, General Manager

EXHIBIT "B"

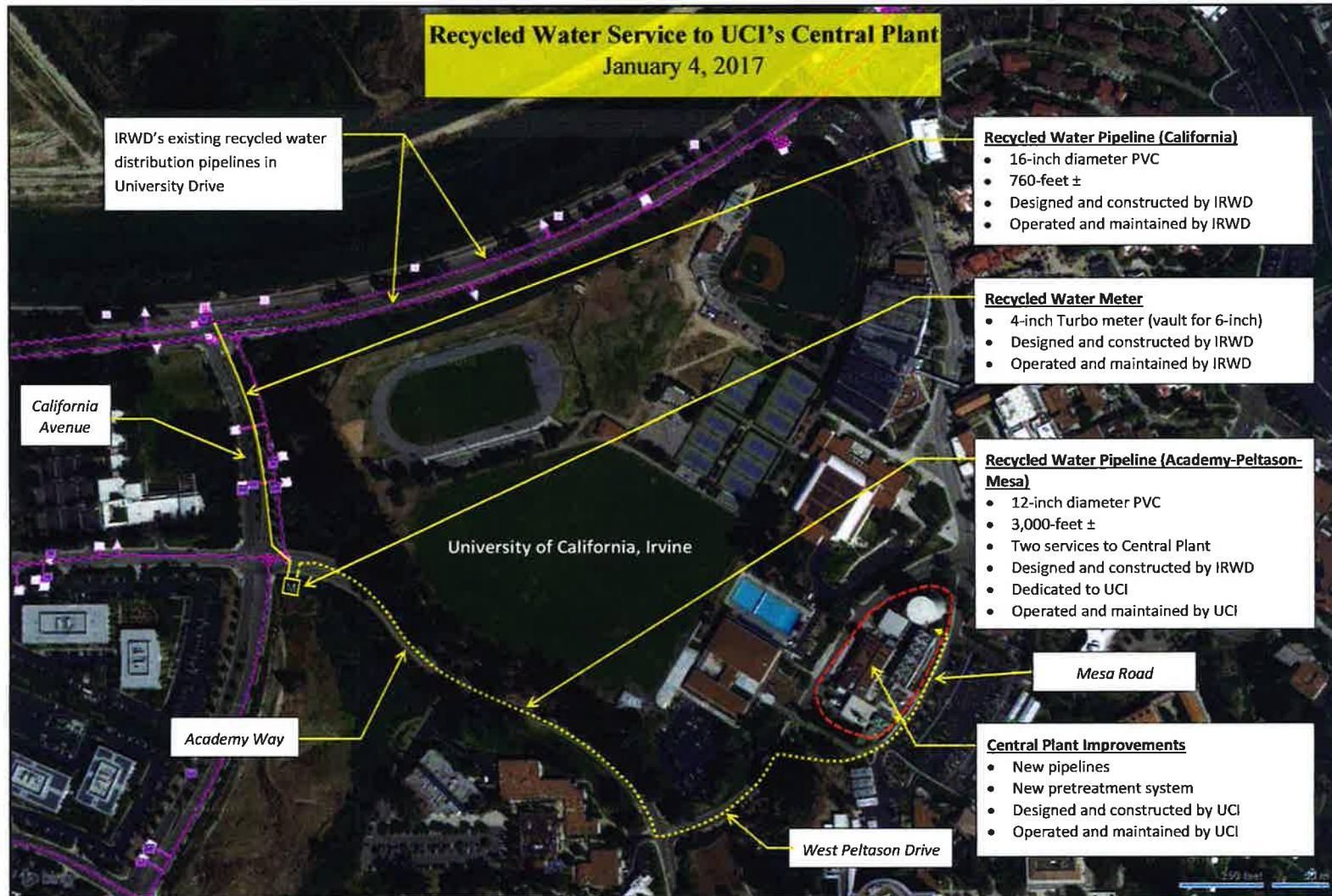


EXHIBIT "C"

UCI Central Plant Cooling Tower Conversion to Recycled Water
Projected Repayment Schedule for UCI's Capital Expenditure

Assumptions:

- IRWD initially pays for UCI's capital costs (Central Plant Improvements)
- UCI's estimated Central Plant Improvement cost is: \$1,060,000
- IRWD charges UCI the prevailing potable rate to repay the cost of the Central Plant Improvements
- IRWD's potable and recycled water commodity rates are assumed to escalate at 7% annually
- IRWD charges 0% interest on the loan

Year (1)	Annual Recycled Water Use (acre-feet per year) (2)	Annual Recycled Water Use (hundred cubic feet per year) (3)	Repayment Funds Generated through Commodity Sales			Est. Amount Generated Annually Through Savings on Commodity (\$) (7)	Beginning Reimbursement Amount Balance (8)	Ending Reimbursement Amount Balance (9)	Estimated Commodity Savings to UCI (10)
			IRWD's Potable Water Commodity "Base" Rate (\$/CCF) (4)	IRWD's Recycled Water Commodity "Base" Rate (\$/CCF) (5)	Commodity Savings (\$/CCF) (6)				
1	125	54,450	\$1.65	\$1.03	\$0.62	\$33,759	\$1,060,000	\$1,026,241	\$0
2	125	54,450	\$1.70	\$1.06	\$0.64	\$34,772	\$1,026,241	\$991,469	\$0
3	125	54,450	\$1.75	\$1.09	\$0.66	\$35,815	\$991,469	\$955,654	\$0
4	125	54,450	\$1.80	\$1.13	\$0.68	\$36,889	\$955,654	\$918,765	\$0
5	125	54,450	\$1.86	\$1.16	\$0.70	\$37,996	\$918,765	\$880,769	\$0
6	125	54,450	\$1.91	\$1.19	\$0.72	\$39,136	\$880,769	\$841,633	\$0
7	125	54,450	\$1.97	\$1.23	\$0.74	\$40,310	\$841,633	\$801,323	\$0
8	125	54,450	\$2.03	\$1.27	\$0.76	\$41,519	\$801,323	\$759,804	\$0
9	125	54,450	\$2.09	\$1.30	\$0.79	\$42,765	\$759,804	\$717,039	\$0
10	125	54,450	\$2.15	\$1.34	\$0.81	\$44,048	\$717,039	\$672,991	\$0
11	125	54,450	\$2.22	\$1.38	\$0.83	\$45,369	\$672,991	\$627,622	\$0
12	125	54,450	\$2.28	\$1.43	\$0.86	\$46,730	\$627,622	\$580,891	\$0
13	125	54,450	\$2.35	\$1.47	\$0.88	\$48,132	\$580,891	\$532,759	\$0
14	125	54,450	\$2.42	\$1.51	\$0.91	\$49,576	\$532,759	\$483,183	\$0
15	125	54,450	\$2.50	\$1.56	\$0.94	\$51,064	\$483,183	\$432,119	\$0
16	125	54,450	\$2.57	\$1.60	\$0.97	\$52,595	\$432,119	\$379,524	\$0
17	125	54,450	\$2.65	\$1.65	\$0.99	\$54,173	\$379,524	\$325,351	\$0
18	125	54,450	\$2.73	\$1.70	\$1.02	\$55,798	\$325,351	\$269,552	\$0
19	125	54,450	\$2.81	\$1.75	\$1.06	\$57,472	\$269,552	\$212,080	\$0
20	125	54,450	\$2.89	\$1.81	\$1.09	\$59,197	\$212,080	\$152,883	\$0
21	125	54,450	\$2.98	\$1.86	\$1.12	\$60,973	\$152,883	\$91,911	\$0
22	125	54,450	\$3.07	\$1.92	\$1.15	\$62,802	\$91,911	\$29,109	\$0
23	125	54,450	\$3.16	\$1.97	\$1.19	\$64,686	\$29,109	\$0	\$35,577
24	125	54,450	\$3.26	\$2.03	\$1.22	\$66,626	\$0	\$0	\$66,626
25	125	54,450	\$3.35	\$2.09	\$1.26	\$68,625	\$0	\$0	\$68,625
26	125	54,450	\$3.45	\$2.16	\$1.30	\$70,684	\$0	\$0	\$70,684
27	125	54,450	\$3.56	\$2.22	\$1.34	\$72,804	\$0	\$0	\$72,804
28	125	54,450	\$3.67	\$2.29	\$1.38	\$74,988	\$0	\$0	\$74,988
29	125	54,450	\$3.78	\$2.36	\$1.42	\$77,238	\$0	\$0	\$77,238
30	125	54,450	\$3.89	\$2.43	\$1.46	\$79,555	\$0	\$0	\$79,555