

AGENDA
IRVINE RANCH WATER DISTRICT
FINANCE AND PERSONNEL COMMITTEE MEETING
TUESDAY, NOVEMBER 2, 2021

This meeting will be held in person at the District’s headquarters located at 15600 Sand Canyon Avenue, Irvine, California. The meeting will also be broadcasted via Webex for those wanting to observe the meeting virtually.

To observe this meeting virtually, please join online using the link and information below

Via web:

<https://irwd.webex.com/irwd/j.php?MTID=m358cec9350ecbfe9d6489470352453fa>

Meeting Number: 146 792 8003

Password: mkXdmJFZ333

PLEASE NOTE: Webex observers of the meeting will be placed into the Webex lobby when the Committee enters closed session. Participants who remain in the “lobby” will automatically be returned to the open session of the Committee once the closed session has concluded. Observers joining the meeting while the Committee is in closed session will receive a notice that the meeting has been locked. They will be able to observe the meeting once the closed session has concluded.

CALL TO ORDER 11:30 a.m.

ATTENDANCE Chair: Peer Swan _____ Member: Steve LaMar _____

ALSO PRESENT Paul Cook _____ Cheryl Clary _____
 Wendy Chambers _____ Kevin Burton _____
 Paul Weghorst _____ Rob Jacobson _____
 Christopher Smithson _____ Tiffany Mitcham _____
 Jennifer Davis _____ Eileen Lin _____
 _____ _____ _____ _____
 _____ _____ _____ _____

PUBLIC COMMENT NOTICE

Public comments are limited to three minutes per speaker on each subject. If you wish to address the Committee on any item, you may attend the meeting in person and submit a “speaker slip.” You may also submit a public comment in advance of the meeting by emailing comments@irwd.com before 9:00 a.m. on Tuesday, November 2, 2021.

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. FY 2020-21 COMPREHENSIVE ANNUAL FINANCIAL REPORT – LIN / CLARY

Recommendation: Receive and file.

6. EMPLOYEE POPULATION AND TURNOVER STATUS REPORT – SRADER / MITCHAM

Recommendation: Receive and file.

7. MONTHLY INVESTMENT AND DEBT REVIEW – MENDOZA / DAVIS / JACOBSON / CLARY

Recommendation: Receive and file.

8. EXPENSES AND FEES OF BOARD MEMBERS AND GENERAL MANAGER PAID THROUGH THE FIRST QUARTER OF FY 2021-22 – PULLES / CLARY

Recommendation: Receive and file.

9. LEGAL FEES QUARTERLY UPDATE – TOBAR / CLARY

Recommendation: Receive and file.

10. QUARTERLY DEFERRED COMPENSATION PLAN AND FUND REVIEW – MENDOZA / DAVIS / JACOBSON / CLARY

Recommendation: Receive and file.

ACTION

11. FY 2022-23 WATER SHORTAGE CONTINGENCY PLAN RATES – PARDEE / SMITHSON / CLARY

Recommendation: That the Committee review and provide comments on the standard and Water Shortage Contingency Plan rates.

12. ANNUAL MICROSOFT ENTERPRISE AGREEMENT SOFTWARE MAINTENANCE RENEWAL – SOLORZANO / WILLIAMS / CLARY

Recommendation: That the Board approve the renewal of the Microsoft Enterprise Agreement beginning December 1, 2021 for a total three-year commitment of \$1,011,000.

OTHER BUSINESS

13. Directors' Comments

14. Adjourn

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the 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 at the entrance of the meeting room at the District Office. The Irvine Ranch Water District Committee Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.), please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in an alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

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November 2, 2021
Prepared by: E. Lin
Submitted by: C. Clary
Approved by: Paul A. Cook *P.A.C.*

FINANCE AND PERSONNEL COMMITTEE

FY 2020-21 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, 2021. 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, 2021 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 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 2020-21 CAFR is being prepared for the 18th consecutive year by IRWD. 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 2020-21 CAFR to the IRWD Board on December 13, 2021. Staff will continue to produce an enhanced electronic version with key references hyperlinked throughout the document. The CAFR will be made available on IRWD's 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 2020-21 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

Committed to Water Resilience



CELEBRATING 60 YEARS



Irvine Ranch
WATER DISTRICT

Irvine Ranch Water District
Irvine, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for fiscal year ended June 30, 2021

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Comprehensive Annual Financial Report

For fiscal year ended June 30, 2021

Irvine Ranch Water District

Irvine, California

Board of Directors

Douglas J. Reinhart, President

John B. Withers, Vice President

Steven E. LaMar

Karen McLaughlin

Peer A. Swan

General Manager

Paul A. Cook

Prepared by:

Irvine Ranch Water District

Finance Department

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Introductory Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2021

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December 13, 2021

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, 2021. 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, 2021 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, 2021 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 21 years. The District is a leader in developing and implementing resource management initiatives such as water recycling, urban runoff control and treatment, water efficiency, energy management, 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 120,000 water and 115,000 sewer service and recycled water connections. The number of service connections has increased by approximately 22% 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, preventive maintenance programs, 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



Employee working in Electrical Room

The District employs approximately 405 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 11 years.

Services

The District is functionally organized into four core service areas:

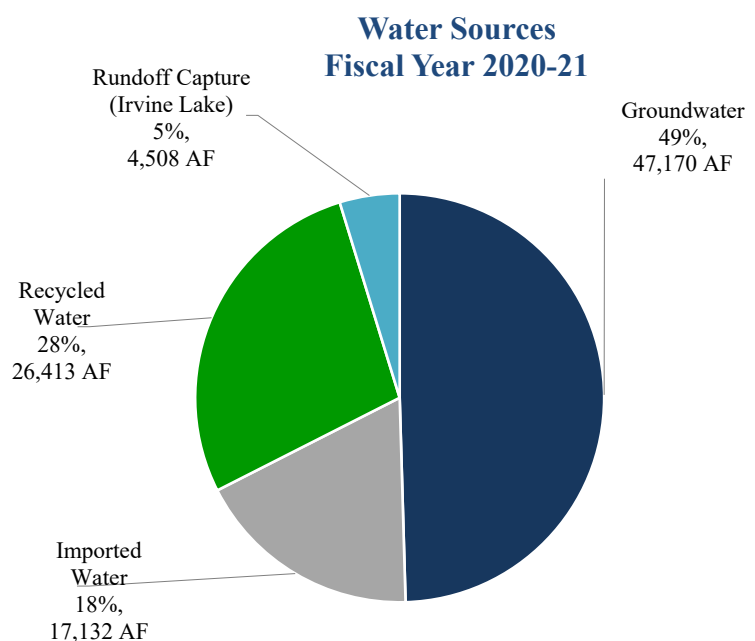
Drinking or “Potable” Water System

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) 2020-21, local groundwater accounted for 49% 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 18% of its water supply in FY 2020-21 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 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.

Once treated, the recycled water is distributed throughout the service area and in FY 2020-21 accounted for approximately 28% of the District’s total water supply. Approximately 85% 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 continue recycling its sewage flows to provide 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 75% ownership in Irvine Lake, a 25,000 acre-feet reservoir that can capture and store both stormwater and 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 to the Orange County Sanitation District (OC San). In FY 2020-21, the District treated approximately 78% of its sewage while the remainder of the sewage collected by the District was diverted to the OC San treatment facilities. In FY 2020-21, the District completed its construction of the MWRP Biosolids and Energy Recovery Facilities and the facilities became operational in August 2021. This facility enables IRWD to treat its solids generated at the Michelson Water Recycling Plant and eliminate the need to send them to OC San for treatment. 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, 2021, the NTS consists of 44 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. The Peters Canyon Wash diversion facilities are part of these 44 sites and pump runoff high in selenium into OC San's sewers, where it eventually, after treatment, flows to OCWD's groundwater replenishment system.



San Joaquin Marsh – American White Pelican

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 2012 to 2021.

Infrastructure Assets		
	<u>2012</u>	<u>2021</u>
Potable System		
Miles of Water Line	1,490	1,976
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	478	572
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	962	1,153
Number of Lift Stations	13	13
Treatment Plants	2	2
Treatment Capacity (mgd) (Tertiary)	23.5	33.5
Sewage Flows to Michelson Plant	65%	67%
Sewage Flows to Los Alisos Plant	15%	11%
Sewage Flows to Orange County Sanitation District	20%	22%
Natural Treatment System		
Urban Runoff Treatment Facilities	N/A	44
Nuisance Water Diversions	N/A	4
Trash Boom	N/A	1
1 acre foot = 325,900 gallons		
cfs = cubic feet per second		
mgd = millions gallons per day		
N/A = Not Available		

2021 Accomplishments

The District conducts a Strategic Planning Process where the Board annually adopts goals and target activities and monitors accomplishments against those goals. Major accomplishments achieved in FY 2020-21 were as follows:

1. Continued to deliver superior service to customers during the Coronavirus Pandemic without any interruptions in customer service, governance or operations. During the Pandemic, there have been 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 their water bills.
2. Completed start-up of the Michelson Water Recycling Plant Biosolids & Energy Recovery Facilities capital project (at a cost in excess of \$270 million) for the handling of solids, which will cost effectively provide resource recovery of solids and biogas for IRWD.
3. Continued to promote long- term water use efficiency measures resulting in District customers having one of the lowest residential gallons per capita per day (gpcd) rates in California. In FY 2020-21, IRWD's residential water use (indoors and outdoors) averaged 74 gpcd, which was 37% lower than the statewide residential water use average of 117 gpcd. District finances were not negatively impacted by lower water usage as IRWD recovers its costs from customers through fixed and variable charges.
4. Implemented improved customer web portal to provide additional bill payment options enhancing customer service and communications.
5. Commenced the Groundwater Banking Joint Powers Authority, a partnership between IRWD and Rosedale Rio-Bravo Water Storage District to design, construct and operate the Kern Fan Groundwater Storage Project. Secured additional state funding for the project.
6. Implemented building improvements at IRWD facilities to keep employees and the community safe and healthy.
7. Continued to improve the District's computer systems by increasing cybersecurity measures.
8. Continued to fully fund the 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 WaterSense 2020 Partner of the Year Award, Southwest Membrane Operator Association's Outstanding Membrane Plant for 2020, National Association of Clean Water Agencies' Utility of The Future award for recycled water, California Special Districts Association's Ralph Heim Exceptional Outreach and Advocacy Award, and WateReuse California's Outreach and Public Education Award.

Future Goals

The Strategic Planning Process resulted in the Board adoption of eighteen Strategic Goals which it expects to accomplish within the next 5 years along with Target Activities that are typically accomplished within 12 to 18 months. The Board adopted Strategic Goals are as follows:

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 (e.g. PFOA/ PFOS).
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. Develop sources of funding for the Syphon Reservoir Improvement Project.
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 feasibility study and initiate design for the Project.
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: Protect existing and future systems through advanced cybersecurity measures.
12. Enhance customer communications: 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 2018, legislation was passed to "Make Conservation a Way of Life In California". 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 positioned 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.

The District's Water Use Efficiency Implementation Plan (Plan), adopted April 2020, provides a comprehensive strategy 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") 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. The District has also pioneered the use of recycled water beginning in the late 1960s and presently serves over 6,100 sites, with approximately 26,000 acre feet of recycled water sold in FY 2020-21 representing 28% of the District's total water supply. The use of recycled water reduced the District's need to import more expensive potable supplies. Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, IRWD is well prepared to withstand the current statewide drought. IRWD does not project any water shortages and will continue to provide reliable, high quality water to its customers in a cost-effective manner.

Water Shortage Contingency Planning

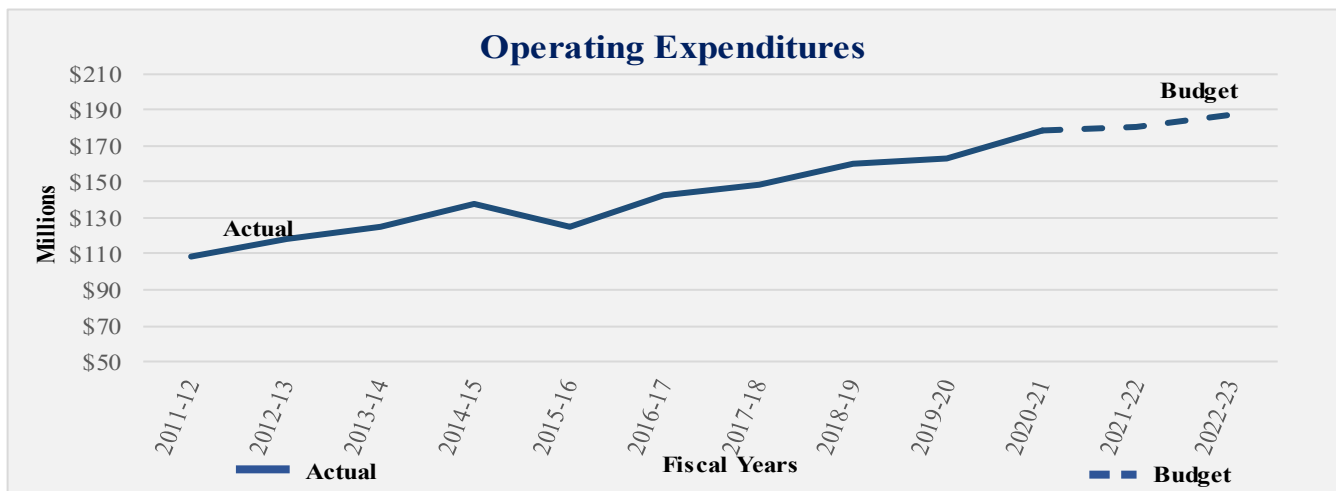
In compliance with California Water Code Section 10632, IRWD adopted an updated Water Shortage Contingency Plan (WSCP) in June 2021. THE WSCP allows the District to strategically reduce water use through a number of potential actions that are staged dependent upon the severity of water shortages. The WSCP incorporates six standard water shortage levels corresponding to progressive ranges of up to 10%, 20%, 30%, 40%, 50%, and greater shortages. For each level or shortage, the WSCP includes a list of voluntary measures, non-rate response measures, and potential cost-of-service based rate response strategies. While IRWD did not have a water shortage in this fiscal year, the WSCP provides the Board with the framework to respond to water shortages should they occur.

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 actively participate in state and regional trade associations including the Association of California Water Agencies, the California Association of Sanitation Agencies, the Water Reuse California, the California Special District Association, the California Municipal Utilities Association, and the Bioenergy Association of California.

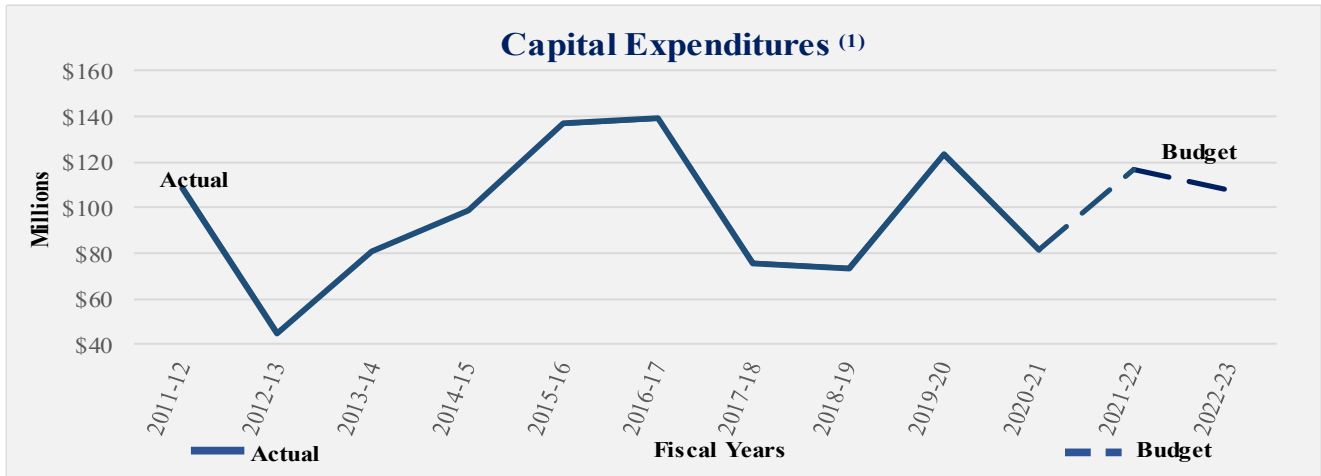
Financial Plan

In April 2021, the Board approved a two-year (biennial) operating budget for FY 2021-22 and FY 2022-23. 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 2020-21, as well as the Board approved operating budgets for FY 2021-22 and FY 2022-23. 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 budget increased from \$173.6 million in FY 2020-21 to \$180.2 million in FY 2021-22 and \$187.7million in FY 2022-23 . The primary reasons were increases in retirement funding, labor and associated benefits for additional positions necessary to support increased regulatory requirements and software cybersecurity and complexity, higher costs of electricity due to expected rate increases from outside agencies, and increased operating and maintenance costs associated with new facilities coming on line as well as maintenance of aging infrastructure of existing facilities.

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 2020-21 and the budgets for FY 2021-22 and FY 2022-23.



(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 and was completed by FY 2020-21. The Board approved capital budget is \$116.7 million for FY 2021-22 and \$107.5 million for FY 2022-23. 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 collects replacement funds in advance of their need and sets the monies aside. This helps stabilize rates and avoid significant potential future rate spikes. 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. An updated study was completed 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. Considering the hardship many of the District's customers experienced due to the impacts from COVID-19, the Board elected to defer planned water and sewer rate increases for FY 2020-21.

For FY 2020-21, the District's water fixed service charge remained at the FY 2019-20 rate of \$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 2020-21, the monthly fixed service charge included 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 illustrates the four-

FY 2020-21 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

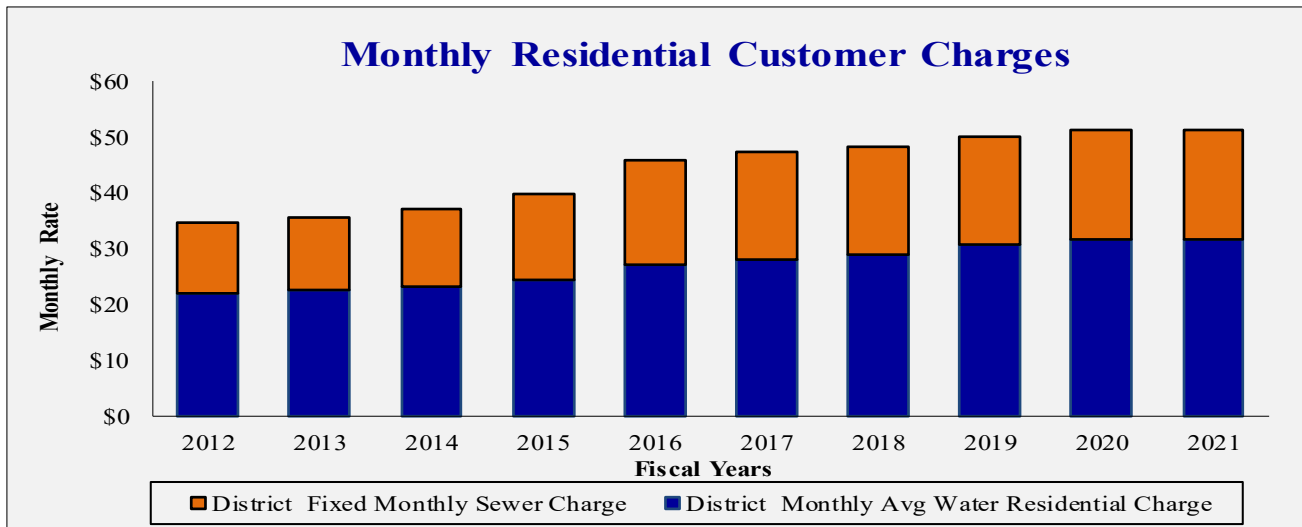
tier structure that reflects the current rates (increase deferred) and higher cost associated with usage in the higher tiers. As of June 2021, approximately 78% of the District's customers were within the first two tiers and approximately 93% of customers fell within the first three tiers. IRWD residential bills are consistently among the lowest in Orange County.

Sewer Rates

The District's sewer service rates are also the lowest in Orange County. The fixed monthly service charge remained at the FY 2019-20 rate of \$19.55 in FY 2020-21 for a typical residential customer covering the collection and treatment of sewage. This monthly service charge includes a user enhancement and replacement component of \$0.68 and \$7.75, respectively, per month, which is intended to fund current and future capital costs to replace, refurbish and upgrade the existing system.

Historic Rate Trends

The following chart reflects the annual "base rate" charge for an average customer's water and sewer service through FY 2020-21. As stated previously, the Board elected to defer an approved increase for FY 2020-21. Prior to FY2020-21, the District raised rates in each of the last several years to offset increased costs from outside agencies and 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 2020-21, the District continued to expand its operating facilities to accommodate approximately 4,400 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 \$35.7 billion in 2012 to more than \$74.8 billion in 2021, demonstrating the strength of the local economy.

Long-Term Water Use Efficiency

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 2020, 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 payment penalties 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.

Due to COVID-19 and its ramifications to District customers, the Board elected to defer a previously planned Board approved rate increase for FY 2020-21. The operating revenue impact of \$4.6 million was 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. 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 2020-21, the combined water and sewer user enhancement/replacement fees were \$11.23 per month.

Over time, the District has transitioned from a newly developing area to a more 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 \$10.9 million for new capital in FY 2019-20 increased to \$18.9 million in FY 2020-21 with nearly all of the increase driven by redevelopment. 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 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 based on 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 an irrevocable 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. 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, 2021, the fair value of the assets in the Pension Benefits Trust was approximately \$107.9 million.

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
06/30/19	\$275,457	\$284,426	103.2%
06/30/20	291,334	301,256	103.4%
06/30/21	306,889	315,287	102.7%

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 2020-21, the District's fixed-income investment portfolio consisted primarily of short-term securities with a portfolio average maturity of approximately 5 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 2020-21 was 0.93%. Including real estate investments, the weighted average rate of return was 3.02% for the same period.

At June 30, 2021, the District's cash and investments totaled approximately \$421.9 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 a portion of its long-term replacement cost for 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, 2021, the District owns or has an interest in six properties with an approximate fair value of \$271 million. The District's income-producing real estate investments have a weighted average return (on original cost) for FY 2020-21 of 11.2%. Net revenues of \$9.8 million generated in FY 2020-21 from the District's real estate investments are retained within the Replacement Fund and effectively reduce future increases in user rates.

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, 2021, its debt portfolio included 61.0% of fixed rate debt and 39.0% of variable rate debt. The average all-in cost of debt, including the District's fixed rate payer swaps, was 2.90% for the fiscal year.

The District has 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, 2021, there were eight outstanding General Obligation (GO) bond issues consisting of \$249.3 million in variable rate mode and \$278.4 million in fixed rate mode (excluding any unamortized premium or discount).

As of June 30, 2021, the District also had one outstanding Certificate of Participation (COP) issue with a balance of \$113.3 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 and the COPs issue are 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, 2021, the District had net revenues equal to 4.1 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 cash and fixed income 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 3.986% (assuming a historical ratio for the tax-exempt SIFMA Index versus taxable 1-month LIBOR of 67%).

In 2017, the U.K. Financial Conduct Authority announced that it will no longer require its participating banks to provide daily submissions of LIBOR rates in the future, which will effectively discontinue the LIBOR index when that occurs. In January 2021, IRWD's Board of Directors approved the adherence to the ISDA LIBOR Fallback Protocol, and the District has completed the adherence process. When the 1-month LIBOR index is discontinued, the fixed payer swaps will transition to the selected Fallback Rate. It is currently anticipated that the 1-month LIBOR index will be discontinued in 2023.

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 2020-21, Federal subsidy payments were cut by 5.7% 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 to periodically evaluate its network security. The external network security and cybersecurity assessments, and ongoing staff education and awareness, are just a few of the continuous efforts by the District to safeguard information.

Major Initiatives

The District's major initiatives during FY 2020-21 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 neighboring projects are known as the Strand Ranch Integrated Banking Project and the Stockdale Integrated Banking Project (collectively, the IRWD Water Bank). The IRWD 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 long-term 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.

Since 2010, the District has delivered a total of approximately 75,317 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 30,000 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. Water stored in the Kern Fan Project 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. The project will be developed, implemented and operated by the Groundwater Banking Joint Powers Authority, which was formed between IRWD and Rosedale-Rio Bravo Water Storage District in April 2020.

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). The CWC has conditionally awarded \$87.8 million to the Kern Fan Project and 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 (Palo Verde Properties) in Riverside County, California. IRWD's Palo Verde Properties are located within Palo Verde Irrigation District (PVID), which has first priority rights on the Colorado River. The properties are included in a Metropolitan Water District of Southern California (MWD) and PVID fallowing program under which MWD makes payments to landowners (up to approximately 970 acres of IRWD's Palo Verde Properties) 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 leases the Palo Verde Properties to tenant farmers for agricultural uses.

Syphon Recycled Water Seasonal Storage Reservoir

Syphon Reservoir, located north of Irvine, is a sixty-year-old water storage reservoir historically used 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 will increase 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 could reduce the District's need to supplement the recycled water system with imported water from MWD in dry years.

The District is currently performing geotechnical investigations at the site and advancing the preliminary design for the reservoir expansion. Final design is anticipated to be complete in late 2023, and construction of the expanded reservoir is anticipated to be complete in 2027.

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 (OC San). The District owns and operates the MWRP and LAWRP and owns capacity in the OC San facilities.

The most recent example of expanded water recycling reliability was 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, historically conveyed to Fountain Valley for treatment by OC San, included consideration of many factors such as costs and potential community impacts.

As a result, in FY 2013-14, the District began construction of a new state-of-the-art organic dewatering and biogas recovery system at the MWRP. The system makes efficient and sustainable use of locally generated renewable resources by creating a beneficial use of biosolids and biogases that are produced during the sewage treatment/recycling process. This project aligns with IRWD's sustainable business practices, while at the same time creating an effective cost management of sewage/recycling services for IRWD customers.



Biosolids and Energy Recovery Facilities

The biosolids treatment process allows for the conversion of biogas into electricity thereby further reducing the District's dependency on its electricity provider. The construction of the MWRP Biosolids and Energy Recovery Facilities is completed and the facilities are anticipated to be operational in August 2021.

Community Education and Outreach

Irvine Ranch Water District made a leap into virtual community education and outreach in FY 2020-21, hosting its very first online community tours, water quality workshops and interactive digital learning experiences in response to the ongoing pandemic. While online interaction will never replace the traditional face-to-face meetings, it proved effective at presenting complicated concepts, encouraging engagement, and drawing larger and broader participation. Hundreds of customers attended each of the District's virtual community events, compared to the 50 or so normally in attendance at in-person functions. New online education tools yielded 121,055 visits and views, compared with the usual 6,000 students reached in a year.

Since its early beginnings, IRWD has invested in lifelong water education and outreach to foster appreciation and understanding of water issues. The longstanding educational partnership with Discovery Cube Orange County was transformed, replacing school assemblies and field trips with live virtual workshops, and prerecorded demonstrations and activities children could do at home. A new, interactive, 360-degree video experience focusing on the District's San Joaquin Marsh and Wildlife Sanctuary enables students to explore the marsh in a game-like video format, learning about the plants and animals that make their home there, and the natural urban runoff treatment process that occurs there to protect species downstream. A similar tool is in development to teach the next generation of water customers about the benefits of recycled water.

Community outreach saw a similar transformation, with live, virtual workshops and prerecorded video tours set up to address water quality (Tap Water 101); recycled water (Michelson Water Recycling Plant Virtual Tour); the wonders of the San Joaquin Marsh and Wildlife Sanctuary; leak detection; and drought-friendly plants. In all of these events, staff were available to answer questions live. Work is underway on a video tour of IRWD's new Biosolids Resource and Energy Recovery Facility.



The District websites - IRWD.com, RightScape.com, and RightScapeResources.com - continued to undergo updates during the pandemic, enhanced with quick links and answers to customer questions. Webpages for IRWD's WaterStar business recognition program were redesigned to facilitate water efficiency among local industries.

The District's monthly "Pipelines" newsletter and quarterly gardening newsletter, "The Dirt," continued to inform customers and inspire them to appreciate the value of water. News articles promoting that same message were published in local newspapers, including the Irvine Standard.

Also in FY 2020-21, IRWD implemented a suite of creative and targeted outreach initiatives, known as the 2020 Water Use Efficiency Outreach Campaign. The campaign supported programs to help customers save water outdoors, where IRWD sees the greatest potential for additional efficiency. The campaign focused on promoting turf removal and weather-based irrigation controller incentives through a monthly email campaign; increasing customers' desire for water-efficient landscaping by highlighting its beauty via IRWD-owned media and paid social media; and increasing attendance at virtual garden workshops through a paid social media and email campaign featuring beautiful garden images.

Looking ahead, IRWD approved an 18-month 2021-2022 Water Use Efficiency Outreach Campaign, which will include the redesign of RightScape.com to optimize it for mobile and tablets; a highly visual outreach campaign to promote turf replacement; multi-media gardening workshops; and an email campaign to promote smart irrigation controller rebates and installations.

All of these changes increased awareness and participation in District programs and contributed to IRWD's success in meeting its state-mandated drinking water efficiency targets.

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, 2020. 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.

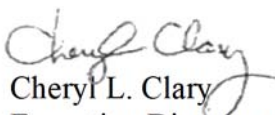
A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

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	Douglas J. Reinhart
Vice President and Director	John B. Withers
Director	Steven E. LaMar
Director	Karen McLaughlin
Director	Peer A. Swan

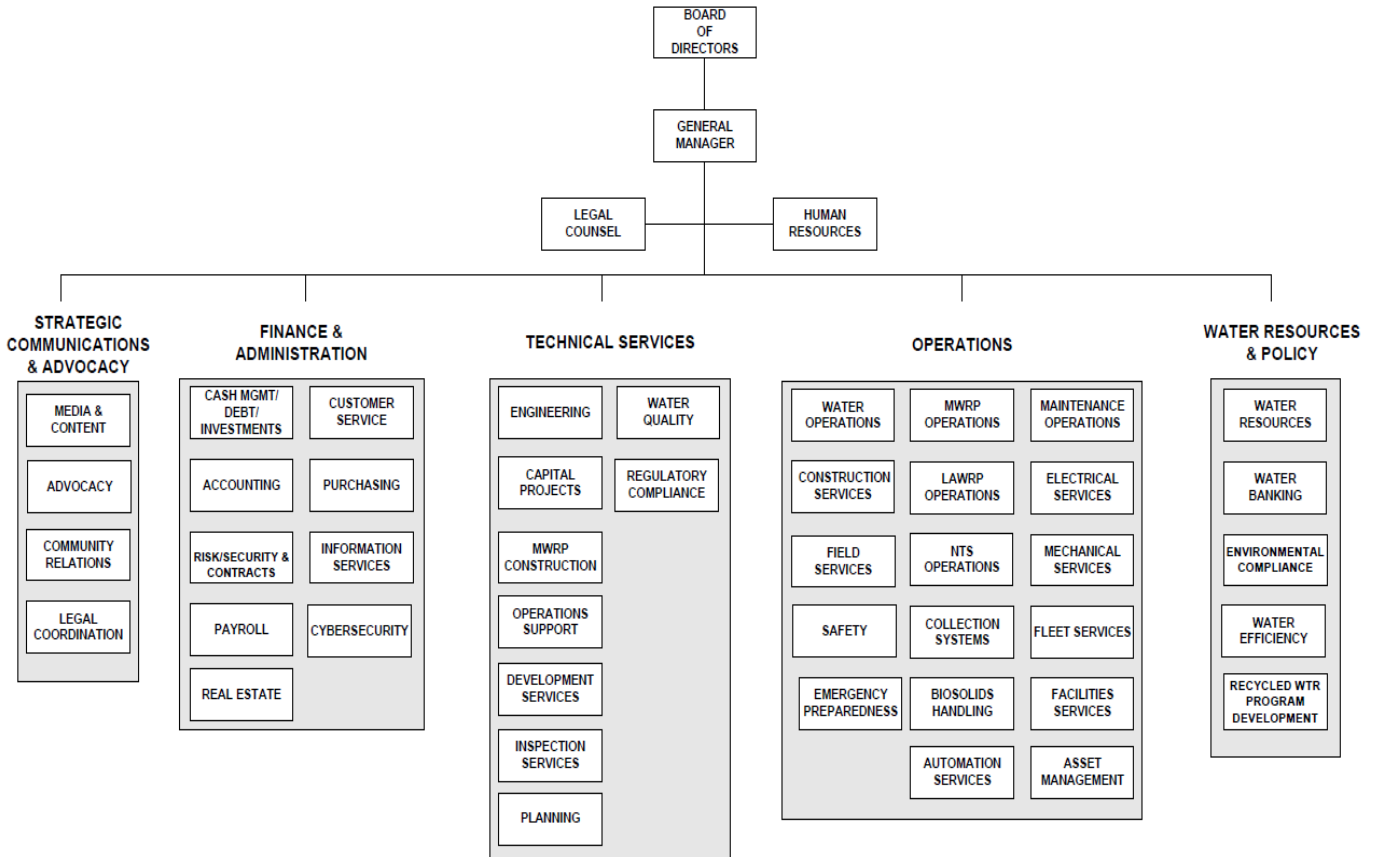
Executive Management

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	Tiffany A. Mitcham
Director of Water Resources	Fiona M. Sanchez
Director of Strategic Communications & Advocacy/Deputy General Counsel	Christine A. Compton
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 2020-21





Government Finance Officers Association

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**Irvine Ranch Water District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

Financial Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2021

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 the business type activities and the aggregate remaining fund information of Irvine Ranch Water District (the District), as of and for the year ended June 30, 2021, 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.

Emphasis of Matter

During the year ended June 30, 2021, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84: Fiduciary Activities. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 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 2x, 2021

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, 2021. 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 \$2,074.2 million (net position), consisting of \$1,336.7 million in net investment in capital assets, \$384.0 million restricted for water services and \$353.5 million restricted for sewer services. This is an increase of \$82.4 million or 4.1 percent over the prior fiscal year net position of \$1,991.8 million.
- Total assets are \$2,892.8 million, an increase of \$76.3 million or 2.7 percent over the prior fiscal year. This is due primarily to a \$74.7 million increase in the District's cash and investments, a \$36.0 million increase in capital assets, a \$25.7 million increase in fair value of real estate investments and a \$24.8 million increase in pension benefits trust investments. These were partially offset by a decrease in real estate investments due primarily to the payoff of loan receivable and interest of \$85.9 million.
- Total liabilities are \$861.8 million, a decrease of \$6.6 million or 0.8 percent from the prior year. Liabilities consist primarily of \$689.0 million of debt, net pension and OPEB liabilities of \$98.1 million, swap liability of \$20.4 million and accounts payable and other liabilities of \$54.3 million. The total decrease over the prior year is due primarily to \$14.8 million in principal debt payments during the fiscal year and a decrease of \$6.7 million in accumulated losses associated with the fair value of interest rate swaps, partially offset by a \$11.4 million increase in pension and OPEB liabilities and a \$4.4 million increase in accounts payable to various vendors.
- 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, 2021, the District's total pension assets (including the CalPERS and Pension Benefits Trust assets) as a percentage of the total pension liability is 102.7 percent. For more detail, see Note 13 of the Notes to the Basic Financial Statements.
- Total revenues are \$319.5 million, an increase of \$45.5 million or 16.6 percent over the prior fiscal year. Operating revenues increased \$11.4 million due primarily to customer growth and higher sales of potable and recycled water. Non-operating revenues increased \$34.1 million due primarily to increases in the fair value of real estate assets and pension benefits trust investments.
- Total expenses are \$268.5 million, an increase of \$11.9 million or 4.6 percent over the prior fiscal year. Operating expenses increased \$17.2 million due primarily to increased costs associated with the imported water purchases and pumping, increased costs associated with the water, sewer, and recycled treatment and system maintenance, and higher labor and benefits costs. Non-operating expenses decreased by \$5.3 million due to decreases in other non-operating expenses associated with a disposal of capital assets during the fiscal year ended June 30, 2020.
- Capital contributions are \$31.4 million, a decrease of \$15.0 million or 32.3 percent over the prior fiscal year. This is due primarily to a \$22.3 million decrease in the number of donated facilities that were completed and donated from developers to the District, partially offset by a \$8.0 million increase in connection fees paid by developers.

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), Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position 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.

Fiduciary Fund is used to account for assets held by the District as a custodian for the San Joaquin Wildlife Sanctuary (SJWS).

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)				
	2021	2020	Increase/(Decrease)	
			Amount	Percentage
Assets				
Current assets	\$ 488.3	\$ 414.6	\$ 73.7	17.8%
Capital assets, net	2,023.8	1,987.8	36.0	1.8%
Other noncurrent assets	380.7	414.1	(33.4)	-8.1%
Total assets	2,892.8	2,816.5	76.3	2.7%
Deferred Outflows of Resources	44.9	47.6	(2.7)	-5.7%
Liabilities				
Current liabilities	64.4	56.0	8.4	15.0%
Long-term liabilities	797.4	812.4	(15.0)	-1.8%
Total liabilities	861.8	868.4	(6.6)	-0.8%
Deferred Inflows of Resources	1.7	3.9	(2.2)	-56.4%
Net Position				
Net investment in capital assets	1,336.7	1,283.8	52.9	4.1%
Restricted for water services	384.0	350.0	34.0	9.7%
Restricted for sewer services	353.5	358.0	(4.5)	-1.3%
Total net position	\$2,074.2	\$1,991.8	\$ 82.4	4.1%

As shown in Table 1, the District's total assets increased \$76.3 million or 2.7 percent during the current fiscal year. Current assets increased \$73.7 million due primarily to a \$76.5 million cash payment received from a loan related to the sale of the Serrano Summit property in August 2020.

Capital assets increased \$36.0 million or 1.8 percent during the current fiscal year. The District added \$76.2 million in water and sewer assets during the year partially offset by an increase of \$66.9 million in accumulated depreciation. The largest capital spending during the year was \$29.2 million for the Michelson Water Recycling Plant Biosolids and Energy Recovery Facilities project, a multiple year project with a total cost in excess of \$270 million and \$5.6 million for the rehabilitation of collection system siphons construction project.

Other noncurrent assets decreased \$33.4 million or 8.1 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. In August 2020, a \$76.5 million loan plus \$9.4 in accrued interest from the District's sale of the Serrano Summit property was paid off. The decrease is partially offset by a \$25.7 million increase in the fair value of real estate investments and a \$20.5 million increase in the fair value of pension benefits trust investments.

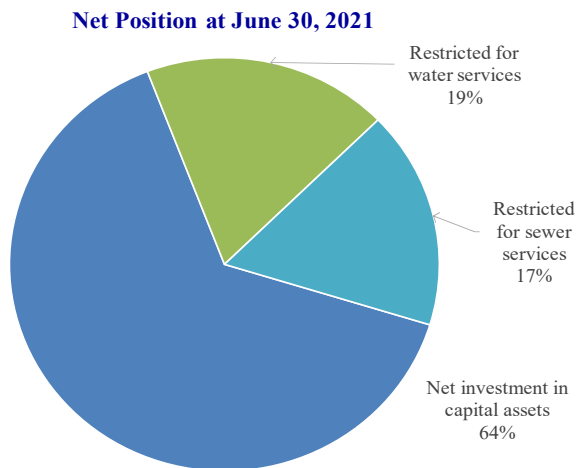
The District's deferred outflows of resources decreased by \$2.7 million or 5.7 percent over the prior fiscal year. This is due primarily to a \$6.7 million decrease in accumulated losses associated with the fair value of interest rate swaps. This decrease is partially offset by an increase of \$3.0 million pension and OPEB actuarial related changes in assumptions and experience.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The District's total liabilities decreased \$6.6 million or 0.8 percent in the current fiscal year. This was due primarily to \$14.8 million in principal payments of the District's general obligation bonds, certificates of participation, and notes payable during the year and \$6.7 million in accumulated losses associated with the fair value of interest rate swaps. The decrease was partially offset by a \$11.4 million increase in pension and OPEB liability and a \$4.4 million increases in the accounts payable to various vendors.

The District's deferred inflows of resources decreased \$2.2 million or 56.4 percent in the current fiscal year. This was due to pension and OPEB actuarial related changes in assumptions and experience.

Net position at the end of the current fiscal year increased \$82.4 million or 4.1 percent. 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 \$1,336.7 million or 64.0 percent of total net position, an increase of \$52.9 million from the prior fiscal year. The change is due primarily to \$36.0 million in net capital asset additions, \$14.8 million of debt principal payments and \$2.3 million amortization of premiums in the current fiscal year.

Several major District capital projects contributed to the increase, including \$29.2 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 \$5.6 million for the rehabilitation of collection system siphons construction project. These projects account for 65.8 percent of the increase in net investment in capital assets.

Restricted net position for water services was \$384.0 million or 19.0 percent of total net position. Restricted net position for sewer services was \$353.5 million or 17.0 percent of total net position. Restricted net positions are restricted by legislation which imposes 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)				
	2021	2020	Increase/(Decrease)	
			Amount	Percentage
Operating revenues				
Water sales and service charges	\$ 96.6	\$ 90.2	\$ 6.4	7.1%
Sewer sales and service charges	82.2	77.2	5.0	6.5%
Total operating revenues	178.8	167.4	11.4	6.8%
Non-operating revenues				
Property taxes	67.7	66.4	1.3	2.0%
Interest income	5.3	7.8	(2.5)	-32.1%
Increase (decrease) in fair value of investments	(4.6)	2.3	(6.9)	-300.0%
Real estate income	15.4	18.2	(2.8)	-15.4%
Increase (decrease) in fair value of real estate investments	25.7	0.5	25.2	5040.0%
Pension benefits trust interest and dividends income	4.4	3.3	1.1	33.3%
Increase (decrease) in fair value of pension benefits trust investments	20.5	1.5	19.0	1266.7%
Other income	6.3	6.6	(0.3)	-4.5%
Total non-operating revenues	140.7	106.6	34.1	32.0%
Total revenues	319.5	274.0	45.5	16.6%
Operating expenses				
Water services expenses	101.7	89.3	12.4	13.9%
Sewer services expenses	71.0	66.6	4.4	6.6%
Depreciation	68.0	67.6	0.4	0.6%
Total operating expenses	240.7	223.5	17.2	7.7%
Non-operating expenses				
Interest expense	20.8	22.2	(1.4)	-6.3%
Real estate expense	5.6	5.6	-	0.0%
Other expense	1.4	5.3	(3.9)	-73.6%
Total non-operating expenses	27.8	33.1	(5.3)	-16.0%
Total expenses	268.5	256.6	11.9	4.6%
Income/(loss) before capital contributions	51.0	17.4	33.6	193.1%
Capital contributions	31.4	46.4	(15.0)	-32.3%
Change in net position	82.4	63.8	18.6	29.2%
Beginning net position	1,991.8	1,928.0	63.8	3.3%
Ending net position	\$ 2,074.2	\$ 1,991.8	\$ 82.4	4.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Revenues:

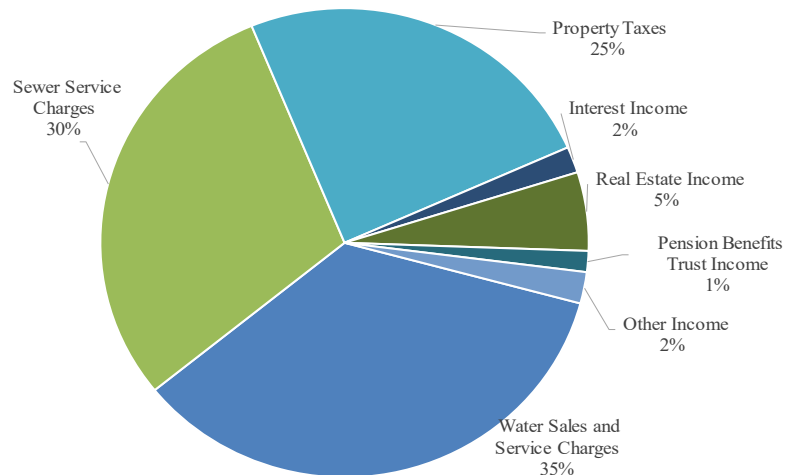
As shown in Table 2, the District's operating revenues total \$178.8 million or 56.0 percent of total revenues. Water sales contributed \$96.6 million or 54.0 percent to total operating revenues and sewer sales contributed \$82.2 million or 46.0 percent to total operating revenues. Operating revenues increased by \$11.4 million or 6.8 percent from the prior fiscal year. This is primarily due to customer growth and higher sales of potable and recycled water. The District did not increase the commodity rates from the fiscal year ended June 30, 2020 to the fiscal year ended June 30, 2021.

The chart below illustrates the sources of revenue for the fiscal year ended June 30, 2021.

Non-operating revenues total \$140.7 million and account for 44.0 percent of total revenue for the fiscal year ended June 30, 2021. This is an increase of \$34.1 million or 32.0 percent from the prior fiscal year. The increase in the current fiscal year is due to:

- An increase of \$25.2 million in changes in the fair value of the real estate investments.
- An increase of \$19.0 million in changes in the fair value of the Pension Benefits Trust investments.
- An increase of \$1.3 million in one percent and ad valorem property tax revenue associated with higher assessed values in the District's service area.
- An increase of \$1.1 million in the Pension Benefits Trust interest and dividends income.
- A decrease of \$9.4 million in the District's fixed income investment interest income and changes in the fair value of the investments due to lower interest rates.
- A decrease of \$2.8 million in the income from the real estate investments.
- Other net decreases of \$0.3 million.

Revenues for Fiscal Year Ended June 30, 2021
(excluding changes in fair value of investments, real estate investments, and pension benefits trust investments)



Expenses:

As shown in Table 2, operating expenses total \$240.7 million, of which \$172.7 million relates to the cost of providing water and sewer services to the District's customers. Water service operating costs are 105.3 percent of revenues and sewer service operating costs are 86.4 percent of revenues. Water and sewer operating expenses, excluding depreciation, increased by \$16.8 million or 10.8 percent over the prior fiscal year.

Water expenses totaled \$101.7 million, an increase of \$12.4 million or 13.9 percent primarily due to:

- An increase of \$6.5 million in water costs due primarily to higher imported water purchases and pumping costs.
- An increase of \$3.8 million in electricity and repair costs for potable and untreated water treatment and system maintenance.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Expenses (Continued):

- An increase of \$2.0 million in labor and benefits for potable and untreated water treatment and systems maintenance.
- Other net increases of \$0.1 million.

Sewer service expenses totaled \$71.0 million, an increase of \$4.4 million or 6.6 percent over the prior fiscal year. The increase is due primarily to:

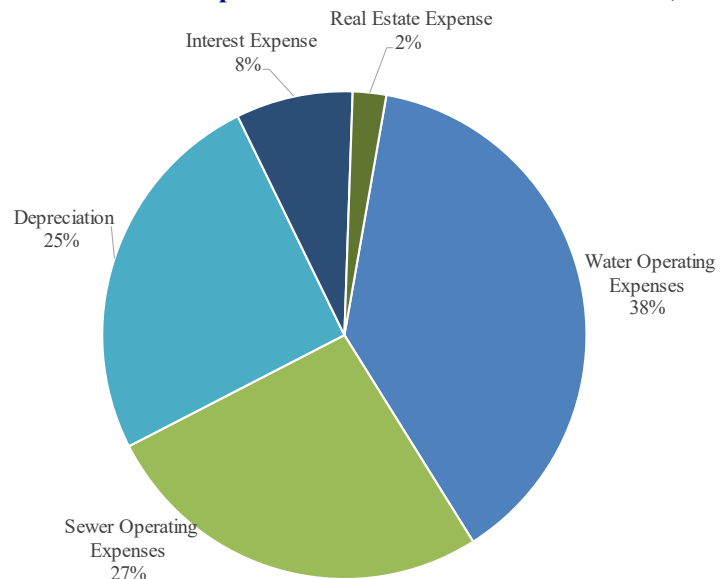
- An increase of \$3.9 million in labor and benefits for sewage treatment and recycled water system maintenance.
- An increase of \$4.1 million in electricity and repair costs for sewage treatment and recycled water system maintenance.
- An increase of \$1.2 million in expensed sewer and recycled water projects relating to the District’s capital program.
- A decrease of \$5.3 million in the cost of handling, treatment, and disposal of sewage solids sent to the District’s third- party provider Orange County Sanitation District (OC San) due to lower flows. This is due primarily to the completion and start-up of the biosolids facility.
- Other net increases of \$0.5 million.

Depreciation expense totaled \$68.0 million, an increase of \$0.4 million or 0.6 percent over the prior fiscal year. The increase is the result of the completion of several capital projects.

Non-operating expenses totaled \$27.8 million, a decrease of \$5.3 million or 16.0 percent from the prior year primarily due to:

- A decrease of \$3.9 million in other non-operating expenses associated with a disposal of capital assets during the fiscal year ended June 30, 2020.
- A decrease of \$1.4 million in interest expense associated with a reduction in interest rates on the District’s debt.

Functional Expenses for Fiscal Year Ended June 30, 2021



Capital Contributions:

Capital contributions totaled \$31.4 million, a decrease of \$15.0 million or 32.3 percent from the prior fiscal year. Donated facilities from developers decreased \$22.3 million due to a lower number of projects that were completed and donated to the District. Connection fees paid by developers were \$18.9 million, an increase of \$8.0 million from the prior year due to a higher number new units in the building industry. The District also received \$0.7 million less from grants / contributions from federal, state, and local agencies compared to the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Assets:

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

	2021	2020	Increase/(Decrease)	
			Amount	Percentage
Water assets	\$ 1,228.1	\$ 1,188.4	\$ 39.7	3.3%
Sewer assets	1,367.9	1,332.4	35.5	2.7%
Less: accumulated depreciation	(1,055.9)	(989.0)	(66.9)	6.8%
Land and water rights	126.6	125.6	1.0	0.8%
Construction in progress	357.1	330.4	26.7	8.1%
Total	\$ 2,023.8	\$ 1,987.8	\$ 36.0	1.8%

Capital assets, net of depreciation increased \$36.0 million or 1.8% in the current fiscal year. Construction in Progress added \$101.6 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, 2021 were \$74.9 million. The District's accumulated depreciation increased by \$66.9 million for depreciation expense in the current fiscal year. The following is a list of the top 10 capital projects expenditures which accounted for 54.3 percent of total capital assets additions incurred in the current fiscal year (in millions):

Project Description	Amount
MWRP Biosolids and Energy Recovery Facilities	\$ 29.2
Rehabilitation of Collection System Siphons	5.6
Meter and Pipelines Replacement Program FY 20/21	4.6
Eastwood Recycled Water Pump Station Zone A-B	3.2
Santiago Dam Outlet Replacement	2.7
MWRP Transformer T1 Replacement	2.4
Chlorine Gas Disinfection System Conversion	2.1
Rattlesnake Pump Station Zone A	1.9
Eastwood Recycled Water Pump Station Zone A-C	1.8
Syphon Reservoir Improvements	1.7
Total	\$ 55.2

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, 2021, the District had total debt outstanding of \$688.9 million, a decrease of \$17.1 million or 2.4 percent from the prior fiscal year.

	2021	2020	Increase/(Decrease)	
			Amount	Percentage
General obligation bonds	\$ 550.4	\$ 562.6	\$ (12.2)	-2.2%
Certificates of participation	138.2	143.0	(4.8)	-3.4%
Notes payable	0.3	0.4	(0.1)	-25.0%
Total	\$ 688.9	\$ 706.0	\$ (17.1)	-2.4%

During the current fiscal year, the decreases in the District's total debt were primarily due to \$14.8 million in debt payments and \$2.3 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, 2021
(with comparative data as of June 30, 2020)
(in thousands)

	2021	2020
ASSETS		
Current Assets:		
Cash and Investments (note 2)	\$ 421,911	\$ 347,261
Receivables:		
Customer accounts receivable	13,841	8,929
Interest receivable	850	1,471
Notes receivable, current portion	75	75
Due from other agencies (note 6)	27,822	33,773
Other receivables	5,819	4,140
Total receivables	48,407	48,388
Other Current Assets:		
Inventories (note 4)	17,306	17,383
Prepaid items and deposits	703	1,607
Total other current assets	18,009	18,990
Total current assets	488,327	414,639
Noncurrent Assets:		
Capital Assets (note 5):		
Water assets	1,228,105	1,188,464
Sewer assets	1,367,904	1,332,384
Subtotal	2,596,009	2,520,848
Less accumulated depreciation	(1,055,866)	(989,034)
Total capital assets being depreciated, net	1,540,143	1,531,814
Land and water rights	126,565	125,598
Construction in progress	357,075	330,388
Total capital assets, net	2,023,783	1,987,800
Other Noncurrent Assets:		
Notes receivable, net of current portion	468	543
Real estate investments (note 7)	271,490	330,427
Pension benefits trust investments (notes 2 & 13)	107,930	83,103
Investment in joint venture (note 8)	843	-
Total other noncurrent assets	380,731	414,073
Total noncurrent assets	2,404,514	2,401,873
TOTAL ASSETS	2,892,841	2,816,512
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding charges	1,955	2,111
Accumulated decrease in fair value of swap agreements (note 3)	20,374	27,042
Pension contributions (note 13)	9,569	8,429
Pension actuarial changes (note 13)	6,266	7,068
OPEB contributions (note 14)	804	831
OPEB actuarial changes (note 14)	5,918	2,136
TOTAL DEFERRED OUTFLOWS OF RESOURCES	44,886	47,617

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Net Position
June 30, 2021
(with comparative data as of June 30, 2020)
(in thousands)
(Continued)

	2021	2020
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	28,515	24,136
Customer deposits and advance payments	5,260	4,597
Accrued interest:		
General obligation bonds	3,614	3,630
Other accrued interest payable	2,917	2,890
Current portion of long-term liabilities:		
General obligation bonds (note 9)	15,079	12,224
Certificates of participation (note 9)	5,051	4,796
Notes payable (note 9)	74	72
Other long term liabilities (note 9)	2,761	2,298
Unearned revenue (note 10)	565	565
Claims liability (note 17)	572	791
Total current liabilities	64,408	55,999
Long-Term Liabilities:		
General obligation bonds, net of current portion (note 9)	535,342	550,421
Certificates of participation, net of current portion (note 9)	133,182	138,232
Notes payable, net of current portion (note 9)	273	347
Other long-term liabilities (note 9)	4,659	3,921
Unearned revenue, net of current portion (note 10)	4,263	4,828
Claims liability, net of current portion (note 17)	1,177	947
Net pension liability (note 13)	74,705	68,467
OPEB liability (note 14)	23,369	18,234
Swap liability (note 3)	20,374	27,042
Total long-term liabilities	797,344	812,439
TOTAL LIABILITIES	861,752	868,438
DEFERRED INFLOWS OF RESOURCES		
Pension actuarial changes (note 13)	855	2,929
OPEB actuarial changes (note 14)	868	985
TOTAL DEFERRED INFLOWS OF RESOURCES	1,723	3,914
NET POSITION (note 12)		
Net investment in capital assets	1,336,737	1,283,819
Restricted for water services	384,020	350,032
Restricted for sewer services	353,495	357,926
TOTAL NET POSITION	\$ 2,074,252	\$ 1,991,777

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, 2021
(with comparative data for the Fiscal Year Ended June 30, 2020)
(in thousands)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Water sales and service charges	\$ 96,609	\$ 90,213
Sewer sales and service charges	82,234	77,187
Total operating revenues	<u>178,843</u>	<u>167,400</u>
OPERATING EXPENSES		
Water:		
Water services	79,221	67,792
General and administrative	22,433	21,600
Sewer:		
Sewer services	51,540	49,497
General and administrative	19,489	17,106
Depreciation	68,002	67,554
Total operating expenses	<u>240,685</u>	<u>223,549</u>
Operating income (loss)	<u>(61,842)</u>	<u>(56,149)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	67,734	66,375
Interest income	5,285	7,790
Increase (decrease) in fair value of investments	(4,643)	2,319
Real estate income (note 7)	15,372	18,175
Increase (decrease) in fair value of real estate investments (note 7)	25,702	552
Pension benefits trust interest and dividends income	4,431	3,274
Increase (decrease) in fair value of pension benefits trust investments	20,457	1,500
Other income	6,336	6,606
Interest expense	(20,754)	(22,167)
Real estate expense (note 7)	(5,550)	(5,627)
Pension benefits trust expense	(61)	(61)
Other expenses	(1,432)	(5,239)
Total nonoperating revenues (expenses)	<u>112,877</u>	<u>73,497</u>
Income (loss) before capital contributions	<u>51,035</u>	<u>17,348</u>
CAPITAL CONTRIBUTIONS		
Donated facilities	12,146	34,439
Connection fees	18,913	10,943
Other	381	1,045
Total capital contributions	<u>31,440</u>	<u>46,427</u>
Increase (decrease) in net position	82,475	63,775
NET POSITION AT BEGINNING OF YEAR	<u>1,991,777</u>	<u>1,928,002</u>
NET POSITION AT END OF YEAR	<u>\$ 2,074,252</u>	<u>\$ 1,991,777</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year ended June 30, 2021
(with comparative data for the Fiscal Year Ended June 30, 2020)
(in thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 172,350	\$ 169,821
Cash paid to suppliers of goods and services	(82,600)	(99,571)
Cash paid for employees services	<u>(66,915)</u>	<u>(63,943)</u>
Net cash provided by (used for) operating activities	<u>22,835</u>	<u>6,307</u>
Cash flows from noncapital financing activities:		
Property tax receipts	<u>67,734</u>	<u>66,375</u>
Net cash provided by noncapital financing	<u>67,734</u>	<u>66,375</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(93,561)	(79,303)
Proceeds from disposition of capital assets	286	72
Payment to exit capital assets	-	(4,526)
Principal payments on long-term liabilities	(14,851)	(13,400)
Interest and fiscal agent costs on long term liabilities	(22,886)	(24,651)
Developer connection fees and related receipts	<u>19,294</u>	<u>11,988</u>
Net cash provided by (used for) capital and related financing activities	<u>(111,718)</u>	<u>(109,820)</u>
Cash flows from investing activities:		
Investment earnings	10,276	11,249
Investment earnings in real estate	18,932	14,143
Acquisition and construction of real estate investments	(1,007)	(14,174)
Proceeds from sale or maturity of investments	225,547	308,111
Purchases of investments	(266,283)	(278,058)
Collections on notes receivable	<u>76,611</u>	<u>73</u>
Net cash provided by (used for) investing activities	<u>64,076</u>	<u>41,344</u>
Net increase (decrease) in cash and cash equivalents	42,927	4,206
Cash and cash equivalents at beginning of year	<u>58,012</u>	<u>53,806</u>
Cash and cash equivalents at end of year	<u>\$ 100,939</u>	<u>\$ 58,012</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year ended June 30, 2021
(with comparative data for the Fiscal Year Ended June 30, 2020)
(in thousands)
(Continued)

	<u>2021</u>	<u>2020</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:		
Cash and investments	\$ 421,911	\$ 347,261
Pension benefits trust investments	107,930	83,103
Subtotal	<u>529,841</u>	<u>430,364</u>
Less long-term investments	<u>(428,902)</u>	<u>(372,352)</u>
Cash and cash equivalents at end of year	<u><u>\$ 100,939</u></u>	<u><u>\$ 58,012</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (61,842)	\$ (56,149)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Other nonoperating income	6,336	6,606
Other nonoperating expenses	(1,432)	(732)
(Gain) loss on disposition of capital assets	135	-
Depreciation and amortization	68,008	67,554
(Increase) decrease in customer receivables	(4,912)	909
(Increase) decrease in other receivables	(1,679)	1,086
(Increase) decrease in inventories	77	(1,217)
(Increase) decrease due from other agencies	7,246	(16,773)
(Increase) decrease in prepaid expenses and other assets	904	(1,081)
(Increase) decrease in investment in joint venture	(843)	-
(Increase) decrease in deferred outflows	(4,093)	(192)
Increase (decrease) in accounts payable and accrued expenses	4,379	(401)
Increase (decrease) in customer deposits and advance payments	663	990
Increase (decrease) in compensated absences	1,260	713
Increase (decrease) in claims payable	11	221
Increase (decrease) in unearned revenue	(565)	(564)
Increase (decrease) in net OPEB liability	5,135	1,562
Increase (decrease) in net pension liability	6,238	4,330
Increase (decrease) in deferred inflows	(2,191)	(555)
Net cash provided by (used for) operating activities	<u><u>\$ 22,835</u></u>	<u><u>\$ 6,307</u></u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	<u><u>\$ 12,146</u></u>	<u><u>\$ 34,439</u></u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Fiduciary Net Position
Fiduciary Fund - Custodial Fund
June 30, 2021
(with comparative data as of June 30, 2020)
(in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and investments (note 2)	\$ 925	\$ 916
Interest receivable	-	1
TOTAL ASSETS	<u>925</u>	<u>917</u>
 NET POSITION		
Restricted for:		
San Joaquin Wildlife Sanctuary	<u>\$ 925</u>	<u>\$ 917</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Custodial Fund
For the Fiscal Year Ended June 30, 2021
(with comparative data for the Fiscal Year Ended June 30, 2020)
(in thousands)

	2021	2020
ADDITIONS		
Contributions	\$ 1	\$ -
Interest income	8	18
Total additions	9	18
DEDUCTIONS		
Administrative expenses	1	1
Total deductions	1	1
Increase (decrease) in net position	8	17
NET POSITION AT BEGINNING OF YEAR	917	900
NET POSITION AT END OF YEAR	\$ 925	\$ 917

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, 2021

(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, 2021
(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, the Statement of Fiduciary Net Position - Fiduciary Fund, the Statement of Changes in Fiduciary Net Position - Fiduciary Fund, 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.

Fiduciary Fund is used to account for assets held by the District as a custodian for the activities of the San Joaquin Wildlife Sanctuary (SJWS) are accounted as a custodial fund (fiduciary fund type).

Both the enterprise fund and fiduciary fund utilize 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, 2021
(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, 2021
(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, 2021
(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, 2021
(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 \$10,000 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, 2021
(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, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

(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, 2020
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

(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, 2021
(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, 2021 are classified in the accompanying financial statements as follows (in thousands):

Statement of Net Position:

District Cash and Investments	\$ 421,911
Pension Benefits Trust Investments	107,930
Total Cash and Investments	529,841

Fiduciary Fund - Custodial Fund:

Cash and Investments	925
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Total Cash and Investments	\$ 530,766
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Cash and investments as of June 30, 2021 consist of the following (in thousands):

District Cash and Investments:

Cash on hand	\$ 3
Deposits with financial institutions	25,175
Investments	396,733
Total District Cash and Investments	421,911

Pension Benefits Trust Cash and Investments:

Equities - mutual funds	84,500
Fixed income bonds - mutual funds	23,352
Money market - mutual funds	78
Total Pension Benefits Trust Cash and Investments	107,930

Fiduciary Fund - Custodial Fund:

Deposits with financial institutions	925
Total Cash and Investments	\$ 530,766

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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, 2021
(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, 2021
(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, 2021
(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	\$ 145,822	\$ 135,632	\$ 10,190	\$ -	\$ -
US Treasury Note	175,905	155,913	19,992	-	-
Local Agency Investment Fund	75,006	75,006	-	-	-
Total District Investments	396,733	366,551	30,182	-	-
Mutual Funds - Equities	84,500	-	-	-	84,500
Mutual Funds - Fixed Income Bonds	23,352	883	2,007	20,462	-
Mutual Funds - Money Market	78	78	-	-	-
Total Pension Benefits Trust Investments	107,930	961	2,007	20,462	84,500
Total	\$ 504,663	\$ 367,512	\$ 32,189	\$ 20,462	\$ 84,500

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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:

<u>Investment Type</u>	<u>Amount</u>	<u>AAA</u>	<u>Not Rated</u>
Federal Agency Securities	\$ 145,822	\$ 130,823	\$ 14,999
US Treasury Note	175,905	175,905	-
Local Agency Investment Fund	75,006	-	75,006
Total	<u>\$ 396,733</u>	<u>\$ 306,728</u>	<u>\$ 90,005</u>

Pension Benefits Trust Investments:

<u>Investment Type</u>	<u>Amount</u>
Mutual Funds - Equities	\$ 84,500 ⁽¹⁾
Mutual Funds - Fixed Income Bonds	23,352 ⁽²⁾
Mutual Funds - Money Market	78 ⁽³⁾
Total	<u>\$ 107,930</u>

- (1) Equity Mutual Funds as of 6/30/2021 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 6/30/2021, 56.20% of the holdings were rated A-AAA, 40.99% of the holdings were rated B-BBB, and 2.81% 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, 2021
(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
FFCB	Federal Agency Securities	\$ 65,324
FHLB	Federal Agency Securities	55,272
Total		<u>\$ 120,596</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, 2021 (in thousands):

District Cash and Investments:

Investment Type	Amount	Fair Value Measurements	
		Level 1	Level 2
Federal Agency Securities	\$ 145,822	\$ -	\$ 145,822
US Treasury Note	175,905	175,905	-
Local Agency Investment Fund	75,006 ⁽¹⁾	-	-
Total	<u>\$ 396,733</u>	<u>\$ 175,905</u>	<u>\$ 145,822</u>

Pension Benefits Trust Cash and Investments:

Investment Type	Amount	Fair Value
		Measurements
		Level 1
Mutual Funds - Equities	\$ 84,500	\$ 84,500
Mutual Funds - Fixed Income Bonds	23,352	23,352
Mutual Funds - Money Market	78 ⁽¹⁾	-
Total	<u>\$ 107,930</u>	<u>\$ 107,852</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, 2021
(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, 2021, the notional amount and fair value balance of the District's interest rate swaps are \$60.0 million and \$(20.4) million, respectively. For the year ended June 30, 2021, the increase in fair value of the fixed payer interest rate swaps was \$6.7 million.

The fair value of the swap agreements at June 30, 2021 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, 2021, 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, 2021
(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, 2021, 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, 2021.

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, 2021
(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, 2021.

(4) Inventories

Inventories consist of available water in storage and materials and supplies in the District’s warehouse facilities. As of June 30, 2021, the District had 35,703 acre-feet of banked water in various water bank facilities at a cost of \$7.5 million. Inventories at June 30, 2021 consisted of the following (in thousands):

Water in storage	\$ 7,496
Materials and supplies	<u>9,810</u>
Total	<u>\$ 17,306</u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2021 is as follows (in thousands):

	Balance			Balance
	June 30, 2020	Additions	Deletions	June 30, 2021
Capital assets, depreciable:				
Land leasehold	\$ 4,860	\$ -	\$ -	\$ 4,860
Buildings and structures	753,704	9,362	(1,538)	761,528
Transmissions and distributions	1,477,626	65,451	(501)	1,542,576
Machinery and equipment	284,658	3,240	(853)	287,045
Sub-total	2,520,848	78,053	(2,892)	2,596,009
Less: Accumulated depreciation:				
Land leasehold	(1,456)	(97)	-	(1,553)
Buildings and structures	(320,281)	(17,510)	62	(337,729)
Transmissions and distributions	(495,644)	(40,107)	462	(535,289)
Machinery and equipment	(171,653)	(10,288)	646	(181,295)
Sub-total	(989,034)	(68,002)	1,170	(1,055,866)
Total depreciable capital assets, net	1,531,814	10,051	(1,722)	1,540,143
Capital assets, non-depreciable:				
Land and water rights	125,598	967	-	126,565
Construction in progress	330,388	101,579	(74,892)	357,075
Total capital assets, net	\$ 1,987,800	\$ 112,597	\$ (76,614)	\$ 2,023,783

Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2021 were \$74.9 million. The District's proportionate share of the Orange County Sanitation District's jointly funded capital assets increased \$2.9 million during the fiscal year ended June 30, 2021.

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, 2021 was \$12.4 million.

(6) Orange County Sanitation District (OC San)

The District, with OC San, 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 OC San'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, 2021, the District received a credit of \$1.3 million of the equity integration adjustment of OC San's capital assets. In addition, the District's CORF payments to OC San for the fiscal year ended June 30, 2021 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.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

(6) **Orange County Sanitation District (OC San) (Continued)**

In May 2018, the District and OC San agreed to extend the agreement, providing for treatment and disposal by OC San of District solids and the temporary lease of capacity in OC San's solids treatment and disposal facilities through December 31, 2021. The capacity lease for the fiscal year ended June 30, 2021, estimated at \$1.8 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 OC San. 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, 2021, the District had a net receivable of \$27.8 million from OC San which is reflected as a due from other agencies in the District's basic financial statements.

(7) **Real Estate Investments**

Real estate investments as of June 30, 2021 consist of the following (in thousands):

Real estate investments at fair value	\$ 271,009
Other assets	481
Total	<u>\$ 271,490</u>

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

	Balance	Increase /	Capital	Balance
	June 30, 2020	(decrease)	Additions	June 30, 2021
		in Fair Value		
Wood Canyon Villas, L.P.	\$ 30,433	\$ 1,826	\$ -	\$ 32,259
Sycamore Canyon Apartments	152,341	16,964	695	170,000
230 Commerce Office Property	11,965	35	-	12,000
Waterworks Way Business Park	9,363	2,237	-	11,600
Sand Canyon Professional Center	11,444	456	-	11,900
Sand Canyon General Office	28,770	4,184	296	33,250
Total	<u>\$ 244,316</u>	<u>\$ 25,702</u>	<u>\$ 991</u>	<u>\$ 271,009</u>

Net real estate income as of June 30, 2021 is as follows (in thousands):

Real estate income	\$ 15,372
Increase (decrease) in fair value of real estate investments	25,702
Real estate expense	(5,550)
Net real estate income	<u>\$ 35,524</u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

(7) Real Estate Investments (Continued)

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 construction of the Sand Canyon General Office was completed in August 2020. In addition, the \$76.5 million loan receivable plus \$9.4 million of accrued interest from the sale of the Serrano Summit property was paid off in August 2020.

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, 2021. 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 based on a fixed growth factor per the limited partnership agreement.

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 99% occupied at June 30, 2021. 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 2021.

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, 2021. The property's fair value was determined using an appraisal valuation in 2021.

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, 2021, the building was 100% occupied. The property's fair value was determined using an appraisal valuation in 2021.

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, 2021. The property's fair value was determined using an appraisal valuation in 2021.

In August 2020, the District completed construction of a new for-lease 70,000 square foot office building located in Irvine, California known as the Sand Canyon General Office. Land and construction costs for the project totaled \$25.4 million and the building was vacant as of June 30, 2021. The property's fair value was determined using an appraisal valuation in 2021.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

(8) Investment in Joint Venture

The District is a participant with the Rosedale-Rio Bravo Water Storage District (RRB) in a joint venture to design, build and operate a Kern Fan Groundwater Storage Project. The Groundwater Banking Joint Powers Authority (GBJPA), a legally separate public agency, was created for that purpose effective July 1, 2020. The GBJPA is governed by a four-member board composed of two appointees from the District and two appointees from the RRB. The District and the RRB are each obligated by contract to provide equal funding (50-50) of the costs and are each entitled to one-half of the GBJPA's annual operating income or loss, if any. The District's net investment in the joint venture represents its proportionate share of capital and operating expenses of the GBJPA. The District's investment in the GBJPA was \$0.8 million at June 30, 2021. Complete financial statements for the GBJPA can be obtained from the GBJPA's office at 849 Allen Road, Bakersfield, CA 93314.

(9) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021 is as follows (in thousands):

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due within One Year	Due in more than one Year
General Obligation Bonds:						
1993 C Consolidated	\$ 26,600	\$ -	\$ (1,800)	\$ 24,800	\$ 1,800	\$ 23,000
2008A Refunding	46,500	-	(1,500)	45,000	2,000	43,000
2009A Consolidated	55,000	-	(2,500)	52,500	2,500	50,000
2009B Consolidated	55,000	-	(2,500)	52,500	2,500	50,000
2010B BABS	175,000	-	-	175,000	-	175,000
2011A-1 Refunding	46,500	-	(1,800)	44,700	1,920	42,780
2011A-2 Refunding	31,000	-	(1,200)	29,800	1,280	28,520
2016 Consolidated	103,400	-	-	103,400	2,155	101,245
Unamortized Premium	23,645	-	(924)	22,721	924	21,797
Sub-total	562,645	-	(12,224)	550,421	15,079	535,342
Certificates of Participation:						
2016 Certificates	116,745	-	(3,420)	113,325	3,675	109,650
Unamortized Premium	26,283	-	(1,375)	24,908	1,376	23,532
Sub-total	143,028	-	(4,795)	138,233	5,051	133,182
Notes Payable	419	-	(72)	347	74	273
Other Long-Term Liabilities:						
Compensated Absences	5,366	4,823	(3,564)	6,625	2,650	3,975
Other Long-Term Liabilities	853	3,085	(3,143)	795	111	684
Sub-total	6,219	7,908	(6,707)	7,420	2,761	4,659
Total Long-Term Liabilities	\$ 712,311	\$ 7,908	\$ (23,798)	\$ 696,421	\$ 22,965	\$ 673,456

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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	5/1/1993	\$ 38,300	(1)(3)	4/1/2033	Variable
2008A Refunding	4/1/2008	60,215	(1)(3)	7/1/2035	Variable
2009A Consolidated	6/4/2009	75,000	(1)(3)	10/1/2041	Variable
2009B Consolidated	6/4/2009	75,000	(1)(3)	10/1/2041	Variable
2010B BABS	12/16/2010	175,000	(1)(2)(3)	5/1/2040	6.60%
2011A-1 Refunding	4/15/2011	60,545	(1)(2)(3)	10/1/2037	Variable
2011A-2 Refunding	4/15/2011	40,370	(1)(2)(3)	10/1/2037	Variable
2016 Consolidated	10/12/2016	103,400	(1)(2)(3)	2/1/2046	5.00%-5.25%
Certificates of Participation:					
2016 Certificates	9/1/2016	116,745	(2)	3/1/2046	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, 2021
(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, 2021 ranging from 0.01% to 0.06% 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
2022	\$ 14,155	\$ 16,963	\$ 3,334	\$ (3,825)	\$ 30,627
2023	14,365	16,852	3,334	(3,825)	30,726
2024	14,775	16,735	3,334	(3,825)	31,019
2025	18,015	16,613	3,334	(3,825)	34,137
2026	18,710	16,279	3,334	(3,757)	34,566
2027-2031	103,075	75,843	10,001	(17,930)	170,989
2032-2036	146,165	62,538	-	(15,617)	193,086
2037-2041	161,380	30,011	-	(6,142)	185,249
2042-2046	37,060	5,222	-	-	42,282
Sub-total	527,700	257,056	26,671	(58,746)	752,681
Plus: Unamortized premium	22,721	-	-	-	22,721
Total	<u>\$ 550,421</u>	<u>\$ 257,056</u>	<u>\$ 26,671</u>	<u>\$ (58,746)</u>	<u>\$ 775,402</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, 2021
(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).

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
2022	\$ 3,675	\$ 5,666	\$ 9,341
2023	3,940	5,483	9,423
2024	4,220	5,286	9,506
2025	4,555	5,074	9,629
2026	4,905	4,847	9,752
2027-2031	30,070	20,204	50,274
2032-2036	19,325	13,165	32,490
2037-2041	18,730	8,877	27,607
2042-2046	23,905	3,702	27,607
Sub-total	113,325	72,304	185,629
Plus: Unamortized premium	24,908	-	24,908
Total	\$ 138,233	\$72,304	\$210,537

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 74	\$ 8	\$ 82
2023	76	6	82
2024	77	4	81
2025	79	2	81
2026	41	1	42
Total	<u>\$ 347</u>	<u>\$ 21</u>	<u>\$ 368</u>

(10) **Unearned Revenue**

Unearned revenue at June 30, 2021 consisted of the following (in thousands):

Unearned revenue, current portion	\$ 565
Unearned revenue, net of current portion	4,263
Total	<u>\$ 4,828</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, 2021 was \$0.5 million.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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, 2021 are summarized as follows (in thousands):

Letter of Credit	Trustee	Amount	Expiration Date
Bank of America:			
2009 Series B Consolidated	U.S. Bank	\$ 53,087	May 16, 2022
Sumitomo Mitsui:			
2008 Series A Refunding	Bank of New York Mellon	45,666	May 28, 2025
U.S. Bank:			
1993 Consolidated	Bank of New York Mellon	25,134	December 15, 2021
2009 Series A Consolidated	U.S. Bank	53,087	December 15, 2021

(12) Net Position

Net position at June 30, 2021 consisted of the following (in thousands):

Net investment in capital assets:	
Property, plant and equipment, net	\$2,023,783
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(550,421)
Certificates of participation	(138,233)
Notes payable	(347)
Deferred refunding charges	1,955
Total net investment in capital assets	<u>1,336,737</u>
Restricted net position:	
Restricted for water services	384,020
Restricted for sewer services	353,495
Total restricted net position	<u>737,515</u>
Total net position	<u><u>\$2,074,252</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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, 2021, 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	9.428%	9.428%	9.428%

In addition, the District made a \$5.9 million unfunded liability contribution during the current fiscal year.

Employees Covered

As of June 30, 2019 (valuation date), the following employees were covered by the benefit terms for the Plan:

Active Employees	402
Inactive Employees or Beneficiaries Currently Receiving Benefits	300
Inactive Employees Entitled to But not Yet Receiving Benefits	<u>219</u>
Total	<u><u>921</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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, 2021, 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, 2021
(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, 2021
(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	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2020	\$ 291,334	\$ 222,867	\$ 68,467
Changes Recognized for the Period:			
Service Cost	6,001	-	6,001
Interest	20,700	-	20,700
Difference between Expected and Actual Experience	1,509	-	1,509
Contributions – Employer	-	8,430	(8,430)
Contributions – Employees	-	2,741	(2,741)
Net Investment Income	-	11,115	(11,115)
Benefit Payments, Including Refunds of Employee Contributions	(12,655)	(12,655)	-
Administrative Expense	-	(314)	314
Net Change	15,555	9,317	6,238
Balance at June 30, 2021	\$ 306,889	\$ 232,184	\$ 74,705

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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	\$ 115,971	\$ 74,705	\$ 40,549

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, 2021, the total value of the assets in the Pension Benefits Trust was approximately \$107.9 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
06/30/19	\$ 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%
06/30/21	306,889	232,184	74,705	83,103	75.7%	27.0%	102.7%

⁽¹⁾ As of the measurement date June 30, 2018, 2019, and 2020 respectively.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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, 2021 was 4.9 years, which was obtained by dividing the total service years of 4,413 (the sum of remaining service lifetimes of the active employees) by 907 (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, 2021
(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, 2021, the District recognized pension expense of \$13.4 million. At June 30, 2021, 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	\$ 9,569	\$ -
Differences between Expected and Actual Experiences	2,680	274
Changes in Assumptions	1,686	581
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,900	-
Total	\$ 15,835	\$ 855

\$9.6 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, 2022. \$5.4 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
2021	\$ 1,080
2022	1,198
2023	1,912
2024	1,221
Total	\$ 5,411

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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 \$143 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.
- **Death Benefit:** The District administers a single-employer defined benefit Retiree Death Only plan (Death Benefit). 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, 2021
(Continued)

(14) Other Post-Employment Benefits (Continued)

Employees Covered

As of the June 30, 2020 measurement date, the following employees were covered by the benefit terms under each Plan:

	PEMHCA	RHCAP	Death Benefit	Total
Inactive Employees or Beneficiaries Currently Receiving Benefits	107	47	-	154
Inactive Employees Entitled to But not Yet Receiving Benefits	93	-	148	241
Active Employees	393	393	136	922
Total	593	440	284	1,317

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, 2021, 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	Death Benefit	Total
Cash Contributions	\$ 188	\$ 288	\$ 20	\$ 496
Estimated Implied Subsidy	308	-	-	308
Total	\$ 496	\$ 288	\$ 20	\$ 804

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

(14) Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The June 30, 2020 measurement date was used to determine the June 30, 2021 total OPEB liability, based on the following actuarial methods and assumptions:

	PEMHCA	RHCAP	Death Benefit
Actuarial Method	Entry Age Normal		
Actuarial Assumptions:			
Contribution Policy	Pay-as-you-go		
Discount Rate	2.21% at June 30, 2020 and 3.50% at June 30, 2019 (Bond Buyer 20-Bond Index)		
Inflation	2.75% Annually		
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 Experience Study		
Mortality Improvement	Mortality Projected Fully Generational with Scale MP-2020		
Salary Increases	3% Annually and CalPERS 1997-2015 Experience Study		
Medical Trend	Non-Medicare – 7.0% for 2022, decreasing to 4.0% in 2076 Medicare (Non-Kaiser) – 6.1% for 2022, decreasing to 4.0% in 2076 Medicare (Kaiser) – 5.0% for 2022, 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.	3 years of District Service: 100% Participate	100% Participate

Change in Assumptions

For the fiscal year ended June 30, 2020 measurement period, the discount rate was decreased from 3.50 percent to 2.21 percent based on the municipal bond rate.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

(14) Other Post-Employment Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21 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	Death Benefit	Total
Balance at June 30, 2020	\$ 13,404	\$ 3,229	\$ 1,601	\$ 18,234
Changes Recognized for the Period:				
Service Cost	671	176	29	876
Interest	484	113	57	654
Actual vs. Expected Experience	1,005	164	(116)	1,053
Changes in Assumptions	2,957	263	160	3,380
Benefit Payments	(467)	(361)	-	(828)
Net Change	4,650	355	130	5,135
Balance at June 30, 2021	\$ 18,054	\$ 3,584	\$ 1,731	\$ 23,369

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, 2020 (in thousands).

OPEB Liability	Discount Rate - 1% (1.21%)	Current Discount Rate (2.21%)	Discount Rate + 1% (3.21%)
PEMHCA	\$ 21,402	\$ 18,054	\$ 15,419
RHCAP	3,804	3,584	3,377
Death Benefit	1,871	1,731	1,606
Total	\$ 27,077	\$ 23,369	\$ 20,402

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(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, 2020 (in thousands).

OPEB Liability	Healthcare Trend Rates -1%	Curent Healthcare Trend Rates	Healthcare Trend Rates +1%
PEMHCA	\$ 14,970	\$ 18,054	\$ 22,128
RHCAP	3,584	3,584	3,584
Death Benefit	1,731	1,731	1,731
Total	<u>\$ 20,285</u>	<u>\$ 23,369</u>	<u>\$ 27,443</u>

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, 2021, the District recognized OPEB expense of \$2.1 million which consisted of \$1.7 million for PEMHCA, \$0.3 million for RHCAP and \$0.05 million for Death Benefit.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

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

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

At June 30, 2021, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>PEMHCA</u>	<u>RHCAP</u>	<u>Death Benefit</u>	<u>Total</u>
Deferred Outflows of Resources:				
OPEB Contributions made Subsequent to the Measurement Date	\$ 496	\$ 288	\$ 20	\$ 804
Changes in Assumptions	3,682	296	155	4,133
Difference between Expected and Actual Experience	1,548	237	-	1,785
Deferred Inflows of Resources:				
Changes in Assumptions	614	76	22	712
Difference between Expected and Actual Experience	-	-	156	156

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, 2022. The District has \$5.1 million deferred outflows and deferred inflows of resources related to OPEB which will be recognized as OPEB expense as follows (in thousands):

<u>Fiscal Year</u>	<u>PEMHCA</u>	<u>RHCAP</u>	<u>Death Benefit</u>	<u>Total</u>
2022	\$ 531	\$ 44	\$ (40)	\$ 535
2023	531	44	(10)	565
2024	531	44	16	591
2025	531	44	8	583
2026	615	44	3	662
Thereafter	1,877	237	-	2,114
Total	\$ 4,616	\$ 457	\$ (23)	\$ 5,050

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

(15) Deferred Compensation Plans

Retirement for Part Time Employees

The District provides pension 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, 2021, the District's payroll covered by the plan was \$69,144. The District made no employer contributions. Employees contributed \$6,026 for the fiscal year ended June 30, 2021.

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 2021 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, 2021, the District contributed \$1.3 million 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.

(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.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

(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
2020	\$ 1,517	\$ 255	\$ (34)	\$ 1,738	\$ 791	\$ 947
2021	1,738	184	(173)	1,749	572	1,177

Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

(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		
	2020	2019	2018
Total Pension Liability			
Service Cost	\$ 6,001	\$ 5,498	\$ 5,098
Interest	20,700	19,651	18,570
Changes of Assumptions	-	-	(1,605)
Difference between Expected and Actual Experience	1,509	2,535	(235)
Benefit Payments, Including Refunds of Employee Contributions	(12,655)	(11,807)	(10,770)
Net Change in Total Pension Liability	15,555	15,877	11,058
Total Pension Liability – Beginning	291,334	275,457	264,399
Total Pension Liability – Ending (a)	\$ 306,889	\$ 291,334	\$ 275,457
Plan Fiduciary Net Position			
Contributions – Employer	\$ 8,430	\$ 7,185	\$ 6,157
Contributions – Employees	2,741	2,511	2,401
Net Investment Income	11,115	13,809	16,707
Benefit Payments, Including Refunds of Employee Contributions	(12,655)	(11,807)	(10,770)
Administrative Expense	(314)	(151)	(308)
Other Miscellaneous Income / (Expense) ⁽¹⁾	-	-	(585)
Net Change in Fiduciary Net Position	9,317	11,547	13,602
Plan Fiduciary Net Position – Beginning ⁽²⁾	222,867	211,320	197,718
Plan Fiduciary Net Position – Ending (b)	\$ 232,184	\$ 222,867	\$ 211,320
Plan Net Pension Liability – Ending (a) - (b)	\$ 74,705	\$ 68,467	\$ 64,137
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.66%	76.50%	76.72%
Covered Payroll	\$ 37,389	\$ 33,758	\$ 32,213
Plan Net Pension Liability as a Percentage of Covered Payroll	199.80%	202.82%	199.10%

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2021
 (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			
	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 4,825	\$ 4,066	\$ 4,005	\$ 3,942
Interest	17,806	17,092	16,343	15,436
Changes of Assumptions	15,182	-	(4,127)	-
Difference between Expected and Actual Experience	(1,702)	(1,856)	530	-
Benefit Payments, Including Refunds of Employee Contributions	(9,721)	(9,089)	(8,365)	(7,631)
Net Change in Total Pension Liability	26,390	10,213	8,386	11,747
Total Pension Liability – Beginning	238,009	227,796	219,410	207,663
Total Pension Liability – Ending (a)	\$ 264,399	\$ 238,009	\$ 227,796	\$ 219,410
Plan Fiduciary Net Position				
Contributions – Employer	\$ 5,450	\$ 4,926	\$ 4,524	\$ 4,330
Contributions – Employees	2,280	2,519	2,170	2,712
Net Investment Income	20,205	946	4,049	26,787
Benefit Payments, Including Refunds of Employee Contributions	(9,721)	(9,089)	(8,365)	(7,632)
Administrative Expense	(265)	(110)	(208)	-
Other Miscellaneous Income / (Expense) ⁽¹⁾	-	-	-	-
Net Change in Fiduciary Net Position	17,949	(808)	2,170	26,197
Plan Fiduciary Net Position – Beginning ⁽²⁾	179,769	180,577	178,407	152,210
Plan Fiduciary Net Position – Ending (b)	\$ 197,718	\$ 179,769	\$ 180,577	\$ 178,407
Plan Net Pension Liability – Ending (a) - (b)	\$ 66,681	\$ 58,240	\$ 47,219	\$ 41,003
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.78%	75.53%	79.27%	81.31%
Covered Payroll	\$ 30,823	\$ 28,802	\$ 27,596	\$ 26,264
Plan Net Pension Liability as a Percentage of Covered Payroll	216.33%	202.21%	171.11%	156.12%

⁽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.

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2021
 (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)**

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

Benefit Changes: The figures above include any liability impact that may have resulted from voluntary benefit changes which occurred after June 30, 2019 valuation. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: None in 2019 or 2020. 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⁾						
	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution ⁽²⁾	\$ 9,569	\$ 8,430	\$ 7,185	\$ 6,157	\$ 5,450	\$ 4,926	\$ 4,524
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(9,569)	(8,430)	(7,185)	(6,157)	(5,450)	(4,926)	(4,524)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 39,189	\$ 37,389	\$ 33,758	\$ 32,213	\$ 30,823	\$ 28,802	\$ 27,596
Contributions as a Percentage of Covered Payroll	24.42%	22.55%	21.28%	19.11%	17.68%	17.10%	16.39%

⁽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.

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2021
 (Continued)

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

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

Notes to Schedule of Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2021 were from the June 30, 2018 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Fair Value of Assets
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.00% 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 for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the December 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and 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 2020-21 were calculated using a discount rate of 7.00 percent.

Subsequent Event: The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021
(Continued)

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

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

PEMHCA				
Measurement Date: June 30	2020	2019	2018	2017
Service Cost	\$ 671	\$ 594	\$ 472	\$ 549
Interest	484	479	364	310
Changes of Assumptions	2,957	727	682	(1,173)
Difference between Expected and Actual Experience	1,005	-	951	-
Benefit Payments	(467)	(377)	(343)	(304)
Net Change in Total OPEB Liability	4,650	1,423	2,126	(618)
Total OPEB Liability – Beginning	13,404	11,981	9,855	10,473
Total OPEB Liability – Ending	\$ 18,054	\$ 13,404	\$ 11,981	\$ 9,855
Covered Employee Payroll	\$ 42,190	\$ 37,226	\$ 35,629	\$ 30,823
OPEB Liability as a Percentage of Covered Employee Payroll	42.79%	36.01%	33.63%	31.97%

RHCAP				
Measurement Date: June 30	2020	2019	2018	2017
Service Cost	\$ 176	\$ 161	\$ 148	\$ 161
Interest	113	125	112	94
Changes of Assumptions	263	69	1	(136)
Difference between Expected and Actual Experience	164	-	125	-
Benefit Payments	(361)	(332)	(306)	(286)
Net Change in Total OPEB Liability	355	23	80	(167)
Total OPEB Liability – Beginning	3,229	3,206	3,126	3,293
Total OPEB Liability – Ending	\$ 3,584	\$ 3,229	\$ 3,206	\$ 3,126
Covered Employee Payroll	\$ 41,634	\$ 36,529	\$ 35,629	\$ 30,823
OPEB Liability as a Percentage of Covered Employee Payroll	8.61%	8.84%	9.00%	10.14%

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2021
 (Continued)

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

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

Measurement Date: June 30	Death Benefit			
	2020	2019	2018	2017
Service Cost	\$ 29	\$ 27	\$ 28	\$ 32
Interest	57	58	58	47
Changes of Assumptions	160	41	(10)	(92)
Difference between Expected and Actual Experience	(116)		(168)	
Benefit Payments	-	(10)	(20)	(10)
Net Change in Total OPEB Liability	130	116	(112)	(23)
Total OPEB Liability – Beginning	1,601	1,485	1,597	1,620
Total OPEB Liability – Ending	\$ 1,731	\$ 1,601	\$ 1,485	\$ 1,597
Covered Employee Payroll	\$ 18,712	\$ 18,455	\$ 19,775	\$ 16,028
OPEB Liability as a Percentage of Covered Employee Payroll	9.25%	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.

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

Changes of Assumptions: For the fiscal year ended June 30, 2020 measurement period, the discount rate was decreased from 3.50 percent to 2.21 percent based on municipal bond rate. Mortality improvement scale was updated to Scale MP-2020. ACA Excise Tax removed due to repeal of the law in December 2019.

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.

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2021
 (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 (Continued)

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

PEMHCA	RHCAP	Death Benefit
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, 2021

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				
	2012	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽²⁾	2016 ⁽³⁾
Assets					
Current and other assets	\$ 1,167.0	\$ 1,128.2	\$ 462.7	\$ 332.9	\$ 456.6
Capital assets	1,508.8	1,506.1	1,567.5	1,647.4	1,731.6
Total assets	2,675.8	2,634.3	2,030.2	1,980.3	2,188.2
Deferred Outflows of Resources	53.0	47.3	37.7	43.3	49.7
Liabilities					
Current and other liabilities	99.0	672.7	54.9	51.5	65.4
Long-term liabilities	1,281.8	647.7	623.4	602.8	589.8
Total liabilities	1,380.8	1,320.4	678.3	654.3	655.2
Deferred Inflows of Resources	-	-	-	14.6	4.4
Net Position					
Net investment in capital assets	943.1	918.1	981.3	1,074.6	1,178.5
Restricted for water services	179.3	185.4	165.1	148.6	221.5
Restricted for sewer services	225.6	257.7	243.2	131.5	178.3
Total net position	\$ 1,348.0	\$ 1,361.2	\$ 1,389.6	\$ 1,354.7	\$ 1,578.3

Irvine Ranch Water District

Net Position

For the Past Ten Fiscal Years

(in millions)

(Continued)

	Fiscal Year				
	2017 ⁽⁴⁾	2018 ⁽⁵⁾	2019	2020	2021
Assets					
Current and other assets	\$ 735.1	\$ 797.4	\$ 803.9	\$ 828.7	\$ 869.0
Capital assets	1,848.3	1,890.8	1,958.7	1,987.8	2,023.8
Total assets	2,583.4	2,688.2	2,762.6	2,816.5	2,892.8
Deferred Outflows of Resources	61.6	41.7	41.2	47.6	44.9
Liabilities					
Current and other liabilities	78.5	52.5	53.8	56.0	64.4
Long-term liabilities	790.9	831.7	817.4	812.4	797.4
Total liabilities	869.4	884.2	871.2	868.4	861.8
Deferred Inflows of Resources	3.6	4.8	4.5	3.9	1.7
Net Position					
Net investment in capital assets	1,087.9	1,155.5	1,238.8	1,283.8	1,336.7
Restricted for water services	264.3	289.5	313.0	350.0	384.0
Restricted for sewer services	419.8	395.9	376.2	358.0	353.5
Total net position	\$ 1,772.0	\$ 1,840.9	\$ 1,928.0	\$ 1,991.8	\$ 2,074.2

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)

	2012	2013	2014	2015 ⁽¹⁾	2016 ⁽²⁾
Operating Revenues					
Water sales and service charges	\$ 57,558	\$ 62,565	\$ 66,321	\$ 70,110	\$ 76,692
Sewer sales and service charges	49,234	53,085	58,109	62,808	67,682
Total operating revenues	106,792	115,650	124,430	132,918	144,374
Operating Expenses					
Water:					
Water services	44,883	51,163	57,624	57,978	57,499
General and administrative	12,305	14,619	13,660	9,319	11,827
Sewer:					
Sewer services	33,086	38,189	37,715	54,575	40,413
General and administrative	7,792	8,048	8,612	5,826	7,625
Depreciation	41,378	47,539	46,809	51,015	58,330
Total operating expenses	139,444	159,558	164,420	178,713	175,694
Operating income (loss)	(32,652)	(43,908)	(39,990)	(45,795)	(31,320)
Nonoperating Revenues (Expenses)					
Property taxes	38,062	41,068	42,751	42,431	46,303
Investment income	3,132	224	1,079	1,214	1,249
Increase (decrease) in fair value of investments	(23,586)	(29,180)	(16,177)	(28)	(32)
JPA investment income	51,530	49,178	29,522	-	-
Real estate income	11,039	10,789	11,899	12,518	13,056
Increase (decrease) in fair value of real estate investments	-	-	-	-	5,597
Pension benefits trust interest and dividends income	-	-	-	-	-
Increase (decrease) in fair value of pension benefits trust investments	-	-	-	-	-
Other income	6,141	8,323	10,974	7,899	7,837
Interest expense	(16,924)	(16,770)	(15,836)	(13,903)	(15,415)
JPA interest expense	(39,603)	(28,884)	(17,166)	-	-
Real estate expense	(6,016)	(6,047)	(6,139)	(6,251)	(4,363)
Pension benefits trust expense	-	-	-	-	-
Other expenses	(10,713)	(6,110)	(7,163)	(9,752)	(2,800)
Total nonoperating revenue (expenses)	13,062	22,591	33,744	34,128	51,432
Income (loss) before capital contributions	(19,590)	(21,317)	(6,246)	(11,667)	20,112
Contributed capital assets	25,948	34,535	34,684	42,540	53,278
Increase (decrease) in net position	6,358	13,218	28,438	30,873	73,390
Net position at beginning of year	1,341,601	1,347,959	1,361,177	1,389,615	1,354,663
Prior period adjustments	-	-	-	(65,825)	150,258
Net position at end of year	\$ 1,347,959	\$ 1,361,177	\$ 1,389,615	\$ 1,354,663	\$ 1,578,311

Irvine Ranch Water District
Changes in Net Position
For the Past Ten Fiscal Years

(in thousands)
(Continued)

	2017 ⁽³⁾	2018 ⁽⁴⁾	2019	2020	2021
Operating Revenues					
Water sales and service charges	\$ 77,252	\$ 84,575	\$ 94,107	\$ 90,213	\$ 96,609
Sewer sales and service charges	72,054	76,789	76,841	77,187	82,234
Total operating revenues	149,306	161,364	170,948	167,400	178,843
Operating Expenses					
Water:					
Water services	55,296	63,671	64,004	67,792	79,221
General and administrative	15,906	20,554	19,860	21,600	22,433
Sewer:					
Sewer services	42,752	38,115	43,734	49,497	51,540
General and administrative	9,059	12,332	15,786	17,106	19,489
Depreciation	61,841	63,877	64,835	67,554	68,002
Total operating expenses	184,854	198,549	208,219	223,549	240,685
Operating income (loss)	(35,548)	(37,185)	(37,271)	(56,149)	(61,842)
Nonoperating Revenues (Expenses)					
Property taxes	51,321	57,247	63,057	66,375	67,734
Investment income	2,843	4,133	6,199	7,790	5,285
Increase (decrease) in fair value of investments	(1,624)	(1,571)	5,188	2,319	(4,643)
JPA investment income	-	-	-	-	-
Real estate income	13,434	16,689	17,813	18,175	15,372
Increase (decrease) in fair value of real estate investments	10,084	4,091	6,095	552	25,702
Pension benefits trust interest and dividends income	-	3,003	2,140	3,274	4,431
Increase (decrease) in fair value of pension benefits trust investments	-	2,173	3,196	1,500	20,457
Other income	7,117	7,504	8,876	6,606	6,336
Interest expense	(18,784)	(26,034)	(25,481)	(22,167)	(20,754)
JPA interest expense	-	-	-	-	-
Real estate expense	(4,358)	(13,284)	(9,441)	(5,627)	(5,550)
Pension benefits trust expense	-	(51)	(53)	(61)	(61)
Other expenses	(1,997)	(174)	(2,615)	(5,239)	(1,432)
Total nonoperating revenue (expenses)	58,036	53,726	74,974	73,497	112,877
Income (loss) before capital contributions	22,488	16,541	37,703	17,348	51,035
Contributed capital assets	41,913	60,588	49,346	46,427	31,440
Increase (decrease) in net position	64,401	77,129	87,049	63,775	82,475
Net position at beginning of year	1,578,311	1,772,014	1,840,953	1,928,002	1,991,777
Prior period adjustments	129,302	(8,190)	-	-	-
Net position at end of year	\$ 1,772,014	\$ 1,840,953	\$ 1,928,002	\$ 1,991,777	\$ 2,074,252

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				
	2012	2013	2014	2015	2016
Residential	32,262	33,166	34,068	32,375	28,573
Commercial	8,021	8,353	8,803	8,391	8,377
Industrial	4,713	4,783	4,891	6,233	5,118
Public Authority	2,373	2,458	2,458	2,583	2,234
Construction & Temporary	275	378	739	863	1,230
Landscape	4,741	5,316	5,671	5,327	3,843
Agricultural	2,433	2,749	3,277	2,547	2,216
Landscape/Agricultural	25,011	28,259	30,021	32,139	26,386
Total	79,829	85,462	89,928	90,458	77,977

	Fiscal Year				
	2017	2018	2019	2020	2021
Residential	30,384	32,848	31,642	33,073	35,851
Commercial	8,179	8,769	8,624	7,818	7,744
Industrial	5,084	4,923	4,831	4,636	4,819
Public Authority	2,282	2,633	2,369	1,972	1,617
Construction & Temporary	874	1,292	542	480	543
Landscape	4,126	4,740	4,065	4,229	5,014
Agricultural	1,856	1,839	1,114	1,013	471
Landscape/Agricultural	26,374	29,736	26,153	29,659	31,042
Total	79,159	86,780	79,340	82,880	87,101

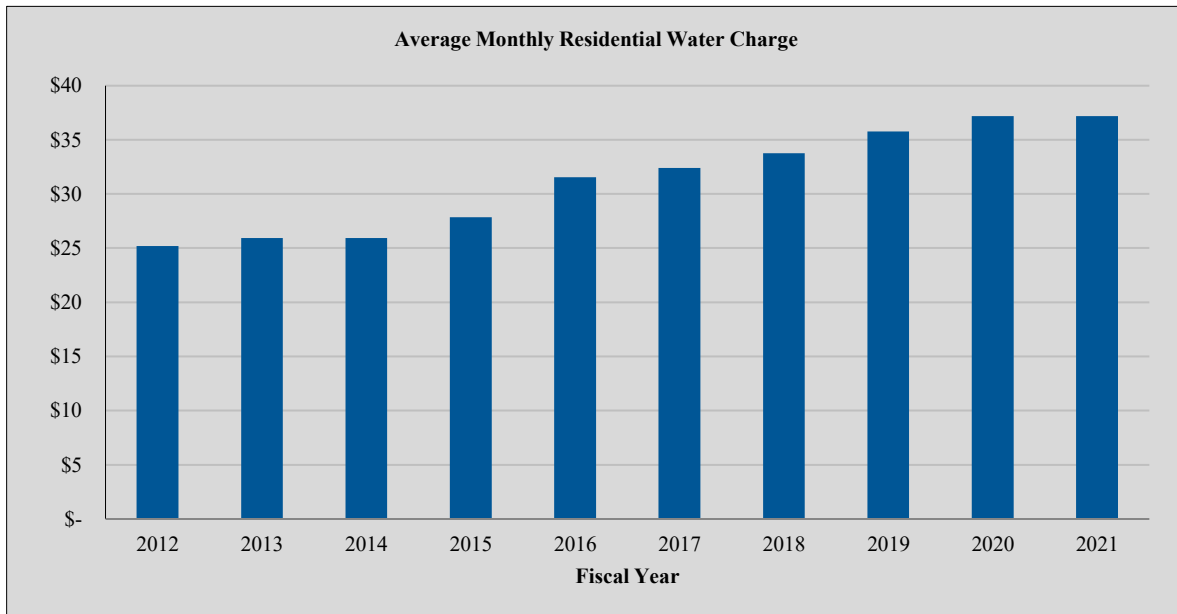
Source: Irvine Ranch Water District

Irvine Ranch Water District

Water Rates ⁽¹⁾

For the Past Ten Fiscal Years

Fiscal Year	Fixed Service Charge	Base Commodity Rate (per ccf)	Average Monthly Residential Charge
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
2021	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 12 ccf per month. The first 5 ccf are at the District's low volume rate, which is \$0.53 less than the commodity base rate in FY 2021. 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	2021			2012		
	Total Sales	Rank	Percentage of Water Sales Revenues	Total Sales	Rank	Percentage of Water Sales Revenues
The Irvine Company	\$ 8,390,738	1	8.69%	\$ 3,496,479	1	6.07%
Jazz Semiconductor	1,345,426	2	1.39%	668,429	4	1.16%
B Braun Medical, Inc	1,252,452	3	1.30%	510,160	5	0.89%
University of California - Irvine	1,003,540	4	1.04%	1,285,572	2	2.23%
Woodbridge Village Association	576,188	5	0.60%	388,341	6	0.67%
City of Lake Forest	335,905	6	0.35%			
Allergan Sales, LLC	312,719	7	0.32%			
City of Irvine	302,247	8	0.31%	1,007,256	3	1.75%
Trabuco Canyon Water District	257,386	9	0.27%			
ERP Operating LP	256,013	10	0.26%	182,670	10	0.32%
Irvine Unified School District				304,178	7	0.53%
County of Orange				273,061	8	0.47%
Caltrans District 12				271,094	9	0.47%
Total	\$ 14,032,614		14.52%	\$ 8,387,240		14.56%

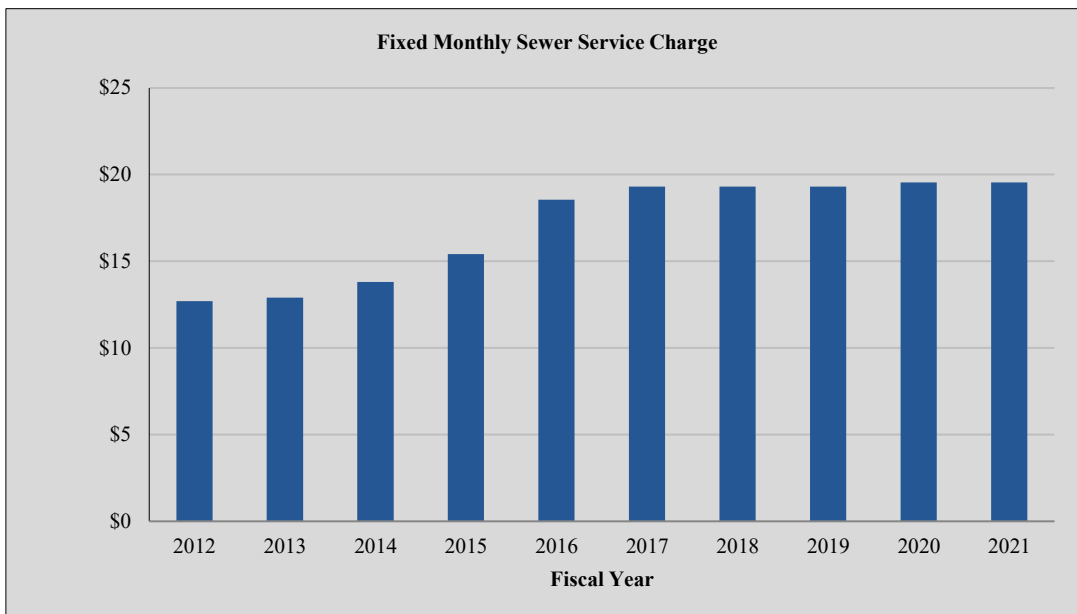
Source: Irvine Ranch Water District

Irvine Ranch Water District

Sewer Rates⁽¹⁾

For the Past Ten Fiscal Years

Fiscal Year	Fixed Monthly Service Charge
2012	\$ 12.70
2013	12.90
2014	13.80
2015	15.40
2016	18.55
2017	19.30
2018	19.30
2019	19.30
2020	19.55
2021	19.55



Source: Irvine Ranch Water District

Note:

⁽¹⁾ The fixed monthly sewer service charge is based on a typical residential customer's water usage 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	2021			2012		
	Total Sales	Rank	Percentage of Sewer Sales Revenues	Total Sales	Rank	Percentage of Sewer Sales Revenues
The Irvine Company	\$ 13,244,269	1	16.11%	\$ 599,076	1	1.22%
City of Irvine	2,689,854	2	3.27%			
University of California - Irvine	1,852,244	3	2.25%			
B Braun Medical, Inc	824,295	4	1.00%			
Irvine Unified School District	732,261	5	0.89%			
Crystal Cove Community Assn	432,959	6	0.53%			
City of Tustin	404,762	7	0.49%			
Portola Springs Community Assn	377,830	8	0.46%			
Great Park Neighborhoods Community Assn	341,400	9	0.42%			
ERP Operating, LP	337,975	10	0.41%	188,978	6	0.38%
Royalty Carpet Mills				239,524	2	0.49%
Maruchan Inc				239,416	3	0.49%
Allergan Sales, LLC				236,507	4	0.48%
Villa Sienna Apartments				223,932	5	0.45%
Oakley Technical Center				185,862	7	0.38%
Newport Bluffs Apartments				162,462	8	0.33%
The Park at Sepctrum Apartments				148,341	9	0.30%
Airport Ind Complex				136,890	10	0.28%
Total	\$ 21,237,849		25.83%	\$ 2,360,988		4.80%

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
112	\$0.03168	\$0.03168	\$0.03168	\$0.03000	\$0.03000	\$0.03000	\$0.03000	\$0.03000	\$0.03000	\$0.01560
113	0.05940	0.05940	0.05940	0.03000	0.03000	0.04000	0.04000	0.04000	0.04000	0.04000
121	0.01311	0.01311	0.01311	N/A	N/A	N/A	N/A	N/A	N/A	N/A
125	N/A	N/A	N/A	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300
130	0.00680	0.00680	0.00680	N/A	N/A	N/A	N/A	N/A	N/A	N/A
135	0.00421	0.00421	0.00421	N/A	N/A	N/A	N/A	N/A	N/A	N/A
140	0.01000	0.01000	0.01000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
150	0.01980	0.01980	0.01980	N/A	N/A	N/A	N/A	N/A	N/A	N/A
153	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.02000	0.02000	0.02000	0.00900
161	0.01758	0.01758	0.01758	N/A	N/A	N/A	N/A	N/A	N/A	N/A
182	0.02700	0.02700	0.02700	N/A	N/A	N/A	N/A	N/A	N/A	N/A
184	0.01350	0.01350	0.01350	N/A	N/A	N/A	N/A	N/A	N/A	N/A
185	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.02300	0.02300	0.02300	0.00810
186	0.04787	0.04787	0.04787	N/A	N/A	N/A	N/A	N/A	N/A	N/A
188	0.21540	0.21540	0.21540	0.21540	0.21540	0.21540	0.07350	0.07350	0.07350	0.03090
212	0.07452	0.07452	0.07452	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500	0.04860
213	0.08720	0.08720	0.08720	0.03800	0.03800	0.05900	0.05900	0.05900	0.05900	0.05900
221	0.01700	0.01700	0.01700	N/A	N/A	N/A	N/A	N/A	N/A	N/A
225	N/A	N/A	N/A	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500
230	0.02200	0.02200	0.02200	N/A	N/A	N/A	N/A	N/A	N/A	N/A
235	0.00266	0.00266	0.00266	N/A	N/A	N/A	N/A	N/A	N/A	N/A
240	0.02140	0.02140	0.02140	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500
250	0.03600	0.03600	0.03600	N/A	N/A	N/A	N/A	N/A	N/A	N/A
252	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001
253	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.02100	0.02100	0.02100	0.01300
261	0.02830	0.02830	0.02830	N/A	N/A	N/A	N/A	N/A	N/A	N/A
282	0.01890	0.01890	0.01890	N/A	N/A	N/A	N/A	N/A	N/A	N/A
284	0.03239	0.03239	0.03239	N/A	N/A	N/A	N/A	N/A	N/A	N/A
285	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.03050	0.03050	0.03050	0.01370
286	0.00201	0.00201	0.00201	N/A	N/A	N/A	N/A	N/A	N/A	N/A
288	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.00850

Source: Irvine Ranch Water District

Note:

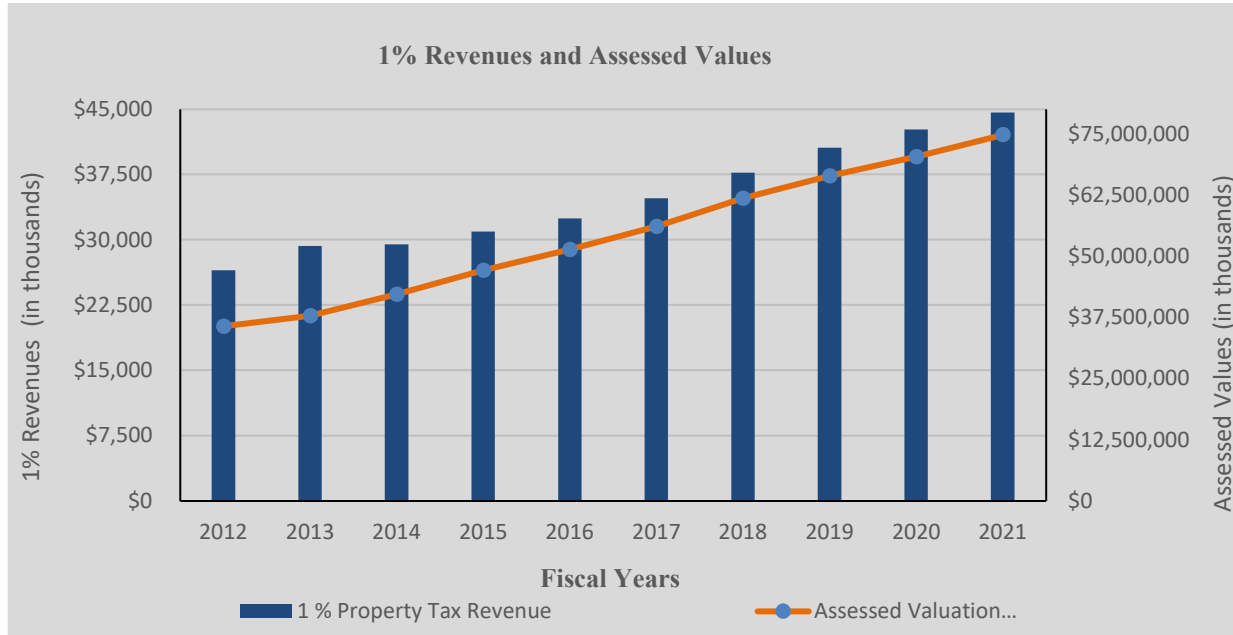
⁽¹⁾ The ad valorem property tax rates for the consolidated improvement districts are effective July 1, 2014.

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
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
2021	74,770,230	44,621



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, 2021

Direct Rate:

Irvine Ranch Water District I.D. No. 112	\$0.01560
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	0.00900
Irvine Ranch Water District I.D. No. 185	0.00810
Irvine Ranch Water District I.D. No. 188	0.03090
Irvine Ranch Water District I.D. No. 212	0.04860
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	0.01300
Irvine Ranch Water District I.D. No. 285	0.01370
Irvine Ranch Water District I.D. No. 288	0.00850

Overlapping Rates:

School Districts:

Coast Community College District	0.03181
Rancho Santiago Community College District	0.02768
Rancho Santiago Community College District SFID 1	0.01752
Irvine Unified School District SFID No. 1	0.02802
Laguna Beach Unified School District	0.01012
Newport Mesa Unified School District	0.01754
Orange Unified School District	0.01664
Saddleback Valley Unified School District	0.02336
Santa Ana Unified School District	0.08127
Tustin Unified School District SFID 2002-1	0.02665
Tustin Unified School District SFID 2008-1	0.02951
Tustin Unified School District SFID 2012-1	0.01586

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District
Principal Property Taxpayers
Fiscal Year Ended June 30, 2021

Property Owner's Name	Assessed Valuation of Property, including Land & Improvements	Percentage of Total City Taxable Assessed Value
The Irvine Company	\$ 2,572,452,171	3.03%
B Braun Medical Inc	483,821,730	0.57%
Allergan USA Inc	463,434,524	0.55%
Irvine Apartment Communities LP	444,280,885	0.52%
Five Point Office Venture I LLC	441,763,714	0.52%
Jamboree Center LLC	419,714,237	0.49%
Irvine Office Towers 1 LLC	402,549,757	0.47%
Park Place Michelson LLC	371,561,875	0.44%
Park I/II Spectrum LLC	361,279,591	0.43%
Edwards Lifesciences LLC	357,585,130	0.42%
	\$ 6,318,443,614	7.44%

Source: City of Irvine Comprehensive Annual Financial Report
(Fiscal Year Ended June 30, 2020).
Data was not yet available for FY 2020/21 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 Obligation⁽²⁾	1 Percent	General Obligation⁽³⁾
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
2021	46,000,000	18,367,833	42,670,804	18,868,884
Total	\$ 339,649,700	\$ 131,638,411	\$ 334,033,061	\$ 141,131,439

Fiscal Year	Percentage Collected		Amount of Levy Collected in Subsequent Periods	
	1 Percent	General Obligation	1 Percent	General Obligation
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
2021	92.76%	102.73%	2,072,539	1,183,562
Total			\$ 14,446,448	\$ 10,124,639

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 Obligation 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
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
2021	235,819	550,421,000	2,334	138,232,000	586

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
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	-	-	1,984,000	10	591,449,000	2,949
2015	-	-	1,728,000	8	572,821,000	2,811
2016	-	-	1,469,000	7	553,056,000	2,643
2017	-	-	1,209,000	6	762,953,000	3,539
2018	-	-	947,000	4	737,715,000	3,309
2019	-	-	684,000	3	722,097,000	3,171
2020	-	-	419,000	2	706,092,000	3,051
2021	-	-	347,000	1	689,000,000	2,922

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 2012 through the fiscal year 2013.

Irvine Ranch Water District
 Outstanding General Obligation Bonds by Improvement District
 As of June 30, 2021

Improvement District	General Obligation Bonds Authorized	General Obligation Bonds Issued	Remaining Unissued General Obligation Bonds Authorized	Amount Outstanding as of June 30, 2021
112	\$ 28,512,300	\$ 8,111,000	\$ 20,401,300	\$ 7,293,000
113	25,769,500	16,300,000	9,469,500	13,750,000
125	735,246,000	429,729,000	305,517,000	174,616,000
153	237,300,000	7,601,000	229,699,000	7,601,000
154	4,839,000	-	4,839,000	-
185	13,500,000	1,493,000	12,007,000	1,493,000
188	8,174,000	4,590,000	3,584,000	1,579,000
Total	\$ 1,053,340,800	\$ 467,824,000	\$ 585,516,800	\$ 206,332,000
210	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
212	108,711,800	26,013,000	82,698,800	23,827,000
213	87,647,500	28,565,000	59,082,500	22,267,000
225	856,643,000	493,304,000	363,339,000	245,995,000
240	117,273,000	49,722,000	67,551,000	15,240,000
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	353,000
Total	\$ 1,324,835,300	\$ 613,733,000	\$ 711,102,300	\$ 321,368,000
Total	\$ 2,378,176,100	\$ 1,081,557,000	\$ 1,296,619,100	\$ 527,700,000

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			
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	7,476,000	0.00231397	2019	3,230,805,159	24,314,000	0.00752568
2020	3,706,557,300	7,384,000	0.00199227	2020	3,706,557,300	24,070,000	0.00649398
2021	3,874,872,238	7,293,000	0.00188213	2021	3,874,872,238	23,827,000	0.00614911
Improvement District 113				Improvement District 213			
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	14,320,000	0.01206960	2019	1,186,452,170	23,621,000	0.01990894
2020	1,283,110,993	14,037,000	0.01094015	2020	1,283,110,993	22,947,000	0.01788419
2021	1,334,069,673	13,750,000	0.01030681	2021	1,334,069,673	22,267,000	0.01669103
Improvement District 125				Improvement District 225			
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	184,083,000	0.00400841	2019	39,234,190,651	256,320,000	0.00653308
2020	48,290,836,261	178,837,000	0.00370333	2020	41,383,837,339	250,818,000	0.00606078
2021	50,618,755,410	174,616,000	0.00344963	2021	43,435,406,719	245,995,000	0.00566347

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							
2012	\$ 4,973,007,663	\$ 28,081,173	0.00564672	2012	\$ 8,114,060	n/a	n/a
2013	5,343,804,951	26,441,526	0.00494807	2013	8,475,848	n/a	n/a
2014	5,609,174,229	24,078,000	0.00429261	2014	228,692,347	n/a	n/a
2015	6,031,968,996	22,767,000	0.00377439	2015	666,622,225	n/a	n/a
2016	6,449,202,772	21,431,000	0.00332305	2016	1,287,363,937	n/a	n/a
2017	7,000,292,817	21,271,000	0.00303859	2017	2,893,148,966	\$ 11,877,000	0.00410522
2018	7,667,626,922	17,921,000	0.00233723	2018	4,097,566,306	11,877,000	0.00289855
2019	8,000,510,347	17,202,000	0.00215011	2019	5,118,350,587	11,877,000	0.00232047
2020	8,281,189,054	16,177,000	0.00195352	2020	5,812,018,792	11,877,000	0.00204357
2021	8,600,764,183	15,240,000	0.00177194	2021	6,577,643,858	11,877,000	0.00180566
Improvement District 153							
2012	\$ 8,114,060	n/a	n/a				
2013	8,475,848	n/a	n/a				
2014	8,687,744	n/a	n/a				
2015	666,622,225	n/a	n/a				
2016	1,287,363,937	n/a	n/a				
2017	2,893,148,966	\$ 7,601,000	0.00262724				
2018	4,097,566,306	7,601,000	0.00185500				
2019	5,118,350,587	7,601,000	0.00148505				
2020	5,812,018,792	7,601,000	0.00130785				
2021	6,577,643,858	7,601,000	0.00115558				
Improvement District 253							
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	228,692,347	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	\$ 11,877,000	0.00410522	2017	2,893,148,966	\$ 11,877,000	0.00410522
2018	4,097,566,306	11,877,000	0.00289855	2018	4,097,566,306	11,877,000	0.00289855
2019	5,118,350,587	11,877,000	0.00232047	2019	5,118,350,587	11,877,000	0.00232047
2020	5,812,018,792	11,877,000	0.00204357	2020	5,812,018,792	11,877,000	0.00204357
2021	6,577,643,858	11,877,000	0.00180566	2021	6,577,643,858	11,877,000	0.00180566
Improvement District 154							
2012	\$ 9,127,678	n/a	n/a				
2013	9,334,512	n/a	n/a				
2014	9,111,103	n/a	n/a				
2015	9,289,351	n/a	n/a				
2016	9,266,433	n/a	n/a				
2017	9,376,883	n/a	n/a				
2018	9,529,712	n/a	n/a				
2019	9,720,296	n/a	n/a				
2020	9,914,693	n/a	n/a				
2021	10,017,398	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			
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	1,493,000	0.00101884	2019	1,465,394,626	1,809,000	0.00123448
2020	1,262,000,047	1,493,000	0.00118295	2020	1,262,000,047	1,809,000	0.00143326
2021	1,299,866,233	1,493,000	0.00114858	2021	1,299,866,233	1,809,000	0.00139168
Improvement District 188				Improvement District 288			
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	1,591,000	0.00644773	2019	246,753,329	373,000	0.00151163
2020	255,088,204	1,585,000	0.00621204	2020	255,088,204	363,000	0.00142345
2021	284,644,152	1,579,000	0.00554728	2021	284,644,152	353,000	0.00124014

Source: Irvine Ranch Water District

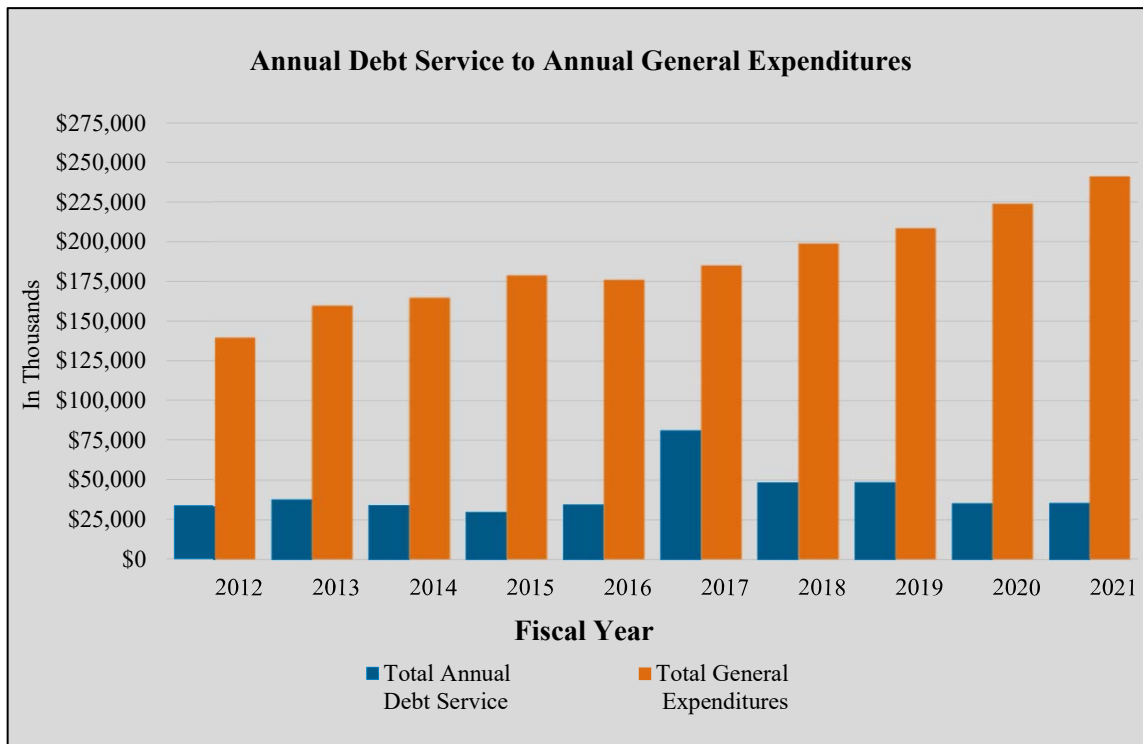
Note:

⁽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
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%
2021	35,474	240,685	14.7%



Source: Irvine Ranch Water District

Irvine Ranch Water District
Debt Service Coverage (in thousands)
For the Past Ten Fiscal Years

	Fiscal Year				
	2012	2013	2014	2015	2016
Revenues					
Water sales and service charges	\$ 57,558	\$ 62,565	\$ 66,321	\$ 70,110	\$ 76,692
Sewer sales and service charges	49,234	53,085	58,109	62,808	67,682
Developer Connection fees	9,030	17,314	22,429	29,183	32,109
Net real estate income	6,736	6,566	7,760	8,191	8,693
Interest income	1,739	1,549	1,671	1,515	1,585
Net earnings on JPA	11,927	20,294	12,356	-	-
Available 1% property tax revenue	23,165	25,796	28,532	29,770	31,645
Other	6,141	8,323	10,974	7,899	7,836
Total Revenues	165,530	195,492	208,152	209,476	226,242
Expenses					
Water supply services	44,883	51,163	57,624	57,978	57,499
Sewer services	33,086	38,189	37,715	54,575	40,413
Administrative and general	20,097	22,667	17,487	16,012	19,909
Pension and OPEB Expense	-	-	4,785	2,237	2,831
Other	10,713	6,110	7,163	9,752	2,800
Total Expenses	108,779	118,129	124,774	140,554	123,452
Net Revenues	\$ 56,751	\$ 77,363	\$ 83,378	\$ 68,922	\$ 102,790
Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds	\$ 5,823	\$ 5,838	\$ 6,409	\$ 4,839	\$ 6,036
Parity Obligations					
Certificates of Participation	\$ 8,016	\$ 8,388	\$ 8,753	\$ 9,098	\$ 9,487
1997 State Loan #3	226	226	227	227	227
Series 2010B Bonds	7,533	7,519	7,825	7,829	7,823
Series 2011-A Index Tender Notes	2,284	2,306	2,360	2,455	2,927
2016 General Obligation	-	-	-	-	-
Total Parity Obligations Debt Service	18,059	18,439	19,165	19,609	20,464
Remaining Revenues	\$ 44,515	\$ 64,762	\$ 70,622	\$ 54,152	\$ 88,362
Parity Obligation Coverage	3.5 x	4.5 x	4.7 x	3.8 x	5.3 x
Subordinate Obligations					
Fixed Payer Swap Payments	\$ 7,734	\$ 7,452	\$ 7,475	\$ 7,734	\$ 7,712
State Loans and SCWD Debt	308	308	308	308	308
Total Subordinate Obligations	8,042	7,760	7,783	8,042	8,020
Remaining Revenues	\$ 36,473	\$ 57,002	\$ 62,839	\$ 46,110	\$ 80,342
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	\$ 3,313	\$ 3,470	\$ 3,013	\$ 3,358	\$ 3,226
Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds	5,761	5,965	4,797	4,463	5,396
Sub-total Pledged Revenues	45,547	66,437	70,649	53,931	88,964
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	23,165	25,796	28,532	29,770	31,645
Additional Net Revenues	13,308	25,248	34,307	16,340	48,697
Total with Additional Pledged Revenues	\$ 45,547	\$ 66,437	\$ 70,649	\$ 53,931	\$ 88,964
Debt Service					
Non-Double-Barrel GO Bond Debt Service	\$ 16,899	\$ 17,129	\$ 10,968	\$ 12,840	\$ 11,173
GO Bond Coverage	2.7 x	3.9 x	6.4 x	4.2 x	8.0 x
Remaining Revenues	\$ 28,648	\$ 49,308	\$ 59,681	\$ 41,091	\$ 77,791
Total Debt Coverage	1.7 x	2.1 x	2.6 x	2.0 x	3.0 x

Irvine Ranch Water District
Debt Service Coverage (in thousands)
For the Past Ten Fiscal Years
(Continued)

	Fiscal Year				
	2017	2018	2019	2020	2021
Revenues					
Water sales and service charges	\$ 77,252	\$ 84,575	\$ 94,107	\$ 90,213	\$ 96,609
Sewer sales and service charges	72,054	76,789	76,841	77,187	82,234
Developer Connection fees	25,563	32,674	18,205	10,943	18,913
Net real estate income	9,076	3,405	8,372	12,549	9,822
Interest income	3,210	4,133	6,199	7,790	5,285
Net earnings on JPA	-	-	-	-	-
Available 1% property tax revenue	34,247	29,649	42,389	44,463	47,172
Other	7,117	7,504	8,876	6,606	6,336
Total Revenues	228,519	238,729	254,989	249,751	266,371
Expenses					
Water supply services	55,296	63,671	64,004	67,792	79,221
Sewer services	42,752	38,115	43,734	49,497	51,540
Administrative and general	22,664	25,748	28,220	28,336	30,170
Pension and OPEB Expense	5,146	7,138	7,426	10,370	11,753
Other	1,997	174	2,615	5,240	1,432
Total Expenses	127,855	134,846	145,999	161,235	174,116
Net Revenues	\$ 100,664	\$ 103,883	\$ 108,990	\$ 88,516	\$ 92,255
Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds	\$ 8,605	\$ 10,499	\$ 12,554	\$ 13,548	\$ 13,009
Parity Obligations					
Certificates of Participation	\$ 11,675	\$ 7,722	\$ 7,821	\$ 7,916	\$ 9,304
1997 State Loan #3	194	194	194	194	-
Series 2010B Bonds	7,813	7,807	7,792	7,778	7,756
Series 2011-A Index Tender Notes	2,967	3,675	4,045	3,887	3,236
2016 General Obligation	1,605	5,301	5,301	5,301	5,301
Total Parity Obligations Debt Service	24,254	24,699	25,153	25,076	25,597
Remaining Revenues	\$ 85,015	\$ 89,683	\$ 96,391	\$ 76,988	\$ 79,667
Parity Obligation Coverage	4.5 x	4.6 x	4.8 x	4.1 x	4.1 x
Subordinate Obligations					
Fixed Payer Swap Payments	\$ 6,798	\$ 5,739	\$ 4,513	\$ 2,496	\$ 3,331
State Loans and SCWD Debt	133	122	122	100	108
Total Subordinate Obligations	6,931	5,861	4,635	2,596	3,439
Remaining Revenues	\$ 78,084	\$ 83,822	\$ 91,756	\$ 74,392	\$ 76,228
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	\$ 3,128	\$ 10,834	\$ 1,192	\$ 1,141	\$ 860
Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds	5,341	6,265	6,922	7,223	6,693
Sub-total Pledged Revenues	86,553	100,921	99,870	82,756	83,781
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	34,247	29,649	42,389	44,463	47,172
Additional Net Revenues	43,837	54,173	49,367	29,929	29,056
Total with Additional Pledged Revenues	\$ 86,553	\$ 100,921	\$ 99,870	\$ 82,756	\$ 83,781
Debt Service					
Non-Double-Barrel GO Bond Debt Service	\$ 12,385	\$ 20,843	\$ 11,436	\$ 10,781	\$ 9,222
GO Bond Coverage	7.0 x	4.8 x	8.7 x	7.7 x	9.1 x
Remaining Revenues	\$ 74,168	\$ 80,078	\$ 88,434	\$ 71,975	\$ 74,559
Total Debt Coverage	2.7 x	2.6 x	3.1 x	2.9 x	2.9 x

Source: Irvine Ranch Water District

Irvine Ranch Water District

Principal Employers

Fiscal Year Ended June 30, 2021

Name of Company	Number of Employees	Percentage of Employment
University of California Irvine	25,827	9.40%
Blizzard Entertainment Inc	4,022	1.46%
Master North America Inc	4,000	1.46%
Irvine Unified School District	3,959	1.44%
Edwards Lifesciences LLC	3,152	1.15%
B Braun Medical	1,910	0.70%
Broadcom	1,900	0.69%
Parker Hannifin Corporation	1,650	0.60%
Glidewell Laboratories	1,538	0.56%
Western Digital	1,350	0.49%
		17.95%

Source: City of Irvine Comprehensive Annual Financial Report
(Fiscal Year Ended June 30, 2020).

Data was not yet available for FY 2020/21 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	IRWD Population ⁽¹⁾	City of Irvine Population	City of Irvine Median Family Income	Total Personal Income (in thousands)	County of Orange Unemployment Rate ⁽³⁾
2012	350,000	223,729	\$ 90,939	\$ 8,886,628	7.9%
2013	364,000	231,117	92,599	8,174,011	6.1%
2014	372,000	242,651	92,663	9,595,168	5.0%
2015	382,000	250,384	90,585	10,593,508	4.2%
2016	392,000	258,386	91,999	10,946,242	3.6%
2017	402,000	267,086	92,278	12,840,224	3.2%
2018	409,000	276,176	93,823	12,272,130	2.6%
2019	415,000	280,202	104,185	12,272,130	2.4%
2020	422,000	281,707	100,969	12,788,062	13.7%
2021	428,000	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	6.4%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2020) 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⁾ Irvine Ranch Water District
- ⁽²⁾ City of Irvine Population, Median Family Income, and Total Personal Income for FY 2021 have not yet been published by the City of Irvine.
- ⁽³⁾ Employment Development Department

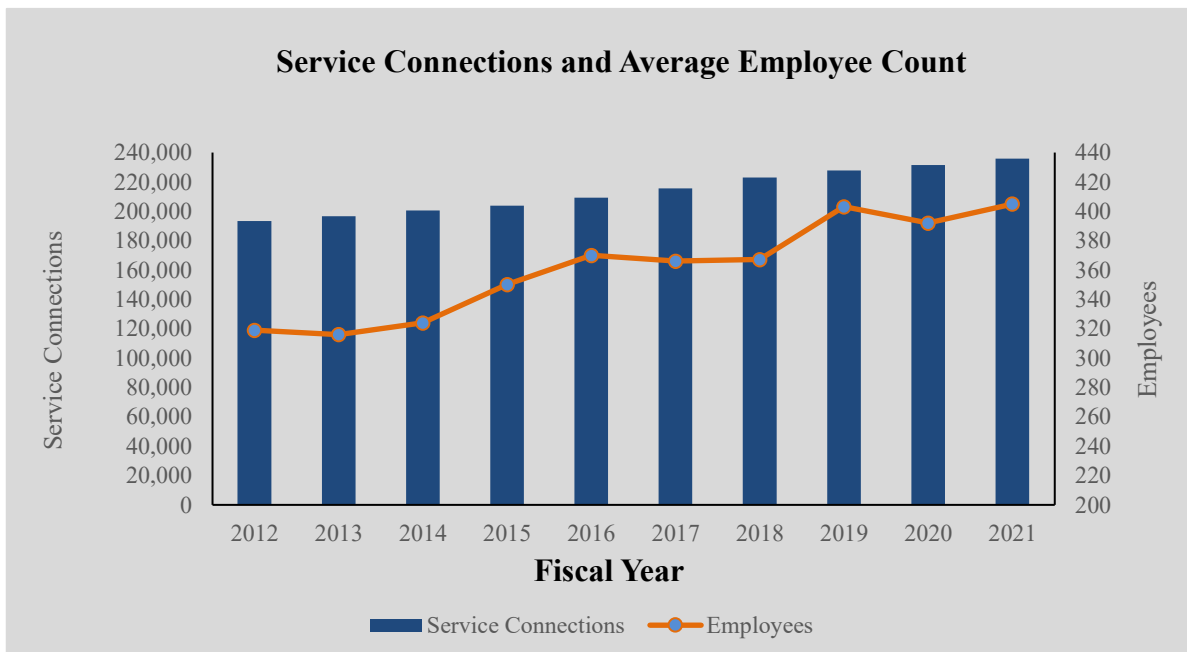
Irvine Ranch Water District

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 ⁽¹⁾	Service Connections per Employee
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
2021	120,437	115,382	235,819	405	582



Source: Irvine Ranch Water District

Note:

⁽¹⁾ Includes permanent, temporary and interns.

Irvine Ranch Water District
Operating Indicators by Function
New Service Connections
For the Past Ten Fiscal Years

	Fiscal Year									
	2012	2013	2014	2015	2016⁽¹⁾	2017	2018	2019	2020	2021
Water										
Residential	862	1,520	1,848	1,727	2,513	2,928	3,355	2,314	1,783	2,077
Commercial/Industrial/ Public Authority	18	27	40	(126)	82	88	133	27	16	27
Fire Protection	37	55	50	29	107	83	99	68	21	57
Construction & Temporary	3	31	36	4	3	14	43	(23)	(28)	(5)
Landscape Irrigation	(89)	8	(4)	(30)	19	5	13	(11)	(65)	21
Agricultural	(3)	2	(1)	(3)	-	-	1	-	(3)	(3)
Total Water	828	1,643	1,969	1,601	2,724	3,118	3,644	2,375	1,724	2,174
Sewer										
Residential	861	1,521	1,829	1,727	2,501	2,894	3,340	2,314	1,781	2,059
Commercial/Industrial/ Public Authority	21	29	41	(232)	88	84	137	45	21	46
Construction & Temporary	-	-	-	-	-	-	-	-	1	-
Landscape Irrigation	102	112	127	113	-	-	-	-	-	-
Agricultural	7	(2)	(3)	(6)	-	-	-	-	-	-
Total Sewer	991	1,660	1,994	1,602	2,589	2,978	3,477	2,359	1,803	2,105
Recycled Water										
Residential	-	-	-	-	6	33	14	1	9	15
Commercial/Industrial/ Public Authority	-	-	-	-	8	9	14	12	6	11
Construction & Temporary	-	-	-	-	13	8	(5)	(1)	(9)	(7)
Landscape Irrigation	-	-	-	-	162	161	199	85	155	86
Agricultural	-	-	-	-	3	(1)	2	-	2	(4)
Total Recycled Water	-	-	-	-	192	210	224	97	163	101
Total	1,819	3,303	3,963	3,203	5,505	6,306	7,345	4,831	3,690	4,380

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water										
Residential	9	9	9	12	11	11	12	11	11	12
Commercial	61	63	66	57	60	57	61	59	51	53
Industrial	201	204	192	267	222	232	213	212	201	211
Public Authority	296	306	305	378	287	260	260	242	164	134
Construction & Temporary	106	181	241	398	285	148	172	75	70	97
Treated - Landscape Irrigation	94	105	182	110	74	82	95	82	76	100
Treated - Agricultural	835	733	575	646	327	402	403	255	283	387
Untreated - Agricultural	4,768	5,799	6,314	8,504	8,047	6,315	6,274	4,700	2,953	445
Total	6,370	7,400	7,884	10,372	9,313	7,507	7,490	5,636	3,809	1,439
Recycled water										
Landscape Irrigation	152	169	182	192	186	170	195	145	128	168
Agricultural	3,768	4,145	3,882	4,992	3,891	3,197	3,292	2,438	2,797	4,414
Total	3,920	4,314	4,064	5,184	4,077	3,367	3,487	2,583	2,925	4,582

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	Groudwater	Runoff Capture (Irvine Lake)	Imported Water	Recycled Water	Total Supply
2012	35,257	4,152	26,155	20,602	86,166
2013	47,211	2,756	20,151	22,983	93,101
2014	55,015	-	22,508	21,038	98,561
2015	47,905	6,152	18,628	22,866	95,551
2016	46,901	25	11,853	23,206	81,985
2017	49,208	1,937	19,397	22,006	92,549
2018	48,109	6,109	15,436	25,255	94,909
2019	47,258	4,151	13,937	22,381	87,727
2020	47,810	6,524	13,002	24,627	91,963
2021	47,170	4,508	17,132	26,413	95,223

Water Deliveries / Sales

(in Acre Feet)

Fiscal Year	Potable and Untreated	Recycled Water ⁽¹⁾	Total Demand
2012	54,818	25,011	79,829
2013	57,203	28,259	85,462 ⁽²⁾
2014	59,907	30,021	89,928 ⁽²⁾
2015	58,319	32,139	90,458 ⁽²⁾
2016	51,098	26,879	77,977 ⁽³⁾
2017	51,299	27,860	79,159
2018	55,138	31,642	86,780
2019	51,651	27,689	79,340 ⁽⁴⁾
2020	51,761	31,119	82,880
2021	54,506	32,595	87,101

Source: Irvine Ranch Water District

Notes:

- ⁽¹⁾ The additional demands are met with runoff capture and imported water.
- ⁽²⁾ Extremely dry conditions led to a considerable increase in demands.
- ⁽³⁾ State mandated reduction in usage resulted in a significant decrease in overall demand.
- ⁽⁴⁾ Significant rainfall resulted in a decrease in overall demand.

Irvine Ranch Water District
Capital Asset Statistics
For the Past Ten Fiscal Years

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Potable System										
Miles of Water Line ⁽¹⁾	1,490	1,516	1,597	1,622	1,760	1,810	1,905	1,919	1,955	1,976
Number of Storage Tanks ⁽²⁾	37	36	36	36	36	36	36	36	37	37
Maximum Storage Capacity (Acre Feet)	456	456	456	456	456	456	456	456	467	467
Number of Pumping Stations	43	37	38	39	39	39	39	39	39	39
Number of Wells	24	26	26	27	27	27	27	27	27	27
Well Production Capacity (cfs)	117	124	124	128	128	118	118	118	118	118
Water Banking Storage (Acre Feet)	109,600	109,600	109,600	109,600	126,000	126,000	126,000	126,000	126,000	126,000
Potable Treatment Plants	3	4	4	4	4	5	5	5	5	5
Non-Potable and Recycled Systems										
Miles of Recycled Line ⁽¹⁾	478	488	503	509	525	540	555	565	570	572
Number of Storage Tanks	11	12	12	12	12	11	12	12	12	12
Number of Open Reservoirs	4	5	5	5	5	5	5	5	5	5
Maximum Storage Capacity (Acre Feet) ⁽³⁾	23,703	24,155	24,155	24,155	24,155	24,155	24,155	24,155	24,155	24,155
Number of Pumping Stations	19	20	19	20	20	20	19	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	962	971	1,009	1,019	1,070	1,081	1,123	1,134	1,143	1,153
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	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5

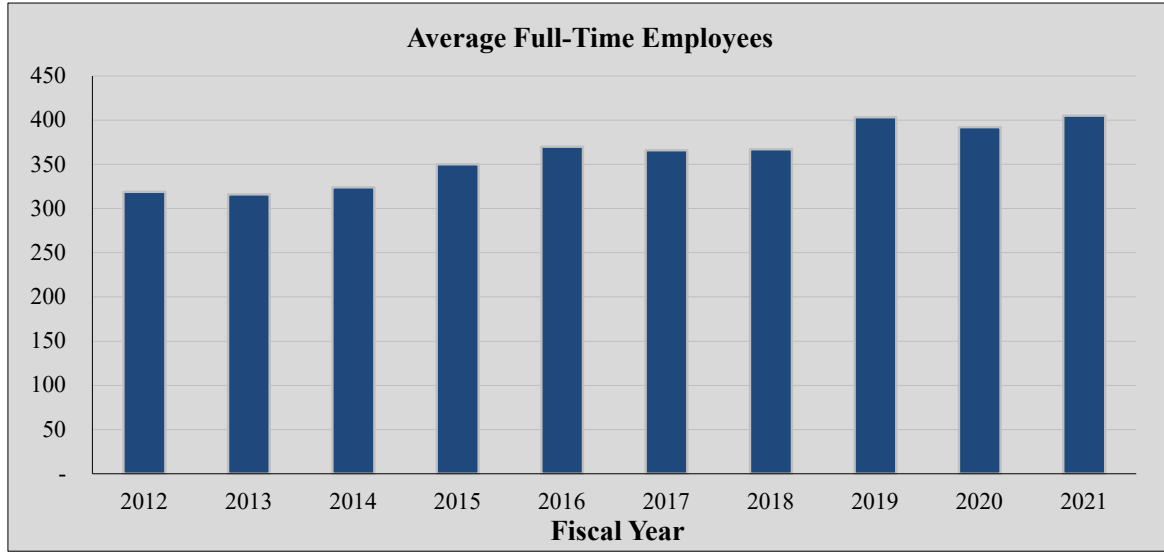
Source: Irvine Ranch Water District

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).
- ⁽⁵⁾ Excludes lift stations serving individual IRWD facilities.

Irvine Ranch Water District
 Full-Time Employees
 For the Past Ten Fiscal Years

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Average Full-Time Employees ⁽¹⁾	319	316	324	350	370	366	367	403	392	405



Source: Irvine Ranch Water District

Note:

⁽¹⁾ Includes permanent, temporary and interns.

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, 2021. 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 17, 2021. 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

There was one uncorrected misstatement detected during the audit process to record unbilled customer accounts receivable for service that occurred in June and subsequently billed after the end of the fiscal year.

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, 2021**.

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, 2021

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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, 201, 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, 2021**.

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, 2021

November 2, 2021
Prepared by: L. Srader
Submitted by: T. Mitcham
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.

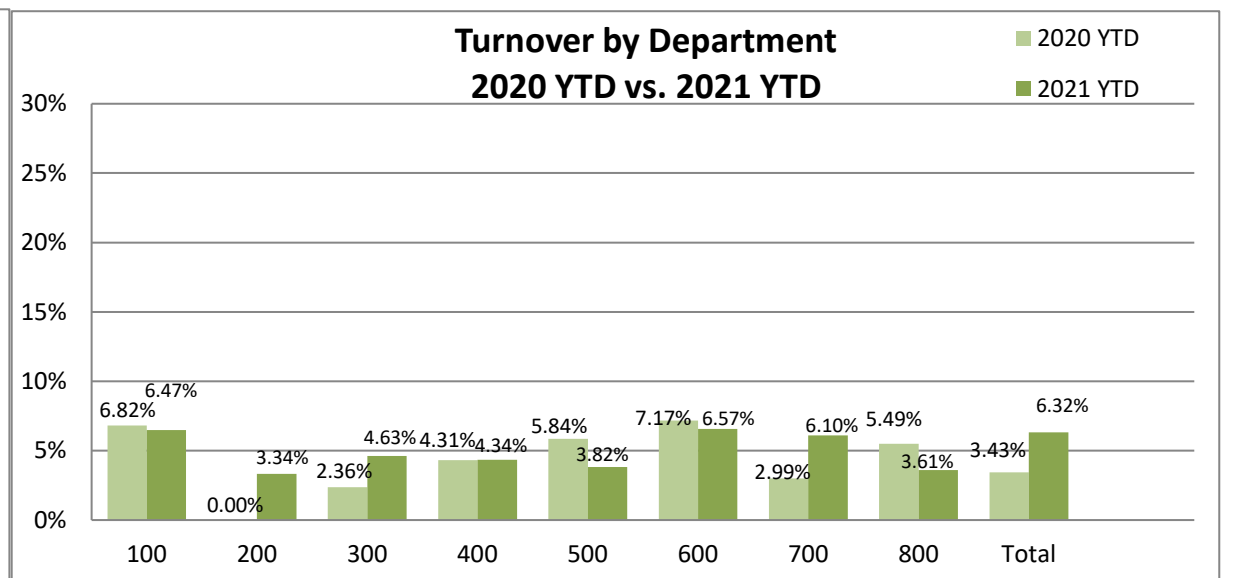
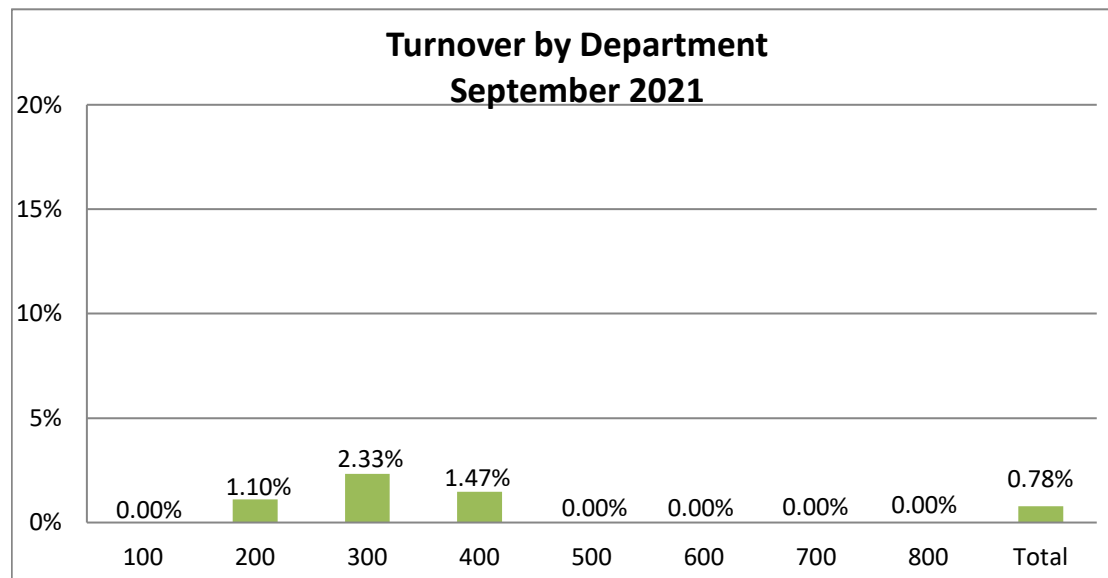
LIST OF EXHIBITS:

Exhibit "A" – Employee Population/Turnover Status Report

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EXHIBIT A
IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
September 2021

Dept	@9/01/21	Current Month Activity							@9/31/21		FY 21/22 Budgeted Positions	Avg FYTD Filled Budget Positions	Avg FYTD Temp Emp FTE	Avg FYTD Total Filled Positions	Internal Turnover		External Turnover	
	Positions Filled	New Hires	Terms		Promo Trnsfr		Lateral Trnsfr		Positions Filled	Positions Unfilled					Current Period	2021 YTD	Current Period	2021 YTD
			Vol	Invol	In	Out	In	Out										
100	15.0						6		21.0	3	24.0	15.0	0.0	15.0	0.00%	0.00%	0.00%	6.47%
200	91.0		1						90.0	2	92.0	90.3	0.0	90.3	0.00%	0.00%	1.10%	3.34%
300	43.0			1					42.0	2	44.0	43.0	0.0	43.0	0.00%	0.00%	2.33%	4.63%
400	68.0		1						67.0	6	73.0	67.7	1.9	69.6	0.00%	1.45%	1.47%	4.34%
500	52.0								52.0	10	62.0	52.3	1.7	54.0	0.00%	0.00%	0.00%	3.82%
600	30.0	1							31.0	2	33.0	30.3	3.4	33.8	0.00%	0.00%	0.00%	6.57%
700	32.0							6	26.0	2	28.0	32.3	0.0	32.3	0.00%	18.31%	0.00%	6.10%
800	54.0								54.0	7	61.0	54.0	0.0	54.0	0.00%	0.00%	0.00%	3.61%
Totals	385	1	2	1	0	0	6	6	383.0	34	417.0	385.0	7.0	392.0	0.00%	2.60%	0.78%	6.32%
9/20	388	4	1	0	0	0	0	0	391	21	412.0	384.7	16.0	400.7	0.00%	0.53%	0.26%	3.43%

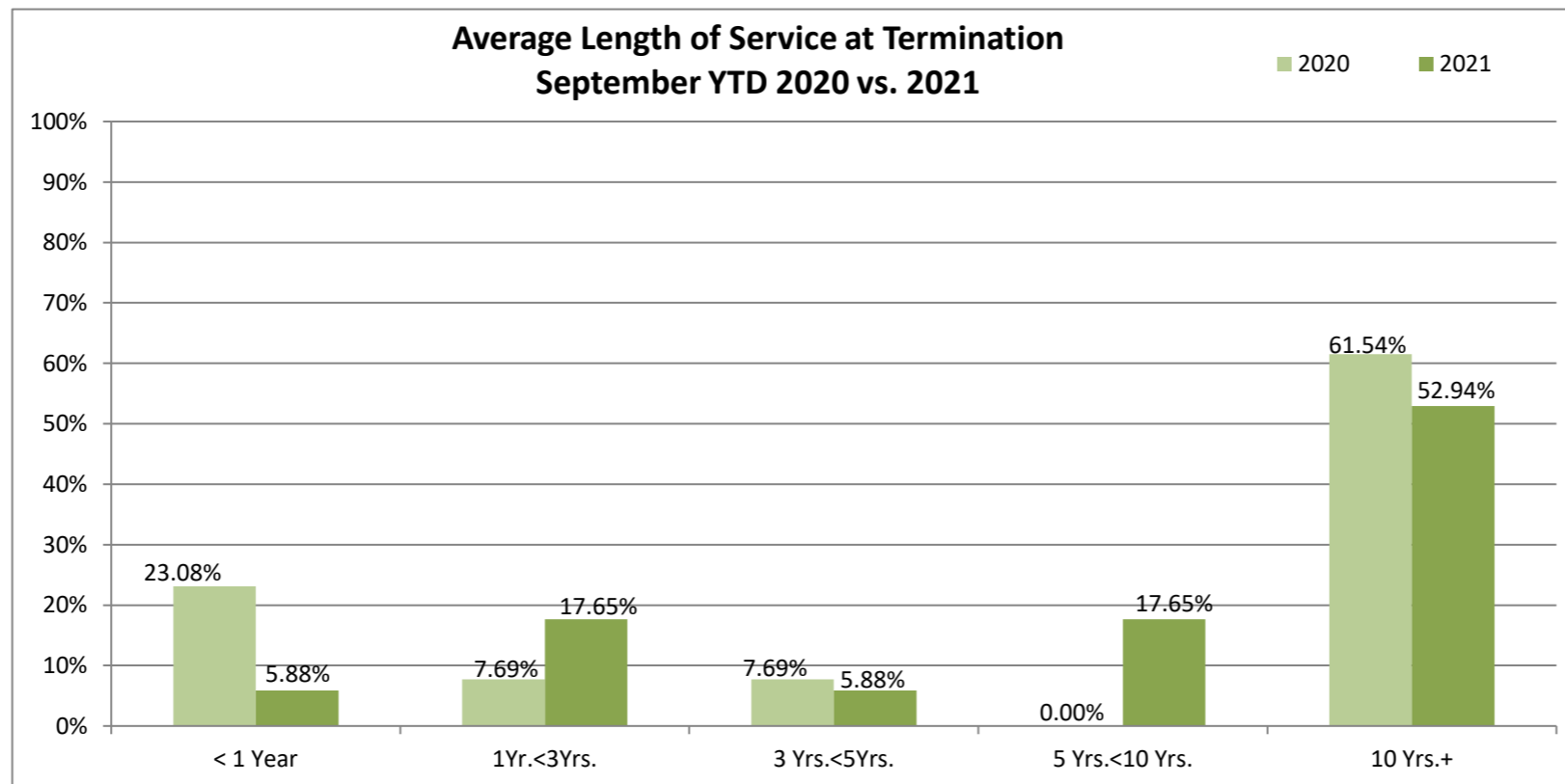


100-GM, HR, Safety; 200-Fin., Cust. Serv., IS, Purch.; 300-Eng.; 400-Water Ops; 500-Recycling; 600-WQ&RC; 700-Water Res., Recyc. Water and Public Affairs; 800-Adm. & Maintenance Ops

**IRVINE RANCH WATER DISTRICT
TURNOVER LONGEVITY RATIO
September 2021**

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	1					1			1				3				2		1
300		1							1				2		1				1
400					1	1			1				3			1			2
500						1		1					2						2
600			1				1						2	1					1
700						1	1						2		1				1
800						2							2		1				1
2021 Total	1	1	1	0	1	7	2	1	3	0	0	0	17	1	3	1	3	9	
2020 Data	2	0	2	2	3	1	2	0	1	1	0	4	18						
Percentage of Total Turnover														5.88%	17.65%	5.88%	17.65%	52.94%	

2021 Average YTD Length of Service at Termination	11.65 Years
2020 Average YTD Length of Service at Termination	16.33 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



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

August 2021

NEW HIRES				
Date	Dept	Employee Name	Position	Comments
09/18/21	600	Jacob Carlos	Scientist	

TERMINATIONS					
Date	Dept	Employee Name	Position	Reason	Comments
09/16/21	400			VOL	
09/23/21	200			VOL	
9/23/21	300			INVOL	

RETIREMENTS					
Date	Dept	Employee Name	Position	Reason	Comments

PROMOTIONS					
Date	Departing Dept	Employee Name	Departing Position	New Dept	New Position
09/04/21	200	Adam Madrid	Material Control Clerk I	200	Material Control Clerk I
09/18/21	400	Nicholas Korneff	Water Maintenance Technician I	400	Water Maintenance Technician II
09/18/21	400	Max Contreras	Utility Worker	400	Water Maintenance Technician I

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
August 2021**

UNFILLED POSITIONS			
Dept	Position	Salary Grade	Comments
100	Director of Safety & Security	U27.E	Recruiting
100	Community Relations Manager	U18.E	
100	Communications Analyst/Deputy PIO	U13.E	
200	Customer Service Specialist II	17.N	
200	Manager of Contract Admin & Risk	U19.E	Recruiting
300	Engineer	U17.E	
300	Engineer	U17.E	
400	Water Maintenance Supervisor	S33.N	
400	Water Maintenance Technician II	22.N	
400	Field Services Manager	U18.E	
400	Metering Systems Technician I	16.N	
400	Water Maintenance Technician III	26.N	
400	Water Maintenance Technician I	16.N	
500	Process Specialist	32.N	
500	Collection Systems CCTV Technician	21.N	
500	Senior Collection Systems CCTV Tech	25.N	
500	Operations Supervisor	S35.N	
500	Collection Systems Supervisor	S32.N	
500	Collection Systems Supervisor	S32.N	
500	Operator II	27.N	Recruiting
500	Operator III	29.N	Recruiting
500	Operator I	27.N	Recruiting
500	Automation Specialist	32.N	
600	Senior Scientist	32.N	Recruiting
600	Scientist	28.N	Recruiting
700	Water Efficiency Supervisor	U12.E	Recruiting
700	Engineer	U17.E	Recruiting
800	Reliability Engineer	U20.E	
800	Electrical Technician	30.N	
800	Instrumentation Technician	30.N	
800	Instrumentation Technician	28.N	
800	Fleet/Facilities Manager	U17.E	Recruiting
800	Electrical Technician	28.N	Recruiting
800	Director of Field Operations	U27.E	

**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
September 2021**

LEAVE OF ABSENCE					
Type of Leave	Pay Status	Date Leave Began	Anticipated Return Date	Current Length	Comments
FMLA/CFRA	SDI	4/16/2021	9/23/2021	5 months	
FMLA/CFRA	SDI	6/29/2021	9/7/2021	3 months	
FMLA/CFRA	SDI	8/20/2021	9/29/2021	1 month	
FMLA/CFRA	SDI	7/20/2021	9/15/2021	2 months	
FMLA/CFRA	SDI	9/28/2021	10/1/2021	1 week	
FMLA/CFRA	SDI	9/30/2021	10/1/2021	1 day	
FMLA/CFRA	SDI	9/20/2021	10/1/2021	2 weeks	
FMLA/CFRA	SDI	9/20/2021	10/1/2021	2 weeks	
FMLA/CFRA	SDI	9/16/2021	11/1/2021	2 weeks	
FMLA/CFRA	SDI	9/7/2021	10/25/2021	1 month	
FMLA/CFRA	SDI	9/24/2021	10/5/2021	1 week	
FMLA/CFRA	SDI	7/22/2021	9/30/2021	2 months	
FMLA/CFRA	SDI	9/6/2021	10/1/2021	1 month	
FMLA/CFRA	SDI	5/20/2021	10/21/2021	5 months	

Leave	Original Status	Date Leave Began	Return Date	Length	Return Date	Comments
FMLA/CFRA	SDI	7/29/2020	8/31/2020	1 month	8/31/2020	Returned
FMLA/CFRA	SDI	7/21/2020	9/2/2020	2 weeks	09/02/20	Returned
FMLA/CFRA	SDI	8/4/2020	9/8/2020	1 month	09/08/20	Returned
FMLA/CFRA	SDI	9/22/2020	10/15/2020	1 month	10/15/20	Returned
FFCRA/FMLA	SDI	9/8/2020	10/12/2020	2 months	10/12/20	Returned
FFCRA/FMLA	LVBK	9/8/2020	10/8/2020	1 month	10/08/20	Returned

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

Month	Length of Employment	Termination		Comments
		Vol	Invol	
January	28 years, 9 months	X		Retirement
February	13 years, 10 months	X		Moved out of state
March	9 months		X	Probation Rejection
April				
May	3 years, 9 months	X		New employment
June	2 years, 11 months	X		Moved out of state
	6 years, 2 months	X		Otay Water District
	11 years	X		City of Torrance
	2 years	X		Metropolitan Water
	5 years	X		Other Employment
	12 years, 8 months	X		Retirement
	30 years	X		Retirement
July	32 years, 5 months	X		Retirement
	12 years, 1 month	X		Retirement
August	25 years, 7 months	X		Retirement
September	14 years, 3 months	X		New employment at Yorba Linda Water
	6 years, 8 months	X		Stay home with children
	13 months		X	Involuntary
October				
November				
December				

**IRVINE RANCH WATER DISTRICT
SUMMARY
AGENCY & DISTRICT TEMPORARY EMPLOYEES**

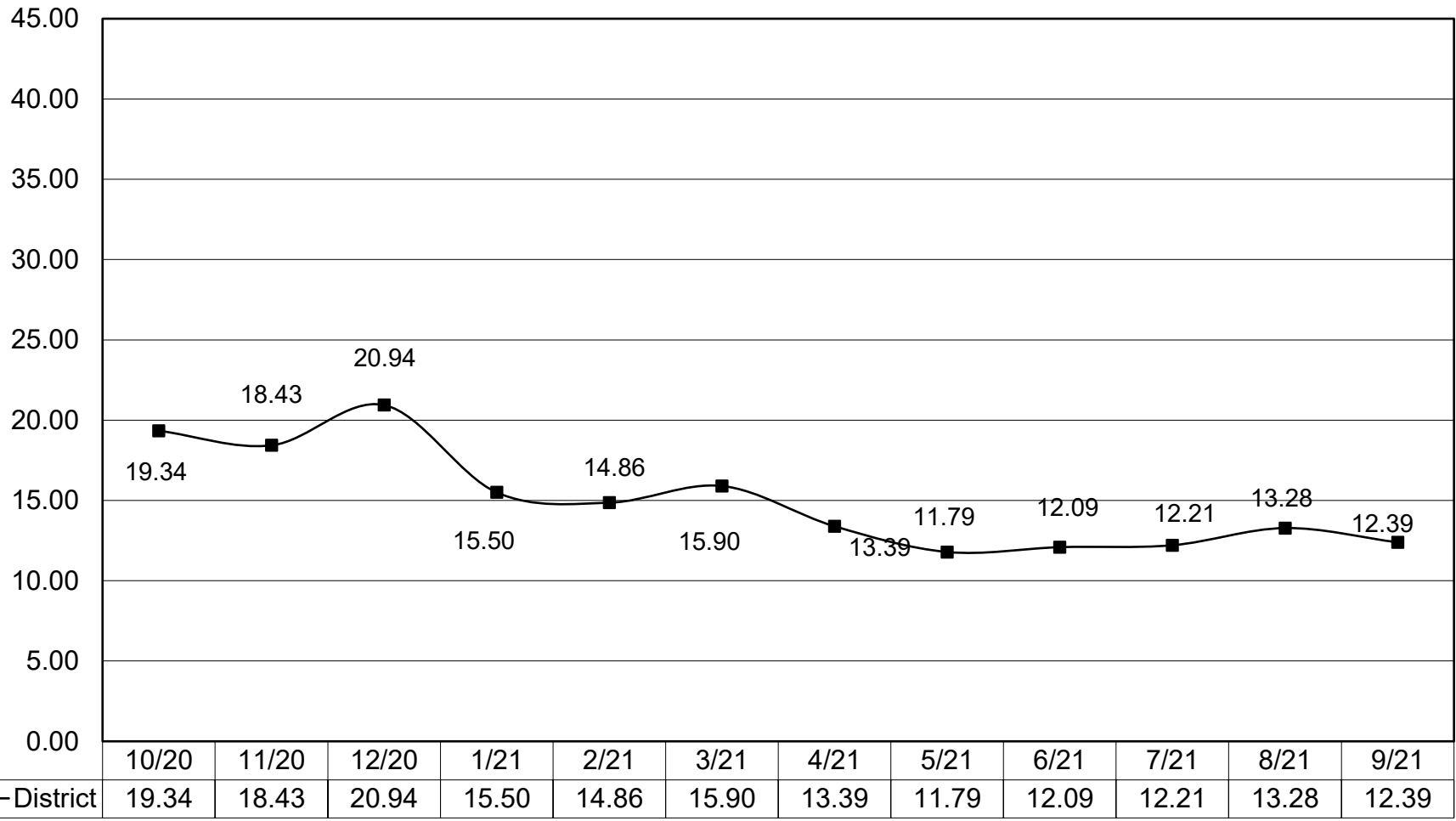
ACTIVE											
Current Month	FYTD Ave Hours Worked	PERS Enrollment	Agency	Dept	Hourly Rate	Est Hours per Month	Est Cost Per Month	Expected Duration (Months)	Actual Worked (Months)	Projected Cost FY' YTD	Actual Cost FY 'YTD
0.00	0.00			100							
0.98	0.98	Yes		200	22.37	168	3,758.16	12	3	11,274.48	11,386.33
0.98	0.98			200							
0.98	0.87	No		300	37.70	168	6,333.60	12	3	19,000.80	16,965.00
0.00	0.00	No		300	18.00	84	1,512.00	12	3	4,536.00	6,651.00
0.00	0.00	No		300	18.00	84	1,512.00	12	3	4,536.00	6,633.00
0.52	0.78	No		300	17.00	84	1,428.00	12	3	4,284.00	6,885.00
1.50	1.64			300							
0.98	0.97	No	X	400	23.92	168	4,018.56	6	3	12,055.68	12,103.52
0.00	0.08	No	X	400	30.53	168	5,129.04	6	3	15,387.12	1,221.20
0.00	0.00	No	X	400	32.26	168	5,419.68	4	3	16,259.04	1,290.40
0.87	0.85	Yes		400	23.92	168	4,018.56	2	3	12,055.68	10,524.80
1.84	1.89			400							
0.99	0.98	Yes		500	29.23	168	4,910.64	12	3	14,731.92	14,973.07
1.00	0.68	No	X	500	33.13	168	5,565.84	6	3	16,697.52	11,943.37
1.99	1.66			500							
0.97	0.99	No	X	600	32.76	168	5,503.68	6	3	16,511.04	16,838.64
0.99	0.98	No	X	600	32.76	168	5,503.68	12	3	16,511.04	16,986.06
0.00	0.00	No		600	14.00	84	1,176.00	10	3	3,528.00	770.00
0.00	0.00	No		600	14.00	84	1,176.00	12	2	2,352.00	
0.00	0.00	No		600	17.00	84	1,428.00	12	2	2,856.00	
0.00	0.00	No		600	14.00	84	1,176.00	10	3	3,528.00	3,255.00
1.00	0.63	No	X	600	46.43	1687	78,327.41	5	3	234,982.23	15,298.69
0.55	0.83	No	X	600	32.76	168	5,503.68	2	3	16,511.04	14,250.60
3.51	3.44			600							
0.98	0.98	No	X	700	30.92	168	5,194.56	6	3	15,583.68	15,769.20
0.98	0.96	No	X	700	30.92	168	5,194.56	6	3	15,583.68	15,460.00
0.61	0.79	EXC		700	14.00	84	1,176.00	12	3	3,528.00	5,754.00
2.57	2.73			700							
0.00	0.00			800							
12.39	12.35										

**IRVINE RANCH WATER DISTRICT
SUMMARY
AGENCY & DISTRICT TEMPORARY EMPLOYEES**

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									462,292.95	204,958.87

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, 2021




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November 2, 2021

Prepared by: O. Mendoza / J. Davis

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 22, 2021, as outlined in Exhibit "A";
- The U.S. Treasury Yield Curve as of October 22, 2021, as shown in Exhibit "B";
- The Summary of Fixed and Variable Debt as of October 22, 2021, as outlined in Exhibit "C"; and
- The Summary of Variable Rate Debt Rates as of October 22, 2021, as outlined in Exhibit "D".

BACKGROUND:

Investment Portfolio:

The rate of return for the fixed income investment portfolio was 0.41%, which was a 0.03% decrease from September's rate of 0.44%. Including real estate investments, the weighted average rate of return for IRWD's investment portfolio for October 2021 was 2.77%, which was a 0.01% increase from September rate of 2.76%.

Debt Portfolio:

As of October 22, 2021, IRWD's weighted average all-in variable rate was 0.36%, which was a 0.02% increase from September's rate of 0.34%. Including IRWD's weighted average fixed rate bond issues of 3.70% 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 2.95%, a 0.04% increase from September's rate of 2.91%.

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 22, 2021

Exhibit "B" – Yield Curve as of October 22, 2021

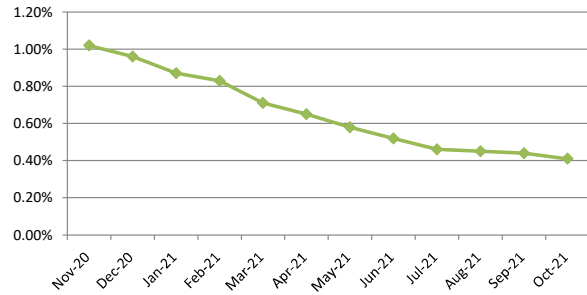
Exhibit "C" – Summary of Fixed and Variable Debt as of October 22, 2021

Exhibit "D" – Summary of Variable Rate Debt Rates as of October 22, 2021

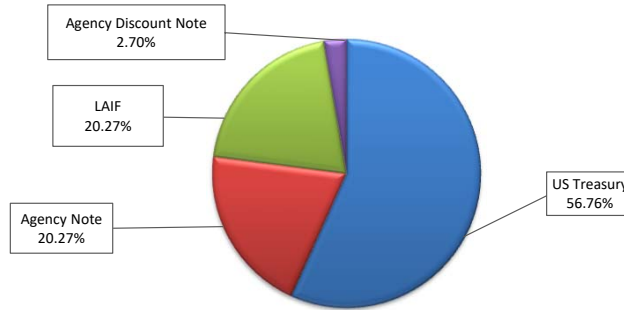
Exhibit "A"

Irvine Ranch Water District Investment Portfolio Summary October 2021

Monthly Fixed Income Yield



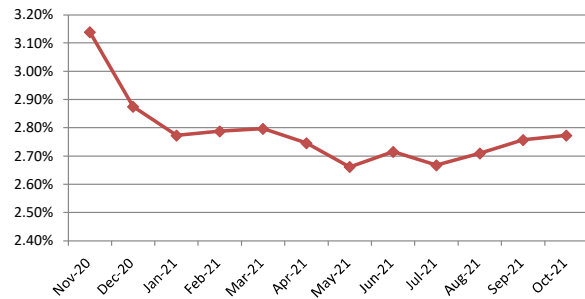
Portfolio Distribution



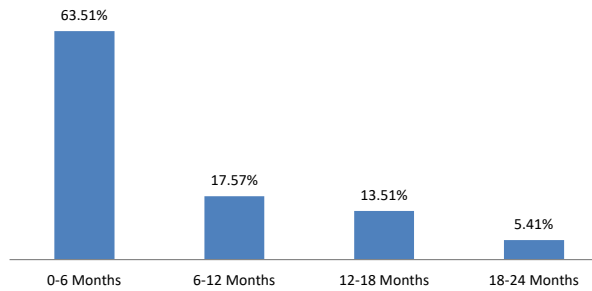
Investment Summary

Type	PAR	Book Value	Market Value
US Treasury	210,000,000	210,471,064	210,697,295
LAIF	75,000,000	75,000,000	74,990,525
Agency Note	75,000,000	75,224,122	75,494,550
Agency Discount Note	10,000,000	9,999,611	9,999,400
Grand Total	370,000,000	370,694,797	371,181,770

Weighted Average Return Including Real Estate Portfolio



Maturity Distribution



Top Issuers

Issuer	PAR	% Portfolio
US Treasury	210,000,000	56.76%
State of California Tsy.	75,000,000	20.27%
Fed Farm Credit Bank	50,000,000	13.51%
Fed Home Loan Bank	20,000,000	5.41%
Fed Home Loan Mortgage Corp	10,000,000	2.70%
Fed Natl Mortgage Assoc	5,000,000	1.35%
Grand Total	370,000,000	100.00%

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

10/22/21

SETTLMT	Call Schedule	Initial Call	Maturity Date	Rating	INVESTMENT TYPE	INSTITUTION / ISSUER	PAR Amount	COUPON DISCOUNT	YIELD	ORIGINAL COST	CARRY VALUE	MARKET VALUE ⁽¹⁾ 10/22/2021	UNREALIZED ⁽²⁾ GAIN/(LOSS)
07/24/20			10/23/21		LAIF	State of California Tsy.	\$75,000,000		0.206%	\$75,000,000.00	\$75,000,000.00	74,990,524.58	(9,475.42)
10/27/20	NA	NA	10/26/21	NR	FFCB - Discount Note	Fed Farm Credit Bank	5,000,000	0.130%	0.132%	4,993,427.78	5,000,000.00	4,999,950.00	(50.00)
10/06/21	NA	NA	11/02/21	Aaa/NR/AAA	Treasury - Bill	US Treasury	5,000,000	0.108%	0.110%	4,999,595.00	4,999,985.00	4,999,595.00	(390.00)
11/05/19	NA	NA	11/15/21	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	2.875%	1.610%	5,125,585.94	5,002,372.74	5,017,200.00	14,827.26
07/15/21	NA	NA	11/18/21	Aaa/NR/AAA	Treasury - Bill	US Treasury	10,000,000	0.040%	0.041%	9,998,600.00	9,999,811.11	9,999,600.00	(211.11)
06/11/21	NA	NA	11/26/21	Aaa/NR/AAA	Treasury - Bill	US Treasury	5,000,000	0.030%	0.030%	4,999,300.00	4,999,895.83	4,999,700.00	(195.83)
11/08/19	NA	NA	11/30/21	Treasury - Bill	Treasury - Note	US Treasury	5,000,000	1.750%	1.680%	5,007,031.25	5,000,270.79	5,013,850.00	13,579.21
03/17/21	NA	NA	11/30/21	Aaa/AA+/NR	Treasury - Note	US Treasury	5,000,000	1.875%	0.057%	5,064,120.00	5,010,935.19	5,014,900.00	3,964.81
09/28/20	NA	NA	12/03/21	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	5,000,000	0.150%	0.120%	5,001,765.00	5,000,131.04	5,000,600.00	468.96
10/30/20	NA	NA	12/15/21	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	2.625%	0.127%	5,140,429.69	5,015,033.84	5,026,400.00	11,366.16
04/23/20	NA	NA	12/20/21	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	10,000,000	1.625%	0.309%	10,217,480.00	10,031,581.25	10,034,500.00	2,918.75
06/30/21	NA	NA	12/30/21	Aaa/AA+/NR	Treasury - Bill	US Treasury	5,000,000	0.040%	0.041%	4,998,983.33	4,999,672.22	4,999,550.00	(122.22)
11/25/19	NA	NA	12/31/21	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	2.000%	1.619%	5,039,062.50	5,003,055.74	5,024,150.00	21,094.26
06/02/21	NA	NA	12/31/21	Aaa/NR/AAA	Treasury - Note	US Treasury	10,000,000	2.125%	0.027%	10,121,093.75	10,034,271.82	10,051,400.00	17,128.18
08/31/21	NA	NA	01/10/22	NR	FFCB - Discount Note	Fed Farm Credit Bank	5,000,000	0.040%	0.041%	4,999,266.67	4,999,611.11	4,999,450.17	(160.94)
05/26/21	NA	NA	01/11/22	Aaa/AA+/AAA	FNMA - Note	Fed Natl Mortgage Assoc	5,000,000	2.625%	0.031%	5,081,057.95	5,025,022.24	5,034,600.00	9,577.76
11/25/19	NA	NA	01/13/22	Aaa/NA/NR	FHLMC - Note	Fed Home Loan Mortgage Corp	5,000,000	2.375%	1.635%	5,077,250.00	5,007,229.81	5,032,750.00	25,520.19
08/14/20	NA	NA	01/13/22	Aaa/AA+/AAA	FHLMC - Note	Fed Home Loan Mortgage Corp	5,000,000	2.375%	0.147%	5,157,297.23	5,022,210.25	5,032,750.00	10,539.75
03/08/19	NA	NA	01/15/22	Aaa/AA+/NR	Treasury - Note	US Treasury	5,000,000	2.500%	2.460%	5,005,468.75	5,000,392.87	5,035,300.00	34,907.13
12/19/19	NA	NA	01/31/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	1.875%	1.641%	5,024,218.75	5,002,847.42	5,030,300.00	27,452.58
03/21/19	NA	NA	02/03/22	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	5,000,000	2.030%	2.361%	4,954,350.00	4,995,913.24	5,032,900.00	36,986.76
12/19/19	NA	NA	02/15/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	2.500%	1.652%	5,089,453.13	5,012,017.78	5,045,300.00	33,282.22
11/13/20	NA	NA	02/28/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	1.875%	0.139%	5,112,304.69	5,028,314.11	5,037,500.00	9,185.89
11/19/20	NA	NA	02/28/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	1.750%	0.126%	5,103,710.94	5,026,484.12	5,035,150.00	8,665.88
06/09/21	NA	NA	02/28/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	1.125%	0.051%	5,038,964.84	5,017,563.70	5,021,900.00	4,336.30
03/08/19	NA	NA	03/11/22	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	2.500%	2.549%	5,002,750.00	5,000,325.30	5,054,600.00	54,274.70
12/23/20	NA	NA	03/22/22	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	10,000,000	0.090%	0.090%	10,000,000.00	10,000,000.00	10,001,900.00	1,900.00
12/19/19	NA	NA	03/31/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	1.875%	1.645%	5,025,585.94	5,044,607.31	5,044,900.00	40,292.69
04/30/21	NA	NA	03/31/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	0.375%	0.056%	5,014,648.44	5,006,559.00	5,007,800.00	1,241.00
02/21/20	NA	NA	04/14/22	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	5,000,000	1.400%	1.414%	4,998,500.00	4,999,551.72	5,035,400.00	35,848.28
04/23/20	NA	NA	04/21/22	Aaa/AA+/NR	FFCB - Note	Fed Farm Credit Bank	10,000,000	1.580%	0.320%	10,250,200.00	10,061,518.96	10,083,500.00	21,981.04
08/12/21	NA	NA	05/31/22	Aaa/NR/AAA	Treasury - Note	US Treasury	10,000,000	1.750%	0.061%	10,135,156.25	10,123,468.67	10,111,700.00	(11,768.67)
04/22/21	NA	NA	06/30/22	Aaa/NR/AAA	Treasury - Note	US Treasury	10,000,000	0.125%	0.082%	10,005,078.13	10,002,819.88	10,003,100.00	280.12
04/30/21	NA	NA	06/30/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	0.125%	0.082%	5,002,539.06	5,001,436.42	5,001,550.00	113.58
05/28/21	NA	NA	06/30/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	0.125%	0.064%	5,003,320.31	5,002,010.54	5,001,550.00	(460.54)
05/20/21	NA	NA	06/30/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	1.750%	0.065%	5,093,750.00	5,055,649.63	5,062,100.00	6,450.37
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	5,000,210.53	5,061,500.00	61,289.47
04/28/21	NA	NA	08/31/22	Aaa/NR/NR	Treasury - Note	US Treasury	5,000,000	0.125%	0.102%	5,001,562.50	5,000,966.20	5,001,150.00	183.80
04/28/21	NA	NA	09/09/22	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	2.000%	0.112%	5,128,632.30	5,080,427.41	5,089,550.00	9,122.59
04/22/21	NA	NA	10/31/22	Aaa/NR/AAA	Treasury - Note	US Treasury	10,000,000	0.125%	0.110%	10,002,343.75	10,004,266.02	10,000,400.00	(3,866.02)
05/20/21	NA	NA	11/30/22	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	0.125%	0.103%	5,001,647.15	5,001,160.96	4,999,200.00	(1,960.96)
10/15/21	NA	NA	12/15/22	Aaa/AA/AAA	Treasury - Note	US Treasury	10,000,000	1.625%	0.140%	10,173,046.88	10,166,141.25	10,173,046.88	6,905.62
09/30/21	NA	NA	01/31/23	Aaa/NR/AAA	Treasury - Note	US Treasury	5,000,000	0.125%	0.143%	4,998,828.13	4,998,904.97	4,997,650.00	(1,254.97)
10/07/21	NA	NA	02/28/23	Aaa/AA/AAA	Treasury - Note	US Treasury	10,000,000	0.125%	0.181%	9,992,187.50	9,992,571.22	9,992,187.50	(383.72)
09/09/21	NA	NA	03/31/23	Aaa/AA/AAA	Treasury - Note	US Treasury	10,000,000	0.125%	0.153%	9,995,703.13	9,996,104.07	9,990,600.00	(5,504.07)
09/30/21	NA	NA	04/30/23	Aaa/AA/AAA	Treasury - Note	US Treasury	10,000,000	0.125%	0.202%	9,987,890.63	9,988,562.21	9,986,300.00	(2,262.21)
10/19/21	NA	NA	04/30/23	Aaa/AA/AAA	Treasury - Note	US Treasury	10,000,000	0.125%	0.307%	9,972,265.63	9,972,911.77	9,972,265.63	(646.15)
SUB-TOTAL							\$370,000,000			\$372,136,202.92	\$370,694,797.27	\$371,181,769.75	\$486,972.47
TOTAL INVESTMENTS							\$370,000,000			\$372,136,202.92	\$370,694,797.27	\$371,181,769.75	\$486,972.47

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

10/22/21

SETTLMT	Call Schedule	Initial Call	Maturity Date	Rating	INVESTMENT TYPE	INSTITUTION / ISSUER	PAR Amount	COUPON DISCOUNT	YIELD	ORIGINAL COST	CARRY VALUE	MARKET VALUE ⁽¹⁾ 10/22/2021	UNREALIZED ⁽²⁾ GAIN/(LOSS)
					Petty Cash					3,400.00			
					Ck Balance	Bank of America		ECR	0.19%	8,671,010.91			
										<u>3,400.00</u>			
										<u>8,671,010.91</u>			
										<u><u>\$380,810,613.83</u></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	\$239,100,000
Net Outstanding Variable Rate Debt (Less \$60 million fixed-payer swaps)	\$179,100,000
Investment Balance:	\$380,810,614
Investment to Variable Rate Debt Ratio:	213%
Portfolio - Average Number of Days To Maturity	168

	Investment Portfolio	Real Estate ⁽³⁾ Portfolio	Weighted Avg. Return
October	0.41%	11.65%	2.77%
September	0.44%	11.65%	2.76%
Change	-0.03%		0.01%

This Investment Summary Report is in conformity with the 2021 Investment Policy and provides sufficient liquidity to meet the next six months estimated expenditures.

*S - Step up

IRVINE RANCH WATER DISTRICT
SUMMARY OF MATURITIES

10/22/21

DATE	TOTAL	%	LAIF	Agency Notes	Agency Discount Notes	Municipal Bonds	US Treasury
10/21	80,000,000	21.62%	\$75,000,000	-	5,000,000		
11/21	35,000,000	9.46%					35,000,000
12/21	40,000,000	10.81%		15,000,000			25,000,000
01/22	30,000,000	8.11%		15,000,000	5,000,000		10,000,000
02/22	25,000,000	6.76%		5,000,000			20,000,000
03/22	25,000,000	6.76%		15,000,000			10,000,000
04/22	15,000,000	4.05%		15,000,000			
05/22	10,000,000	2.70%					10,000,000
06/22	25,000,000	6.76%					25,000,000
07/22	5,000,000	1.35%		5,000,000			
08/22	5,000,000	1.35%					5,000,000
09/22	5,000,000	1.35%		5,000,000			
SUB-TOTAL	\$300,000,000	81.08%	\$75,000,000	75,000,000	10,000,000		140,000,000
13 Months - 3 YEARS							
10/01/2022 - 12/31/2022	\$25,000,000	6.76%					25,000,000
01/01/2023 - 03/31/2023	\$25,000,000	6.76%					25,000,000
04/01/2023 +	\$20,000,000	5.41%					20,000,000
TOTALS	\$370,000,000	100.00%	\$75,000,000	75,000,000	10,000,000		210,000,000

% OF PORTFOLIO 20.27% 20.27% 2.70% 56.76%

Irvine Ranch Water District
Summary of Real Estate - Income Producing Investments
9/30/2021

	ACQUISITION DATE	PROPERTY TYPE	OWNERSHIP INTEREST	ORIGINAL COST	MARKET VALUE 6/30/2021	ANNUALIZED RATE OF RETURN QUARTER ENDED 9/30/2021
Sycamore Canyon	Dec-92	Apartments	Fee Simple	\$ 43,550,810	\$ 170,000,000	21.22%
Wood Canyon Villas	Jun-91	Apartments	Limited Partner	\$ 6,000,000	\$ 32,258,924	8.52%
ITC (230 Commerce)	Jul-03	Office Building	Fee Simple	\$ 5,739,845	\$ 12,000,000	9.40%
Waterworks Business Pk.	Nov-08	Research & Dev.	Fee Simple	\$ 8,630,577	\$ 11,600,000	7.19%
Sand Canyon Professional Center - Medical Office	Jul-12	Medical Office	Fee Simple	\$ 8,648,594	\$ 11,900,000	9.40%
Sand Canyon Professional Center - General Office	Sep-20	Office Building	Fee Simple	\$ 25,985,968	\$ 33,250,000	-0.92%
Total - Income Properties				\$ 98,555,794	\$ 271,008,924	11.65%

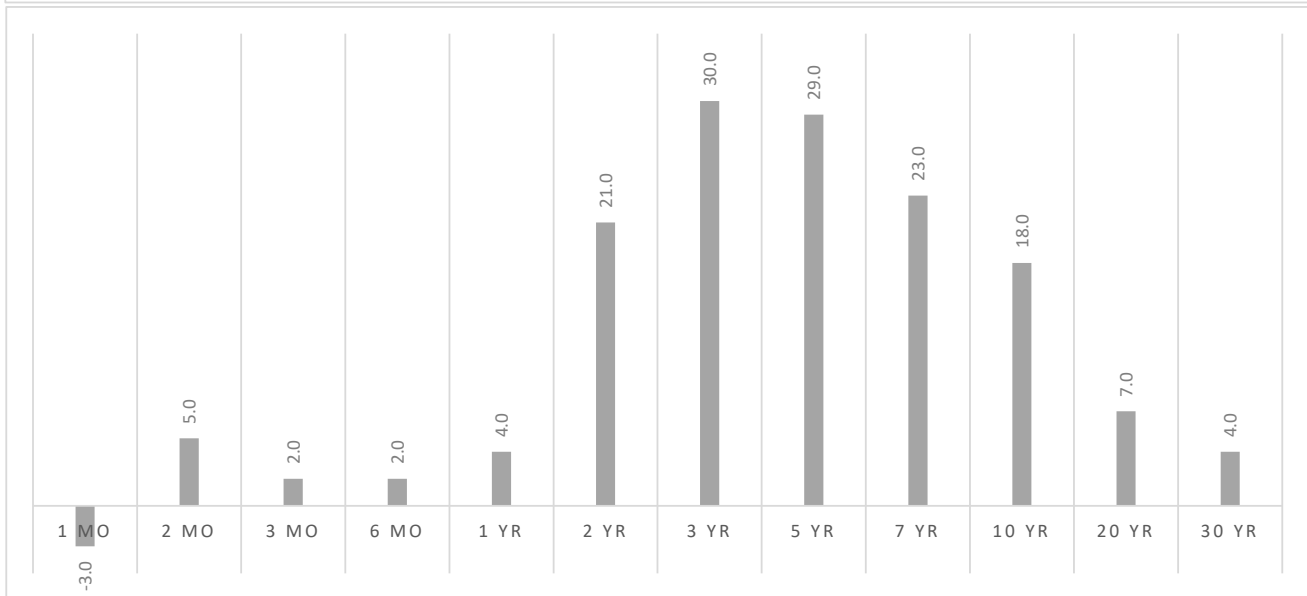
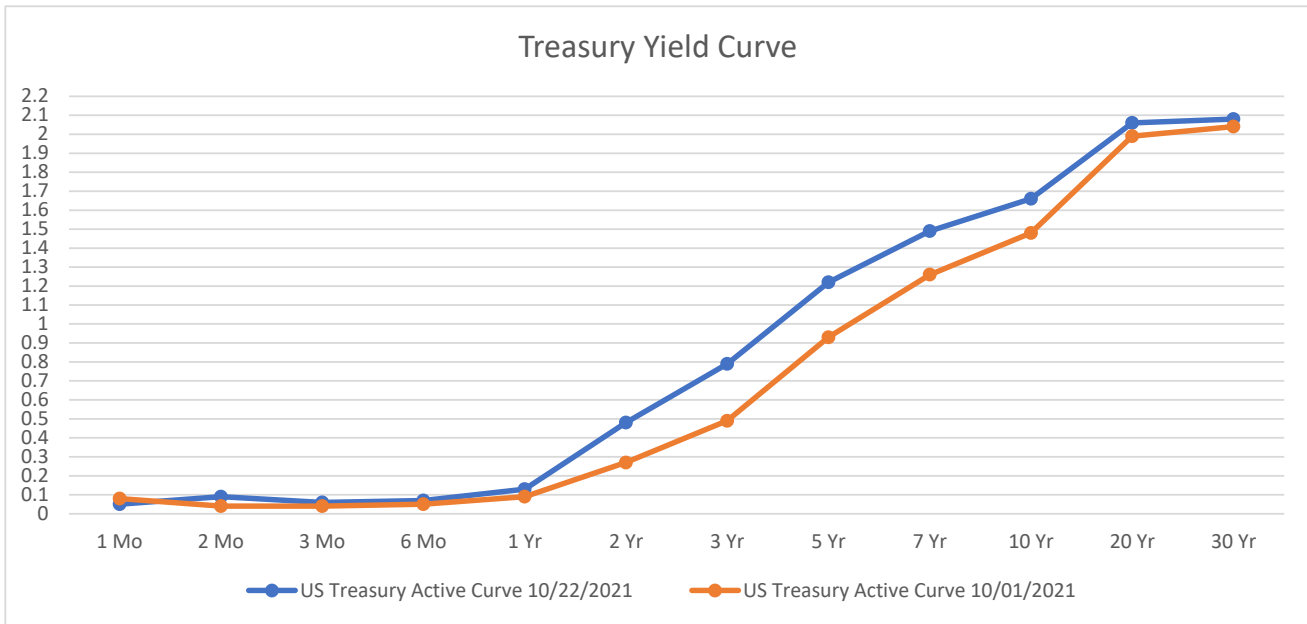
IRVINE RANCH WATER DISTRICT INVESTMENT SUMMARY REPORT
INVESTMENT ACTIVITY
Oct-21

MATURITIES/SALES/CALLS

PURCHASES

DATE	SECURITY TYPE	PAR	YIELD	Settlement Date	Maturity Date	SECURITY TYPE	PAR	YIELD TO MATURITY
10/5/2021	FHLB - Discount Note	\$5,000,000	0.04%	10/6/2021	11/2/2021	Treasury - Bill	\$5,000,000	0.11%
10/7/2021	FNMA - Note	\$10,000,000	0.14%	10/7/2021	2/28/2023	Treasury - Note	\$10,000,000	0.18%
10/15/2021	Treasury - Note	\$5,000,000	1.54%	10/15/2021	12/15/2022	Treasury - Note	\$10,000,000	0.14%
10/15/2021	FFCB - Note	\$5,000,000	1.64%	10/19/2021	4/30/2023	Treasury - Note	\$10,000,000	0.31%
10/19/2021	FHLB - Note	\$10,000,000	0.13%					

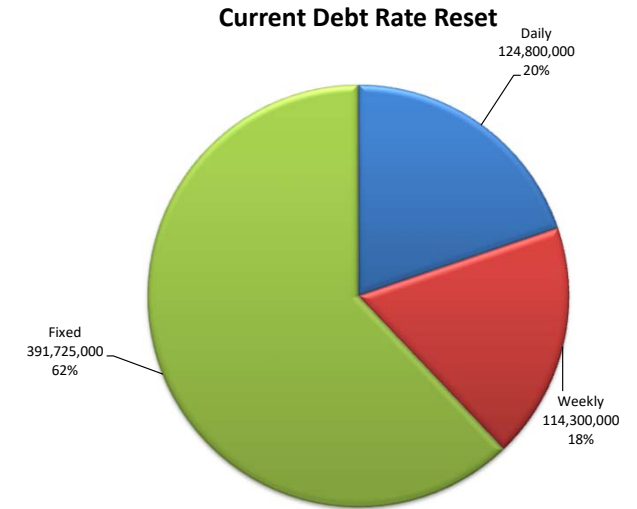
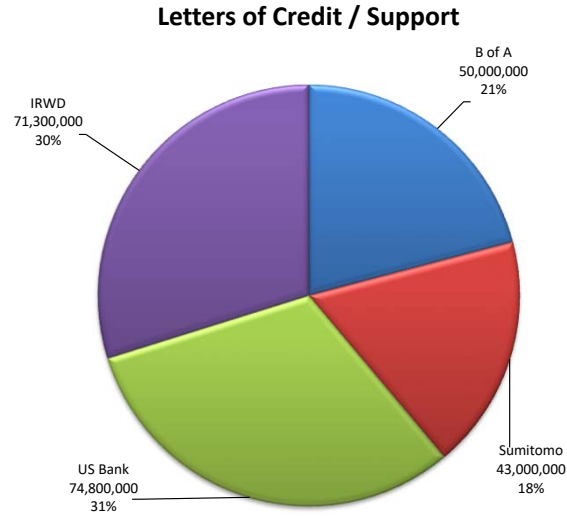
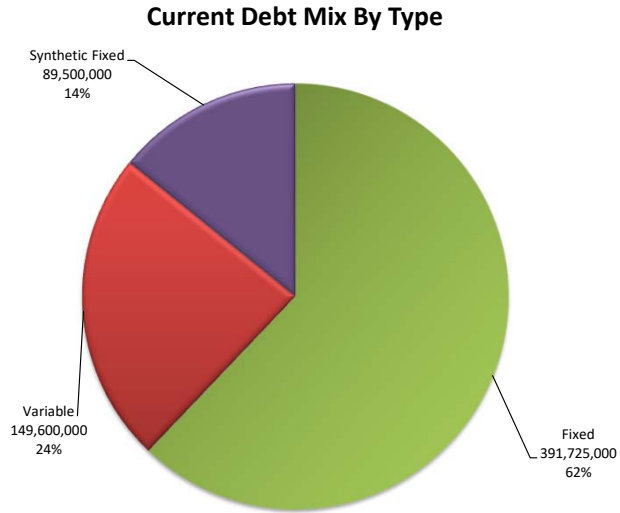
Exhibit "B"



Tenor	US Treasury Active Curve 10/22/2021	US Treasury Active Curve 10/01/2021	Change
1 Mo	0.05	0.08	-3.0
2 Mo	0.09	0.04	5.0
3 Mo	0.06	0.04	2.0
6 Mo	0.07	0.05	2.0
1 Yr	0.13	0.09	4.0
2 Yr	0.48	0.27	21.0
3 Yr	0.79	0.49	30.0
5 Yr	1.22	0.93	29.0
7 Yr	1.49	1.26	23.0
10 Yr	1.66	1.48	18.0
20 Yr	2.06	1.99	7.0
30 Yr	2.08	2.04	4.0

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Exhibit "C"
Irvine Ranch Water District
Summary of Fixed and Variable Rate Debt
October 2021



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	\$24,800,000	3.93%	US Bank	BAML	Variable	Daily
Series 2008-A Refunding	04/24/08	07/01/35	\$43,000,000	6.82%	Sumitomo	BAML	Variable	Weekly
Series 2011-A-1 Refunding	04/15/11	10/01/37	\$42,780,000	6.78%	IRWD	Goldman	Variable	Weekly
Series 2011-A-2 Refunding	04/15/11	10/01/37	\$28,520,000	4.52%	IRWD	Goldman	Variable	Weekly
Series 2009 - A	06/04/09	10/01/41	\$50,000,000	7.93%	US Bank	US Bank	Variable	Daily
Series 2009 - B	06/04/09	10/01/41	\$50,000,000	7.93%	B of A	Goldman	Variable	Daily
2016 COPS	09/01/16	03/01/46	\$113,325,000	17.96%	N/A	N/A	Fixed	Fixed
2010 Build America Taxable Bond	12/16/10	05/01/40	\$175,000,000	27.74%	N/A	N/A	Fixed	Fixed
Series 2016	10/12/16	02/01/46	\$103,400,000	16.39%	N/A	N/A	Fixed	Fixed
Total			\$630,825,000	100.00%				

IRVINE RANCH WATER DISTRICT
SUMMARY OF FIXED & VARIABLE RATE DEBT

October-21

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	\$24,800,000	US BANK	05/07/15	12/15/21	Aa3/VMIG1	AA-/A-1+	N/R	\$25,134,290	0.3300%	\$82,943	BAML	DAILY	0.10%	\$24,800	BANK OF NY						
SERIES 2008-A Refunding	04/24/08	07/01/35	Jul 1	5th Bus. Day	\$60,215,000	\$43,000,000	SUMITOMO	04/01/11	05/28/25	A1/P-1	A/A-1	A/F1	\$43,636,164	0.3150%	\$137,454	BAML	WED	0.07%	\$30,100	BANK OF NY						
SERIES 2011-A-1 Refunding	04/15/11	10/01/37	Oct 1	1st Bus. Day	\$60,545,000	\$42,780,000	N/A	N/A	N/A	Aa1/VMIG1	A-1+	AAA/F1+	N/A	N/A	N/A	Goldman	WED	0.13%	\$53,475	BANK OF NY						
SERIES 2011-A-2 Refunding	04/15/11	10/01/37	Oct 1	1st Bus. Day	\$40,370,000	\$28,520,000	N/A	N/A	N/A	Aa1/VMIG1	A-1+	AAA/F1+	N/A	N/A	N/A	Goldman	WED	0.13%	\$35,650	BANK OF NY						
SERIES 2009 - A	06/04/09	10/01/41	Oct 1	1st Bus. Day	\$75,000,000	\$50,000,000	US BANK	04/01/11	12/15/21	Aa2/VMIG 1	AA-/A-1+	AA/F1+	\$50,558,904	0.3300%	\$166,844	US Bank	DAILY	0.07%	\$35,000	US BANK						
SERIES 2009 - B	06/04/09	10/01/41	Oct 1	1st Bus. Day	\$75,000,000	\$50,000,000	B of A	04/01/11	05/16/22	Aa2/VMIG 1	A/A-1	A1/F1+	\$50,558,904	0.3000%	\$151,677	Goldman	DAILY	0.10%	\$50,000	US BANK						
					\$349,430,000	\$239,100,000	SUB-TOTAL VARIABLE RATE DEBT										\$169,888,263		0.3172%		\$538,918		0.10%		\$229,025	
																	(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 1	Mar/Sept	\$116,745,000	\$113,325,000	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	\$391,725,000	SUB-TOTAL FIXED RATE DEBT																			
					\$744,575,000	\$630,825,000	TOTAL- FIXED & VARIABLE RATE DEBT																			

Remarketing Agents			GO VS COP's		
Goldman	121,300,000	51%	GO:	517,500,000	82%
BAML	67,800,000	28%	COPS:	113,325,000	18%
US Bank	50,000,000	21%	Total	<u>630,825,000</u>	
	<u>239,100,000</u>				

LOC Banks		Breakdown Between Variable & Fixed Rate Mode	
SUMITOMO	43,000,000	Daily Issues	124,800,000 20%
BANK OF AMERICA	50,000,000	Weekly Issues	43,000,000 7%
US BANK	74,800,000	ITN Issues	71,300,000 11%
	<u>167,800,000</u>	Sub-Total	<u>239,100,000</u>
		Fixed Rate Issues	\$391,725,000 62%
		Sub-Total - Fixed	<u>391,725,000</u>
		TOTAL DEBT	
		FIXED & VAR.	<u>630,825,000</u> 100%

Exhibit "D"


SUMMARY OF DEBT RATES Oct-21

Rmkt Agent Mode	GOLDMAN DAILY	GOLDMAN WEEKLY	GOLDMAN WEEKLY	MERRILL LYNCH		US BANK DAILY
Bond Issue	2009 - B	2011 A-1	2011 A-2	DAILY 1993	WEEKLY 2008-A	2009-A
Par Amount	50,000,000	42,780,000	28,520,000	24,800,000	43,000,000	50,000,000
LOC Bank	BOFA	(SIFMA + 3)	(SIFMA + 3)	US BANK	Sumitomo	US BANK
Reset		Wednesday	Wednesday		Wednesday	
10/1/2021	0.02%	0.08%	0.08%	0.04%	0.05%	0.03%
10/2/2021	0.02%	0.08%	0.08%	0.04%	0.05%	0.03%
10/3/2021	0.02%	0.08%	0.08%	0.04%	0.05%	0.03%
10/4/2021	0.01%	0.08%	0.08%	0.02%	0.05%	0.01%
10/5/2021	0.01%	0.08%	0.08%	0.01%	0.05%	0.01%
10/6/2021	0.01%	0.08%	0.08%	0.01%	0.05%	0.01%
10/7/2021	0.01%	0.08%	0.08%	0.01%	0.05%	0.01%
10/8/2021	0.02%	0.08%	0.08%	0.01%	0.05%	0.01%
10/9/2021	0.02%	0.08%	0.08%	0.01%	0.05%	0.01%
10/10/2021	0.02%	0.08%	0.08%	0.01%	0.05%	0.01%
10/11/2021	0.02%	0.08%	0.08%	0.01%	0.05%	0.01%
10/12/2021	0.01%	0.08%	0.08%	0.01%	0.05%	0.01%
10/13/2021	0.01%	0.08%	0.08%	0.01%	0.05%	0.01%
10/14/2021	0.01%	0.08%	0.08%	0.01%	0.06%	0.03%
10/15/2021	0.01%	0.08%	0.08%	0.01%	0.06%	0.03%
10/16/2021	0.01%	0.08%	0.08%	0.01%	0.06%	0.03%
10/17/2021	0.01%	0.08%	0.08%	0.01%	0.06%	0.03%
10/18/2021	0.01%	0.08%	0.08%	0.01%	0.06%	0.02%
10/19/2021	0.01%	0.08%	0.08%	0.01%	0.06%	0.01%
10/20/2021	0.01%	0.08%	0.08%	0.01%	0.06%	0.01%
10/21/2021	0.01%	0.08%	0.08%	0.01%	0.06%	0.02%
10/22/2021	0.01%	0.08%	0.08%	0.01%	0.06%	0.01%
Avg Interest Rates	0.01%	0.08%	0.08%	0.01%	0.05%	0.02%
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	0.41%	0.21%	0.21%	0.44%	0.44%	0.42%
Par Amount	92,780,000		28,520,000	67,800,000		50,000,000

Interest Rate Mode	Percent of Total Variable Rate Debt	Par Outstanding	Weighted All-In Average Rate	Base Rate Average
Daily	52.20%	124,800,000	0.42%	0.02%
Weekly	47.80%	114,300,000	0.29%	0.07%
	100.00%	\$ 239,100,000	0.36%	0.04%
Fixed				
COPS 2016	28.93%	113,325,000	2.90%	
BABS 2010	44.67%	175,000,000	4.44%	(1)
SERIES 2016	26.40%	103,400,000	3.32%	
	100.00%	\$ 391,725,000	3.70%	
All-In Debt Rate Including \$60 Million Notional Amount of Swaps				2.95%

(1) Rate adjusted up from 4.35% as a result of sequestration reducing BAB's subsidy by 5.7%

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November 2, 2021
 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 2021-22

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) 2021-22. Provided below is a summary of expenses paid to date.

	Name	Conference, Travel, and Other District-Related Expenses	Meeting Fees	Total
Board Members:	LaMar	\$ 890	\$ 9,000	\$ 9,890
	McLaughlin	75	6,600	6,675
	Reinhart	396	9,000	9,396
	Swan	2,610	9,000	11,610
	Withers	1,924	8,870	10,624
	<i>Total:</i>	\$ 5,895	\$42,300	\$48,195
General Manager:	Cook	\$ 520	N/A	\$ 520
	<i>Total:</i>	\$ 520	N/A	\$ 520

FISCAL IMPACTS:

Meeting fees total \$42,300 versus a budget of \$45,000 resulting in a positive variance of \$2,700 year to date. Conference and meeting-related travel expenses for both the Board of Directors and the General Manager totaled \$6,415 versus a budget of \$5,000, resulting in a negative variance of \$1,415.

The total cost for Board and General Manager conference, travel, and other District-related expenses, including meeting fees, through the first quarter FY 2021-22 is \$48,715, resulting in a positive variance of \$1,285 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.

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
Through the First Quarter FY 2021-22**

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	890	-	-	-	-	-	-	-	-	-	\$ 890
Karen McLaughlin	75	-	-	-	-	-	-	-	-	-	75
Doug Reinhart	396	-	-	-	-	-	-	-	-	-	396
Peer Swan	1,775	-	620	25	80	-	15	169	95	-	2,610
John Withers	1,091	-	620	35	-	80	-	175	98	-	1,924
											-
											-
											-
											-
											-
General Manager:											
Paul Cook	-	-	-	188	-	-	332	-	-	-	520
											-
											-
Total	\$ 4,227	\$ -	\$ 1,240	\$ 248	\$ 80	\$ 80	\$ 347	344	\$ 193	\$ -	\$ 6,415

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**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2021-22**

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													
Paid	July 2021	Monthly Expense Report (no activity this period)											\$ -
	August 2021	*Various business/virtual meetings	250.00										250.00
	September 2021	Monthly Expense Report (no activity this period)											-
	October 2021	Monthly Expense Report (no activity this period)											-
	November 2021	Monthly Expense Report (no activity this period)											-
	December 2021	Monthly Expense Report (no activity this period)											-
	January 2022	Monthly Expense Report (no activity this period)											-
	February 2022	Monthly Expense Report (no activity this period)											-
	March 2022	Monthly Expense Report (no activity this period)											-
	April 2022	Monthly Expense Report (no activity this period)											-
	May 2022	Monthly Expense Report (no activity this period)											-
	June 2022	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
Paid	Jul. 2021	NWRA Wester Water Table Talk Webinars, 7/15, 7/22, 7/29, 8/5	350.00										350.00
Paid	Sep. 2021	Urban Water Institute Conference, Costa Mesa, CA	290.00										290.00
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
Total			\$ 890.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ 890.00

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2021-22**

Karen McLaughlin

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 2021	Monthly Expense Report (no activity this period)											\$ -
	August 2021	Monthly Expense Report (no activity this period)											-
	September 2021	Monthly Expense Report (no activity this period)											-
	October 2021	Monthly Expense Report (no activity this period)											-
	November 2021	Monthly Expense Report (no activity this period)											-
	December 2021	Monthly Expense Report (no activity this period)											-
	January 2022	Monthly Expense Report (no activity this period)											-
	February 2022	Monthly Expense Report (no activity this period)											-
	March 2022	Monthly Expense Report (no activity this period)											-
	April 2022	Monthly Expense Report (no activity this period)											-
	May 2022	Monthly Expense Report (no activity this period)											-
	June 2022	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
Paid	Jul. 2021	ACWA Zooming through CA's Regions, 7/20, 8/19, 9/22	75.00										75.00
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
Total			\$ 75.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -	\$ 75.00

*Detail of Description/Location provided on Expense Report



Peer Swan

**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2021-22**

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 2021	Monthly Expense Report (no activity this period)											\$ -
	August 2021	Monthly Expense Report (no activity this period)											-
Paid	September 2021	*Various business/virtual meetings	90.00			25.00							115.00
Paid	October 2021	Newport Beach Chamber of Commerce Economic Forecast	75.00										75.00
	November 2021	Monthly Expense Report (no activity this period)											-
	December 2021	Monthly Expense Report (no activity this period)											-
	January 2022	Monthly Expense Report (no activity this period)											-
	February 2022	Monthly Expense Report (no activity this period)											-
	March 2022	Monthly Expense Report (no activity this period)											-
	April 2022	Monthly Expense Report (no activity this period)											-
	May 2022	Monthly Expense Report (no activity this period)											-
	June 2022	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
Paid	Aug. 2021	CASA Annual Summer Conf., San Diego, CA	595.00		619.96		80.00		14.83	169	94.75		1,404.54
Paid	Sep. 2021	Urban Water Institute Annual Fall Conf., Costa Mesa, CA	290.00										290.00
Paid	Sep. 2021	ACWA Fall Conference, Pasadena, CA Nov. 30 - Dec. 2, 2021	725.00										725.00
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
Total			\$ 1,775.00	\$ -	\$ 619.96	\$ 25.00	\$ 80.00	\$ -	\$ 14.83	169	\$ 94.75	\$ -	\$ 2,609.54

*Detail of Description/Location provided on Expense Report




**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2021-22**

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 2021	*Various business/virtual meetings	116.25										\$ 116.25
	August 2021	Monthly Expense Report (no activity this period)											-
Paid	September 2021	MWDOC Water Policy Dinner	90.00										90.00
	October 2021	Monthly Expense Report (no activity this period)											-
	November 2021	Monthly Expense Report (no activity this period)											-
	December 2021	Monthly Expense Report (no activity this period)											-
	January 2022	Monthly Expense Report (no activity this period)											-
	February 2022	Monthly Expense Report (no activity this period)											-
	March 2022	Monthly Expense Report (no activity this period)											-
	April 2022	Monthly Expense Report (no activity this period)											-
	May 2022	Monthly Expense Report (no activity this period)											-
	June 2022	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
Paid	Aug. 2021	CASA Annual Summer Conf., San Diego, CA	595.00		619.96	35.00		80.00			175	98.00	1,427.96
Paid	Sep. 2021	Urban Water Institute Conf., Webinar	290.00										290.00
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
Total			\$ 1,091.25	\$ -	\$ 619.96	\$ 35.00	\$ -	\$ 80.00	\$ -	175	\$ 98.00	\$ -	\$ 1,924.21

*Detail of Description/Location provided on Expense Report

November 2, 2021
Prepared: by: J. Tobar
Submitted by: C. Clary
Approved by Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

LEGAL FEES QUARTERLY UPDATE

SUMMARY:

Below is an analysis that provides a summary of legal fees incurred by IRWD for the first quarter of Fiscal Year (FY) 2021-22.

BACKGROUND:

Legal fees for IRWD’s general operations in the first quarter of FY 2021-22 totaled \$714,149 compared to a budget of \$762,500, resulting in a positive variance of \$48,351, or 6.3%. Of the total legal fees attributable to operations, personnel issues were over budget by \$85,145, due primarily to work associated with human resource matters. There were positive variances in all other categories including general services, litigation, and special projects. Actual legal fees accounted for 1.41% of actual operating expenses and 1.17% of total expenditures.

Capitalized legal fees associated with major capital projects for the first quarter of FY 2021-22 totaled \$96,926. The Kern Fan Groundwater Storage Project and the Michelson Water Recycling Plant Biosolids and Energy Recovery Facility projects comprised 83.0% of the total legal fees associated with capital spending for the first quarter of FY 2021-22.

There were no non-operating legal fees in the first quarter of FY 2021-22.

Exhibit “A” provides a detailed comparison of actual-to-budgeted legal fees for the first quarter of FY 2021-22. Exhibit “B” provides a three-year comparison of fees incurred by the firms providing services to IRWD in FY 2019-20 through FY 2021-22, their hourly rates, and a general description of the services provided.

FISCAL IMPACTS:

Fiscal impacts are outlined above.

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" –Legal Fees, Fiscal Year 2021-22

Exhibit "B" –Comparative Analysis of Legal Fees for FY 2019-20 through FY 2021-22

Exhibit "A"

Legal Fees
Fiscal Year 2021 - 2022

Firm	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Actual Operating Legal Fees	YTD Budget Operating Legal Fees	YTD % Actual vs Budget
Operating Legal Fees:							
<u>General Services:</u>							
Hanson Bridgett LLP	\$ 236,813	\$ -	\$ -	\$ -	\$ 236,813		
Kronick Moskowitz Tiedemann & Girard	\$ 17,801	\$ -	\$ -	\$ -	\$ 17,801		
Sub-total	\$ 254,614	\$ -	\$ -	\$ -	\$ 254,614	\$ 262,500	97.0%
<u>Litigation:</u>							
Alston & Bird LLP	\$ 180,170	\$ -	\$ -	\$ -	\$ 180,170		
Everett Dorey LLP	\$ (1,338)	\$ -	\$ -	\$ -	\$ (1,338)		
Hanson Bridgett LLP	\$ 1,877	\$ -	\$ -	\$ -	\$ 1,877		
Kronick Moskowitz Tiedemann & Girard	\$ 154,162	\$ -	\$ -	\$ -	\$ 154,162		
Kutak Rock LLP	\$ 4,277	\$ -	\$ -	\$ -	\$ 4,277		
Sub-total	\$ 339,148	\$ -	\$ -	\$ -	\$ 339,148	\$ 425,000	79.8%
<u>Special Projects:</u>							
Kienle Law, PC	\$ 10,242	\$ -	\$ -	\$ -	\$ 10,242		
Sub-total	\$ 10,242	\$ -	\$ -	\$ -	\$ 10,242	\$ 50,000	20.5%
<u>Personnel Issues:</u>							
Burke, Williams & Sorensen, LLP	\$ 1,268	\$ -	\$ -	\$ -	\$ 1,268		
Payne & Fears LLP	\$ 32,222	\$ -	\$ -	\$ -	\$ 32,222		
Pillsbury Winthrop Shaw Pittman LLP	\$ 19,042	\$ -	\$ -	\$ -	\$ 19,042		
Wagener Law, PC	\$ 57,613	\$ -	\$ -	\$ -	\$ 57,613		
Sub-total	\$ 110,145	\$ -	\$ -	\$ -	\$ 110,145	\$ 25,000	440.6%
Total Operating Legal Fees	\$ 714,149	\$ -	\$ -	\$ -	\$ 714,149	\$ 762,500	93.7%

Major Capital Projects Legal Fees:

Kern Fan Groundwater Storage	\$ 69,459	\$ -	\$ -	\$ -	\$ 69,459
MWRP Biosolids and Energy Recovery	\$ 10,976	\$ -	\$ -	\$ -	\$ 10,976
Syphon Reservoir Improvements	\$ 7,527	\$ -	\$ -	\$ -	\$ 7,527
Water Reliability Planning	\$ 4,068	\$ -	\$ -	\$ -	\$ 4,068
Water Supply Reliability Agreements	\$ 4,896	\$ -	\$ -	\$ -	\$ 4,896
Capital Projects Total	\$ 96,926	\$ -	\$ -	\$ -	\$ 96,926
Total Operating and Capital Legal Fees	\$ 811,075	\$ -	\$ -	\$ -	\$ 811,075

	YTD Actual	YTD Budget
Operating Expense	\$ 50,594,420	\$ 45,288,987
Operating Legal Fees	\$ 714,149	\$ 762,500
% of Legal to Operating	1.41%	1.68%
Capital Projects	\$ 19,018,538	\$ 29,171,197
Capital Legal Fees	\$ 96,926	
% of Legal to Capital	0.51%	
Total Operating and Capital Expenditures	\$ 69,612,958	\$ 74,460,184
Total Operating and Capital Legal Fees	\$ 811,075	
% of Legal Fees to Total Operating and Capital Expenditures	1.17%	

Non-operating Legal Fees:

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
<u>Bond Counsel:</u>					
Total	\$ -	\$ -	\$ -	\$ -	\$ -

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Exhibit B

Analysis of Legal Fees
First Quarter Ended September 30, 2019 - 2021

Firm	YTD Actual 2019-2020	YTD Actual 2020-2021	YTD Actual 2021-2022	Hourly Rate	Area of Expertise	Service Provided
<u>Operating Legal Fees:</u>						
Alston & Bird LLP	\$ 221,290	\$ 36,589	\$ 180,170	\$ 275 to \$ 585	Litigation	Orange County Water District litigation
Burke, Williams & Sorensen, LLP	\$ 2,633	\$ 1,170	\$ 1,268	\$ 325	Employee relations	Personnel policy review and revision
Everett Dorey LLP ⁽¹⁾	\$ 14,553	\$ 35,278	\$ (1,338)	\$ 235 to \$ 260	Litigation	County of Orange Litigation
Hanson Bridgett LLP	\$ -	\$ 235,188	\$ 238,690	\$ 345 to \$ 490	IRWD legal counsel	District general counsel/legislative/litigation/special project
Kienle Law, PC	\$ -	\$ -	\$ 10,242	\$ 180 to \$ 450	IRWD legal counsel	OSHA matters
Kronick Moskovitz Tiedemann & Girard	\$ (11,915)	\$ 56,259	\$ 171,963	\$ 180 to \$ 360	IRWD legal counsel	Counsel services related to water resources, policy matters and litigation
Kutak Rock LLP ⁽¹⁾	\$ -	\$ 20,783	\$ 4,277	\$ 395 to \$ 425	Legal Counsel	Legal counsel related to insurance claim issues
Lewis Brisbois Bisgaard & Smith LLP	\$ 121,270	\$ -	\$ -	\$ 335	IRWD legal counsel	District general counsel/legislative/litigation/special project
Payne & Fears, LLP	\$ 9,809	\$ 2,057	\$ 32,222	\$ 235 to \$ 550	Employee relations	General personnel and human resources
Pillsbury Winthrop Shaw Pittman LLP	\$ 5,177	\$ 16,616	\$ 19,042	\$ 695	Employee relations	Employee benefits
Wagener Law, PC	\$ -	\$ -	\$ 57,613	\$ 535	Employee relations	Human resource matters
Woodruff, Spradlin & Smart ⁽¹⁾	\$ 51	\$ -	\$ -	\$ 105 to \$ 255	Legal Counsel	Legal counsel related to insurance claim issues
Total Operating Legal Fees	\$ 362,868	\$ 403,940	\$ 714,149			
⁽¹⁾ Insurance Litigation						
<u>Capitalized Legal Fees:</u>						
Alston & Bird LLP	\$ 996,780	\$ 1,472,972	\$ 10,976	\$ 275 to \$ 585	IRWD legal counsel	Counsel services in connection with the Biosolids project
Jackson Tidus, a Law Corporation	\$ 2,688	\$ 4,788		\$ 225 to \$ 595	IRWD legal counsel	Counsel services in connection with Serrano Summit property sale
Kronick Moskovitz Tiedemann & Girard	\$ 20,547	\$ 125,557	\$ 85,950	\$ 180 to \$ 360	IRWD legal counsel	Counsel services in connection with water resources and policy matters
Capitalized Legal Fees Total	\$ 1,020,015	\$ 1,603,317	\$ 96,926			
Total Operating and Capital Legal Fees	\$ 1,382,883	\$ 2,007,257	\$ 811,075			
<u>Non-operating Legal Fees:</u>						
Bond Counsel:						
Non-operating Legal Fees Total	\$ -	\$ -	\$ -			

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November 2, 2021
 Prepared by: O. Mendoza / J. Davis
 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, 2021, as outlined in Exhibit “A”, and
- Mutual Fund Performance Review as of September 30, 2021, as outlined in Exhibit “B”.

BACKGROUND:

Overview of the Deferred Compensation Assets:

As of September 30, 2021, IRWD’s Sections 457(b) and 401(a) Plans (collectively, the “Plans”) assets totaled \$91,720,027, which represented a \$536,215 decrease from the quarter ended June 30, 2021, and a \$18,787,349 increase for the one-year period. The changes in Plan assets over these two periods are summarized as follows:

	<i>One-Year Period Ending September 30, 2021</i>	<i>Quarter Ending September 30, 2021</i>
Beginning Balance	\$72,932,678	\$92,256,242
Employee Contributions	3,457,271	846,385
District Contributions	1,355,430	374,437
Transfers to/from Other Plans	614,721	0
Distributions	(3,347,311)	(1,223,903)
Loan Distributions ⁽¹⁾	(335,423)	(83,306)
Loan Repayments	312,316	112,053
Net Investment Gain (Loss)	16,730,345	(561,881)
Ending Balance – September 30, 2021	\$91,720,027	\$91,720,027
Change in Assets for the Period	\$18,787,349	(\$536,215)

(1) Number of loans outstanding: 58

Review of Investment Funds:

IRWD’s Deferred Compensation Policy states that any investment performing “Below Benchmark” for four consecutive quarters or seven out of the trailing 12 quarters, has “Failed” the Long-term Rolling Analysis (LTRA) the investment option will be a candidate for replacement. The Committee may also place a fund on “Watch Status” if it has failed to meet certain Policy criteria for further evaluation. For the quarter ended September 30, 2021, the

Hartford Midcap R6 Fund (Hartford) failed the LTRA for the sixth consecutive quarter. On October 4, 2021 the fund was replaced with the JP Morgan Mid Growth Fund which was approved as a replacement by the Finance and Personnel Committee on August 3, 2021.

FISCAL IMPACTS:

As of September 30, 2021, the District's Plan assets totaled \$91,720,027, which represented a \$536,215 decrease from the quarter ended June 30, 2021 and a \$18,787,349 increase for the one-year period.

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, 2021

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	\$69,455,861	\$22,264,166	\$91,720,027
<i>Change From Prior Quarter</i>	<i>(\$585,091)</i>	<i>\$48,876</i>	<i>(\$536,215)</i>
<i>Change From Prior Year (9/2020)</i>	<i>\$13,801,557</i>	<i>\$4,985,792</i>	<i>\$18,787,349</i>
Quarterly Contributions	\$846,385	\$374,437	\$1,220,822
*Change From Prior Quarter	\$69,492	\$59,861	

*Increase in contributions is due to one additional pay period in the quarter ended September 30, 2021

	One Year Period Ending September 30, 2021	Quarter Ending September 30, 2021
Beginning Balance	\$72,932,678	\$92,256,242
Employee Contributions	3,457,271	846,385
District Contributions	1,355,430	374,437
Transfers to/from other plans	614,721	0
Distributions	(3,347,311)	(1,223,903)
Loan Distributions ⁽¹⁾	(335,423)	(83,306)
Loan Repayment	312,316	112,053
Net Investment Gain (Loss)	16,730,345	(561,881)
Ending Balance - June 30, 2021	\$91,720,027	\$91,720,027
Change in assets for the period	\$18,787,349	(\$536,215)

⁽¹⁾ Number of loans outstanding as of 9/30/21 : 58

Employee Participation	
Full-time Employees	388
Employees Participating	345
Percent Participation	89%

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

September 30, 2021

Fund	Assets	Percent of Assets	Change from previous quarter	
PROFILE FUNDS				
AGG	Aggressive Profile Fund	10,385,937	11.3%	0.0%
MOD	Moderate Profile Fund	7,824,962	8.5%	-0.5%
CON	Conservative Profile Fund	6,489,047	7.1%	0.2%
	Sub Total	24,699,947	26.9%	-0.3%
INTERNATIONAL FUND				
RERGX	American Funds EuroPacific Gr R6	3,045,539	3.3%	-0.1%
VTIAX	Vanguard Total Intl Stock Index Admiral	1,521,511	1.7%	-0.1%
	Sub Total	4,567,051	5.0%	-0.2%
SMALL CAP FUNDS				
HRSIX	Hood River Small-Cap Growth Retirement	4,821,834	5.3%	0.1%
MVSSX	Victory Integrity Small Cap Value R6	1,517,961	1.7%	-0.1%
VSMAX	Vanguard Small Cap Index	1,544,912	1.7%	-0.1%
	Sub Total	7,884,707	8.6%	0.0%
MEDIUM CAP FUNDS				
HFMVX	Hartford MidCap R6	3,044,028	3.3%	-0.1%
WFPRX	Wells Fargo Spec Md Cp Val R6	3,027,437	3.3%	-0.2%
VIMAX	Vanguard Mid-Cap Index Fund	2,457,785	2.7%	0.2%
	Sub Total	8,529,250	9.3%	-0.2%
LARGE CAP FUNDS				
RGAGX	American Funds Growth Fund of Amer R6	7,666,398	8.4%	0.1%
VINIX	Vanguard Institutional Index	7,981,657	8.7%	0.3%
DHLYX	Diamond Hill Large-Cap Fund	3,216,173	3.5%	-0.1%
	Sub Total	18,864,229	20.6%	0.2%
BOND FUND				
MWTSX	Metropolitan West Total Return Bond Plan	5,090,104	5.5%	0.1%
	Sub Total	5,090,104	5.5%	0.1%
STABLE VALUE FUND				
PCSV15	Putnam Stable Value	11,236,522	12.3%	0.3%
	Sub Total	11,236,522	12.3%	0.3%
TARGET DATE FUND				
VITRX	Vanguard Institutional Target Retirement Income Inv	1,398,562	1.5%	0.0%
VITWX	Vanguard Institutional Target Retirement 2020 Inv	1,377,945	1.5%	0.0%
VRIVX	Vanguard Institutional Target Retirement 2025 Inv	507,687	0.5%	0.0%
VTTWX	Vanguard Institutional Target Retirement 2030 Inv	462,490	0.5%	0.0%
VITFX	Vanguard Institutional Target Retirement 2035 Inv	829,108	0.9%	0.0%
VIRSX	Vanguard Institutional Target Retirement 2040 Inv	546,480	0.6%	0.0%
VITLX	Vanguard Institutional Target Retirement 2045 Inv	176,854	0.2%	0.0%
VTRLX	Vanguard Institutional Target Retirement 2050 Inv	882,997	0.9%	0.0%
VIVLX	Vanguard Institutional Target Retirement 2055 Inv	281,816	0.3%	0.0%
VILVX	Vanguard Institutional Target Retirement 2060 Inv	187,126	0.2%	-0.1%
VVSFX	Vanguard Institutional Target Retirement 2065 Inv	1,398	0.0%	0.0%
	Sub Total	6,652,464	7.1%	0.0%
OTHER				
	Ameritrade Brokerage	4,195,755	4.6%	0.0%
	Total Assets	\$91,720,027	100%	

LOAN BALANCE OUTSTANDING

\$798,293



FUND PERFORMANCE REVIEW

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

Reporting Period Ending September 30, 2021

The analytical material contained herein merely describes the process that Great-West Investments 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 Investments. Plan fiduciaries should review the educational material provided and consult with their investment advisers if necessary to make the investment decision. Neither Great-West Investments, 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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RO1693638-0621

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 aid plan fiduciaries in carrying out their fiduciary responsibilities. Great-West Life & Annuity Insurance Company and its affiliates (collectively, "Great-West") are 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 receives investment management and other fees and revenue from any Great-West-affiliated or Putnam-affiliated investment options included in the Fund Performance Review. In addition, Great-West 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.*

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- 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, ©2021 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 9/30/2021

Morningstar Category	Ticker Symbol	Fund Name	Overall Rating					Long-Term Rolling Analysis		
			Composite %'s			Overall Morningstar Rating		Consecutive Quarters Below	# of Quarters Below out of trailing 12	
			Overall	Return	Sharpe					
Intl Foreign Large Growth	RERGX	American Funds Europacific Growth R6	57.5	65.0	50.0	3	Above	0	0 out of 12	Pass
Small-Cap Small Growth Small Value	HRSIX	Hood River Small-Cap Growth Retirement	82.4	88.3	76.5	4	Above	0	0 out of 12	Pass
	MVSSX	Victory Integrity Small-Cap Value R6	43.3	49.7	37.0	2	Below	1	6 out of 12	Pass
Mid-Cap Mid-Cap Growth Mid-Cap Value	HFMVX	Hartford MidCap R6	17.6	23.7	11.5	2	Below	6	6 out of 12	Watch
	WFPRX	Wells Fargo Special Mid Cap Value R6	87.3	87.0	87.5	4	Above	0	0 out of 12	Pass
Large-Cap Large Growth Large Value	RGAGX	American Funds Growth Fund of Amer R6	44.3	43.7	45.0	3	Neutral	0	0 out of 12	Pass
	DHLYX	Diamond Hill Large Cap Y	88.9	92.3	85.5	4	Above	0	0 out of 12	Pass
Asst All/Other Target-Date Retirement	VITRX	Vanguard Instl Trgt Retire Inc Instl	72.0	59.5	84.5	3	Above	0	0 out of 12	N/A
	VITWX	Vanguard Instl Trgt Retire 2020 Instl	67.0	67.0	67.0	4	Above	0	0 out of 12	N/A
	VRIVX	Vanguard Instl Trgt Retire 2025 Instl	68.0	73.5	62.5	4	Above	0	0 out of 12	N/A
	VTTWX	Vanguard Instl Trgt Retire 2030 Instl	65.3	67.0	63.5	4	Above	0	0 out of 12	N/A
	VITFX	Vanguard Instl Trgt Retire 2035 Instl	63.5	60.5	66.5	3	Above	0	0 out of 12	N/A
	VIRSX	Vanguard Instl Trgt Retire 2040 Instl	62.8	61.5	64.0	4	Above	0	0 out of 12	N/A
	VITLX	Vanguard Instl Trgt Retire 2045 Instl	66.3	66.5	66.0	4	Above	0	0 out of 12	N/A
	VTRLX	Vanguard Instl Trgt Retire 2050 Instl	64.5	63.0	66.0	4	Above	0	0 out of 12	N/A
	VIVLX	Vanguard Instl Trgt Retire 2055 Instl	64.3	59.5	69.0	4	Above	0	0 out of 12	N/A
	VILVX	Vanguard Instl Trgt Retire 2060 Instl	57.0	52.0	62.0	3	Above	0	0 out of 12	N/A
Target-Date 2065+	VSXFX	Vanguard Instl Trgt Retire 2065 Instl	81.0	72.0	90.0	5	Above	0	0 out of 12	N/A
Bond Intermediate Core-Plus Bond	MWTSX	Metropolitan West Total Return Bd Plan	75.4	64.3	86.5	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)	60.2	56.3	64.0	3	N/A	N/A	0 out of 12	Pass
	VSMAX	Vanguard Small Cap Index Adm (Idx)	85.6	84.7	86.5	5	N/A	N/A	0 out of 12	Pass
	VIMAX	Vanguard Mid Cap Index Admiral (Idx)	88.6	87.7	89.5	5	N/A	N/A	0 out of 12	Pass
	VINIX	Vanguard Institutional Index I (Idx)	80.5	80.0	81.0	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 9/30/2021

	Fund Name	3rd Qtr	3rd Qtr	Performance vs. Benchmark (Annualized Returns and Return Percentiles %)								Return Since Inception	Incept. Date
		2021	2021	1 Year	1 Year	3 Year	3 Year	5 Year	5 Year	10 Year	10 Year		
		Return	Percentile	Return	Percentile	Return	Percentile	Return	Percentile	Return	Percentile		
Intl	Foreign Large Growth Peer Group	-1.35	50	19.90	50	12.40	50	11.68	50	10.19	50		
	American Funds Europacific Growth R6	-2.35	38	24.76	83	13.21	65	12.17	63	10.63	67	10.37	5/1/2009
Small-Cap	Small Growth Peer Group	-2.03	50	36.40	50	15.16	50	17.84	50	16.61	50		
	Hood River Small-Cap Growth Retirement	-1.96	51	54.54	93	21.33	89	22.24	80	20.93	96	22.35	3/3/2017
	Small Value Peer Group	-1.93	50	62.37	50	8.25	50	10.29	50	12.70	50		
	Victory Integrity Small-Cap Value R6	-2.44	32	74.25	87	7.47	37	10.31	50	13.09	62	12.41	6/1/2012
Mid-Cap	Mid-Cap Growth Peer Group	0.02	50	30.52	50	18.53	50	18.88	50	16.83	50		
	Hartford MidCap R6	-3.54	10	32.04	62	12.70	9	15.81	13	16.80	49	12.95	11/7/2014
	Mid-Cap Value Peer Group	-1.10	50	44.65	50	9.19	50	10.19	50	12.92	50		
	Wells Fargo Special Mid Cap Value R6	-0.72	61	40.44	24	12.31	91	11.30	74	14.98	96	11.77	6/28/2013
Large-Cap	Large Growth Peer Group	0.36	50	26.57	50	20.17	50	21.11	50	18.36	50		
	American Funds Growth Fund of Amer R6	1.05	74	30.43	87	19.24	39	20.12	39	18.53	53	16.84	5/1/2009
	Large Value Peer Group	-0.74	50	34.90	50	9.60	50	11.15	50	12.85	50		
	Diamond Hill Large Cap Y	-0.17	73	32.44	36	12.85	91	13.93	92	14.92	94	13.81	12/30/2011
Asst All/Other	Target-Date Retirement Peer Group	-0.16	50	10.01	50	7.19	50	6.20	50	5.62	50		
	Vanguard Instl Trgt Retire Inc Instl	-0.09	63	8.59	33	7.61	64	6.28	55	N/A	N/A	5.81	6/26/2015
	Target-Date 2020 Peer Group	-0.40	50	13.72	50	8.70	50	8.21	50	8.60	50		
	Vanguard Instl Trgt Retire 2020 Instl	-0.40	51	13.43	44	9.05	63	8.64	71	N/A	N/A	7.47	6/26/2015
	Target-Date 2025 Peer Group	-0.43	50	15.62	50	9.33	50	9.00	50	9.54	50		
	Vanguard Instl Trgt Retire 2025 Instl	-0.61	30	16.06	56	9.92	71	9.68	76	N/A	N/A	8.21	6/26/2015
	Target-Date 2030 Peer Group	-0.67	50	18.49	50	10.09	50	10.06	50	10.38	50		
	Vanguard Instl Trgt Retire 2030 Instl	-0.76	40	18.40	48	10.51	65	10.49	69	N/A	N/A	8.74	6/26/2015
	Target-Date 2035 Peer Group	-0.77	50	21.79	50	10.86	50	10.94	50	11.20	50		
	Vanguard Instl Trgt Retire 2035 Instl	-0.86	38	20.70	27	11.05	57	11.29	64	N/A	N/A	9.26	6/26/2015
	Target-Date 2040 Peer Group	-0.94	50	24.33	50	11.31	50	11.58	50	11.68	50		
	Vanguard Instl Trgt Retire 2040 Instl	-0.96	48	23.12	30	11.59	56	12.08	67	N/A	N/A	9.76	6/26/2015
	Target-Date 2045 Peer Group	-0.98	50	26.51	50	11.83	50	12.07	50	11.97	50		
	Vanguard Instl Trgt Retire 2045 Instl	-1.05	41	25.49	38	12.19	60	12.65	73	N/A	N/A	10.22	6/26/2015
	Target-Date 2050 Peer Group	-1.06	50	26.77	50	11.93	50	12.32	50	12.13	50		
	Vanguard Instl Trgt Retire 2050 Instl	-1.08	48	25.78	30	12.28	59	12.70	67	N/A	N/A	10.26	6/26/2015
	Target-Date 2055 Peer Group	-1.05	50	27.70	50	12.16	50	12.48	50	12.39	50		
	Vanguard Instl Trgt Retire 2055 Instl	-1.07	47	25.78	20	12.31	55	12.72	64	N/A	N/A	10.27	6/26/2015
	Target-Date 2060 Peer Group	-1.13	50	27.49	50	12.18	50	12.72	50	12.21	50		
	Vanguard Instl Trgt Retire 2060 Instl	-1.07	56	25.79	22	12.33	54	12.72	50	N/A	N/A	10.27	6/26/2015
Target-Date 2065+ Peer Group	-1.15	50	27.69	50	12.05	50	N/A	50	N/A	50			
Vanguard Instl Trgt Retire 2065 Instl	-1.07	57	25.74	26	12.26	72	N/A	N/A	N/A	N/A	12.07	7/12/2017	
Bond	Intermediate Core-Plus Bond Peer Group	0.09	50	1.22	50	5.89	50	3.56	50	3.74	50		
	Metropolitan West Total Return Bd Plan	0.14	62	0.26	21	6.21	66	3.59	52	4.18	75	4.16	7/29/2011
Index Funds	Vanguard Total Intl Stock Index Admiral (Idx)	-3.00	24	24.36	45	8.31	62	9.01	63	7.89	44	5.99	11/29/2010
	Vanguard Small Cap Index Adm (Idx)	-2.62	54	44.06	13	11.98	84	13.97	84	15.33	86	9.97	11/13/2000
	Vanguard Mid Cap Index Admiral (Idx)	0.00	78	36.09	25	14.74	89	14.59	84	15.55	90	10.91	11/12/2001
	Vanguard Institutional Index I (Idx)	0.57	77	29.98	55	15.97	74	16.87	80	16.61	86	10.60	7/31/1990

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 9/30/2021

Fund Name	Sharpe Ratios and Percentiles %				Standard Deviation		Expense	Expense	Manager	Fund Size	
	3 Yr Ratio	3 Yr %	5 Yr Ratio	5 Yr %	3 Yr	5 Yr	Ratio	Percentile %	Tenure (yrs)	\$MM	
Intl	Foreign Large Growth Peer Group	0.69	50	0.75	50	17.75	15.00	1.01	50		
	American Funds Europacific Growth R6	0.69	52	0.74	48	18.91	15.60	0.46	4	20	189,257
Small-Cap	Small Growth Peer Group	0.66	50	0.86	50	25.02	20.47	1.11	50		
	Hood River Small-Cap Growth Retirement	0.81	83	0.97	70	26.87	22.11	0.99	34	19	1,205
	Small Value Peer Group	0.39	50	0.49	50	27.70	22.66	1.12	50		
	Victory Integrity Small-Cap Value R6	0.36	34	0.47	40	30.86	25.27	0.97	31	18	1,900
Mid-Cap	Mid-Cap Growth Peer Group	0.83	50	1.01	50	22.25	18.08	1.03	50		
	Hartford MidCap R6	0.59	9	0.82	14	23.16	18.60	0.75	16	12	13,764
	Mid-Cap Value Peer Group	0.45	50	0.55	50	24.10	19.15	0.98	50		
	Wells Fargo Special Mid Cap Value R6	0.58	92	0.62	83	22.98	18.37	0.71	12	13	12,150
Large-Cap	Large Growth Peer Group	0.97	50	1.18	50	20.01	16.37	0.90	50		
	American Funds Growth Fund of Amer R6	0.95	43	1.17	47	19.52	15.81	0.30	3	28	282,863
	Large Value Peer Group	0.50	50	0.65	50	20.14	16.32	0.87	50		
	Diamond Hill Large Cap Y	0.63	86	0.78	85	21.24	17.16	0.55	12	19	11,386
Asst All/Other	Target-Date Retirement Peer Group	0.90	50	0.89	50	6.92	5.52	0.61	50		
	Vanguard Instl Trgt Retire Inc Instl	1.03	83	1.00	86	6.28	5.09	0.09	3	6	9,801
	Target-Date 2020 Peer Group	0.81	50	0.91	50	9.61	7.70	0.58	50		
	Vanguard Instl Trgt Retire 2020 Instl	0.83	63	0.95	71	9.76	7.88	0.09	3	6	32,374
	Target-Date 2025 Peer Group	0.78	50	0.89	50	11.13	8.98	0.62	50		
	Vanguard Instl Trgt Retire 2025 Instl	0.79	55	0.92	70	11.50	9.26	0.09	3	6	53,472
	Target-Date 2030 Peer Group	0.74	50	0.87	50	12.90	10.39	0.63	50		
	Vanguard Instl Trgt Retire 2030 Instl	0.76	61	0.91	66	12.89	10.36	0.09	3	6	57,317
	Target-Date 2035 Peer Group	0.71	50	0.86	50	14.45	11.62	0.65	50		
	Vanguard Instl Trgt Retire 2035 Instl	0.73	62	0.89	71	14.25	11.45	0.09	3	6	52,395
	Target-Date 2040 Peer Group	0.70	50	0.85	50	16.01	12.82	0.65	50		
	Vanguard Instl Trgt Retire 2040 Instl	0.71	58	0.88	70	15.61	12.55	0.09	3	6	48,655
	Target-Date 2045 Peer Group	0.69	50	0.84	50	16.98	13.59	0.65	50		
	Vanguard Instl Trgt Retire 2045 Instl	0.70	62	0.87	70	16.84	13.50	0.09	3	6	42,232
	Target-Date 2050 Peer Group	0.69	50	0.83	50	17.11	13.66	0.65	50		
	Vanguard Instl Trgt Retire 2050 Instl	0.71	63	0.87	69	16.86	13.51	0.09	3	6	34,536
	Target-Date 2055 Peer Group	0.68	50	0.83	50	17.36	13.88	0.65	50		
	Vanguard Instl Trgt Retire 2055 Instl	0.71	67	0.87	71	16.87	13.51	0.09	3	6	20,188
	Target-Date 2060 Peer Group	0.69	50	0.84	50	17.31	13.97	0.65	50		
Vanguard Instl Trgt Retire 2060 Instl	0.71	61	0.87	63	16.90	13.54	0.09	3	6	8,408	
Target-Date 2065+ Peer Group	0.66	50	N/A	50	18.05	N/A	0.65	50			
Vanguard Instl Trgt Retire 2065 Instl	0.71	90	N/A	N/A	16.92	N/A	0.09	4	4	1,352	
Bond	Intermediate Core-Plus Bond Peer Group	1.07	50	0.63	50	4.51	3.94	0.68	50		
	Metropolitan West Total Return Bd Plan	1.41	93	0.75	80	3.65	3.32	0.37	8	25	86,454
Index Funds	Vanguard Total Intl Stock Index Admiral (Idx)	0.47	62	0.58	66	18.16	14.95	0.11	5	13	50,031
	Vanguard Small Cap Index Adm (Idx)	0.54	85	0.70	88	24.69	19.94	0.05	2	6	47,922
	Vanguard Mid Cap Index Admiral (Idx)	0.69	91	0.81	88	21.83	17.38	0.05	3	23	52,629
	Vanguard Institutional Index I (Idx)	0.83	78	1.03	84	18.81	15.20	0.04	3	21	281,280

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 9/30/2021

	Fund Name	Calendar Year Returns					Modern Portfolio Theory Statistics (3 year)			Portfolio Construction		
		2020	2019	2018	2017	2016	Alpha	Beta	R2	Turnover Ratio	Number of Holdings	% in top 10 holdings
Intl	Foreign Large Growth Peer Group	21.93	28.05	-13.79	31.19	-1.32						
	American Funds Europacific Growth R6	25.27	27.40	-14.91	31.17	1.01	3.72	1.04	97	32	377	21%
Small-Cap	Small Growth Peer Group	37.38	28.69	-5.11	22.87	10.28						
	Hood River Small-Cap Growth Retirement	60.81	24.19	-6.78	20.78	13.50	8.30	1.05	93	119	98	28%
	Small Value Peer Group	3.68	22.05	-15.11	9.19	25.81						
	Victory Integrity Small-Cap Value R6	1.33	23.28	-18.42	12.59	24.52	-0.92	1.05	98	56	158	11%
Mid-Cap	Mid-Cap Growth Peer Group	34.85	33.84	-5.11	24.93	5.56						
	Hartford MidCap R6	25.06	32.75	-7.29	24.42	11.87	-1.44	1.02	96	45	102	20%
	Mid-Cap Value Peer Group	3.11	26.95	-13.31	13.54	17.57						
	Wells Fargo Special Mid Cap Value R6	3.36	35.68	-13.02	11.27	21.68	2.10	0.97	98	51	73	27%
Large-Cap	Large Growth Peer Group	35.62	32.80	-1.33	29.28	2.81						
	American Funds Growth Fund of Amer R6	38.28	28.54	-2.60	26.53	8.82	0.23	1.04	97	28	430	35%
	Large Value Peer Group	2.90	25.72	-8.77	16.36	14.59						
	Diamond Hill Large Cap Y	9.07	32.34	-9.53	20.42	14.74	2.30	1.04	98	33	53	31%
Asst All/Other	Target-Date Retirement Peer Group	9.81	13.20	-3.31	8.55	5.20						
	Vanguard Instl Trgt Retire Inc Instl	10.18	13.20	-1.98	8.54	5.29	0.76	0.70	99	21	6	99%
	Target-Date 2020 Peer Group	11.68	16.84	-4.61	13.30	6.85						
	Vanguard Instl Trgt Retire 2020 Instl	12.09	17.69	-4.21	14.13	7.04	0.66	0.76	99	24	6	99%
	Target-Date 2025 Peer Group	12.20	18.50	-5.37	14.92	7.12						
	Vanguard Instl Trgt Retire 2025 Instl	13.34	19.67	-5.02	15.94	7.56	0.31	0.89	99	24	6	99%
	Target-Date 2030 Peer Group	13.45	20.66	-6.19	16.89	7.61						
	Vanguard Instl Trgt Retire 2030 Instl	14.10	21.14	-5.82	17.57	7.97	0.74	0.87	99	21	5	99%
	Target-Date 2035 Peer Group	14.07	22.43	-7.15	18.38	8.00						
	Vanguard Instl Trgt Retire 2035 Instl	14.80	22.56	-6.56	19.14	8.39	-0.62	0.97	100	18	5	99%
	Target-Date 2040 Peer Group	15.07	23.80	-7.82	19.56	8.30						
	Vanguard Instl Trgt Retire 2040 Instl	15.44	23.93	-7.31	20.73	8.81	-1.00	1.06	100	15	5	99%
	Target-Date 2045 Peer Group	15.23	24.72	-8.18	20.36	8.45						
	Vanguard Instl Trgt Retire 2045 Instl	16.17	25.07	-7.87	21.47	8.94	0.37	0.92	100	12	5	99%
	Target-Date 2050 Peer Group	15.78	24.94	-8.36	20.60	8.60						
	Vanguard Instl Trgt Retire 2050 Instl	16.33	25.05	-7.87	21.47	8.95	0.44	0.93	100	12	5	99%
	Target-Date 2055 Peer Group	15.47	25.23	-8.47	20.85	8.51						
	Vanguard Instl Trgt Retire 2055 Instl	16.36	25.06	-7.84	21.47	8.94	0.46	0.93	100	10	5	99%
	Target-Date 2060 Peer Group	16.00	25.17	-8.46	21.04	8.76						
	Vanguard Instl Trgt Retire 2060 Instl	16.40	25.13	-7.88	21.42	8.94	0.46	0.93	100	9	5	99%
Target-Date 2065+ Peer Group	16.51	26.40	-8.91	N/A	N/A							
Vanguard Instl Trgt Retire 2065 Instl	16.18	25.15	-7.84	N/A	N/A	0.39	0.93	100	14	5	100%	
Bond	Intermediate Core-Plus Bond Peer Group	8.53	9.33	-0.74	4.32	3.93						
	Metropolitan West Total Return Bd Plan	9.17	9.23	0.29	3.49	2.56	0.60	1.00	97	470	1785	50%
Index Funds	Vanguard Total Intl Stock Index Admiral (Idx)	11.28	21.51	-14.43	27.55	4.67	-0.61	1.01	99	7	7622	10%
	Vanguard Small Cap Index Adm (Idx)	19.11	27.37	-9.31	16.24	18.30	2.13	0.93	99	22	1525	3%
	Vanguard Mid Cap Index Admiral (Idx)	18.24	31.03	-9.23	19.25	11.22	-0.06	0.99	100	26	374	7%
	Vanguard Institutional Index I (Idx)	18.39	31.46	-4.42	21.79	11.93	-0.02	1.00	100	4	506	28%

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 9/30/2021

	Index	Total Return 1 Year	Total Return Annlzd 3 Year	Total Return Annlzd 5 Year	Total Return Annlzd 10 Year	Annual Return 2020	Annual Return 2019	Annual Return 2018	Annual Return 2017	Annual Return 2016
International	MSCI EMF ID	15.81	6.14	6.76	3.59	15.84	15.42	-16.63	34.35	8.58
	MSCI Eafe Ndrtr_D	25.73	7.62	8.81	8.10	7.82	22.01	-13.79	25.03	1.00
	MSCI World Ndrtr_D	28.82	13.14	13.74	12.68	15.90	27.67	-8.71	22.40	7.51
Small-Cap	Russell 2000 Growth	33.27	11.70	15.34	15.74	34.63	28.48	-9.31	22.17	11.32
	Russell 2000	47.68	10.54	13.45	14.63	19.96	25.52	-11.01	14.65	21.31
	Russell 2000 Value	63.92	8.58	11.03	13.22	4.63	22.39	-12.86	7.84	31.74
Mid-Cap	Russell Midcap Growth	30.45	19.14	19.27	17.54	35.59	35.47	-4.75	25.27	7.33
	Standard & Poor's Midcap 400	43.68	11.08	12.97	14.72	13.66	26.20	-11.08	16.24	20.74
	Russell Midcap Value	42.40	10.28	10.59	13.93	4.96	27.06	-12.29	13.34	20.00
Large-Cap	Russell 1000 Growth	27.32	22.00	22.84	19.68	38.49	36.39	-1.51	30.21	7.08
	Standard & Poor's 500 TR	30.00	15.99	16.90	16.63	18.40	31.49	-4.38	21.83	11.96
	Russell 1000 Value	35.01	10.07	10.94	13.51	2.80	26.54	-8.27	13.66	17.34
Bond	Bloomberg US Agg Bond TR USD	-0.90	5.36	2.94	3.01	7.51	8.72	0.01	3.54	2.65
	Bloomberg US Credit TR USD	1.45	7.10	4.37	4.60	9.35	13.80	-2.11	6.18	5.63
	Bloomberg US MBS TR USD	-0.43	3.85	2.17	2.41	3.87	6.35	0.99	2.47	1.67
	Bloomberg US Government TR USD	-3.20	4.88	2.26	2.21	7.94	6.83	0.88	2.30	1.05
	Bloomberg US Govt 1-3 Yr TR USD	0.03	2.67	1.65	1.18	3.14	3.59	1.58	0.45	0.87

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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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.

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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.

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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.

Bloomberg Barclays Capital Aggregate Index Composed of the Bloomberg 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.

Bloomberg 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 Ndr_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. Ndr_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, Ndr_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 Ndr_D Includes all 23 MSCI developed market countries. Ndr_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, Ndr_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 2, 2021
Prepared by: D. Pardee / C. Smithson
Submitted by: C. Clary
Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

FISCAL YEAR 2022 THROUGH 2023 RATES

SUMMARY:

Staff presented rates to the Finance and Personnel Committee on October 14, 2021 based on adoption of the fiscal year (FY) 2021-22 and FY 2022-23 budget. At this Committee meeting, staff will provide an update to those rates and also propose rates based on shortage levels approved at the October 25, 2021 Board meeting from the Water Shortage Contingency Plan (WSCP).

The proposed rates based on the adoption of the FY 2021-22 and FY 2022-23 budget (standard rates) are expected to increase the typical residential customer bill by 8.9%. In addition, staff has developed WSCP rates as a potential response action for each water shortage level in the WSCP. Rates are based on the actual costs to provide service at each shortage level. Implementation of these rates will require additional Board action. Standard and WSCP rates will be included in the Proposition 218 notices sent to IRWD customers in November 2021.

At the Committee meeting, staff will present a PowerPoint to review standard and WSCP rates.

BACKGROUND:

Standard Rates:

The FY 2021-22 Operating Budgets were approved by the IRWD Board of Directors on April 26, 2021. Increases to the IRWD rates and charges for services are necessary to provide for cost-of-service equity. Due to the continued economic impact of COVID-19 to IRWD's customers, the District deferred a rate increase until after December 31, 2021; the most recent rate increase was in July 2019.

Staff presented the standard WSCP rates to the Finance and Personnel Committee on October 14, 2021. Staff proposed an 8.8% increase for the typical residential customer with a recommendation that the replacement component of the fixed service sewer charge remain unchanged from the current rate. Staff has made a slight adjustment to the recommendation which will be discussed at the meeting. The revised rates would result in a proposed rate increase to the typical residential customer of 8.9%. The proposed rates would become effective, if adopted, at the January 24, 2022 Public Hearing and implemented February 1, 2022.

The current and proposed rates are included in the table below.

Rates	Current	Proposed	Change
Commodity			
Low Volume	\$1.47	\$1.53	\$0.06
Base	\$2.00	\$2.42	\$0.42
Inefficient	\$4.86	\$5.15	\$0.29
Wasteful	\$13.63	\$14.64	\$1.01
Fixed Service Charge			
Water (5/8" by 3/4" meter)	\$10.35	\$10.75	\$0.40
Sewer (Block 1)	\$19.55	\$20.45	\$0.90

Basis for WSCP Rates:

IRWD’s WSCP, adopted in June 2021, allows the District to strategically reduce water use through a number of potential actions that are staged dependent upon the severity of water shortages. The WSCP incorporates six standard water shortage levels corresponding to progressive ranges of up to 10%, 20%, 30%, 40%, 50%, and greater shortages. For each level or shortage, the WSCP includes a list of voluntary measures, non-rate response measures, and potential cost-of-service based rate response strategies.

The WSCP includes the District’s response actions for managing standard shortage levels. The plan addresses water shortages which can occur to any available source of potable water within the District. Water use budget reductions are included at each level to encourage voluntary customer compliance to decrease water usage as necessary. IRWD initially would rely on public outreach and non-rate response measures during a declared shortage.

WSCP Key Rate Assumptions:

Several key assumptions were used in the development of rates. They include:

- Reductions at each level result from a shortage in source(s) of supply and are not necessarily caused by a drought. Only commodity rates are impacted. Fixed service charges remain the same as standard rates.
- Sources of supply were reduced proportionally from their original budget based on the percentage reduction in each tier (excluding Baker).
- Conservation costs increase at each level based on additional programs needed to encourage the efficient use of water.
- Rates recover costs through June 2023.

Staff developed WSCP rates using a consistent cost of service methodology with the IRWD updated cost of service rate model. The tiered rates assume that the lowest cost source of water is used first for each tier. Costs associated with outreach to all customers are allocated to all tiers except the low-volume tier. Costs associated with over-allocation usage, such as targeted outreach and supply reliability programs, are allocated to the inefficient and wasteful tiers.

Proposed WSCP Rates:

Based on the assumptions, staff proposes the following commodity rates at each tier of the WSCP water shortage levels:

<i>Tiers</i>	<i>Current Rates</i>	<i>WSCP Levels</i>						
		<i>Proposed Rates</i>						
		<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
	0%	0%	1-10%	11-20%	21-30%	1-40%	41-50%	51% +
Low Volume	\$1.47	\$1.53	\$1.53	\$1.53	\$1.53	\$1.55	\$1.56	\$1.58
Base	\$2.00	\$2.42	\$2.43	\$2.45	\$2.89	\$2.90	\$2.93	\$3.50
Inefficient	\$4.86	\$5.15	\$5.56	\$6.18	\$6.97	\$7.71	\$7.80	\$8.19
Wasteful	\$13.63	\$14.64	\$15.76	\$17.07	\$19.36	\$19.71	\$21.38	\$22.01

The change in commodity rates have no impact on the monthly fixed service water or sewer charges. If the Board of Directors elect to implement any of these WSCP rates, the proposed commodity rates are expected to provide cost of service equity for the budgeted Board-approved operating variable costs and additional costs incurred as a direct result of a water shortage declaration at the associated stage level. Implementation of WSCP rates would require additional Board action.

FISCAL IMPACTS:

For standard rates, the proposed commodity rates are expected to cover budgeted Board-approved operating variable costs. Proposed fixed water and sewer service charges will cover operating fixed costs. The proposed rate increases will result in contributions to the Enhancement and Replacement Fund totaling approximately \$66.0 million. The conservation fund is expected to generate and use approximately \$29.5 million over the same two fiscal years.

For WSCP rates, they will only be implemented in the event of a water shortage declaration and upon approval by the Board of Directors. Rates that are not implemented have no fiscal impact.

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:


That the Committee review and provide comments on the standard and Water Shortage Contingency Plan rates.

LIST OF EXHIBITS:

Exhibit “A” – Draft PowerPoint

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Exhibit "A"




Irvine Ranch Water District

Rates

IRWD Finance & Personnel Committee Meeting

November 2, 2021



1

Rates

- Budget Calendar
- Standard Rates
- Water Shortage Contingency Plan (WSCP) levels
- Reductions to sales volumes by level
- Budgeted conservation/over-allocation related costs
- Water shortage rates by level
- Next steps

Irvine Ranch Water District

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FY 2022 through 2023 Proposed Rate Increase

Rate Setting Calendar:

- 11/02/21 Rate proposals to F&P Committee
- 11/22/21 Present proposed rates, Cost of Service report and Prop 218 notices to Board
- 12/06/21 Prop 218 notices mailed
- 01/18/22 Results of Prop 218 notices are generated
- 01/24/22 Public hearing on proposed Rates and Charges
- 01/24/22 Board adopts Rates and Charges
- 02/01/22 New rates effective

Irvine Ranch Water District

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Standard Rates



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FY 2022 through FY 2023 Rate Scenarios

Alternative Rate Scenarios for a Typical Residential Customer

Rates	Current	Strategy 1	Strategy 2	Strategy 3
		Total Revenue Requirement	Rate Increase 8.9%	Replacement Fund Unchanged
Commodity Charges				
Low Volume	\$1.47	\$1.53	\$1.53	\$1.53
Base	\$2.00	\$2.42	\$2.42	\$2.42
Inefficient	\$4.86	\$5.15	\$5.15	\$5.15
Wasteful	\$13.63	\$14.64	\$14.64	\$14.64
Fixed Water Service Charge	\$10.35	\$11.00	\$10.75	\$10.75
Fixed Sewer Service Charge	\$19.55	\$21.40	\$20.45	\$20.55
% Increase		11.2%	8.9%	9.1%

Three Year Increase:

✓ CPI (2019 through September 2021) - 8.7%

Irvine Ranch Water District

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FY 2022 through FY 2023 Rates Recommendation

Update: Rate increase for 16 months

Current Residential Rates:	Water (1)	Sewer (2)
Low Volume	\$1.47	
Commodity Rate	\$2.00	
Operations	\$7.55	\$11.12
Replacements	\$2.10	\$7.75
Enhancements	\$0.70	\$0.68
Total Service Charge	\$10.35	\$19.55
Commodity (12ccf's)	\$21.35	
Current Monthly	\$51.25	
Proposed Residential Rate Adjustment:		
Low Volume	\$1.53	
Base Commodity Rate	\$2.42	
Operations	\$7.97	\$12.12
Replacements	\$2.08	\$7.65
Enhancements	\$0.70	\$0.68
Total Service Charge	\$10.75	\$20.45
Commodity	\$24.59	
Proposed Monthly	\$55.79	
Current Monthly	\$51.25	
Difference	\$4.54	
Change %	8.9%	

Irvine Ranch Water District

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FY 2022 through FY 2023 Proposed Rates

Proposed Recycled Water Rates

Tiers	FY 2021-23 Usage (AF)	Current Rate (ccf)	Proposed Rate (ccf)	Difference (\$)
Low Volume	27,868	\$1.19	\$1.23	\$0.04
Base	27,758	\$1.57	\$2.16	\$0.59
Inefficient	2,717	\$3.15	\$4.03	\$0.88
Wasteful	1,832	\$6.62	\$7.20	\$0.58
Total	60,175			

Irvine Ranch Water District

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FY 2022 through FY 2023 Proposed Rates

Proposed Pumping Rates, per CCF

Potable

Pumping Zone	Current Rate	Proposed Rate	Difference (\$)
Zone 1	\$0.25	\$0.33	\$0.08
Zone 2	\$0.38	\$0.46	\$0.08
Zone 3	\$0.68	\$0.79	\$0.11

Recycled

Pumping Zone	Current Rate	Proposed Rate	Difference (\$)
Zone 1	\$0.13	\$0.14	\$0.01
Zone 2	\$0.23	\$0.25	\$0.02
Zone 3	\$0.43	\$0.47	\$0.04

Irvine Ranch Water District

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FY 2022 through FY 2023 Rates Recommendation

Rate increase for typical customer by Pumping Zone

Pumping Zone	None		Zone 1		Zone 2		Zone 3	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Low Volume Rate*	\$1.47	\$1.53	\$1.47	\$1.53	\$1.47	\$1.53	\$1.47	\$1.53
Base Rate*	\$2.00	\$2.42	\$2.00	\$2.42	\$2.00	\$2.42	\$2.00	\$2.42
Pumping Rate*	\$0.00	\$0.00	\$0.25	\$0.33	\$0.38	\$0.46	\$0.68	\$0.79
Commodity Charge	\$21.35	\$24.59	\$24.35	\$28.55	\$25.91	\$30.11	\$29.51	\$34.07
Total Service Charge	\$29.90	\$31.15	\$29.90	\$31.15	\$29.90	\$31.15	\$29.90	\$31.15
Total Monthly	\$51.25	\$55.74	\$54.25	\$59.70	\$55.81	\$61.26	\$59.41	\$65.22
Change %	8.8%		10.0%		9.8%		9.8%	

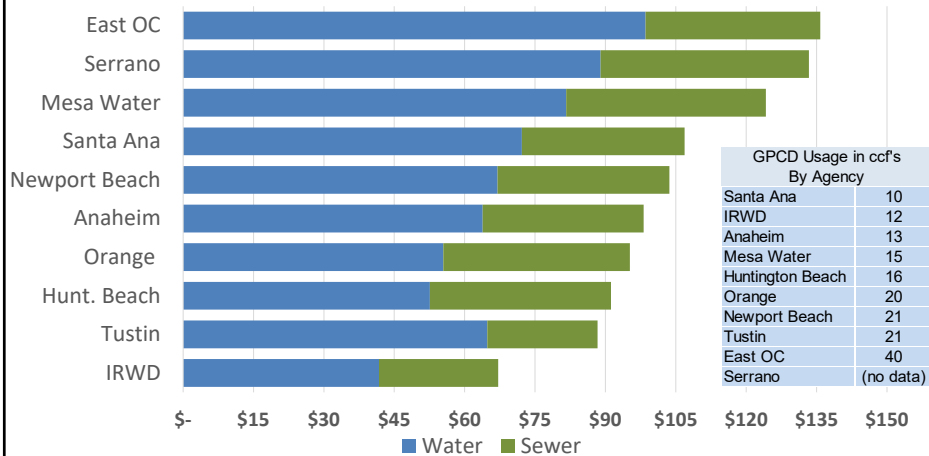
*Per CCF

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2021 Rates Comparison

Monthly Water & Sewer Bill Based on 15 ccf of Usage and Groundwater Availability

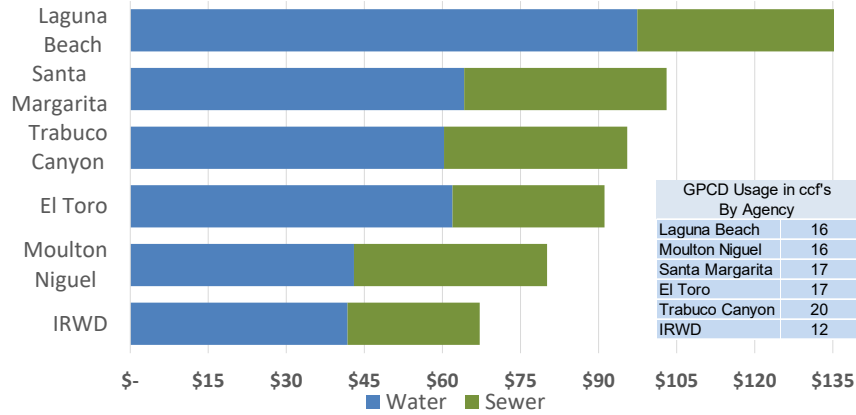


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2021 Rates Comparison

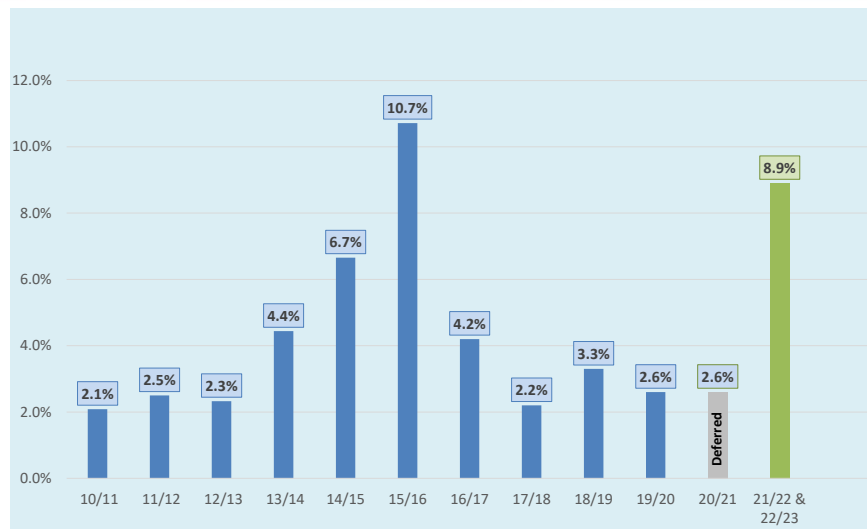
Monthly Water & Sewer Bill Based on 15 ccf Usage and Imported Water



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IRWD Average Yearly Rate Increase History



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WSCP Rate Assumptions

- Primary premise is a water shortage - not a drought
- Applied reductions proportionally to:
 - Sales: less water for efficient and reasonable use in each tier
 - Sources: reductions applied to all sources excluding Baker
- 16-month application
- Increased conservation efforts and compliance
- Board actions include the noticing of rates and can include any or all of the following:
 - Announcing the move to a WSCP level
 - Choosing to implement the WSCP rates
 - Choosing to implement rates that are less than noticed

Irvine Ranch Water District

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Maximum Water Budget Adjustments for Each Level of Water Shortage

WSCP Level	Target Reduction at Mid-Point of the Level	Prohibitions on Wasteful Use in Effect	Messaging and Outreach	Outdoor Potable Landscape Water Budgets Includes Residential, Dedicated Irrigation and CII Outdoor	Indoor Gallons Per Capita	Commercial, Industrial and Institutional (CII) Percent indoor Reduction
None	0	✓	Water Efficiency Programs and Outreach	40% Drought Tolerant Plants	50	
LEVEL 1 0-10 %	5% 2,500 AF	✓	Expanded Messaging and Targeted Outreach	40% Drought Tolerant Plants	50	
LEVEL 2 11-20 %	15% 7,700 AF	✓	Expanded Messaging and Outreach	No Turf 100% Drought Tolerant Plants	50	
LEVEL 3 21-30 %	25% 12,800 AF	✓	Expanded Messaging and Outreach	No Turf Tree Health Impacted 75% Native Plants 25% Drought Tolerant	40	
LEVEL 4 31-40 %	35% 18,000 AF	✓	Expanded Messaging and Outreach	No Turf Tree Health Impacted 100% Native Plants Only	32.5	10%
LEVEL 5 41-50 %	45% 23,000 AF	✓	Expanded Messaging and Outreach	No landscape	30	20%
LEVEL 6 51% +	55% 28,200 AF	✓	Expanded Messaging and Outreach	No landscape	Basic Needs Only 20	30%

Irvine Ranch Water District

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Impacts to Typical Single-Family Customer for Each Level of Water Shortage

Water Shortage Level	Total Water Budget CCF	Low Volume CCF	Base Tier CCF	Inefficient Tier CCF	Wasteful Tier CCF
Percent of Budget	100%	0-40%	41-100%	101-140%	All CCF usage equal or greater than
None	12	5	7	5	18
1	12	5	7	5	18
2	11	5	6	5	17
3	9	4	5	4	14
4	7	3	4	3	11
5	5	2	3	2	8
6	4	2	2	2	7

Irvine Ranch Water District

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WSCP Levels

Sales by Customer Class (Acre Feet)

	0	1	2	3	4	5	6
Residential	33,491	31,953	28,311	25,716	22,643	19,812	16,566
Commercial	7,970	7,970	7,551	7,122	6,440	5,586	4,549
Industrial	4,907	4,907	4,650	4,386	3,965	3,440	2,801
Public Authority	1,808	1,808	1,713	1,615	1,461	1,267	1,032
Landscape	4,639	3,711	2,969	1,336	534	-	-
Agriculture	125	100	80	36	14	-	-
Construction	316	308	283	245	199	151	108
Fireline Testing	37	37	37	37	37	37	37
Total (rounded)	53,294	50,794	45,594	40,494	35,294	30,294	25,093
Reduction by Level		2,500	7,700	12,800	18,000	23,000	28,200

Irvine Ranch Water District

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Level Reductions for FY 2021-22 and FY 2022-23

FY 2021-22 & FY 2022-23	WSCP Levels						
	0	1	2	3	4	5	6
Reduction per Level	0%	4%	12%	19%	27%	35%	43%
Dyer Road Well Field	56,000 AF	53,507 AF	48,521 AF	43,536 AF	38,550 AF	33,564 AF	28,579 AF
Process Wells and Baker	43,820 AF	42,510 AF	39,891 AF	37,272 AF	34,653 AF	32,033 AF	29,414 AF
Water Purchases Imported (MWD)	14,368 AF	13,724 AF	12,435 AF	11,147 AF	9,858 AF	8,570 AF	7,281 AF
Total	114,188 AF	109,741 AF	100,848 AF	91,954 AF	83,061 AF	74,167 AF	65,274 AF

Irvine Ranch Water District

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WSCP Rates

FY 2021-22 through 2022-23

LEVEL	Current	0	1	2	3	4	5	6
Increased Conservation/Over-allocation Expense (In Thousands)								
FY 2021-22	\$0	\$1,170	\$3,022	\$3,778	\$7,556	\$7,556	\$7,556	\$7,556
FY 2022-23	\$0	\$1,884	\$3,768	\$7,556	\$7,556	\$7,556	\$7,556	\$7,556
Compliance Efforts								
FY 2021-22	\$0	\$0	\$0	\$0	\$0	\$1,500	\$3,000	\$3,000
FY 2022-23	\$0	\$0	\$0	\$0	\$0	\$2,400	\$3,000	\$3,000

Irvine Ranch Water District

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WSCP Rates

FY 2021-22 through 2022-23

LEVEL	Current	0	1	2	3	4	5	6
Low Volume	\$1.47	\$1.53	\$1.53	\$1.53	\$1.53	\$1.55	\$1.56	\$1.58
Base	\$2.00	\$2.42	\$2.43	\$2.45	\$2.89	\$2.90	\$2.91	\$3.43
Inefficient	\$4.86	\$5.15	\$5.56	\$6.18	\$6.97	\$7.71	\$7.80	\$8.19
Wasteful	\$13.63	\$14.64	\$15.76	\$17.07	\$19.36	\$19.71	\$21.38	\$22.01

Irvine Ranch Water District

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Recommendation



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Staff Recommendation

1) Recommend the 8.9% increase:

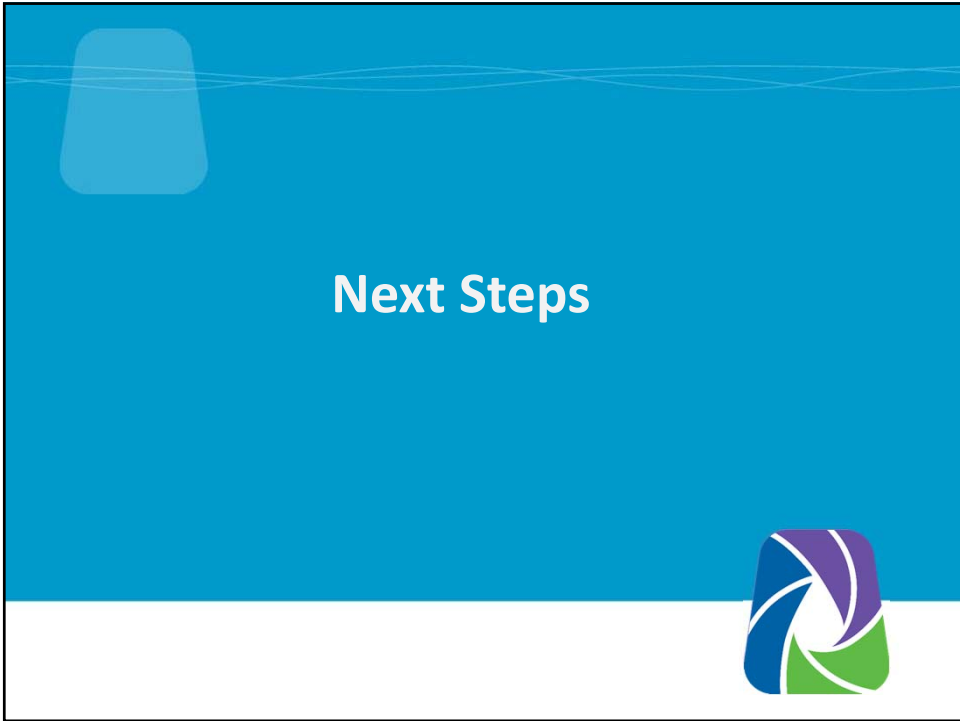
- Increase rates to fully fund the variable and fixed operating costs.
- Enhancement and Replacement Fund contribution is reduced by \$0.10 per month for the sewer system meaning additional Replacement funds are postponed (approximately \$5 million).

2) Recommend the WSCP rates as presented.

3) Committee provide comments to be incorporated into Board recommendation.

Irvine Ranch Water District

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FY 2022 through 2023 Proposed Rate Increase

Rate Setting Schedule:

- 11/02/21 WSCP rate proposals F&P Committee**
- 11/22/21 Present proposed rates, Cost of Service report and Prop 218 notices to Board
- 12/06/21 Prop 218 notices mailed
- 01/18/22 Results of Prop 218 notices are generated
- 01/24/22 Public hearing on proposed Rates and Charges
- 01/24/22 Board adopts Rates and Charges
- 02/01/22 Implemented new rates

Irvine Ranch Water District

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FY 2022 through FY 2023 Rates Recommendation


Rate increase for typical customer by Pumping Zone – assuming 50%

Pumping Zone	None		Zone 1		Zone 2		Zone 3	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Low Volume Rate*	\$1.47	\$1.53	\$1.47	\$1.53	\$1.47	\$1.53	\$1.47	\$1.53
Base Rate*	\$2.00	\$2.42	\$2.00	\$2.42	\$2.00	\$2.42	\$2.00	\$2.42
Pumping Rate*	\$0.00	\$0.00	\$0.25	\$0.33	\$0.38	\$0.46	\$0.68	\$0.79
Commodity Charge	\$21.35	\$24.59	\$24.35	\$28.55	\$25.91	\$30.11	\$29.51	\$34.07
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Total Monthly	\$51.25	\$55.74	\$54.25	\$59.70	\$55.81	\$61.26	\$59.41	\$65.22
Change %	8.8%		10.0%		9.8%		9.8%	

*Per CCF

Irvine Ranch Water District

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November 2, 2021
Prepared by: A. Solórzano / R. Williams
Submitted by: C. Clary
Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

ANNUAL MICROSOFT ENTERPRISE AGREEMENT
SOFTWARE MAINTENANCE RENEWAL

SUMMARY:

The Microsoft Enterprise Agreement Software Maintenance, which provides upgrades and maintenance for all of the Microsoft software used by IRWD, expires on November 30, 2021. This agreement provides discounted pricing for software maintenance and licenses to state and local government entities. Staff recommends the Board authorize staff to renew the Microsoft Enterprise Agreement for a three-year period effective December 1, 2021 through November 30, 2024 in the amount of \$337,000 annually, or \$1,011,000 over the three-year term.

BACKGROUND:

IRWD participates in the Microsoft Enterprise Agreement for state and local governments, providing for software upgrades and maintenance for all Microsoft software used by the District. The agreement provides discounted pricing for software maintenance on existing licenses as well as new licenses. The District uses Microsoft Windows Desktop operating system, Microsoft 365 (Word, Excel, PowerPoint, Access, Visio, Project, and Outlook), Microsoft Azure AD, Microsoft Intune, Microsoft SQL Data Base and Microsoft Server operating system software. The agreement covers all versions of the Microsoft software products purchased and allows the District to upgrade to new versions as they become available.

Staff recommends upgrading the base Microsoft 365 license from the “G3” level currently in use to the “G5” tier. The G5 license includes products that will improve the District’s cybersecurity defenses, greatly enhance document management capabilities to meet legal and compliance requirements and allow for the discontinuation of other software currently in use.

In addition to the software maintenance, the agreement provides for use of Microsoft Office software by staff on their home computers through the Home Use Program. Employees are able to download this software and install it for personal use.

Staff recommends the Board authorize staff to renew the Microsoft Enterprise Agreement for the period December 1, 2021 through November 30, 2024 in the amount of \$337,000 annually, or \$1,011,000 over the three-year term.

FISCAL IMPACTS:

The annual amounts are included in the approved FY 2022 and FY 2023 operating budgets.

Finance and Personnel Committee: Annual Microsoft Enterprise Agreement Software
Maintenance Renewal
November 2, 2021
Page 2

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:

That the Board authorize staff to renew the Microsoft Enterprise Agreement for a three-year period effective December 1, 2021 through November 30, 2024 in the amount of \$337,000 annually, or \$1,011,000 over the three-year term.

LIST OF EXHIBITS:

None.