

AGENDA
IRVINE RANCH WATER DISTRICT
FINANCE AND PERSONNEL COMMITTEE MEETING
TUESDAY, NOVEMBER 3, 2020

Due to COVID-19, this meeting will be conducted as a teleconference pursuant to the provisions of the Governor's Executive Orders N-25-20 and N-29-20, which suspend certain requirements of the Ralph M. Brown Act. Members of the public may not attend this meeting in person.

Participation by Committee Members will be from remote locations. Public access and participation will only be available telephonically/electronically.

To virtually attend the meeting and to be able to view any presentations or additional materials provided at the meeting, please join online via Webex using the link and information below:

Via Web:
<https://irwd.my.webex.com/irwd.my/j.php?MTID=m0dd8f81c3157cc3430c90ad9addf4fa6>

Meeting Number: 126 333 9597
Password: APkuhT5mp85 (27584856 from phones and video systems)

After joining the meeting, in order to ensure all persons can participate and observe the meeting, please select the "Call in" option and use a telephone to access the audio for the meeting shown.

Please enter the attendee identification number, which will be provided when you connect to Webex, followed by #.

As courtesy to the other participants, please mute your phone when you are not speaking.

CALL TO ORDER 11:30 a.m., Committee Room, Second Floor, District Office
15600 Sand Canyon Avenue, Irvine, California

ATTENDANCE Chair: Peer Swan _____ Member: Steve LaMar _____

ALSO PRESENT

Paul Cook	_____	Cheryl Clary	_____
Wendy Chambers	_____	Kevin Burton	_____
Paul Weghorst	_____	Rob Jacobson	_____
Eileen Lin	_____	Jenny Roney	_____
Christopher Smithson	_____	Allen Shinbashi	_____
Jennifer Davis	_____	Tanja Fournier	_____
Tom Malone	_____	_____	_____

PUBLIC COMMENT NOTICE

If you wish to address the Committee on any item, please submit a request to speak via the "chat" feature available when joining the meeting virtually. Remarks are limited to three minutes per speaker on each subject. You may also submit a public comment in advance of the meeting by emailing comments@irwd.com before 8:00 a.m. on Tuesday, November 3, 2020.

ALL VOTES SHALL BE TAKEN BY A ROLL CALL VOTE.

COMMUNICATIONS

1. Notes: Clary
2. Public Comments
3. Determine the need to discuss and/or take action on item(s) introduced, which came to the attention of the District subsequent to the agenda being posted.
4. Determine which items may be approved without discussion.

INFORMATION

5. EMPLOYEE POPULATION AND TURNOVER STATUS REPORT – SRADER / RONEY

Recommendation: Receive and file.
6. MONTHLY INVESTMENT AND DEBT REVIEW – DAVIS / FOURNIER / JACOBSON / CLARY

Recommendation: Receive and file.
7. RISK MANAGEMENT QUARTERLY REPORT – KANOFF / SHINBASHI / JACOBSON / CLARY

Recommendation: Receive and file.
8. REAL ESTATE QUARTERLY PERFORMANCE – DAVIS / FOURNIER / JACOBSON / CLARY

Recommendation: Receive and file.
9. QUARTERLY DEFERRED COMPENSATION PLAN REVIEW – DAVIS / FOURNIER / JACOBSON / CLARY

Recommendation: Receive and file.
10. EXPENSES AND FEES OF BOARD MEMBERS AND GENERAL MANAGER PAID THROUGH THE FIRST QUARTER OF FY 2020-21 – PULLES / CLARY

Recommendation: Receive and file.

INFORMATION (Continued)

11. FY 2019-20 COMPREHENSIVE ANNUAL FINANCIAL REPORT – LIN / CLARY

Recommendation: Receive and file.

ACTION

12. PROPOSED IRWD 2021 INVESTMENT POLICY – JACOBSON / CLARY

Recommendation: That the Board approve the proposed IRWD 2021 Investment Policy and adopt a resolution.

13. FINANCIAL REPLACEMENT FUND BALANCE MODEL UPDATE – SMITHSON / CLARY

Recommendation: That the Committee provide input on the key assumptions and recommend rate increases to the Board of 11% each to the water and sewer replacement fund components of the fixed service charge for the FY 2021-22 and FY 2022-23.

14. REVISIONS TO IRWD'S CONFLICT OF INTEREST CODE – COMPTON / COOK

Recommendation: That the Board rescind Resolution No. 2018-28 and adopt a revised Conflict of Interest Code for IRWD.

OTHER BUSINESS

15. CONFERENCE WITH LEGAL COUNSEL — EXISTING LITIGATION — Pursuant to Government Code Section 54956.9(d)(1):

- *Kristina Quinn v. IRWD*, Case No. 30-2019-01069109-CU-PA-CJC
- *Victoria Gleason v. County of Orange, et al.*, Case No. 30-2018-00977432
- *United States, et al., ex rel. John Hendrix, et al. v. J-M Manufacturing Company, Inc., et al.*, Case No. CV 06-0055-GW
- *State of Nevada, et al. v. J-M Manufacturing Company, Inc., et al.*, Los Angeles Case No. BC459943
- *Mary Beth Rash v. City of Irvine, et. seq.*, Case No. 30-2018-01010123
- *Michael Brown v. PEI Engineering & Construction, et. seq.*, Case No. 30-2020-01154719

OTHER BUSINESS - Continued

16. CONFERENCE WITH LEGAL COUNSEL — ANTICIPATED LITIGATION —
Pursuant to Government Code Section 54956.9(d)(2): significant exposure to litigation.
*(Two (2) potential cases; Main Street Notice of Subrogation and Sura claims on file with
the District.)*
17. Open Session
18. Directors' Comments
19. Adjournment

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 above-named Committee in connection with a matter subject to discussion or consideration at an open meeting of the Committee 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 Committee 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 Committee Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available electronically via the Webex meeting noted. Upon request, the District will provide for written agenda materials in appropriate alternative formats, and reasonable disability-related modification or accommodation to enable individuals with disabilities to participate in and provide comments at public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, or alternative format requested at least two days before the meeting. Requests should be emailed to comments@irwd.com. Requests made by mail must be received at least two days before the meeting. Requests will be granted whenever possible and resolved in favor of accessibility.

November 3, 2020
Prepared by: L. Srader
Submitted by: J. Roney
Approved by: Paul A. Cook

PAC.

FINANCE AND PERSONNEL COMMITTEE

EMPLOYEE POPULATION AND TURNOVER STATUS REPORT

SUMMARY:

Staff has prepared various population and turnover reports for Committee review.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

Receive and file.

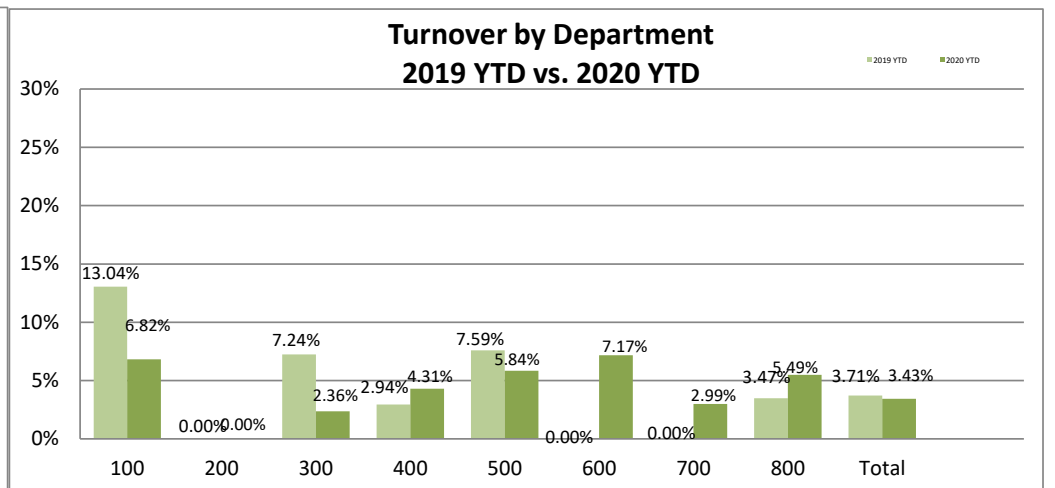
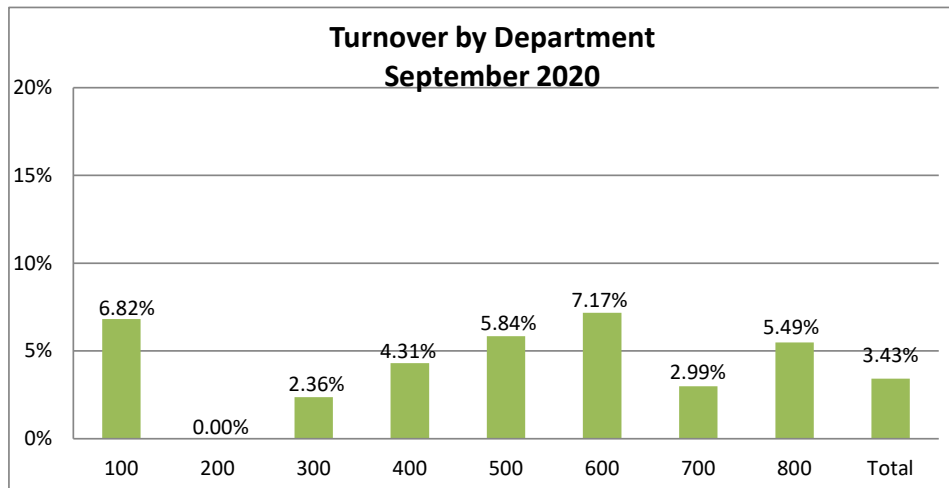
LIST OF EXHIBITS:

Exhibit "A" – Employee Population/Turnover Status Report

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EXHIBIT A
IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
September 2020

Dept	@09/01/20	Current Month Activity							@09/30/20		FY 20/21	Avg FYTD	Avg FYTD	Avg FYTD	Internal Turnover		External Turnover	
	Positions Filled	New Hires	Terms		Promo Trnsfr		Lateral Trnsfr		Positions Filled	Positions Unfilled	Budgeted Positions	Filled Budget Positions	Temp Emp FTE	Total Filled Positions	Current Period	2020 YTD	Current Period	2020 YTD
			Vol	Invol	In	Out	In	Out										
100	16.0								16.0	0	16.0	15.0	1.1	16.1	0.00%	0.00%	0.00%	6.82%
200	90.0	1							91.0	1	92.0	89.3	2.6	91.9	0.00%	0.00%	0.00%	0.00%
300	44.0								44.0	0	44.0	42.7	0.0	42.7	0.00%	0.00%	0.00%	2.36%
400	70.0		1						69.0	4	73.0	70.0	1.0	71.0	0.00%	1.44%	1.43%	4.31%
500	52.0								52.0	8	60.0	52.0	0.6	52.6	0.00%	0.00%	0.00%	5.84%
600	28.0	2							30.0	1	31.0	28.0	5.9	33.9	0.00%	0.00%	0.00%	7.17%
700	34.0								34.0	1	35.0	33.3	3.9	37.3	0.00%	2.99%	0.00%	2.99%
800	54.0	1							55.0	6	61.0	54.3	0.9	55.2	0.00%	0.00%	0.00%	5.49%
Totals	388	4	1	0	0	0	0	0	391.0	21	412.0	384.7	16.0	400.7	0.00%	0.53%	0.26%	3.43%
9/19	385	1	0	0	0	0	0	0	386	18	404.0	372.3	13.6	385.9	0.00%	0.00%	0.00%	3.71%

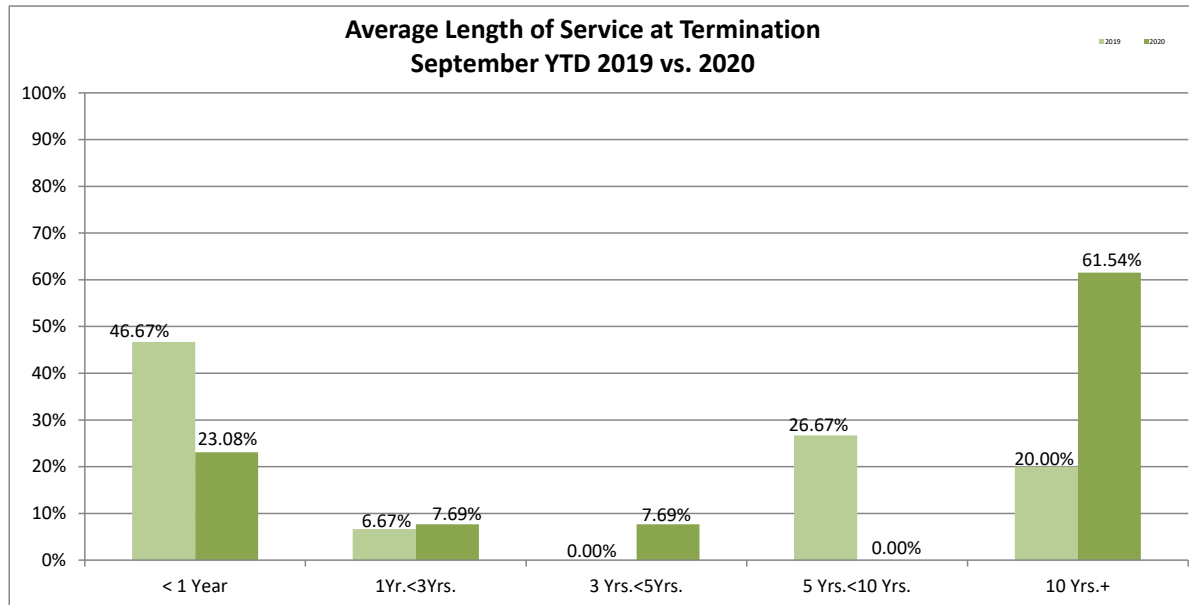


100-GM, HR, Safety; 200-Fin., Cust. Serv., IS, Purch.; 300-Eng.; 400-Water Ops; 500-Recycling; 600-WQ&RC; 700-Water Res., Recyc. Water and Public Affairs; 800-Adm. & Maintenance Ops

**IRVINE RANCH WATER DISTRICT
TURNOVER LONGEVITY RATIO
September 2020**

Dept.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	YTD Turnover Longevity Ratio				
														< 1 Year	1Yr.<.3Yrs.	3 Yrs.<5Yrs.	5 Yrs.<10 Yrs.	10 Yrs.+
100			1										1	1				
200													0					
300					1								1					1
400						1			1				2	2				
500	1			1	1								3		1			2
600	1				1								2					2
700			1										1			1		
800				1			2						3					3
2020 Total	2	0	2	2	3	1	2	0	1	0	0	0	13	3	1	1	0	8
2019 Data	2	4	1	1	2	1	3	1	0	4	2	4	25					
Percentage of Total Turnover														23.08%	7.69%	7.69%	0.00%	61.54%

2020 Average YTD Length of Service at Termination	16.78 Years
2019 Average YTD Length of Service at Termination	9.21 Years
2018 Average YTD Length of Service at Termination	13.85 Years
2017 Average YTD Length of Service at Termination	14.35 Years
2016 Average YTD Length of Service at Termination	12.43 Years



**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
September 2020**

NEW HIRES				
Hire	Dept	Employee Name	Position	Comments
09/14/20	800	Pablo Saldana	Maintenance Mechanic	
09/19/20	200	Brittany Pizanie	Customer Service Specialist I	
09/19/20	600	Joseph Rempel	Scientist	
09/21/20	600	Claire Nguyen	Scientist	

TERMINATIONS					
Termination Date	Dept	Employee Name	Position	Reason	Comments
09/18/19	400			Other Emp	

RETIREMENTS					
Effective Date	Departing Dept	Employee Name	Position	Reason	Comments

PROMOTIONS					
Effective Date	Departing Dept	Employee Name	Departing Position	New Dept	New Position
09/05/20	400	Elias Rios	Water Maintenance Technician I	400	Water Maintenance Technician II

TRANSFERS					
Effective Date	Departing Dept	Employee Name	Departing Position	New Dept	New Position

CROSS TRAINING					
Effective Date	Departing Dept	Employee Name	Departing Position	New Dept	New Position

**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
September 2020**

UNFILLED POSITIONS			
Dept	Position	Salary Grade	Comments
200	Customer Service Field Technician	14.N	Recruiting
400	Field Services Manager	U18.E	
400	Metering Systems Technician I	16.N	1/1/2021
400	Water Maintenance Technician II	22.N	
400	Metering Systems Technician II	22.N	
500	Process Specialist	32.N	
500	Wetlands Specialist	24.N	
500	Collection Systems CCTV Technician	21.N	
500	Operations Supervisor	S35.N	
500	Collection Systems Supervisor	S32.N	
500	Operator II	27.N	Recruiting
500	Operator III	29.N	Recruiting
500	Operator II	27.N	Recruiting
600	Scientist	28.N	Recruiting
700	Recycled Water Specialist	24.N	Recruiting
800	Reliability Engineer	U20.E	Recruiting
800	Sr. Electrical Technician	30.N	
800	Asset Maintenance Coordinator	32.N	
800	Electrical Technician	28.N	
800	Maintenance Mechanic	22.N	Recruiting
805	Director of Field Operations	U27.E	

**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
September 2020**

LEAVE OF ABSENCE				
Type of Leave	Date Leave Began	Anticipated Return Date	Current Length	Comments
FMLA/CFRA	7/21/2020	9/2/2020	2 weeks	
FMLA/CFRA	7/27/2020		2 months	
FMLA/CFRA	9/22/2020	10/15/2020	1 week	
FMLA/CFRA	9/21/2020		2 weeks	
FMLA/CFRA/PFL	9/4/2020	10/15/2020	1 month	
FFCRA/FMLA	9/8/2020		1 month	
FFCRA/FMLA	9/8/2020	10/8/2020	1 month	
FFCRA/FMLA	9/8/2020		1 month	
FMLA/CFRA	9/8/2020		1 month	
FMLA/CFRA	9/1/2020	10/5/2020	1 month	
FMLA/CFRA	8/4/2020	9/8/2020	1 month	

Leave	Date Leave Began	Return Date	Length	Return Date	Comments
FMLA/CFRA	10/7/2019	2/10/2020	4 months	02/03/20	Returned
FMLA/CFRA	7/9/2019	12/1/2019	7 months	12/01/19	Returned
FMLA/CFRA	9/2/2019	2/17/2020	5 months	02/03/20	Returned
FMLA/CFRA	12/10/2019	2/6/2020	2 months	02/10/20	Returned
FMLA/CFRA	12/2/2019	2/3/2020	2 months	02/03/20	Returned
FMLA/CFRA	1/27/2020	3/9/2020	1 month	03/09/20	Returned
FMLA/CFRA	9/23/2019	3/2/2020	5 months	03/09/20	Returned
FMLA/CFRA	1/23/2020	3/9/2020	2 months	03/09/20	Returned
WC/FMLA/CFRA	2/3/2020	4/13/2020	1 month	04/13/20	Returned
FFCRA/FMLA	6/26/2020	8/5/2020	1 month	8/5/2020	Returned
FFCRA/FMLA	6/21/2020	7/6/2020	3 weeks	7/6/2020	Returned
FFCRA/FMLA	6/22/2020	7/6/2020	3 weeks	7/6/2020	Returned
FMLA/CFRA	6/20/2020	7/6/2020	3 weeks	7/6/2020	Returned
FMLA/CFRA	6/2/2020	7/6/2020	1 month	7/6/2020	Returned
FMLA/CFRA	6/1/2020	7/13/2020	1.5 months	7/13/2020	Returned
FMLA/CFRA	5/7/2020	7/27/2020	3 months	7/27/2020	Returned
FMLA/CFRA	7/2/2020	7/28/2020	1 month	7/28/2020	Returned
FMLA/CFRA	7/29/2020	8/31/2020	1 month	8/31/2020	Returned

**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT**

Month	Length of Employment	Termination		Comments
		Vol	Invol	
January	14 years, 6 months	X		Other employment - Metropolitan WD
	1 year, 4 months	X		Other employment
February				
March	10 months	X		No reason given
	3 years, 2 months	X		Other employment - Mesa Water
April	32 years, 2 months	X		Retired
	24 years, 1 month	X		Retired
May	28 years	X		Retired
	26 years, 9 months	X		Other employment - Metropolitan WD
	26 years, 1 month	X		Other employment - Las Vegas WD
June	1 month	X		Other employment - returned to old job
July	25 years, 11 months	X		Retired
	29 years, 10 months	X		Retired
August				
September	4 months	X		Other employment - started own business
October				
November				
December				

IRVINE RANCH WATER DISTRICT
SUMMARY
AGENCY & DISTRICT TEMPORARY EMPLOYEES
September 2020

ACTIVE

Current Month	FYTD Ave Hours Worked	PERS Enrollment	Agency	Dept	Hourly Rate	Est Hours per Month	Est Cost Per Month	Expected Duration (Months)	Actual Worked (Months)	Projected Cost FY' YTD	Actual Cost FY 'YTD
0.47	0.45	Yes		130	47.75	84	4,011.00	9	3	12,033.00	11,173.50
0.25	0.65	No	X	140	37.15	168	6,241.20	6	3	18,723.60	12,468.65
0.72	1.10			100							
0.00	0.00	Yes		200	56.55	84	4,750.20	12	3	14,250.60	113.10
0.92	0.94	Yes		200	23.92	168	4,018.56	2	3	12,055.68	11,723.79
0.36	0.75	Yes		200	22.37	168	3,758.16	12	3	11,274.48	8,746.67
0.74	0.90	Yes		200	22.37	168	3,758.16	12	3	11,274.48	10,502.72
2.03	2.60			200							
0.96	0.98	Yes		300	37.70	168	6,333.60	6	3	19,000.80	19,189.30
0.96	0.58	Yes		300	72.97	84	6,129.48	6	3	18,388.44	21,927.49
0.07	0.06	Yes		300	85.30	84	7,165.20	6	3	21,495.60	2,772.25
0.65	0.70	EXC		300	18.00	84	1,512.00	12	3	4,536.00	6,588.00
0.69	0.23	EXC		300	17.00	84	1,428.00	6	1	1,428.00	2,023.00
0.98	0.99	EXC		300	37.70	84	3,166.80	6	3	9,500.40	19,453.20
4.31	3.54			300							
0.87	0.98	No	X	400	33.67	168	5,656.56	6	3	16,969.68	17,171.70
0.87	0.88	No	X	400	30.53	168	5,129.04	6	3	15,387.12	14,272.78
0.75	0.56	No	X	400	30.53	168	5,129.04	5	2	10,258.08	8,853.70
0.87	0.93	No	X	400	30.53	168	5,129.04	6	3	15,387.12	15,039.84
3.35	3.34			400							
0.92	0.56	Yes		500	29.23	168	4,910.64	12	2	9,821.28	8,476.70
0.81	0.27	Yes		500	29.23	168	4,910.64	4	1	4,910.64	4,092.20
1.73	0.83			500							
1.00	1.00	No	X	600	52.00	168	8,736.00	11	3	26,208.00	28,314.00
1.00	1.00	No	X	600	52.00	168	8,736.00	6	3	26,208.00	27,664.00
0.93	1.00	No	X	600	43.84	168	7,365.12	2	3	22,095.36	23,125.38
0.86	0.98	No	X	600	43.84	168	7,365.12	6	3	22,095.36	22,226.88
1.00	0.60	No	X	600	52.00	168	8,736.00	5	2	17,472.00	
0.64	0.86	Yes		600	32.76	168	5,503.68	2	3	16,511.04	14,840.28
0.45	0.49	EXC		600	16.00	84	1,344.00	6	3	4,032.00	4,052.80
5.88	5.93			600							
0.98	1.00	No	X	700	30.92	168	5,194.56	6	3	15,583.68	16,233.00
0.82	0.96	No	X	700	43.53	168	7,313.04	6	3	21,939.12	21,677.94
0.98	0.99	Yes	X	700	30.92	168	5,194.56	6	3	15,583.68	15,954.72
0.98	0.99	Yes		700	30.92	168	5,194.56	6	3	15,583.68	15,923.80
3.74	3.94			700							
0.75	0.90	No	X	800	56.70	168	9,525.60	6	3	28,576.80	26,649.00
0.75	0.90			800							
22.50	22.18										

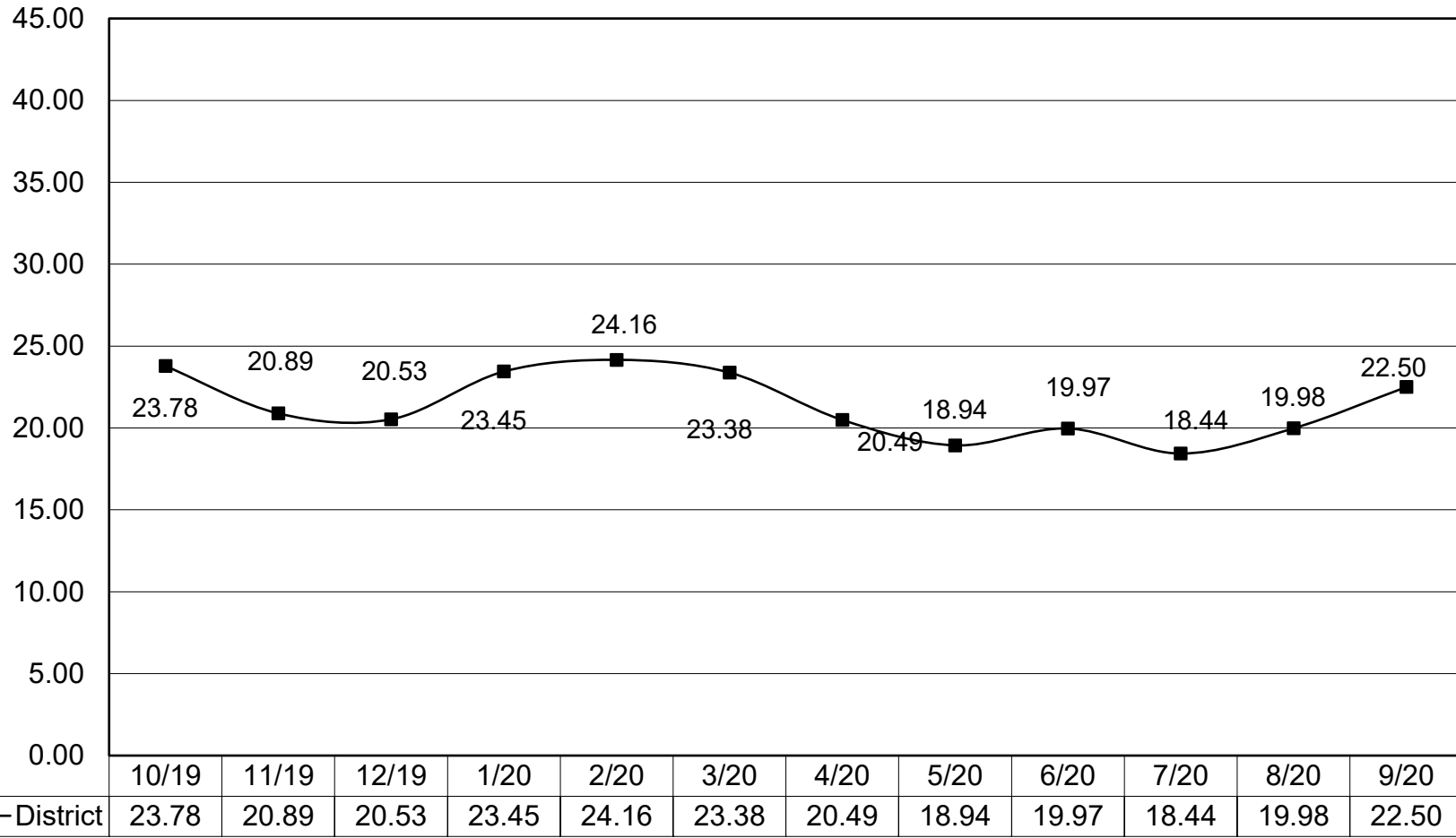
IRVINE RANCH WATER DISTRICT
SUMMARY
AGENCY & DISTRICT TEMPORARY EMPLOYEES
September 2020

TERMINATED

Current Month FTE	Avg FYTD Temp Emp FTE	Active PERS Y/N *	Agency	Dept	Hourly Rate	Est Hours per Month	Est Cost Per Month	Expected Duration (Months)	Actual Worked (Months)	Projected Cost FYTD	Actual Cost FYTD
0.00	0.00			100							
0.00	0.00			200							
0.00	0.00			300							
0.00	0.00			400							
0.00	0.00			500							
0.00	0.00			600							
0.00	0.00			700							
0.00	0.00			800							
0.00	0.00									458,583.72	411,250.38

EXC = Exclude from PERS enrollment
Yes= Temporary employee enrolled in PERS Membership
No=Temporary Agency employee
*Data reported 30 days in arrears

Temporary Employees
Full Time Equivalency
District Totals as of September 30, 2020



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November 3, 2020
Prepared by: J. Davis / T. Fournier
Submitted by: R. Jacobson / C. Clary
Approved by: Paul A. Cook



FINANCE AND PERSONNEL COMMITTEE

MONTHLY INVESTMENT AND DEBT REVIEW

SUMMARY:

The following items are submitted for the Committee's review and consideration:

- The Investment Portfolio Summary Report as of October 23, 2020, as outlined in Exhibit "A";
- The U.S. Treasury Yield Curve as of October 23, 2020, as shown in Exhibit "B";
- The Summary of Fixed and Variable Debt as of October 23, 2020, as outlined in Exhibit "C"; and
- The Summary of Variable Rate Debt Rates as of October 23, 2020, as outlined in Exhibit "D".

BACKGROUND:

Investment Portfolio:

Due to the timing of the Committee meeting, the rate of return for October 2020 is not complete at this time. Preliminary calculations indicate a rate of return for the fixed income investment portfolio of 1.08%, which is a 0.05% decrease from September's rate of 1.13%. The decrease is due to a greater average balance in the fixed income portfolio (\$398.1 million to \$401.3 million) following the reinvestment of \$30 million in late September at lower interest rates and a decrease in Local Agency Investment Fund LAIF's rate from 0.69% to 0.62%. Including real estate investments, the weighted average rate of return for IRWD's investment portfolio for October 2020 is estimated to be 3.19%, which is a 0.05% decrease from September's rate of 3.24%.

Debt Portfolio:

As of October 23, 2020, IRWD's weighted average all-in variable rate was 0.39%, a 0.01% increase from September's rate of 0.38%. Including IRWD's weighted average fixed rate bond issues of 3.69% and the negative cash accruals from fixed payer interest rate swaps, which hedge a portion of the District's variable rate debt, the total average debt rate was 2.91%, a 0.02% increase from September's rate of 2.89%.

FISCAL IMPACTS:

Fiscal impacts are outlined above and included in the exhibits provided.

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.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Investment Portfolio Summary as of October 23, 2020

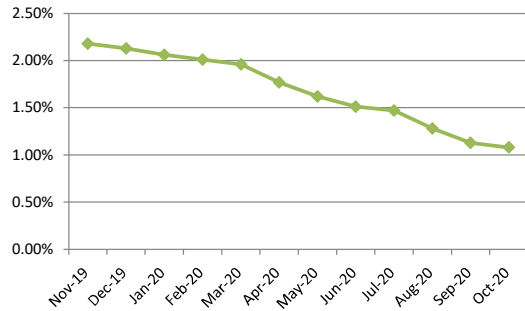
Exhibit "B" – Yield Curve as of October 23, 2020

Exhibit "C" – Summary of Fixed and Variable Debt as of October 23, 2020

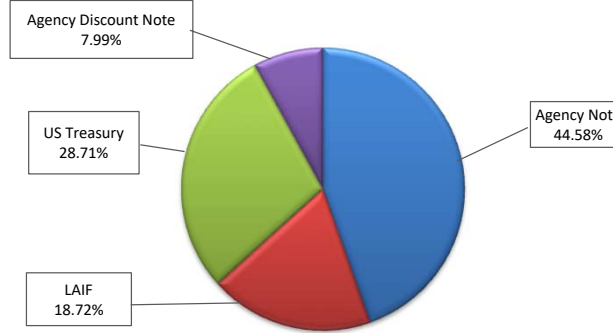
Exhibit "D" – Summary of Variable Rate Debt Rates as of October 23, 2020

Exhibit "A"
**Irvine Ranch Water District
Investment Portfolio Summary
October 2020**

Monthly Fixed Income Yield



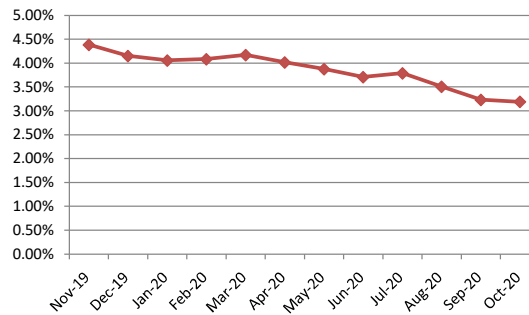
Portfolio Distribution



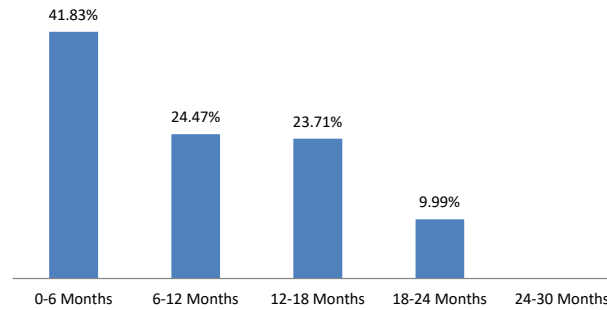
Investment Summary

Type	PAR	Book Value	Market Value
Agency Note	178,550,000	179,182,730	180,449,678
US Treasury	115,000,000	115,119,779	116,631,200
LAIF	75,000,000	75,000,000	75,308,590
Agency Discount Note	32,000,000	31,968,254	31,900,320
Grand Total	400,550,000	401,270,764	404,289,788

**Weighted Average Return
Including Real Estate Portfolio**



Maturity Distribution



Top Issuers

Issuer	PAR	% Portfolio
US Treasury	115,000,000	28.71%
Fed Home Loan Bank	82,000,000	20.47%
State of California Tsy	75,000,000	18.72%
Fed Farm Credit Bank	65,000,000	16.23%
Fed Home Loan Mortgage Corp	35,000,000	8.74%
Fed Natl Mortgage Assoc	28,550,000	7.13%
Grand Total	400,550,000	100.00%

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

10/23/20

SETTLMT	Call Schedule	Initial Call	Maturity Date	Rating	INVESTMENT TYPE	INSTITUTION / ISSUER	PAR Amount	COUPON DISCOUNT	YIELD	ORIGINAL COST	CARRY VALUE	MARKET VALUE ⁽¹⁾ 10/23/2020	UNREALIZED ⁽²⁾ GAIN/(LOSS)
01/15/20	NA	NA	07/15/22	Aaa/AA+/NR	FFCB - Note	Fed Farm Credit Bank	5,000,000	1.600%	1.594%	5,000,750.00	5,000,510.69	5,128,100.00	127,589.31
05/28/20	One Time	05/26/21	08/26/22	Aaa/NR/AAA	FHLMC - Note	Fed Home Loan Mortgage Corp	5,000,000	0.300%	0.300%	5,000,000.00	5,000,000.00	5,001,800.00	1,800.00
TOTAL INVESTMENTS							\$400,550,000			\$401,318,094.25	\$401,270,763.54	\$404,289,787.85	\$3,019,024.31

Petty Cash		3,400.00
Ck Balance	Bank of America	1,136,349.00
		<u>\$402,457,843.25</u>

⁽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

Outstanding Variable Rate Debt	\$251,100,000
Net Outstanding Variable Rate Debt (Less \$60 million fixed-payer swaps)	\$191,100,000
Investment Balance:	\$402,457,843
Investment to Variable Rate Debt Ratio:	211%
Portfolio - Average Number of Days To Maturity	245

	Investment Portfolio	Real Estate ⁽³⁾ Portfolio	Weighted Avg. Return
October	1.08%	7.80%	3.19%
September	1.13%	7.80%	3.24%
Change	-0.05%		-0.05%

This Investment Summary Report is in conformity with the 2020 Investment Policy and provides sufficient liquidity to meet the next six months estimated expenditures.

*S - Step up

IRVINE RANCH WATER DISTRICT
SUMMARY OF MATURITIES

10/23/20

DATE	TOTAL	%	LAIF	Agency Notes	Agency Discount Notes	Municipal Bonds	US Treasury
10/20	\$90,550,000	22.61%	\$75,000,000	5,550,000	5,000,000		5,000,000
11/20	12,000,000	3.00%		5,000,000	7,000,000		
12/20	10,000,000	2.50%		5,000,000			5,000,000
01/21	15,000,000	3.74%			5,000,000		10,000,000
02/21	20,000,000	4.99%		5,000,000			15,000,000
03/21	20,000,000	4.99%		20,000,000			
04/21	13,000,000	3.25%		8,000,000			5,000,000
05/21	15,000,000	3.74%					15,000,000
06/21	15,000,000	3.74%		5,000,000	5,000,000		5,000,000
07/21	5,000,000	1.25%		5,000,000			
08/21	25,000,000	6.24%		10,000,000	10,000,000		5,000,000
09/21	25,000,000	6.24%		15,000,000			10,000,000
SUB-TOTAL	\$265,550,000	66.30%	\$75,000,000	\$83,550,000	32,000,000		\$75,000,000
13 Months - 3 YEARS							
10/01/2021 - 12/31/2021	50,000,000	12.48%		30,000,000			20,000,000
01/01/2022 - 3/31/2022	45,000,000	11.23%		25,000,000			20,000,000
04/01/2022 - 06/30/2022	30,000,000	7.49%		30,000,000			
07/01/2022 - 09/30/2022	10,000,000	2.50%		10,000,000			
10/01/2022 +	-						
	-						
	-						
	-						
	-						
TOTALS	\$400,550,000	100.00%	\$75,000,000	\$178,550,000	\$32,000,000		\$115,000,000

% OF PORTFOLIO 18.72% 44.58% 7.99% 28.71%

Irvine Ranch Water District
Summary of Real Estate - Income Producing Investments
9/30/2020

	ACQUISITION DATE	PROPERTY TYPE	OWNERSHIP INTEREST	ORIGINAL COST	MARKET VALUE 6/30/2020	ANNUALIZED RATE OF RETURN QUARTER ENDED 9/30/2020
Sycamore Canyon	Dec-92	Apartments	Fee Simple	\$ 43,550,810	\$ 152,340,625	19.73%
Wood Canyon Villas	Jun-91	Apartments	Limited Partner	\$ 6,000,000	\$ 30,432,947	8.52%
ITC (230 Commerce)	Jul-03	Office Building	Fee Simple	\$ 5,739,845	\$ 11,964,600	8.09%
Waterworks Business Pk.	Nov-08	Research & Dev.	Fee Simple	\$ 8,630,577	\$ 9,363,600	6.40%
Sand Canyon Professional Center - Medical Office	Jul-12	Medical Office	Fee Simple	\$ 8,648,594	\$ 11,444,400	9.36%
Sand Canyon Professional Center - General Office	Sep-20	Office Building	Fee Simple	\$ 25,985,968	\$ 28,770,000	0.00%
Total - Income Properties				\$ 98,555,794	\$ 215,546,172	11.09%
OTHER REAL ESTATE						
DESCRIPTION						
Serrano Summit - Promissory Note Payment received - 8/12/20	Sep-17	NA	NA	\$ 85,352,804	\$ 85,352,804	4.00%
Total - Income Producing Real Estate Investments				\$ 183,908,598	\$ 300,898,976	7.80%

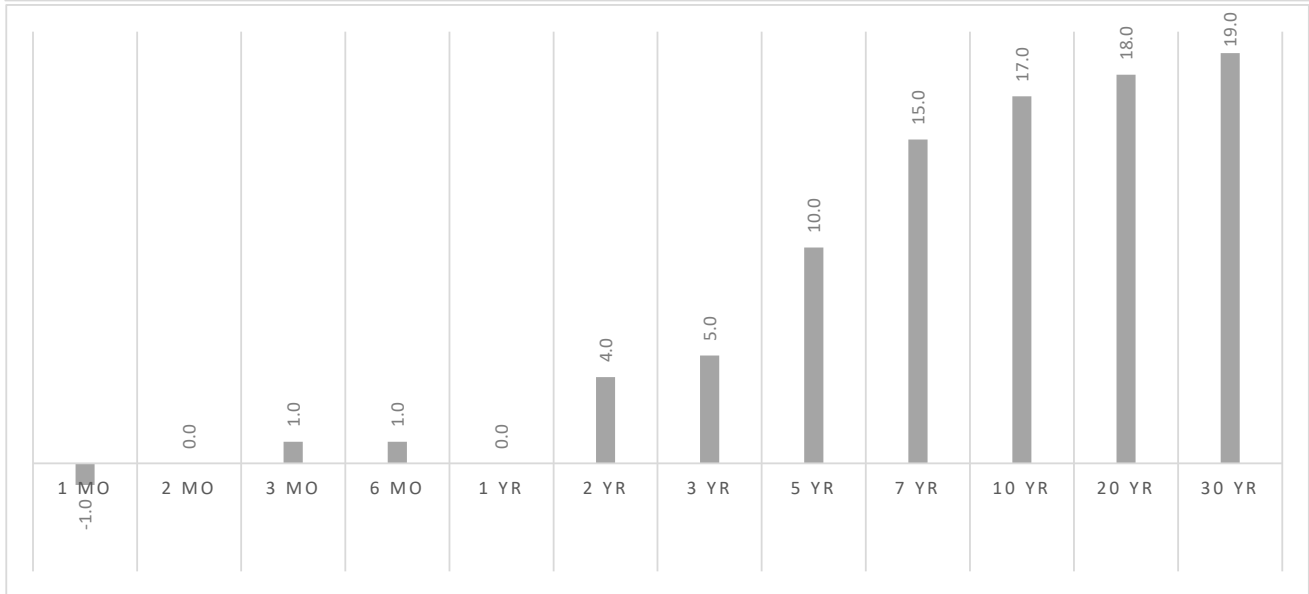
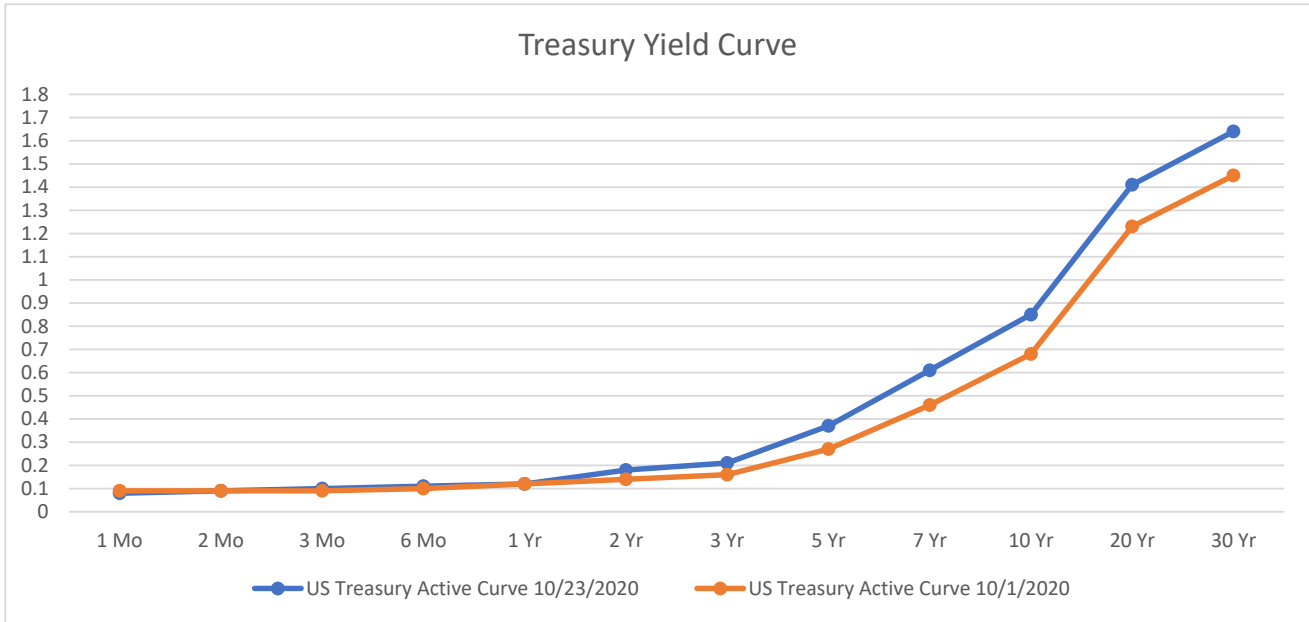
IRVINE RANCH WATER DISTRICT INVESTMENT SUMMARY REPORT
INVESTMENT ACTIVITY
Oct-20

MATURITIES/SALES/CALLS

PURCHASES

DATE	SECURITY TYPE	PAR	YIELD	Settlement Date	Maturity Date	SECURITY TYPE	PAR	YIELD TO MATURITY
10/21/2020	FHLMC - NOTE	\$5,000,000	0.56%	10/21/2020	1/21/2022	FFCB - NOTE	\$5,000,000	0.15%

EXHIBIT "B"

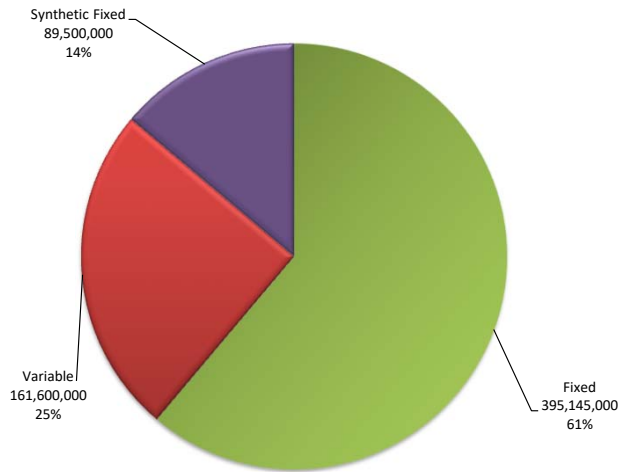


Tenor	US Treasury Active Curve 10/23/2020	US Treasury Active Curve 10/1/2020	Change
1 Mo	0.08	0.09	-1.0
2 Mo	0.09	0.09	0.0
3 Mo	0.1	0.09	1.0
6 Mo	0.11	0.1	1.0
1 Yr	0.12	0.12	0.0
2 Yr	0.18	0.14	4.0
3 Yr	0.21	0.16	5.0
5 Yr	0.37	0.27	10.0
7 Yr	0.61	0.46	15.0
10 Yr	0.85	0.68	17.0
20 Yr	1.41	1.23	18.0
30 Yr	1.64	1.45	19.0

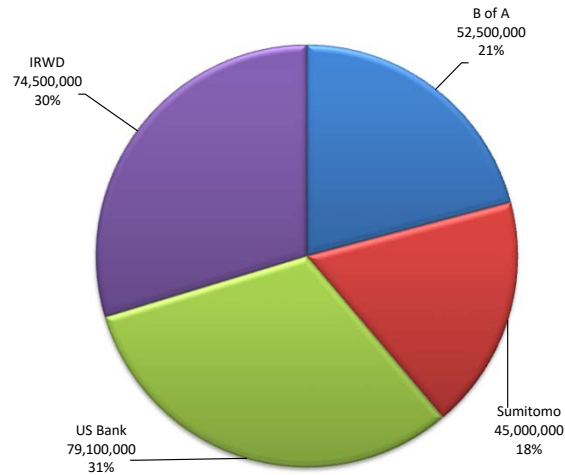
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Exhibit "C"
Irvine Ranch Water District
Summary of Fixed and Variable Rate Debt
October 2020

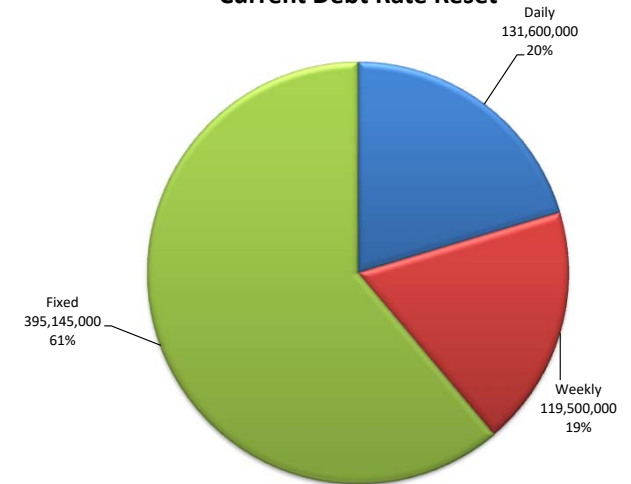
Current Debt Mix By Type



Letters of Credit / Support



Current Debt Rate Reset



Outstanding Par by Series

Series	Issue Date	Maturity Date	Remaining Principal	Percent	Letter of Credit/Support	Rmkt Agent	Mode	Reset
Series 1993	05/19/93	04/01/33	\$26,600,000	4.12%	US Bank	BAML	Variable	Daily
Series 2008-A Refunding	04/24/08	07/01/35	\$45,000,000	6.96%	Sumitomo	BAML	Variable	Weekly
Series 2011-A-1 Refunding	04/15/11	10/01/37	\$44,700,000	6.92%	IRWD	Goldman	Variable	Weekly
Series 2011-A-2 Refunding	04/15/11	10/01/37	\$29,800,000	4.61%	IRWD	Goldman	Variable	Weekly
Series 2009 - A	06/04/09	10/01/41	\$52,500,000	8.12%	US Bank	US Bank	Variable	Daily
Series 2009 - B	06/04/09	10/01/41	\$52,500,000	8.12%	B of A	Goldman	Variable	Daily
2016 COPS	09/01/16	03/01/46	\$116,745,000	18.07%	N/A	N/A	Fixed	Fixed
2010 Build America Taxable Bond	12/16/10	05/01/40	\$175,000,000	27.08%	N/A	N/A	Fixed	Fixed
Series 2016	10/12/16	02/01/46	\$103,400,000	16.00%	N/A	N/A	Fixed	Fixed
Total			\$646,245,000	100.00%				

IRVINE RANCH WATER DISTRICT
SUMMARY OF FIXED & VARIABLE RATE DEBT

October-20

ITN
Daily
Weekly

GENERAL BOND INFORMATION							LETTER OF CREDIT INFORMATION										TRUSTEE INFORMATION				
VARIABLE RATE ISSUES	Issue Date	Maturity Date	Principal Payment Date	Payment Date	Original Par Amount	Remaining Principal	Letter of Credit	Reimbursement Agreement Date	L/C Exp. Date	MOODYS	S&P	FITCH	LOC Stated Amount	LOC Fee	Annual LOC Cost	Rmkt Agent	Reset	Rmkt Fees	Annual Cost	Trustee	
SERIES 1993	05/19/93	04/01/33	Apr 1	5th Bus. Day	\$38,300,000	\$26,600,000	US BANK	05/07/15	12/15/21	Aa3/VMIG1	AA-/A-1+	N/R	\$26,958,553	0.3300%	\$88,963	BAML	DAILY	0.10%	\$26,600	BANK OF NY	
SERIES 2008-A Refunding	04/24/08	07/01/35	Jul 1	5th Bus. Day	\$60,215,000	\$45,000,000	SUMITOMO	04/01/11	07/21/21	A1/P-1	A/A-1	A/F1	\$45,665,753	0.3150%	\$143,847	BAML	WED	0.07%	\$31,500	BANK OF NY	
SERIES 2011-A-1 Refunding	04/15/11	10/01/37	Oct 1	1st Bus. Day	\$60,545,000	\$44,700,000	N/A	N/A	N/A	Aa1/VMIG1	A-1+	AAA/F1+	N/A	N/A	N/A	Goldman	WED	0.13%	\$55,875	BANK OF NY	
SERIES 2011-A-2 Refunding	04/15/11	10/01/37	Oct 1	1st Bus. Day	\$40,370,000	\$29,800,000	N/A	N/A	N/A	Aa1/VMIG1	A-1+	AAA/F1+	N/A	N/A	N/A	Goldman	WED	0.13%	\$37,250	BANK OF NY	
SERIES 2009 - A	06/04/09	10/01/41	Oct 1	1st Bus. Day	\$75,000,000	\$52,500,000	US BANK	04/01/11	12/15/21	Aa2/VMIG 1	AA-/A-1+	AA/F1+	\$53,086,849	0.3300%	\$175,187	US Bank	DAILY	0.07%	\$36,750	US BANK	
SERIES 2009 - B	06/04/09	10/01/41	Oct 1	1st Bus. Day	\$75,000,000	\$52,500,000	B of A	04/01/11	05/16/22	Aa2/VMIG 1	A/A-1	A1/F1+	\$53,086,849	0.3000%	\$159,261	Goldman	DAILY	0.10%	\$52,500	US BANK	
					\$349,430,000	\$251,100,000	SUB-TOTAL VARIABLE RATE DEBT					\$178,798,005	0.3173%	\$567,258							
																	(Wt. Avg)		(Wt. Avg)		
FIXED RATE ISSUES																					
2010 GO Build America Taxable Bonds	12/16/10	05/01/40	May (2025)	May/Nov	\$175,000,000	\$175,000,000	N/A	N/A	N/A	Aa1	AAA	NR	N/A	N/A	N/A	N/A	N/A	N/A	N/A	US BANK	
2016 COPS	09/01/16	03/01/46	Mar (2021)	Mar/Sept	\$116,745,000	\$116,745,000	N/A	N/A	N/A	NR	AAA	AAA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	US BANK	
SERIES 2016	10/12/16	02/01/46	Feb (2022)	Feb/Aug	\$103,400,000	\$103,400,000	N/A	N/A	N/A	NR	AAA	AAA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	BANK OF NY	
					\$395,145,000	\$395,145,000	SUB-TOTAL FIXED RATE DEBT														
					\$744,575,000	\$646,245,000	TOTAL- FIXED & VARIABLE RATE DEBT														

Remarketing Agents			GO VS COP's		
Goldman	127,000,000	51%	GO:	529,500,000	82%
BAML	71,600,000	29%	COPS:	116,745,000	18%
US Bank	52,500,000	21%	Total	<u>646,245,000</u>	
	<u>251,100,000</u>				

LOC Banks		Breakdown Between Variable & Fixed Rate Mode	
SUMITOMO	45,000,000	Daily Issues	131,600,000 20%
BANK OF AMERICA	52,500,000	Weekly Issues	45,000,000 7%
US BANK	79,100,000	ITN Issues	74,500,000 12%
	<u>176,600,000</u>	Sub-Total	<u>251,100,000</u>
		Fixed Rate Issues	\$395,145,000 61%
		Sub-Total - Fixed	<u>395,145,000</u>
		TOTAL DEBT	
		FIXED & VAR.	<u>646,245,000</u> 100%

Exhibit "D"
IRVINE RANCH WATER DISTRICT
SUMMARY OF DEBT RATES
 Oct-20

Rmkt Agent Mode	GOLDMAN DAILY	GOLDMAN WEEKLY	GOLDMAN WEEKLY	MERRILL LYNCH DAILY	MERRILL LYNCH WEEKLY	US BANK DAILY
Bond Issue	2009 - B	2011 A-1	2011 A-2	1993	2008-A	2009-A
Par Amount	52,500,000	44,700,000	29,800,000	26,600,000	45,000,000	52,500,000
Bank	BOFA	(SIFMA -6)	(SIFMA -6)	US BANK	Sumitomo	US BANK
Reset		Wednesday	Wednesday		Wednesday	
10/1/2020	0.05%	0.05%	0.05%	0.06%	0.10%	0.06%
10/2/2020	0.02%	0.05%	0.05%	0.04%	0.10%	0.03%
10/3/2020	0.02%	0.05%	0.05%	0.04%	0.10%	0.03%
10/4/2020	0.02%	0.05%	0.05%	0.04%	0.10%	0.03%
10/5/2020	0.02%	0.05%	0.05%	0.03%	0.10%	0.02%
10/6/2020	0.02%	0.05%	0.05%	0.03%	0.10%	0.02%
10/7/2020	0.03%	0.05%	0.05%	0.03%	0.10%	0.03%
10/8/2020	0.03%	0.05%	0.05%	0.07%	0.10%	0.03%
10/9/2020	0.06%	0.05%	0.05%	0.09%	0.10%	0.06%
10/10/2020	0.06%	0.05%	0.05%	0.09%	0.10%	0.06%
10/11/2020	0.06%	0.05%	0.05%	0.09%	0.10%	0.06%
10/12/2020	0.06%	0.05%	0.05%	0.09%	0.10%	0.06%
10/13/2020	0.10%	0.05%	0.05%	0.09%	0.10%	0.08%
10/14/2020	0.09%	0.05%	0.05%	0.10%	0.10%	0.07%
10/15/2020	0.09%	0.06%	0.06%	0.11%	0.13%	0.09%
10/16/2020	0.11%	0.06%	0.06%	0.12%	0.13%	0.11%
10/17/2020	0.11%	0.06%	0.06%	0.12%	0.13%	0.11%
10/18/2020	0.11%	0.06%	0.06%	0.12%	0.13%	0.11%
10/19/2020	0.10%	0.06%	0.06%	0.12%	0.13%	0.11%
10/20/2020	0.09%	0.06%	0.06%	0.11%	0.13%	0.10%
10/21/2020	0.08%	0.06%	0.06%	0.11%	0.13%	0.09%
10/22/2020	0.08%	0.07%	0.07%	0.10%	0.14%	0.09%
10/23/2020	0.09%	0.07%	0.07%	0.10%	0.14%	0.08%
Avg Interest Rates	0.07%	0.06%	0.06%	0.08%	0.12%	0.07%
Rmkt Fee	0.10%	0.13%	0.13%	0.10%	0.07%	0.07%
LOC Fee	0.30%			0.33%	0.32%	0.33%
All-In Rate	0.47%	0.18%	0.18%	0.51%	0.50%	0.47%
Par Amount	97,200,000		29,800,000	71,600,000		52,500,000

Interest Rate Mode	Percent of Total Variable Rate Debt	Par Outstanding	Weighted All-In Average Rate	Base Rate Average
Daily	52.41%	131,600,000	0.48%	0.07%
Weekly	47.59%	119,500,000	0.30%	0.08%
	100.00%	\$ 251,100,000	0.39%	0.08%
Fixed				
COPS 2016	29.54%	116,745,000	2.90%	
BABS 2010	44.29%	175,000,000	4.44%	(1)
SERIES 2016	26.17%	103,400,000	3.32%	
	100.00%	\$ 395,145,000	3.69%	
All-In Debt Rate Including \$60 Million Notional Amount of Swaps				2.91%

(1) Rate adjusted up from 4.35% as a result of sequestration reducing BAB's subsidy by 5.9%

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November 3, 2020

Prepared by: D. Kanoff / A. Shinbashi

Submitted by: R. Jacobson / C. Clary

Approved by: Paul A. Cook



FINANCE AND PERSONNEL COMMITTEE

RISK MANAGEMENT QUARTERLY REPORT

SUMMARY:

Staff will provide the Committee with a report on the insurance and claim expenses incurred by IRWD through the first quarter Fiscal Year (FY) ending June 30, 2021.

BACKGROUND:

A comparison of IRWD's actual versus budget insurance expenses for the first quarter of FY 2020-21 and FY 2019-20 is provided as Exhibit "A" and summarized as follows:

- Insurance premiums total \$367,392 and are \$19,367 over budget;
- Third-party claim administration expenses total \$5,022 and are \$2,478 under budget;
- Legal expenses total \$56,061 and are \$31,061 over budget;
- Claim payments total \$15,916 and are \$16,584 under budget.

The register of closed general liability claims, including current fiscal year and prior period claim expenses, is provided as Exhibit "B".

FISCAL IMPACTS:

Fiscal impacts are outlined above.

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.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Insurance and Claims Summary

Exhibit "B" – Closed General Liability Claims in FY 2020-21

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Exhibit "A"

Irvine Ranch Water District
Insurance and Claims Summary
Period Ending September 30, 2020

PREMIUM	Actual FY 20/21	Budget FY 20/21	Variance	% Variance	Prior FY 19/20
Crime	2,546	2,575	29	1%	2,424
General Liability	240,836	244,778	3,942	2%	186,613
* Pollution	43,312	15,000	(28,312)	-189%	4,563
Property	77,526	82,500	4,974	6%	62,672
Cyber	3,172	3,172			1,304
Total	367,392	348,025	(19,367)	-6%	257,576

* Pollution policy no longer subsidized by the US Navy

CATEGORY	Open FY 20/21	Closed FY 20/21	Total FY 20/21	Budget FY 20/21	Variance	Prior FY 19/20
Membership		150	150	76	-74	
Claim Payments - Property Accrual - Bodily Injury		15,916	15,916	32,500	16,584	4,575
** Claim Admin	3,772	1,250	5,022	7,500	2,478	1,365
Total FY 20/21	3,772	17,316	21,088	40,076	18,988	5,940

** Includes \$1,250 annual administrative fee

CATEGORY	Open FY 20/21	Total FY 20/21	Budget FY 20/21	Variance	Prior FY 19/20
*** Legal	56,061	56,061	25,000	(31,061)	14,604
Total FY 20/21	56,061	56,061	25,000	(31,061)	14,604

*** Legal fees related to claims

ACTIVITY	FY 2019/20	FY 20/21
Beginning Open Claims	4	6
New Claims	16	2
Closed Claims	-14	-2
Current Open Claims	6	6

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Exhibit "B"

Register of Closed General Liability Claims as of September 30, 2020

Closed Claims Fiscal Year 2020-2021			
CLAIM TYPE	CLAIMANT	Claim Payments - Property	Grand Total
Single Event	Michael Boyd	7,404	7,404
	Mercury Insurance-Myung Yi	8,512	8,512
Grand Total		15,916	15,916

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November 3, 2020

Prepared by: J. Davis / T. Fournier

Submitted by: R. Jacobson / C. Clary

Approved by: Paul A. Cook



FINANCE AND PERSONNEL COMMITTEE

REAL ESTATE QUARTERLY PERFORMANCE

SUMMARY:

Staff will provide the Committee with an update on the financial performance of IRWD's real estate investments and other revenue generating properties for the quarter and fiscal year ended September 30, 2020.

BACKGROUND:

For the quarter ended September 30, 2020, the net operating income (NOI) for the District's residential and commercial real estate investment properties was \$2.7 million, which represents an 11.09% return for the period. Including the Serrano Summit/Lennar Homes promissory note earning a rate of 4.00%, the weighted average return of the District's real estate investment portfolio was 7.80%. Land lease income from the Strawberry Farms Golf Course and lease revenue from the District's six cell sites were \$196,583 and \$48,500, respectively. A report detailing the NOI and returns for the District's real estate investment properties, golf course, and cell sites is provided as Exhibit "A".

Residential Investment Properties:

For the quarter ended September 30, 2020, the NOI for the Sycamore Canyon Apartments was approximately \$2.1 million, which was favorable to budget by \$65,401, due to lower-than-anticipated expenses related to payroll and apartment turnovers. The District's limited partnership investment in the Wood Canyon Villa property earned a preferred return of 9.00% providing income of \$135,738 for the quarter. The net return for Wood Canyon was 8.52%.

Commercial Investment Properties:

The NOI for the quarter ended September 30, 2020 at the Irvine Market Place (230 Commerce) property was \$116,112, which was unfavorable to budget by \$59,604 due to space not leasing as projected. The property has two suites available, which are being marketed by the District's commercial broker.

For the quarter ended September 30, 2020, the NOI for the Sand Canyon Professional Center medical office property was \$202,317, which was in line with budget. The property is currently 100% occupied.

The NOI for the Waterworks Way Business Park property for the quarter ended September 30, 2020 was \$138,138, which was favorable to budget by \$23,769 due to higher-than-anticipated lease income. The property currently has one unit available for lease, which is being marketed by the District's broker.

The NOI for Waterworks Way Business Park property include accruals for two tenants who recently elected to defer rent for up to three months. The deferred rent will be amortized over a 12-month period.

The recently completed Sand Canyon Professional Center general office is being marketed by the District's real estate brokerage team.

Serrano Summit – Promissory Note:

On August 12, 2020, Lennar paid off the remaining balance due to IRWD on the Purchase Money Note secured by the Serrano Summit residential property. The final payment of \$79.0 million is in addition to partial principal payments received in June and July totaling \$12.5 million. The Serrano Summit/Lennar Homes promissory note earned interest of \$372,371 for the quarter ended September 30, 2020.

Strawberry Farms Golf Course and Cell Site Leases:

Land lease income for Strawberry Farms Golf Course for the quarter ended September 30, 2020 was \$196,583. This compares with income of \$161,402 for the same period last year, representing a 21.80% increase for the period. Land lease revenue from the District's six cell sites was \$48,500, a decrease of \$35,327 from the same period last year. The decrease was due to timing of the revenue share amount budgeted but not yet received.

FISCAL IMPACTS:

For the quarter ended September 30, 2020, the District's commercial and residential real estate investments provided NOI of approximately \$2.7 million. Strawberry Farms Golf Course lease revenue and cell site revenue were \$196,583 and \$48,500, respectively. The Serrano Summit/Lennar Homes promissory note earned interest of \$372,371.

ENVIRONMENTAL COMPLIANCE:

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

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Real Estate Performance Report

Exhibit "A"

Irvine Ranch Water District
Real Estate Investment Performance Report - Investment
as of September 30, 2020

INCOME PROPERTIES			FY 2020-21					FY 2020-21 RATE OF RETURN		3 Year Average Rate of Return	5 Year Average Rate of Return
Property Description	Capital Investment	Investment Inception	Jul-20	Aug-20	Sep-20	FY Q1	FY 2019-20 TOTAL	FY Q1	Average Fiscal YTD	FY 18/19 - 20/21	FY 16/17 - 20/21
Sycamore Canyon Apartments	\$ 43,550,810	Dec-92	\$ 728,127	\$ 661,913	\$ 758,257	\$ 2,148,297	\$ 2,148,297	19.73%	19.73%	19.34%	15.30%
Wood Canyon Villa Apartments	\$ 6,000,000	Jun-91	\$ 45,738	\$ 45,738	\$ 44,262	\$ 135,738	\$ 135,738	8.52%	8.52%	8.52%	6.82%
Irvine Market Place Office	\$ 5,739,845	Jul-03	\$ 48,424	\$ 20,321	\$ 47,367	\$ 116,112	\$ 116,112	8.09%	8.09%	9.86%	6.71%
Waterworks Way Business Park	\$ 8,630,577	Nov-08	\$ 40,651	\$ 49,637	\$ 47,850	\$ 138,138	\$ 138,138	6.40%	6.40%	6.26%	4.88%
Sand Canyon Professional Center - Medical	\$ 8,648,594	Jul-12	\$ 68,508	\$ 68,515	\$ 65,294	\$ 202,317	\$ 202,317	9.36%	9.36%	9.10%	7.20%
Sand Canyon Professional Center - General	\$ 25,985,968	Sep-20	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%		
TOTAL - INCOME PROPERTIES	\$ 98,555,793		\$ 931,448	\$ 846,124	\$ 963,030	\$ 2,740,602	\$ 2,740,602	11.09%	11.09%	10.99%	8.62%

OTHER REAL ESTATE INVESTMNET			FY 2020-21					PROMISSORY NOTE RATE OF RETURN	
Property Description	Note Amount	Investment Inception	Jul-20	Aug-20	Sep-20	FY Q1	FY 2019-20 TOTAL	FY Q1	Average Fiscal YTD
Serrano Summit - Promissory Note	\$ 85,352,804	Sep-17	\$ 276,964	\$ 95,407	\$ -	\$ 372,371	\$ 372,371	4.00%	4.00%
TOTAL - REAL ESTATE INVESTMENTS	\$ 183,908,597		Weighted Average Rate of Return					7.80%	7.80%

**Irvine Ranch Water District
Real Estate Investment Performance Report - Investment
Strawberry Farms Golf Course & Cell Site
as of September 30, 2020**

Property Description	2020-21 NET INCOME				
	Jul-20	Aug-20	Sep-20	FY Q1	NET INCOME 2020 - 2021
Strawberry Farms Golf Course	\$ 63,647	\$ 66,814	\$ 66,122	\$ 196,583	\$ 196,583
Change From Prior Year Period:				\$ 35,181 21.80%	\$ 35,181 21.80%
Cellular Sites	\$ 16,815	\$ 12,874	\$ 18,811	\$ 48,500	\$ 48,500
Change From Prior Year Period: ¹				\$ (35,327) -42.14%	\$ (35,327) -42.14%

¹) Decrease from prior year quarter due to a lower than expected revenue share

November 3, 2020
 Prepared by: J. Davis / T. Fournier
 Submitted by: R. Jacobson / C. Clary
 Approved by: Paul A. Cook



FINANCE AND PERSONNEL COMMITTEE

QUARTERLY DEFERRED COMPENSATION PLAN AND FUND REVIEW

SUMMARY:

The following is submitted for the Committee’s review:

- A Summary of the Deferred Compensation Program and Distribution of Assets as of September 30, 2020, as outlined in Exhibit “A”, and
- Mutual Fund Performance Review as of September 30, 2020, as outlined in Exhibit “B”.

BACKGROUND:

Overview of the Deferred Compensation Assets:

As of September 30, 2020, IRWD’s Sections 457(b) and 401(a) Plans (collectively, the “Plans”) assets totaled \$72,932,678, which represented a \$4,554,360 increase from the quarter ended June 30, 2020, and a \$8,344,967 increase for the one-year period ended September 30, 2020. The changes in Plan assets over these two periods are summarized as follows:

	<i>For the One-Year Period Ending September 30, 2020</i>	<i>For the Quarter Ending September 30, 2020</i>
Beginning Balance	\$64,587,711	\$68,378,318
Employee Contributions	3,362,015	823,367
District Contributions	1,290,767	354,083
Transfers to/from Other Plans	308,797	0
Distributions	(2,457,359)	(568,390)
Loan Distributions ⁽¹⁾	(367,331)	(111,855)
Loan Repayments	284,850	66,902
Net Investment Gain (Loss)	5,923,227	3,990,253
Ending Balance – September 30, 2020	\$72,932,678	\$72,932,678
Change in Assets for the Period	\$8,344,967	\$4,554,360

(1) Number of loans outstanding: 77

Review of Investment Options:

IRWD’s Deferred Compensation Policy states that any investment option performing “Below Benchmark” for four consecutive quarters or seven out of the trailing 12 quarters, has “Failed” the Long-Term Rolling Analysis (LTRA) and the investment option is to be replaced. For the quarter ended September 30, 2020, the Victory Integrity Small-Cap Value R6 Fund failed the LTRA for its third consecutive quarter, and the Hartford Midcap R6 Fund failed its second

consecutive quarter in the past 12 months. Staff will continue to monitor the performance of the funds. The Fund Performance Review as of September 30, 2020 is provided as Exhibit "B".

FISCAL IMPACTS:

As of September 30, 2020, the District's Plan assets totaled \$72,932,678, which represented a \$4,554,360 increase from the quarter ended September 30, 2020 and a \$8,344,967 increase for the one-year period ended September 30, 2020.

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.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Summary of the Deferred Compensation Plan and Distribution of Assets
Exhibit "B" – Mutual Fund Performance Review

EXHIBIT "A"
IRVINE RANCH WATER DISTRICT
SUMMARY OF DEFERRED COMPENSATION PROGRAM
September 30, 2020

Deferred Compensation IRS Section 457 (Employee Contributions)			
Money Purchase Pension Plan & Executive Plan - IRS Section 401 (a) (District Contributions)			
	457	401 (a)	GRAND TOTAL
Assets	\$55,654,304	\$17,278,374	\$72,932,678
<i>Change From Prior Quarter</i>	\$3,232,361	\$1,322,001	\$4,554,360
<i>Change From Prior Year (9/2020)</i>	\$6,063,664	\$2,281,304	\$8,344,967
Quarterly Contributions	\$823,367	\$354,083	\$1,177,451
*Change From Prior Quarter	\$62,425	\$53,235	

*Increase in contributions is due to one additional pay period in the quarter ended September 30, 2020.

	For the One Year Period Ending September 30, 2020	For the Quarter Ending September 30, 2020
Beginning Balance	\$64,587,711	\$68,378,318
Employee Contributions	3,362,015	823,367
District Contributions	1,290,767	354,083
Transfers to/from other plans	308,797	0
Distributions	(2,457,359)	(568,390)
Loan Distributions ⁽¹⁾	(367,331)	(111,855)
Loan Repayment	284,850	66,902
Net Investment Gain (Loss)	5,923,227	3,990,253
Ending Balance - September 30, 2020	\$72,932,678	\$72,932,678
Change in assets for the period	\$8,344,967	\$4,554,360

⁽¹⁾ Number of loans outstanding as of 9/30/20 : 77

Employee Participation	
Full-time Employees	396
Employees Participating	345
Percent Participation	87%

IRVINE RANCH WATER DISTRICT
SUMMARY OF DEFERRED COMPENSATION PROGRAM
DISTRIBUTION OF ASSETS

September 30, 2020

Fund	457	401	Assets	Percent of Assets	Change from previous quarter
PROFILE FUNDS					
Aggressive Profile Fund	5,752,550.41	2,574,201.25	8,326,752	11.4%	0.4%
Moderate Profile Fund	5,262,888.97	1,171,955.39	6,434,844	8.8%	-0.2%
Conservative Profile Fund	3,591,297.12	1,385,865.44	4,977,163	6.8%	-0.1%
Sub Total			19,738,759	27.0%	0.1%
INTERNATIONAL FUND					
American Funds EuroPacific Gr R6	1,705,921.46	525,811.01	2,231,732	3.1%	0.2%
Vanguard Total Intl Stock Index Admiral	1,102,853.50	249,983.65	1,352,837	1.9%	-0.1%
Sub Total			3,584,570	5.0%	0.0%
SMALL CAP FUNDS					
Hood River Small-Cap Growth Retirement	1,974,857.00	838,840.12	2,813,697	3.9%	0.5%
Victory Integrity Small Cap Value R6	494,629.83	226,178.14	720,808	1.0%	0.0%
Vanguard Small Cap Index	1,096,154.89	320,605.30	1,416,760	1.9%	-0.1%
Sub Total			4,951,265	6.8%	0.5%
MEDIUM CAP FUNDS					
Hartford MidCap R6	1,371,341.94	744,751.81	2,116,094	2.9%	-0.1%
Wells Fargo Spec Md Cp Val R6	1,699,760.06	555,995.65	2,255,756	3.1%	-0.2%
Vanguard Mid-Cap Index Fund	1,328,575.14	277,501.52	1,606,077	2.2%	-0.2%
Sub Total			5,977,926	8.2%	-0.6%
LARGE CAP FUNDS					
American Funds Growth Fund of Amer R6	4,558,977.93	1,544,075.93	6,103,054	8.4%	0.8%
Vanguard Institutional Index	5,711,801.14	1,256,933.22	6,968,734	9.6%	-0.2%
Diamond Hill Large-Cap Fund	1,562,407.67	533,757.74	2,096,165	2.9%	0.2%
Sub Total			15,167,954	20.9%	0.8%
BOND FUND					
Metropolitan West Total Return Bond Plan	3,991,019.93	1,025,567.47	5,016,587	6.9%	-0.3%
Sub Total			5,016,587	6.9%	-0.3%
STABLE VALUE FUND					
Putnam Stable Value	7,949,470.16	2,183,929.32	10,133,399	13.9%	-0.2%
Sub Total			10,133,399	13.9%	-0.2%
TARGET DATE FUND					
Vanguard Target Retirement Income Inv	656,735.07	726,545.46	1,383,281	1.9%	0.1%
Vanguard Target Retirement 2020 Inv	1,126,188.92	224,291.58	1,350,481	1.8%	-0.1%
Vanguard Target Retirement 2025 Inv	331,191.96	24,337.42	355,529	0.5%	-0.1%
Vanguard Target Retirement 2030 Inv	242,825.45	33,995.38	276,821	0.4%	0.0%
Vanguard Target Retirement 2035 Inv	306,713.75	105,332.47	412,046	0.6%	0.0%
Vanguard Target Retirement 2040 Inv	343,397.00	36,920.79	380,318	0.5%	0.0%
Vanguard Target Retirement 2045 Inv	48,941.96	35,647.94	84,590	0.1%	0.0%
Vanguard Target Retirement 2050 Inv	475,863.71	38,153.18	514,017	0.7%	0.0%
Vanguard Target Retirement 2055 Inv	165,166.05	26,981.02	192,147	0.2%	-0.1%
Vanguard Target Retirement 2060 Inv	107,484.52	6,839.31	114,324	0.1%	0.0%
Sub Total			5,063,553	6.8%	0.0%
OTHER					
Ameritrade Brokerage	2,695,288.91	603,376.79	3,298,666	4.5%	-0.6%
Total Assets	55,654,304	17,278,374	<u>\$72,932,678</u>	100%	

LOAN BALANCE OUTSTANDING

\$767,985



FUND PERFORMANCE REVIEW

Irvine Ranch Water District - 98453-01/02/F1

Reporting Period Ending September 30, 2020

The analytical material contained herein merely describes the process that Great West Financial applies in evaluating funds. It may or may not be based on the plan's current investment policy and is not intended to be used by plan sponsors as a primary basis for deciding whether to make a particular fund available under the plan. Funds listed on the Fund Performance Review are designed to meet stated investment objectives and risk profiles, but do not constitute investment advice from Great West Financial or its affiliate. Plan fiduciaries should review the educational material provided and consult with their investment advisers if necessary to make the investment decision. Neither Great West Financial, nor its representatives, agents or affiliates are permitted to give legal, ERISA, or tax advice. Any discussion of these matters included or related to this document or other educational information is provided for informational purposes only. Such discussion does not purport to be complete or to cover every situation. Current tax and ERISA law are subject to interpretation and legislative change. The appropriateness of any product for any specific taxpayer may vary depending on the particular set of facts and circumstances. You should consult with and rely on your own legal and tax advisers.

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AM469530T-0618

IMPORTANT DISCLOSURES:

The Fund Performance Review is compiled at the request of the Plan fiduciary based on the specific criteria specified by the Plan fiduciary. It is designed as a high level analytical tool to aide plan fiduciaries in carrying out their fiduciary responsibilities. Great-West is not providing impartial investment advice in a fiduciary capacity to the plan with respect to the Fund Performance Review. The Plan fiduciaries are solely responsible for the selection and monitoring of the Plan's investment options and for determining the reasonableness of all plan fees and expenses. Great-West and its affiliates receive investment management and other fees and revenue from any Great-West or Putnam investment options included in the Fund Performance Review. In addition, Great-West and its affiliates may receive revenue sharing type payments in relation to the investment options provided on the Fund Performance Review. Please contact your Empower Retirement representative for more information. Plan Sponsors may wish to review the enclosed material with their investment adviser, consultant or broker, if necessary, prior to making final investment decisions.

Risks associated with the investment options can vary significantly and the relative risks of investment categories may change under certain economic conditions. *The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be more or less than their original cost. Current performance may be lower or higher than performance data shown due to market activity. Past performance is not a guarantee of future results.*

GWFS Equities, Inc. registered representatives may also be investment adviser representatives of GWFS affiliate, Advised Assets Group, LLC. Representatives do not offer or provide investment, fiduciary, financial, legal or tax advice or act in a fiduciary capacity for any client unless explicitly described in writing. Any discussion of these matters included or related to this document or other educational information is provided for informational purposes only. Such discussion does not purport to be complete or to cover every situation. Current tax and ERISA law are subject to interpretation and legislative change. The appropriateness of any product may vary depending on the particular set of facts and circumstances. You should consult with and rely on your own financial, legal and tax advisers.

- OBJECTIVE:**
- * To quantify historical fund performance relative to peer group benchmarks.
 - * To identify funds that have performed below a peer group median over the long-term.
 - * To assist in identifying style drift and discern gaps within the plan portfolio.

- FUNDAMENTALS:**
- * An objective analysis based on set criteria.
 - * Based on long-term and risk-adjusted performance.
 - * Comparison against peer group of similar funds based on Morningstar, Inc. fund categories.

- SOURCE:**
- * Statistics are derived from an independent third-party source: primarily Morningstar® DirectSM

- SCOPE:**
- * The Fund Performance Review is designed as a high level analytical tool to aide plan sponsors in carrying out their fiduciary responsibilities; it is not intended as investment advice.

Although data is gathered from reliable sources, including but not limited to Morningstar, Inc., the completeness or accuracy of the data shown cannot be guaranteed. Where data obtained from Morningstar, ©2020 Morningstar, Inc. All Rights Reserved. The data: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Required performance information may appear on more than one page. The "Return Analysis" page includes the 1, 5, and 10 Year/Since Inception performance percentages as well as the inception date for each of the funds.

It is important to note that when applicable, performance shown prior to inception date reflects performance achieved by the oldest share class of the same fund as determined by Morningstar. While the newer share class is less expensive than the oldest share class of the same fund, performance was not adjusted upwards to display higher returns.

Investment options available in the plan may be through mutual funds, collective trusts, separately managed accounts and/or a group fixed and variable annuity contract.

FUND PERFORMANCE REVIEW (FPR): CRITERIA



OVERALL RATING: Based on a combination of performance, risk-adjusted performance and the Overall Morningstar Rating.

Return Composite: Determined by taking the equal-weighted average of the 3-, 5- and 10-year category return percentiles.

Sharpe Composite: Calculated by averaging the 3- and 5-year category sharpe percentiles.

Overall Composite: The equally-weighted average of the Return Composite and Sharpe Composite.

Overall Morningstar Rating™: Represents a measure of an investment's risk-adjusted return, relative to similar investments. The Overall Composite is the sole determinate for the Overall Rating for funds that do not have an Overall Morningstar Category Rating.

Overall Composite		Overall Morningstar Rating	Overall Rating
> 50.0%	AND	3, 4, or 5	Above
≥ 50.0%	OR	3, 4, or 5	Neutral
< 50.0%	AND	1, or 2	Below
< 25.0%			Below

LONG-TERM ROLLING ANALYSIS: Based on the accumulated trailing 12 quarter "Overall Ratings".

Consecutive number of Quarters Receiving a Below Rating		Total number of Quarters Below out of trailing 12 quarters	Long-Term Rolling Analysis *
< 4 Quarters	AND	< 7 Quarters	Pass
≥ 4 Quarters	OR	≥ 7 Quarters	Watch
OR			
Overall Rating: < 25.0%			Watch

*'Pass' and 'Watch' ratings in the long-term rolling analysis are not available for target date funds or Great-West SecureFoundation funds. Morningstar's category classification system has not evolved to address differences in target-date glidepaths. The current system separates funds only by target retirement date and does not consider the level of equity in the glidepath (i.e. how aggressive or conservative the glidepath is versus peers). Plans should consider how their demographics align with their chosen target date glidepath rather than attempt to "time the market" by changing glidepaths based on peer performance rankings. All target-date funds will receive an 'N/A' rating in the FPR. The Great-West SecureFoundation funds will also receive an 'N/A' rating in the FPR. These funds are unique in that they also require the purchase of a Guaranteed Lifetime Withdrawal Benefit (Guarantee) either as a fixed deferred annuity contract, a certificate to a group fixed deferred annuity contract, or a rider to a variable annuity contract. The Guarantee provides guaranteed retirement income for the life of a designated person(s), provided certain conditions are met. Plan Sponsors that seek this feature should take a long-term, holistic view with these funds as this benefit does not show up in peer group performance rankings as measured and scored through the FPR process.

For expanded definitions of the Composites, Sharpe Ratio and Ratings, please refer to the corresponding glossary.

Performance Summary: Irvine Ranch Water District

period ended 9/30/2020

Morningstar Category	Ticker Symbol	Fund Name	Overall Rating					Long-Term Rolling Analysis		
			Composite %'s			Overall Morningstar Rating	Overall Rating	Consecutive Quarters Below	# of Quarters Below out of trailing 12	Pass / Watch / N/A
			Overall	Return	Sharpe					
Intl Foreign Large Growth	RERGX	American Funds Europacific Growth R6	42.9	45.3	40.5	3	Neutral	0	0 out of 12	Pass
Small-Cap Small Growth Small Value	HRSIX	Hood River Small-Cap Growth Retirement	68.2	72.3	64.0	3	Above	0	0 out of 12	Pass
	MVSSX	Victory Integrity Small-Cap Value R6	21.7	25.3	18.0	2	Below	3	3 out of 12	Watch
Mid-Cap Mid-Cap Growth Mid-Cap Value	HFMVX	Hartford MidCap R6	17.8	20.0	15.5	2	Below	2	2 out of 12	Watch
	WFPRX	Wells Fargo Special Mid Cap Value R6	89.7	91.3	88.0	4	Above	0	0 out of 12	Pass
Large-Cap Large Growth Large Value	RGAGX	American Funds Growth Fund of Amer R6	41.7	40.3	43.0	3	Neutral	0	0 out of 12	Pass
	DHLYX	Diamond Hill Large Cap Y	91.6	94.7	88.5	4	Above	0	0 out of 12	Pass
Asst All/Other Target-Date Retirement	VTINX	Vanguard Target Retirement Income Inv	83.6	80.7	86.5	4	Above	0	0 out of 12	N/A
	VTWNX	Vanguard Target Retirement 2020 Inv	82.1	82.7	81.5	5	Above	0	0 out of 12	N/A
	VTTVX	Vanguard Target Retirement 2025 Inv	78.4	81.3	75.5	5	Above	0	0 out of 12	N/A
	VTHRX	Vanguard Target Retirement 2030 Inv	76.5	76.0	77.0	4	Above	0	0 out of 12	N/A
	VTTHX	Vanguard Target Retirement 2035 Inv	77.7	76.3	79.0	4	Above	0	0 out of 12	N/A
	VFORX	Vanguard Target Retirement 2040 Inv	77.8	78.7	77.0	4	Above	0	0 out of 12	N/A
	VTIVX	Vanguard Target Retirement 2045 Inv	75.9	77.3	74.5	4	Above	0	0 out of 12	N/A
	VFIFX	Vanguard Target Retirement 2050 Inv	75.0	74.0	76.0	4	Above	0	0 out of 12	N/A
	VFFVX	Vanguard Target Retirement 2055 Inv	72.6	68.7	76.5	4	Above	0	0 out of 12	N/A
	VTTSX	Vanguard Target Retirement 2060 Inv	66.0	64.0	68.0	3	Above	0	0 out of 12	N/A
Bond Intermediate Core-Plus Bond	MWTSX	Metropolitan West Total Return Bd Plan	82.1	73.7	90.5	4	Above	0	0 out of 12	Pass
Index Funds Foreign Large Blend Small Blend Mid-Cap Blend Large Blend	VTIAX	Vanguard Total Intl Stock Index Admiral (Idx)	65.9	60.3	71.5	4	N/A	N/A	0 out of 12	Pass
	VSMAX	Vanguard Small Cap Index Adm (Idx)	94.3	94.7	94.0	5	N/A	N/A	0 out of 12	Pass
	VIMAX	Vanguard Mid Cap Index Admiral (Idx)	89.5	88.0	91.0	5	N/A	N/A	0 out of 12	Pass
	VINIX	Vanguard Institutional Index I (Idx)	85.3	86.7	84.0	5	N/A	N/A	0 out of 12	Pass

Data Source: Morningstar® DirectSM
Please refer to the Appendix page for additional disclosures.

Return Analysis: Irvine Ranch Water District

period ended 9/30/2020

Fund Name	3rd Qtr	3rd Qtr	Performance vs. Benchmark (Annualized Returns and Return Percentiles %)										Incept. Date
	2020	2020	1 Year	1 Year	3 Year	3 Year	5 Year	5 Year	10 Year	10 Year	Return Since		
	Return	Percentile	Return	Percentile	Return	Percentile	Return	Percentile	Return	Percentile	Return	Percentile	
Intl	Foreign Large Growth Peer Group	9.19	50	16.53	50	6.97	50	9.13	50	6.89	50		
	American Funds Europacific Growth R6	9.66	56	14.97	43	5.67	39	9.08	49	6.79	48	9.19	
Small-Cap	Small Growth Peer Group	8.50	50	17.86	50	10.40	50	12.66	50	12.94	50		
	Hood River Small-Cap Growth Retirement	14.68	94	34.94	85	13.31	61	15.41	71	15.28	85	14.61	
	Small Value Peer Group	2.27	50	-15.20	50	-5.81	50	2.38	50	6.66	50		
	Victory Integrity Small-Cap Value R6	1.57	35	-21.56	11	-8.34	11	0.76	18	6.52	47	6.65	
Mid-Cap	Mid-Cap Growth Peer Group	9.61	50	23.93	50	15.54	50	14.59	50	13.68	50		
	Hartford MidCap R6	4.42	6	5.82	10	9.40	14	11.70	17	12.78	29	9.99	
	Mid-Cap Value Peer Group	4.51	50	-9.29	50	-0.84	50	5.11	50	8.18	50		
	Wells Fargo Special Mid Cap Value R6	5.57	76	-6.84	76	1.92	89	7.10	87	10.86	98	8.31	
Large-Cap	Large Growth Peer Group	11.36	50	33.10	50	19.14	50	17.78	50	15.48	50		
	American Funds Growth Fund of Amer R6	11.12	45	32.55	48	16.84	34	17.22	44	15.07	43	15.71	
	Large Value Peer Group	4.80	50	-4.98	50	2.40	50	7.20	50	9.17	50		
	Diamond Hill Large Cap Y	9.75	98	2.51	92	6.29	91	10.71	96	11.56	97	11.86	
Asst All/Other	Target-Date Retirement Peer Group	3.21	50	6.86	50	5.07	50	5.58	50	4.84	50		
	Vanguard Target Retirement Income Inv	3.12	45	7.35	65	5.79	83	6.03	74	5.60	85	5.41	
	Target-Date 2020 Peer Group	4.12	50	7.83	50	5.77	50	7.07	50	7.15	50		
	Vanguard Target Retirement 2020 Inv	4.48	66	8.51	68	6.54	82	7.96	80	7.81	86	6.41	
	Target-Date 2025 Peer Group	4.68	50	8.18	50	6.14	50	7.83	50	7.82	50		
	Vanguard Target Retirement 2025 Inv	5.17	65	9.04	68	6.89	82	8.60	79	8.38	83	6.88	
	Target-Date 2030 Peer Group	5.47	50	8.64	50	6.36	50	8.36	50	8.30	50		
	Vanguard Target Retirement 2030 Inv	5.70	62	9.38	66	7.04	78	9.07	72	8.84	78	6.77	
	Target-Date 2035 Peer Group	6.27	50	8.62	50	6.54	50	8.91	50	8.75	50		
	Vanguard Target Retirement 2035 Inv	6.29	53	9.71	71	7.16	78	9.53	73	9.29	78	7.45	
	Target-Date 2040 Peer Group	6.79	50	9.05	50	6.60	50	9.13	50	8.98	50		
	Vanguard Target Retirement 2040 Inv	6.80	51	9.96	69	7.27	76	9.97	77	9.58	83	7.13	
	Target-Date 2045 Peer Group	7.18	50	8.80	50	6.66	50	9.47	50	9.07	50		
	Vanguard Target Retirement 2045 Inv	7.36	63	10.27	70	7.32	77	10.13	76	9.66	79	7.86	
	Target-Date 2050 Peer Group	7.29	50	9.06	50	6.61	50	9.54	50	9.21	50		
	Vanguard Target Retirement 2050 Inv	7.35	55	10.26	67	7.32	76	10.13	75	9.65	71	7.22	
	Target-Date 2055 Peer Group	7.46	50	8.79	50	6.66	50	9.65	50	9.57	50		
	Vanguard Target Retirement 2055 Inv	7.38	45	10.25	69	7.31	76	10.12	72	9.68	58	10.08	
	Target-Date 2060+ Peer Group	7.41	50	9.48	50	6.73	50	9.97	50	9.27	50		
	Vanguard Target Retirement 2060 Inv	7.39	49	10.25	63	7.31	71	10.12	57	N/A	N/A	9.77	
Bond	Intermediate Core-Plus Bond Peer Group	1.60	50	6.82	50	5.02	50	4.43	50	4.03	50		
	Metropolitan West Total Return Bd Plan	1.24	19	8.09	83	5.83	86	4.53	55	4.59	80	4.59	
Index Funds	Vanguard Total Intl Stock Index Admiral (Idx)	6.48	64	3.77	64	1.25	64	6.31	78	4.20	39	4.28	
	Vanguard Small Cap Index Adm (Idx)	5.79	79	1.34	86	4.39	94	8.95	95	10.95	95	8.49	
	Vanguard Mid Cap Index Admiral (Idx)	7.95	77	7.08	85	7.98	89	10.33	84	11.97	91	9.71	
	Vanguard Institutional Index I (Idx)	8.92	62	15.13	77	12.25	83	14.12	88	13.71	89	10.01	

A Percentile Ranking of 100% represents the highest performance whereas 0% represents the lowest.

Current performance may be lower or higher than performance data shown.

Performance data quoted represents past performance and is not a guarantee or prediction of future results. The investment return and principal value of an investment will fluctuate so that, when redeemed

shares/units may be worth more or less than their original cost. For performance data current to the most recent month-end, please visit www.empower-retirement.com/participant. Total return performance shown above represents that of the underlying fund and does not include a deduction for any applicable annuity contract of administrative fees/expenses. Performance numbers shown above would be less after applicable fee/expenses are deducted.

Data Source: Morningstar® DirectSM

Please refer to the Appendix page for additional disclosures

Sharpe Ratio and Expense Analysis: Irvine Ranch Water District

period ended 9/30/2020

Fund Name	Sharpe Ratios and Percentiles %				Standard Deviation		Expense Ratio	Expense Percentile %	Manager Tenure (yrs)	Fund Size \$MM
	3 Yr Ratio	3 Yr %	5 Yr Ratio	5 Yr %	3 Yr	5 Yr				
Intl	Foreign Large Growth Peer Group	0.40	50	0.60	50	16.48	14.60	1.02	50	
	American Funds Europacific Growth R6	0.31	37	0.58	44	17.32	15.03	0.46	4	170,466
Small-Cap	Small Growth Peer Group	0.49	50	0.66	50	23.25	19.98	1.12	50	
	Hood River Small-Cap Growth Retirement	0.57	58	0.74	70	24.64	20.84	0.99	35	707
	Small Value Peer Group	-0.18	50	0.17	50	24.63	21.22	1.13	50	
	Victory Integrity Small-Cap Value R6	-0.25	18	0.10	18	26.46	22.97	0.96	31	1,557
Mid-Cap	Mid-Cap Growth Peer Group	0.73	50	0.82	50	20.80	17.57	1.05	50	
	Hartford MidCap R6	0.45	14	0.64	17	21.24	18.00	0.75	13	13,945
	Mid-Cap Value Peer Group	0.00	50	0.30	50	21.72	18.32	0.99	50	
	Wells Fargo Special Mid Cap Value R6	0.12	89	0.42	87	21.14	17.44	0.72	14	9,152
Large-Cap	Large Growth Peer Group	0.94	50	1.02	50	18.94	16.14	0.92	50	
	American Funds Growth Fund of Amer R6	0.85	35	1.02	51	18.40	15.64	0.31	3	233,982
	Large Value Peer Group	0.13	50	0.45	50	18.33	15.53	0.89	50	
	Diamond Hill Large Cap Y	0.33	89	0.62	88	19.79	16.72	0.55	12	6,880
Asst All/Other	Target-Date Retirement Peer Group	0.56	50	0.82	50	6.31	5.33	0.65	50	
	Vanguard Target Retirement Income Inv	0.73	87	0.99	86	5.73	4.86	0.12	4	8
	Target-Date 2020 Peer Group	0.49	50	0.80	50	8.63	7.47	0.62	50	
	Vanguard Target Retirement 2020 Inv	0.56	80	0.86	83	9.14	7.87	0.13	4	8
	Target-Date 2025 Peer Group	0.47	50	0.77	50	10.34	8.94	0.65	50	
	Vanguard Target Retirement 2025 Inv	0.53	74	0.82	77	10.72	9.15	0.13	4	8
	Target-Date 2030 Peer Group	0.44	50	0.74	50	11.93	10.23	0.67	50	
	Vanguard Target Retirement 2030 Inv	0.49	77	0.79	77	11.99	10.22	0.14	5	8
	Target-Date 2035 Peer Group	0.42	50	0.71	50	13.50	11.45	0.66	50	
	Vanguard Target Retirement 2035 Inv	0.47	78	0.76	80	13.26	11.31	0.14	5	8
	Target-Date 2040 Peer Group	0.40	50	0.68	50	14.73	12.39	0.69	50	
	Vanguard Target Retirement 2040 Inv	0.44	76	0.74	78	14.53	12.38	0.14	5	8
	Target-Date 2045 Peer Group	0.39	50	0.67	50	15.62	13.19	0.68	50	
	Vanguard Target Retirement 2045 Inv	0.43	74	0.71	75	15.64	13.19	0.15	5	8
	Target-Date 2050 Peer Group	0.38	50	0.66	50	15.89	13.39	0.70	50	
	Vanguard Target Retirement 2050 Inv	0.43	75	0.71	77	15.65	13.19	0.15	5	8
	Target-Date 2055 Peer Group	0.38	50	0.65	50	16.05	13.54	0.69	50	
	Vanguard Target Retirement 2055 Inv	0.43	76	0.71	77	15.63	13.18	0.15	6	8
	Target-Date 2060+ Peer Group	0.38	50	0.68	50	16.03	13.55	0.69	50	
	Vanguard Target Retirement 2060 Inv	0.43	72	0.71	64	15.63	13.18	0.15	6	8
Bond	Intermediate Core-Plus Bond Peer Group	0.77	50	0.85	50	4.38	3.87	0.70	50	
	Metropolitan West Total Return Bd Plan	1.18	94	1.06	87	3.52	3.15	0.38	8	24
Index Funds	Vanguard Total Intl Stock Index Admiral (Idx)	0.06	67	0.41	76	16.76	14.58	0.11	5	12
	Vanguard Small Cap Index Adm (Idx)	0.23	94	0.48	94	22.78	19.27	0.05	2	5
	Vanguard Mid Cap Index Admiral (Idx)	0.40	92	0.60	90	20.37	17.06	0.05	4	22
	Vanguard Institutional Index I (Idx)	0.65	82	0.89	86	17.74	14.88	0.04	3	20

A Percentile Ranking of 100% represents the highest performance whereas 0% represents the lowest.
Expense refers to the Prospectus Net Expense Ratio

Data Source: Morningstar® DirectSM

Please refer to the Appendix page for additional disclosures

Annual Returns and Statistics: Irvine Ranch Water District

period ended 9/30/2020

Fund Name	Calendar Year Returns					Modern Portfolio Theory Statistics (3 year)			Portfolio Construction			
	2019	2018	2017	2016	2015	Alpha	Beta	R2	Turnover Ratio	Number of Holdings	% in top 10 holdings	
Intl	Foreign Large Growth Peer Group	27.89	-14.18	30.89	-1.32	0.49						
	American Funds Europacific Growth R6	27.40	-14.91	31.17	1.01	-0.48	3.77	1.04	97	38	338	22%
Small-Cap	Small Growth Peer Group	28.43	-5.39	22.58	10.75	-2.17						
	Hood River Small-Cap Growth Retirement	24.19	-6.78	20.78	13.50	0.80	0.55	1.06	95	157	90	29%
	Small Value Peer Group	22.05	-15.20	8.94	25.94	-5.88						
	Victory Integrity Small-Cap Value R6	23.28	-18.42	12.59	24.52	-6.49	-2.11	1.12	99	80	168	10%
Mid-Cap	Mid-Cap Growth Peer Group	33.85	-5.13	24.94	5.45	0.26						
	Hartford MidCap R6	32.75	-7.29	24.42	11.87	1.75	0.95	1.01	96	31	102	19%
	Mid-Cap Value Peer Group	26.76	-13.41	13.41	17.52	-3.89						
	Wells Fargo Special Mid Cap Value R6	35.68	-13.02	11.27	21.68	-2.65	3.34	0.93	97	37	71	28%
Large-Cap	Large Growth Peer Group	32.49	-1.63	29.07	2.94	4.86						
	American Funds Growth Fund of Amer R6	28.54	-2.60	26.53	8.82	5.70	-4.84	0.96	97	36	370	35%
	Large Value Peer Group	25.50	-8.82	16.24	14.61	-3.51						
	Diamond Hill Large Cap Y	32.34	-9.53	20.42	14.74	-0.74	3.60	1.07	98	22	52	32%
Asst All/Other	Target-Date Retirement Peer Group	13.19	-3.29	8.49	5.20	-0.97						
	Vanguard Target Retirement Income Inv	13.16	-1.99	8.47	5.25	-0.17	0.55	0.71	99	10	6	100%
	Target-Date 2020 Peer Group	16.46	-4.51	13.04	6.72	-0.81						
	Vanguard Target Retirement 2020 Inv	17.63	-4.24	14.08	6.95	-0.68	0.69	0.78	100	13	6	100%
	Target-Date 2025 Peer Group	18.50	-5.37	14.96	7.13	-0.93						
	Vanguard Target Retirement 2025 Inv	19.63	-5.15	15.94	7.48	-0.85	0.40	0.91	100	11	5	100%
	Target-Date 2030 Peer Group	20.55	-6.27	16.81	7.61	-1.04						
	Vanguard Target Retirement 2030 Inv	21.07	-5.86	17.52	7.85	-1.03	0.92	0.88	100	8	5	100%
	Target-Date 2035 Peer Group	22.43	-7.23	18.39	8.04	-1.06						
	Vanguard Target Retirement 2035 Inv	22.44	-6.58	19.12	8.26	-1.26	0.91	0.95	100	7	5	100%
	Target-Date 2040 Peer Group	23.72	-7.89	19.53	8.40	-1.23						
	Vanguard Target Retirement 2040 Inv	23.86	-7.32	20.71	8.73	-1.59	0.68	1.04	100	5	4	100%
	Target-Date 2045 Peer Group	24.69	-8.22	20.35	8.47	-1.23						
	Vanguard Target Retirement 2045 Inv	24.94	-7.90	21.42	8.87	-1.57	0.46	1.12	100	4	5	100%
	Target-Date 2050 Peer Group	24.86	-8.41	20.56	8.65	-1.29						
	Vanguard Target Retirement 2050 Inv	24.98	-7.90	21.39	8.85	-1.58	0.46	1.12	100	3	5	100%
	Target-Date 2055 Peer Group	25.19	-8.47	20.85	8.53	-1.25						
	Vanguard Target Retirement 2055 Inv	24.98	-7.89	21.38	8.88	-1.72	0.45	1.12	100	3	5	100%
	Target-Date 2060+ Peer Group	25.27	-8.54	21.04	8.82	-0.85						
	Vanguard Target Retirement 2060 Inv	24.96	-7.87	21.36	8.84	-1.68	0.45	1.12	100	2	5	100%
Bond	Intermediate Core-Plus Bond Peer Group	9.29	-0.76	4.31	3.92	-0.19						
	Metropolitan West Total Return Bd Plan	9.23	0.29	3.49	2.56	0.25	0.59	1.02	96	405	1950	30%
Index Funds	Vanguard Total Intl Stock Index Admiral (Idx)	21.51	-14.43	27.55	4.67	-4.26	-0.55	1.02	99	4	7423	11%
	Vanguard Small Cap Index Adm (Idx)	27.37	-9.31	16.24	18.30	-3.64	2.76	0.97	100	16	1397	4%
	Vanguard Mid Cap Index Admiral (Idx)	31.03	-9.23	19.25	11.22	-1.34	-0.34	0.99	100	15	365	8%
	Vanguard Institutional Index I (Idx)	31.46	-4.42	21.79	11.93	1.37	-0.02	1.00	100	4	511	29%

Current performance may be lower or higher than performance data shown. Performance data quoted represents past performance and is not a guarantee or prediction of future results

The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost.

Total return performance shown above represents that of the underlying fund and does not include a deduction for any applicable annuity contract of administrative fees/expenses.

Performance numbers shown above would be less after applicable fee/expenses are deducted.

Data Source: Morningstar® DirectSM

Please refer to the Appendix page for additional disclosures

Index Performance

period ending 9/30/2020

	Index	Total Return 1 Year	Total Return Annlzd 3 Year	Total Return Annlzd 5 Year	Total Return Annlzd 10 Year	Annual Return 2019	Annual Return 2018	Annual Return 2017	Annual Return 2016	Annual Return 2015
International	MSCI EMF ID	8.09	0.01	6.44	0.06	15.42	-16.63	34.35	8.58	-16.96
	MSCI Eafe Ndrtr_D	0.49	0.62	5.26	4.62	22.01	-13.79	25.03	1.00	-0.81
	MSCI World Ndrtr_D	10.41	7.74	10.48	9.37	27.67	-8.71	22.40	7.51	-0.87
Small-Cap	Russell 2000 Growth	15.71	8.18	11.42	12.34	28.48	-9.31	22.17	11.32	-1.38
	Russell 2000	0.39	1.77	8.00	9.85	25.52	-11.01	14.65	21.31	-4.41
	Russell 2000 Value	-14.88	-5.13	4.11	7.09	22.39	-12.86	7.84	31.74	-7.47
Mid-Cap	Russell Midcap Growth	23.23	16.23	15.53	14.55	35.47	-4.75	25.27	7.33	-0.20
	Standard & Poor's Midcap 400	-2.16	2.90	8.11	10.49	26.20	-11.08	16.24	20.74	-2.18
	Russell Midcap Value	-7.30	0.82	6.38	9.71	27.06	-12.29	13.34	20.00	-4.78
Large-Cap	Russell 1000 Growth	37.53	21.67	20.10	17.25	36.39	-1.51	30.21	7.08	5.67
	Standard & Poor's 500 TR	15.15	12.28	14.15	13.74	31.49	-4.38	21.83	11.96	1.38
	Russell 1000 Value	-5.03	2.63	7.66	9.95	26.54	-8.27	13.66	17.34	-3.83
Bond	BBgBarc US Aggregate Bond	6.98	5.24	4.18	3.64	8.72	0.01	3.54	2.65	0.55
	BBgBarc US Capital Credit	7.50	6.19	5.75	4.92	13.80	-2.11	6.18	5.63	-0.77
	BBgBarc US Mortgage-Backed	4.36	3.68	2.98	3.01	6.35	0.99	2.47	1.67	1.51
	BBgBarc US Government Bond	7.97	5.47	3.73	3.10	6.83	0.88	2.30	1.05	0.86
	BBgBarc US 1-3 Year Government	3.62	2.66	1.82	1.30	3.59	1.58	0.45	0.87	0.57

MSCI EMF ID	A capitalization-weighted index of stocks from 26 emerging markets that only includes issues that may be traded by foreign investors. The reported returns reflect equities priced in US dollars and do not include the effects of reinvested dividends.
MSCI EAFE Ndrtr_D	Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes that collectively represent many of the major markets of the world.
MSCI World Ndrtr_D	Includes all 23 MSCI developed market countries. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies.
Russell 2000 Growth	Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values.
Russell 2000	Consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization.
Russell 2000 Value	Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.
Russell Mid Cap Growth	Market-weighted total return index that measures the performance of companies within the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.
Standard & Poor's Midcap 400	Includes approximately 10% of the capitalization of U.S. equity securities. These are comprised of stocks in the middle capitalization range.
Russell Mid Cap Value	Market-weighted total return index that measures the performance of companies within the Russell Midcap Index having lower price-to-book ratios and lower forecasted growth values.
Russell 1000 Growth	Market-weighted total return index that measures the performance of companies within the Russell 1000 Index having higher price-to-book ratios and higher forecasted growth values.
Standard & Poor's 500	A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation.
Russell 1000 Value	Market-weighted total return index that measures the performance of companies within the Russell 1000 Index having lower price-to-book ratios and lower forecasted growth values.
BBgBarc US Aggregate Bond	Composed of the Bloomberg Barclays Govt/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index.
BBgBarc US Capital Credit	Listed for corporate bond-general and high-quality funds. This index tracks the returns of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC-registered, investment-grade corporate debt.
BBgBarc US Mortgage-Backed	Includes 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA).
BBgBarc US Government Bond	Listed for government-bond general and Treasury funds because it tracks the returns of U.S. Treasuries, agency bonds, and one- to three-year U.S. government obligations. This index is effective for tracking portfolios holding non-mortgage government securities.
BBgBarc US 1-3 Year Government	Comprised of both the Treasury Bond index (all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues) and the Agency Bond Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations and corporate-debt guaranteed by the U.S. Government).

A benchmark index is not actively managed, does not have a defined investment objective and does not incur fees or expenses. Therefore, performance of a fund will generally be less than its benchmark index. You cannot invest directly in a benchmark index.

Data Source: Morningstar® DirectSM

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Please refer to the Appendix page for additional disclosures



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Carefully consider the investment objectives, risks, fees and expenses of the investment product. Contact us for a prospectus, a summary prospectus and disclosure document, as available, containing this information. Read them carefully before investing.

About investment risk:

Equity securities of small-sized and medium-sized companies may be more volatile than securities of larger, more established companies. Foreign investments involve special risks, including currency fluctuations and political developments. Equity securities of companies located in emerging markets involve greater risks than investing in more established markets, including currency fluctuations, political developments and share illiquidity. Real estate securities involve greater risks than other non-diversified investments, including, but not limited to: declining property values, varying economic conditions, changes in zoning laws, or losses from casualty. Real estate securities that invest in foreign real estate involve additional risk, including currency fluctuations and political developments. Specialty funds invest in a limited number of companies and are generally non-diversified. As a result, changes in market value of a single issuer could cause greater volatility than with a more diversified fund. Commodities may have greater volatility than traditional securities. The value of commodities may be affected by changes in overall market movements, changes in interest rates or sectors affecting a particular industry or commodity, and international economic, political and regulatory developments. Alternative investments generally invest in non-traditional asset categories or strategies. As a result, such investments are subject to unique risks and may be more speculative than traditional investments. These investments may also have direct or indirect exposure to derivatives, which may be more volatile and less liquid than traditional securities. As a result, the option could suffer losses on its derivative positions.

Asset allocation funds are subject to the risks of the underlying investments, which can be a mix of stocks/stock funds, bonds/bond funds and other types of investments. Depending on the types of investments in this fund, an investor may face the following risks. Stock values fluctuate in response to the activities of the general market, individual companies and economic conditions. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. In general, when interest rates rise, bond values fall and investors may lose principal value. Compared to higher-rated securities, high yield bond investment options are subject to greater risk, including the risk of default.

The date in a target date fund's name is the approximate date when investors plan to start withdrawing their money (generally assumed at age 65). The principal value of the fund(s) is not guaranteed at any time, including at the time of the target date and/or withdrawal.

It is possible to lose money by investing in a money market fund. Although the fund seeks to preserve the value of your investment at \$1 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.



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Shares of Great-West Funds, Inc. are not sold directly to the general public but are offered to permitted accounts as defined in the prospectus. Asset allocation funds of Great-West Funds may invest in funds that are advised by Great-West Capital Management, LLC or are sub-advised by affiliates of GWCM. Asset allocation funds may also invest in a fixed-interest contract issued by GWL&A. While certain sub-advised funds may be managed similar to or modeled after other mutual funds with similar names and investment objectives, the Great-West Funds are not directly related to them. Consequently, the investment performance and other features of other mutual funds and any similarly named Great-West Fund may differ substantially.

About Overall Morningstar Rating™

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. Please note, for any funds with a newer share class, the rating information is based on extended performance, which is derived from the historical performance of the older class shares, not adjusted for fees. Past performance is no guarantee of future results.

About Morningstar Rankings

Peer groups are created using Morningstar's category classification system. Peer groups are the combination of all share classes of all mutual funds in Morningstar's Open End Fund database (in a given asset class), all collective investment trusts in Morningstar's Separate Accounts/CITs database (in the same asset class), and all funds in Morningstar's Insurance and Pension Funds database (in the same asset class). As an example, the Large Blend peer group is created as a combination of all share classes of all mutual funds in Morningstar's US Fund Large Blend category, all collective investment trusts in Morningstar's US SA Large Blend category, and all funds in Morningstar's US Insurance Large Blend category. Please note, for any funds with a newer share class, the ranking information is based on extended performance, which is derived from the historical performance of the older class shares, not adjusted for fees.

Morningstar® is a registered trademark and Overall Morningstar Rating™ is a trademark of Morningstar, Inc. Morningstar, Inc. is not affiliated with GWL&A or any other affiliated companies and/or subsidiaries.

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APPENDIX - GLOSSARY



12b-1 Fee The maximum annual charge deducted from fund assets to pay for distribution and marketing costs. Although usually set on a percentage basis, this amount will occasionally be a flat figure.

Actively managed A fund attempts to add portfolio value through such active investment techniques as sector allocation (top-down) and/or security selection (bottom-up).

Aggressive Growth (Objective) Funds that seek high growth of capital. Investments may include smaller companies, companies in newly-emerging industries or in

Alpha is the coefficient that measures the portion of an investment's return arising from non-market or unsystematic risk. In actively managed portfolio. Alpha is considered to be the value added by the manager through sector or security selection. A negative alpha would indicate that active management had produced less-than-market returns.

Annual Returns Total returns calculated on a calendar -year basis. The annual return for a fund will be the same as its trailing 12-month total return only at year-end

Annualized Returns Returns for periods longer than one year are expressed as "annualized returns." This is equivalent to the compound rate of return which, over a certain period of time, would produce a fund's total return over that same period.

Asset Allocation (Objective) Funds that seek high total return by investing in a mix of equities, fixed-income securities and money market instruments.

Barclays Capital Aggregate Index Composed of the Barclays Capital Govt/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index.

The returns published for the index are total returns, which include reinvestment of dividends.

Barclays Capital Government Bond Index Listed for government-bond general and Treasury funds. Because it tracks the returns of U.S. Treasuries, agency bonds, and one- to three-year U.S. government obligations, this index is effective for tracking portfolios holding non-mortgage government securities. The returns published for the index are total returns, which include reinvestment of dividends.

Basis Point One-hundredth of a percentage point. For example, 50 basis points equals .50%.

Beta also known as market or systematic risk, beta is the coefficient that measures an investment's volatility relative to "the market" (the S & P 500 Index has a beta of 1.00) as a whole. Portfolios with a beta greater than 1.00 will move higher or lower than the market as a whole, while those with betas of less than 1.00 will move less than the market.

Bond funds Contrary to individual bonds, which offer a guaranteed rate of return, bond funds are variable funds and their returns may rise or fall depending on market conditions.

Funds with 70% or more of their assets invested in bonds are classified as Bond Funds. Bond funds are divided into two main groups: Taxable

Bond and Municipal Bond. Taxable Bond Fund categories include the following: Long-Term Government, Intermediate-Term Government, Short-Term Government, Long-Term Bond, Intermediate-Term Bond, Short-Term Bond, Ultrashort-Bond, International- Bond, High-Yield Bond, Emerging-Markets Bond and Multisector Bond.

Capital Appreciation The market rise in share value of a company as it experiences growth in earnings and/or assets. By extension, funds will experience capital appreciation as the underlying securities in their portfolios appreciate in value.

Capitalization The total market value of all stock issued by a company. Funds are frequently categorized by the market capitalization of the stocks in their portfolios; i.e., "small cap" generally refers to companies valued by the market at less than \$1 billion, "Mid-cap" to companies valued between \$1 billion and \$5 billion, and "Large-cap" to companies valued at more than \$5 billion.

Corporate Bond--General (Objective) Funds that seek income by investing in fixed-income securities. Funds with this objective may hold a variety of issues, including but not limited to government bonds, high-quality corporates, mortgages, asset-backed, bank loans and junk bonds.

Corporate Bond--High Yield (Objective) Funds that seek income by generally investing 65% or more of their assets in bonds rated below BBB. The price of these issues is generally affected more by the condition of the issuing company (similar to a stock) than by the interest-rate fluctuation that usually causes bond prices to move up and down.

APPENDIX - GLOSSARY (CONT.)



Diversification The investment practice of spreading assets in a portfolio among a number of different companies, industries, sectors and/or instruments. Under Modern Portfolio Theory, the practice of diversification may assist an investor in reducing overall portfolio risk and evening out portfolio returns.

Domestic equity funds are placed in a category based on the style and size of the stocks they typically own. The style and size parameters are based on the divisions used in the investment style box: Value, Blend, or Growth style and Small, Medium, or Large median market capitalization.

Duration A measure of the sensitivity of the price of a fixed-income security to a change in interest rates. Duration is expressed as a number of years.

Duration is a measure of interest rate risk. The larger the duration number, the greater the interest rate risk or reward for bond prices.

Equity-Income (Objective) Funds that are expected to pursue current income by investing at least 65% of their assets in dividend-paying equity securities.

Excess Returns The percentage of fund assets paid for operating and administrative expenses, as well as management fees. Fund expenses are reflected in a Fund's NAV.

Expense Ratio The percentage of fund assets paid for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio.

Foreign Stock Category An international fund having no more than 10% of stocks invested in the United States.

Fund of Funds A fund that specializes in buying shares in other mutual funds rather than individual securities. Quite often this type of fund is not discernible from its name alone, but rather through prospectus wording (i.e.: the fund's charter).

Government Bond--General (Objective) Offerings that pursue income by investing in a combination of mortgage-backed securities, Treasuries, and agency securities.

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Growth (Objective) Funds that pursue capital appreciation by investing primarily in equity securities. Current income, if considered at all, is a secondary concern.

Growth and Income (Objective) Growth of capital and current income are near-equal objectives for these funds. Investments are typically selected for both appreciation potential and dividend-paying ability.

Index Fund A fund that tracks a particular index and attempts to match returns. While an index typically has a much larger portfolio than a mutual fund, the fund's management may study the index's movements to develop a representative sampling, and match sectors proportionately.

Information Ratio Is an alternative to the Sharpe Ratio for measuring the risk-adjusted performance of a portfolio. It is calculated by subtracting the benchmark (usually an index) from the return of the portfolio as a whole, then dividing by the tracking error (standard deviation of the difference between portfolio returns and the returns of the index). The higher the Information Ratio, the better the more consistent a manager is.

International Equity Funds with 40% or more of their equity holdings in foreign stocks (on average over three years) are placed in the international equity class. These categories include Europe, Japan, International Hybrid, Latin America, Diversified Pacific, Pacific ex. Japan, Specialty Precious Metals, Diversified Emerging Markets, World Stock, and Foreign Stock. Foreign investments involve special risks, including currency fluctuations and political developments.

APPENDIX - GLOSSARY (CONT.)



Life Cycle These funds are geared toward investors of a certain age or with a specific time horizon for investing. Typically they are grouped together in sets (i.e. conservative, moderate, and aggressive portfolios).

Management Fees The management fee is the percentage deducted from fund assets to pay an advisor or subadvisor. Often, as the fund's net assets grow, the percentage deducted for management fees decreases. For example, a particular fund may report a management fee of 0.40% on the first \$500 million in assets, 0.35% on all assets between \$500 million and \$1 billion, and 0.30% on assets in excess of \$1 billion. Thus, if the fund contains \$1.5 billion in total net assets, the advisor scales back its management fees accordingly. Alternatively, the fund may compute the fee as a flat percentage of average net assets. The management fee might also come in the form of a group fee (G), a performance fee (P), or a gross income fee (I). Note: The management fee is just one (albeit a major) component of a fund's costs. The overall expense ratio is the most useful number for investors. Actual fees are also noted in this section.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). If the fund is new and has no portfolio, we estimate where it will fall before assigning a more permanent category. When necessary, we may change a category assignment based on current information.

MSCI EAFE Ndrtr_D Listed for foreign stock funds (EAFE refers to Europe, Australasia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes that collectively represent many of the major markets of the world. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty. The returns published for the index are total returns, which include reinvestment of dividends.

MSCI World Ndrtr_D Includes all 23 MSCI developed market countries. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

Mutual fund An investment option that pools money from many shareholders and invests it in a group of stocks, bonds, or other securities. Also known as an open-end investment management company, mutual funds are securities required to be registered with the SEC.

NAV Stands for net asset value, which is the fund's share price. Funds compute this value by dividing the total net assets by the total number of shares.

Net Assets The month-end net assets of the mutual fund, recorded in millions of dollars. Net-asset figures are useful in gauging a fund's size, agility, and popularity. They help determine whether a small company fund, for example, can remain in its investment-objective category if its asset base reaches an ungainly size.

Prospectus A fund's formal written statement, generally issued on an annual basis. In this statement the fund sets forth its proposed purposes and goals, and other facts (e.g.: history and investment objective) that an investor should know in order to make an informed decision.

Prospectus Objective Indicates a particular fund's investment goals, based on the wording in a fund's prospectus.

R-squared (R²) measures the degree to which movement in one variable is related to the movement in another variable. Portfolios with a high R-squared will react similarly to various market conditions. By combining investments with low correlations, an investor can reduce the overall risk within a portfolio.

Risk Basically there are four types of risk: 1) inflation risk means your money may not earn enough in the long run because as prices go up the value of your money goes down; 2) market risk means you could lose money because the price of a stock may go down; 3) credit risk means a company or organization that borrowed your money may not be able to pay it back; and 4) interest rate risk means you could lose money because as interest rates go up the value of bond investments goes down.

APPENDIX - GLOSSARY (CONT.)



Russell 1000 Consists of the 1000 largest companies within the Russell 3000 index. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose. The returns published for the index are total returns, which include reinvestment of dividends.

Russell 1000 Growth Market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

Russell 1000 Value Market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

Russell 2000 Consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization. The returns published for the index are total returns, which include reinvestment of dividends.

Russell 2000 Growth Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

Russell 2000 Value Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

Share Classes Shares of the same fund that offer different shareholder rights and obligations, such as different fee and load charges. Common share classes are A (front-end load), B (deferred fees), C (no sales charge and a relatively high annual 12b-1 fee, such as 1.00%). Multi-class funds hold the same investment portfolio for all classes, and differ only in their surrounding fee structure.

Sharpe Ratio measures the risk-adjusted performance of a portfolio. It is calculated by subtracting the risk-free rate of return (i.e., the return on treasury bills) from the return of the portfolio as a whole, then dividing by the standard deviation of the returns. The higher the Sharpe Ratio, the better the risk-adjusted performance of the portfolio.

Sortino Ratio is similar to the Sharpe Ratio, except that it uses downside deviation for the denominator instead of standard deviation. This alternative to the Sharpe Ratio provides a risk-adjusted measure of a security or fund's performance without penalizing it for upward price movements.

Standard Deviation A statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Tax-deferred earnings You don't have to pay taxes on any earnings in your defined contribution plan until you withdraw your money. The money in a defined contribution plan can grow faster than with other types of savings plans, because the earnings you accumulate, if any, are also tax-deferred.

Turnover Ratio A measure of the percentage of holdings that have been "turned over" -- replaced with other holdings -- within a portfolio during the course of a year.

Variable funds Investments that fluctuate with market conditions. Unlike guaranteed investments, such as bonds or CDs, variable funds don't guarantee a specific rate of return. They do offer potential for higher earnings in return for higher degree of market risk.

World Stock Category An international fund having more than 10% of stocks invested in the US. Also known as global funds. Foreign Investments involve special risks, including currency fluctuations and political developments.

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November 3, 2020
 Prepared by: M. Pulles
 Submitted by: C. Clary
 Approved by: Paul A. Cook



FINANCE AND PERSONNEL COMMITTEE

EXPENSES AND FEES OF BOARD MEMBERS AND GENERAL MANAGER
PAID THROUGH THE FIRST QUARTER OF FY 2020-21

SUMMARY:

Pursuant to the Policy Regarding Business Expense Reimbursement, Travel, Meeting Compensation and Representation, staff has assembled for Committee review an Expense Summary, as shown in Exhibits “A” and “B”, for IRWD’s Board members and the General Manager through the first quarter of Fiscal Year (FY) 2020-21. Provided below is a summary of expenses paid to date.

	Name	Conference, Travel, and Other District-Related Expenses	Meeting Fees	Total
Board Members:	LaMar	\$ 0	\$9,000	\$ 9,000
	Matheis	1,498	8,870	10,198
	Reinhart	725	9,000	9,725
	Swan	7,092	9,000	16,092
	Withers	350	8,870	9,050
	<i>Total:</i>	<i>\$9,665</i>	<i>\$44,400</i>	<i>\$54,065</i>
General Manager:	Cook	\$ 332	N/A	\$ 332
	<i>Total:</i>	<i>\$ 332</i>	<i>N/A</i>	<i>\$ 332</i>

FISCAL IMPACTS:

Meeting fees total \$44,400 versus a budget of \$46,305 resulting in a positive variance of \$1,905 year to date. Conference and meeting-related travel expenses for both the Board of Directors and the General Manager totaled \$9,997 versus a budget of \$23,323, resulting in a positive variance of \$13,326.

The total cost for Board and General Manager conference, travel, and other District-related expenses, including meeting fees, through the first quarter FY 2020-21 is \$54,397, resulting in a positive variance of \$15,231 to budget.

ENVIRONMENTAL COMPLIANCE:

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

Finance and Personnel Committee: Expenses and Fees of Board Members and General Manager
Paid through the First Quarter of FY 2020-21
November 3, 2020
Page 2

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Expense Summary Overview for the Board Members and General Manager
Exhibit "B" – Expense Summaries by Individual



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
For the First Quarter, FY 2020-21**

All Board Members/General Manager

Name	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
								# Miles	Amount		
Board Members:											
Steven LaMar	\$ -	\$ 320	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	(320)	\$ -
Mary Aileen Matheis	445	594	354	-	103	-	2	-	-	-	1,498
Doug Reinhart	725	-	-	-	-	-	-	-	-	-	725
Peer Swan	2,791	1,856	1,881	87	69	48	81	485	279	-	7,092
John Withers	350	-	-	-	-	-	-	-	-	-	350
											-
											-
											-
											-
											-
											-
General Manager:											
Paul Cook	-	-	-	-	-	-	332	-	-	-	332
											-
											-
Total	\$ 4,311	\$ 2,770	\$ 2,235	\$ 87	\$ 172	\$ 48	\$ 415	485	\$ 279	\$ (320)	\$ 9,997

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**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
For the First Quarter, FY 2020-21**

Steven LaMar

Date Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
Monthly Expense Reports													
	July 2020	Monthly Expense Report (no activity this period)											\$ -
	August 2020	Monthly Expense Report (no activity this period)											-
	September 2020	Monthly Expense Report (no activity this period)											-
	October 2020	Monthly Expense Report (no activity this period)											-
	November 2020	Monthly Expense Report (no activity this period)											-
	December 2020	Monthly Expense Report (no activity this period)											-
	January 2021	Monthly Expense Report (no activity this period)											-
	February 2021	Monthly Expense Report (no activity this period)											-
	March 2021	Monthly Expense Report (no activity this period)											-
	April 2021	Monthly Expense Report (no activity this period)											-
	May 2021	Monthly Expense Report (no activity this period)											-
	June 2021	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
Paid Mar'20	03/01/2020	Assoc. of Calif. Water Agencies Legislative Symposium		319.96								(319.96)	-
Total			\$ -	\$ 319.96	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ (319.96)	\$ -

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
For the First Quarter, FY 2020-21**

Mary Aileen Matheis

Date Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
Monthly Expense Reports													
Paid	July 2020	Spring/Summer 2020 ACWA Conference - Virtual	350.00										\$ 350.00
Paid	August 2020	*Various business virtual meetings	85.00										85.00
Paid	September 2020	OCWA Monthly: Buena Park Explores Unidirectional Flushing	10.00										10.00
	October 2020	Monthly Expense Report (no activity this period)											-
	November 2020	Monthly Expense Report (no activity this period)											-
	December 2020	Monthly Expense Report (no activity this period)											-
	January 2021	Monthly Expense Report (no activity this period)											-
	February 2021	Monthly Expense Report (no activity this period)											-
	March 2021	Monthly Expense Report (no activity this period)											-
	April 2021	Monthly Expense Report (no activity this period)											-
	May 2021	Monthly Expense Report (no activity this period)											-
	June 2021	Monthly Expense Report (no activity this period)											-
													-
													-
Conferences/Seminars and Other Non-local Travel													
Paid	03/11/2020	2020 ACWA Legislative Symposium, Sacramento, CA		593.98	354.39		103.00		2.00				1,053.37
													-
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Total			\$ 445.00	\$ 593.98	\$ 354.39	\$ -	\$ 103.00	\$ -	\$ 2.00	0	\$ -	\$ -	\$ 1,498.37

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
For the First Quarter, FY 2020-21**

Doug Reinhart

Date Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
<u>Monthly Expense Reports</u>													
Paid Feb'20	July 2020	ACWA 2020 Spring/Summer Virtual Conf. (\$350 credit pending)	\$ 725.00										\$ 725.00
	August 2020	Monthly Expense Report (no activity this period)											-
	September 2020	Monthly Expense Report (no activity this period)											-
	October 2020	Monthly Expense Report (no activity this period)											-
	November 2020	Monthly Expense Report (no activity this period)											-
	December 2020	Monthly Expense Report (no activity this period)											-
	January 2021	Monthly Expense Report (no activity this period)											-
	February 2021	Monthly Expense Report (no activity this period)											-
	March 2021	Monthly Expense Report (no activity this period)											-
	April 2021	Monthly Expense Report (no activity this period)											-
	May 2021	Monthly Expense Report (no activity this period)											-
	June 2021	Monthly Expense Report (no activity this period)											-
<u>Conferences/Seminars and Other Non-local Travel</u>													
													-
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Total			\$ 725.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 725.00

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
For the First Quarter, FY 2020-21**

Peer Swan

Date Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
Monthly Expense Reports *													
Paid Feb'20	July 2020	ACWA 2020 Spring/Summer Virtual Conf. (\$350 credit pending)	\$ 750.00										\$ 750.00
Paid	August 2020	California Association of Sanitation Agencies - Virtual Confere	125.00										125.00
	September 2020	Monthly Expense Report (no activity this period)											-
	October 2020	Monthly Expense Report (no activity this period)											-
	November 2020	Monthly Expense Report (no activity this period)											-
	December 2020	Monthly Expense Report (no activity this period)											-
	January 2021	Monthly Expense Report (no activity this period)											-
	February 2021	Monthly Expense Report (no activity this period)											-
	March 2021	Monthly Expense Report (no activity this period)											-
	April 2021	Monthly Expense Report (no activity this period)											-
	May 2021	Monthly Expense Report (no activity this period)											-
	June 2021	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
Paid Oct'20	February 2020	*Professional meetings for month of February 2020	411.25						41.94	260	149.50		602.69
Paid Oct'20	February 2020	WEF Water 101 Workshop and Tour, Sacramento, CA	465.00	593.98	363.14	27.87	68.72	48.00	4.86	14	8.05		1,579.62
Paid Oct'20	February 2020	CASA and ACWA Conference, Washington, DC	1,040.00	1,262.16	1,517.36	59.41			4.86	14	8.05		3,891.84
Paid Oct'20	March 2020	*Professional meetings for month of February 2020							29.16	197	113.22		142.38
													-
													-
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													-
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Total			\$ 2,791.25	\$ 1,856.14	\$ 1,880.50	\$ 87.28	\$ 68.72	\$ 48.00	\$ 80.82	485	\$ 278.82	\$ -	\$ 7,091.53

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
 Conference/Seminar and Monthly Expense Summary
 For the First Quarter, FY 2020-21**

John Withers

Date Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
Monthly Expense Reports													
Paid	July 2020	Spring/Summer 2020 ACWA Conference - Virtual	350.00										\$ 350.00
	August 2020	Monthly Expense Report (no activity this period)											-
	September 2020	Monthly Expense Report (no activity this period)											-
	October 2020	Monthly Expense Report (no activity this period)											-
	November 2020	Monthly Expense Report (no activity this period)											-
	December 2020	Monthly Expense Report (no activity this period)											-
	January 2021	Monthly Expense Report (no activity this period)											-
	February 2021	Monthly Expense Report (no activity this period)											-
	March 2021	Monthly Expense Report (no activity this period)											-
	April 2021	Monthly Expense Report (no activity this period)											-
	May 2021	Monthly Expense Report (no activity this period)											-
	June 2021	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
Total			\$ 350.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ -	\$ 350.00

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
For the First Quarter, FY 2020-21**

Paul Cook

Date Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
Monthly Expense Reports													
Paid	July 2020	Monthly Expense Report (no activity this period)											\$ -
	August 2020	Monthly Expense Report # 744124							332.00				332.00
	September 2020	Monthly Expense Report (no activity this period)											-
	October 2020	Monthly Expense Report (no activity this period)											-
	November 2020	Monthly Expense Report (no activity this period)											-
	December 2020	Monthly Expense Report (no activity this period)											-
	January 2021	Monthly Expense Report (no activity this period)											-
	February 2021	Monthly Expense Report (no activity this period)											-
	March 2021	Monthly Expense Report (no activity this period)											-
	April 2021	Monthly Expense Report (no activity this period)											-
	May 2021	Monthly Expense Report (no activity this period)											-
	June 2021	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
Total			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 332.00	-	\$ -	\$ -	\$ 332.00

*Detail of Description/Location provided on Expense Report

November 3, 2020
Prepared by: E. Lin
Submitted by: C. Clary
Approved by: Paul A. Cook



FINANCE AND PERSONNEL COMMITTEE

FY 2019-20 COMPREHENSIVE ANNUAL FINANCIAL REPORT

SUMMARY:

IRWD's auditor, Davis Farr LLP, has completed its annual audit of the District's financial statements for the Fiscal Year (FY) ended June 30, 2020. As stated in its report, Davis Farr concluded that in all material aspects, the statements fairly present the District's financial position as of June 30, 2020 and conform with generally accepted accounting principles.

A draft of the Comprehensive Annual Financial Report (CAFR), including the Introductory Section, audited financial statements, accompanying auditor's report, Management's Discussion and Analysis, and Statistical Section is provided as Exhibit "A". The draft is being presented for review and comment by the Committee.

BACKGROUND:

At the Committee meeting, Davis Farr will present its required Auditor Communication pursuant to Statement on Auditing Standards 114 *The Auditor's Communication with Those Charged with Governance*. This letter, provided as Exhibit "B", reflects the auditor's understanding of key management assumptions and practices and indicates that there were no disagreements with management during the scope of the audit. The auditors have also provided a *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, provided as Exhibit "C", which states that the audit did not identify any material weakness deficiencies in internal control. In addition, the report states that the result of the audit disclosed no instances of noncompliance or other matters that were required to be reported under government auditing standards.

The IRWD Comprehensive Annual Financial Report:

The FY 2019-20 CAFR is being prepared for the 17th consecutive year by the District. All of IRWD's previous CAFRs have won awards from the Government Finance Officers Association (GFOA), which encourages state and local governments to prepare and publish expanded financial reports in conformity with generally accepted accounting principles (GAAP) and provides awards to recognize contributions to the practice of government finance that exemplify outstanding financial management. The awards stress practical, documented work that offers leadership to the profession and promotes improved public finance.

Staff plans to present the FY 2019-20 CAFR to the IRWD Board at its December 14, 2020 meeting. Staff will continue to produce an enhanced electronic version with key references hyperlinked throughout the document. The CAFR will be made available on the IRWD website.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

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

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" –Draft FY 2019-20 Comprehensive Annual Financial Report

Exhibit "B" –SAS 114 Auditor's Communication with Those Charged with Governance from Davis Farr LLP

Exhibit "C" –Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards from Davis Farr LLP

Exhibit "A"

Essential for Our Community



Irvine Ranch Water District
Irvine, California

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

for fiscal year ended June 30, 2020



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Comprehensive Annual Financial Report

For fiscal year ended June 30, 2020

Irvine Ranch Water District

Irvine, California

Board of Directors

Mary Aileen Matheis, President

Douglas J. Reinhart, Vice President

Steven E. LaMar

Peer A. Swan

John B. Withers

General Manager

Paul A. Cook

Prepared by:

Irvine Ranch Water District

Finance Department

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Table of Contents

Introductory Section

1	Letter of Transmittal
2	Profile of Irvine Ranch Water District
2	Overview
2	People
3	Services
5	Infrastructure Assets
6	2020 Accomplishments
7	Future Goals
8	Water Use Efficiency
9	Legislative and Regulatory Affairs
9	Financial Plan
10	User Rates & Charges
12	Factors Affecting Financial Condition
13	Financial Planning & Budgeting
14	Pension Funding
14	Cash Management Policies and Practices
15	Real Property Investments
15	Debt Management Policies and Practices
16	Risk Management
16	Major Initiatives
16	Water Supply Reliability
18	Expanded Water Recycling Options, Resource Recovery and System Reliability
19	Community Education and Outreach
21	Awards and Acknowledgments
22	List of Principal Officials
23	Organizational Chart by Function
24	GFOA Certificate of Achievement for Excellence in Financial Reporting

Financial Section

26	Independent Auditors' Report
29	Management's Discussion and Analysis (Required Supplementary Information)
38	Basic Financial Statements:
38	Statement of Net Position
40	Statement of Revenues, Expenses and Changes in Net Position
41	Statement of Cash Flows
43	Notes to the Basic Financial Statements

86	Required Supplementary Information:
86	Defined Benefit Pension Plan
90	Other Post-Employment Benefits

Statistical Section

96	Net Position
98	Changes in Net Position
100	Water Sold by Type of Customer
101	Water Rates
102	Largest Water Customers
103	Sewer Rates
104	Largest Sewer Customers
105	Ad Valorem Property Tax Rates
106	Assessed Valuation and Estimated Actual Value of Taxable Property and 1% Property Tax Revenue
107	Direct and Overlapping Property Tax Rates
108	Principal Property Taxpayers
109	Property Tax Collections/Delinquency
110	Outstanding Debt by Type
112	Outstanding General Obligation Bonds by Improvement District
113	Ratio of General Obligation Debt to Assessed Values
116	Ratio of Annual Debt Service Expenditures to Total General Expenditures
117	Debt Service Coverage
119	Principal Employers
120	Demographic and Economic Statistics
121	Operating Indicators by Function - Water and Sewer Service Connections
122	Operating Indicators by Function - New Service Connections
123	Operating Indicators by Function - Average Monthly Usage
124	Source of Supply and Water Deliveries / Sales
125	Capital Asset Statistics
126	Full-Time Employees

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Introductory Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2020

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December 14, 2020

To the Board of Directors,
Irvine Ranch Water District:

Management of the Irvine Ranch Water District (IRWD or the District) has prepared a Comprehensive Annual Financial Report of IRWD for the fiscal year ended June 30, 2020. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted government auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

This report contains management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable, rather than absolute, basis for making these representations, IRWD management has established a comprehensive framework of internal controls. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in conformity with GAAP. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the basic financial statements are free of any material misstatements. As management, we assert that this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Davis Farr LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2020 were free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A profile of the District is presented in this Introductory Section. In the Financial Section, Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an overview and analysis of the basic financial statements. This letter of transmittal and introduction is designed to complement the MD&A and should be read in conjunction with it.

Profile of Irvine Ranch Water District

Overview

Irvine Ranch Water District was established in 1961 as a California Water District under the provisions of the California Water Code. As a special district, IRWD focuses on four primary services - providing potable water, collecting sewage, producing and distributing recycled and other non-potable water, and implementing urban runoff source control and treatment programs.

IRWD is an independent public agency governed by a five-member, publicly elected Board of Directors. The members of the Board each have varied professional backgrounds, coupled with an average tenure for the Board members of approximately 26 years. The District is a leader in developing and implementing resource management initiatives such as water recycling, urban runoff control and treatment, water efficiency, and water banking. The District is a pioneer in financial management practices such as variable rate debt financing and long-term infrastructure replacement program development and funding.

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 Orange County. Extending from the Pacific Coast to the top of the foothills of eastern Orange County, the District's region is semi-arid with a mild climate and an average annual rainfall of approximately 12 inches. The total estimated daytime population served is approximately 600,000 and includes approximately 118,000 water and 113,000 sewer service and recycled water connections. The number of service connections has increased by approximately 21% over the last ten years.

The District provides its core services to its customers by focusing on the following areas:

- *Operational Reliability* – having multiple sources of water supply, various sewage treatment alternatives, and emergency power capabilities to ensure reliable services.
- *Organizational Strength* – having professional staff work in close collaboration with the Board of Directors striving to exceed the expectations of our customers.
- *Long-Term Financial Planning* – ensuring sufficient funds are available to construct, operate, maintain, and replace facilities, while retaining competitive rates now and in the future.

People



Field Crew on Site - Providing Essential Services

The District employs approximately 400 staff who are responsible for administering daily operations and implementing strategic objectives and policies set forth by the Board. The District actively promotes the training and education of employees to increase effectiveness and retention. The average tenure of District employees is approximately 16 years.

Services

The District is functionally organized into four core service areas:

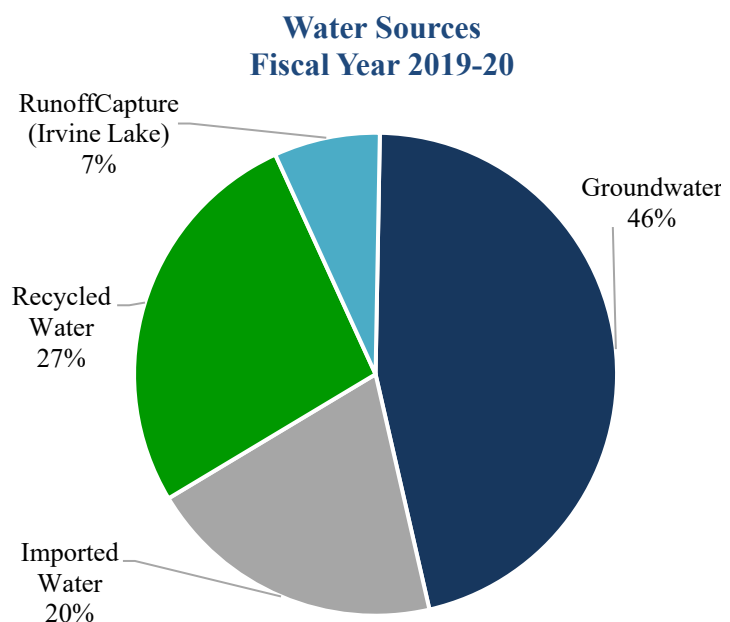
Drinking or “Potable” Water System

For many years, the District received virtually all of its drinking water from imported sources. To minimize this dependence on imported water, in the early 1980’s, the District developed a series of local wells known as the Dyer Road Wellfield to access high quality groundwater from the Orange County Groundwater Basin, managed by the Orange County Water District (OCWD).

IRWD also operates many other groundwater wells with water from some of these wells requiring treatment. In Fiscal Year (FY) 2019-20, local groundwater accounted for 46% of the District’s total water supply.

Groundwater currently is significantly less expensive, more reliable, and less energy intensive than imported water that is transported over hundreds of miles into Southern California and subsequently treated.

The District purchased 20% of its water supply in FY 2019-20 from the Municipal Water District of Orange County (MWDOC), the regions local wholesale water supplier who purchases its water from the Metropolitan Water District of Southern California. This water is imported from both the Colorado River, which is transported approximately 240 miles through deserts and over mountain ranges to Southern California, and from the Delta, from which water is transported approximately 400 miles from Northern California.



Recycled and Non-Potable Water Systems

The District treats sewage to provide water for irrigation, commercial, industrial and agricultural purposes which further reduces its reliance on the more expensive imported water and increases its system reliability. Sewage from the community is collected and recycled to California State Water Resources Control Board Title 22 standards at IRWD’s Michelson Water Recycling Plant and the Los Alisos Water Recycling Plant, which have the combined capacity to produce nearly 33.5 million gallons of tertiary recycled water per day. The District produced over 7 billion gallons in the current fiscal year.

Once treated, the recycled water is distributed throughout the service area and in FY 2019-20 accounted for approximately 27% of the District’s total water supply. Approximately 84% of all business and community landscaped areas (parks, school grounds, golf courses, street medians, etc.) in the District’s service area are irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD’s goal is to recycle its sewage flows whereby recycled water represents 25% to 30% of its total water supply once the District’s service area is fully developed.

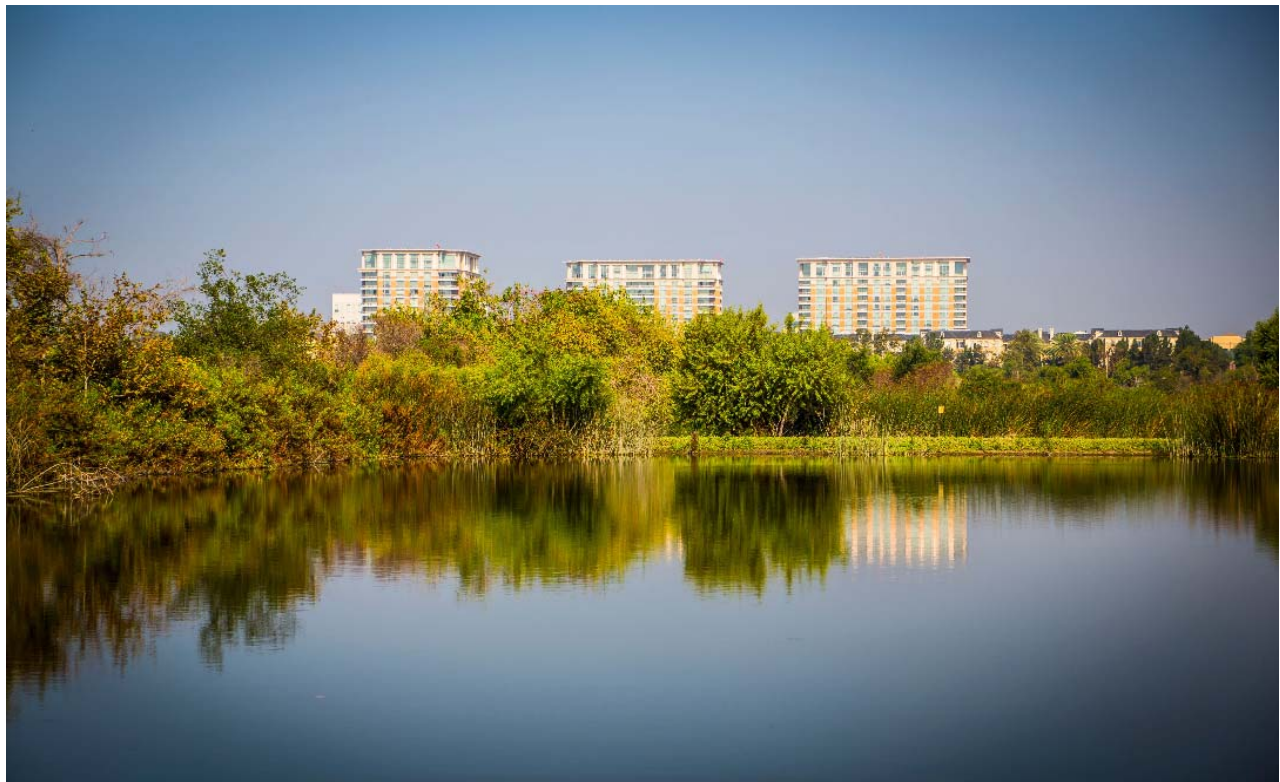
The District operates a non-potable system which includes 5 wells, 5 open reservoirs and 12 tanks that store water for non-potable uses. In total, the District has approximately 4,500 acre feet of active recycled water storage capacity. IRWD has a majority ownership in Irvine Lake, a 25,000 acre-feet reservoir that can capture and store stormwater and can also store imported water supplies.

Sewage Collection and Treatment System

The District has an extensive network of gravity sewers, force mains, sewage lift stations, and siphons that convey sewage to two District-owned water recycling plants or the Orange County Sanitation District (OCSD). In FY 2019-20, the District treated approximately 84% of its sewage while the remainder of the sewage collected by the District was diverted to the OCSD treatment facilities. The District plans to expand its treatment capacity when necessary to serve its growing population. This expansion is discussed in more detail in the *Major Initiatives* section of this document.

Urban Runoff Source Control and Treatment System

IRWD is statutorily authorized to control and treat urban runoff and conducts various projects and programs as part of an effort to protect water quality in the San Diego Creek watershed. In the 1990s, the District constructed wetlands at the San Joaquin Marsh where natural biological processes remove a substantial pollutant load from San Diego Creek dry weather flow before it reaches the environmentally sensitive Upper Newport Bay State Ecological Reserve. The District operates a regional urban runoff treatment network known as the Natural Treatment System (NTS). As of June 30, 2020, the NTS consists of 43 constructed wetland treatment sites located throughout the San Diego Creek Watershed and one outside of the IRWD service area with several more currently under construction. In addition, IRWD's urban runoff diversion facilities along the Peters Canyon Wash pump runoff high in selenium into OCSD's sewers, where it eventually, after treatment, flows to OCWD's groundwater replenishment system.



San Joaquin Marsh

Infrastructure Assets

The District builds and maintains significant capital infrastructure in order to provide superior service to its customers. The table below provides key information relating to its water and sewer system assets from 2011 to 2020.

Infrastructure Assets		
	<u>2011</u>	<u>2020</u>
Potable System		
Miles of Water Line	1,460	1,955
Number of Storage Tanks	37	37
Maximum Storage Capacity (acre feet)	456	467
Number of Pumping Stations	43	39
Number of Wells	24	27
Well Production Capacity (cfs)	117	118
Water Banking Storage Capacity (acre feet)	109,600	126,000
Potable Treatment Plants	3	5
Non-Potable and Recycled Systems		
Miles of Recycled Line	468	570
Number of Storage Tanks	11	12
Number of Open Reservoirs	4	5
Maximum Storage Capacity (acre feet)	23,703	24,155
Number of Pumping Plants	19	19
Number of Wells	5	5
Well Production Capacity (cfs)	10.0	10.0
Sewer System		
Miles of Sewer Line	950	1,143
Number of Lift Stations	13	13
Treatment Plants	2	2
Treatment Capacity (mgd) (Tertiary)	23.5	33.5
Sewage Flows to Michelson Plant	68%	72%
Sewage Flows to Los Alisos Plant	15%	12%
Sewage Flows to Orange County Sanitation District	17%	16%
1 acre foot = 325,900 gallons		
cfs = cubic feet per second		
mgd = millions gallons per day		

2020 Accomplishments

The District conducts a Strategic Planning Process where the Board annually adopts goals and annual target activities. The approved Target Activities are associated with eighteen goals for the District to accomplish within the next five years. Major accomplishments achieved in FY 2019-20 were:

1. Continued to deliver superior service to customers during the Coronavirus Pandemic without any interruptions in governance, operations or customer service. During the Pandemic, there were no customer shut offs or late fees charged for water service and customers were provided the opportunity to temporarily increase their residential water budget if needed due to the governor's stay at home orders. Customers facing financial hardship were offered payment plans to assist with the water bills.



Field Crew on Site - Providing Essential Services

2. Initiated start-up of the \$200 million Michelson Water Recycling Plant Biosolids & Energy Recovery Facilities capital project for the handling of solids, which will cost effectively provide resource recovery of solids and biogas for IRWD.
3. Continued to promote water use efficiency and long-term conservation measures resulting in District's customers having one of the lowest residential gallons per capita per day (gpcd) rates in California. In FY 2019-20, IRWD's residential water use (indoors and outdoors) averaged 65 gpcd, which was 26% lower than the statewide average of 88 gpcd. District finances were not negatively impacted because IRWD recovers its costs from customers through fixed and variable charges.
4. Completed agreements to form the Groundwater Banking Joint Powers Authority, a partnership between IRWD and Rosedale Rio-Bravo Water Storage District to design and construct the Kern Fan Groundwater Storage Project. Established key terms for construction of the project with the State agencies.
5. Completed construction of the remaining Sand Canyon Office property. The investment contributes to keeping customer rates low.
6. Completed installation of the photovoltaic (solar) energy system at the Baker Water Treatment Plant, which works in conjunction with the existing battery storage system.
7. Implemented improvements to the District's computer systems by increasing cybersecurity measures and upgrading the email system to a cloud-based system.
8. Fully funded IRWD employee pension plan, including the IRWD Pension Benefits Trust, which contains funds adequate to cover the District's CalPERS projected pension liability as of the current fiscal year end.
9. Received the United States Environmental Protection Agency's Excellence in Education and Outreach Award and the Wetland of Distinction Award for the San Joaquin Marsh and Wildlife Sanctuary from the Society of Wetland Scientists.

Future Goals

The District has the following Board adopted goals for IRWD to accomplish within the next five years, along with Target Activities that are typically accomplished within 12 to 18 months:

1. Optimize and protect local water supply utilization: develop and implement projects to increase IRWD's access to local groundwater and stormwater capture; also implement solutions to remove emerging contaminants of concern (PFAS).
2. Evaluate and invest in projects and programs that will enhance future long-term water supply reliability: pursue projects and supply arrangements to enhance water supply reliability, including increased water banking and water recycling. Provide additional water storage opportunities for regional water supply reliability.
3. Optimize use of Irvine Lake as a water resource facility for IRWD and its partners: resolve property related issues and implement projects which will enhance the long-term operational reliability of the reservoir.
4. Develop water banking supplies for IRWD by working with current and future partners: develop capabilities for recharge, storage, and extraction capacity and store water as it becomes available. Continue development of IRWD water banking facilities in Kern County.
5. Develop and implement the Kern Fan Groundwater Storage Project: execute agreements and secure additional water storage investment funding. Complete planning and environmental compliance work.
6. Develop water recycling facilities and applications for optimal benefit: identify new opportunities for IRWD to utilize recycled water locally.
7. Maximize resource recovery from fully functional biosolids and other resource recovery facilities: complete start-up of IRWD's Biosolids and Energy Recovery Facilities.
8. Improve energy service reliability, manage demands, and control costs. Develop capability to continue operation of key facilities during short and long-term power outages.
9. Maximize watershed protection: control and treat urban runoff while preventing sewer spills.
10. Ensure financial and rate stability: ensure adequate funding for future infrastructure replacement needs, continue to provide low rates for IRWD customers, maintain strong financials through solid debt service coverage, liquidity balances, mixed debt profile, and pension plan obligation funding of at least 90 percent.
11. Identify, assess and implement new technologies, systems and facilities to improve operating efficiency: implement new systems such as mobility for Enterprise Asset Management while protecting existing and future systems through advanced cybersecurity measures.
12. Enhance customer communications: Implement improved customer web access portal and strategically extend community outreach.
13. Maximize water use efficiency in the community: explore future opportunities for increased water use efficiency and expand database for improved analytics.
14. Recruit, develop and retain a highly skilled, motivated, and educated work force: develop employee skills, develop and implement employee expectations for corporate values and ensure appropriate employee compensation.
15. Guide and lead local, state and federal policies and legislation: actively engage in issues of key interest to IRWD including water use efficiency, water rate structures, and others.
16. Engage and shape policies and regulations put forth by local, state and federal agencies: influence regulations to align with best practices for recycled water use and other applications.
17. Increase collaboration with other agencies and entities through leadership and innovation: engage at a high-level in industry associations, regional water agencies, and development of opportunities of mutual benefit for IRWD and partners.

18. Implement opportunities that enhance safety, security, and emergency preparedness throughout the District: protect the health and safety of IRWD employees and facilities.

Water Use Efficiency

The District continues to be a leader in the innovation and implementation of water use measures that promote the most efficient use of water, both on a per capita and per acre basis.

The District's budget-based tiered rate structure, implemented in 1991, was carefully designed to promote the efficient use of water by providing customers pricing signals related to over-use of water in a financially sustainable way. This structure is recognized as a model for other agencies to emulate.

In 2016, Governor Brown issued an Executive Order calling for Californians to build on the actions taken during the recent statewide drought, and to "Make Conservation a Way of Life in California". In response, legislation requiring statewide long-term water use efficiency passed in 2018. As a result, the state will establish new long-term water efficiency objectives by June 30, 2022. IRWD has a long history of implementing cost-effective water efficiency programs, and it is well prepared to meet the future efficiency standards. The District's customers have one of the lowest residential gallons per capita per day (gpcd) rates in California.

In December 2019, the District completed a Future Potential Water Efficiency Study which provided a comprehensive evaluation of past water use efficiency programs and assessment of future water efficiency potential. The District's Water Use Efficiency Implementation Plan (Plan), adopted April 2020, provides a comprehensive strategy based on the conclusions and recommendations of the Study to implement cost-effective water use efficiency measures for the District and its customers. Specifically, the Plan addresses:

- Engaging in policy discussions and implementing targeted programs to ensure the District is well-positioned to meet the new statewide water use efficiency objectives.
- Continuing to implement cost-effective demand management programs that minimize the need to purchase more expensive imported water, and thereby maintain a lower unit cost of water for the District and its customers.
- Focusing on outdoor water use which remains the biggest potential water conservation opportunity for the District, and the associated urban runoff (typically the result of "over-watering") which to minimize water quality degradation from fertilizers, pesticides and animal waste in creeks, rivers and the ocean.
- Reducing water demands, which reduces energy usage and related costs needed to convey water.

The basic tenets of the Plan include local, state and national policy development and leadership, focused customer interface, extensive education and outreach, technology advances, and the development of financial incentives.

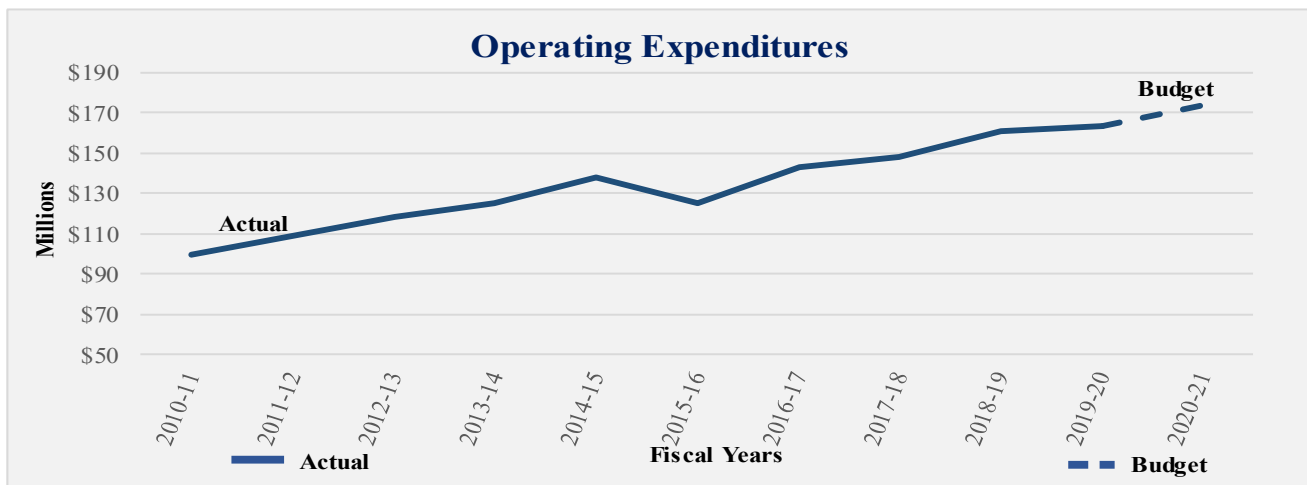
During the past fiscal year, the District provided financial incentives to residential and business customers to install water efficient devices such as irrigation equipment and conversions from high water use turf landscape to water-efficient landscapes. Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, IRWD provides reliable, high quality water to its customers in a cost-effective manner. The District has also led the use of recycled water beginning in the late 1960s and presently serves over 6,100 sites, with approximately 25,000 acre feet of recycled water sold in FY 2019-20 representing 27% of the District's total water supply. The use of recycled water reduced the District's need to import more expensive potable supplies.

Legislative and Regulatory Affairs

The District actively monitors and works to influence local, state and federal legislation, policies and regulatory actions that could affect IRWD’s operations, existing and future facilities and strategic planning efforts. The Board of Directors is frequently engaged in, and takes active positions on, relevant pending legislation and regulatory actions. The District continues to engage proactively in policy discussions surrounding water use efficiency, recycled water, and water rates in California. The District and its Board of Directors also participate in state and regional trade associations including the Association of California Water Agencies, the California Association of Sewer Agencies, the Water Reuse Association, the California Special District Association, and the California Municipal Utilities Association.

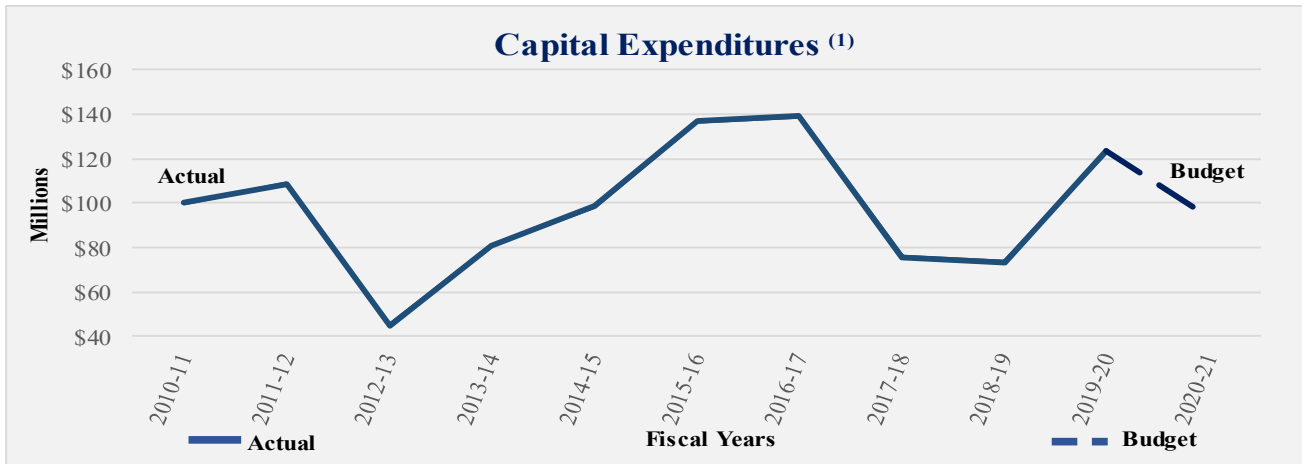
Financial Plan

Last year, the Board approved a two-year (biennial) operating budget to improve IRWD’s long term planning, enhance funding stability, and create greater efficiency in the budgeting process. The goal of the District’s operating budget process is to appropriately fund the resources required to provide excellent service to IRWD customers as cost-efficiently as possible. The graph below shows the actual operating expenditures through FY 2019-20, as well as the Board approved operating budget for FY 2020-21. Increases reflect costs associated with customer growth within the District, as well as an increase in overall operating expenses. Increases have been kept to a minimum by aggressively pursuing reductions in expenses to offset uncontrollable expenses, such as pass-through rate increases from outside agencies.



The approved FY 2020-21 budget increased to \$173.6 million from \$170.0 million or 4.0% from FY 2019-20. The primary reasons were increases in labor and associated benefits for additional positions necessary to support new operating facilities, increases in the cost of water due to expected rate increases from outside agencies, and higher operating and maintenance costs associated with new facilities coming on line. The decrease in FY2015-16 expenses was primarily due to lower water demands.

The Board also approved a two-year capital budget last year based on new, enhancement and replacement infrastructure needs. The following chart shows the actual capital expenditures through FY 2019-20 and the budget for FY 2020-21.



(1) Actual capital expenditures excluding overhead, intangibles and capitalized interest.

The reduced spending in FY 2012-13 and FY 2017-18 from prior years represents the District’s completion of several large projects including the MWRP Upgrade Project and the Baker Water Treatment Plant. Higher spending beginning in FY 2013-14 represents the design and construction phases for the Michelson Biosolids and Energy Recovery Facilities, which began construction in FY 2013-14. The Board approved capital budget is \$93.8 million for FY 2020-21. Many capital budget projects extend beyond one fiscal year.

User Rates & Charges

User rates and charges are primarily used to fund the District’s operation and maintenance expenses. The District separates the cost of constructing water and sewer infrastructure from the cost of daily operations and maintenance. User rates, as discussed below, are billed to customers on a monthly basis, and include a component for the inevitable replacement of existing infrastructure. The District sets replacement monies aside in advance to help stabilize rates and avoid significant potential future rate impacts. In 2015, the District completed a detailed cost of service study which confirmed that user rates billed to customers are based on actual costs to provide the services. The District will update that study in 2020. The District allocates capital costs within its service area through the use of water and sewer improvement districts, for which general obligation bond authorization is obtained and used as needed to fund new capital projects. Ad valorem property tax rates are set annually by the District, as are connection fees paid by property developers and landowners. Generally, the District’s policy is to allocate the cost of new infrastructure evenly between the developers/landowners and the ultimate property owners who utilize the water and sewer infrastructure.

Water Rates

The District’s rate structure for water use is separated into a commodity charge component and a fixed service charge component. The commodity charge reflects the cost of providing the District’s water supplies while the fixed service charge funds the fixed operational and maintenance expenses of the District. For FY 2019-20, the District’s water fixed service charge was \$10.35 per month. The District has a long history of planning for the inevitable replacement of capital infrastructure and sets monies aside into enhancement and replacement funds for this purpose to avoid large, sudden rate increases in the future. In FY 2019-20, the monthly fixed service charge includes a user enhancement and

replacement component of \$0.70 and \$2.10, respectively, per month, intended to fund current and future replacement and refurbishment costs that provide reliability and redundancy to the District’s infrastructure. The District has a four-tiered rate structure that promotes water use efficiency. A basic use allocation is established for each customer account that provides a reasonable amount of water for the customer’s needs based on factors such as the number of occupants, type or classification of use, size of the irrigated area, evapotranspiration rate for the billing period and other consistently applied criteria. The chart below illustrates the four-tier structure that reflects the increased cost associated with usage in the higher tiers.

FY 2019-20 Residential Rate Structure – Potable Water (Commodity Charge)

Tier	Percent of Estimated Customer Need	Cost per ccf
Low Volume	0 – 40%	\$ 1.47
Base Rate	41 – 100%	\$ 2.00
Inefficient	101 – 140%	\$ 4.86
Wasteful	141% +	\$13.63

One ccf (100 cubic feet) = 748 gallons

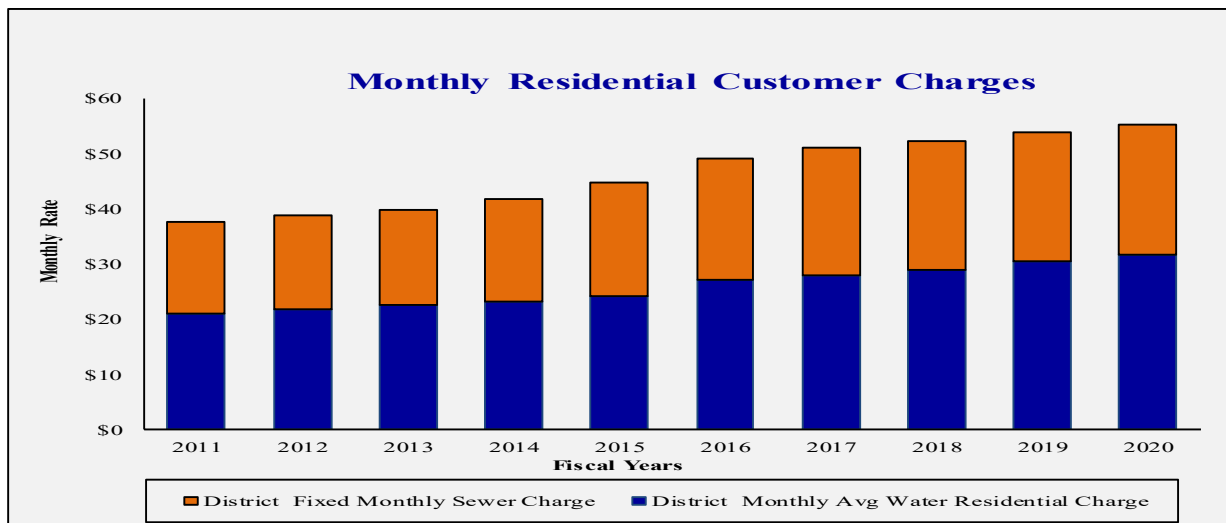
As of June 2020, approximately 80% of the District’s customers were within the first two tiers and approximately 93% of customers fell within the District’s first three tiers. IRWD residential bills are consistently among the lowest in Orange County.

Sewer Rates

The District’s sewer rates are also among the lowest in Orange County, with a fixed monthly service charge of \$23.50 in FY 2019-20 for a typical residential customer covering the collection and treatment of sewage. This monthly service charge includes a user enhancement and replacement component of \$0.82 and \$9.31, respectively, per month, which is intended to fund current and future capital costs to replace, refurbish and upgrade the existing system. The monthly service fee of \$9.31 includes \$3.00 to fund the replacement portion of the Michelson Biosolids and Energy Recovery Facilities discussed in more detail under *Major Initiatives – Expanded Water Recycling Options and System Reliability*.

Historic Rate Trends

The following chart reflects the annual “base rate” charge for an average customer’s water and sewer service through FY 2019-20. The District has raised rates in each of the last several years due largely to increased costs from outside agencies or wholesale supplies and increased fixed service costs for both water and sewer, including funding for future infrastructure replacement.



Factors Affecting Financial Condition

The information presented in the Financial Section is best understood in the context of the economic environment in which the District operates, as discussed below.

State and Local Economy

Orange County is the third most populous county in California with nearly 3.2 million residents and a varied economy in which no single industry is considered dominant. With a location central to Orange County, the District's service area is the home to numerous corporate headquarters such as Oakley, Edwards Life Sciences, Blizzard Entertainment and Glidewell Laboratories. The District is also home to various educational institutions, including University of California Irvine, Concordia University, two community colleges, and other colleges and universities with satellite campuses. The total estimated daytime population served is approximately 600,000.

During FY 2019-20, the District continued to expand its operating facilities to accommodate approximately 3,700 new water and sewer service connections constructed within District boundaries. Development and entitlement needs of the builders continue to change and there remains less than 20% of land available for future development. Requirements for these areas have been included in the planning and these facilities are included in the capital budget. The assessed value of land within the District's service area has grown significantly in the last decade from \$35.0 billion in 2011 to more than \$70.3 billion in 2020, demonstrating the strength of the local economy.

The State of California's financial condition has historically impacted local governments such as cities, counties and special districts. In 1992, special districts were subjected to legislation that could temporarily shift substantial amounts of property tax revenue to the State.

Long-Term Conservation

IRWD has a long history of implementing cost-effective water efficiency programs and is well prepared to meet the future efficiency standards. The District is well positioned to sustain any potential reduction in revenues and meet future efficiency targets with minimal impact on net revenues due to its rate structure which effectively splits costs into variable and fixed rate components. Any decrease in consumption would be offset by a decrease in related variable costs while the fixed rate component would cover the fixed operating and maintenance costs.

COVID-19

The recent outbreak of coronavirus (COVID-19) and related government containment measures created an uncertain environment for essential service providers in the water and sewer industry, including IRWD. In mid-March, prior to the Executive Order issued by the Governor to suspend water shut-offs to customers for non-payment of services, the District proactively closed its offices to the public to protect the health and safety of staff and suspended all shut-offs and late payments to customers. Payment arrangements as well as temporary variances for additional water usage for people in the house due to the stay at home orders have been offered to all customers impacted by COVID-19. The District's believes there was only minimal impact to related revenue and potable demands in the fourth quarter of FY 2019-20.

Due to COVID-19 and its ramifications to District customers, the Board elected to temporarily defer a previously planned Board approved rate increase for FY 2020-21. The potential operating revenue impact of \$4.6 million is mitigated by a similar response from several third-party agencies not passing through planned cost increases. Any short fall in revenues created by the rate deferral will be covered by District reserves. The District continues to monitor the effects of COVID-19 and anticipates

implementing the deferred rate adjustment and any other necessary increase in FY 2021-22 to cover its cost of service. To date, the impact to District revenues from non-payment of fees is not expected to have a material impact on its financial health.

Financial Planning & Budgeting

Short-Term

The Board of Directors approves operating and capital budgets every two years and allocates required funding accordingly. The General Manager has limited discretion to transfer capital between activities and Board approval is required for any overall increase or substantial changes. Throughout the fiscal year, actual expenditures are compared to budget. Variances between budget and actual results are analyzed and evaluated to ensure the District's financial goals and objectives are being met. The budget process is further supported by the District's long-term financial models, enabling the Board to make informed decisions on setting rates and charges that ensure the long-term stability of the District. Funding needs are assessed using these financial planning models.

Long-Term

Meeting the goals of reliable, cost effective long-term water and sewer service requires substantial planning for both capital improvements and changing operating conditions. The District's capital program anticipates the need to update, expand or provide redundancy as well as refurbish and replace existing facilities as they reach the end of their useful life. District staff identifies future infrastructure requirements well in advance of needs to ensure the necessary funding for those projects is available. Capital projects are funded through a combination of connection fees, property taxes and user rates.

The District has a long history of planning for the enhancement and replacement of aging water and sewer infrastructure. Recognizing that infrastructure replacement is both inevitable and costly, the District established infrastructure Enhancement and Replacement Funds to provide funding for updating, expanding, creating redundancy, as well as replacing and refurbishing various components of the water and sewer systems. The objective of the funds is to help moderate the financial impact on future user rates attributable to expenditures associated with enhancing and replacing capital facilities. For FY 2019-20, the combined water and sewer user enhancement/replacement fees were \$12.93 per month.

Over time, the District has evolved from a newly developing area to becoming a fully developed area. While many of IRWD's projects slated for construction will provide additional capacity for ultimate demands, the focus of the District is transitioning from building new infrastructure projects to ongoing operations and maintenance activities, as well as upgrading and replacing existing infrastructure. Connection fees paid by developers, which generated \$18.2 million for new capital in FY 2018-19 declined to \$10.9 million in FY 2019-20 as the District nears build-out. The District utilizes a sophisticated financial model to factor in such variables as future development, construction costs, growth rates, inflation, redevelopment and other criteria in order to project rate setting for funding future capital needs.

In 2013, the District completed a strategic review of its existing current capital funding plan which resulted in a master consolidation plan that combined certain improvement districts in order to maintain the future financial viability of each area. The master plan allocates funding responsibility for capital improvements to the areas which will benefit from those respective facilities and separates areas on the basis of projected timing of development. Diversification of the District's water supply and sewage treatment options are also major objectives of the District's master plan. Those objectives are discussed in further detail in the *Major Initiatives* section of this introduction.

The District’s approach to infrastructure replacement and funding defines the industry best practice and illustrates the District’s commitment to financial stability and protection of its customers from significant future rate increases.

Pension Funding

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 and, in 2013, established a Pension Benefits Trust to substantially fund its PERS unfunded liability. The Pension Benefits Trust provides the District with an additional funding option to PERS that allows for investment by a professional fund management team selected and monitored by the District. The Pension Benefits Trust holds the funding contributions for the District pending future remittance to the PERS pension trust fund which will pay all retiree benefit payments to employees associated with the plan. Future contributions will be transferred from the Pension Benefits Trust to PERS at the District’s discretion.

Investment policy and asset allocation decisions relating to the Pension Benefits Trust are made by a Retirement Board consisting of two members from the IRWD Board of Directors and the District’s General Manager. In FY 2013, the District made an initial \$35.0 million contribution to the Pension Benefits Trust, and since then has made additional annual contributions ranging from \$1.9 million to \$12.8 million. As of June 30, 2020, the fair value of the assets in the Pension Benefits Trust was approximately \$83.1 million. These assets are in an irrevocable trust and may only be used to pay for the pension liability.

The following schedule shows the recent history of pension plan assets and liabilities including the trust assets:

Fiscal Year	Total Pension Liability	Total Pension Assets	Total Pension Assets as a Percentage of the Total Pension Liability
06/30/18	\$264,399	\$263,819	99.8%
06/30/19	275,457	284,426	103.2%
06/30/20	291,334	301,256	103.4%

Cash Management Policies and Practices

The District is regulated by State law (primarily California Government Code Section 53600, et seq.) as to the types of fixed-income securities in which it can invest cash assets. In addition, the Board of Directors annually adopts an investment policy that is generally more restrictive than the State codes. The District’s standard practice is to maintain an appropriate balance between safety, liquidity and yield of investments to fund required expenditures in conformance with all applicable State laws, the District’s investment policy, and prudent cash management principles.

For FY 2019-20, the District's fixed-income investment portfolio consisted primarily of short-term securities with a portfolio average maturity of approximately 10 months. These securities included U.S. Treasury notes, U.S. government agency notes and the State-managed Local Agency Investment Fund. The average annual return on all of the District’s cash investments in FY 2019-20 was 1.99%. Including real estate investments, the weighted average rate of return was 4.12% for the same period.

At June 30, 2020, the District's cash and investments totaled approximately \$347.3 million. Cash balances are allocated to various funds including the Replacement Fund, New Capital Fund, Debt Service Fund and others.

Real Property Investments

As a means to match its long-term responsibility to replace water and sewer facilities when they reach the end of their useful lives with long-term funding investments, the District obtained legislative authority from the State to invest a portion of its capital facilities Replacement Fund in real property located in Orange County.

As of June 30, 2020, the District owns or has an interest in six properties with an approximate fair value of \$245 million. The District's income-producing real estate investments have a weighted average return (on original cost) for FY 2019-20 of 14.9%. Net revenues of \$12.5 million generated in FY 2019-20 from the District's real estate investments are retained within the Replacement Fund.

Debt Management Policies and Practices

The District strives to minimize the cost of its long-term debt. In 1984, the District obtained State legislation that allowed for the use of variable rate debt to help achieve this goal. The Board minimizes its exposure to interest rate risk by utilizing both fixed and variable rate debt and has leveraged opportunities provided by the low interest rate environment in recent years. The District maintains a healthy balance between fixed and variable rate debt. As of June 30, 2020, the District's debt portfolio included fixed rate debt at 60.0%, synthetically fixed (hedged) variable rate debt at 14.0% and unhedged variable rate debt at 26.0%, resulting in an average all-in cost of debt of 3.06% for the fiscal year.

In FY 2016-17, the Board of Directors adopted a Debt Management Policy Statement (Debt Policy). The Debt Policy objectives formalize previous District guidelines related to timing and amount of future debt issuance, allowable debt types and structures and spending requirements of bond proceeds. The Debt Policy also addresses underwriter selection and allowable methods of sale, continuing disclosure requirements, financial advisor and credit rating agency relationships and other key debt-related topics.

As of June 30, 2020, there were eight outstanding GO bond issues consisting of \$260.6 million in variable rate mode and \$278.4 million in fixed rate mode (excluding any unamortized premium or discount).

As of June 30, 2020, the District also had one outstanding COPs issue with a balance of \$116.7 million in fixed rate mode. The District has secured direct pay letters of credit to enhance certain issues of its variable rate debt.

The GO bond issues are secured by the District's ability to levy ad valorem property taxes to pay debt service. Although the District has elected to use a combination of ad valorem property taxes and other legally available funds to pay debt service, the legal authority exists to fully fund GO bond debt service through such ad valorem taxes. In addition to the ad valorem tax pledge, certain GO bond issues are also secured by the net revenues of the District. The COPs issue is also secured by the net revenues of the District. The District is required under some of its debt covenants to collect revenues sufficient to provide net revenues equal to 125% (1.25 times) of senior debt service coverage during the fiscal year. As of June 30, 2020, the District had net revenues equal to 4.3 times senior debt service coverage.

Prior to FY 2003-04, the District's outstanding debt was all in a variable rate mode and the Board of Directors took certain actions to manage and mitigate the interest rate risk. The District's practice is to maintain a target amount of investment assets equal to at least 75% of the District's outstanding unhedged variable rate debt. In addition, in 2004 the District began an interest rate swap program under which LIBOR-based fixed payer interest rate swaps were executed to hedge a portion of the District's variable rate exposure. The current \$60 million notional amount of outstanding interest rate swaps allow the District to limit the interest rate risk exposure on approximately \$89.5 million of its remaining tax-exempt variable rate debt to 3.81% (assuming a historical ratio for the tax-exempt SIFMA Index versus taxable 1-month LIBOR of 67%).

In FY 2010-11, the District issued \$175 million of general obligation fixed rate debt utilizing the taxable Build America Bond (BABs) program. BABs, created under the American Recovery and Reinvestment Act, are taxable bonds with subsidy payments made by the Treasury Department to issuers equaling 35% of the interest costs. In FY 2019-20, Federal subsidy payments were cut by 5.9% under congressionally mandated sequestration. As a result of the reduced subsidy payments, the net interest rate for the District's BABs issue increased from 4.30% to 4.44%.

Risk Management

The District utilizes a combination of self-insurance and third-party liability insurance to minimize loss exposures from property claims, 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. Various control techniques used to minimize loss include, but are not limited to, regular employee safety meetings and training sessions, the use of uniform language in contracts designed to limit or prevent liability exposure, general risk assessments, and the development of emergency plans, including a business continuation plan.

The District engages an outside firm annually to evaluate the District's network security. The annual external network security and cybersecurity assessments and ongoing staff education and awareness are just a few of the ongoing efforts by the District to safeguard information.

Major Initiatives

The District's major initiatives during FY 2019-20 include continuing programs to secure water supplies, as well as expanding sewage treatment capacity and diverting sewage flows, water education programs, and the continuing implementation of the Water Use Efficiency Plan.

Water Supply Reliability

Groundwater Program

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 IRWD's portion of the Orange County Ground Water Basin, additional local groundwater production, and to have enough capacity to meet demands during outage conditions. Currently, the District meets these goals and has the ability to produce approximately 45,000 – 50,000 acre feet per year (AFY) of potable groundwater and 4,000 – 5,000 AFY of non-potable groundwater.

Water Banking

In addition to developing its local groundwater and recycled water systems, the District is further improving its water supply reliability by developing and operating 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 IRWD Water Bank). The IRWD's Water Bank is situated on groundwater recharge lands that overlie the regional Kern County groundwater basin. The purpose of the IRWD 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. The IRWD Water Bank enhances the District's ability to respond to drought conditions and potential water supply interruptions and enables 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 IRWD Water Bank on behalf of the District and permits the District: (i) to store up to 126,000 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 groundwater recharge ponds and related facilities at its IRWD Water Bank that are necessary to divert water from an adjacent canal into the ponds. Groundwater wells have been constructed on the Strand Ranch and Stockdale West properties. The District, in partnership with Rosedale and others, has also constructed additional wells that will increase the ability to recover water from the IRWD Water Bank during peak summer demand periods. The District has secured water from a number of sources for recharge at the IRWD Water Bank.

The District has entered into agreements with Metropolitan Water District of Southern California (MWD) which allows it to transfer water from the IRWD Water Bank into the District's service area. The District recovered and delivered approximately 1,000 acre feet from the Water Bank in FY 2015-16.

Since 2010, the District has delivered a total of approximately 78,871 acre feet of water to the IRWD Water Bank through its water supply partnerships. The District has returned its partner's share of the water and holds approximately 36,000 acre feet of water in storage for future use in IRWD's service area. The District is currently pursuing additional potential water supply opportunities for diversion into the IRWD Water Bank.

Kern Fan Groundwater Storage Project

The Kern Fan Groundwater Storage Project (Kern Fan Project) will become a regional water bank in the Kern Fan area to capture, recharge and store Article 21 water from the State Water Project (SWP) and other water supplies during wet hydrologic periods. The project is a joint venture between IRWD and Rosedale-Rio Bravo Water Storage District. The stored water would be extracted when needed to provide ecosystem, emergency supply and water supply benefits. IRWD's share of the Kern Fan Project would be used in conjunction with the Strand Ranch and Stockdale Integrated Banking Projects to meet IRWD's contingency storage needs at build-out. IRWD's goal for contingency storage is to secure supplies adequate to backfill the loss of imported supplies for three consecutive years. The Kern Fan Project, along with the IRWD Water Bank will allow IRWD to meet this goal.

In August 2017, IRWD and Rosedale jointly submitted a grant application to the California Water Commission (CWC) for the proposed Kern Fan Project. The application sought Proposition 1 funds available from the CWC through the Water Storage Investment Program (WSIP). In July 2018, the

CWC conditionally awarded \$67.5 million to the Kern Fan Project. The District is currently pursuing additional funding opportunities.

Water Rights

The District also owns property with rights to State Water Project water which can be stored in the IRWD Water Bank. The water is available as a result of the District's acquisition of property located within the Dudley Ridge Water District, including the rights to use approximately 1,750 acre feet of Table A State Water Project water allocated to Dudley Ridge. The District can store its Table A water in the IRWD Water Bank with half of the water being available for future use in the District's service area. The acquisition also includes certain participation rights in the Kern Water Bank allowing the District to store up to approximately 9,500 acre feet of water.

The District owns approximately 3,100 acres of agricultural land (PVID Properties) in Riverside County, California. IRWD's PVID Properties are located within Palo Verde Irrigation District (PVID), which has first priority rights on the Colorado River. Approximately 969 acres of the land are included in a Metropolitan Water District of Southern California (MWD) and 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 District has leased the PVID Properties to tenant farmers for agricultural uses.

Syphon Recycled Water Seasonal Storage Facility

Syphon Reservoir, located in the northern portion of Irvine, is an existing water storage reservoir that had been used historically for agricultural purposes. The District purchased Syphon Reservoir in January 2010, and in 2015 completed the process of converting the reservoir into a recycled water seasonal storage facility. Seasonal storage reservoirs allow the District to store excess recycled water produced in the winter months for use in higher demand summer months. This approach increases water reliability by reducing the District's dependency on imported water from MWD used to supplement the recycled water system.

In 2013, the District completed a feasibility study to increase storage capacity in Syphon Reservoir from its current capacity of 450 acre feet to 5,000 acre feet. Additional storage capacity would allow the District to utilize more of the recycled water it produces. An expansion of Syphon Reservoir to 5,000 acre feet would allow for recycling 100% of the sewage flows tributary to MWRP and would reduce the District's need to supplement the recycled water system with imported water. The District recently completed initial geotechnical investigations associated with the reservoir expansion project and anticipates proceeding with the design phase of the expanded reservoir next year.

Expanded Water Recycling Options, Resource Recovery and System Reliability

The District is continuing its program to increase the reliability of the sewage system by diversifying treatment options and increasing the reliability of critical sewage collections facilities. The goals of the program are to collect sewage in the most cost effective method available, create a high quality and reliable recycled water supply for irrigation and commercial uses and minimize environmental impacts and risks. Sewage collected throughout the District is treated at three locations: The Michelson Water Recycling Plant (MWRP), the Los Alisos Water Recycling Plant (LAWRP) and at the Orange County Sanitation District (OCSA). The District owns and operates the MWRP and LAWRP and owns capacity in the OCSA facilities.

The most recent example of expanded water recycling reliability is a major capacity expansion of the MWRP from 18 million gallons per day (mgd) to 28 mgd, completed in 2014. The two plants operated by the District currently have capacities of 28 (MWRP) and 7.5 (LAWRP) mgd, with a collective capacity of 35.5 mgd. Expanding existing infrastructure for sewage treatment has four primary benefits including:

- Increased recycled water production and utilization.
- Decreased exposure to third party treatment costs and operational constraints.
- Decreased dependencies on imported water supplies.
- Lower total cost.

In addition to the projects identified above, the District evaluated alternative approaches to recover the solids generated by its water recycling facilities. The evaluation of alternative approaches for handling MWRP solids, currently conveyed to Fountain Valley for treatment by OCSD, included consideration of many factors such as costs and potential community impacts.

As a result, in FY 2013-14, the District began construction of new capital facilities at the MWRP which integrates a new state-of-the-art organic handling system. The system makes efficient and sustainable use of locally generated renewable resources by creating a beneficial use of biosolids and biogases that



Biosolids and Energy Recovery Facilities

are produced during the sewage treatment/recycling process. This project aligns with green and sustainable business practices, while at the same time creating an effective cost management of sewage/recycling services for IRWD customers.

The biosolids treatment process allows for the conversion of biogas into electricity thereby further reducing the District's dependency on its third party electricity provider. The construction of the MWRP Biosolids and Energy Recovery Facilities is completed and the facilities are anticipated to be fully operational by December 2020 at an estimated project cost in excess of \$200 million.

Community Education and Outreach

Lifelong water education and outreach are important tools for fostering a better appreciation and understanding of water issues. And that doesn't change in a pandemic. Irvine Ranch Water District took a nimble approach in 2020 — moving traditional in-person community events, workshops and children's education programs onto a variety of online and digital platforms, continuing to inform customers and the next generation of leaders about the importance of water to our lives and communities.

A longstanding educational partnership with Discovery Science Foundation was transformed. School assemblies and field trips for Kindergarten through 7th graders were replaced with recorded virtual workshops and presentations on a dedicated website. This content includes fun and educational activities students can do at home, and grade-appropriate workbooks that teach to state standards.



Discovery Cube Workshop

Video virtual tours of the District’s San Joaquin Marsh and Wildlife Sanctuary and Michelson Water Recycling Plant were created to provide an engaging experience that is available on demand and can be presented to audiences in live webinars. This enables a dynamic exchange and Q&A format while harnessing the educational power of video. The digital aspect of this programming lends itself to being shared on a variety of platforms to unlimited audiences. These tools will be integrated into outreach strategies well into the future.

Workshops on water efficiency, leak detection, drought-friendly plants, and gardening were also presented live via WebEx and other virtual platforms.

During the pandemic, it is important for customers to know how to receive service while maintaining social distance. Therefore, District websites — IRWD.com, RightScapeNow.com and RightScapeResources.com — were enhanced with quick links and answers to customer questions. This included information on policies and procedures, as well as help with leak detection, rebates, native plant palettes and water-efficient gardening techniques.

IRWD launched a quarterly digital gardening newsletter, “The Dirt,” which provides educational articles to inspire customers to beautify their home landscape while saving water. The District also prepared a monthly gardening column and a “California Native Plant of the Month” feature for a local newspaper, the Irvine Standard.

And because nothing can replace seeing something in person, a new demonstration garden was created at the District headquarters, featuring Kurapia — a ground cover that functions like a grass lawn but uses considerably less water.

Two campaigns were launched to communicate the value of water, and the many benefits of transforming a lawn to a drought-tolerant landscape. A video campaign featuring a Tyrannosaurus rex playing air guitar with a garden hose spewing water on a lawn provided a humorous look at the past, when lawns and inefficient watering techniques wasted water. A print and digital campaign promoted the beauty of drought-tolerant landscapes and the District’s financial incentives — up to \$10,000 for replacing turf with water-efficient flowers, succulents and California natives.

These changes increased awareness and participation in District programs and resulted in IRWD’s success in meeting its state-mandated drinking water efficiency targets.

Finally, in 2020, Irvine Ranch Water District was recognized by water professionals and executives around the nation as a Utility of the Future, a formal designation granted to agencies that have demonstrated forward-thinking, innovative approaches to trends in the industry. The honor was granted in recognition of the District’s recycled water programs and infrastructure. This program is sponsored

by the National Association of Clean Water Agencies, Water Environment Federation, Water Research Foundation, and WateReuse, with support from the United States Environmental Protection Agency.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Irvine Ranch Water District for its comprehensive annual financial report (CAFR) for the fiscal years ended June 30, 2004 through June 30, 2019. In order to be awarded a Certificate of Achievement, IRWD was required to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

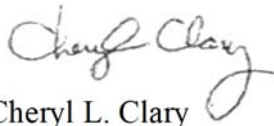
A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

Staff would like to acknowledge the IRWD Board of Directors for their support and for maintaining the highest standards of professionalism in the management of the District's operations and finances. We would also like to thank the dedicated employees of the District for their commitment to providing high quality service to the District's customers. The preparation of this report would not have been possible without the efficient and dedicated service of the entire Finance Department staff. We also wish to express our appreciation to all staff that assisted and contributed to the preparation of this report.

Respectfully submitted,



Paul A. Cook
General Manager



Cheryl L. Clary
Executive Director of Finance & Administration

Irvine Ranch Water District
List of Principal Officials

Board of Directors

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

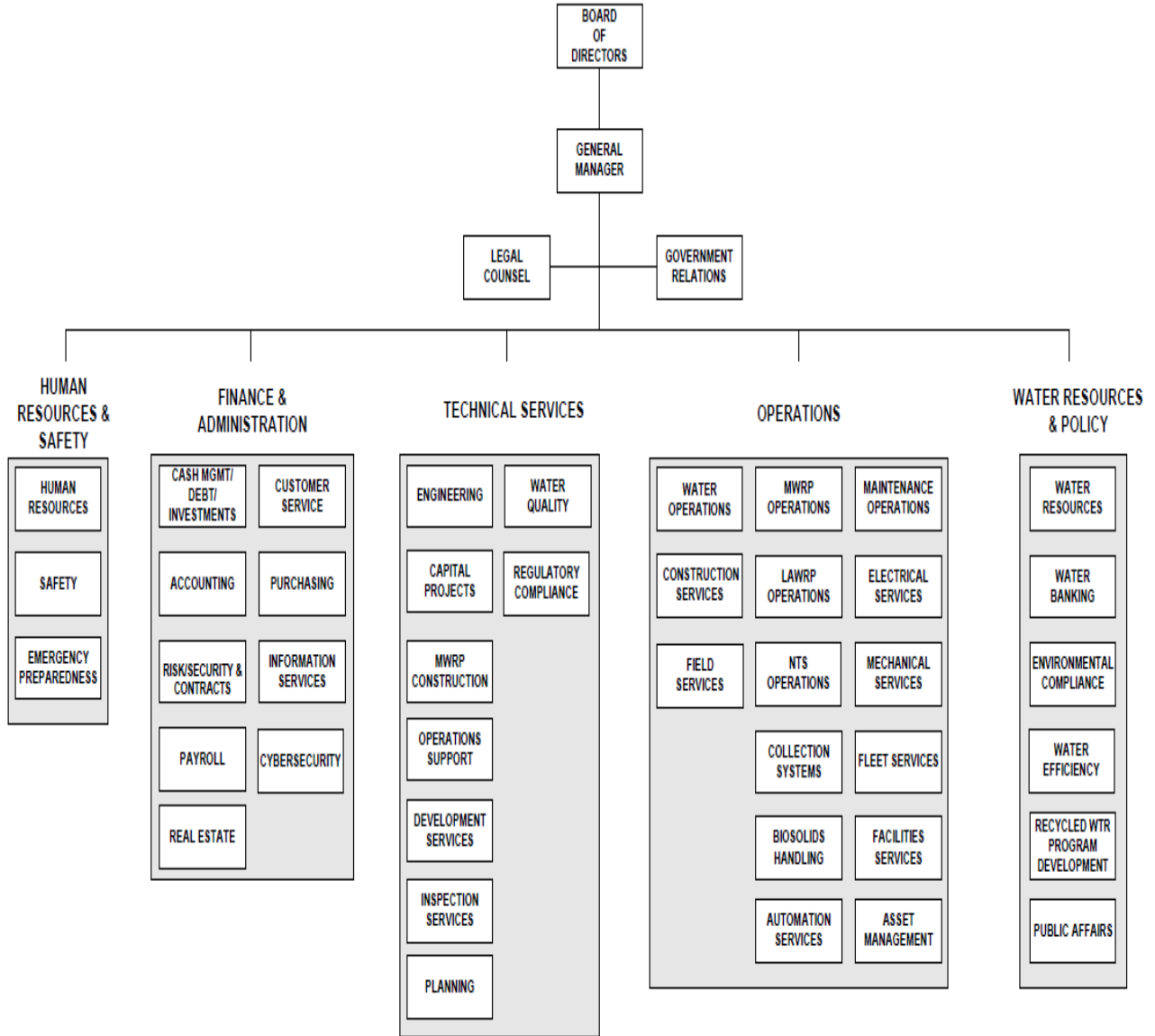
Executive Management

General Manager	Paul A. Cook
Executive Director of Finance & Administration	Cheryl L. Clary
Executive Director of Operations	Wendy L. Chambers
Executive Director of Engineering & Water Quality	Kevin L. Burton
Executive Director of Water Resources & Policy	Paul A. Weghorst
Director of Human Resources	Jenny L. Roney
Director of Water Resources	Fiona M. Sanchez
Director of Public Affairs	Beth M. Beeman
Director of Information Services	Tom J. Malone
Director of Treasury and Risk Management	Robert C. Jacobson
Director of Recycling Operations	Jose Zepeda
Director of Maintenance	Richard S. Mykitta
Director of Water Quality & Regulatory Compliance	James E. Colston

Irvine Ranch Water District

Organizational Chart (By Function)

Fiscal Year 2019-20





Government Finance Officers Association

Certificate of
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for Excellence
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Presented to

**Irvine Ranch Water District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

Financial Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2020

Independent Auditors' Report

Board of Directors
Irvine Ranch Water District
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of Irvine Ranch Water District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Irvine Ranch Water District, as of June 30, 2020, and the respective change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of contributions – defined benefit pension plan, schedule of changes in the OPEB liability and related ratios, and schedule of contributions – OPEB* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Board of Directors
Irvine Ranch Water District
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November XX, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Irvine, California
November XX, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Irvine Ranch Water District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. This section should be read in conjunction with the basic financial statements and notes to the basic financial statements, which follow this analysis.

Financial Highlights:

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$1,991.8 million (net position), consisting of \$1,283.8 million in net investment in capital assets, \$350.0 million restricted for water services and \$358.0 million restricted for sewer services. This is an increase of \$63.8 million or 3.3 percent over the prior fiscal year net position of \$1,928.0 million.
- Total assets are \$2,816.5 million, an increase of \$54.0 million or 2.0 percent over the prior fiscal year. This is due primarily to a \$29.1 million increase in the District's net capital assets. The District added \$92.8 million in water and sewer assets during the year partially offset by an increase of \$63.4 million in accumulated depreciation.
- Total liabilities are \$868.4 million, a decrease of \$2.8 million or 0.3 percent from the prior year. Liabilities consist primarily of \$706.1 million of debt, net pension and OPEB liabilities of \$86.7 million, swap liability of \$27.0 million and accounts payable and other liabilities of \$48.6 million. The total decrease over the prior year is due primarily to \$13.4 million in principal debt payments during the fiscal year partially offset by increases in the pension, OPEB, and swap liabilities.
- The Irvine Ranch Water District Post-Employment Benefits Trust (Pension Benefits Trust) was established in June 2013 to assist in funding the District's CalPERS unfunded liability. As of June 30, 2020, the District's total pension assets (including the CalPERS and Pension Benefits Trust assets) as a percentage of the total pension liability is 103.4 percent. For more detail, see Note 13 of the Notes to the Basic Financial Statements.
- Total revenues are \$274.0 million, a decrease of \$9.5 million or 3.4 percent over the prior fiscal year. Operating revenues decreased \$3.5 million due primarily to lower water banking storage revenues and lower sales to customers. The was partially offset by a board approved rate increase. Non-operating revenues decreased \$6.0 million due primarily to decreases in the fair value of investments and real estate assets.
- Total expenses are \$256.6 million, an increase of \$10.8 million or 4.4 percent over the prior fiscal year. Operating expenses increased \$15.3 million due primarily to higher sewer costs associated with sending increased sewage flows to the District's third- party provider OCSD, higher labor and benefits, increased costs associated with the water banking program, and higher imported water purchases. Non-operating expenses decreased by \$4.5 million due to lower interest and real estate expenses.
- Capital contributions are \$46.4 million, a decrease of \$3.0 million or 6.1 percent over the prior fiscal. Connection fees paid by developers were \$7.3 million lower due to a slowdown in the building industry partially offset by a \$5.6 million increase in facilities completed and donated from developers to the District.

More detailed analysis about the overall District's financial position and operations is provided in the following sections.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements:

The basic financial statements of the District consist of the financial statements (the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) and notes to the basic financial statements. The basic financial statements are prepared using the accrual basis of accounting. This report also contains other supplementary information in addition to the basic financial statements.

Statement of Net Position depicts the District's financial position at June 30, the end of the District's fiscal year. The statement of net position shows all financial assets and liabilities of the District. Net position represents the District's residual interest after liabilities and deferred inflows of resources are deducted from assets and deferred outflows of resources. Net position is displayed in two components: net investment in capital assets and restricted for water and sewer services.

Statement of Revenues, Expenses and Changes in Net Position provides information on the District's operations and can be used to determine whether the District has recovered all of its costs through operating and non-operating revenues.

Statement of Cash Flows provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities.

Notes to the Basic Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

The **Other Information** includes *required supplementary information* concerning the District's progress in funding its obligations to provide pension and other post-employment benefits to its employees.

Financial Analysis of the District:

The following condensed schedules contain summary financial information extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this Management's Discussion and Analysis (MD&A). Increases or decreases in these schedules can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. Other external factors such as changes in economic conditions, customer growth, and legislative mandates should also be considered as part of this analysis.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Financial Position Summary:

The Statement of Net Position reflects the District’s financial position as of June 30. The statement includes assets, deferred outflow of resources, liabilities, and deferred inflows of resources. The net position represents the District’s net worth including, but not limited to, capital contributions and net investment in capital assets. A condensed summary of the District’s total net position at June 30 is set forth below:

Table 1 - Summary of Net Position (in millions)				
	2020	2019	Increase/(Decrease)	
			Amount	Percentage
Assets				
Current assets	\$ 414.6	\$ 407.5	\$ 7.1	1.7%
Capital assets, net	1,987.8	1,958.7	29.1	1.5%
Other noncurrent assets	414.1	396.3	17.8	4.5%
Total assets	2,816.5	2,762.5	54.0	2.0%
Deferred Outflows of Resources	47.6	41.2	6.4	15.5%
Liabilities				
Current liabilities	56.0	53.8	2.2	4.1%
Long-term liabilities	812.4	817.4	(5.0)	-0.6%
Total liabilities	868.4	871.2	(2.8)	-0.3%
Deferred Inflows of Resources	3.9	4.5	(0.6)	-13.3%
Net Position				
Net investment in capital assets	1,283.8	1,238.8	45.0	3.6%
Restricted for water services	350.0	313.0	37.0	11.8%
Restricted for sewer services	358.0	376.2	(18.2)	-4.8%
Total net position	\$1,991.8	\$1,928.0	\$63.8	3.3%

As shown in Table 1, the District’s total assets increased \$54.0 million or 2.0 percent during the current fiscal year. Current assets increased \$7.1 million. Amounts due from other agencies relating to cash deposits held by the Orange County Sanitation District (OCSD), the District’s third party provider for excess sewage flows, increased by \$33.8 million based on the agreements between the two agencies for future obligations. This is partially offset by a \$26.7 million decrease in cash and investment balances.

Capital assets increased \$29.1 million or 1.5 percent during the current fiscal year. The District added \$92.8 million in water and sewer assets during the year partially offset by an increase of \$63.4 million in accumulated depreciation. The largest capital spending during the year was \$13.1 million for the Michelson Water Recycling Plant Biosolids and Energy Recovery Facilities project, a multiple year project with a total cost in excess of \$200 million and \$5.8 million for the 3.7 mg Zone 1 Reservoir construction project.

Other noncurrent assets increased \$17.8 million or 4.5 percent during the current fiscal year. Noncurrent assets include the District’s real estate investments and the pension benefits trust investments which was established in 2013 to help fund the District’s pension liability. The fair value of real estate investments increased by \$13.1 million due primarily to building construction costs for the Sand Canyon General Office building and a \$3.5 million increase in interest due from a loan to Lennar Homes of California, Inc. (Lennar) for the 2017 sale of the IRWD’s Serrano Summit property located in Lake Forest. These are partially offset by \$5.1 million in principal payments on the loan due from Lennar. In addition, the fair value of the District’s pension benefits trust investments increased \$4.7 million during the current fiscal year.

The District’s deferred outflows of resources increased by \$6.4 million or 15.5 percent over the prior fiscal year. This is due primarily to a \$6.4 million increase in accumulated losses associated with the

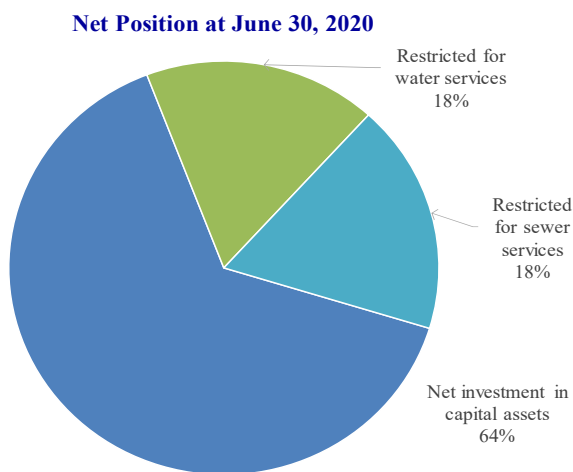
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

fair value of interest rate swaps and a \$1.3 million increase in pension and post-employment (OPEB) contributions. These were partially offset by a \$1.2 million decrease in pension and OPEB actuarial changes in assumptions and experience.

The District's total liabilities decreased \$2.8 million or 0.3 percent in the current fiscal year. This was due primarily to \$13.4 million in principal payments of the District's general obligation bonds, certificates of participation, and notes payable during the year. The decrease partially offset by a \$6.4 million increase in accumulated losses associated with the fair value of interest rate swaps and a \$4.3 million increase in pension liability.

The District's deferred inflows of resources decreased \$0.6 million or 13.3 percent in the current fiscal year. This was due to pension and OPEB actuarial related changes in assumptions and experience.

Net position at end of the current fiscal year increased \$63.8 million or 3.3 percent in the current fiscal year. Net position consists of net investment in capital assets and restricted net positions.



Net investment in capital assets are capital assets, net of accumulated depreciation/amortization and liabilities (such as debt) attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets was \$1,283.8 million or 64.5 percent of total net position, an increase of \$45.0 million from the prior fiscal year. The change is due primarily to \$29.1 million in net capital asset additions, \$13.4 million of debt principal payments and \$2.6 million amortization of premiums in the current fiscal year.

Several major District capital projects contributed to the increase, including \$13.1 million for the Michelson Water Recycling Plant Biosolids and Energy Recovery Facilities project which will reduce the District's overall sewage treatment costs as well as provide other resource recovery benefits and \$5.8 million for a reservoir construction project. These projects account for 42.0 percent of the increase in net investment in capital assets.

Restricted net position for water services was \$350.0 million or 17.6 percent of total net position. Restricted net position for sewer services was \$358.0 million or 18.0 percent of total net position. Restricted net positions are externally restricted by legislation which imposes legally enforceable requirements that District assets be used only for the specific purposes for which it was formed.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Activities and Changes in Net Position:

The Statement of Revenues, Expenses, and Changes in Net Position summarizes the District's operations during the current fiscal year. A Summary of the District's changes in net position for the fiscal years ended June 30, is included in Table 2 below:

Table 2 - Revenues, Expenses and Changes in Net Position (in millions)				
	2020	2019	Increase/(Decrease)	
			Amount	Percentage
Operating revenues				
Water sales and service charges	\$ 90.2	\$ 94.1	\$(3.9)	-4.1%
Sewer sales and service charges	77.2	76.8	0.4	0.5%
Total operating revenues	167.4	170.9	(3.5)	-2.0%
Non-operating revenues				
Property taxes	66.4	63.1	3.3	5.2%
Interest income	7.8	6.2	1.6	25.8%
Increase (decrease) in fair value of investments	2.3	5.2	(2.9)	-55.8%
Real estate income	18.2	17.8	0.4	2.2%
Increase (decrease) in fair value of real estate investments	0.5	6.1	(5.6)	-91.8%
Pension benefits trust interest and dividends income	3.3	2.1	1.2	57.1%
Increase (decrease) in fair value of pension benefits trust investments	1.5	3.2	(1.7)	-53.1%
Other income	6.6	8.9	(2.3)	-25.8%
Total non-operating revenues	106.6	112.6	(6.0)	-5.3%
Total revenues	274.0	283.5	(9.5)	-3.4%
Operating expenses				
Water services expenses	89.3	83.9	5.4	6.4%
Sewer services expenses	66.6	59.5	7.1	11.9%
Depreciation	67.6	64.8	2.8	4.3%
Total operating expenses	223.5	208.2	15.3	7.3%
Non-operating expenses				
Interest expense	22.2	25.5	(3.3)	-12.9%
Real estate expense	5.6	9.4	(3.8)	-40.4%
Other expense	5.3	2.7	2.6	96.3%
Total non-operating expenses	33.1	37.6	(4.5)	-12.0%
Total expenses	256.6	245.8	10.8	4.4%
Income/(loss) before capital contributions	17.4	37.7	(20.3)	-53.8%
Capital contributions	46.4	49.4	(3.0)	-6.1%
Change in net position	63.8	87.1	(23.3)	-26.8%
Beginning net position	1,928.0	1,840.9	87.1	4.7%
Ending net position	\$1,991.8	\$1,928.0	\$63.8	3.3%

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Revenues:

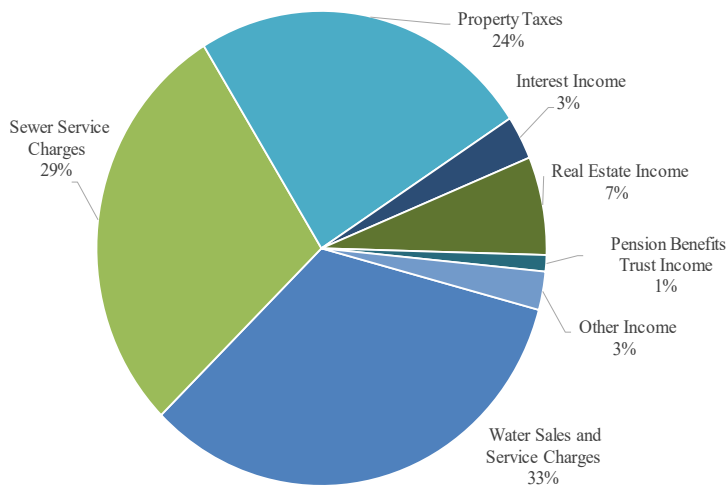
As shown in Table 2, the District’s operating revenues total \$167.4 million or 61.1 percent of total revenues. Water sales contributed \$90.2 million or 53.9 percent to total operating revenues and sewer sales contributed \$77.2 million or 46.1 percent to total operating revenues. Operating revenues decreased by \$3.5 million or 2.0 percent from the prior fiscal year. This is primarily due to a \$5.4 million decrease of water banking storage revenues from prior years associated with providing storage to other water banking partners. A Board approved rate increase generated an additional \$3.4 million and was partially offset by a reduction in revenue of \$1.1 million due to lower sales.

The chart below illustrates the sources of revenue for the fiscal year ended June 30, 2020.

Non-operating revenues total \$106.6 million and account for 38.9 percent of total revenue for the fiscal year ended June 30, 2020. This is a decrease of \$6.0 million or 5.3 percent from the prior fiscal year. The decrease in the current fiscal year is due to:

- A decrease of \$5.6 million in changes in the fair value of the real estate investments.
- A decrease of \$4.6 million in the fair value of the District’s fixed income investments and Pension Benefit Trust.
- A decrease of \$2.3 million in other non-operating income, primarily plan checks fees due to a slow-down in development.
- An increase of \$3.3 million in on higher assessed values in the Distr
- An increase of \$3.2 million in the investments and Pension Benefit Trust).

Revenues for Fiscal Year Ended June 30, 2020
(excluding changes in fair value of investments, real estate investments, and pension benefits trust investments)



Expenses:

As shown in Table 2, operating expenses total \$223.5 million, of which \$155.9 million relates to the cost of providing water and sewer services to the District’s customers. Water service operating costs are 99.0 percent of revenues and sewer service operating costs are 86.3 percent of revenues. Water and sewer operating expenses, excluding depreciation, increased by \$12.5 million or 8.7 percent over the prior fiscal year.

Water expenses totaled \$89.3 million, an increase of \$5.4 million or 6.4 percent primarily due to:

- An increase of \$2.6 million in operating costs associated with the water banking program.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Expenses (Continued):

- An increase of \$2.4 million in water costs due primarily to higher imported water purchases.
- An increase of \$1.7 million in labor and benefits for treated and untreated water treatment and systems maintenance.
- A decrease of \$0.8 million in expensed water projects related to the District’s capital program.
- A decrease of \$0.7 million relating to the District’s conservation programs. The District incurred more costs on various programs in the prior fiscal year.
- Other net increases of \$0.2 million.

Sewer service expenses totaled \$66.6 million, an increase of \$7.1 million or 11.9 percent over the prior fiscal year. The increase is due primarily to:

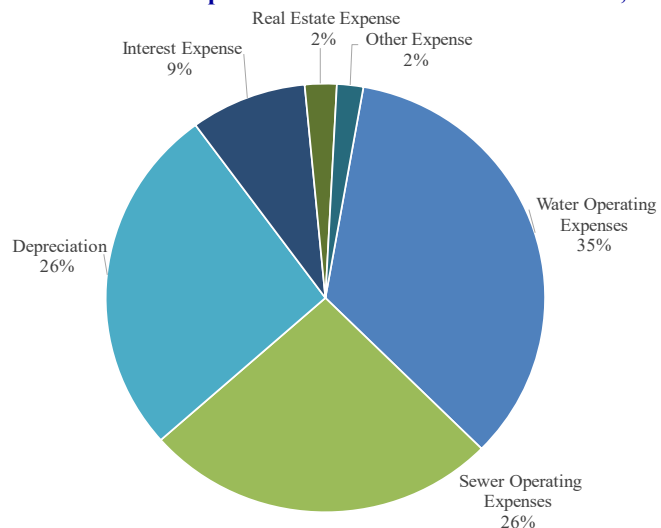
- An increase of \$5.1 million in the cost of handling, treatment, and disposal of sewage solids sent to the District’s third- party provider (OCSD) due to higher flows attributable to more rainfall than the prior year.
- An increase of \$1.3 million in labor and benefits for sewage treatment and recycled water system maintenance.
- Other net increases of \$0.7 million.

Depreciation expense totaled \$67.6 million, an increase of \$2.8 million or 4.3 percent over the prior fiscal year. The increase is the result of the completion of several capital projects.

Non-operating expenses totaled \$33.1 million, a decrease of \$4.5 million or 12.0 percent from the prior year primarily due to:

- A decrease of \$3.8 million in real estate expense for remaining contractual development obligations related to the Serrano Summit real estate property.
- A decrease of \$3.3 million in interest expense associated with a \$2.0 million reduction in net interest rate swap payments due to maturity of \$70.0 million of swaps in the prior year and a \$1.1 million reduction in interest expense on the District’s debt.
- An increase of \$2.6 million in other assets in the current fiscal year.

Functional Expenses for Fiscal Year Ended June 30, 2020



Capital Contributions:

Capital contributions totaled \$46.4 million, a decrease of \$3.0 million or 6.1 percent from the prior fiscal year. Connection fees paid by developers was \$10.9 million, a decrease of \$7.3 million from the prior year due to a slowdown in the building industry. The District also received \$1.2 million less from grants / contributions from federal, state, and local agencies compared to the prior year. Donated facilities from developers increased \$5.6 million due to a high number of projects that were completed and donated to the District.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Capital Assets:

The District’s investment in capital assets consists of the following as of June 30:

	2020	2019	Increase/(Decrease)	
			Amount	Percentage
Water assets	\$1,188.4	\$1,135.1	\$53.3	4.7%
Sewer assets	1,332.4	1,292.9	39.5	3.1%
Less: accumulated depreciation	(989.0)	(925.6)	(63.4)	6.8%
Land and water rights	125.6	125.3	0.3	0.2%
Construction in progress	330.4	331.0	(0.6)	-0.2%
Total	\$1,987.8	\$1,958.7	\$29.1	1.5%

Capital assets, net of depreciation increased \$29.1 million or 1.5% in the current fiscal year. Construction in Progress added \$109.1 million during the current fiscal year. Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2020 were \$109.7 million. The District’s accumulated depreciation increased by \$63.4 million for depreciation expense in the current fiscal year. The following is a list of the top 10 capital projects expenditures which accounted for 41.8 percent of total capital assets additions incurred in the current fiscal year (in millions):

<u>Project Description</u>	<u>Amount</u>
MWRP Biosolids and Energy Recovery Facilities	\$13.1
3.7 MG Zone 1 Reservoir	5.8
Syphon Reservoir Improvements	3.6
Eastwood Recycled Water Pump Station Zone A-C	3.6
Meter Services and Main Pipelines Replacement Program FY19/20	3.5
Improvement District 1530 Domestic Water Program	2.4
Irvine Lake Pipeline North Conversion	2.2
Meter Replacement Program FY19/20	1.7
Eastwood Recycled Water Pump Station Zone A-B	1.5
Rattlesnake Pump Station Zone A	1.3
Total	<u>\$38.7</u>

Additional information on the District’s capital assets can be found in Note 5 of the Notes to the Basic Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Administration:

As shown below in Table 4, as of June 30, 2020, the District had total debt outstanding of \$706.0 million, a decrease of \$16.1 million or 2.2 percent from the prior fiscal year.

	2020	2019	Increase/(Decrease)	
			Amount	Percentage
General obligation bonds	\$562.6	\$574.7	\$(12.1)	-2.1%
Certificates of participation	143.0	146.7	(3.7)	-2.5%
Notes payable	0.4	0.7	(0.3)	-42.9%
Total	\$706.0	\$722.1	\$(16.1)	-2.2%

During the current fiscal year, the decreases in the District's total debt were primarily due to \$13.4 million in debt payments and \$2.7 million of premium amortization. The District's rated debt obligations have received the following ratings from the three major rating agencies:

Fitch Ratings:	AAA
Moody's:	Aa1
Standard and Poor's:	AAA

Additional information on the District's long-term debt can be found in Note 9 of the Notes to the Basic Financial Statements.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general review of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director of Finance and Administration at the Irvine Ranch Water District, 15600 Sand Canyon Avenue, Irvine, California 92618-7500.

Irvine Ranch Water District
Statement of Net Position
June 30, 2020
(with comparative data as of June 30, 2019)
(in thousands)

	2020	2019
ASSETS		
Current Assets:		
Cash and Investments (note 2)	\$ 347,261	\$ 374,003
Receivables:		
Customer accounts receivable	8,929	9,838
Interest receivable	1,471	1,717
Notes receivable, current portion	75	69
Due from other agencies (note 8)	33,773	0
Other receivables	4,140	5,226
Total receivables	48,388	16,850
Other Current Assets:		
Inventories (note 4)	17,383	16,166
Prepaid items and deposits	1,607	526
Total other current assets	18,990	16,692
Total current assets	414,639	407,545
Noncurrent Assets:		
Capital Assets (note 5):		
Water assets	1,188,464	1,135,101
Sewer assets	1,332,384	1,292,861
Subtotal	2,520,848	2,427,962
Less accumulated depreciation	(989,034)	(925,571)
Total capital assets being depreciated, net	1,531,814	1,502,391
Land and water rights	125,598	125,316
Construction in progress	330,388	330,957
Total capital assets, net	1,987,800	1,958,664
Other Noncurrent Assets:		
Notes receivable, net of current portion	543	622
Real estate investments (note 7)	330,427	317,296
Pension benefits trust investments (notes 2 & 13)	83,103	78,389
Total other noncurrent assets	414,073	396,307
Total noncurrent assets	2,401,873	2,354,971
TOTAL ASSETS	2,816,512	2,762,516
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding charges	2,111	2,266
Accumulated decrease in fair value of swap agreements (note 3)	27,042	20,655
Pension contributions (note 13)	8,429	7,184
Pension actuarial changes (note 13)	7,068	8,792
OPEB contributions (note 14)	831	721
OPEB actuarial changes (note 14)	2,136	1,575
TOTAL DEFERRED OUTFLOWS OF RESOURCES	47,617	41,193

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Net Position
June 30, 2020
(with comparative data as of June 30, 2019)
(in thousands)
(Continued)

	2020	2019
LIABILITIES		
Current Liabilities:		
Account payable and accrued expenses	24,136	24,537
Customer deposits and advance payments	4,597	3,607
Accrued interest:		
General obligation bonds	3,630	3,943
Other accrued interest payable	2,890	2,556
Current portion of long-term liabilities:		
General obligation bonds (note 9)	12,224	12,024
Certificates of participation (note 9)	4,796	3,716
Notes payable (note 9)	72	265
Other long term liabilities (note 9)	2,298	2,070
Unearned revenue (note 10)	565	565
Claims liability (note 17)	791	570
Total current liabilities	55,999	53,853
Long-Term Liabilities:		
General obligation bonds, net of current portion (note 9)	550,421	562,645
Certificates of participation, net of current portion (note 9)	138,232	143,028
Notes payable, net of current portion (note 9)	347	419
Other long-term liabilities (note 9)	3,921	3,491
Unearned revenue, net of current portion (note 10)	4,828	5,392
Claims liability, net of current portion (note 17)	947	947
Net pension liability (note 13)	68,467	64,137
OPEB liability (note 14)	18,234	16,672
Swap liability (note 3)	27,042	20,654
Total long-term liabilities	812,439	817,385
TOTAL LIABILITIES	868,438	871,238
DEFERRED INFLOWS OF RESOURCES		
Pension actuarial changes (note 13)	2,929	3,273
OPEB actuarial changes (note 14)	985	1,196
TOTAL DEFERRED INFLOWS OF RESOURCES	3,914	4,469
NET POSITION (note 12)		
Net investment in capital assets	1,283,819	1,238,834
Restricted for water services	350,032	312,955
Restricted for sewer services	357,926	376,213
TOTAL NET POSITION	\$1,991,777	\$1,928,002

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2020
(with comparative data for the Fiscal Year Ended June 30, 2019)
(in thousands)

	2020	2019
OPERATING REVENUES		
Water sales and service charges	\$ 90,213	\$ 94,107
Sewer sales and service charges	77,187	76,841
Total operating revenues	167,400	170,948
OPERATING EXPENSES		
Water:		
Water services	67,792	64,004
General and administrative	21,600	19,860
Sewer:		
Sewer services	49,497	43,734
General and administrative	17,106	15,786
Depreciation	67,554	64,835
Total operating expenses	223,549	208,219
Operating income (loss)	(56,149)	(37,271)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	66,375	63,057
Interest income	7,790	6,199
Increase (decrease) in fair value of investments	2,319	5,188
Real estate income (note 7)	18,175	17,813
Increase (decrease) in fair value of real estate investments (note 7)	552	6,095
Pension benefits trust interest and dividends income	3,274	2,140
Increase (decrease) in fair value of pension benefits trust investments	1,500	3,196
Other income	6,606	8,876
Interest expense	(22,167)	(25,481)
Real estate expense (note 7)	(5,627)	(9,441)
Pension benefits trust expense	(61)	(53)
Other expenses	(5,239)	(2,615)
Total nonoperating revenues (expenses)	73,497	74,974
Income (loss) before capital contributions	17,348	37,703
CAPITAL CONTRIBUTIONS		
Donated facilities	34,439	28,867
Connection fees	10,943	18,205
Other	1,045	2,274
Total capital contributions	46,427	49,346
Increase (decrease) in net position	63,775	87,049
NET POSITION AT BEGINNING OF YEAR	1,928,002	1,840,953
NET POSITION AT END OF YEAR	\$1,991,777	\$1,928,002

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year ended June 30, 2020
(with comparative data for the Fiscal Year Ended June 30, 2019)
(in thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers and users	\$169,821	\$171,660
Cash paid to suppliers of goods and services	(99,571)	(61,214)
Cash paid for employees services	<u>(63,943)</u>	<u>(58,725)</u>
Net cash provided by (used for) operating activities	<u>6,307</u>	<u>51,721</u>
Cash flows from noncapital financing activities:		
Property tax receipts	<u>66,375</u>	<u>63,057</u>
Net cash provided by noncapital financing	<u>66,375</u>	<u>63,057</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(93,477)	(111,986)
Proceeds from disposition of capital assets	72	0
Payment to exit capital assets	(4,526)	0
Principal payments on long-term liabilities	(13,400)	(13,370)
Interest and fiscal agent costs on long term liabilities	(24,651)	(28,251)
Developer connection fees and related receipts	<u>11,988</u>	<u>20,479</u>
Net cash provided by (used for) capital and related financing activities	<u>(123,994)</u>	<u>(133,128)</u>
Cash flows from investing activities:		
Investment earnings	11,249	7,627
Investment earnings in real estate	14,143	9,052
Proceeds from sale or maturity of investments	308,111	182,756
Purchases of investments	(278,058)	(168,638)
Issuance of notes receivable	0	(633)
Collections on notes receivable	<u>73</u>	<u>15</u>
Net cash provided by (used for) investing activities	<u>55,518</u>	<u>30,179</u>
Net increase (decrease) in cash and cash equivalents	4,206	11,829
Cash and cash equivalents at beginning of year	<u>53,806</u>	<u>41,977</u>
Cash and cash equivalents at end of year	<u>\$ 58,012</u>	<u>\$ 53,806</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year ended June 30, 2020
(with comparative data for the Fiscal Year Ended June 30, 2019)
(in thousands)
(Continued)

	<u>2020</u>	<u>2019</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:		
Cash and investments	\$347,261	\$374,003
Pension benefits trust investments	83,103	78,389
Subtotal	<u>430,364</u>	<u>452,392</u>
Less long-term investments	<u>(372,352)</u>	<u>(398,586)</u>
Cash and cash equivalents at end of year	<u><u>\$ 58,012</u></u>	<u><u>\$ 53,806</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	(56,149)	(37,271)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Other nonoperating income	6,606	8,876
Other nonoperating expenses	(732)	(2,615)
(Gain) loss on disposition of capital assets	0	2,211
Depreciation and amortization	67,554	64,835
(Increase) decrease in customer receivables	909	(1,203)
(Increase) decrease in other receivables	1,086	2,306
(Increase) decrease in inventories	(1,217)	(8,330)
(Increase) decrease due from other agencies	(16,773)	18,048
(Increase) decrease in prepaid expenses and other assets	(1,081)	1,498
(Increase) decrease in deferred outflows	(192)	2,902
Increase (decrease) in accounts payable and accrued expenses	(401)	1,077
Increase (decrease) in customer deposits and advance payments	990	174
Increase (decrease) in compensated absences	713	427
Increase (decrease) in claims payable	221	123
Increase (decrease) in unearned revenue	(564)	(565)
Increase (decrease) in net OPEB liability	1,562	2,094
Increase (decrease) in net pension liability	4,330	(2,544)
Increase (decrease) in deferred inflows	(555)	(322)
Net cash provided by (used for) operating activities	<u><u>\$ 6,307</u></u>	<u><u>\$ 51,721</u></u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	<u><u>\$ 34,439</u></u>	<u><u>\$ 28,867</u></u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Irvine Ranch Water District (District) was formed in 1961 as a special district under Division 13 of the California Water Code (the Act). The District provides potable and recycled water service as well as sewage collection, treatment, and disposal to users within its boundaries.

The District is divided geographically into eight water and ten sewer improvement districts (IDs), as well as several planning areas (PAs) that function as informal improvement districts. Each improvement district is a sub-fund of the District and their primary purpose is to allocate costs and funding on an equitable basis for the construction of water, sewer, and recycled water infrastructure. Most improvement districts have authority to issue general obligation bonds to finance the construction of capital facilities that were identified and valued in a Plan of Works specific to the improvement district. Each improvement district with authority to issue general obligation bonds also has the authority to levy and collect connection fees and ad valorem taxes on the land within its legal boundaries sufficient to meet its general obligation bond indebtedness.

Connection fees which are paid by developers and property taxes which are paid by property owners vary by improvement district based upon, among other considerations, total capital costs, ratio of developed to undeveloped land, and development densities; however, water and sewer user fees are uniform throughout the District.

Description of the Reporting Entity

The financial statements of the District include the financial activities of the following sub-fund improvement districts and planning areas:

111/222	Area Excluded from IDs
112/212	Former El Toro Marine Base
113/213	Former Tustin Marine Base
125/225	Developed/Underlay
240	Newport Coast/Newport Ridge
252	Santiago Hills
153/253	Irvine Business District /Spectrum /Shady Canyon/Laguna Laurel/East Orange
154	Santiago Canyon(s)
256	Orange Park Acres
185/285	Los Alisos Area
188/288	Portola Hills Commercial
110/210	Overall District Boundary

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

(a) **Reporting Entity (Continued)**

Blended Component Units - Blended component units although legally separate entities, are, in substance, part of the District's operations since they have the same governing board. The District has both financial accountability and operational responsibility for the blended component units. The District has the following blended component units:

The Irvine Ranch Water District Water Service Corporation – In January 1997, the District formed a 501(c)(4) corporation for the purpose of financing and acquiring water, sewer and other public improvements. The Corporation was created to effect the merger of the Santa Ana Heights Water Company and the issuance of the 2002 Certificates of Participation, 2008 Refunding Certificates of Participation, 2010 Refunding Certificates of Participation, and 2016 Certificates of Participation. The Corporation's bylaws mandate that the members of the District's Board of Directors shall constitute the Corporation's five-member Board of Directors. The Irvine Ranch Water District Water Service Corporation does not issue separate financial statements.

Bardeen Partners, Inc. – In March 1991, the District formed a 501(c)(4) corporation for the purpose of accounting for the financial data and transactions for certain District real estate investments, including the investments in Wood Canyon Villas, Sycamore Canyon Apartments, and Irvine Technology Center. Bardeen Partners is governed by a Board of Directors consisting of the five members of the District's Board of Directors. Bardeen Partners does not issue separate financial statements.

(b) **Basic Financial Statements**

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Basic Financial Statements.

(c) **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The District's financial activities are accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The enterprise fund utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Internal activity has been eliminated in the accompanying basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

(c) **Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water and sewer operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include cost of sales and services, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital contributions consist of contributed capital assets, connection fees, grants and other charges that are legally restricted for capital expenditures by state law or by the Board action that established those charges.

Net position of the District is classified into two components: (1) net investment in capital assets and (2) restricted net position. These classifications are defined as follows:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of notes or borrowing(s) that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted net position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, the District uses unrestricted resources first, and then restricted resources as they are needed. For capital expenditures, legally available restricted bond proceeds are used first, then other restricted resources, and then unrestricted resources are used if needed.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(d) Property Taxes

The District is authorized under the Act to levy taxes on all taxable property (lands only) within its boundaries for the purposes of paying certain of its debt obligations, subject to certain limitations in the Act, the Revenue and Taxation Code and the California Constitution. The District also receives a portion of the County's 1% ad valorem property taxes from certain lands within its boundaries. Property tax revenue is recognized in the fiscal year in which the taxes are levied.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment – November 1 Second installment – February 1
Delinquent date:	First installment – December 10 Second installment – April 10

The assessment, levy and collection of property taxes are the responsibility of the County of Orange, and are remitted to the District periodically.

(e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less.

(f) District Investments

Investments are reported in the accompanying Statement of Net Position at fair value, except for certain investment contracts that are reported at cost because they are not transferable and they have terms not affected by changes in market interest rates.

Changes in fair value that occur during the fiscal year are recognized as increase (decrease) in fair value of investments reported for that fiscal year. Interest income includes interest earnings on the District's investments.

(g) Pension Benefits Trust Investments

Investments of the Pension Benefits Trust are reported in the accompanying Statement of Net Position at fair value.

Changes in fair value that occur during the fiscal year are recognized as increase (decrease) in fair value of investments reported for that fiscal year. Interest income is recorded on the accrual basis. Dividends are recorded on the payment date.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(h) Real Estate Investments

Real estate investments consist of a wholly-owned apartment complex and four commercial office properties. The District is also a party to a real estate limited partnership in which the District has more than a 50% ownership interest but does not exercise control. All real estate investments are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as increase (decrease) in fair value of real estate investments reported for that fiscal year.

(i) Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are inactive
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(j) Inventory and Prepaid Items

Water inventory related to water stored in its banking facilities in Kern County is stated at its purchase cost or at a rate equivalent to what the District would charge for storage. The District's warehouse materials and supplies are valued using the average cost method. Inventory is recorded when purchased, and expensed at the time the inventory is consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(k) Capital Assets and Depreciation

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated acquisition value on the date received. The District capitalizes all assets with a historical cost of at least \$2,500 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Buildings and Structures	3 to 100 years
Transmissions and Distributions	10 to 75 years
Machinery and Equipment	3 to 50 years

(l) Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits up to certain limits. Earned vacations pay to a maximum of 400 hours (or more with written approval of the General Manager). Sick leave hours accrue at the rate of one day per month and employees may elect to receive cash for accumulated sick leave for up to 96 hours in excess of the first 80 hours accumulated. Fifty percent of accumulated sick leave up to a maximum of 960 hours may be paid upon termination of employment. All accumulated vacation and vested sick leave pay is recorded as expense at the time the benefit is earned.

(m) Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

(m) **Pensions (Continued)**

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

(n) **Other Post-Employment Benefits (OPEB)**

The OPEB liability, deferred outflows and inflows of resources relating to OPEB and OPEB expense have been determined by an independent actuary. Benefit payments are recognized when currently due and payable in accordance with the benefit terms.

GASB requires that the reported results pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

(o) **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following items that qualify for reporting in this category:

- Deferred refunding charges
- Accumulated decrease in fair value of swap agreements
- Employer contributions subsequent to measurement date for pension and OPEB
- Deferred actuarial amounts related to pension and OPEB

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred actuarial amounts related to pension and OPEB

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

(p) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(q) **Comparative Financial Statements and Reclassifications**

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation.

(2) **Cash and Investments**

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows (in thousands):

District Cash and Investments	\$347,261
Pension Benefits Trust Investments	83,103
Total Cash and Investments	\$430,364

Cash and investments as of June 30, 2020 consist of the following (in thousands):

District Cash and Investments:

Cash on hand	\$ 3
Deposits with financial institutions	(7,642)
Investments	354,900
Total District Cash and Investments	\$347,261

Pension Benefits Trust Cash and Investments:

Equities - mutual funds	\$ 55,371
Fixed income bonds - mutual funds	27,703
Money market - mutual funds	29
Total Pension Benefits Trust Cash and Investments	83,103
Total Cash and Investments	\$430,364

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(2) **Cash and Investments (Continued)**

The following table identifies the investment types that are authorized for the District by the California Government Code, the California Water Code, and the District's investment policy, whichever is most restrictive. The table also identifies certain provisions that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity⁽¹⁾	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Orange County Treasury Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Real Estate Investments	N/A	30% ⁽²⁾	None

⁽¹⁾ Maximum maturity unless express authority has been granted otherwise by the Board of Directors pursuant to the California Government Code Section 53601.

⁽²⁾ 30% of Replacement Fund, as authorized by the California Water Code.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(2) **Cash and Investments (Continued)**

Pension Benefits Trust (The Trust) Authorized Investment Strategy

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 and in 2013, established a Pension Benefits Trust to substantially fund its PERS unfunded liability. The Trust’s investment policy authorizes investment of Trust assets in financial instruments in three broad categories: equity, fixed income, and real estate. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Investments may include derivatives, options and futures as portfolio protection strategies. The following is a summary of the Trust’s investment policy.

The Trust is governed by a Retirement Board (the Board) which consists of two IRWD Board members and the General Manager. The Board designates one or more investment advisors to manage the assets under their supervision subject to the laws of the State of California and Investment Guidelines established by the Board. The long-term asset allocation policy including the minimum-maximum asset allocation range for each asset class is as follows:

Asset Classes	Minimum	Maximum
Cash	0%	30%
Public Equity- Domestic & International	30%	80%
Private Equity	0%	5%
Fixed Income	10%	40%
Real Estate	0%	10%

The asset allocation policy will be pursued by the Trust on a long-term basis and may be revised if necessary due to market conditions. The Board will monitor the current asset allocation against the long-term allocation policy and rebalance as it deems necessary.

Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher, as established by Moody's or Standard & Poor's. Bankers' acceptances, certificates of deposit and savings accounts must be made of United States banks or financial institutions or United States branches of foreign banks, which are federally insured with unrestricted capital of at least \$50 million. Short-term corporate obligations must be rated A or better by Moody’s or by Standard & Poor's.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(2) **Cash and Investments (Continued)**

Pension Benefits Trust Authorized Investment Strategy (Continued)

Equity investments are restricted to high quality, readily marketable securities of corporations that are actively traded on a major exchange. Not more than 5% of the total stock portfolio valued at fair value may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed 2% of those outstanding. Not more than 25% of stock valued at fair value may be held in any one industry category. The overall non-U.S. equity allocation should include a diverse global mix of at least 10 countries. The emerging markets exposure as defined by Morgan Stanley Capital International Inc. should be limited to 35% of the non-U.S. portion of the portfolio.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio, at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets shall be at least "A", according to one of the three rating agencies (Fitch, Moody's or Standard & Poor's). In cases where the yield spread adequately compensates for additional risk, securities where two of the three rating agencies (Fitch, Moody's or Standard & Poor's) have assigned ratings of Baa3 or BBB- ratings, can be purchased up to a maximum of 20% of total fair value of fixed income securities.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(2) **Cash and Investments (Continued)**

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming near to maturity as necessary to provide the cash flow and liquidity needed for District operations.

Information about the sensitivity of the fair values of the District's and Pension Benefits Trust's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity (in thousands):

Investment Type	Amount	Remaining Maturity			
		12 Months Or Less	13 to 36 Months	37 Months Or More	Not Applicable
Federal Agency Securities	\$192,646	\$106,294	\$ 86,352	\$ 0	\$ 0
US Treasury Note	96,935	50,626	46,309	0	0
Local Agency Investment Fund	65,319	65,319	0	0	0
Total District Investments	354,900	222,239	132,661	0	0
Mutual Funds - Equities	55,371	0	0	0	55,371
Mutual Funds - Fixed Income Bonds	27,703	1,034	1,874	24,795	0
Mutual Funds - Money Market	29	29	0	0	0
Total Pension Benefits Trust Investments	83,103	1,063	1,874	24,795	55,371
Total	\$438,003	\$223,302	\$134,535	\$24,795	\$55,371

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(2) **Cash and Investments (Continued)**

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type (in thousands):

District Cash and Investments:

Investment Type	Amount	Rating as of 6/30/20		
		AAA	AA- and AA+	Not Rated
Federal Agency Securities	\$192,646	\$ 30,003	\$135,664	\$26,979
US Treasury Note	96,935	96,935	0	0
Local Agency Investment Fund	65,319	0	0	65,319
Total	\$354,900	\$126,938	\$135,664	\$92,298

Pension Benefits Trust Investments:

Investment Type	Amount
Mutual Funds - Equities	\$ 55,371 ⁽¹⁾
Mutual Funds - Fixed Income Bonds	27,703 ⁽²⁾
Mutual Funds - Money Market	29 ⁽³⁾
Total	\$ 83,103

⁽¹⁾ Equity Mutual Funds as of 6/30/2020 include four “index funds” and are each comprised of diversified portfolios of equity securities. Credit ratings are not provided for Equity Mutual Funds.

⁽²⁾ Fixed Income Mutual Funds are comprised of four diversified portfolios of fixed income securities. As of 6/30/2020, 67.35% of the holdings were rated A-AAA, 30.88% of the holdings were rated B-BBB, and 1.77% of the holdings were rated below B or Not Rated.

⁽³⁾ The Money Market Mutual Fund is not rated.

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(2) **Cash and Investments (Continued)**

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows (in thousands):

Issuer	Investment Type	Amount
FHLB	Federal Agency Securities	\$ 62,705
FFCB	Federal Agency Securities	55,929
FHLMC	Federal Agency Securities	40,237
FNMA	Federal Agency Securities	33,775
Total		<u>\$192,646</u>

Disclosures Relating to Fair Value Measurements

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following fair value measurements as of June 30, 2020 (in thousands):

District Cash and Investments:

Investment Type	Amount	Fair Value Measurements	
		Level 1	Level 2
Federal Agency Securities	\$192,646	\$ 0	\$192,646
US Treasury Note	96,935	96,935	0
Local Agency Investment Fund	65,319 ⁽¹⁾	0	0
Total	<u>\$354,900</u>	<u>\$96,935</u>	<u>\$192,646</u>

Pension Benefits Trust Cash and Investments:

Investment Type	Amount	Fair Value
		Measurements
		Level 1
Mutual Funds - Equities	\$55,371	\$55,371
Mutual Funds - Fixed Income Bonds	27,703	27,703
Mutual Funds - Money Market	29 ⁽¹⁾	0
Total	<u>\$83,103</u>	<u>\$83,074</u>

⁽¹⁾ These are not subject to the fair value measurements classification.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(3) Interest Rate Swap Agreements

In September 2003, the District's Board of Directors approved a policy regarding the use of interest rate swap transactions. The policy provides that interest rate swap transactions will be designed to enhance the relationship between risk and return with respect to an investment or a program of investments entered into by the District; and/or to reduce the amount or duration of payment, rate, spread, or similar risk; and/or result in a lower cost of borrowing when used in combination with bonds or other indebtedness of the District. Pursuant to the policy, the Board of Directors authorizes general parameters for interest rate swap transactions while the Finance and Personnel Committee structures specific transactions within the Board-authorized parameters. The Treasurer, with the concurrence of the Chairman of the Finance and Personnel Committee, is authorized to enter into interest rate swap transactions that are within all authorized parameters.

The International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, including the schedule and credit support annex, is used as the form of contract with interest rate swap counterparties. The District is compliant with all Dodd-Frank Protocol provisions regarding swap advisor representation and transparency.

The outstanding interest rate swaps are pay-fixed, receive variable swaps ("fixed payer swaps"). As of June 30, 2020, the notional amount and fair value balance of the District's interest rate swaps are \$60.0 million and \$(27.0) million, respectively. For the year ended June 30, 2020, the decrease in fair value of the fixed payer interest rate swaps was \$6.4 million.

The fair value of the swap agreements at June 30, 2020 is calculated using a zero-coupon method (Level 2 inputs). This method calculates the future net settlement payments required by the swaps, assuming, for the LIBOR fixed payer swaps, that the current LIBOR forward rates implied by the LIBOR yield curves correctly anticipate future LIBOR spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

The District's fixed payer swaps were executed in 2004 and became effective in 2007. The purpose of the fixed payer swaps was to hedge a portion of the interest rate risk exposure associated with the District's 100% variable rate debt structure at the time the swaps were executed. The interest rate swap notional amounts and maturities are not specifically related to a particular District debt issue, however are considered a hedge of a pooled portion of the District's variable rate debt exposure. The following table displays the objective and terms of the District's interest rate swaps outstanding at June 30, 2020, along with the credit rating of the associated counterparty.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(3) **Interest Rate Swap Agreements (Continued)**

Current Year Active Interest Rate Swaps (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Rating
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	\$30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	Aa2/A+/AA-
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	\$30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	Aa3/A+/A+

The ISDA agreements for the above referenced interest rate swaps include a provision that the counterparties shall be required to post collateral should the mark-to-market value of the total interest rate swap portfolio with the respective counterparty, including any current outstanding swap accruals, exceed a threshold of \$(15.0) million. The amount of the collateral posted shall be the amount of the mark-to-market value and outstanding swap accrual amounts in excess of \$(15.0) million. As of June 30, 2020, the mark-to-market value of the total interest rate swaps with Citibank N.A. and Bank of America, N.A. as counterparties did not exceed the threshold amount.

Credit risk: The District is exposed to credit risk on interest rate swaps. To minimize its exposure to loss related to credit risk, the District's policy requires that the Finance and Personnel Committee evaluate and approve the counterparty creditworthiness of each counterparty prior to executing an ISDA Agreement, and all current swap agreements include collateral posting provisions. These terms require full collateralization of the fair value of interest rate swaps in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below BBB+ as issued by Fitch Ratings and Standard & Poor's or Baa1 as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasuries, or other approved securities, held by a third-party custodian.

The District has executed interest rate swap transactions with two counterparties. Their ratings are Aa2/A+/AA- (50% of net exposure to credit risk) and Aa3/A+/A+ (50% of net exposure to credit risk) as of June 30, 2020.

Interest rate risk: The District is exposed to interest rate risk on its interest rate swaps. On its fixed payer swaps, as LIBOR's swap index decreases, the District's net payment on the swap increases. Alternatively, on its fixed payer swaps, as LIBOR's swap index increases, the District's net payment on the swap decreases.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(3) Interest Rate Swap Agreements (Continued)

Basis risk: The District is exposed to basis risk on its fixed payer swaps because the variable-rate payments received by the District on these swaps are based on a rate or index other than interest rates the District pays on its variable-rate debt, which is remarketed daily or weekly.

Termination risk: The District or its counterparties may terminate an interest rate swap if the other party fails to perform under the terms of the contract. If at the time of termination, an interest rate swap is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Collateral requirements: All of the District's interest rate swaps include provisions that require the District to post collateral in the event its credit rating falls below A as issued by Fitch Ratings and Standard & Poor's or A2 as issued by Moody's Investors Service.

The collateral posted is to be in the form of U.S. Treasuries or other approved securities in the amount of the fair value of interest rate swaps in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the swaps may be terminated by the counterparty. The District's credit rating is Aa1/AAA/AAA; therefore, no collateral has been posted at June 30, 2020.

(4) Inventories

Inventories consist of available water in storage and materials and supplies in the District's warehouse facilities. As of June 30, 2020, the District had 37,583 acre-feet of banked water in various water bank facilities at a cost of \$8.0 million. Inventories at June 30, 2020 consisted of the following (in thousands):

Water in storage	\$ 7,998
Materials and supplies	<u>9,385</u>
Total	<u><u>\$17,383</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2020 is as follows (in thousands):

	Balance			Balance
	June 30, 2019	Additions	Deletions	June 30, 2020
Capital assets, depreciable:				
Land leasehold	\$ 4,860	\$ 0	\$ 0	\$ 4,860
Buildings and structures	766,655	2,652	(15,603)	753,704
Transmissions and distributions	1,375,831	102,078	(283)	1,477,626
Machinery and equipment	280,616	4,042	0	284,658
Sub-total	2,427,962	108,772	(15,886)	2,520,848
Less: Accumulated depreciation:				
Land leasehold	(1,359)	(97)	0	(1,456)
Buildings and structures	(306,194)	(17,894)	3,807	(320,281)
Transmissions and distributions	(457,996)	(37,907)	259	(495,644)
Machinery and equipment	(160,022)	(11,631)	0	(171,653)
Sub-total	(925,571)	(67,529)	4,066	(989,034)
Total depreciable capital assets, net	1,502,391	41,243	(11,820)	1,531,814
Capital assets, non-depreciable:				
Land and water rights	125,316	931	(649)	125,598
Construction in progress	330,957	109,119	(109,688)	330,388
Total capital assets, net	\$1,958,664	\$151,293	\$(122,157)	\$1,987,800

Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2020 were \$109.7 million. The District's proportionate share of the Orange County Sanitation District's jointly funded capital assets decreased \$11.8 million during the fiscal year ended June 30, 2020.

(6) **Capitalized Amounts**

Certain administrative and general expenses relating to assets under construction are charged to construction-in-progress until the assets are ready for their intended use. The amount of administrative and general expenses capitalized to construction-in-progress for the fiscal year ended June 30, 2020 was \$12.6 million.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(7) **Real Estate Investments**

Real estate investments as of June 30, 2020 consist of the following (in thousands):

Real estate investments at fair value	\$244,316
Real estate loan receivable	76,536
Accrued interest on loan receivable	<u>9,575</u>
Total	<u><u>\$330,427</u></u>

The District has the following fair value measurements for the real estate investments (Level 3 inputs) (in thousands):

	Balance	Increase /	Purchases /	Balance
	June 30, 2019	(decrease)	(Sales)	June 30, 2020
	in Fair Value			
Wood Canyon Villas, L.P.	\$ 28,710	\$ 1,723	\$ 0	\$ 30,433
Sycamore Canyon Apartments	148,625	3,716	0	152,341
230 Commerce Office Property	11,730	235	0	11,965
Waterworks Way Business Park	9,180	183	0	9,363
Sand Canyon Professional Center	11,220	224	0	11,444
Sand Canyon General Office	20,125	(5,529)	14,174	28,770
Total	<u><u>\$229,590</u></u>	<u><u>\$ 552</u></u>	<u><u>\$ 14,174</u></u>	<u><u>\$244,316</u></u>

Net real estate income as of June 30, 2020 is as follows (in thousands):

Real estate income	\$18,175
Increase (decrease) in fair value of real estate investments	552
Real estate expense	<u>(5,627)</u>
Net real estate income	<u><u>\$13,100</u></u>

Included in real estate investments are two apartment properties and four commercial office buildings. The District, through Bardeen Partners, Inc., is the sole limited partner in Wood Canyon Villas, L.P. (Wood Canyon), and the sole owner of both Sycamore Canyon Apartments and a commercial office building (230 Commerce). Separate from Bardeen Partners, Inc., the District is the sole owner of three other commercial office buildings (Waterworks Way Business Park, Sand Canyon Professional Center, and Sand Canyon General Office). The Sand Canyon General Office property is in the final phase of construction and is expected to be completed in August 2020. In addition, the \$76.5 million loan receivable from the sale of the Serrano Summit property was paid off in August 2020.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(7) Real Estate Investments (Continued)

The construction of Wood Canyon Villas, a 230-unit apartment property, was completed in 1993. The property is located in Orange County, California, and was 97% occupied at June 30, 2020. The Wood Canyon partnership agreement provides the District with a 9% cumulative preferred return on its unrecovered contribution accounts, as defined in the agreement (\$6.0 million contribution). The property's fair value and the District's partnership interest were determined using an appraisal valuation in 2018 and adjusted with a growth factor in 2020.

In 1992, the District acquired a 450-unit apartment property (original cost, \$34.1 million) in Orange County, California known as Sycamore Canyon Apartments. The property was 95% occupied at June 30, 2020. The Sycamore Canyon Apartments completed a renovation project in 2007 for a total cost of \$9.6 million. The property's fair value was determined using an appraisal valuation in 2018 and adjusted with a growth factor in 2020.

In 2003, the District completed construction of the 41,000 square foot for-lease 230 Commerce professional office building located in Irvine, California. Land and construction costs for the project totaled \$5.6 million and the building was 82% occupied as of June 30, 2020. The property's fair value was determined using an appraisal valuation in 2018 and adjusted with a growth factor in 2020.

In November 2008, the District completed construction of a 37,200 square foot for-lease R&D office building located in Irvine, California known as the Waterworks Way Business Park. Construction of the building was a specific facilities requirement of the purchase agreement for land acquired for an adjacent District water treatment facility. Land and construction costs for the office project totaled \$9.0 million. As of June 30, 2020, the building was 100% occupied. The property's fair value was determined using an appraisal valuation in 2018 and adjusted with a growth factor in 2020.

In April 2012, the District completed construction of a 16,350 square foot for-lease medical office building located in Irvine, California known as the Sand Canyon Professional Center. Land and construction costs for the project totaled \$8.4 million and the building was 100% occupied as of June 30, 2020. The property's fair value was determined using an appraisal valuation in 2018 and adjusted with a growth factor in 2020.

The District has a 5.8-acre general office site located in Irvine, California at the Sand Canyon Professional Center. Land and related entitlement costs totaled \$5.0 million as of June 30, 2018. In January 2019, the District began construction of a new for-lease 70,000 square foot office building on the Sand Canyon Office property. Land and construction costs totaled \$25.1 million as of June 30, 2020. In the current fiscal year, the District changed the appraisal valuation method. The property's fair value was determined using a calculation including projected lease income and capitalization rate in 2020. The new building was completed in August 2020.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(7) Real Estate Investments (Continued)

On September 1, 2017, the District entered into a loan agreement with Lennar Homes of California, Inc. for a principal amount of \$81.6 million, bearing a 4.0% per annum interest rate, from the sale of IRWD's Serrano Summit property located in Lake Forest. On July 24, 2019, the District executed the first amendment to the loan agreement for an eight-month extension of the original September 1, 2019 maturity. The loan amendment also increased the principal amount to include interest earned to September 1, 2019 for a total principal amount of \$88.1 million, bearing a 4.0% per annum interest rate. On April 20, 2020, the District executed the second amendment to the loan agreement for a seven-month extension of the November 30, 2020 maturity. On May 19, 2020, the District received the partial principal payment of \$2.8 million for the first partial reconveyance. On June 15, 2020, the District received the partial principal payment of \$2.8 million for the second partial reconveyance. The loan is secured by the Serrano Summit property. The balance of the loan was stated at cost as of June 30, 2020. The entire outstanding principal balance and all accrued unpaid interest were paid in full in August 2020.

(8) Orange County Sanitation District (OCSD)

The District, with OCSD, negotiated an agreement as of July 1, 1985, which has been amended from time to time. The District agreed to annually fund payment of the District's proportionate share of OCSD's joint capital outlay revolving fund (CORF) budget requirements and certain capital improvements, calculated on an annual flow basis using the four highest months of actual flows, during the term of the agreement.

The capital assets associated with this agreement are co-owned by the two agencies and provide an operational benefit to both agencies. During the fiscal year ended June 30, 2020, the District received a credit of \$16.4 million of the equity integration adjustment of OCSD's capital assets. In addition, the District's CORF payments to OCSD for the fiscal year ended June 30, 2020 totaled \$4.2 million. The District's share of the jointly funded capital assets and CORF is included in capital assets in the District's basic financial statements.

In May 2018, the District and OCSD agreed to extend the agreement, providing for treatment and disposal by OCSD of District solids and the temporary lease of capacity in OCSD's solids treatment and disposal facilities through December 31, 2021. The capacity lease for the fiscal year ended June 30, 2020, estimated at \$2.4 million, is included in Sewer Services as an operating expense.

The accompanying basic financial statements reflect management's best estimate of balances pertaining to this agreement based upon information provided by OCSD. Periodically this information is subjected to further review by the performance of agreed upon procedures when the records for such review have been made available to the District. Adjustments pertaining to the accounting estimates associated with this agreement are recognized as the information for such adjustments becomes available.

As of June 30, 2020, the District had a net receivable of \$33.8 million from OCSD which is reflected as a due from other agencies in the District's basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(9) **Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2020 is as follows (in thousands):

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year	Due in more than one Year
General Obligation Bonds:						
1993 C Consolidated	\$ 28,300	\$ 0	\$ (1,700)	\$ 26,600	\$ 1,800	\$ 24,800
2008A Refunding	48,000	0	(1,500)	46,500	1,500	45,000
2009A Consolidated	57,500	0	(2,500)	55,000	2,500	52,500
2009B Consolidated	57,500	0	(2,500)	55,000	2,500	52,500
2010B BABS	175,000	0	0	175,000	0	175,000
2011A-1 Refunding	48,240	0	(1,740)	46,500	1,800	44,700
2011A-2 Refunding	32,160	0	(1,160)	31,000	1,200	29,800
2016 Consolidated	103,400	0	0	103,400	0	103,400
Unamortized Premium	24,569	0	(924)	23,645	924	22,721
Sub-total	<u>574,669</u>	<u>0</u>	<u>(12,024)</u>	<u>562,645</u>	<u>12,224</u>	<u>550,421</u>
Certificates of Participation:						
2010 Refunding Certificates	1,980	0	(1,980)	0	0	0
2016 Certificates	116,745	0	0	116,745	3,420	113,325
Unamortized Premium	28,019	0	(1,736)	26,283	1,376	24,907
Sub-total	<u>146,744</u>	<u>0</u>	<u>(3,716)</u>	<u>143,028</u>	<u>4,796</u>	<u>138,232</u>
Notes Payable	<u>684</u>	<u>0</u>	<u>(265)</u>	<u>419</u>	<u>72</u>	<u>347</u>
Other Long-Term Liabilities:						
Compensated Absences	4,653	4,832	(4,119)	5,366	2,147	3,219
Other Long-Term Liabilities	908	3,265	(3,320)	853	151	702
Sub-total	<u>5,561</u>	<u>8,097</u>	<u>(7,439)</u>	<u>6,219</u>	<u>2,298</u>	<u>3,921</u>
Total Long-Term Liabilities	<u><u>\$727,658</u></u>	<u><u>\$8,097</u></u>	<u><u>\$(23,444)</u></u>	<u><u>\$712,311</u></u>	<u><u>\$19,390</u></u>	<u><u>\$692,921</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(9) Long-Term Liabilities (Continued)

The following schedule summarizes the major terms of outstanding long-term debt (in thousands):

	Date of Issue	Original Issue	Revenue Sources	Final Maturity Date	Interest Rates
General Obligation Bonds:					
1993 Consolidated	May 1, 1993	\$38,300	(1)(3)	April 1, 2033	Variable
2008A Refunding	April 1, 2008	60,215	(1)(3)	July 1, 2035	Variable
2009A Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	Variable
2009B Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	Variable
2010B BABS	December 16, 2010	175,000	(1)(2)(3)	May 1, 2040	6.60%
2011A-1 Refunding	April 15, 2011	60,545	(1)(2)(3)	October 1, 2037	Variable
2011A-2 Refunding	April 15, 2011	40,370	(1)(2)(3)	October 1, 2037	Variable
2016 Consolidated	October 12, 2016	103,400	(1)(2)(3)	February 1, 2046	5.00% - 5.25%
Certificates of Participation:					
2016 Certificates	September 1, 2016	116,745	(2)	March 1, 2046	5.00%

- (1) Ad valorem assessments or, in lieu of assessments, in the District's discretion, charges for water or sewer service.
- (2) Available water, sewer, and recycled water revenues.
- (3) Proceeds from the sale of property.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(9) **Long-Term Liabilities (Continued)**

General Obligation Bonds

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on variable interest rates at June 30, 2020 ranging from 0.05% to 0.11% and the fixed rate for the 2010B BABs issue and 2016 Consolidated issue) are as follows (in thousands):

Fiscal Year	Principal	Interest	Hedging Instruments Net	BAB Federal Subsidy	Total
2021	\$ 11,300	\$ 17,072	\$ 2,550	\$ (3,825)	\$ 27,097
2022	14,155	17,064	2,550	(3,825)	29,944
2023	14,365	16,948	2,550	(3,825)	30,038
2024	14,775	16,826	2,550	(3,825)	30,326
2025	18,015	16,699	2,550	(3,825)	33,439
2026-2030	99,810	77,785	10,204	(18,100)	169,699
2031-2035	135,475	66,353	0	(15,663)	186,165
2036-2040	183,560	38,671	0	(10,973)	211,258
2041-2045	40,460	6,828	0	0	47,288
2046	7,085	371	0	0	7,456
Sub-total	539,000	274,617	22,954	(63,861)	772,710
Plus: Unamortized premium	23,645	0	0	0	23,645
Total	<u>\$562,645</u>	<u>\$274,617</u>	<u>\$22,954</u>	<u>\$(63,861)</u>	<u>\$796,355</u>

The above table incorporates the net receipts/payments of the hedging instruments that are associated with the variable rate debt issue(s). The amounts assume that current interest rates on variable rate bonds and the current reference rates of the hedging instruments will remain the same for their term. As these rates vary, interest payments on variable rate bonds and net receipts/payments on the hedging instruments will vary. Additionally, the above table includes the most recent BABs subsidy reduction of 5.7% under the Congressionally-mandated sequestration which began in FY 2012-13. Refer to Note 3 for additional information regarding the hedging instruments associated with the debt of the District.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(9) **Long-Term Liabilities (Continued)**

Certificates of Participation

In September 2016, the Irvine Ranch Water District Service Corporation issued \$116.7 million of Certificates of Participation Series 2016 (the Series 2016 Certificates) to finance the cost of certain capital improvements and to refund a portion of the outstanding Certificates of Participation Refunding Series 2010 (the Series 2010 Certificates). During the fiscal year ended June 30, 2020, the 2010 Certificates were paid in full.

The annual debt service requirements for the Certificates of Participation, including principal and interest payments, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2021	\$ 3,420	\$ 5,837	\$ 9,257
2022	3,675	5,666	9,341
2023	3,940	5,483	9,423
2024	4,220	5,286	9,506
2025	4,555	2,074	6,629
2026-2030	28,110	21,610	49,720
2031-2035	22,960	14,313	37,273
2036-2040	17,840	9,769	27,609
2041-2045	22,765	4,841	27,606
2046	5,260	263	5,523
Sub-total	116,745	75,142	191,887
Plus: Unamortized premium	26,283	0	26,283
Total	\$143,028	\$75,142	\$218,170

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(9) **Long-Term Liabilities (Continued)**

Notes Payable

The District has one outstanding loan, which was assumed as a result of its consolidation with the Santiago County Water District. The original loan amount was \$1.3 million. The loan is payable semi-annually with interest at 2.32%. The loan matures in July 2025. Amounts required to amortize notes payable at June 30, 2020 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2021	\$ 72	\$ 9	\$ 81
2022	74	8	82
2023	76	6	82
2024	77	4	81
2025	79	2	81
2026	41	1	42
Total	\$419	\$30	\$449

(10) **Unearned Revenue**

Unearned revenue at June 30, 2020 consisted of the following (in thousands):

Unearned revenue, current portion	\$ 565
Unearned revenue, net of current portion	<u>4,828</u>
Total	<u><u>\$5,393</u></u>

On November 10, 2008, the Board approved the South Orange County – Irvine Ranch Water District Interconnection Projects Participation Agreement (Agreement). The Agreement was effective on November 2008 between the District, City of San Clemente (CSC), Laguna Beach County Water District (LBCWD), Moulton Niguel Water District (MNWD), Santa Margarita Water District (SMWD), South Coast Water District (SCWD), Municipal Water District of Orange County (MWDOC), and Orange County Water District (OCWD). The purpose of the Agreement is to allow the South County water agencies (CSC, LBCWD, MNWD, SMWD, and SCWD) to reserve capacity in the District system and reimburse the District for various new intertie facilities which provide that up to 25 cfs of water supply per month may be made available during a water supply disruption. The total cost of the agreement was paid in full by each party in the fiscal year ended June 30, 2009. The amount of unearned revenue related to the South County Water Agencies is amortized over 20 years, the term of the Agreement. The amount of amortization for the fiscal year ended June 30, 2020 was \$0.5 million.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(11) Letters of Credit

The District has letters of credit securing the payment of principal and interest on certain General Obligation Bonds. The letters of credit are issued in favor of the trustees and enable the trustees to make drawings against the letters of credit for payment of principal and interest amounts.

The terms of the letters of credit, as of June 30, 2020 are summarized as follows (in thousands):

Letter of Credit	Trustee	Amount	Expiration Date
Bank of America:			
2009 Series B Consolidated	U.S. Bank	\$ 55,615	May 16, 2022
Sumitomo Mitsui:			
2008 Series A Refunding	Bank of New York Mellon	47,188	July 21, 2021
U.S. Bank:			
1993 Consolidated	Bank of New York Mellon	26,959	December 15, 2021
2009 Series A Consolidated	U.S. Bank	55,615	December 15, 2021

(12) Net Position

Net position at June 30, 2020 consisted of the following (in thousands):

Net investment in capital assets:	
Property, plant and equipment, net	\$1,987,800
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(562,645)
Certificates of participation	(143,028)
Notes payable	(419)
Deferred refunding charges	2,111
Total net investment in capital assets	<u>1,283,819</u>
Restricted net position:	
Restricted for water services	350,032
Restricted for sewer services	357,926
Total restricted net position	<u>707,958</u>
Total net position	<u><u>\$1,991,777</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan

Plan Descriptions

All qualified employees are eligible to participate in the District’s agent multiple-employer public employee defined benefit pension plan which is administrated by the California Public Employees’ Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and the District’s Board of Directors. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan’s provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Hire Date		
	Prior to October 1, 2012	On or after October 1, 2012 to December 31, 2012	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Minimum Retirement Age	50	50	52
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rate	8.00%	7.00%	6.50%
Required Employer Normal Cost Rate	8.480%	8.480%	8.480%

In addition, the District made a \$5.2 million unfunded liability contribution during the current fiscal year.

Employees Covered

As of June 30, 2018 (valuation date), the following employees were covered by the benefit terms for the Plan:

Active Employees	376
Inactive Employees or Beneficiaries Currently Receiving Benefits	293
Inactive Employees Entitled to But not Yet Receiving Benefits	<u>193</u>
Total	<u><u>862</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be 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 necessary to finance the costs of benefits 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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

As of June 30, 2020, the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	The Lesser of Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS’ specific data. The probabilities of mortality are based on 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows.

Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return Years 1 – 10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estates	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	100%		

⁽¹⁾ In the CalPERS' CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

⁽²⁾ An expected inflation of 2.00% used for this period.

⁽³⁾ An expected inflation of 2.92% used for this period.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For example, for the accounting reports, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation.

Changes in the Net Pension Liability

The changes in the net pension liability for the Plan were as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2019	\$275,457	\$211,320	\$64,137
Changes Recognized for the Period:			
Service Cost	5,498	0	5,498
Interest	19,651	0	19,651
Changes of Assumptions	0	0	0
Difference between Expected and Actual Experience	2,535	0	2,535
Contributions – Employer	0	7,185	(7,185)
Contributions – Employees	0	2,511	(2,511)
Net Investment Income	0	13,809	(13,809)
Benefit Payments, Including Refunds of Employee Contributions	(11,807)	(11,807)	0
Administrative Expense	0	(151)	151
Net Change	15,877	11,547	4,330
Balance at June 30, 2020	\$291,334	\$222,867	\$68,467

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate (in thousands):

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability	\$107,934	\$68,467	\$35,825

Funding of CalPERS Plan and 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 and in 2013, established a Pension Benefits Trust to substantially fund its PERS unfunded liability. The Pension Benefits Trust provides the District with an alternative to PERS that allows for investment by a professional fund management team selected and monitored by the District. The Pension Benefits Trust holds the funding contributions for the District pending future remittance to the CalPERS pension trust fund which will pay all retiree benefit payments to employees associated with the plan. Future contributions will be transferred from the Pension Benefits Trust to CalPERS at the District's discretion.

As of June 30, 2020, the total value of the assets in the Pension Benefits Trust was approximately \$83.1 million.

The following schedule shows the District's total pension liability, CalPERS assets, Pension Benefits Trust assets, and the relationship of the total pension liability (in thousands):

Fiscal Year ⁽¹⁾	Total Pension Liability	CalPERS Assets	Net Pension Liability/ (Asset)	Pension Benefits Trust Assets	CalPERS Assets as a Percentage of the Total Pension Liability	Pension Benefits Trust Assets as of Percentage of the Total Pension Liability	Total Pension Assets as a Percentage of the Total Pension Liability
06/30/18	\$264,399	\$197,718	\$66,681	\$66,101	74.8%	25.0%	99.8%
06/30/19	275,457	211,320	64,137	73,106	76.7%	26.5%	103.2%
06/30/20	291,334	222,867	68,467	78,389	76.5%	26.9%	103.4%

⁽¹⁾ As of the measurement date June 30, 2017, 2018, and 2019 respectively.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net Difference between Projected and Actual Earnings on Pension Plan Investments	5 year straight-line amortization
All Other Amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The EARSL for the Plan for the fiscal year ended June 30, 2020 was 4.8 years, which was obtained by dividing the total service years of 4,099 (the sum of remaining service lifetimes of the active employees) by 849 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing (leaving employment) due to an event other than receiving a cash refund.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$13.0 million. At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions made Subsequent to the Measurement Date	\$ 8,429	\$ 0
Differences between Expected and Actual Experiences	2,007	872
Changes in Assumptions	5,061	922
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	1,135
Total	\$15,497	\$2,929

\$8.4 million reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. \$4.1 million net of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Fiscal Year	Deferred Outflows/ (Inflows) of Resources
2020	\$3,708
2021	(172)
2022	(55)
2023	658
Total	\$4,139

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits

Plan Descriptions

The District administers three other post-employment benefits (OPEB) plans which are subject to changes based on the discretion of the Board:

- **PEMHCA:** The District provides an agent multiple-employer defined benefit healthcare plan to retirees through the California Public Employee Retirement System (CalPERS) under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. Employees are eligible for this lifetime benefit if they retire from the District and are eligible to begin drawing a PERS pension. Participation in PEMHCA is financed in part by the District through a contribution of \$139 per month per participating retiree.
- **RHCAP:** The District also administers a single-employer defined benefit Retiree Health Costs Assistance Program (RHCAP), which provides medical benefits to covered employees and their eligible dependents. The duration of the benefit is based on employees' years of service as follows: 12 months of benefits for employees with 3-7 years of service; 24 months of benefits for employees with 8-9 years of services; 36 months of benefits for employees with 10-14 years of service; 48 months of benefits for employees with 15-19 years of service; and 60 months of benefits for employees with at least 20 years of service. Employees are eligible for this benefit if they retire from the District on or after age 55 with at least three years of service. The District reimburses retirees for eligible healthcare costs of up to \$160 per month (for retirees with at least three years of service at the District), to a maximum of \$600 per month after 25 years of service.
- **Retiree Death Benefit Only Plan:** The District administers a single-employer defined benefit plan. Employees hired on or before December 31, 2008 and who retire from the District on or after age 55 with at least 10 years of service at the District are eligible for term life insurance with a face amount equal to 100% of their final annual salary at the time of retirement. Employees hired after December 31, 2008 are not currently eligible for this plan.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits (Continued)

Employees Covered

As of the June 30, 2019 measurement date, the following employees were covered by the benefit terms under each Plan:

	PEMHCA	RHCAP	Retiree Death Benefit	Total
Inactive Employees or Beneficiaries Currently Receiving Benefits	100	51	0	151
Inactive Employees Entitled to But not Yet Receiving Benefits	93	0	166	259
Active Employees	371	371	147	889
Total	564	422	313	1,299

Contributions

The contributions for the District's various other post-employment benefits are based on pay-as-you-go financing requirements.

For the fiscal year ended June 30, 2020, the District's cash contributions were \$0.5 million and estimated implied subsidy was \$0.3 million resulting in total payments of \$0.8 million. The following shows contributions by each OPEB plan (in thousands):

	PEMHCA	RHCAP	Benefit Only	Total
Cash Contributions	\$175	\$361	\$ 0	\$536
Estimated Implied Subsidy	295	0	0	295
Total	\$470	\$361	\$ 0	\$831

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The June 30, 2018 valuation was used to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

	PEMHCA	RHCAP	Retiree Death Benefit Only
Actuarial Method	Entry Age Normal		
Actuarial Assumptions:			
Contribution Policy	Pay-as-you-go		
Discount Rate	3.50% at June 30, 2019 and 3.87% at June 30, 2018 (Bond Buyer 20-Bond Index)		
Inflation	2.75% Annually		
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 Experience Study		
Mortality Improvement	Post-retirement Mortality Projected Fully Generational with Scale MP-2018		
Salary Increases	3% Annually and CalPERS 1997-2015 Experience Study		
Medical Trend	Non-Medicare –7.5% for 2020, decreasing to 4.0% in 2076 Medicare – 6.5% for 2020, decreasing to 4.0% in 2076	Not Applicable	
Minimum Increase	4.25% Annually	Not Applicable	
Participation at Retirement	Medical Coverage: 70% if eligible for RHCAP. Otherwise, 50% if currently in District's medical plan, 0% if not.	100% Participate	

Change in Assumptions

For the fiscal year ended June 30, 2019 measurement period, the discount rate was decreased from 3.87 percent to 3.50 percent based on the municipal bond rate.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50 percent which was based on the Bond Buyer 20-Bond G.O. Index.

Changes in the OPEB Liability

The changes in the OPEB liability were as follows (in thousands):

	PEMHCA	RHCAP	Retiree Death Benefit Only	Total
Balance at June 30, 2019	\$11,981	\$3,206	\$1,485	\$16,672
Changes Recognized for the Period:				
Service Cost	594	161	27	782
Interest	479	125	58	662
Changes in Assumptions	727	69	41	837
Benefit Payments	(377)	(332)	(10)	(719)
Net Change	1,423	23	116	1,562
Balance at June 30, 2020	\$13,404	\$3,229	\$1,601	\$18,234

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability, calculated using a discount rate that is one percentage point lower or one percentage higher than the current rate for the measurement period ended June 30, 2019 (in thousands).

	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
OPEB Liability	(2.50%)	(3.50%)	(4.50%)
PEMHCA	\$15,722	\$13,404	\$11,570
RHCAP	3,424	3,229	3,045
Retiree Death Benefit Only	1,720	1,601	1,494
Total	\$20,866	\$18,234	\$16,109

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits (Continued)

Sensitivity of OPEB Liability to Changes in the Healthcare Trend Rates (Continued)

The following presents the OPEB liability, calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate for the measurement period ended June 30, 2019 (in thousands).

OPEB Liability	Healthcare Trend Rates -1%	Curent Healthcare Trend Rates	Healthcare Trend Rates +1%
PEMHCA	\$11,199	\$13,404	\$16,295
RHCAP	3,229	3,229	3,229
Retiree Death Benefit Only	1,601	1,601	1,601
Total	\$16,029	\$18,234	\$21,125

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability is recognized in OPEB expense systematically over time.

The first amortized amounts are recognized in OPEB expense for the fiscal year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The amortization period differs depending on the source of the gain or loss. Straight line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active and retired) as of the beginning of the measurement period is used for each Plan.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$1.5 million which consisted of \$1.2 million for PEMHCA, \$0.3 million for RHCAP and \$0.03 million for Retiree Death Benefit Only.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits (Continued)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources (in thousands):

			Retiree Death	
	PEMHCA	RHCAP	Benefit Only	Total
Deferred Outflows of Resources:				
OPEB Contributions made Subsequent to the Measurement Date	\$ 470	\$361	\$ 0	\$ 831
Changes in Assumptions	\$1,188	\$ 64	\$33	\$1,285
Difference between Expected and Actual Experience	\$ 751	\$100	\$ 0	\$ 851
Deferred Inflows of Resources:				
Changes in Assumptions	\$ 754	\$ 91	\$43	\$ 888
Difference between Expected and Actual Experience	\$ 0	\$ 0	\$97	\$ 97

The District has \$0.8 million reported as deferred outflows of resources related to employer contributions subsequent to the measurement date which will be recognized as a reduction of the OPEB liability in the fiscal year ending June 30, 2021. The District has \$1.2 million deferred outflows and deferred inflows of resources related to OPEB which will be recognized as OPEB expense as follows (in thousands):

			Retiree Death	
Fiscal Year	PEMHCA	RHCAP	Benefit Only	Total
2021	\$ 110	\$ 4	\$ (48)	\$ 66
2022	110	4	(48)	66
2023	110	4	(18)	96
2024	110	4	7	121
2025	110	4	0	114
Thereafter	635	53	0	688
Total	\$1,185	\$73	\$(107)	\$1,151

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(15) Deferred Compensation Plans

Retirement for Part Time Employees

The District provides retirement benefits for all of its part-time employees through a defined contribution plan, in lieu of providing social security benefits. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the District's Section 457 plan. All part-time and seasonal employees are eligible to participate from the date of employment. For the year ended June 30, 2020, the District's payroll covered by the plan was \$166,663. The District made no employer contributions. Employees contributed \$12,782 for the year ended June 30, 2020.

Deferred Compensation

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 (Plan) 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 (EGTRRA), 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 2020 is \$19,500.

Effective January 1, 2008, for employees with one year or more of services, the District provides 100% matching up to an annual maximum of 3% of the employee's base salary after one year of service. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. All full-time employees who have completed two years of regular, full-time service with the District, are eligible for an additional District contribution. Beginning with the first month following an employee's second anniversary date, the District will deposit to the employee's 401 (a) Plan account on a per-pay period basis an amount equal to 1% of the employee's base salary. During the fiscal year ended June 30, 2020, the District contributed \$1,272,674 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 basic financial statements of the District.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(16) Commitments and Contingencies

Legal Actions

The District is a defendant in various legal actions arising out of the conduct of the District's operations. Management believes that, based on current knowledge, the outcome of these matters will not have a material adverse effect on the District's financial position.

(17) Risk Management

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 for which the District carries commercial insurance.

Property, Boiler and Machinery insurance is provided by the Public Risk Innovation, Solutions, and Management (PRISM) formerly the California State Association of Counties Excess Insurance Authority (CSAC-EIA). Property insurance includes flood insurance for all properties, and earthquake insurance for the District's real estate investment properties. General and excess liability coverage and workers compensation insurance are provided through participation in the PRISM program. Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Ironshore Holdings, a Liberty Mutual Company.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Excess coverage insurance policies cover individual general liability claims in excess of \$100,000, property claims in excess of \$25,000 and workers compensation claims in excess of \$125,000.

Changes in the reported liability resulted from the following (in thousands):

Fiscal Year	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year	Due within One Year	Due in more than One Year
2019	\$1,394	\$142	\$(19)	\$1,517	\$570	\$947
2020	\$1,517	\$255	\$(34)	\$1,738	\$791	\$947

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(18) Subsequent Events

Serrano Summit – Lennar Homes Loan Agreement

As of August 12, 2020, the District received the remaining outstanding principal balance and accrued interest totaling approximately \$85.9 million from Lennar Homes of California Inc. related to the September 2017 sale of the IRWD's Serrano Summit property located in Lake Forest.

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020

(1) **Defined Benefit Pension Plan – California Public Employees’ Retirement System**

(a) Schedule of Changes in the Net Pension Liability and Related Ratio (in thousands)

	Measurement Date: June 30		
	2019	2018	2017
Total Pension Liability			
Service Cost	\$ 5,498	\$ 5,098	\$ 4,825
Interest	19,651	18,570	17,806
Changes of Assumptions	0	(1,605)	15,182
Difference between Expected and Actual Experience	2,535	(235)	(1,702)
Benefit Payments, Including Refunds of Employee Contributions	(11,807)	(10,770)	(9,721)
Net Change in Total Pension Liability	15,877	11,058	26,390
Total Pension Liability – Beginning	275,457	264,399	238,009
Total Pension Liability – Ending (a)	\$291,334	\$275,457	\$264,399
Plan Fiduciary Net Position			
Contributions – Employer	\$ 7,185	\$ 6,157	\$ 5,450
Contributions – Employees	2,511	2,401	2,280
Net Investment Income	13,809	16,707	20,205
Benefit Payments, Including Refunds of Employee Contributions	(11,807)	(10,770)	(9,721)
Administrative Expense	(151)	(308)	(265)
Other Miscellaneous Income / (Expense) ⁽¹⁾	0	(585)	0
Net Change in Fiduciary Net Position	11,547	13,602	17,949
Plan Fiduciary Net Position – Beginning ⁽²⁾	211,320	197,718	179,769
Plan Fiduciary Net Position – Ending (b)	\$222,867	\$211,320	\$197,718
Plan Net Pension Liability – Ending (a) - (b)	\$ 68,467	\$ 64,137	\$ 66,681
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.50%	76.72%	74.78%
Covered Payroll	\$ 33,758	\$ 32,213	\$ 30,823
Plan Net Pension Liability as a Percentage of Covered Payroll	202.82%	199.10%	216.33%

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

(1) **Defined Benefit Pension Plan – California Public Employees’ Retirement System
 (Continued)**

**(a) Schedule of Changes in the Net Pension Liability and Related Ratio (in thousands)
 (Continued)**

	Measurement Date: June 30		
	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 4,066	\$ 4,005	\$ 3,942
Interest	17,092	16,343	15,436
Changes of Assumptions	0	(4,127)	0
Difference between Expected and Actual	(1,856)	530	0
Benefit Payments, Including Refunds of Employee			
Contributions	(9,089)	(8,365)	(7,631)
Net Change in Total Pension Liability	10,213	8,386	11,747
Total Pension Liability – Beginning	227,796	219,410	207,663
Total Pension Liability – Ending (a)	\$238,009	\$227,796	\$219,410
Plan Fiduciary Net Position			
Contributions – Employer	\$ 4,926	\$ 4,524	\$ 4,330
Contributions – Employees	2,519	2,170	2,712
Net Investment Income	946	4,049	26,787
Benefit Payments, Including Refunds of Employee			
Contributions	(9,089)	(8,365)	(7,632)
Administrative Expense	(110)	(208)	0
Other Miscellaneous Income / (Expense) ⁽¹⁾	0	0	0
Net Change in Fiduciary Net Position	(808)	2,170	26,197
Plan Fiduciary Net Position – Beginning ⁽²⁾	180,577	178,407	152,210
Plan Fiduciary Net Position – Ending (b)	\$179,769	\$180,577	\$178,407
Plan Net Pension Liability – Ending (a) - (b)	\$ 58,240	\$ 47,219	\$ 41,003
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.53%	79.27%	81.31%
Covered Payroll	\$ 28,802	\$ 27,596	\$ 26,264
Plan Net Pension Liability as a Percentage of Covered Payroll	202.21%	171.11%	156.12%

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

(1) **Defined Benefit Pension Plan – California Public Employees’ Retirement System (Continued)**

(a) Schedule of Changes in the Net Pension Liability and Related Ratio (in thousands) (Continued)

- (1) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California’s agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.
- (2) Includes any beginning of year adjustment.

Notes to Schedule of Changes in the Net Pension Liability and Related Ratio

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administration expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

(b) Schedule of Contributions (in thousands)

	Fiscal Year Ended June 30 ⁽¹⁾					
	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution ⁽²⁾	\$ 8,429	\$ 7,184	\$ 6,157	\$ 5,450	\$ 4,926	\$ 4,524
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(8,429)	(7,184)	(6,157)	(5,450)	(4,926)	(4,524)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$34,134	\$33,758	\$32,213	\$30,823	\$28,802	\$27,596
Contributions as a Percentage of Covered Payroll	24.69%	21.28%	19.11%	17.68%	17.10%	16.39%

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

(1) **Defined Benefit Pension Plan – California Public Employees’ Retirement System (Continued)**

(b) Schedule of Contributions (in thousands)(Continued)

- (1) Historical information is required only for measurement periods from which GASB 68 is applicable. Fiscal Year 2015 was the first year of GASB 68 implementation.
- (2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Notes to Schedule of Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2020 were from the June 30, 2017 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Fair Value of Assets
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875%
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement Age	The probabilities of Retirement are based on the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. Post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries.

Changes in Assumptions: On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 were calculated using a discount rate of 7.25 percent.

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

(1) **Defined Benefit Pension Plan – California Public Employees’ Retirement System (Continued)**

(b) Schedule of Contributions (in thousands) (Continued)

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent will be used in the following valuation.

(2) **Other Post-Employment Benefits**

Schedule of Changes in the OPEB Liability and Related Ratio (in thousands)⁽¹⁾

PEMHCA			
Measurement Date: June 30	2019	2018	2017
Service Cost	\$ 594	\$ 472	\$ 549
Interest	479	364	310
Changes of Assumptions	727	682	(1,173)
Difference between Expected and Actual Experience	0	951	0
Benefit Payments	(377)	(343)	(304)
Net Change in Total OPEB Liability	\$ 1,423	\$ 2,126	\$ (618)
Total OPEB Liability – Beginning	11,981	9,855	10,473
Total OPEB Liability – Ending	\$13,404	\$11,981	\$ 9,855
Covered Employee Payroll	\$37,226	\$35,629	\$30,823
OPEB Liability as a Percentage of Covered Employee Payroll	36.01%	33.63%	31.97%

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

(2) **Other Post-Employment Benefits (Continued)**

Schedule of Changes in the OPEB Liability and Related Ratio (in thousands)⁽¹⁾ (Continued)

RHCAP			
Measurement Date: June 30	2019	2018	2017
Service Cost	\$ 161	\$ 148	\$ 161
Interest	125	112	94
Changes of Assumptions	69	1	(136)
Difference between Expected and Actual Experience	0	125	0
Benefit Payments	(332)	(306)	(286)
Net Change in Total OPEB Liability	23	80	(167)
Total OPEB Liability – Beginning	3,206	3,126	3,293
Total OPEB Liability – Ending	\$ 3,229	\$ 3,206	\$ 3,126
Covered Employee Payroll	\$36,529	\$35,629	\$30,823
OPEB Liability as a Percentage of Covered Employee Payroll	8.84%	9.00%	10.14%
Retiree Death Benefit Only			
Measurement Date: June 30	2019	2018	2017
Service Cost	\$ 27	\$ 28	\$ 32
Interest	58	58	47
Changes of Assumptions	41	(10)	(92)
Difference between Expected and Actual Experience	0	(168)	0
Benefit Payments	(10)	(20)	(10)
Net Change in Total OPEB Liability	116	(112)	(23)
Total OPEB Liability – Beginning	1,485	1,597	1,620
Total OPEB Liability – Ending	\$ 1,601	\$ 1,485	\$ 1,597
Covered Employee Payroll	\$ 18,455	\$ 19,775	\$ 16,028
OPEB Liability as a Percentage of Covered Employee Payroll	8.68%	7.51%	9.96%

⁽¹⁾ Historical information is required only for measurement periods from which GASB 75 is applicable. Fiscal Year 2018 was the first year of GASB 75 implementation.

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

(2) **Other Post-Employment Benefits (Continued)**

Schedule of Changes in the OPEB Liability and Related Ratio (in thousands)⁽¹⁾ (Continued)

Notes to Schedule of Changes in the OPEB Liability and Related Ratio

Changes of Assumptions: For the fiscal year ended June 30, 2019 measurement period, the discount rate was decreased from 3.87 percent to 3.50 percent based on municipal bond rate.

For the fiscal year ended June 30, 2018 measurement period, the changes of assumptions were as follows:

PEMHCA	RHCAP	Retiree Death Benefit Only
Discount rate was increased from 3.581% to 3.87% based on municipal bond rate as of the measurement date.		
Demographic assumptions were updated to CalPERS 1997-2015 Experience Study.		
Mortality improvement scale was updated to Scale MP-2018.		
Medical claims costs were developed by Axene Health Partners based on demographic data for the CalPERS health plans provided by CalPERS and Axene's proprietary AHP Cost Model.	Not Applicable	
Short term medical trend was developed in consultation with Axene Health Partners' healthcare actuaries. Long-term medical trend developed using the Society of Actuaries Getzen Model of Long-Run Medical Cost Trends.	Not Applicable	
Participation at retirement for medical coverage was updated to 70% if eligible for RHCAP.	Not Applicable	
A 2% load on the cash liability was added to estimate the ACA Excise Tax.	Not Applicable	

For the fiscal year ended June 30, 2017 measurement period, the discount rate increased from 2.85 percent to 3.581 percent.

Statistical Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2020

This section of the Irvine Ranch Water District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends Schedules – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- Net Position
- Changes in Net Position

Revenue Capacity Schedules – These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property and sales taxes.

- Water Sold by Type of Customer
- Water Rates
- Largest Water Customers
- Sewer Rates
- Largest Sewer Customers
- Ad Valorem Property Tax Rates

Debt Capacity Schedules – These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

- Assessed Valuation and Estimated Actual Value of Taxable Property and 1% Property Tax Revenue
- Direct and Overlapping Property Tax Rates
- Principal Property Taxpayers
- Property Tax Collections/Delinquency
- Outstanding Debt by Type
- Outstanding General Obligation Bonds by Improvement District
- Ratio of General Obligation Debt to Assessed Values
- Ratio of Annual Debt Service Expenditures to Total General Expenditures
- Debt Service Coverage

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place and to help make comparisons over time and with other governments.

Principal Employers
Demographic and Economic Statistics

Operating Information – These schedules contain information about the District’s operations and resources to help the reader understand how the District’s financial information relates to the services the District provides and the activities it performs.

Operating Indicators by Function – Water and Sewer Service Connections
Operating Indicators by Function – New Service Connections
Operating Indicators by Function – Average Monthly Usage
Source of Supply and Demand in Acre Feet
Capital Asset Statistics
Full-Time Employees

Irvine Ranch Water District

Net Position

For the Past Ten Fiscal Years

(in millions)

	Fiscal Year				
	2011	2012	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽²⁾
Assets					
Current and other assets	\$1,300.0	\$1,167.0	\$1,128.2	\$ 462.7	\$ 332.9
Capital assets	1,430.3	1,508.8	1,506.1	1,567.5	1,647.4
Total assets	2,730.3	2,675.8	2,634.3	2,030.2	1,980.3
Deferred Outflows of Resources	32.7	53.0	47.3	37.7	43.3
Liabilities					
Current and other liabilities	97.7	99.0	672.7	54.9	51.5
Long-term liabilities	1,323.7	1,281.8	647.7	623.4	602.8
Total liabilities	1,421.4	1,380.8	1,320.4	678.3	654.3
Deferred Inflows of Resources	0	0	0	0	14.6
Net Position					
Net investment in capital assets	900.6	943.1	918.1	981.3	1,074.6
Restricted for water services	213.6	179.3	185.4	165.1	148.6
Restricted for sewer services	227.4	225.6	257.7	243.2	131.5
Total net position	\$1,341.6	\$1,348.0	\$1,361.2	\$1,389.6	\$1,354.7

Irvine Ranch Water District

Net Position

For the Past Ten Fiscal Years

(in millions)

(Continued)

	Fiscal Year				
	2016 ⁽³⁾	2017 ⁽⁴⁾	2018 ⁽⁵⁾	2019	2020
Assets					
Current and other assets	\$ 456.6	\$ 735.1	\$ 797.4	\$ 803.9	\$ 828.7
Capital assets	1,731.6	1,848.3	1,890.8	1,958.7	1,987.8
Total assets	2,188.2	2,583.4	2,688.2	2,762.6	2,816.5
Deferred Outflows of Resources	49.7	61.6	41.7	41.2	47.6
Liabilities					
Current and other liabilities	65.4	78.5	52.5	53.8	56.0
Long-term liabilities	589.8	790.9	831.7	817.4	812.4
Total liabilities	655.2	869.4	884.2	871.2	868.4
Deferred Inflows of Resources	4.4	3.6	4.8	4.5	3.9
Net Position					
Net investment in capital assets	1,178.5	1,087.9	1,155.5	1,238.8	1,283.8
Restricted for water services	221.5	264.3	289.5	313.0	350.0
Restricted for sewer services	178.3	419.8	395.9	376.2	358.0
Total net position	\$1,578.3	\$1,772.0	\$1,840.9	\$1,928.0	\$1,991.8

Source: Irvine Ranch Water District Basic Financial Statements

Notes:

- (1) The District implemented GASB Statement No. 65 for the fiscal year ended June 30, 2014 and restated the financial statements for the fiscal year ended June 30, 2013.
- (2) The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- (3) The District implemented GASB Statement No. 72 for the fiscal year ended June 30, 2016. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- (4) The prior period adjustment for the fiscal year ended June 30, 2017 was related to the reclassification of certain assets from capital assets to real estate investments. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- (5) The District implemented GASB Implementation Guide No. 2017-1 and GASB Statement No. 75 for the fiscal year ended June 30, 2018. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

Irvine Ranch Water District
Changes in Net Position
For the Past Ten Fiscal Years
(in thousands)

	Fiscal Year				
	2011	2012	2013	2014	2015 ⁽¹⁾
Operating Revenues					
Water sales and service charges	\$ 54,796	\$ 57,558	\$ 62,565	\$ 66,321	\$ 70,110
Sewer sales and service charges	45,375	49,234	53,085	58,109	62,808
Total operating revenues	<u>100,171</u>	<u>106,792</u>	<u>115,650</u>	<u>124,430</u>	<u>132,918</u>
Operating Expenses					
Water:					
Water services	45,961	44,883	51,163	57,624	57,978
General and administrative	12,327	12,305	14,619	13,660	9,319
Sewer:					
Sewer services	33,382	33,086	38,189	37,715	54,575
General and administrative	6,569	7,792	8,048	8,612	5,826
Depreciation	43,592	41,378	47,539	46,809	51,015
Total operating expenses	<u>141,831</u>	<u>139,444</u>	<u>159,558</u>	<u>164,420</u>	<u>178,713</u>
Operating income (loss)	<u>(41,660)</u>	<u>(32,652)</u>	<u>(43,908)</u>	<u>(39,990)</u>	<u>(45,795)</u>
Nonoperating Revenues (Expenses)					
Property taxes	38,679	38,062	41,068	42,751	42,431
Investment income	2,599	3,132	224	1,079	1,214
Increase (decrease) in fair value of investments	(20,172)	(23,586)	(29,180)	(16,177)	(28)
JPA investment income	53,708	51,530	49,178	29,522	0
Real estate income	9,719	11,039	10,789	11,899	12,518
Increase (decrease) in fair value of real estate investments	0	0	0	0	0
Pension benefits trust interest and dividends income	0	0	0	0	0
Increase (decrease) in fair value of pension benefits trust investments	0	0	0	0	0
Other income	7,987	6,141	8,323	10,974	7,899
Interest expense	(14,174)	(16,924)	(16,770)	(15,836)	(13,903)
JPA interest expense	(41,264)	(39,603)	(28,884)	(17,166)	0
Real estate expense	(6,004)	(6,016)	(6,047)	(6,139)	(6,251)
Pension benefits trust expense	0	0	0	0	0
Other expenses	(989)	(10,713)	(6,110)	(7,163)	(9,752)
Total nonoperating revenue (expenses)	<u>30,089</u>	<u>13,062</u>	<u>22,591</u>	<u>33,744</u>	<u>34,128</u>
Income (loss) before capital contributions	<u>(11,571)</u>	<u>(19,590)</u>	<u>(21,317)</u>	<u>(6,246)</u>	<u>(11,667)</u>
Contributed capital assets	18,506	25,948	34,535	34,684	42,540
Increase (decrease) in net position	<u>6,935</u>	<u>6,358</u>	<u>13,218</u>	<u>28,438</u>	<u>30,873</u>
Net position at beginning of year	1,334,666	1,341,601	1,347,959	1,361,177	1,389,615
Prior period adjustments	0	0	0	0	(65,825)
Net position at end of year	<u>\$1,341,601</u>	<u>\$1,347,959</u>	<u>\$1,361,177</u>	<u>\$1,389,615</u>	<u>\$1,354,663</u>

Irvine Ranch Water District
Changes in Net Position
For the Past Ten Fiscal Years

(in thousands)
(Continued)

	Fiscal Year				
	2016 ⁽²⁾	2017 ⁽³⁾	2018 ⁽⁴⁾	2019	2020
Operating Revenues					
Water sales and service charges	\$ 76,692	\$ 77,252	\$ 84,575	\$ 94,107	\$ 90,213
Sewer sales and service charges	67,682	72,054	76,789	76,841	77,187
Total operating revenues	144,374	149,306	161,364	170,948	167,400
Operating Expenses					
Water:					
Water services	57,499	55,296	63,671	64,004	67,792
General and administrative	11,827	15,906	20,554	19,860	21,600
Sewer:					
Sewer services	40,413	42,752	38,115	43,734	49,497
General and administrative	7,625	9,059	12,332	15,786	17,106
Depreciation	58,330	61,841	63,877	64,835	67,554
Total operating expenses	175,694	184,854	198,549	208,219	223,549
Operating income (loss)	(31,320)	(35,548)	(37,185)	(37,271)	(56,149)
Nonoperating Revenues (Expenses)					
Property taxes	46,303	51,321	57,247	63,057	66,375
Investment income	1,249	2,843	4,133	6,199	7,790
Increase (decrease) in fair value of investments	(32)	(1,624)	(1,571)	5,188	2,319
JPA investment income	0	0	0	0	0
Real estate income	13,056	13,434	16,689	17,813	18,175
Increase (decrease) in fair value of real estate investments	5,597	10,084	4,091	6,095	552
Pension benefits trust interest and dividends income	0	0	3,003	2,140	3,274
Increase (decrease) in fair value of pension benefits trust investments	0	0	2,173	3,196	1,500
Other income	7,837	7,117	7,504	8,876	6,606
Interest expense	(15,415)	(18,784)	(26,034)	(25,481)	(22,167)
JPA interest expense	0	0	0	0	0
Real estate expense	(4,363)	(4,358)	(13,284)	(9,441)	(5,627)
Pension benefits trust expense	0	0	(51)	(53)	(61)
Other expenses	(2,800)	(1,997)	(174)	(2,615)	(5,239)
Total nonoperating revenue (expenses)	51,432	58,036	53,726	74,974	73,497
Income (loss) before capital contributions	20,112	22,488	16,541	37,703	17,348
Contributed capital assets	53,278	41,913	60,588	49,346	46,427
Increase (decrease) in net position	73,390	64,401	77,129	87,049	63,775
Net position at beginning of year	1,354,663	1,578,311	1,772,014	1,840,953	1,928,002
Prior period adjustments	150,258	129,302	(8,190)	0	0
Net position at end of year	\$1,578,311	\$1,772,014	\$1,840,953	\$1,928,002	\$1,991,777

Source: IRWD Basic Financial Statements

Notes:

- ⁽¹⁾ The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- ⁽²⁾ The District implemented GASB Statement No 72 for the fiscal years ended June 30, 2016 and 2017. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- ⁽³⁾ The prior period adjustment for the fiscal year ended June 30, 2017 was related to the reclassification of certain assets from capital assets to real estate investments. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- ⁽⁴⁾ The District implemented GASB Implementation Guide No. 2017-1 and GASB Statement No. 75 for the fiscal year ended June 30, 2018. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

Irvine Ranch Water District
 Water Sold By Type of Customer (in Acre Feet)
 For the Past Ten Fiscal Years

	Fiscal Year				
	2011	2012	2013	2014	2015
Residential	31,127	32,262	33,166	34,068	32,375
Commercial	7,632	8,021	8,353	8,803	8,391
Industrial	4,733	4,713	4,783	4,891	6,233
Public Authority	2,305	2,373	2,458	2,458	2,583
Construction & Temporary	174	275	378	739	863
Landscape	4,252	4,741	5,316	5,671	5,327
Agricultural	3,208	2,433	2,749	3,277	2,547
Landscape/Agricultural	20,147	25,011	28,259	30,021	32,139
Total	73,578	79,829	85,462	89,928	90,458

	Fiscal Year				
	2016	2017	2018	2019	2020
Residential	28,573	30,384	32,848	31,642	32,580
Commercial	8,377	8,179	8,769	8,624	7,772
Industrial	5,118	5,084	4,923	4,831	4,604
Public Authority	2,234	2,282	2,193	2,073	1,579
Construction & Temporary	1,230	874	1,292	541	477
Landscape	3,843	4,126	4,740	4,065	4,211
Agricultural	2,216	1,856	1,839	1,114	1,012
Landscape/Agricultural	26,386	26,374	29,736	26,153	29,659
Total	77,977	79,159	86,340	79,043	81,894

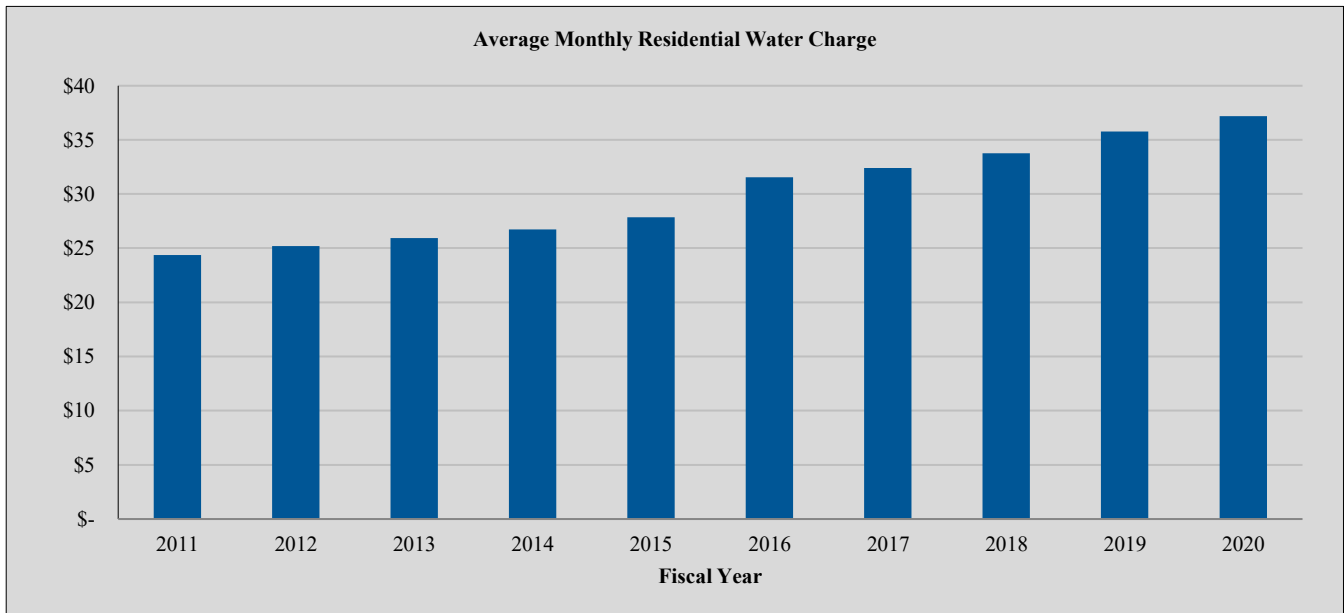
Source: Irvine Ranch Water District

Irvine Ranch Water District

Water Rates ⁽¹⁾

For the Past Ten Fiscal Years

Fiscal Year	Fixed Service Charge	Base Commodity Rate (per ccf) ⁽²⁾	Average Monthly Residential Charge
2011	\$8.00	\$1.21	\$24.35
2012	\$8.75	\$1.22	\$25.19
2013	\$9.30	\$1.24	\$25.92
2014	\$9.85	\$1.27	\$26.74
2015	\$10.50	\$1.34	\$27.84
2016	\$10.30	\$1.62	\$31.54
2017	\$10.30	\$1.65	\$32.41
2018	\$10.30	\$1.70	\$33.76
2019	\$10.35	\$1.89	\$35.76
2020	\$10.35	\$2.00	\$37.17



Source: Irvine Ranch Water District

Note:

⁽¹⁾ The water charge to the average residential customer is based upon an average of 15 ccf per month. The first 6 ccf are at the District's low volume rate, which is \$0.53 less than the commodity base rate in FY 2020. The fixed monthly service charge includes components to add enhancement and replacement funds to assist with the District's aging infrastructure.

Irvine Ranch Water District
Largest Water Customers
Current Year and Nine Years Ago

Customer Name	2020			2011		
	Total Sales	Rank	Percentage of Water Sales Revenues	Total Sales	Rank	Percentage of Water Sales Revenues
The Irvine Company	\$ 7,863,799	1	8.72%	\$3,023,324	1	5.52%
Jazz Semiconductor	1,222,084	2	1.35%	652,709	4	1.19%
B Braun Medical, Inc	1,122,729	3	1.24%	488,557	5	0.89%
University of California - Irvine	1,070,434	4	1.19%	1,222,850	2	2.23%
Woodbridge Village Association	524,264	5	0.58%	346,758	6	0.63%
City of Lake Forest	397,366	6	0.44%			
City of Irvine	300,980	7	0.33%	833,014	3	1.52%
ERP Operating LP	299,796	8	0.33%			
Maruchan, Inc	261,729	9	0.29%			
Allergan Sales, LLC	260,519	10	0.29%	260,651	10	0.48%
Caltrans District 12				312,094	7	0.57%
County of Orange				268,173	8	0.49%
Irvine Unified School District				260,920	9	0.48%
Total	\$13,323,700		14.76%	\$7,669,050		14.00%

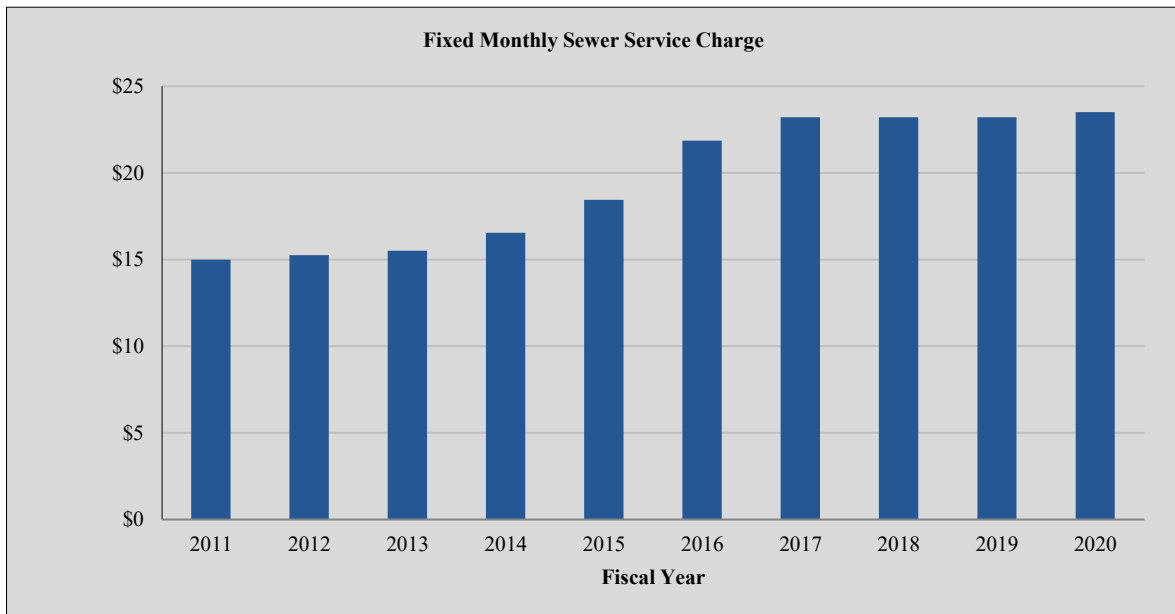
Source: Irvine Ranch Water District

Irvine Ranch Water District

Sewer Rates⁽¹⁾

For the Past Ten Fiscal Years

Fiscal Year	Fixed Monthly Service Charge
2011	\$15.00
2012	15.25
2013	15.50
2014	16.55
2015	18.45
2016	21.85
2017	23.20
2018	23.20
2019	23.20
2020	23.50



Source: Irvine Ranch Water District

Note:

- ⁽¹⁾ The fixed monthly sewer service charge is based on an average residential customer's water usage of between 5 and 10 ccf for the lowest three months in the prior calendar year. The fixed monthly service charge includes components to add enhancement and replacement funds to assist with the District's aging infrastructure.

Irvine Ranch Water District
Largest Sewer Customers
Current Year and Nine Years Ago

Customer Name	2020			2011		
	Total Sales	Rank	Percentage of Sewer Sales Revenues	Total Sales	Rank	Percentage of Sewer Sales Revenues
The Irvine Company	\$12,393,661	1	16.06%	\$ 614,013	1	1.35%
City of Irvine	2,370,182	2	3.07%			
University of California - Irvine	1,843,344	3	2.39%			
B Braun Medical, Inc	880,504	4	1.14%			
Irvine Unified School District	600,536	5	0.78%			
ERP Operating, LP	353,432	6	0.46%	185,354	6	0.41%
Maruchan, Inc	341,303	7	0.44%	241,264	4	0.53%
Allergan Sales, LLC	310,835	8	0.40%	248,544	3	0.55%
Crystal Cove Community Assn	304,276	9	0.39%			
City of Tustin	288,119	10	0.37%			
Royal Carpet Mills				272,714	2	0.60%
Villa Sienna Apts				221,803	5	0.49%
Newport Bluff Apartments				159,491	7	0.35%
Oakley Technical Center				147,291	8	0.32%
Park West Apartments				134,696	9	0.30%
Airport Ind Complex				125,982	10	0.28%
Total	\$19,686,192		25.50%	\$2,351,152		5.18%

Source: Irvine Ranch Water District

Irvine Ranch Water District
Ad Valorem Property Tax Rates⁽¹⁾
For the Past Ten Fiscal Years

Improvement District	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
112	\$0.07920	\$0.03168	\$0.03168	\$0.03168	\$0.03000	\$0.03000	\$0.03000	\$0.03000	\$0.03000	\$0.03000
113	0.01980	0.05940	0.05940	0.05940	0.03000	0.03000	0.04000	0.04000	0.04000	0.04000
120	0.00001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
121	0.01311	0.01311	0.01311	0.01311	N/A	N/A	N/A	N/A	N/A	N/A
125	N/A	N/A	N/A	N/A	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300
130	0.00680	0.00680	0.00680	0.00680	N/A	N/A	N/A	N/A	N/A	N/A
135	0.00842	0.00421	0.00421	0.00421	N/A	N/A	N/A	N/A	N/A	N/A
140	0.00001	0.01000	0.01000	0.01000	N/A	N/A	N/A	N/A	N/A	N/A
150	0.00990	0.01980	0.01980	0.01980	N/A	N/A	N/A	N/A	N/A	N/A
153	N/A	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.02000	0.02000	0.02000
160	0.00001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
161	0.01758	0.01758	0.01758	0.01758	N/A	N/A	N/A	N/A	N/A	N/A
182	0.01350	0.02700	0.02700	0.02700	N/A	N/A	N/A	N/A	N/A	N/A
184	0.00001	0.01350	0.01350	0.01350	N/A	N/A	N/A	N/A	N/A	N/A
185	N/A	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.02300	0.02300	0.02300
186	0.03191	0.04787	0.04787	0.04787	N/A	N/A	N/A	N/A	N/A	N/A
188	0.03590	0.21540	0.21540	0.21540	0.21540	0.21540	0.21540	0.07350	0.07350	0.07350
210	0.00001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
212	0.12420	0.07452	0.07452	0.07452	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500
213	0.14533	0.08720	0.08720	0.08720	0.03800	0.03800	0.05900	0.05900	0.05900	0.05900
220	0.00001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
221	0.01800	0.01700	0.01700	0.01700	N/A	N/A	N/A	N/A	N/A	N/A
225	N/A	N/A	N/A	N/A	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500
230	0.02200	0.02200	0.02200	0.02200	N/A	N/A	N/A	N/A	N/A	N/A
235	0.00532	0.00266	0.00266	0.00266	N/A	N/A	N/A	N/A	N/A	N/A
240	0.03140	0.02140	0.02140	0.02140	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500
250	0.03600	0.03600	0.03600	0.03600	N/A	N/A	N/A	N/A	N/A	N/A
252	0.00001	0.00001	0.00001	0.00001	N/A	N/A	N/A	N/A	N/A	N/A
253	N/A	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.02100	0.02100	0.02100
260	0.00001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
261	0.02830	0.02830	0.02830	0.02830	N/A	N/A	N/A	N/A	N/A	N/A
282	0.01890	0.01890	0.01890	0.01890	N/A	N/A	N/A	N/A	N/A	N/A
284	0.03239	0.03239	0.03239	0.03239	N/A	N/A	N/A	N/A	N/A	N/A
285	N/A	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.03050	0.03050	0.03050
286	0.00001	0.00201	0.00201	0.00201	N/A	N/A	N/A	N/A	N/A	N/A
288	0.00001	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000

Source: Irvine Ranch Water District

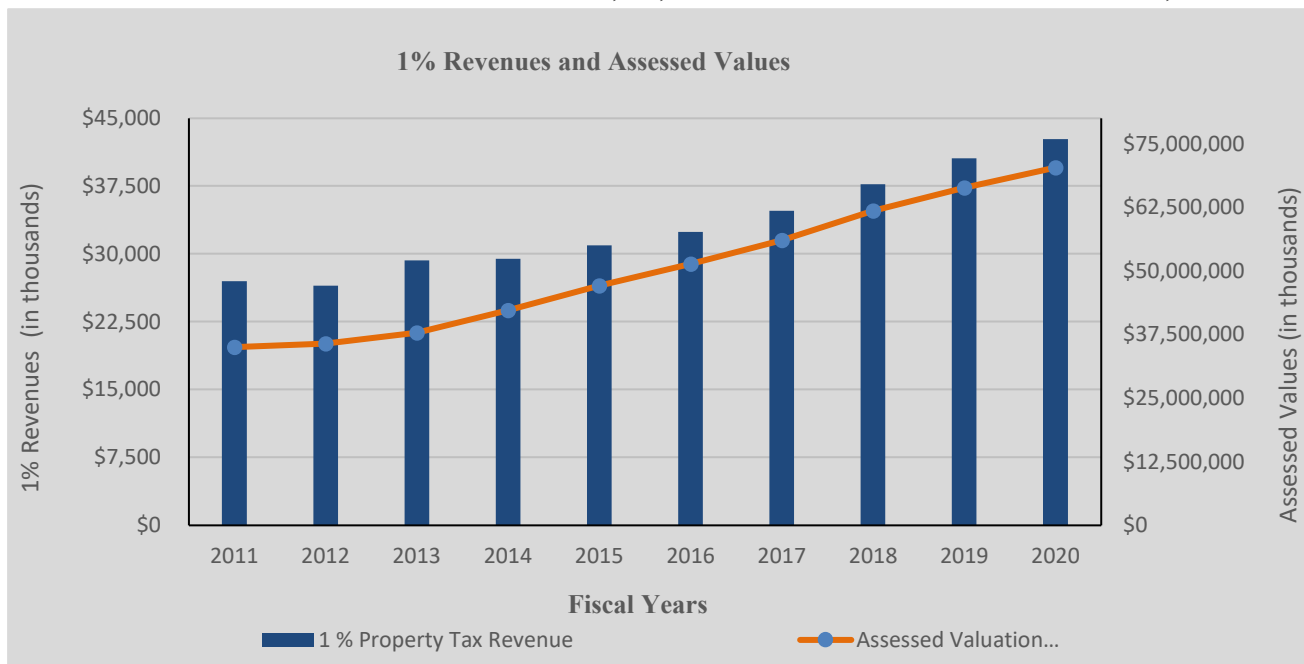
Note:

⁽¹⁾ The ad valorem property tax rates for the consolidated improvement district are effective July 1, 2014.

Irvine Ranch Water District

Assessed Valuation and Estimated Actual Value of Taxable Property and 1% Property Tax Revenue For the Past Ten Fiscal Years (in thousands)

Fiscal Year	Assessed Valuation (Land only)	1 % Property Tax Revenue
2011	\$35,008,276	\$26,989
2012	35,661,242	26,478
2013	37,809,660	29,265
2014	42,205,844	29,445
2015	47,059,437	30,924
2016	51,340,888	32,427
2017	56,028,731	34,761
2018	61,803,980	37,693
2019	66,341,210	40,543
2020	70,305,737	42,669



Source: Orange County Auditor-Controller and Orange County Tax Collector.

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold.

Irvine Ranch Water District
Direct and Overlapping Property Tax Rates
Fiscal Year Ended June 30, 2020

Direct Rate:

Irvine Ranch Water District I.D. No. 112	\$0.03000
Irvine Ranch Water District I.D. No. 113	0.04000
Irvine Ranch Water District I.D. No. 125	0.01300
Irvine Ranch Water District I.D. No. 153	0.02000
Irvine Ranch Water District I.D. No. 185	0.02300
Irvine Ranch Water District I.D. No. 188	0.07350
Irvine Ranch Water District I.D. No. 212	0.04500
Irvine Ranch Water District I.D. No. 213	0.05900
Irvine Ranch Water District I.D. No. 225	0.01500
Irvine Ranch Water District I.D. No. 240	0.01500
Irvine Ranch Water District I.D. No. 252	0.00001
Irvine Ranch Water District I.D. No. 253	0.02100
Irvine Ranch Water District I.D. No. 285	0.03050
Irvine Ranch Water District I.D. No. 288	0.01000

Overlapping Rates:

School Districts:

Coast Community College District	0.03100
Rancho Santiago Community College District	0.02818
Rancho Santiago Community College District SFID 1	0.02360
Irvine Unified School District SFID No. 1	0.02533
Laguna Beach Unified School District	0.01266
Newport Mesa Unified School District	0.01682
Orange Unified School District	0.02288
Saddleback Valley Unified School District	0.02295
Santa Ana Unified School District	0.07300
Tustin Unified School District SFID 2002-1	0.01842
Tustin Unified School District SFID 2008-1	0.02969
Tustin Unified School District SFID 2012-1	0.01565

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District
Principal Property Taxpayers
Fiscal Year Ended June 30, 2020

Property Owner's Name	Type of Business	Assessed Valuation of Property, including Land & Improvements	Percentage of Total City Taxable Assessed Value
The Irvine Company	Developer/Real Estate	\$3,277,678,884	4.18%
Irvine Apartment Communities	Real Estate	524,087,291	0.67%
Allergan USA Inc	Pharmaceutical (R&D/Marketing)	463,181,986	0.59%
Five Point Office Venture I LLC	Developer/Real Estate	442,999,914	0.56%
Jamboree Center LLC	Developer/Real Estate	410,419,676	0.52%
B Braun Medical Inc	Bio-Medical Manufacturing	388,000,778	0.49%
LBA IV-PPI LLC	Real Estate Investment and Management	379,452,894	0.48%
Park Place Michelson LLC	Real Estate	365,420,850	0.47%
Park I/II Spectrum LLC	Real Estate	353,535,651	0.45%
Calatlantic Group Inc	Developer/Real Estate	344,245,885	0.44%
		\$6,949,023,809	8.85%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2019).
Data was not yet available for FY 2019/20 from the City of Irvine. The City of Irvine is only a part of the IRWD service area.

Irvine Ranch Water District
Property Tax Collections/Delinquency
For the Past Ten Fiscal Years

Fiscal Year	Levied During Fiscal Year		Collected During Fiscal Year	
	1 Percent ⁽¹⁾	General ⁽²⁾	1 Percent	General ⁽³⁾
2011	\$ 26,493,900	\$ 10,323,198	\$ 25,892,653	\$ 11,180,391
2012	26,749,900	10,558,510	25,953,788	11,716,056
2013	26,749,900	10,733,998	29,265,283	11,802,915
2014	26,749,900	11,374,556	27,606,048	12,463,175
2015	29,000,000	9,203,641	28,668,756	9,585,904
2016	31,900,000	11,133,538	31,115,506	10,879,713
2017	33,500,000	11,679,081	33,318,168	12,822,313
2018	35,000,000	13,964,731	35,977,694	15,482,916
2019	39,000,000	16,142,433	38,717,848	17,906,438
2020	45,000,000	18,480,090	40,739,166	19,603,125
Total	\$320,143,600	\$123,593,776	\$317,254,910	\$133,442,946

Fiscal Year	Percentage Collected		Amount of Levy Collected in Subsequent Periods	
	1 Percent	General	1 Percent	General
2011	97.73%	108.30%	\$ 1,153,265	\$ 753,309
2012	97.02%	110.96%	733,450	118,691
2013	109.40%	109.96%	989,396	438,947
2014	103.20%	109.57%	1,148,873	988,796
2015	98.86%	104.15%	2,275,461	4,888
2016	97.54%	97.72%	1,192,700	884,301
2017	99.46%	109.79%	1,230,854	1,443,272
2018	102.79%	110.87%	1,542,713	1,635,416
2019	99.28%	110.93%	1,510,697	1,911,630
2020	90.53%	106.08%	1,749,765	1,515,136
Total			\$ 13,527,174	\$ 9,694,386

Source County of Orange Tax Ledger

Notes:

- ⁽¹⁾ The estimated levy for one percent revenue is generated internally and it is based on prior year receipts and developer growth projections.
- ⁽²⁾ The estimated levy for G.O. tax receipts is based on the county's assessed value projection multiplied by the tax rate assessed within each improvement district.
- ⁽³⁾ The General column for Collected tax receipts includes an unbudgeted utility tax revenue from improvement districts 190/290 that adds approximately \$400K per year.

Irvine Ranch Water District
Outstanding Debt by Type ⁽¹⁾
For the Past Ten Fiscal Years

Fiscal Year	Total Service Connections ⁽²⁾	General Obligation Bonds ⁽³⁾	GO Debt per Connection	Certificates of Participation	COPS Debt per Connection
2011	191,474	\$562,051,000	\$2,935	\$88,043,000	\$460
2012	193,293	548,549,000	2,838	83,616,000	433
2013	196,596	534,343,000	2,718	78,698,000	400
2014	200,559	515,900,000	2,572	73,565,000	367
2015	203,762	503,800,000	2,472	67,293,000	330
2016	209,267	491,200,000	2,347	60,387,000	289
2017	215,573	608,118,000	2,821	153,626,000	713
2018	222,918	586,493,000	2,631	150,275,000	674
2019	227,749	574,669,000	2,523	146,744,000	644
2020	231,439	562,645,000	2,431	143,028,000	618

Irvine Ranch Water District
Outstanding Debt by Type ⁽¹⁾
For the Past Ten Fiscal Years
(Continued)

Fiscal Year	JPA Revenue Bonds	JPA Debt per Connection	Notes Payable	Notes Payable per Connection	Total Debt	Total Debt per Connection
2011	\$676,415,000	\$3,533	\$2,747,000	\$14	\$1,329,256,000	\$6,942
2012	638,521,000	3,303	2,494,000	13	1,273,180,000	6,587
2013	610,568,000	3,106	2,240,000	11	1,225,849,000	6,235
2014	0	0	1,984,000	10	591,449,000	2,949
2015	0	0	1,728,000	8	572,821,000	2,811
2016	0	0	1,469,000	7	553,056,000	2,643
2017	0	0	1,209,000	6	762,953,000	3,539
2018	0	0	947,000	4	737,715,000	3,309
2019	0	0	684,000	3	722,097,000	3,171
2020	0	0	419,000	2	706,092,000	3,051

Source: Irvine Ranch Water District

Notes:

- ⁽¹⁾ More detail about the District's long-term liabilities can be found in Note 9 to the Basic Financial Statements.
- ⁽²⁾ Per Capita income information for the Irvine Ranch Water District is not readily available. Accordingly, the District presents this schedule by total service connections.
- ⁽³⁾ Includes unamortized discount/deferred loss on refunding for the fiscal year 2010 through the fiscal year 2013.

Irvine Ranch Water District
Outstanding General Obligation Bonds by Improvement District
As of June 30, 2020

Improvement District	General Obligation Bonds Authorized	General Obligation Bonds Issued	Remaining Unissued General Obligation Bonds Authorized	Amount Outstanding as of June 30, 2020
112	\$ 28,512,300	\$ 8,111,000	\$ 20,401,300	\$ 7,385,000
113	25,769,500	16,300,000	9,469,500	14,038,000
125	735,246,000	429,729,000	305,517,000	178,837,000
153	237,300,000	7,601,000	229,699,000	7,601,000
154	4,839,000	0	4,839,000	0
185	13,500,000	1,493,000	12,007,000	1,493,000
188	8,174,000	4,590,000	3,584,000	1,585,000
Total	\$1,053,340,800	\$ 467,824,000	\$ 585,516,800	\$210,939,000
210	\$ 2,000,000	\$ 2,000,000	\$ 0	\$ 0
212	108,711,800	26,013,000	82,698,800	24,070,000
213	87,647,500	28,565,000	59,082,500	22,947,000
225	856,643,000	493,304,000	363,339,000	250,818,000
240	117,273,000	49,722,000	67,551,000	16,177,000
253	122,283,000	11,877,000	110,406,000	11,877,000
285	21,300,000	1,809,000	19,491,000	1,809,000
288	8,977,000	443,000	8,534,000	363,000
Total	\$1,324,835,300	\$ 613,733,000	\$ 711,102,300	\$328,061,000
Total	\$2,378,176,100	\$1,081,557,000	\$1,296,619,100	\$539,000,000

Source: Irvine Ranch Water District

Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values ⁽¹⁾
for the Past Ten Fiscal Years

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 112				Improvement District 212			
2011	\$ 539,618,060	\$ 5,745,000	0.01064642	2011	\$ 539,618,060	\$ 15,705,000	0.02910392
2012	504,820,526	5,745,000	0.01138028	2012	504,820,526	15,705,000	0.03111007
2013	511,871,892	5,653,500	0.01104476	2013	511,871,892	15,461,500	0.03020580
2014	780,606,904	5,562,000	0.00712523	2014	780,606,904	15,218,000	0.01949509
2015	1,333,029,836	5,470,000	0.00410343	2015	1,333,029,836	14,974,000	0.01123306
2016	1,850,638,433	5,378,000	0.00290602	2016	1,850,638,433	14,731,000	0.00795996
2017	2,077,681,111	7,658,000	0.00368584	2017	2,077,681,111	24,801,000	0.01193687
2018	2,795,881,726	7,567,000	0.00270648	2018	2,795,881,726	24,558,000	0.00878363
2019	3,230,805,159	7,475,979	0.00231397	2019	3,230,805,159	24,313,823	0.00752562
2020	3,706,557,300	7,384,479	0.00199227	2020	3,706,557,300	24,070,323	0.00649398
Improvement District 113				Improvement District 213			
2011	\$ 553,458,157	\$ 9,770,000	0.01765264	2011	\$ 553,458,157	\$ 17,283,000	0.03122729
2012	536,369,090	15,794,500	0.02944707	2012	536,369,090	23,418,645	0.04366144
2013	562,239,093	15,541,750	0.02764260	2013	562,239,093	22,828,480	0.04060280
2014	674,596,339	14,150,000	0.02097551	2014	674,596,339	22,074,000	0.03272179
2015	827,524,085	13,900,000	0.01679709	2015	827,524,085	21,488,000	0.02596662
2016	885,391,548	13,638,000	0.01540335	2016	885,391,548	20,839,000	0.02353648
2017	1,031,821,023	14,870,000	0.01441141	2017	1,031,821,023	24,950,000	0.02418055
2018	1,143,798,184	14,597,000	0.01276187	2018	1,143,798,184	24,288,000	0.02123452
2019	1,186,452,170	14,319,920	0.01206953	2019	1,186,452,170	23,621,096	0.01990902
2020	1,283,110,993	14,037,420	0.01094015	2020	1,283,110,993	22,947,396	0.01788419
Improvement District 125				Improvement District 225			
2011	n/a	n/a	n/a	2011	n/a	n/a	n/a
2012	n/a	n/a	n/a	2012	n/a	n/a	n/a
2013	n/a	n/a	n/a	2013	n/a	n/a	n/a
2014	\$29,578,638,615	\$192,075,000	0.00649371	2014	\$24,757,488,949	\$240,995,000	0.00973423
2015	32,752,414,757	187,604,000	0.00572794	2015	27,557,606,802	235,865,000	0.00855898
2016	35,506,392,050	182,932,000	0.00515209	2016	29,945,134,379	230,535,000	0.00769858
2017	38,802,873,378	194,719,000	0.00501816	2017	32,838,922,602	268,655,000	0.00818099
2018	42,983,731,609	187,049,000	0.00435162	2018	36,549,538,031	260,260,000	0.00712075
2019	45,924,240,097	184,083,028	0.00400841	2019	39,234,190,651	256,320,180	0.00653308
2020	48,290,836,261	178,836,724	0.00370333	2020	41,383,837,339	250,818,303	0.00606078

Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values ⁽¹⁾
for the Past Ten Fiscal Years
(continued)

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 240							
2011	\$ 4,903,741,743			2011	\$ 4,903,741,743	\$ 29,527,697	0.00602146
2012	4,973,007,663			2012	4,973,007,663	28,081,173	0.00564672
2013	5,343,804,951			2013	5,343,804,951	26,441,526	0.00494807
2014	5,609,174,229			2014	5,609,174,229	24,078,000	0.00429261
2015	6,031,968,996			2015	6,031,968,996	22,767,000	0.00377439
2016	6,449,202,772			2016	6,449,202,772	21,431,000	0.00332305
2017	7,000,292,817			2017	7,000,292,817	21,271,000	0.00303859
2018	7,667,626,922			2018	7,667,626,922	17,921,000	0.00233723
2019	8,000,510,347			2019	8,000,510,347	17,202,092	0.00215012
2020	8,281,189,054			2020	8,281,189,054	16,177,474	0.00195352
Improvement District 153							
2011	\$ 7,971,152	n/a	n/a	2011	\$ 7,971,152	n/a	n/a
2012	8,114,060	n/a	n/a	2012	8,114,060	n/a	n/a
2013	8,475,848	n/a	n/a	2013	8,475,848	n/a	n/a
2014	8,687,744	n/a	n/a	2014	228,692,347	n/a	n/a
2015	666,622,225	n/a	n/a	2015	666,622,225	n/a	n/a
2016	1,287,363,937	n/a	n/a	2016	1,287,363,937	n/a	n/a
2017	2,893,148,966	\$ 7,601,000	0.00262724	2017	2,893,148,966	\$ 11,877,000	0.00410522
2018	4,097,566,306	7,601,000	0.00185500	2018	4,097,566,306	11,877,000	0.00289855
2019	5,118,350,587	7,601,244	0.00148510	2019	5,118,350,587	11,877,248	0.00232052
2020	5,812,018,792	7,601,244	0.00130785	2020	5,812,018,792	11,877,248	0.00204357
Improvement District 253							
Improvement District 154							
2011	\$ 8,904,175	n/a	n/a	2011	\$ 8,904,175	n/a	n/a
2012	9,127,678	n/a	n/a	2012	9,127,678	n/a	n/a
2013	9,334,512	n/a	n/a	2013	9,334,512	n/a	n/a
2014	9,111,103	n/a	n/a	2014	9,111,103	n/a	n/a
2015	9,289,351	n/a	n/a	2015	9,289,351	n/a	n/a
2016	9,266,433	n/a	n/a	2016	9,266,433	n/a	n/a
2017	9,376,883	n/a	n/a	2017	9,376,883	n/a	n/a
2018	9,529,712	n/a	n/a	2018	9,529,712	n/a	n/a
2019	9,720,296	n/a	n/a	2019	9,720,296	n/a	n/a
2020	9,914,693	n/a	n/a	2020	9,914,693	n/a	n/a

Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values ⁽¹⁾
for the Past Ten Fiscal Years
(continued)

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 185				Improvement District 285			
2010	n/a	n/a	n/a	2010	n/a	n/a	n/a
2011	n/a	n/a	n/a	2011	n/a	n/a	n/a
2012	n/a	n/a	n/a	2012	n/a	n/a	n/a
2013	n/a	n/a	n/a	2013	n/a	n/a	n/a
2014	\$ 85,119,097	n/a	n/a	2014	\$ 85,119,097	n/a	n/a
2015	209,634,682	n/a	n/a	2015	209,634,682	n/a	n/a
2016	586,316,903	n/a	n/a	2016	586,316,903	n/a	n/a
2017	836,640,799	\$ 1,493,000	0.00178452	2017	836,640,799	\$ 1,809,000	0.00216222
2018	1,209,166,559	1,493,000	0.00123473	2018	1,209,166,559	1,809,000	0.00149607
2019	1,465,394,626	1,492,889	0.00101876	2019	1,465,394,626	1,808,776	0.00123433
2020	1,262,000,047	1,492,889	0.00118295	2020	1,262,000,047	1,808,776	0.00143326
Improvement District 188				Improvement District 288			
2011	\$ 13,887,854	\$ 2,155,702	0.15522211	2011	\$ 13,887,854	\$ 300,000	0.02160161
2012	14,165,606	1,942,809	0.13714973	2012	14,165,606	300,000	0.02117806
2013	14,448,912	1,714,661	0.11867060	2013	14,448,912	290,000	0.02007072
2014	14,446,476	1,468,000	0.10161648	2014	14,446,476	280,000	0.01938189
2015	14,735,113	1,462,000	0.09921879	2015	14,735,113	270,000	0.01832358
2016	185,851,827	1,456,000	0.00783420	2016	185,851,827	260,000	0.00139896
2017	196,953,990	1,603,000	0.00813896	2017	196,953,990	393,000	0.00199539
2018	212,742,385	1,597,000	0.00750673	2018	212,742,385	383,000	0.00180030
2019	246,753,329	1,590,618	0.00644619	2019	246,753,329	373,106	0.00151206
2020	255,088,204	1,584,618	0.00621204	2020	255,088,204	363,106	0.00142345

Source: Irvine Ranch Water District

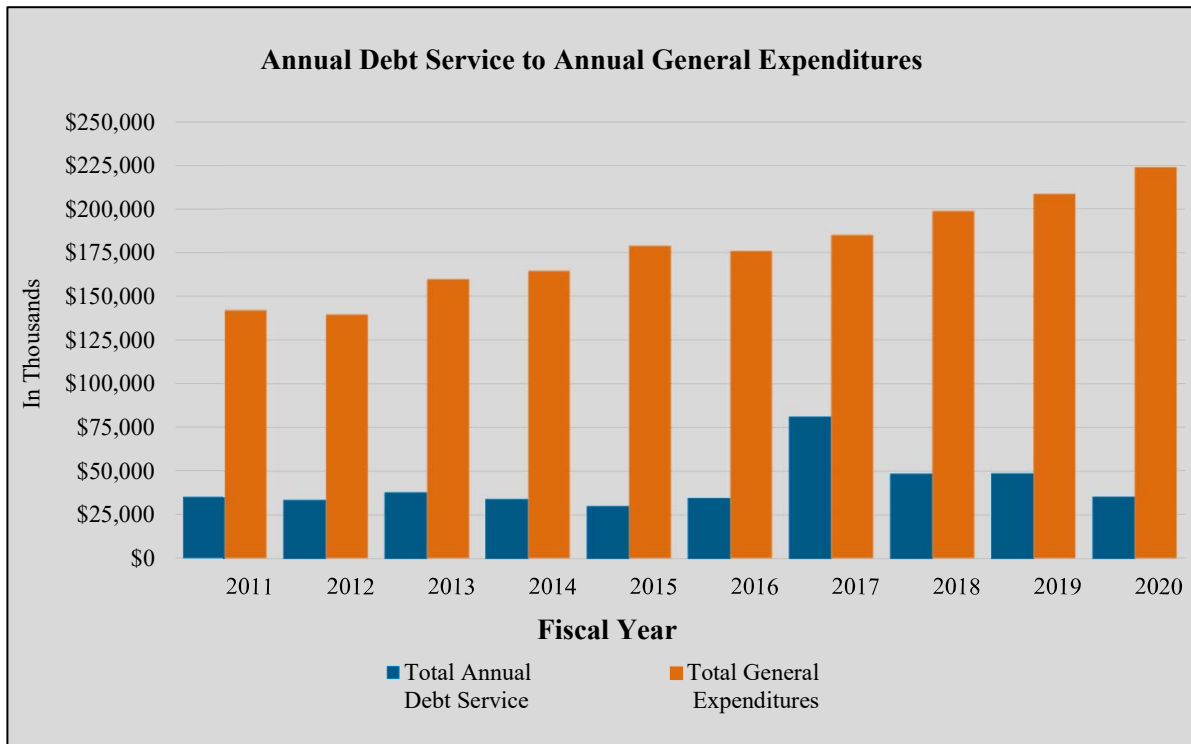
Note:

⁽¹⁾ In December 2013, the District consolidated water ID's 120, 121, 130, 140, 150, 160, 161, 182, 184, and 186 into ID 125 and sewer ID's 220, 221, 230, 250, 260, 261, 282, 284, and 286 into ID 225.

Irvine Ranch Water District

Ratio of Annual Debt Service Expenditures to Total General Expenditures
For the Past Ten Fiscal Years
(in thousands)

Fiscal Year	Total Annual Debt Service	Total General Expenditures	Ratio of Total Annual Debt Service to Total General Expenditures
2011	\$34,842	\$141,831	24.6%
2012	33,437	139,444	24.0%
2013	37,734	159,558	23.6%
2014	34,009	164,420	20.7%
2015	29,921	178,713	16.7%
2016	34,560	175,694	19.7%
2017	81,029	184,854	43.8%
2018	48,349	198,549	24.4%
2019	48,529	208,219	23.3%
2020	35,247	223,549	15.8%



Source: Irvine Ranch Water District

Irvine Ranch Water District
Debt Service Coverage (in thousands)
For the Past Ten Fiscal Years

	Fiscal Year				
	2011	2012	2013	2014	2015
Revenues					
Water sales and service charges	\$ 54,796	\$ 57,558	\$ 62,565	\$ 66,321	\$ 70,110
Sewer sales and service charges	45,375	49,234	53,085	58,109	62,808
Developer Connection fees	10,572	9,030	17,314	22,429	29,183
Net real estate income	5,649	6,736	6,566	7,760	8,191
Interest income	2,599	1,739	1,549	1,671	1,515
Net earnings on JPA	12,444	11,927	20,294	12,356	0
Available 1% property tax revenue	22,396	23,165	25,796	28,532	29,770
Other	7,987	6,141	8,323	10,974	7,899
Total Revenues	161,818	165,530	195,492	208,152	209,476
Expenses					
Water supply services	45,961	44,883	51,163	57,624	57,978
Sewer services	33,382	33,086	38,189	37,715	54,575
Administrative and general	18,896	20,097	22,667	17,487	16,012
Pension and OPEB Expense	0	0	0	4,785	2,237
Other	989	10,713	6,110	7,163	9,752
Total Expenses	99,228	108,779	118,129	124,774	140,554
Net Revenues	\$ 62,590	\$ 56,751	\$ 77,363	\$ 83,378	\$ 68,922
Applicable <i>Ad Valorem</i> Assessments Available for GO					
Double-Barrel Bonds	\$ 0	\$ 5,823	\$ 5,838	\$ 6,409	\$ 4,839
Parity Obligations					
Certificates of Participation	\$ 7,680	\$ 8,016	\$ 8,388	\$ 8,753	\$ 9,098
1997 State Loan #3	226	226	226	227	227
Series 2010B Bonds	4,080	7,533	7,519	7,825	7,829
Series 2011-A Index Tender Notes	35	2,284	2,306	2,360	2,455
2016 General Obligation	0	0	0	0	0
Total Parity Obligations Debt Service	12,021	18,059	18,439	19,165	19,609
Remaining Revenues	\$ 50,569	\$ 44,515	\$ 64,762	\$ 70,622	\$ 54,152
Parity Obligation Coverage	5.2 x	3.5 x	4.5 x	4.7 x	3.8 x
Subordinate Obligations					
Fixed Payer Swap Payments	\$ 7,734	\$ 7,734	\$ 7,452	\$ 7,475	\$ 7,734
State Loans and SCWD Debt	253	308	308	308	308
Total Subordinate Obligations	7,987	8,042	7,760	7,783	8,042
Remaining Revenues	\$ 42,582	\$ 36,473	\$ 57,002	\$ 62,839	\$ 46,110
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	\$ 4,593	\$ 3,313	\$ 3,470	\$ 3,013	\$ 3,358
Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds	11,690	5,761	5,965	4,797	4,463
Sub-total Pledged Revenues	58,865	45,547	66,437	70,649	53,931
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	22,396	23,165	25,796	28,532	29,770
Additional Net Revenues	20,186	13,308	25,248	34,307	16,340
Total with Additional Pledged Revenues	\$ 58,865	\$ 45,547	\$ 66,437	\$ 70,649	\$ 53,931
Debt Service					
Non-Double-Barrel GO Bond Debt Service	\$ 16,899	\$ 16,899	\$ 17,129	\$ 10,968	\$ 12,840
GO Bond Coverage	3.5 x	2.7 x	3.9 x	6.4 x	4.2 x
Remaining Revenues	\$ 41,966	\$ 28,648	\$ 49,308	\$ 59,681	\$ 41,091
Total Debt Coverage	2.1 x	1.7 x	2.1 x	2.6 x	2.0 x

Irvine Ranch Water District
Debt Service Coverage (in thousands)
For the Past Ten Fiscal Years
(Continued)

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues					
Water sales and service charges	\$ 76,692	\$ 77,252	\$ 84,575	\$ 94,107	\$ 90,213
Sewer sales and service charges	67,682	72,054	76,789	76,841	77,187
Developer Connection fees	32,109	25,563	32,674	18,205	10,943
Net real estate income	8,693	9,076	3,405	8,372	12,549
Interest income	1,585	3,210	4,133	6,199	7,790
Net earnings on JPA	0	0	0	0	0
Available 1% property tax revenue	31,645	34,247	29,649	42,389	44,463
Other	7,836	7,117	7,504	8,876	6,606
Total Revenues	226,242	228,519	238,729	254,989	249,751
Expenses					
Water supply services	57,499	55,296	63,671	64,004	67,792
Sewer services	40,413	42,752	38,115	43,734	49,497
Administrative and general	19,909	22,664	22,390	25,610	24,303
Pension and OPEB Expense	2,831	5,146	5,333	4,700	9,629
Other	2,800	1,997	174	2,615	5,240
Total Expenses	123,452	127,855	129,683	140,663	156,461
Net Revenues	\$102,790	\$100,664	\$109,046	\$114,326	\$ 93,290
Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds	\$ 6,036	\$ 8,605	\$ 10,499	\$ 12,554	\$ 13,548
Parity Obligations					
Certificates of Participation	\$ 9,487	\$ 11,675	\$ 7,722	\$ 7,821	\$ 7,916
1997 State Loan #3	227	194	194	194	194
Series 2010B Bonds	7,823	7,813	7,807	7,792	7,778
Series 2011-A Index Tender Notes	2,927	2,967	3,675	4,045	3,887
2016 General Obligation	0	1,605	5,301	5,301	5,301
Total Parity Obligations Debt Service	20,464	24,254	24,699	25,153	25,076
Remaining Revenues	\$ 88,362	\$ 85,015	\$ 94,846	\$101,727	\$ 81,762
Parity Obligation Coverage	5.3 x	4.5 x	4.8 x	5.0 x	4.3 x
Subordinate Obligations					
Fixed Payer Swap Payments	\$ 7,712	\$ 6,798	\$ 5,739	\$ 4,513	\$ 2,496
State Loans and SCWD Debt	308	133	122	122	100
Total Subordinate Obligations	8,020	6,931	5,861	4,635	2,596
Remaining Revenues	\$ 80,342	\$ 78,084	\$ 88,985	\$ 97,092	\$ 79,166
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	\$ 3,226	\$ 3,128	\$ 10,834	\$ 1,192	\$ 1,141
Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds	5,396	5,341	6,265	6,922	7,223
Sub-total Pledged Revenues	88,964	86,553	106,084	105,206	87,530
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	31,645	34,247	29,649	42,389	44,463
Additional Net Revenues	48,697	43,837	59,336	54,703	34,703
Total with Additional Pledged Revenues	\$ 88,964	\$ 86,553	\$106,084	\$105,206	\$87,530
Debt Service					
Non-Double-Barrel GO Bond Debt Service	\$ 11,173	\$ 12,385	\$ 20,843	\$ 11,436	\$ 10,781
GO Bond Coverage	8.0 x	7.0 x	5.1 x	9.2 x	8.1 x
Remaining Revenues	\$ 77,791	\$ 74,168	\$ 85,241	\$ 93,770	\$ 76,749
Total Debt Coverage	3.0 x	2.7 x	2.7 x	3.3 x	3.0 x

Source: Irvine Ranch Water District

Irvine Ranch Water District

Principal Employers

Fiscal Year Ended June 30, 2020

Name of Company	Number of Employees	Products	Percentage of Employment
University of California, Irvine	23,884	Educational	8.70%
Blizzard Entertainment, Inc	4,022	Technology	1.46%
Irvine Unified School District	3,856	Educational	1.40%
Edwards Lifesciences, LLC	2,987	Surgical Appliances and Supplies	1.09%
Amazon.com Services	2,327	Technology	0.85%
B Braun Medical	1,910	Bio-Medical Manufacturing	0.70%
Broadcom	1,900	Technology	0.69%
Parker Hannifin Corporation	1,650	Aircraft Parts	0.60%
Glidewell Laboratories	1,538	Dental Appliances	0.56%
Western Digital	1,350	Technology	0.49%
			16.54%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2019)

Data was not yet available for FY 2019/20 from the City of Irvine.

The City of Irvine is only a part of the IRWD service area.

Irvine Ranch Water District
Demographic & Economic Statistics
For the Past Ten Fiscal Years

Fiscal Year Ended	IRWD Population	City of Irvine Population	City of Irvine Median Family Income	Total Personal Income (in thousands)	County of Orange Unemployment Rate
2011	330,000	219,156	\$ 93,258	\$ 8,481,794	9.2%
2012	334,000	223,729	90,939	8,886,628	7.9%
2013	340,000	231,117	92,599	8,174,011	6.1%
2014	370,000	242,651	92,663	9,595,168	5.0%
2015	370,000	250,384	90,585	10,593,508	4.2%
2016	390,000	258,386	91,999	10,946,242	3.6%
2017	390,000	267,086	92,278	12,840,224	3.2%
2018	390,000	276,176	93,823	12,272,130	2.6%
2019	422,000	280,202	104,185	12,272,130	2.4%
2020	380,000	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	13.7%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2019) and County of Orange website.

Data for the entire Irvine Ranch Water District service area is not readily available.
The City of Irvine is only a part of the IRWD service area.

Note:

⁽¹⁾ City of Irvine Population, Median Family Income, and Total Personal Income for FY 2020 has not yet been published by the City of Irvine.

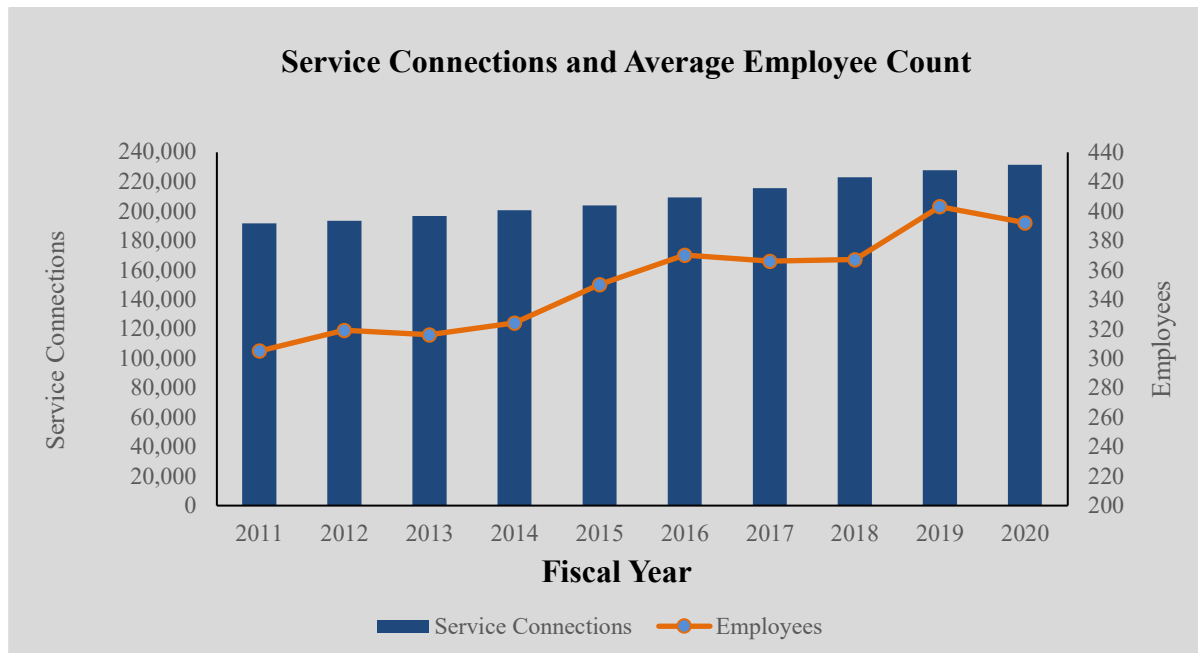
Irvine Ranch Water District

Operating Indicators by Function

Water and Sewer Service Connections

For the Past Ten Fiscal Years

Fiscal Year	Water	Sewer & Recycled Water	Total Service Connections	Average Employee Population	Service Connections per Employee
2011	98,637	92,837	191,474	305	628
2012	99,465	93,828	193,293	319	606
2013	101,108	95,488	196,596	316	622
2014	103,077	97,482	200,559	324	619
2015	104,678	99,084	203,762	350	582
2016	107,402	101,865	209,267	370	566
2017	110,520	105,053	215,573	366	589
2018	114,164	108,754	222,918	367	607
2019	116,539	111,210	227,749	403	565
2020	118,263	113,176	231,439	392	590



Source: Irvine Ranch Water District

Irvine Ranch Water District
Operating Indicators by Function
New Service Connections
For the Past Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016⁽¹⁾	2017	2018	2019	2020
Water										
Residential	1,469	862	1,520	1,848	1,727	2,513	2,928	3,355	2,314	1,783
Commercial/Industrial/ Public Authority	98	18	27	40	(126)	82	88	133	27	16
Fire Protection	40	37	55	50	29	107	83	99	68	21
Construction & Temporary	39	3	31	36	4	3	14	43	(23)	(28)
Landscape Irrigation	(21)	(89)	8	(4)	(30)	19	5	13	(11)	(65)
Agricultural	(11)	(3)	2	(1)	(3)	0	0	1	0	(3)
Total Water	1,614	828	1,643	1,969	1,601	2,724	3,118	3,644	2,375	1,724
Sewer										
Residential	1,462	861	1,521	1,829	1,727	2,501	2,894	3,340	2,314	1,781
Commercial/Industrial/ Public Authority	37	21	29	41	(232)	88	84	137	45	21
Construction & Temporary	0	0	0	0	0	0	0	0	0	1
Landscape Irrigation	85	102	112	127	113	0	0	0	0	0
Agricultural	1	7	(2)	(3)	(6)	0	0	0	0	0
Total Sewer	1,585	991	1,660	1,994	1,602	2,589	2,978	3,477	2,359	1,803
Recycled Water										
Residential	0	0	0	0	0	6	33	14	1	9
Commercial/Industrial/ Public Authority	0	0	0	0	0	8	9	14	12	6
Construction & Temporary	0	0	0	0	0	13	8	(5)	(1)	(9)
Landscape Irrigation	0	0	0	0	0	162	161	199	85	155
Agricultural	0	0	0	0	0	3	(1)	2	0	2
Total Recycled Water	0	0	0	0	0	192	210	224	97	163
Total	3,199	1,819	3,303	3,963	3,203	5,505	6,306	7,345	4,831	3,690

Source: Irvine Ranch Water District

Note:

⁽¹⁾ New connection data for Recycled Water connections was not available prior to the fiscal year 2016.

Irvine Ranch Water District
 Operating Indicators by Function
 Average Monthly Usage (in CCF)
 For the Past Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water										
Residential	9	9	9	9	12	11	11	12	11	11
Commercial	56	61	63	66	57	60	57	61	59	51
Industrial	201	201	204	192	267	222	232	213	212	201
Public Authority	295	296	306	305	378	287	260	260	242	164
Construction & Temporary	79	106	181	241	398	285	148	172	75	70
Treated - Landscape Irrigation	85	94	105	182	110	74	82	95	82	76
Treated - Agricultural	925	835	733	575	646	327	402	403	255	283
Untreated - Agricultural	4,714	4,768	5,799	6,314	8,504	8,047	6,315	6,274	4,700	2,953
Total	6,364	6,370	7,400	7,884	10,372	9,313	7,507	7,490	5,636	3,809
Recycled water										
Landscape Irrigation	134	152	169	182	192	186	170	195	145	128
Agricultural	2,247	3,768	4,145	3,882	4,992	3,891	3,197	3,292	2,438	5,451
Total	2,381	3,920	4,314	4,064	5,184	4,077	3,367	3,487	2,583	5,579

Source: Irvine Ranch Water District

Irvine Ranch Water District

Source of Supply and Water Deliveries / Sales in Acre Feet For the Past Ten Fiscal Years

Source of Supply

(in Acre Feet)

Fiscal Year	Local	Imported	Recycled	Total Supply
2011	41,274	30,260	21,030	92,564
2012	39,409	26,155	20,602	86,166
2013	49,967	20,151	22,983	93,101
2014	55,015	22,508	21,038	98,561
2015	54,057	18,628	22,866	95,551
2016	46,926	11,853	23,206	81,985
2017	49,252	16,418	22,006	87,676
2018	52,386	17,409	24,913	94,708
2019	51,844	13,937	22,381	88,162
2020	54,334	13,002	24,627	91,963

Water Deliveries / Sales

(in Acre Feet)

Fiscal Year	Potable and Untreated	Recycled	Total Demand
2011	53,642	22,250	75,892
2012	54,818	25,011	79,829
2013	57,203	28,259	85,462 ⁽¹⁾
2014	59,907	30,021	89,928 ⁽¹⁾
2015	58,319	32,139	90,458 ⁽¹⁾
2016	51,098	26,879	77,977 ⁽²⁾
2017	51,299	27,860	79,159
2018	55,137	31,750	86,887
2019	51,364	27,679	79,043 ⁽³⁾
2020	50,786	29,320	80,106

Source: Irvine Ranch Water District

Notes:

- ⁽¹⁾ Extremely dry conditions led to a considerable increase in demands.
- ⁽²⁾ State mandated reduction in usage resulted in a significant decrease in overall demand.
- ⁽³⁾ Significant rainfall resulted in a decrease in overall demand.

Irvine Ranch Water District
Capital Asset Statistics
For the Past Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Potable System										
Miles of Water Line	⁽¹⁾ 1,460	1,490	1,516	1,597	1,622	1,760	1,810	1,905	1,919	1,955
Number of Storage Tanks	⁽²⁾ 37	37	36	36	36	36	36	36	36	37
Maximum Storage Capacity (Acre Feet)	456	456	456	456	456	456	456	456	456	467
Number of Pumping Stations	43	43	37	38	39	39	39	39	39	39
Number of Wells	24	24	26	26	27	27	27	27	27	27
Well Production Capacity (cfs)	117	117	124	124	128	128	118	118	118	118
Water Banking Storage (Acre Feet)	109,600	109,600	109,600	109,600	109,600	126,000	126,000	126,000	126,000	126,000
Potable Treatment Plants	3	3	4	4	4	4	5	5	5	5
Non-Potable and Recycled Systems										
Miles of Recycled Line	⁽¹⁾ 468	478	488	503	509	525	540	555	565	570
Number of Storage Tanks	11	11	12	12	12	12	11	12	12	12
Number of Open Reservoirs	4	4	5	5	5	5	5	5	5	5
Maximum Storage Capacity (Acre Feet)	⁽³⁾ 23,703	23,703	24,155	24,155	24,155	24,155	24,155	24,155	24,155	24,155
Number of Pumping Plants	19	19	20	19	20	20	20	19	19	19
Number of Wells	⁽⁴⁾ 5	5	5	5	5	5	5	5	5	5
Well Production Capacity (cfs)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Sewer System										
Miles of Sewer Line	950	962	971	1,009	1,019	1,070	1,081	1,123	1,134	1,143
Number of Lift Stations	⁽⁵⁾ 13	13	13	13	13	13	13	13	13	13
Treatment Plants	2	2	2	2	2	2	2	2	2	2
Treatment Capacity (mgd) (Tertiary)	23.5	23.5	23.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5

Source: Irvine Ranch Water District

Notes:

⁽¹⁾ Miles of Line include laterals.

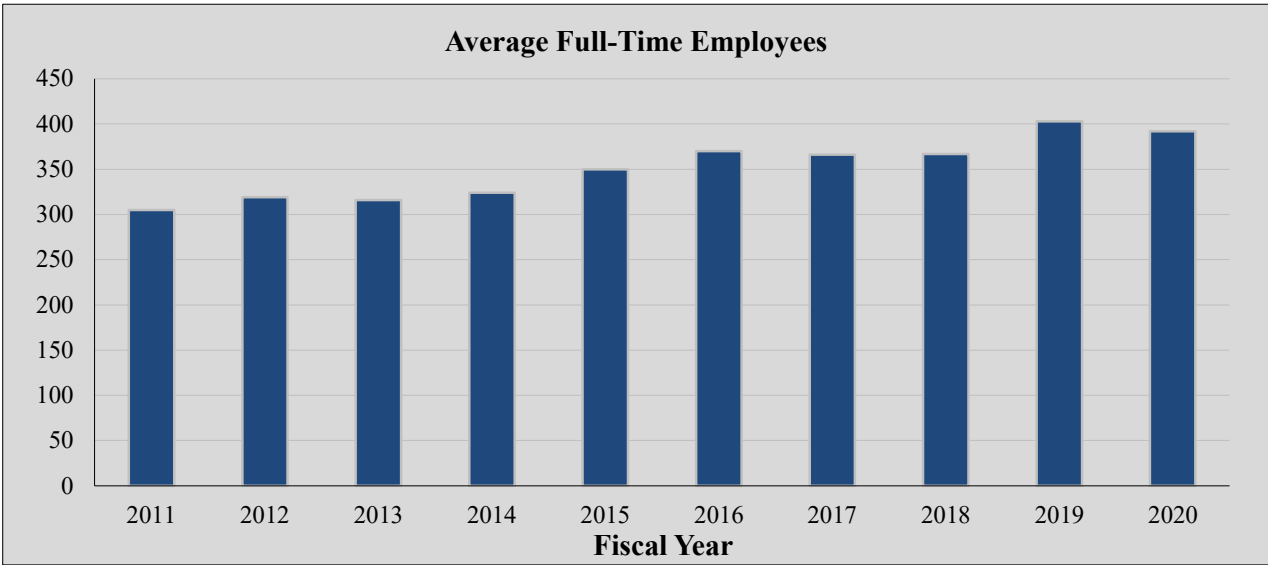
⁽²⁾ Total number of tanks excludes IRWD's storage capacity with East Orange County Water District. However, this capacity is accounted for in the maximum storage capacity estimate (456 AF). This number also includes the two 16-MG tanks at the Baker Location and the newly constructed 4.3 MG Zone 1 Tank at the existing Zone 1 tank location.

⁽³⁾ Excludes Serrano Water District's capacity in Irvine Lake, which equals 25% of total capacity.

⁽⁴⁾ Accounts for active production wells only (Excludes SGU Injection Well).

Irvine Ranch Water District
 Full-Time Employees
 For the Past Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Average Full-Time Employees	305	319	316	324	350	370	366	367	403	392



Source: Irvine Ranch Water District

REQUIRED AUDIT COMMUNICATIONS

Board of Directors
Irvine Ranch Water District
Irvine, California

We have audited the financial statements of Irvine Ranch Water District (the "District") for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 20, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings
Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Irvine Ranch Water District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended June 30, 2020. We noted no transactions entered into by Irvine Ranch Water District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Examples of significant judgments and estimates reflected in the District's financial statements include:

- Judgments concerning which capital project expenditures should be capitalized and depreciated versus expensed in the financial statements and judgments concerning which projects should be placed in service.
- Judgements regarding the fair value of real estate investments.
- Judgments regarding the fair value of interest rate swap agreements.
- Judgements involving the estimated net pension liability
- Judgements involving the estimated OPEB liability

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no material adjustments as a result of the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November XX, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Irvine Ranch Water District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Irvine Ranch Water District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to *Management's Discussion and Analysis, Schedule of Changes in the Net Pension Liability and Related Ratio, Schedule of Contributions – Defined Benefit Pension Plan, Schedule of Changes in the OPEB Liability and Related Ratio, Schedule of Contributions – OPEB*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Introduction and Statistical Section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Board of Directors and management of Irvine Ranch Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Irvine, California
November XX, 2020

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Finance Personnel Committee
Irvine Ranch Water District
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Irvine Ranch Water District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November XX, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Irvine, California
November XX, 2020

November 3, 2020
Prepared by: J. Davis/T. Fournier
Submitted by: R. Jacobson/C. Clary
Approved by: Paul A. Cook



FINANCE AND PERSONNEL COMMITTEE

PROPOSED IRWD 2021 INVESTMENT POLICY

SUMMARY:

Each year, IRWD is required to adopt an Investment Policy. Changes to the policy from year-to-year are required to conform to any amendments to the California Government Code governing investment of public funds. During 2020, there were no significant changes to the Government Code and the proposed policy for 2021 has no significant changes from the policy adopted for 2020. Staff recommends the Board approve the proposed IRWD investment policy for 2021.

BACKGROUND:

Staff annually submits an Investment Policy to the Board of Directors for approval. The annual submittal generally incorporates any amendments to investment-related Government Code sections, policy objectives, delegation of authority and a detailed schedule of authorized investments. The proposed IRWD 2021 Investment Policy and related resolution are provided as Exhibits “A” and “B”, respectively. During 2020, there were no significant amendments to the Government Code section relating to authorized investments for local agencies, and therefore the 2021 proposed policy is generally the same as the 2020 Investment Policy.

As specified in the Government Code, the Board’s delegation of authority to the Treasurer and Assistant Treasurers to manage the District’s investment program is limited to a one-year period, renewable annually. The recommended 2021 Investment Policy includes continuation of this annual delegation of authority to the Treasurer and Assistant Treasurers.

Given the conservative nature of the State codes and the IRWD Board’s additional restrictions, staff believes the authorized investments in the recommended 2021 Investment Policy are sufficiently limited to ensure appropriate investment security while retaining some degree of flexibility to take advantage of changing market opportunities. Additionally, the recommended policy provides authority for the Finance and Personnel Committee to further restrict, but not liberalize, authorized investments. Any liberalization of authorized investments would first require the approval of the Board of Directors.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

This activity is categorically exempt from the California Environmental Quality Act (CEQA) as authorized under the California Code of Regulations, Title 14, Chapter 3, Sections 15301 and 15302.

RECOMMENDATION:

That the Board approve the proposed IRWD 2021 Investment Policy and adopt a resolution.

LIST OF EXHIBITS:

Exhibit "A" – Proposed IRWD 2021 Investment Policy

Exhibit "B" – Resolution adopting IRWD 2021 Investment Policy

IRVINE RANCH WATER DISTRICT

Draft 2021 INVESTMENT POLICY

Introduction:

This investment policy is intended to establish a clear understanding of the District’s authorized investment activities for members of the public, the Board of Directors of the Irvine Ranch Water District (the “District”), District management, and outside investment professionals.

Policy:

It is the policy of the District to invest its funds in a prudent and professional manner which will provide maximum security of principal while meeting required cash flow demands and conforming to all State statutes governing the investment of public funds, the District’s investment policies, and prudent cash management principles.

Scope:

This investment policy applies to all District funds that are under the direct oversight of the Board of Directors. The investment of any bond proceeds or related funds will also be made in accordance with this investment policy.

Standard of Care:

The Board of Directors and those persons authorized to make investment decisions on behalf of the District are trustees of public funds. The standard of care to be used in all investment transactions shall be the “prudent investor” standard set forth in California Government Code Section 53600.3, which states:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

Officers and employees of the District involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program or could impair their ability to make impartial investment decisions. “Designated employees” of the District involved in the investment of District funds, which includes the Treasurer and Assistant

Treasurer(s), shall disclose all information at the times and in the manner required by the District's Conflict of Interest Code.

Objectives:

The primary objectives of the District's investment activities, in priority order, are as follows:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Accordingly, diversification by issuer, type, and maturity of securities will be made to avoid or minimize potential losses on individual securities.

2. **Liquidity:** The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating and capital cash requirements. To the extent required, this liquidity will be maintained through the purchase of securities with active secondary or resale markets and with short-term maturities so as to minimize market risk on the market price of the securities.

3. **Yield:** The District's investment portfolio shall be designed with the objective of attaining the highest rate of return commensurate with the above requirements for the preservation of capital and the maintenance of adequate liquidity.

Delegation of Authority:

In accordance with Government Code Sections 53607 and 53608, the Board of Directors hereby delegates to the District's Treasurer and Assistant Treasurer(s) the authority to manage the District's investment program and to provide for the safekeeping of securities. This delegated authority is effective for the 2021 calendar year (Resolution 2020-).

Authorized Investments:

The District is authorized to invest its funds pursuant to the following laws:

California Government Code:

- Section 53600 *et seq.* - General investments
- Section 16429.1 - Local Agency Investment Fund (LAIF)
- Section 53684 - Orange County Treasury Pool (not currently authorized by the Board of Directors)
- Section 5920 *et seq.* - Public finance contracts

California Water Code:

- Section 35912 - Real estate

The language of the Investment Policy will conform to the statutory requirements as the statutes change over time.

The Treasurer and Assistant Treasurer(s) are authorized to invest District funds in accordance with these laws, subject to certain restrictions imposed by the District's Board of Directors. These authorized investments and restrictions are shown in Exhibit "A".

Whenever practical, a competitive process shall be used for the purchase and sale of securities.

The Treasurer and Assistant Treasurer(s) are authorized to invest in securities with terms or remaining maturities in excess of five years as part of the District's investment program, but no such investments are to be made without the concurrence of the Finance and Personnel Committee.

Authorized Financial Institutions:

Only financial institutions designated as "primary dealers" by the Federal Reserve Bank of New York, or other dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule), are authorized to provide investment services to the District. The Treasurer may limit the number of dealers authorized to provide such services.

A copy of the District's annual investment policy shall be provided to each institution authorized by the Treasurer to provide services to the District. Prior to providing investment services, such financial institution shall acknowledge in writing that it has received the District's investment policy and that all persons handling the District's account have reviewed the policy.

All authorized financial institutions are required to send the District unaudited quarterly and audited annual financial statements or provide electronic access to the financial statements.

Safekeeping and Custody:

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. All securities owned by the District shall be delivered to the District by book entry, physical delivery, or a third party custodial agreement. Any third party custodian shall be designated by the Treasurer, and all securities held by such custodian, including book entry and physical securities, shall be held in a manner that clearly establishes the District's right of ownership. The District's custodial agent shall meet the requirements of Government Code Section 53608. The District's deposits with LAIF or any other authorized investment pool shall be evidenced by the standard reporting requirements of LAIF or the investment pool.

Reporting:

The Treasurer shall file a monthly report with the Board of Directors at a public meeting that shows the status of the District's cash and securities, and all related investment transactions that occurred during the month. The status report shall also be filed with the District's General Manager and will include at least the following information:

- Type of investment
- Original cost
- Issuing institution
- Market value, including source
- Par amount
- Maturity date
- Coupon and/or yield

In addition, the status report shall include the portfolio's rate of return for the month, the average weighted life of the portfolio, a statement regarding the portfolio's compliance with the District's investment policy, and a statement regarding the District's ability to meet expenditure requirements over the following six months. (California Government Code Sections 53607 and 53646.)

The Treasurer shall also file a quarterly report with the Board of Directors at a public meeting with respect to the District's real estate investments and any related transactions which occurred during such quarter. The real estate report will be structured to comply as closely as possible with the information requirements of California Government Code Section 53646.

Investment Policy Adoption and Amendments:

The Treasurer shall submit an investment policy at least annually to the Board of Directors at a public meeting. (California Government Code Section 53646.) The policy shall be effective for the calendar year specified. If the Board of Directors does not approve an investment policy for any calendar year, then the investment policy for the previous calendar year shall remain in effect until a new policy is approved.

The District's Finance and Personnel Committee is authorized to make changes in the investment policy from time to time as may be necessary, provided that such changes may only be more restrictive in nature. Any changes that would liberalize the investment policy shall be approved by the Board of Directors before becoming effective. Any changes in the investment policy by the Finance and Personnel Committee shall be reported to the Board of Directors at its next regular meeting.

Exhibit A
Authorized Investments and Restrictions

INVESTMENT TYPE	DESCRIPTION	RESTRICTIONS
California State and Local Agency Bonds, Notes and Warrants	Registered state warrants, treasury notes or bonds. Any bonds, notes, warrants or other evidences of indebtedness of any local agency in California.	Limited to securities approved by the Finance and Personnel Committee.
U.S. Treasury and Agency Obligations	U.S. Treasury notes, bonds, bills or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest. Also federal agency or U.S. government sponsored enterprise obligations, participations, or other instruments.	No additional restrictions.
Registered treasury notes or bonds of California or other 49 United States	Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.	Limited to states and/or agencies approved by the Finance and Personnel Committee.
Banker's Acceptances	Must be eligible for discount at the Federal Reserve Bank. May not exceed 180 days maturity or 40% of local agency funds. No more than 30% of local agency funds may be invested in banker's acceptances of any one commercial bank.	Limited to domestic and foreign banks approved by the Finance and Personnel Committee.
U.S. Dollar Denominated Senior Unsecured Unsubordinated Obligations	Permits United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Must be rated "AA" or its equivalent or better by a nationally recognized statistical rating organization ("NRSRO"). Limited to 30% of local agency funds.	Limited to securities approved by the Finance and Personnel Committee.

Commercial Paper	<p>Must be of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by an NRSRO. Issuers must be organized and operating in the United States as a general corporation, have assets exceeding \$500 million, and has debt other than commercial paper, if any, that is rated “A” or its equivalent or better by an NRSRO. May not exceed 270 days maturity. Local agencies, that have less than \$100 million of investment assets <u>under management</u>, may invest no more than 25% of their moneys in eligible commercial paper. Local agencies that have \$100 million or more <u>of investment assets under management</u> may invest up to 40% percent of their moneys in eligible commercial paper. A local agency may invest no more than 10% of its total investment <u>assets in the commercial paper and the medium-term notes of</u> any single issuer.</p>	Limited to corporations approved by the Finance and Personnel Committee.
Negotiable Certificates of Deposit	<p>Issued by national or state-chartered banks, savings associations, federal associations, state or federal credit unions, or <u>by a federally-licensed or state-licensed branches</u> of a foreign bank. Specified restrictions on credit unions for conflicts of interest. Limited to 30% of local agency funds.</p>	Limited to domestic and foreign banks and thrift institutions approved by the Finance and Personnel Committee.
Repurchase and Reverse Repurchase Agreements	<p>Repurchase agreements are limited to a term of one year or less, and securities underlying the agreement shall be valued at 102% or greater of the funds borrowed against the securities, with the value adjusted at least quarterly. Reverse repurchase agreements, including securities lending agreements, are limited to 20% of the base portfolio value and to terms of 92 days or less unless a minimum earning or spread for the entire term is guaranteed in writing. Securities being sold on reverse must be owned by the agency for at least 30 days prior to sale. Reverse repurchase agreements shall be made with primary dealers of the Federal Reserve Bank of New York, or nationally and state</p>	All reverse repurchase agreements must have the prior approval of the Finance and Personnel Committee.

	chartered banks with a significant banking relationship with the local agency.	
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Medium Term Notes	All debt securities issued by U.S. organized and operating corporations or depository institutions licensed by the U.S. or any state and operating within the U.S. Notes must be rated “A” or its equivalent or better by an NRSRO. May not exceed five years maturity, 30% of local agency funds, and no more than 10% <u>of its total investment assets in the commercial paper and the medium-term notes of</u> any single issuer.	For depository institutions, same as shown under Negotiable Certificates of Deposit. For corporations, limited to those approved by the Finance and Personnel Committee.
Shares of Beneficial Interest	Issued by diversified management companies investing in securities and obligations as authorized by Cal. Gov. Code §53601(l). Companies shall have the highest ranking or highest letter and numerical rating assigned by not less than two NRSROs, or shall have a registered and experienced investment advisor. Purchase price shall not include any commissions. Limited to 20% of funds of which no more than 10% may be with any one fund.	No additional restrictions.
Collateralized Negotiable Securities	Notes, bonds or obligations secured by a valid first priority security interest in securities specified in Cal. Gov. Code §53651. <u>(Cal. Gov. Code §53601(n).)</u> Collateral to be placed by delivery or book-entry into the custody of a trust company or trust department of a bank not affiliated with the issuer. Security interest perfected in accordance with Uniform Commercial Code or applicable federal regulations. Collateral requirements are the same as required to secure bank deposits made by local agencies as specified in Cal. Gov. Code §53652.	No investment in collateralized negotiable securities shall be made without the prior approval of the Finance and Personnel Committee.
Collateralized Mortgage Obligations and Asset-Backed Securities	Mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. Securities must have an “AA” rating or its equivalent as rated by an NRSRO, must have a maximum remaining maturity of	No investment in collateralized mortgage obligations or asset-backed securities shall be made without the prior approval of the Finance and Personnel Committee.

	five years or less, and may not exceed 20% of surplus funds.	
Financial Futures and Options	Authorizes the investment in financial futures and financial option contracts in any of the investment categories contained in Cal. Gov. Code §53601.1	No investments in financial futures and financial option contracts are to be made without the prior approval of the Finance and Personnel Committee.
Prohibited Investments	A local agency shall not invest any funds in inverse floaters, range notes, and mortgage derived interest-only strips, or any security that could result in zero interest accrual if held to maturity. <u>However, a local agency may hold prohibited instruments until their maturity dates. Notwithstanding the prohibition above, a</u> local agency may invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. A local agency may hold these instruments until their maturity dates. This section shall remain in effect only until January 1, 2026, and as of that date is repealed. (Cal. Gov. Code §53601.6.)	No additional restrictions.
Local Agency Investment Fund	Permits a local agency to deposit funds with the State Treasurer for the purpose of investment in securities prescribed in Cal. Gov. Code §§16429.1 <i>et seq.</i>	No additional restrictions.
Orange County Treasury Pool	Permits a local agency to deposit funds with the County Treasurer for investment in securities prescribed in Cal. Gov. Code §53635 or 53684.	No investments are to be made with the Orange County Treasury Pool without the prior approval of the Board.
Inactive Public Deposits	Deposits or contracts with Federal Reserve System banks insured by FDIC, savings associations or federal associations which are home loan bank members or insured by FSLIC, and state or federal credit unions. Specified restrictions on credit unions.	No inactive public deposits are to be made without the prior approval of the Finance and Personnel Committee.
Public Finance Contracts	Includes interest rate swap agreements, currency swap agreements, forward payment conversion agreements, futures, or index-based agreements to hedge payment, currency, rate, spread or similar exposure. Requires certain	The Board is authorized to approve the general parameters for swap transaction types, maximum notional amount(s) and maximum duration(s). The Finance and Personnel

	determinations by governing body. (Cal. Gov. Code §§5920 <i>et seq.</i>)	Committee shall structure specific parameters for individual transactions including notional amount, transaction timing, counterparty selection, index to be used and ISDA agreement approval. (Resolution 2003-36)
Real Estate Investments	Authorized to invest no more than 30% of the District's Replacement Fund in real estate located in Orange County. (Cal. Wat. Code §35912.)	Real estate investments shall be made in accordance with existing Board policies (Resolution 1990-30). All real estate investments must be individually approved by the Board.

EXHIBIT "B"

RESOLUTION NO. 2020-

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

The Treasurer of the Irvine Ranch Water District ("District") is permitted by Section 53646 of the California Government Code to annually render to the Board of Directors (the "Board") a statement of investment policy, which the Board shall consider at a public meeting.

The Treasurer has presented an investment policy to the Board at a public meeting, in the form attached as Exhibit A ("2021 Investment Policy").

Section 53607 of the California Government Code permits the Board to annually delegate to the Treasurer of the District the Board's authority to invest or reinvest funds of the District or sell or exchange securities so purchased, allows renewal of the delegation of authority to the Treasurer by the Board on an annual basis, and establishes a requirement for monthly reporting of the transactions by the Treasurer to the Board.

Section 53608 of the California Government Code permits the Board to delegate to the Treasurer of the District the Board's authority to deposit for safekeeping with a federal or state association (as defined by Section 5102 of the California Financial Code), a trust company or a state or national bank in California or in any city designated as a reserve city by the Board of Governors of the Federal Reserve System, or with any Federal Reserve bank, the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants or other evidences of indebtedness in which money of the District is invested.

Under Section 53635.2 of the California Government Code, funds of the District may be deposited with certain financial institutions.

Pursuant to Section V, Paragraph 8 of the District's Bylaws, the Board has appointed one or more Assistant Treasurers.

Resolution No. 2019-28 contains the Board's previous delegation of authority to the Treasurer and Assistant Treasurer(s) to invest or reinvest funds, sell or exchange securities, deposit investments for safekeeping, and deposit funds, and the Board intends by this resolution to renew that delegation of authority.

The Board of Directors of Irvine Ranch Water District therefore resolves as follows:

Section 1. The 2021 Investment Policy of the District is approved in the form attached as Exhibit A, effective January 1, 2021, and will remain in effect until it is revoked or is superseded.

Section 2. The authority of the Board to invest or reinvest funds of the District and its improvement districts or to sell or exchange securities so purchased, subject to the requirements of the 2021 Investment Policy, is hereby delegated to each of the Treasurer and the Assistant Treasurer(s). Pursuant to California Government Code Section 53607, the Treasurer shall assume full responsibility for those transactions until this delegation is revoked or expires. This delegation is effective as of January 1, 2021, and will remain in effect until it is revoked or is superseded by a subsequent delegation.

Section 3. The authority of the Board to deposit for safekeeping with a federal or state association (as defined by Section 5102 of the California Financial Code), a trust company or a state or national bank in California or in any city designated as a reserve city by the Board of Governors of the Federal Reserve System, or with any Federal Reserve bank, the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants or other evidences of instruments in which money of the District and its improvement districts is invested, subject to the requirements of the 2021 Investment Policy, is hereby delegated to each of the Treasurer and the Assistant Treasurer(s). This delegation is effective as of January 1, 2021, and will remain in effect until it is revoked or is superseded by a subsequent delegation.

Section 4. This resolution supersedes Resolution No. 2019-28.

ADOPTED, SIGNED AND APPROVED this ____ day of _____, 20_____.

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:
HANSON BRIDGETT LLP

By: _____
Legal Counsel

November 3, 2020
Prepared by: C. Smithson
Submitted by: C. Clary
Approved by: Paul A. Cook



FINANCE AND PERSONNEL COMMITTEE

FINANCIAL REPLACEMENT FUND BALANCE MODEL UPDATE

SUMMARY:

IRWD utilizes various planning tools, such as its Replacement Planning Model (RPM) and the Financial Replacement Fund Balance Model (FRM), to assist in its long-term financial planning for setting customer rates. To accomplish these objectives, at the September 2020 Finance Committee meeting, staff presented a summary of the RPM updated costs and key assumptions used as inputs to the FRM. At this month's meeting, staff will provide a PowerPoint updating changes to the RPM and key assumptions and provide an evaluation of IRWD's replacement reserve needs to be considered in discussions of setting future water and sewer rates. Staff will also present its initial recommendations and rationale for increasing the water and sewer replacement fund components of the fixed service charge.

BACKGROUND:

At the September 1, 2020, Finance and Personnel Committee meeting, staff presented an overview of the RPM model utilizing updated refurbishment and replacement projections of \$10.7 billion over the next 50 years, an increase of \$3.9 billion or 57% from the previous 2018 estimate. Engineering staff has continued to refine the cost components in the RPM and has made modifications reducing the refurbishment and replacement projections to \$9.2 billion over 50 years. The revised cost projections from the RPM have been incorporated into the FRM along with updated assumptions.

At the Committee meeting, staff will provide a PowerPoint which includes:

- 1) Updated 50-year Cost Projections from the RPM model;
- 2) Updated FY 2020-21 revenue assumptions and FRM model;
- 3) Projected effect on rates for a typical customer residential bill; and
- 4) Review of Board approved Replacement Policy Funding Criteria compared with updated Projected Fund Balances and Replacement Fund targets.

The draft PowerPoint presentation is provided as Exhibit "A".

Staff will incorporate the Committee's comments along with the final outputs from the FRM and subsequently, envisions a discussion with the entire Board to discuss the recommended replacement fund rate increases for the FY 2021-22 and FY 2022-23 budget and IRWD's replacement reserve needs to be considered in setting future water and sewer rates.

FISCAL IMPACTS:

The updated Replacement Fund Policy results will be incorporated into the upcoming Fiscal Year 2021-22 and Fiscal Year 2022-23 budgets as applicable.

ENVIRONMENTAL COMPLIANCE:

This item is statutorily exempt from the California Environmental Quality Act (CEQA).

RECOMMENDATION:

That the Committee provide input on the key assumptions and recommend rate increases to the Board of 11% each to the water and sewer replacement fund components of the fixed service charge for the FY 2021-22 and FY 2022-23.

LIST OF EXHIBITS:

Exhibit "A" – Draft Financial Replacement Fund Balance Model Update PowerPoint



Replacement Fund Policy

Finance and Personnel Committee
November 3, 2020



1

Agenda

- Review of September Committee presentation
- Review updated RPM model
- Review updated assumptions in the Financial Replacement Fund Model (FRM)
- Review projected effect on rates for a typical customer residential bill
- Review Replacement Policy Funding Criteria
- Staff Recommendation

Irvine Ranch Water District 2

2

Replacement Fund Policy Update Process

September 2020

1. Summarize Replacement Planning Model (RPM) update
2. Review Financial Replacement Fund Balance Model (FRM) assumptions
3. Review Criteria for Replacement Fund Policy

November 2020

1. Review RPM updates
2. Review updated FRM
3. Review impact on rates
4. Review Replacement Policy Funding Criteria

3

September Review



4

Updated Facilities and Assets

Phase 2

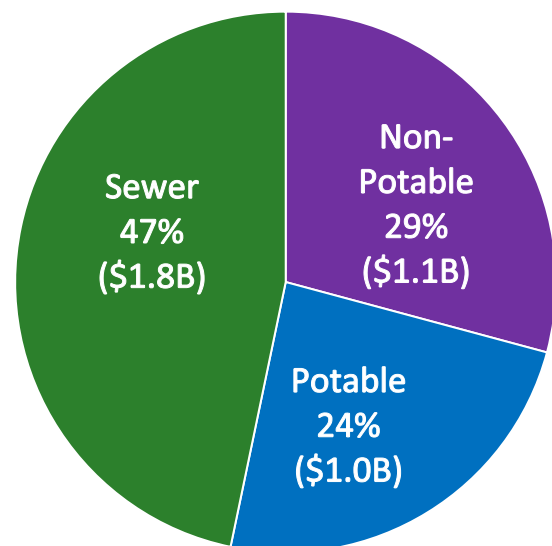
- Included all assets through March 2020
- Included facilities recently constructed
- Added near-term planned projects



5

E&O: Phase 2 Analysis Results

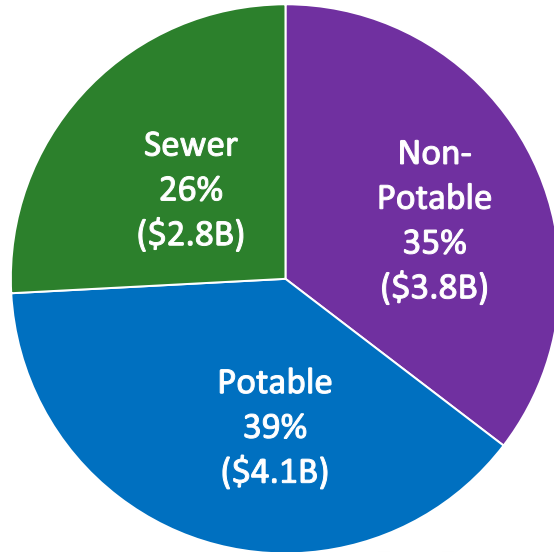
- Total Increase of approximately \$3.9 billion
- Percent increase by system consistent with expectations



6

E&O: Phase 2 Analysis Results

Total 50-year RPM needs:
approximately \$10.7 billion



7

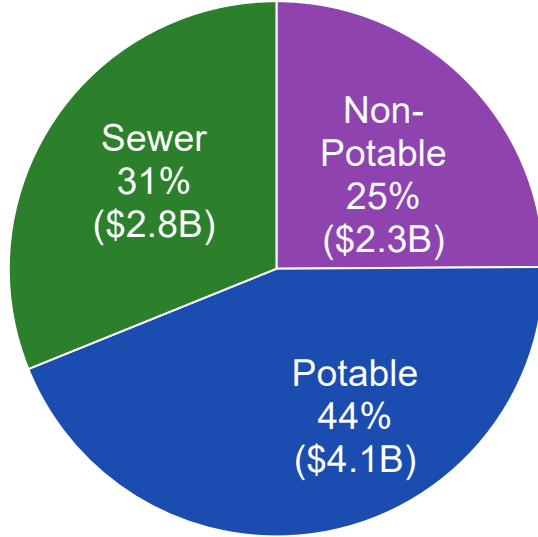
Updated RPM Model



8

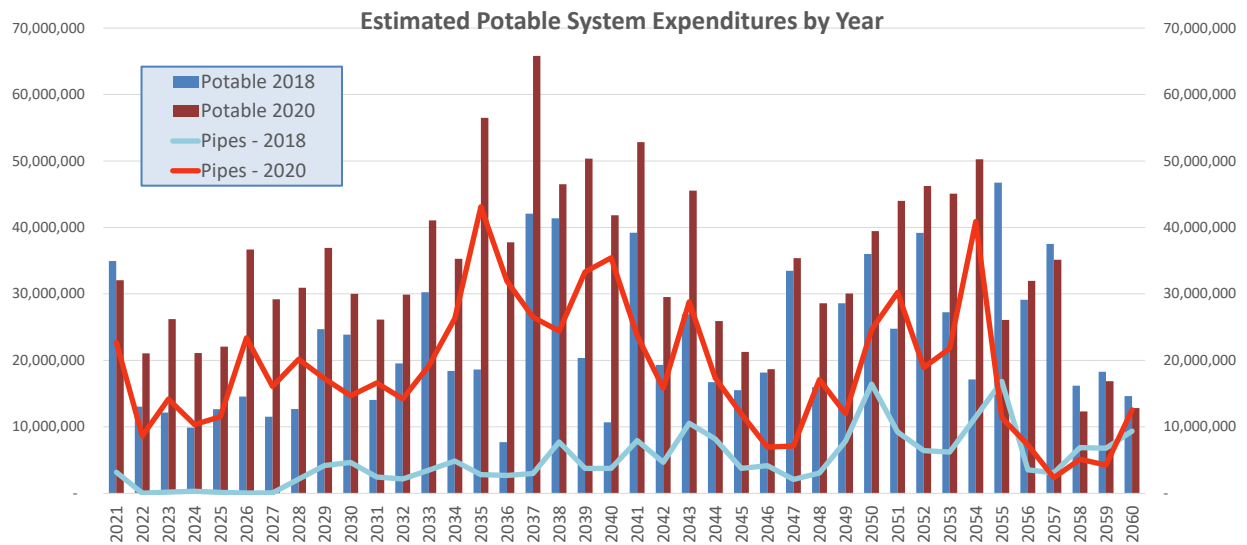
Updated: Phase 2 Analysis Results

Total 50-year RPM needs:
approximately \$9.2 billion



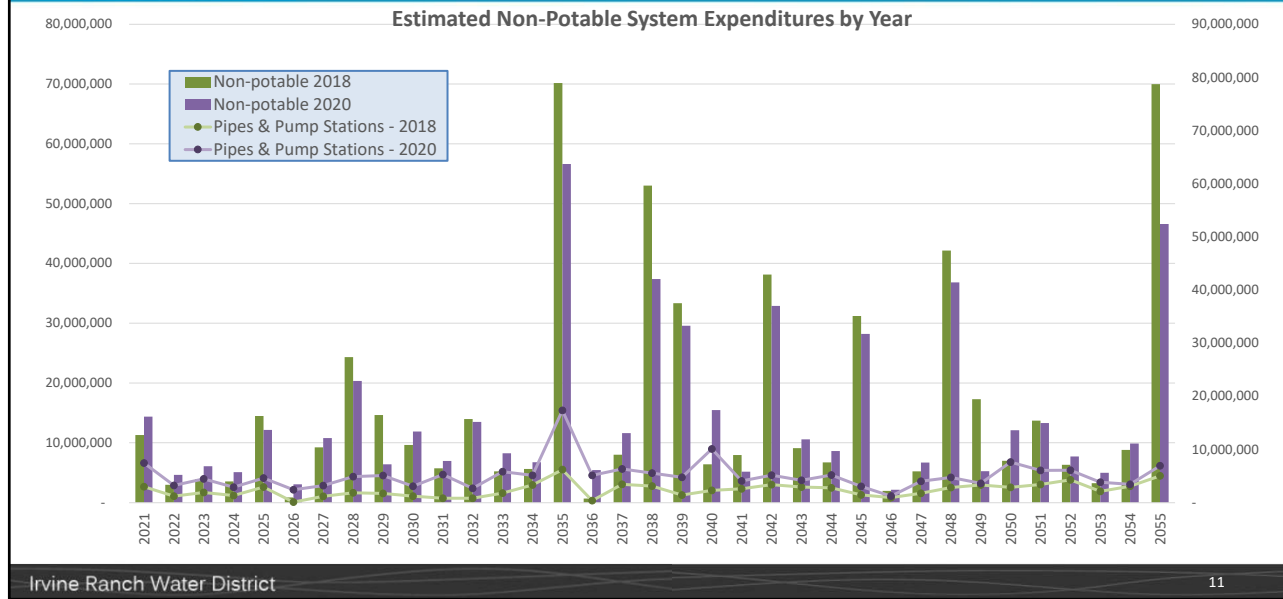
9

Potable System Replacement Capital Projection



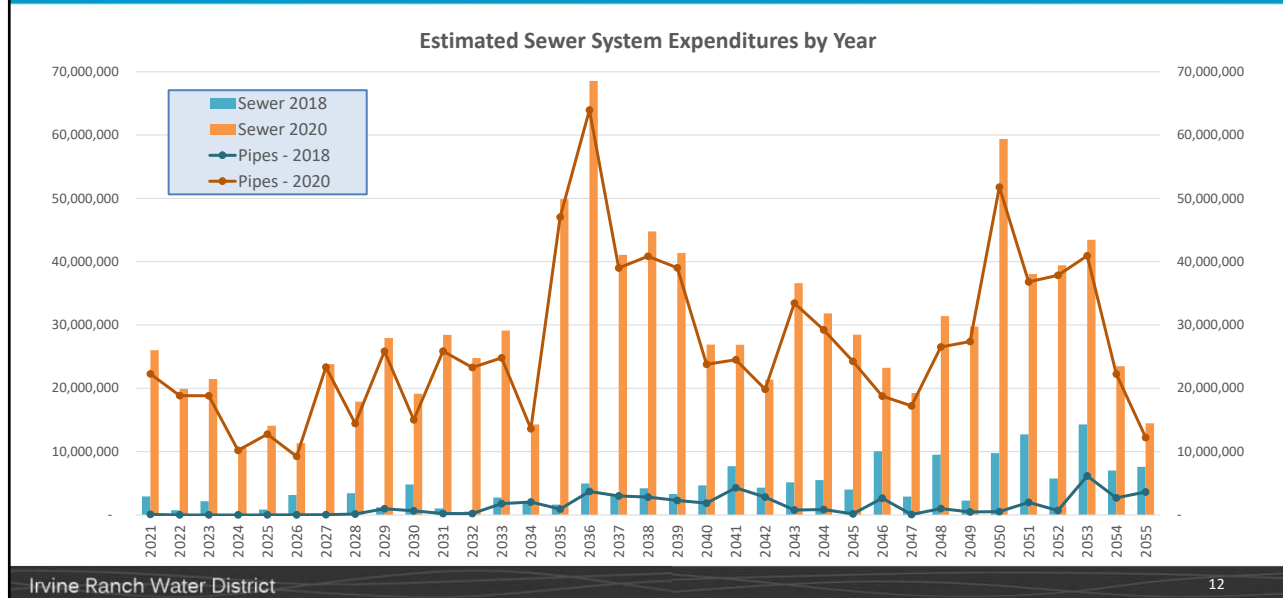
10

Non-Potable System Replacement Capital Projection



11

Sewer System Replacement Capital Projection



12

FRM Update



13

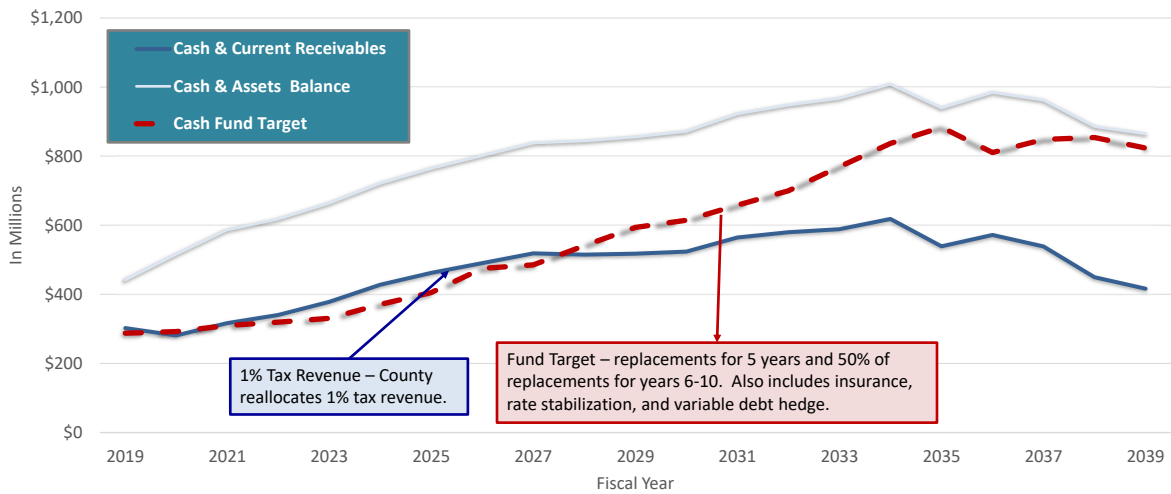
2018-19 Revenue Assumptions

Replacement Fund Revenue Assumptions				
Description	Basis	Years	Escalator	Driver
User Rates	Current Budget - \$25.1 Million	50 Year Period	3.00%	Growth and rates
Real Estate Net Income	Current Budget - \$10.3 Million	50 Year Period	between 2.5-3.0%	Based upon real estate investment report
1% Tax	Current Allocation (29%) - \$13.5 Million	Reallocate after: 1. 2040; 2. 2025; 3. Never	2.50%	The County choosing to reallocate 1% tax revenue
Rate of Return	District return on cash and investment	50 Year Period	1.75% - 3.5%	Increased to 3.5% over a 10 year period
Bond Sales	As needed	After FY 2052	3%	Negative Fund balance

14

2018-19 FRM Projection

Replacement Fund Balance in Relation to Planned Expenditures



Irvine Ranch Water District

15

15

Current Revenue Assumptions

Replacement Fund Revenue Assumptions

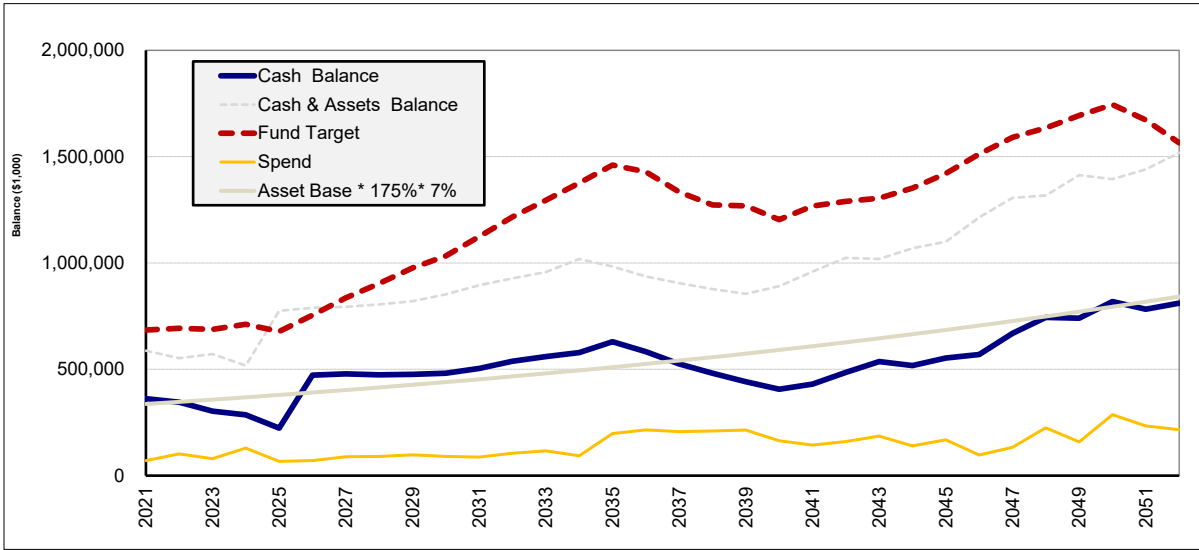
Description	Basis	Years	Escalator	Driver
User Rates	Current Budget - \$25.1 Million	2021-2030 2031-2040	11% 6%	Growth and rates
Real Estate Net Income	Current Budget - \$10.3 Million	50 Year Period	between 2.5-3.0%	Based upon real estate investment report
1% Tax	Current Allocation (29%) - \$13.5 Million	Reallocate after: 2042	2.50%	The County choosing to reallocate 1% tax revenue
Rate of Return	District return on cash and investment	50 Year Period	1.75% - 3.5%	Increased to 3.5% over a 10 year period
Capital Smoothing	Annual expenditures will not exceed \$125M	50 Year Period	3%	Spending for spikes will be spread over 2 years
Bond Sales	As needed	2025	\$200 M	Sufficient fund balance

Irvine Ranch Water District

16

16

Updated Model



Irvine Ranch Water District

17

17

IRVINE RANCH WATER DISTRICT

FUND ANALYSIS *Cont. Refurb.* **1% 2040** **1% TAX**

Jun-18 *(All values in table x \$1,000)* **CAPITAL**

Cost Escalation Rate	3.0%	Melded Cost of Water	3.0%
Initial Cash Balan	\$361,422,500	Initial Accounts	Water 114,000 Sewer 109,000
Earnings Rate	3.5%	Annual Contribution	\$2.10 \$9.31
Borrowing Factor	3.0%	Annual Contribution	\$2.10 \$9.31
Initial Miscellaneous Costs	Match CORF	Rate Growth: (2021-2030)	11.0%
% Bond Funded 50 Years	2%	(2031-2040)	6.0%
RPM (IRIS) Version	Cont. Refurb.	(2041 forward)	3.5%
Cap on Annual Replacements (increase with ENR)			\$125,000,000

Year	Replacement Fund Assets (in thousands)										Total Fund Assets Balance					
	Cash Beginning Balance	Links to RPM Model		Other Cash Interest						Cost of Debt		Cash Balance	Real Estate Net Value	Pension Fund Borrowing	Cash & Assets Balance	
		Model Payments	Other Fund Payments (CORF, etc.)	Real Estate Return	1% Revenue	Trsf from User Rates	Native Water	Golf Course	Bond Sales	Interest						
2019	2020															582,817
2020	2021	361,423	(62,625)	(7,661)	11,569	14,506	25,754			6,127	(3,969)	344,925	221,394	52,000	582,817	587,402
2021	2022	347,525	(92,990)	(9,148)	12,266	14,969	28,587			5,438	(3,969)	302,676	249,480	46,800	552,157	552,157
2022	2023	305,276	(72,398)	(7,375)	13,402	15,444	31,732			5,371	(5,524)	285,929	265,687	44,200	571,616	571,616
2023	2024	288,529	(122,224)	(6,791)	13,765	15,931	35,222			5,022	(5,521)	223,852	293,828	41,600	517,679	517,679
2024	2025	228,452	(60,352)	(6,574)	17,479	17,242	39,056		200,000			424,403	302,202	39,000	726,605	726,605
2025	2026	427,003	(63,090)	(7,063)	17,968	18,784	43,397			10,538	(15,723)	431,815	310,817	36,400	742,631	742,631
2026	2027	434,415	(82,658)	(5,940)	18,470	20,407	48,171			11,637	(15,723)	428,778	319,678	33,800	748,456	748,456
2027	2028	431,378	(84,861)	(5,587)	18,986	22,061	53,469			12,889	(15,724)	432,412	328,794	31,200	761,206	761,206
2028	2029	435,012	(90,239)	(6,995)	19,516	23,849	59,351			13,887	(15,725)	438,656	338,172	28,600	776,827	776,827
2029	2030	441,256	(82,928)	(7,210)	20,062	25,689	65,880			15,454	(15,726)	462,455	347,818	26,000	810,274	810,274
2030	2031	465,055	(78,096)	(8,862)	20,622	27,524	69,832			16,454	(15,726)	496,804	357,742	23,400	854,546	854,546
2031	2032	499,404	(93,972)	(11,507)	21,199	29,414	74,022			17,448	(15,727)	520,283	367,950	20,800	888,233	888,233
2032	2033	522,883	(105,289)	(11,309)	21,792	31,340	78,464			18,197	(15,726)	540,352	378,452	18,200	918,804	918,804
2033	2034	542,952	(82,691)	(10,333)	22,402	33,303	83,172			19,440	(15,727)	592,520	389,256	15,600	981,775	981,775
2034	2035	595,120	(189,074)	(8,941)	23,029	35,204	86,162			19,580	(15,727)	647,332	400,369	13,000	947,702	947,702
2035	2036	548,332	(208,302)	(6,870)	23,029	37,144	93,452			17,804	(15,727)	490,461	411,802	10,400	902,263	902,263
2036	2037	493,061	(199,963)	(7,053)	23,673	39,123	99,059			16,101	(15,726)	448,275	423,564	7,900	871,839	871,839
2037	2038	450,875	(202,848)	(7,241)	24,336	41,143	105,002			14,721	(15,727)	410,262	435,663	5,200	845,925	845,925
2038	2039	412,862	(206,520)	(7,435)	25,017	43,205	111,302			13,481	(15,726)	376,187	448,111	2,600	824,298	824,298
2039	2040	378,787	(158,086)	(7,658)	25,718	45,310	117,980			13,333	(15,726)	401,659	460,916		862,575	862,575

18



19

Effect on Rates

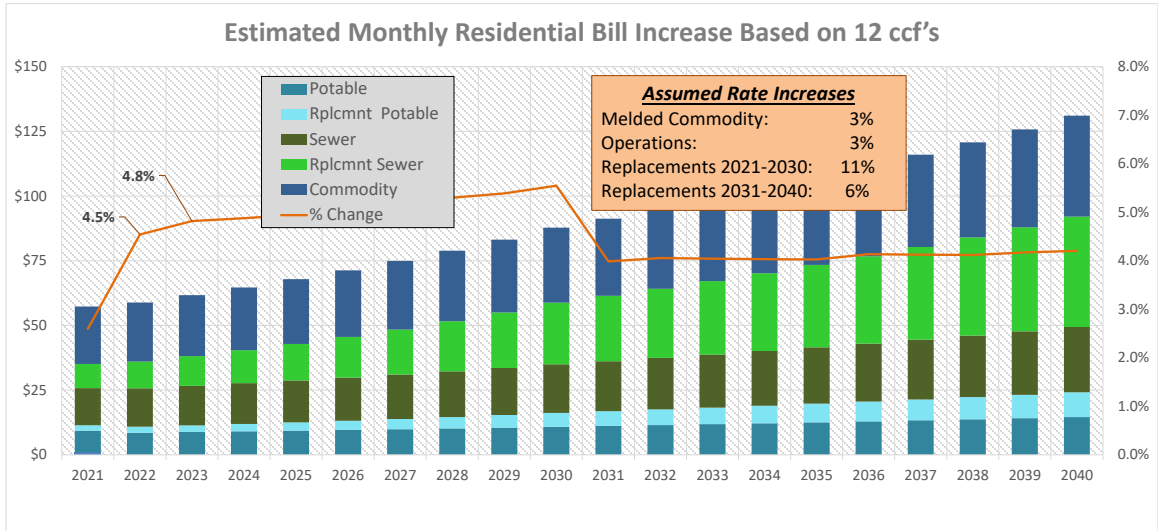
Proposed Increases to a Typical Residential Customer Using 12 ccf's

Recommended	Increase			
	Factor	2020-21	2021-22	2022-23
Water Operations *	3%	\$8.30	\$8.55	\$8.81
Commodity	3%	22.54	23.16	23.91
Replacement	11%	2.10	2.32	2.59
Sub total		\$32.94	\$34.03	\$35.31
Sewer Operations *	3%	\$14.39	\$14.82	\$15.26
Replacement	11%	9.31	10.33	11.47
Sub total		\$23.70	\$25.15	\$26.73
Total Monthly Bill		<u>\$56.64</u>	<u>\$59.18</u> 4.5%	<u>\$62.04</u> 4.8%

* Estimated increase.

20

Typical Residential Customer Bill Annual Increase



21

Replacement Policy Funding Criteria



22

Board Approved Funding Criteria

Board Approved

	Category	Target
1	Capital Facilities	Long term replacement (RPM model data Min: 1-5 years 100% and 6-10 years 50%; Max: 1-10 years 100%)
2	Insurance	Catastrophic events and unplanned emergency repairs: 5 times the deductible (\$125K for property; \$100K general liability)
3	Variable Rate Hedge	Excluded based on current debt ratio (variable to fixed)
4	System Refurbishments	(included in # 1)
5	Environmental Compliance	(included in # 1)
6	Rate Stabilization	Mitigate the impact of short-term effects on user rates (3 year average net operating working capital)

23

Replacement Fund Targets vs. Fund Balance

Replacement Criteria Application:	FY 2020-21	
(in millions)		
Capital Facilities Replacement: Continuous Refurbishment - 100% of Years 1-5 and 50% of years 6-10	\$667	
Insurance: 5 times the deductible (\$125K for property and \$100K general liability)	\$ 1	
Rate Stabilization: Three years net working capital from operations	\$ 16	
Total required based on criteria	\$684	
Replacement Fund Current Balances:		
<i>Current Cash Balance</i>	\$361	53%
<i>Current Cash and RE Balance</i>	\$583	85%

24

Recommendations

- Increase the Replacement Fund component of the water service charge by 11% in each of the two years included in the budget process (Year one: from \$2.10 to \$2.33 per month)
- Increase the Replacement Fund component of the sewer service charge by 11% in each of the two years included in the budget process (Year one: from \$9.31 to \$10.33 per month)
- Review Replacement Fund needs with the Board biannually as part of the budget process

25

Discussion



26

Note: This page is intentionally left blank.

November 3, 2020
Prepared and
submitted by: C. Compton
Approved by: Paul A. Cook



FINANCE AND PERSONNEL COMMITTEE

REVISIONS TO IRWD'S CONFLICT OF INTEREST CODE

SUMMARY:

Staff and legal counsel have reviewed IRWD's Conflict of Interest Code and identified a need for changes that appropriately designates those persons who make or participate in the making of decisions at IRWD, as defined by the Fair Political Practices Commission (FPPC), and should be filing "Statements of Economic Interests" (i.e., FPPC Form 700) each year. Staff recommends the Board adopt a resolution rescinding Resolution No. 2018-28 and adopting a revised Conflict of Interest Code.

BACKGROUND:

The Political Reform Act requires that every local agency review its Conflict of Interest Code biennially and submit a notice to its code reviewing body that specifies if the code is accurate or if the code must be amended. The code reviewing body for California special districts is the board of supervisors for the county in which the special district is located. For IRWD, the code reviewing body is the Orange County Board of Supervisors.

In compliance with the Political Reform Act, staff has reviewed the District's Conflict of Interest Code and has identified a need for changes to the Conflict of Interest Code so that the code appropriately designates those persons that make or participate in the making of decisions at IRWD, as defined by the FPPC, and should be filing FPPC Form 700. The needed updates to the code include adding new positions, deleting positions, and revising titles of existing positions.

Staff recommends the Board adopt a resolution rescinding Resolution No. 2018-28 and adopting a revised Conflict of Interest Code. The proposed resolution is provided as Exhibit "A". A redline of the changes proposed to IRWD's Conflict of Interest Code is provided as Exhibit "B".

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

That the Board adopt the following resolution by title:

RESOLUTION NO. 2020 -

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT RESCINDING RESOLUTION NO. 2018-28 AND
ADOPTING A REVISED CONFLICT OF INTEREST CODE FOR THE DISTRICT

LIST OF EXHIBITS:

Exhibit "A" – Proposed Resolution Rescinding Resolution No. 2018-28 and Adopting a Revised
Conflict of Interest Code

Exhibit "B" – Redline of IRWD's Conflict of Interest Code, as Proposed to be Amended

EXHIBIT “A”

RESOLUTION NO. 2020 -

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT RESCINDING RESOLUTION NO. 2018-28 AND ADOPTING A REVISED CONFLICT OF INTEREST CODE FOR THE DISTRICT

In accordance with the provisions of Section 18730 of the regulations of the Fair Political Practices Commission (“FPPC”), contained in California Administrative Code Title 2, Section 18109, et seq., the Board of Directors of the Irvine Ranch Water District has adopted and amended from time to time a Conflict of Interest Code; and

The District’s Conflict of Interest Code contains the list of designated persons who must disclose certain categories of economic interests under the code. Additionally, the Conflict of Interest Code defines the types of economic interests that must be reported by designated person in the various reporting categories specified the Conflict of Interest Code; and

The Political Reform Act requires that every local agency review its conflict of interest code biennially and update it, if necessary. The District has reviewed its Conflict of Interest Code biennially to determine if an update is needed; and

By adoption of Resolution No. 2018-28 on November 12, 2018, this Board revised and readopted the District’s current Conflict of Interest Code; and

The District’s Conflict of Interest Code now needs to be updated so that the code appropriately designates those persons that make or participate in the making of decisions at IRWD, as defined by FPPC, and should be filing “Statements of Economic Interests” (i.e. FPPC Form 700). The revisions to the code include adding new positions, deleting positions that do not make or participate in the making of government decisions, and revising titles of existing positions;

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

Section 1. Resolution No. 2018-28 is rescinded in its entirety, effective upon approval of the “Conflict of Interest Code for the Irvine Ranch Water District,” which is included in Appendix “A” of this resolution, by the Orange County Board of Supervisors.

Section 2. The District Secretary is hereby authorized to file Appendix “A” and the other required documentation with the Orange County Board of Supervisors to request approval of the District’s Conflict of Interest Code, as proposed to be amended.

ADOPTED, SIGNED and APPROVED this 9th day of November, 2020.

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:
HANSON BRIDGETT LLP

Legal Counsel

EXHIBIT "A-1"

CONFLICT OF INTEREST CODE FOR THE IRVINE RANCH WATER DISTRICT

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission ("FPPC") has adopted a regulation (2 California Code of Regulations Section 18730) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing, the standard code may be amended by the FPPC to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the FPPC are hereby incorporated by reference. This regulation and Appendix "A-1" and "A-2", designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the Irvine Ranch Water District ("District").

Individuals holding designated positions shall file their statements of economic interests with the District Secretary, which will make the statements available for public inspection and reproduction (Gov. Code Sec. 81008). Upon receipt of the statements for the members of the Board of Directors and the General Manager, the District Secretary shall make and retain copies and forward the originals to the Clerk of the Board for the Orange County Board of Supervisors. All other statements will be retained by the District Secretary.

EXHIBIT "A-1"

APPENDIX "A-1"

DESIGNATED PERSONS FOR DISCLOSURE PURPOSES PURSUANT TO THE CONFLICT OF INTEREST CODE FOR IRVINE RANCH WATER DISTRICT

The persons occupying the following positions are "Designated Persons" because the positions they hold are positions within the District that involve the making of, or participate in the making of, District decisions which may foreseeably have a material financial effect on financial interests pursuant to the Political Reform Act, Government Code Section 87302, et seq. ¹

Pursuant to Government Code Section 87302, an investment, business position, interest in real property, or source of income held by the Designated Person is reportable if he or she by virtue of his or her position with the District makes or participates in the making of any decision that may foreseeably affect the business entity in which the investment or business position is held, the interest in real property, or the income or source of income.

District personnel "make a governmental decision" when he or she, acting within the authority of his or her office or position, authorizes or directs any action, votes, appoints a person, obligates or commits the District to any course of action, or enters into any contractual agreement on behalf of the District.

District personnel "participate in a governmental decision" when he or she, acting within the authority of his or her position, provides information, an opinion, or a recommendation for the purpose of affecting the decision without significant intervening substantive review.

Designated Persons must disclose the economic interests defined in the disclosure categories defined in Appendix "A-2" of this code, using the Form 700 schedules listed in the table below:

<u>Designated Persons</u>	<u>Disclosure Categories</u>	<u>Schedules Associated</u>
Group I Assistant District Secretary Controller District Secretary Executive Director General Legal Counsel General Manager Government Relations Officer/Deputy General Counsel Members, Board of Directors	1-A, 2 and 3	All

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

EXHIBIT "A-1"

Treasurer/Director of Risk Management Treasury Analyst Treasury Manager		
Group II Manager of Risk & Contracts Administration Manager of Strategic Planning and Analysis Principal Engineer	1-B, 6, and 7	All
Group III Director ² Manager ³	6 and 7	A-1, A-2, C, D and E
<u>Group IV</u> Administrative Assistant Assistant Engineer Associate Engineer Automation Supervisor Chief Plant Operator Collection Systems Supervisor Construction Inspection Supervisor Construction Inspector I, II, III Cross Connection Supervisor Electrical Supervisor Energy Analyst Engineer Environmental Compliance Specialist Executive Assistant Facilities Services Supervisors Field Services Supervisor Fleet Supervisor Instrumentation Supervisor Landscape Contracts Administrator Management Analyst Mechanical Services Supervisor Operations Supervisor Source Control Program Administrator Recycled Water Project Specialist Senior Construction Inspector Senior Engineer Senior Human Resources Analyst Water Maintenance Supervisor Water Resources Planner Water Use Efficiency Analyst Water Use Efficiency Supervisor	6	D, E

² District personnel that hold a “director” position should consider themselves in Group III unless their position is specifically list in Groups I or II.

³ District personnel that hold a “manager” position should consider themselves in Group II unless their position is specifically list in Groups I or II.

EXHIBIT "A-1"

Engineering Consultants ⁴	<u>Group VI</u>	1-B, 4 and 5
Financial Consultants ⁴	<u>Group V</u>	4 and 5
		All
		A-1, A-2, C, D and E

⁴Consultants are included in the list of DESIGNATED PERSONS and must disclose pursuant to the disclosure categories specified, subject to the following limitation: The General Manager may determine in writing that a particular consultant, although a "designated person," is hired to perform a range of duties that is limited in scope and thus that particular consultant is not required to fully comply with the disclosure requirements described in the Code. Such written determination must include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. The General Manager's determination is a public record and must be retained for public inspection in the same manner and location as this Conflict of Interest Code.

EXHIBIT "A-1"

APPENDIX "A-2"

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

Category 1-A: **Reportable Interests in real property** within Orange County, California and within 2 miles of District owned property outside of Orange County, California.

Category 1-B: **Reportable Interests in real property** within the District or within 2 miles from the jurisdictional boundaries of the District.

Category 2: **Reportable Interests in Suppliers**

Investments in or income, loans, gifts or travel payments from sources or business entities that could foreseeably (a) initiate an application, claim, appeal or request for action by IRWD; (b) bid on or enter into a written contract with IRWD; (c) seek a permit, license, variance or other entitlement from IRWD; (d) be subject to any inspection or regulatory action by IRWD; or (e) that manufacture, distribute, lease, retail, or sell items which are, which have been, or foreseeably could be utilized or procured by IRWD, including, but not limited to, any of the following:

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

Category 3: **Reportable Interests in Contractors/Consultants**

EXHIBIT "A-1"

Investments in or income, loans, gifts or travel payments from sources or business entities which could foreseeably (a) initiate an application, claim, appeal or request for action by IRWD; (b) seek a permit, license, variance or other entitlement from IRWD; (c) be subject to any inspection or regulatory action by IRWD; or (d) bid for, contract or subcontract for, or consult in, the performance of work or services which are, which have been or which foreseeably could be utilized or procured by IRWD, including, but not limited to, work or services related to any of the following:

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

Category 4: Reportable Consultants/Contractors Interests in Suppliers

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

Category 5: Reportable Consultants/Contractors Interests in Third-Party Consultants/Contractors

EXHIBIT "A-1"

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

Category 6: Reportable Loans, Gifts and Travel Payments

Loans, gifts and travel payments from sources or business entities that could foreseeably:

1. Initiate an application, claim, appeal or request for action by the IRWD division the employee works in;
2. Bid on or enter into a written contract with that would be evaluated, processed or managed by the IRWD division the employee works in;
3. Seek a permit, license, variance or other entitlement from the IRWD division the employee works in;
4. Be subject to any inspection or regulatory action by the IRWD division the employee works in;
5. Business entities which That manufacture, distribute, lease, retail, or sell items which are, which have been, or which foreseeably could be utilized or procured by IRWD department the employee works in, including, but not limited to, the items listed under Category 2
6. Bid for, contract or subcontract for, or consult in, the performance of work or services which are, which have been or which foreseeably could be utilized or procured by IRWD department the employee works in, including, but not limited to, the items listed under Category 3.

Category 7: Reportable Investments in and Income

Investments in and income from sources or business entities that could foreseeably:

1. Initiate an application, claim, appeal or request for action by the IRWD division the employee works in;
2. Bid on or enter into a written contract with that would be evaluated, processed or managed by the IRWD division the employee works in;
3. Seek a permit, license, variance or other entitlement from the IRWD division the employee works in;
4. Be subject to any inspection or regulatory action by the IRWD division the employee works in;

EXHIBIT "A-1"

5. That manufacture, distribute, lease, retail, or sell items which are, which have been, or which foreseeably could be utilized or procured by IRWD department the employee works in, including, but not limited to, the items listed under Category 2
6. Bid for, contract or subcontract for, or consult in, the performance of work or services which are, which have been or which foreseeably could be utilized or procured by IRWD department the employee works in, including, but not limited to, the items listed under Category 3.

EXHIBIT “B”

CONFLICT OF INTEREST CODE FOR THE IRVINE RANCH WATER DISTRICT

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission (“FPPC”) has adopted a regulation (2 California Code of Regulations Section 18730) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency’s code. After public notice and hearing, the standard code may be amended by the FPPC to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the FPPC are hereby incorporated by reference. This regulation and Appendix “A-1” and “A-2”, designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the Irvine Ranch Water District (“District”).

Individuals holding designated positions shall file their statements of economic interests with the District Secretary, which will make the statements available for public inspection and reproduction (Gov. Code Sec. 81008). Upon receipt of the statements for the members of the Board of Directors and the General Manager, the District Secretary shall make and retain copies and forward the originals to the Clerk of the Board for the Orange County Board of Supervisors. All other statements will be retained by the District Secretary.

APPENDIX “A-1”

**DESIGNATED PERSONS FOR DISCLOSURE PURPOSES
PURSUANT TO THE CONFLICT OF INTEREST CODE FOR IRVINE RANCH WATER
DISTRICT**

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District personnel “make a governmental decision” when he or she, acting within the authority of his or her office or position, authorizes or directs any action, votes, appoints a person, obligates or commits the District to any course of action, or enters into any contractual agreement on behalf of the District.

District personnel “participate in a governmental decision” when he or she, acting within the authority of his or her position, provides information, an opinion, or a recommendation for the purpose of affecting the decision without significant intervening substantive review.

Designated Persons must disclose the economic interests defined in the disclosure categories defined in Appendix “A-2” of this code, using the Form 700 schedules listed in the table below:

<u>Designated Persons</u>	<u>Disclosure Categories</u>	<u>Schedules Associated</u>
<p align="center">Group I</p> <p>Assistant District Secretary Controller District Secretary Executive Director General Legal Counsel General Manager Government Relations Officer/Deputy General Counsel Members, Board of Directors</p>	<p align="center">1-A, 2 and 3</p>	<p align="center">All</p>

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

Treasurer/Director of Risk Management Treasury Analyst Treasury Manager		
Group II Manager of Risk & Contracts Administration Manager of Strategic Planning and Analysis Principal Engineer	1-B, 6, and 7	All
Group III Director ² Manager ³	6 and 7	A-1, A-2, C, D and E
<u>Group IV</u> Administrative Assistant Assistant Engineer Associate Engineer Automation Supervisor Chief Plant Operator Collection Systems Supervisor Construction Inspection Supervisor Construction Inspector I, II, III Cross Connection Supervisor Electrical Supervisor Energy Analyst Engineer Environmental Compliance Specialist Executive Assistant Facilities Services Supervisors Field Services Supervisor Fleet Supervisor Instrumentation Supervisor Landscape Contracts Administrator Management Analyst Mechanical Services Supervisor Operations Supervisor Source Control Program Administrator Recycled Water Project Specialist Senior Construction Inspector Senior Engineer Senior Human Resources Analyst Water Maintenance Supervisor Water Resources Planner Water Use Efficiency Analyst	6	D, E

² District personnel that hold a “director” position should consider themselves in Group III unless their position is specifically list in Groups I or II.

³ District personnel that hold a “manager” position should consider themselves in Group III unless their position is specifically list in Groups I or II.

Water Use Efficiency Supervisor		
Engineering Consultants ⁴ <u>Group VI</u>	1-B, 4 and 5	All
Financial Consultants ⁴ <u>Group V</u>	4 and 5	A-1, A-2, C, D and E

⁴Consultants are included in the list of DESIGNATED PERSONS and must disclose pursuant to the disclosure categories specified, subject to the following limitation: The General Manager may determine in writing that a particular consultant, although a “designated person,” is hired to perform a range of duties that is limited in scope and thus that particular consultant is not required to fully comply with the disclosure requirements described in the Code. Such written determination must include a description of the consultant’s duties and, based upon that description, a statement of the extent of disclosure requirements. The General Manager’s determination is a public record and must be retained for public inspection in the same manner and location as this Conflict of Interest Code.

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

Category 1-A: **Reportable Interests in real property** within Orange County, California and within 2 miles of District owned property outside of Orange County, California.

Category 1-B: **Reportable Interests in real property** within the District or within 2 miles from the jurisdictional boundaries of the District.

Category 2: **Reportable Interests in Suppliers**

Investments in or income, loans, gifts or travel payments from sources or business entities that could foreseeably (a) initiate an application, claim, appeal or request for action by IRWD; (b) bid on or enter into a written contract with IRWD; (c) seek a permit, license, variance or other entitlement from IRWD; (d) be subject to any inspection or regulatory action by IRWD; or (e) that manufacture, distribute, lease, retail, or sell items which are, which have been, or foreseeably could be utilized or procured by IRWD, including, but not limited to, any of the following:

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

Category 3: **Reportable Interests in Contractors/Consultants**

Investments in or income, loans, gifts or travel payments from sources or business entities which could foreseeably (a) initiate an application, claim, appeal or request for action by IRWD; (b) seek a permit, license, variance or other entitlement from IRWD; (c) be subject to any inspection or regulatory action by IRWD; or (d) bid for, contract or subcontract for, or consult in, the performance of work or services which are, which have been or which foreseeably could be utilized or procured by IRWD, including, but not limited to, work or services related to any of the following:

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

Category 4: Reportable Consultants/Contractors Interests in Suppliers

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

Category 5: Reportable Consultants/Contractors Interests in Third-Party Consultants/Contractors

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

Category 6:

Reportable Loans, Gifts and Travel Payments

Loans, gifts and travel payments from sources or business entities that could foreseeably:

1. Initiate an application, claim, appeal or request for action by the IRWD division the employee works in;
2. Bid on or enter into a written contract with that would be evaluated, processed or managed by the IRWD division the employee works in;
3. Seek a permit, license, variance or other entitlement from the IRWD division the employee works in;
4. Be subject to any inspection or regulatory action by the IRWD division the employee works in;
5. Business entities which That manufacture, distribute, lease, retail, or sell items which are, which have been, or which foreseeably could be utilized or procured by IRWD department the employee works in, including, but not limited to, the items listed under Category 2
6. Bid for, contract or subcontract for, or consult in, the performance of work or services which are, which have been or which foreseeably could be utilized or procured by IRWD department the employee works in, including, but not limited to, the items listed under Category 3.

Category 7:

Reportable Investments in and Income

Investments in and income from sources or business entities that could foreseeably:

1. Initiate an application, claim, appeal or request for action by the IRWD division the employee works in;
2. Bid on or enter into a written contract with that would be evaluated, processed or managed by the IRWD division the employee works in;
3. Seek a permit, license, variance or other entitlement from the IRWD division the employee works in;
4. Be subject to any inspection or regulatory action by the IRWD division the employee works in;

5. That manufacture, distribute, lease, retail, or sell items which are, which have been, or which foreseeably could be utilized or procured by IRWD department the employee works in, including, but not limited to, the items listed under Category 2
6. Bid for, contract or subcontract for, or consult in, the performance of work or services which are, which have been or which foreseeably could be utilized or procured by IRWD department the employee works in, including, but not limited to, the items listed under Category 3.