

July 24, 2017

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Submitted by: Cheryl Clary

Approved by: Paul A. Cook



ACTION CALENDAR

SETTING CONNECTION FEES AND PROPERTY TAXES FOR FISCAL YEAR 2017-18

SUMMARY:

Connection fees for the City of Irvine / Great Park Recycled Water (Improvement District (ID) 112/212) and ID 256 Orange Park Acres were approved at the June 12, 2017 Board meeting; all other connection fees were last updated in July 2016. The proposed changes are consistent with the Engineering News Record (ENR) construction cost index and are based on periodic updates to the capital budget and other changing assumptions.

The proposed connection fees assume an increase within each of the IDs based on the ENR estimated capital cost increase of 2.7% and are included in the Proposed Connection Fees and Property Tax Rates Summary included as Exhibit "A". Staff recommends that the Board:

- Adopt a resolution amending the Rates and Charges, included as Exhibit "B", with revised Rates and Charges for connection fees effective September 1, 2017, included as Exhibit "E";
- Adopt a resolution amending the Ad Valorem Property Tax Rates, included as Exhibit "C"; and
- Adopt a resolution amending Allocation of Ad Valorem Property Taxes to Debt Service providing for the annual allocation of 1% tax revenue, included as Exhibit "D".

BACKGROUND:

The IRWD Long Term Capital Funding Plan (LTFP), completed in November 2013, established connection fees and formed new IDs for funding capital requirements and setting tax rates. A fundamental concept in the District's LTFP is that the cost of new capital facilities are shared equally between the connection fees paid by the developer and property taxes paid by property owners. Staff utilizes a comprehensive financial model to incorporate regional capital costs, future development, growth rates, inflation, and other variables to determine connection fees. Connection fee increases were modeled for both residential and commercial development along with a consolidated tax rate. Staff updated the District's financial model for FY 2017-18 connection fees and tax rate setting to include:

- Updated capital improvement program;
- Updated ENR estimated capital cost increase of 2.7%;
- Fund balance adjustments after the LTFP was implemented in Oracle in February 2017;
- Updated assessed valuations; and
- Updated development units.

IDs 112/212:

There are three separate developments contributing to IDs 112/212: the City of Irvine (City) / Great Park development, the Great Park Neighborhoods development, and the 100-acre parcel owned by the County of Orange; connection fees for these developments will be set separately.

City of Irvine / Great Park

The recycled water connection fee of \$28.85 million for the Great Park was approved at the June 12, 2017 Board meeting. The City has indicated that it may request IRWD to provide some financing but has yet to make a formal request.

FivePoint Communities – Great Park Neighborhoods

The Great Park Neighborhoods is the FivePoint Communities development within ID 112/212. Staff recommends a 2.7% increase in the current connection fees, consistent with ENR. The consolidated water and sewer connection fee increases by \$135, from \$5,003 to \$5,138 per unit. Staff recommends maintaining the current consolidated tax rate of \$0.0750 per \$100 of land assessed value in order to maintain the 50/50 split.

County of Orange 100-acre Parcel

Staff recommends applying the same 2.7% increase to the connection fee for the 100-acre development site owned by the County of Orange with no tax base. The consolidated water and sewer connection fee increases by \$249, from \$9,206 to \$9,455 per unit. The property tax rate will remain at zero because as long as this property is owned by the County, there is no tax base.

Improvement Districts	Connection Fees		Property Tax	
	Current	Proposed	Current	Proposed
112/212 (Great Park Neighborhood)	\$5,003	\$5,138	\$0.0750	\$0.0750
112a/212a (County 100-acre Parcel)	\$9,206	\$9,455	\$0.0000	\$0.0000

IDs 113/213 – Tustin Base:

Staff recommends increasing connection fees by 2.7%, consistent with ENR. This will increase the water and sewer connection fee \$214, from \$7,921 to \$8,135 per unit. Staff recommends maintaining the current consolidated tax rate of \$0.09900 per \$100 of land assessed value in order to maintain the 50/50 split.

Improvement Districts	Connection Fees		Property Tax	
	Current	Proposed	Current	Proposed
113/213	\$7,921	\$8,135	\$0.0990	\$0.0990

IDs 153/253 – Developing IDs:

There has been significant change in development projections in this area. The East Orange development has been reduced with the land being donated as open space. Capital demands and development projections have been updated. The Irvine Lake Management Plan is complete and the staff recommendation is to continue with the assumed native water yield of 3,200 acre feet. Staff continues to work with the Irvine Company on the forward assumptions for the native water yield. Based on the capital adjustments and the assumed native water yield, staff recommends increasing the consolidated water and sewer connection fee \$113, from \$4,188 to \$4,301 per unit. Bonds were issued for these IDs in 2016 and establishing a property tax rate of \$0.04100 per \$100 of land assessed value will provide sufficient revenue to meet annual debt service.

Improvement Districts	Connection Fees		Property Tax	
	Current	Proposed	Current	Proposed
153/253 (Undeveloped ID)	\$4,188	\$4,301	\$0.0000	\$0.0410

IDs 185/285 – Opportunity Study Area, Excluding Portola:

In March 2014, General Obligation (GO) bonding authority was voted in for these IDs which provides for a sharing of the capital costs between connection fees and property taxes and bonds were issued in 2016. Staff recommends increasing connection fees by 2.7%, consistent with ENR. This will increase the water and sewer connection fee \$124, from \$4,601 to \$4,726 per unit. Staff recommends establishing a property tax rate of \$0.05350 per \$100 of land assessed value.

Improvement Districts	Connection Fees		Property Tax	
	Current	Proposed	Current	Proposed
185/285 (Opportunity Study)	\$4,601	\$4,726	\$0.0000	\$0.0535

IDs 188/288 – Portola – Portion of Opportunity Study Area:

Staff recommends a 2.7% increase in the current connection fees, consistent with ENR. The consolidated water and sewer connection fee will increase by \$109, increasing the water and sewer connection fee from \$4,035 to \$4,144 per residential unit; and reducing the current consolidated tax rate of \$0.22540 to \$0.0835 per \$100 of land assessed value. The reduction will provide sufficient revenue to meet annual debt service. The tax rate decrease is driven primarily from a significant increase in the assessed value (1,000%).

Improvement Districts	Connection Fees		Property Tax	
	Current	Proposed	Current	Proposed
188/288 (Opportunity Study)	\$4,035	\$4,144	\$0.2254	\$0.0835

ID 256 – Orange Park Acres (OPA) Sewer:

The revised fee below was approved by the Board at its June 12, 2017 Board meeting.

Improvement Districts	Connection Fees		Property Tax	
	Previous	Approved 6/12/2017	Previous	Approved 6/12/2017
156/256 (Undeveloped ID)	\$25,839	\$5,900	\$0.0000	\$0.0000

All Other IDs:

These areas experienced no significant changes in funding requirements. The recommendation for these ID's is a 2.70% increase (ENR) to connection fees applied to the capital program, attributable to construction cost increases due to capital inflation. The change results in:

Improvement Districts	Connection Fees		Property Tax	
	Current	Proposed	Current	Proposed
125/225(Developed)	\$5,484	\$5,633	\$0.028	\$0.028
125/240	\$6,258	\$6,427	\$0.028	\$0.028
111/222(Developed, no GO Authority) ¹	\$9,100	\$9,346	NA	NA
153/253 PA 30	\$7,395	\$7,595	\$0.000	\$0.410

FISCAL IMPACTS:

Total Connection Fees discussed above are included in the FY 2017-18 Non-Operating budget.

ENVIRONMENTAL COMPLIANCE:

Not Applicable

RECOMMENDATION:

THAT THE BOARD ADOPT THE FOLLOWING RESOLUTIONS BY TITLE EFFECTIVE SEPTEMBER 1, 2017:

RESOLUTION NO. 2017-

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE
 RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
 ADOPTING CHANGES TO CONNECTION FEES AS SET FORTH IN
 THE SCHEDULE OF RATES AND CHARGES IN EXHIBIT "B" TO THE
 RULES AND REGULATIONS OF IRVINE RANCH WATER DISTRICT
 FOR WATER, SEWER, RECYCLED WATER, AND NATURAL
 TREATMENT SYSTEM SERVICE

¹ Identifies the consolidated connection fee for a density between 5.9 to 10.8 dwelling units (DU) per acre.

AND ADOPT THE FOLLOWING RESOLUTIONS BY TITLE:

RESOLUTION NO. 2017-

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
ESTABLISHING AD VALOREM TAX REVENUES FOR
FISCAL YEAR 2017-18

RESOLUTION NO. 2017 –

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT AMENDING
ALLOCATION OF *AD VALOREM* PROPERTY
TAXES TO DEBT SERVICE, SUBJECT TO PLEDGE

LIST OF EXHIBITS:

- Exhibit “A” – Proposed Connection Fees and Property Tax Rates by ID
- Exhibit “B” – Resolution Adopting Changes to Rates and Charges
- Exhibit “C” – Resolution Adopting Ad Valorem Property Tax Rates
- Exhibit “D” – Resolution Amending Allocation of Ad Valorem Property Taxes to Debt Service
- Exhibit “E” – Rates and Charges

EXHIBIT "A"

Proposed Connection Fees and Property Tax Rates Fiscal Year 2017-18

CONNECTION FEES

Improvement District	Current			Proposed			Change	
	Water	Sewer	Total	Water	Sewer	Total	\$	%
111/222	\$3,260	\$5,840	\$9,100	\$3,348	\$5,998	\$9,346	\$246	2.7%
112/212	\$1,386	\$3,617	\$5,003	\$1,423	\$3,715	\$5,138	\$135	2.7%
112a/212a No Tax Authority (100% Connection Fee)	\$2,550	\$6,656	\$9,206	\$2,619	\$6,836	\$9,455	\$249	2.7%
113/213	\$2,881	\$5,040	\$7,921	\$2,959	\$5,176	\$8,135	\$214	2.7%
125/240	\$2,637	\$3,621	\$6,258	\$2,708	\$3,719	\$6,427	\$169	2.7%
125/225	\$2,637	\$2,847	\$5,484	\$2,708	\$2,924	\$5,633	\$148	2.7%
153/253	\$1,937	\$2,251	\$4,188	\$1,989	\$2,312	\$4,301	\$113	2.7%
153/253 PA 30	\$3,619	\$3,776	\$7,395	\$3,716	\$3,878	\$7,595	\$200	2.7%
256 OPA		\$25,839	\$25,839		\$5,900	\$5,900	(\$19,939)	-77.2%
185/285	\$1,652	\$2,949	\$4,601	\$1,697	\$3,029	\$4,726	\$124	2.7%
188/288	\$1,486	\$2,548	\$4,035	\$1,527	\$2,617	\$4,144	\$109	2.7%

PROPERTY TAX RATES ⁽¹⁾

Improvement District	Current			Proposed		
	Water	Sewer	Total	Water	Sewer	Total
112/212	\$0.03000	\$0.04500	\$0.07500	\$0.03000	\$0.04500	\$0.07500
113/213	\$0.04000	\$0.05900	\$0.09900	\$0.04000	\$0.05900	\$0.09900
125/225/240	\$0.01300	\$0.01500	\$0.02800	\$0.01300	\$0.01500	\$0.02800
153/253 ⁽²⁾	\$0.00000	\$0.00000	\$0.00000	\$0.02000	\$0.02100	\$0.04100
185/285 ⁽²⁾	\$0.00000	\$0.00000	\$0.00000	\$0.02300	\$0.03050	\$0.05350
188/288	\$0.21540	\$0.01000	\$0.22540	\$0.07350	\$0.01000	\$0.08350
252	\$0.00000	\$0.00001	\$0.00001	\$0.00000	\$0.00001	\$0.00001

(1) Based on \$100 of land assessed value.

(2) Establish tax rate for debt issued in FY 2016-17.

EXHIBIT "B"

RESOLUTION NO. 2017-

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE
RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
ADOPTING CHANGES TO CONNECTION FEES AS SET FORTH IN
THE SCHEDULE OF RATES AND CHARGES IN EXHIBIT "B" TO THE
RULES AND REGULATIONS OF IRVINE RANCH WATER DISTRICT
FOR WATER, SEWER, RECYCLED WATER, AND NATURAL
TREATMENT SYSTEM SERVICE
(EFFECTIVE SEPTEMBER 1, 2017)

WHEREAS, the Irvine Ranch Water District (IRWD) is a California Water District organized and existing under the California Water District Law, and all of the lands within the boundaries of said District are located in the County of Orange, State of California; and

WHEREAS, Section 35423, 35470, and Section 35501 of the California Water Code empower the District to establish, print and distribute equitable rules and regulations and prescribe and collect rates or other charges for water and sewer service, and such authority to prescribe and collect rates or other charges for water and sewer service includes connection fees for connection and service capacity; and

WHEREAS, the Board of Directors of IRWD, by adoption of Resolution No. 2015-23 approved and adopted amended "Rules and Regulations of Irvine Ranch Water District for Water, Sewer, Recycled Water, and Natural Treatment System Service effective August 24, 2015; and

WHEREAS, Exhibit "B" of said Rules and Regulations sets forth Rates and Charges, which Exhibit "B" may be changed from time to time by adoption of changes to any of the rates and charges or any new rates and charges as may be established and set forth therein; and

WHEREAS, Section 21080(b) (8) of the Public Resources Code provides that the establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies are exempt from the requirements of the California Environmental Quality Act (CEQA) provided that certain findings are made specifying the basis for the claim of exemption; and

WHEREAS, Article XIIB of the Constitution of the State of California, limiting local agencies' appropriations of proceeds of taxes, excludes user charges or fees or regulatory fees from the definition of proceeds of taxes, as long as such fees and charges do not produce revenue exceeding the costs reasonably borne in providing the regulation, product or service, and further excludes appropriations for debt service and appropriations for qualified capital outlay projects from appropriations subject to limitation; and

WHEREAS, the Board of Directors of IRWD deems it advisable and finds that it would be in the best interest of the District to amend or establish connection fees, consistent with applicable constitutional and statutory requirements; and

WHEREAS, the proposed revisions to the connection fees, as set forth in Exhibit “A” to this resolution, do not modify or establish any property-related fees or charges subject to the notice and hearing procedures of Article XIID of the Constitution of the State of California; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of IRWD as follows:

Section 1. It is hereby found and determined that the proposed changes to the Schedule of Rates and Charges are within the purposes set forth in Section 21080(b) of the Public Resources Code including but not by way of limitation, the purposes of (1) meeting operating expenses, (2) purchasing or leasing supplies, equipment or materials, (3) meeting financial reserve needs and requirements, and (4) obtaining funds for capital projects necessary to maintain service within existing areas, and therefore, that such changes are exempt from CEQA.

Section 2. It is hereby found and determined that relative to Article XIII B of the Constitution of the State of California, the charges or fees or regulatory fees established or increased hereby do not produce revenues exceeding the costs reasonably borne in providing the regulation, product or service and/or are used for debt service or qualified capital outlay projects and accordingly do not constitute proceeds of taxes, the appropriation of which is limited under Article XIII B, and that the documentation used in making such determinations has been on file in the office of IRWD for not less than 15 days prior to the date hereof, pursuant to Section 7910 of the Government Code of the State of California. It is hereby further found and determined that relative to the requirements of Sections 66013 and 66016 of the Government Code of the State of California, the availability of such documentation also satisfies the requirement to make publicly available the data indicating the estimated cost and revenue sources to provide the service for which the fee is imposed at least 10 days prior to the meeting at which this resolution is adopted, and that the connection fees established or increased hereby do not exceed the estimated reasonable cost of providing the service for which they are imposed.

Section 3. The new and/or revised connection fees as set forth in Exhibit “A” attached to this resolution and by this reference incorporated herein are hereby adopted, and the corresponding rate(s), fee(s) or charge(s), if any, as set forth in Rules and Regulations Exhibit “B” currently in effect, are hereby superseded. Staff is directed to incorporate the hereby adopted new and/or revised connection fee(s) into Exhibit “B” to the Rules and Regulations.

Section 4. That the provisions of this Resolution shall be effective September 1, 2017.

Section 5. That the Secretary is hereby ordered and directed to post a certified copy of this Resolution in a public place within the Irvine Ranch Water District.

ADOPTED, SIGNED and APPROVED this 24th day of July, 2017.

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

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

APPROVED AS TO FORM:
NOSSAMAN LLP
Legal Counsel - IRWD

By: _____

Exhibit "C"

RESOLUTION NO. 2017-

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA ESTABLISHING AD VALOREM TAX REVENUES FOR FISCAL YEAR 2017-18

WHEREAS, the Board of Directors of the Irvine Ranch Water District (IRWD) has duly considered the financial needs of the IRWD and its Improvement District Nos. 112, 113, 125, 153, 185, 188, 212, 213, 225, 240, 253, 285, and 288, for the fiscal year 2017-18 and the funds available and established to become available for meeting said financial needs; and

WHEREAS, pursuant to Section 37206 of the Water Code of the State of California, the Board of Directors annually shall furnish to the Board of Supervisors of Orange County and to the County Auditor, an estimate in writing of the amount of money needed to be raised by the District during the fiscal year for the payment of its proportion of the amount required for the purposes of the District; and

WHEREAS, Article XIII B of the Constitution of the State of California provides that the appropriations of local agencies will be limited each year to those of the previous year with specified adjustments permitted; and

WHEREAS, Section 9(a) of Article XIII B specifically excludes appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979, or on bonded indebtedness thereafter approved according to law by a vote of electors; and

WHEREAS, the ad valorem tax revenues established by IRWD are used entirely for debt service and are therefore exempt from the appropriations formula established by Article XIII B.

WHEREAS, the ad valorem tax revenues received by IRWD pursuant to this Resolution will provide a portion of the funds needed to pay principal and interest with respect to the General Obligation Bonds referenced below, and this Board wishes to specify the sources of the remainder of the amounts needed therefor in the current year.

NOW, THEREFORE, the Board of Directors of IRWD does hereby RESOLVE, DETERMINE, AND ORDER as follows:

Section 1. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 153 of IRWD for fiscal year 2017-18 is .02000 percent (.0002000) of full value.

Section 2. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 253 of IRWD for fiscal year 2017-18 is .02100 percent (.0002100) of full value.

Section 3. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 225 of IRWD for fiscal year 2017-18 is .01500 percent (.0001500) of full value.

Section 4. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 240 of IRWD for fiscal year 2017-18 is .01500 percent (.0001500) of full value.

Section 5. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 125 of IRWD for fiscal year 2017-18 is .01300 percent (.0001300) of full value.

Section 6. That the tax to be levied for servicing Improvement District No. 252's just proportion of liability determined pursuant to Resolution No. 2005-41, for the General Obligation Bonds of Improvement District No. 225 of IRWD for fiscal year 2017-18 is .00001 percent (.0000001) of full value.

Section 7. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 188 of IRWD for fiscal year 2017-18 is .07350 percent (.0007350) of full value.

Section 8. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 288 of IRWD for fiscal year 2017-18 is .01000 percent (.0001000) of full value.

Section 9. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 113 of IRWD for fiscal year 2017-18 is .04000 percent (.0004000) of full value.

Section 10. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 213 of IRWD for fiscal year 2017-18 is .05900 percent (.000590) of full value.

Section 11. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 112 of IRWD for fiscal year 2017-18 is .03000 percent (.00030000) of full value.

Section 12. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 212 of IRWD for fiscal year 2017-18 is .04500 percent (.0004500) of full value.

Section 13. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 185 of IRWD for fiscal year 2017-18 is .02300 percent (.0002300) of full value.

Section 14. That the tax to be levied for servicing the General Obligation Bonds of Improvement District No. 285 of IRWD for fiscal year 2017-18 is .03050 percent (.0003050) of full value.

Section 15. The taxes levied pursuant to Sections 1 and 2 of this Resolution are for bonds approved before January 1, 1989. The taxes levied pursuant to Sections 7 through 14 are for bonds approved after January 1, 1989. The taxes levied pursuant to Sections 3 through 6 are for bonds approved before January 1, 1989 and bonds approved after January 1, 1989.

Section 16. That the Secretary and Treasurer of the District are hereby directed to furnish a certified copy of this resolution to the Auditor of the County of Orange.

Section 17. That the ad valorem tax revenues established by IRWD hereby for the fiscal year 2017-18 are in compliance with the provisions of Article XIII B of the constitution of the State of California.

Section 18. That principal and interest with respect to the General Obligation Bonds of IRWD shall be paid from (1) the ad valorem assessments received by IRWD pursuant to this Resolution; (2) any amounts held in bona fide debt service funds; (3) other monies, if any, required to be applied to the payment of debt service by the applicable indenture or resolution of issuance; (4) tax revenues applied pursuant to Resolution No. 2002-10 and to certain parity obligations as described in the Indenture of Trust, dated April 1, 2011, as amended and supplemented, relating to the Bonds of Irvine Ranch Water District, Refunding Series 2011A-1 (pledge of the 1% levy), as such application may be modified by resolution amending the allocation of tax revenues; and (5) to the extent additional amounts are necessary for such purpose, revenues which are received by IRWD within twelve months of being applied to the payment of debt service and which are legally available therefor, including income from the investment of such revenues where both the investment income and the revenues on which it is earned are received by IRWD within twelve months of being applied to the payment of debt service.

ADOPTED, SIGNED and APPROVED this 24th day of July, 2017.

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

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

APPROVED AS TO FORM:
NOSSAMAN LLP
Legal Counsel - IRWD

Legal Counsel

Exhibit "D"

RESOLUTION NO. 2017 –

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT AMENDING ALLOCATION OF *AD VALOREM* PROPERTY TAXES TO DEBT SERVICE, SUBJECT TO PLEDGE

WHEREAS, the Board of Directors of the Irvine Ranch Water District ("IRWD") has adopted Resolution Nos. 1992-48 and 2002-10, relating to IRWD's appropriation and pledge of revenues from the general 1% *ad valorem* property tax; and

WHEREAS, such resolutions authorized and directed the Treasurer to annually allocate the general 1% *ad valorem* property tax revenues received by IRWD among the debt service requirements of the issues of bonds specified in said resolution ("Secured Bonds") in accordance with a formula set forth therein, with the 2002 pledge formula to be applied in lieu of the 1992 pledge formula to the extent provided in Resolution No. 2002-10; and

WHEREAS, no Secured Bonds that received a pledge of general 1% *ad valorem* property tax revenues under Resolution No. 1992-48 currently remain outstanding, and;

WHEREAS, IRWD's revenues from the general 1% *ad valorem* property tax have, to the extent not applied to pay principal and interest on the Secured Bonds, been pledged by IRWD to certain parity obligations (the "Parity Obligations") identified by the Indenture of Trust, dated April 1, 2011, as amended and supplemented (the "2011 Indenture"), relating to the Bonds of Irvine Ranch Water District, Refunding Series 2011A-1; and

WHEREAS, on November 11, 2013, pursuant to Section 36454 *et seq.* of the California Water Code, the Board of Directors adopted Resolution No. 2013-43, ordering the consolidation of Improvement District Nos. 102, 105, 106, 121, 130, 135, 140, 161, 182, 184 and 186, as modified by certain annexations and detachments ordered by the Board, into a single improvement district designated "Improvement District No. 125" and the consolidation of Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286, as modified by certain annexations and detachments ordered by the Board, into a single improvement district designated "Improvement District No. 225"; and

WHEREAS, the consolidation is one of several actions taken by IRWD based upon its comprehensive evaluation and study of its long-term financial requirements, including: a detailed planning, engineering and financial assessment of the total costs of existing and future facilities in the water and wastewater systems; available bond authorization and other revenue sources to finance facilities to serve future development, augment system reliability and meet upgraded regulatory requirements for both existing and future demands and replace and refurbish the existing systems; debt service; simplification of the improvement district structure; and assurance of equitable and fair sharing of regional and local cost between existing and future users and among the areas that have comprised the various existing improvement districts and other geographic areas served by the system; and

WHEREAS, pursuant to Section 36454.1 of the California Water Code, the included amounts and/or included percentages of each series of the Secured Bonds or Parity Obligations that constituted the general obligation of one or more of Improvement District Nos. 105, 121, 130, 135, 140, 161, 182, 184 and 186 were assumed by and became the liability of Improvement District No. 125, and the included amounts and/or included percentages of the respective series of the Secured Bonds or Parity Obligations that constituted the general obligation of one or more of Improvement District Nos. 221, 230, 235, 250, 261, 282, 284 and 286 were assumed by and became the liability of Improvement District No. 225; and

WHEREAS, the Board deems it to be appropriate, in the interest of IRWD and consistent with the pledges contained in Resolution No. 2002-10 and the 2011 Indenture (collectively, the "Pledges"), to modify the allocation of the revenues from the general 1% *ad valorem* property tax received during the 2017-18 fiscal year (the "Fiscal Year"), subject to the availability of other revenues for debt service on Secured Bonds and Parity Obligations in such year; and

WHEREAS, the proposed modifications consist of substitution of an allocation of 1% tax revenues among debt service obligations that is different from the allocation that would be calculated under the formulas specified in the Pledges; in addition, by separate resolution adopting the capital budget, this Board has allocated a portion of the 1% tax revenues for the Fiscal Year to one or both of IRWD's Replacement Fund or Enhancement Fund; and

WHEREAS, Article XIII B of the Constitution of the State of California provides that the appropriations of local agencies will be limited each year to those of the previous year, adjusted for changes in population, cost of living and transfers in sources of funding; and

WHEREAS, Section 9 of Article XIII B excludes from the appropriations subject to limitation appropriations for debt service and appropriations for all qualified capital outlay projects; a qualified capital outlay projects is defined by statute as an appropriation for a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds one hundred thousand dollars (\$100,000).

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

Section 1. Subject in all respects to the Pledges, the Treasurer is hereby authorized and directed to implement a modified allocation of the pledged amounts (as defined in the Pledges) of the general 1% *ad valorem* property tax revenues for the Fiscal Year in the manner set forth as follows:

- (a) the amount to be allocated to the Replacement Fund shall be as specified in the resolution adopting the capital budget for the Fiscal Year;
- (b) the amount to be allocated to the Enhancement Fund shall be as specified in the resolution adopting the capital budget for the Fiscal Year;

- (c) the amount to be allocated to the sharing of regional and local cost by existing and future users of the areas known as "110" and 210" shall be as set forth in Exhibit "A," which exhibit is attached to this resolution and by this reference made a part hereof;
- (d) the allocation among the Improvement Districts' debt service obligations shall be as set forth in Exhibit "A," subject to adjustments as may be necessary to reflect actual tax revenues received by IRWD;
- (e) the amount allocated to each Improvement District or combination of Improvement Districts specified in Exhibit "A" shall be further allocated by the Treasurer among the various outstanding bond issues based upon their debt service requirements and/or other criteria as he deems appropriate;
- (f) the amounts to be allocated pursuant to paragraphs (d) and (e) from the pledged amount of the general 1% *ad valorem* property tax revenues received by IRWD shall be held unallocated until such allocations are made, and each such amount shall be deposited into the appropriate debt service fund or account for the respective bond issue as and when determined by the Treasurer.

The applications described in this section shall be made only if and to the extent there is not a deficiency at the time of application in the amounts available to pay debt service for any Secured Bonds or Parity Obligations.

Section 2. Nothing contained in this resolution is intended to impair or modify in any way the pledge of the general 1% *ad valorem* property tax revenues as stated in the Pledges. Nothing contained in this resolution is intended to create any entitlement with respect to the use of general 1% *ad valorem* property tax revenues for any particular purpose, it being intended that such revenues are unrestricted except by such Pledges and are subject to application as determined in the discretion of the Board of Directors from time to time.

Section 3. It is hereby found and determined that relative to appropriations subject to limitation under Article XIII B of the Constitution of the State of California, the applications of revenues described in this resolution are for debt service, and accordingly do not constitute proceeds of taxes the appropriation of which is limited under Article XIII B, and that the documentation used in making such determinations has been on file in the office of IRWD for not less than 15 days prior to the date hereof, pursuant to Section 7910 of the Government Code of the State of California

Section 4. The President, Secretary, Treasurer and each other officer of IRWD, acting singly, be and hereby is authorized and directed to execute and deliver any and all documents or instruments and to do and perform any and all acts and things necessary or proper for carrying out the transactions contemplated by this resolution.

ADOPTED, SIGNED AND APPROVED this 27th day of June, 2017.

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

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

APPROVED AS TO FORM:

NOSSAMAN LLP
Legal Counsel - IRWD

By _____

jca/00106535/061114

EXHIBIT A

ID or Area (Water)	2002 Pledge Formula Allocation of 1% General Tax Revenue ^a	2017-18 Allocation of 1% General Tax Revenue	ID or Area (Sewer)	2002 Pledge Formula Allocation of 1% General Tax Revenue ^a	2017-18 Allocation of 1% General Tax Revenue
			1	0	0
112	0	0	212	0	0
113	0	0	213	0	0
125 ^{b c}	17%	25%	225 ^{d e}	23%	35%
153	0	0	240	3%	2%
154	0	0	252	0	0
185	0	0	253	0	0
188	0	0	288	0	0
“110”	NA	5%	“210”	NA	5%

Fund	Allocation of 1% Revenue, Per 2017-18 Capital Budget Resolution
Replacement Fund	28%
Enhancement Fund	0

^a No Secured Bonds that received a pledge of 1% general tax levy revenues under Resolution No. 1992-48 remain outstanding. The pledge made by Resolution No. 2002-10 secured the outstanding **Consolidated Series 1993 Bonds** (consisting of the included percentages of Improvement District Nos. 105 (14.67%), 140 (15.20%), 240 (43.73%) and 250 (26.40%) and **Consolidated Series 1995 Bonds** (consisting of the included percentages of Improvement District Nos. 105 (25.26%), 140 (11.61%), 240 (25.26%) and 250 (37.87%).

^b Improvement District No. 125 assumed the liability for the included amounts and/or included percentages of debt service for each series of the Secured Bonds or Parity Obligations that constituted the general obligation of one or more of the improvement districts consolidated as Improvement District No. 125: Nos. 105, 121, 130, 135, 140, 161, 182, 184 and 186.

^c After the formation of Improvement District No. 125, with respect to the **Series 1993 Bonds**, the aggregated included percentages of Improvement District Nos. 105 and 140 (36.87%) were assumed by Improvement District No. 125, and with respect to the **Series 1995 Bonds**, the aggregated included percentages of Improvement District Nos. 105 and 140 (36.87%) were assumed by Improvement District No. 125.

^d Improvement District No. 225 assumed the liability for the included amounts and/or included percentages of debt service for each series of the Secured Bonds or Parity Obligations that constituted the general obligation of one or more of the improvement districts consolidated as Improvement District No. 125: Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286.

^e After the formation of Improvement District No. 225, with respect to the **Series 1993 Bonds**, the included percentage of Improvement District No. 250 (26.40%) was assumed by Improvement District No. 225, and with respect to the **Series 1995 Bonds**, the included percentage of Improvement District No. 250 (37.87%) was assumed by Improvement District No. 125.

***IRVINE RANCH WATER DISTRICT
SCHEDULE OF RATES AND CHARGES***



Irvine Ranch
WATER DISTRICT

~~ADOPTED~~EFFECTIVE

~~JUNE 26, 2017~~SEPTEMBER 01, 2017

Water Connection Fees

Residential

	IMPROVEMENT DISTRICT	0-5.8 DUs/acre	5.9-10.8 DUs/acre	10.9-25.8 DUs/acre	25.9+ DUs/acre
Connection Fees Per Dwelling Unit	1101*	\$3,796 \$3,696	\$3,348 \$3,260	\$2,837 \$2,762	\$2,395 \$2,332
	112	\$1,423 \$1,386	\$1,423 \$1,386	\$1,423 \$1,386	\$1,423 \$1,386
	112a (tax exempt)	\$2,619 \$2,550	\$2,619 \$2,550	\$2,619 \$2,550	\$2,619 \$2,550
	113	\$2,959 \$2,881	\$2,959 \$2,881	\$2,959 \$2,881	\$2,959 \$2,881
Development shall be gross acres excluding private parks.	125	\$2,708 \$2,637	\$2,708 \$2,637	\$2,708 \$2,637	\$2,708 \$2,637
	153	\$1,989 \$1,937	\$1,989 \$1,937	\$1,989 \$1,937	\$1,989 \$1,937
	153 PA 30	\$3,716 \$3,619	\$3,716 \$3,619	\$3,716 \$3,619	\$3,716 \$3,619
	185	\$1,697 \$1,652	\$1,697 \$1,652	\$1,697 \$1,652	\$1,697 \$1,652
	188	\$1,527 \$1,486	\$1,527 \$1,486	\$1,527 \$1,486	\$1,527 \$1,486
	*All others				

Commercial, Industrial and Public Authority – Office Building

	IMPROVEMENT DISTRICT	Commercial	Industrial	Public Authority
Connection Fees Per Gross Acre	404111*	\$21,062 \$20,509	\$32,080 \$31,237	\$21,062 \$20,509
	112	\$9,251 \$9,007	\$9,251 \$9,007	\$9,251 \$9,007
	112a (tax exempt)	\$17,022 \$16,575	\$17,022 \$16,575	\$17,022 -
	113	\$21,610 \$21,042	\$0 \$0	\$21,610 \$10,521
	125	\$13,431 \$13,078	\$19,066 \$18,565	\$13,431 \$13,078
	153	\$10,450 \$10,176	\$14,834 \$14,444	\$10,450 \$10,176
	PA 30	\$18,440 \$17,955	\$26,176 \$25,488	\$18,440 \$17,955
	185	\$7,928 \$7,720	\$7,928 \$7,720	\$7,928 \$7,720
	188	\$6,025 \$5,867	\$6,025 \$5,867	\$6,025 \$5,867
	*All others			

Parks, Churches and Commercial Recreational Facilities

	IMPROVEMENT DISTRICT	Indoor Water Use	Outdoor ⁽¹⁾ Water Use
Connection Fees Per Fixture Unit	404111*	\$65.96 \$64.23	\$232.13 \$226.03
	125	\$44.64 \$43.47	\$156.46 \$152.35
(1) Calculated per Uniform Plumbing Code	153	\$34.78 \$33.86	\$121.89 \$118.69
	PA 30	\$61.33 \$59.72	\$214.96 \$209.31
	185	\$45.62 \$44.42	\$160.18 \$155.97
	188	\$30.10 \$29.31	\$105.91 \$103.12
	*All others		

Schools (Public and Private)

	IMPROVEMENT DISTRICT	Indoor Primary &/or Intermediate	Indoor Secondary	Landscape Primary Intermediate & Secondary
	404111*	\$5,198 \$5,061	\$6,971 \$6,788	\$223 \$217
	125	\$3,511 \$3,418	\$4,714 \$4,590	\$157 \$153
Connection Fees Per 100 Students	153	\$2,735 \$2,663	\$3,672 \$3,576	\$122 \$119
Based on Max Daily Attendance	PA 30	\$4,823 \$4,696	\$6,476 \$6,306	\$216 \$210
	185	\$3,439 \$3,348	\$4,824 \$4,697	\$155 \$151
	188	\$2,753 \$2,681	\$3,684 \$3,587	\$118 \$114
	*All others			

High Volume User – Commercial and Industrial

This section shall apply to all non-residential applicants in addition to standard connection fees in all improvement districts.

Connection Fee Formula Additional High Volume Water User Connection Fee =

[Est. Gallons per Day use – (no. acres x use factor*)] x

\$1,18655,083270/cfs

646,320 gal/day/cfs

*Non-Residential Water Use Factor

Land Use Category

Water Use Factors

(Gal/Acre x /Day)

Commercial

2,000.00

Industrial

4,000.00

UCI

Special Contract

Definitions

Commercial: Commercial development includes but is not limited to the following uses: Hotels, retail and offices.

Industrial: Industrial development includes but is not limited to the following uses: Manufacturing, research and development, and distribution.

Methodology for Calculating Redevelopment Connection Fees

Redevelopment connection fees will be calculated using the following methodology, effective January 1, 2014:

1. Calculate water and sewer connection fee based on redevelopment plans utilizing current rates and charges;
2. Provide a credit based on the existing project (to be redeveloped) by calculating a connection fee using current rates and charges; and
3. The redevelopment connection fee calculation is the difference between the new development connection fee and the connection fee credit. No refunds will be given if the credit is greater than connection fee.

Service Installations by District

Customers may request the District to install, relocate or abandon domestic water, recycled water and fire protection service lines. To request an action listed above, the customer must submit a Quote Request Form for Service or Meter Modifications which can be obtained by contacting Development Services. District staff will prepare a cost estimate for the requestor. When payment is received, a work order will be issued to District staff to begin coordination and installation.

The District reserves the right to decline a customer's request for service installations by District for any reason. In the event the District declines to perform service installations, the requester will need to submit design plans for review and approval through Development Services. For further information, see Development Services Procedural Guidelines and General Design Requirements document which can be found at www.inwd.com.

Meter Installations by District

Customers may request the District to install or replace (downsize or upsize) domestic water or recycled water meters. To request an action listed above, the customer must submit a Quote Request Form for Service or Meter Modifications which can be obtained by contacting the District's Development Services. District staff will prepare a cost estimate for the requestor. When payment is received, a work order will be issued to District staff to begin coordination and installation. Meter installation and replacement charges are as follows:

<u>Meter size</u>	<u>Cost*</u>	<u>Meter size</u>	<u>Cost*</u>
5/8" x 3/4" **	\$130.00**	2" Disc	\$ 750.00
3/4"	\$200.00	2" Turbo	\$1,300.00
1"	\$250.00***	3" Turbo	\$2,100.00
1-1/2"	\$450.00	4" Turbo	\$3,400.00

* Prices shown are for standard meter installations only and do not include services, angle stops, meter boxes, meter box covers, vaults or meter box lids. Additional costs may apply. The customer will be responsible for any plumbing modifications downstream of the water meter.

** Developer installed-Residential only

*** When a customer requests a meter to be upsized from 5/8" x 3/4" to 1", additional parts and labor will be required to make the conversion. The cost for District staff to perform this work is \$2,000.00 and will be collected along with the above 1" meter cost.

Costs for meters larger than 4-inches will be determined by the District's Purchasing Department at the time of request. Meters costs includes strainer.

Sewer Connection Fees

Residential

	IMPROVEMENT DISTRICT	0-5.8 DUs/acre	5.9-10.8 DUs/acre	10.9-25.8 DUs/acre	25.9+ DUs/acre
Connection Fees Per Dwelling Unit	1 (22204)*	\$6,740 \$6,663	\$5,998 \$5,840	\$4,937 \$4,807	\$3,895 \$3,793
	212	\$3,715 \$3,617	\$3,715 \$3,617	\$3,715 \$3,617	\$3,715 \$3,617
	212a (tax exempt)	\$6,836 \$6,656	\$6,836 \$6,656	\$6,836 \$6,656	\$6,836 \$6,656
	213	\$5,176 \$5,040	\$5,176 \$5,040	\$5,176 \$5,040	\$5,176 \$5,040
Total acreage for any given	240	\$3,719 \$3,621	\$3,719 \$3,621	\$3,719 \$3,621	\$3,719 \$3,621
development shall be gross	225	\$2,924 \$2,847	\$2,924 \$2,847	\$2,924 \$2,847	\$2,924 \$2,847
acres excluding private parks.	253	\$2,312 \$2,251	\$2,312 \$2,251	\$2,312 \$2,251	\$2,312 \$2,251
Parks.	253 PA 30	\$3,878 \$3,776	\$3,878 \$3,776	\$3,878 \$3,776	\$3,878 \$3,776
	256	\$5,900 \$25,839	\$5,900 \$25,839	\$5,900 \$25,839	\$5,900 \$25,839
	285	\$3,029 \$2,949	\$3,029 \$2,949	\$3,029 \$2,949	\$3,029 \$2,949
	288	\$2,617 \$2,549	\$2,617 \$2,549	\$2,617 \$2,549	\$2,617 \$2,549
	OPA1 (Ridgeline)	\$5,900 \$4,430	\$5,900 \$4,430	\$5,900 \$4,430	\$5,900 \$4,430
	*All others				

Commercial, Industrial and Public Authority – Office Building

	IMPROVEMENT DISTRICT	Commercial	Industrial	Public Authority
Connection Fees Per Gross Acre	1 (22204)*	\$37,773 \$36,780	\$65,903 \$64,170	\$37,773 \$36,780
	212	\$22,180 \$21,597	\$22,180 \$21,597	\$22,180 \$21,597
	212a (tax exempt)	\$40,814 \$39,741	\$40,814 \$39,741	\$40,814 -
	213	\$30,839 \$30,028	\$0 \$0	\$30,839 \$15,526
	240	\$16,981 \$16,534	\$0 \$0	\$16,981 \$16,534
	225	\$14,297 \$13,921	\$16,913 \$16,468	\$14,297 \$9,924
	253	\$10,608 \$10,329	\$17,603 \$17,140	\$10,608 \$10,329
	253 PA 30	\$17,293 \$16,839	\$28,695 \$27,941	\$17,293 \$16,839
	285	\$6,053 \$5,894	\$6,053 \$5,894	\$6,053 \$5,894
	288	\$10,330 \$10,059	\$10,330 \$10,059	\$10,330 \$10,059
	*All others			

Parks, Churches and Commercial Recreational Facilities

	IMPROVEMENT DISTRICT	Fee
Connection Fees Per Fixture Unit	1 (22204)*	\$417.92 \$406.93
	240	\$252.63 \$245.99
	225	\$224.08 \$218.19
	253	\$166.26 \$161.89
	253 PA 30	\$271.03 \$263.91
	288	\$68.55 \$66.74
	*All others	

Schools (Public and Private)

	IMPROVEMENT DISTRICT	Primary & Intermediate	Secondary
Connection Fees Per 100 Students	1 (201222)*	\$19,803 \$19,282	\$26,407 \$25,713
Based on Max Daily Attendance	240	\$11,940 \$11,626	\$15,923 \$15,504
	225	\$10,528 \$10,252	\$14,038 \$13,669
	253	\$7,811 \$7,606	\$10,415 \$10,141
	253 PA 30	\$12,734 \$12,399	\$16,979 \$16,532
	288	\$3,300 \$3,213	\$4,397 \$4,282
	*All others		

Sewer Lateral Installations by District

The District does not install sewer laterals.

Irvine Business Complex – Non-Residential

	<u>Commercial/Industrial</u>		
	(1) <u>Low Demand</u>	(2) <u>Average Demand</u>	(3) <u>High Demand</u>
Connection Fees Per 1,000 Square Feet	<u>\$260 \$253</u>	<u>\$1,606 \$1,664</u>	<u>\$3,807 \$3,707</u>

- (1) Low Demand connections are the following categories of users: Nurseries, Warehouses, Parking Structures, RV Storage, Churches, Truck Terminals, RV Parks, Lumber/Construction Yards, and other discharge whose flow is similar in volume to these listed categories.
- (2) Average Demand connections other than listed in Low or High Demand categories.
- (3) High Demand connections are the following categories of users: Restaurants, Supermarkets, Car Washes, Coin Laundries, Amusement Parks, Shopping Centers with Restaurants, Food Processing Facilities, Textile Manufacturers, and other discharges whose flow is similar in volume to these listed categories.

High Volume User – Commercial and Industrial

This section shall apply to all non-residential applicants in addition to standard connection fees in all improvement districts.

Connection Fee Formula

Additional High Volume Sewer User Connection Fee =

* Sewer GPD = 90% of water GPD [Est. GPD use * – (no. acres x use factor**)] x \$16.5217.24/Gal. of Sewer Flow

**Non-Residential Sewage Flow Generators (Use Factors)	<u>Land Use Category</u>	<u>Average Flows</u>
	Commercial	1,300.00
	Industrial	2,600.00
	UCI	Special Contract

Definitions

Commercial: Commercial development includes but is not limited to retail and offices

Industrial: Industrial development including manufacturing, research and development and distributorships

Methodology for Calculating Redevelopment Connection Fees

Redevelopment connection fees will be calculated using the following methodology, effective January 1, 2014:

1. Calculate water and sewer connection fee based on redevelopment plans utilizing current rates and charges;
2. Provide a credit based on the existing project (to be redeveloped) by calculating a connection fee using current rates and charges; and
3. The redevelopment connection fee calculation is the difference between the new development connection fee and the connection fee credit. No refunds will be given if the credit is greater than connection fee.