AGENDA
IRVINE RANCH WATER DISTRICT
FINANCE AND PERSONNEL COMMITTEE MEETING
TUESDAY, DECEMBER 6, 2016

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

ATTENDANCE Committee Chair: Peer Swan ____ Member: Mary Aileen Matheis ____

| ALSO PRESENT | | | | |
|---|---|---|---|---|
| | Paul Cook | _____ | Cheryl Clary | _____ |
| | Rob Jacobson | _____ | Christopher Smithson | _____ |
| | Tanja Fournier | _____ | Eileen Lin | _____ |
| | Kevin Burton | _____ | Tina Bertsch | _____ |
| | Jenny Roney | _____ | Tony Mossbarger | _____ |
| | Paul Weghorst | _____ | Gretchen Ronin | _____ |
| | Allen Shinbashi | _____ | _______________ | _____ |

## COMMUNICATIONS

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

## INFORMATION

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

   Recommendation: Receive and file.

6. FIRST QUARTER FY 2016-17 LEGAL FEES ANALYSIS – TOBAR/CLARY

   Recommendation: Receive and file.

7. FY 2016-17 OPERATING AND NON-OPERATING FINANCIAL HIGHLIGHTS – BERTSCH/SMITHSON/CLARY

   Recommendation: Receive and file.

## ACTION

8. IRWD UNTREATED AGRICULTURAL RATE – SMITHSON/CLARY

Recommendation: That the Board approve the change to the untreated rate.

9. ORANGE COUNTY GREAT PARK CONNECTION FEE – SMITHSON/CLARY/BURTON

Recommendation: That the Board approve the identified connection fee for the Orange County Great Park.

10. PROPOSED 2017 INVESTMENT POLICY – DAVIS/FOURNIER/JACOBSON/CLARY

Recommendation: That the Board approve the proposed 2017 Investment Policy.

11. FINANCIAL SYSTEM UPGRADE AND PROJECT MANAGEMENT IMPLEMENTATION CONSULTANT SERVICES VARIANCE APPROVAL – MOSSBARGER/CLARY

Recommendation: That the Board authorize the General Manager to execute a variance to the agreement with KPMG for Variance No. 4 in the amount of $85,800 for the Financial Systems Upgrade and Project Management Implementation agreement.

## TREASURY SECTION

12. MONTHLY INVESTMENT AND DEBT REVIEW – DAVIS/FOURNIER/JACOBSON/CLARY

Recommendation: Receive and file.

13. QUARTERLY DEFERRED COMPENSATION PLAN AND FUND REVIEW – DAVIS/FOURNIER/JACOBSON/CLARY

Recommendation: Receive and file.

14. DISCUSSION ITEMS – ALL

a. Updated investment activities/rates
b. Cost of new logo implementation

15. Items for discussion at next meeting.

## OTHER BUSINESS

16. Directors' Comments

17. Adjournment

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the above-named Committee in connection with a matter subject to discussion or consideration at an open meeting of the Committee are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Committee less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Committee Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available 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.

December 6, 2016
Prepared by: Marta Ramos
Submitted by: Jenny Roney
Approved by: Paul Cook

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.

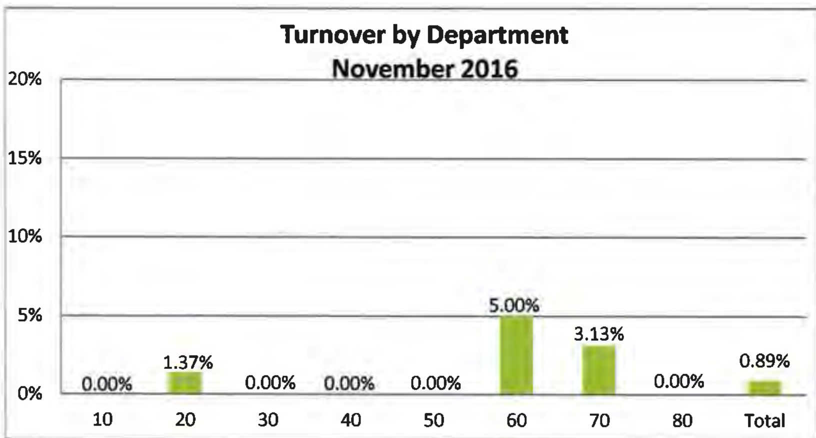
## LIST OF EXHIBITS:

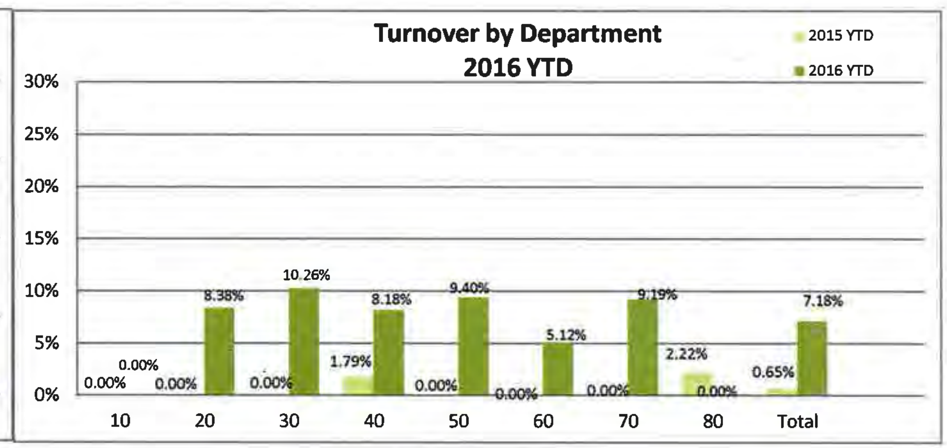
Exhibit "A" - Employee Population/Turnover Status Report

# EXHIBIT A

## IRVINE RANCH WATER DISTRICT
## EMPLOYEE POPULATION STATUS REPORT
## November 2016

| | @10/01/16 | Current Month Activity | | | | | | | @10/31/16 | | FY 16/17 | Avg FYTD | Avg FYTD | Avg FYTD | Internal Turnover | | External Turnover | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Positions | New | Terms | | Promo Trnsfr | | Lateral Trnsfr | | Positions | Positions | Budgeted | Filled Budget | Temp Emp | Total Filled | Current | 2016 | Current | 2016 |
| Dept No | Filled | Hires | Vol | Invol | In | Out | In | Out | Filled | Unfilled | Positions* | Positions | FTE | Positions | Period | YTD | Period | YTD |
| 10P | 14.0 | | | | | | | | 14.0 | 1 | 15.0 | 14.0 | 0.9 | 14.9 | 0.00% | 0.00% | 0.00% | 0.00% |
| 20P | 73.0 | 2 | 1 | | | | | | 74.0 | 6 | 80.0 | 75.5 | 8.1 | 83.6 | 0.00% | 2.79% | 1.37% | 8.38% |
| 30P | 41.0 | | | | | | | | 41.0 | 1 | 42.0 | 39.0 | 6.6 | 45.6 | 0.00% | 0.00% | 0.00% | 10.26% |
| 40P | 62.0 | | | | | | | | 62.0 | 5 | 67.0 | 62.0 | 3.3 | 65.3 | 0.00% | 3.27% | 0.00% | 8.18% |
| 50P | 41.0 | | | | | | | | 41.0 | 7 | 48.0 | 43.0 | 2.6 | 45.6 | 0.00% | 2.35% | 0.00% | 9.40% |
| 60P | 20.0 | | 1 | | | | | | 19.0 | 1 | 20.0 | 20.0 | 0.5 | 20.5 | 0.00% | 0.00% | 5.00% | 5.12% |
| 70P | 32.0 | | 1 | | | | | | 31.0 | 5 | 36.0 | 33.0 | 7.1 | 40.1 | 0.00% | 0.00% | 3.13% | 9.19% |
| 80P | 55.0 | | | | | | | | 55.0 | 5 | 60.0 | 52.5 | 0.0 | 52.5 | 0.00% | 1.94% | 0.00% | 0.00% |
| Totals | 338 | 2 | 3 | 0 | 0 | 0 | 0 | 0 | 337.0 | 31 | 368.0 | 339.0 | 29.2 | 368.2 | 0.00% | 1.25% | 0.89% | 7.18% |
| 11/15 | 306 | 3 | 2 | 0 | 0 | 0 | 0 | 0 | 308 | 30 | 352.00 | 314.50 | 35.70 | 350.20 | 0.00% | 0.29% | 0.65% | 0.82% |



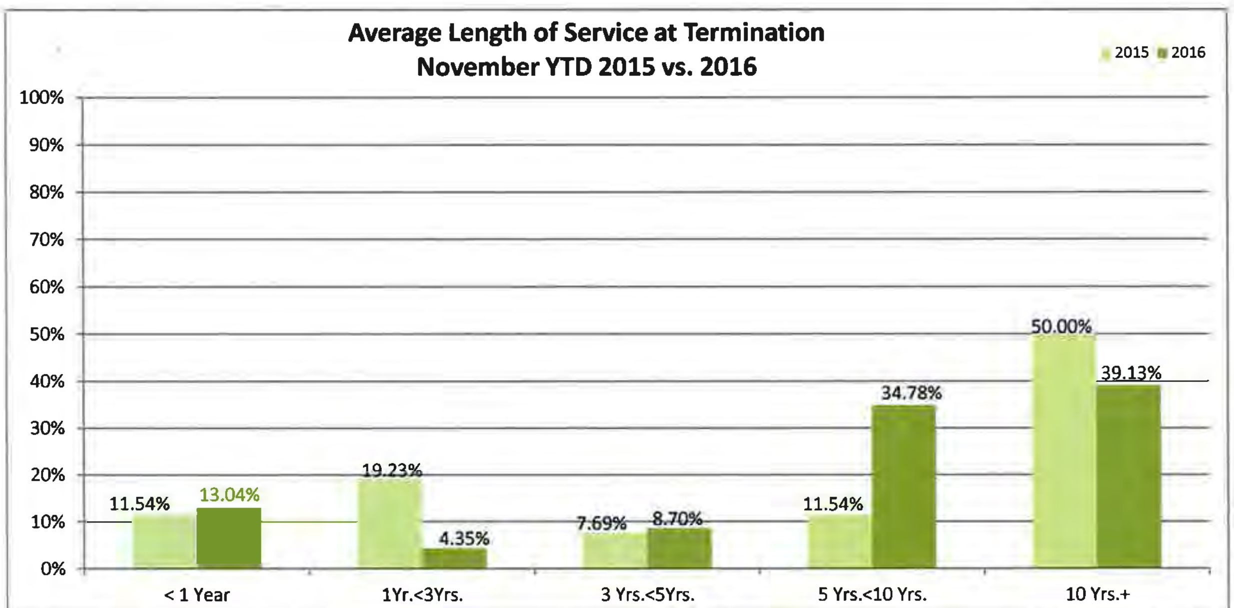




10P-GM, HR, Safety; 20P-Fin., Cust. Serv., IS, Purch.; 30P-Eng.: 40P-Water Ops; 50P-Recycling; 60P-Water Qualty; 70P-Water Res., Pol., Conserv. and Public Affairs; 80P-Maintenance Ops

# IRVINE RANCH WATER DISTRICT
# TURNOVER STATUS REPORT
## November 2016

| 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.+ |
| 10P | | | | | | | | | | | | | | | | | | |
| 20P | | | 1 | 1 | | | | 1 | 1 | 1 | 1 | | | 2 | | 1 | 1 | 2 |
| 30P | | | | 1 | | | | 1 | | 1 | | | | | | | 1 | 2 |
| 40P | 1 | 1 | | 1 | | 1 | 1 | | | | | | | | | | 3 | 2 |
| 50P | | 1 | | | | 2 | | | 1 | | | | | 1 | | 1 | | 2 |
| 60P | | | | | | | | | | | 1 | | | | | | 1 | |
| 70P | | | | | 1 | | | 1 | | | 1 | | | | 1 | | 1 | 1 |
| 80P | | 1 | | | | | | | | | | | | | | | 1 | |
| 2016 Total | 1 | 3 | 1 | 3 | 1 | 3 | 1 | 3 | 2 | 2 | 3 | | 23 | 3 | 1 | 2 | 8 | 9 |
| 2015 Data | 1 | 2 | 1 | 3 | 2 | 4 | 5 | 3 | 2 | 3 | 2 | 2 | 30 | | | | | |
| Percentage of Total Turnover | | | | | | | | | | | | | | 13.04% | 4.35% | 8.70% | 34.78% | 39.13% |

| | |
|---|---|
| 2016 Average YTD Length of Service at Termination | 11.19 Years |
| 2015 Average YTD Length of Service at Termination | 12.27 Years |
| 2014 Average YTD Length of Service at Termination | 19.07 Years |
| 2013 Average YTD Length of Service at Termination | 17.24 Years |
| 2012 Average YTD Length of Service at Termination | 16.69 Years |



**IRVINE RANCH WATER DISTRICT**
**EMPLOYEE POPULATION STATUS REPORT**
**November 2016**

| NEW HIRES | | | | |
|---|---|---|---|---|
| **Hire** | **Dept** | **Employee Name** | **Position** | **Comments** |
| 11/07/16 | 20P | Linda Perez | Customer Service Specialist I | |
| 11/28/16 | 20P | Shirley Rodriguez | Customer Service Specialist III | |

| TERMINATIONS | | | | | |
|---|---|---|---|---|---|
| **Termination Date** | **Dept** | **Employee Name** | **Position** | **Reason** | **Comments** |
| 11/28/16 | 70P | | | Vol. | Other employment |
| 11/28/16 | 60P | | | Vol. | Other employment |
| 11/28/16 | 20P | | | Vol. | Other employment |

| RETIREMENTS | | | | | |
|---|---|---|---|---|---|
| **Effective Date** | **Departing Dept** | **Employee Name** | **Position** | **Reason** | **Comments** |
| | | | | | |

| PROMOTIONS | | | | | |
|---|---|---|---|---|---|
| **Effective Date** | **Departing Dept** | **Employee Name** | **Departing Position** | **New Dept** | **New Position** |
| 11/05/16 | 20P | Megan Reed | Customer Service Specialist II | 20P | Customer Service Specialist III |
| 11/05/16 | 40P | Matt Marshall | Water Maintenance Technician III | 40P | Water Maintenance Supervisor |
| 11/05/16 | 40P | David Perez | Water Maintenance Technician III | 40P | Water Maintenance Supervisor |
| 11/05/16 | 80P | Chau Lam | Automation Programmer | 80P | Automation Manager |
| 11/05/16 | 80P | Owen O'Neill | Automation Supervisor | 80P | Electrical & Instrumentation Manager |

| 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** |
| 05/21/16 | 20P | Frank Tessers, Jr. | Mailroom Coordinator | 20P | Support Specialist |
| 06/04/16 | 50P | Wayne Sidlin | Operator II (MWRP) | 50P | Operator II (LARP) |
| 08/27/16 | 30P | Barkev Meserlian | Engineer | 80P | Asset System Manager |

**IRVINE RANCH WATER DISTRICT**
**EMPLOYEE POPULATION STATUS REPORT**
**November 2016**

| UNFILLED POSITIONS | | | |
|---|---|---|---|
| **Dept** | **Position** | **Salary Grade** | **Comments** |
| 10P | Safety Specialist | 15.N | |
| 20P | Sr. Accountant | U11.E | Interviews conducted on 10-19 |
| 20P | Mailroom Coordinator | 6.N | |
| 20P | Customer Service Specialist II | 17.N | |
| 20P | Purchasing Coordinator | 19.N | |
| 20P | Purchasing Coordinator | 19.N | |
| 20P | Applications Analyst | U15.E | Selected candidate, waiting for references |
| 30P | Engineering Technician III | 29.N | |
| 40P | Water Maintenance Technician I | 16.N | |
| 40P | Cross Connection Control Specialist | 24.N | Interviews will be held on 10-20 |
| 40P | Operator II | 29.N | Posting closed 10-9 |
| 40P | Water Maintenance Technician III | 26.N | |
| 40P | Metering Systems Technician III | 26.N | |
| 50P | Collection Systems Technician II | 20.N | |
| 50P | Collection Systems Technician II | 20.N | |
| 50P | Collection Systems CCTV Technician | 25.N | Interviews held on 10-19 |
| 50P | Operator III | 29.N | Reposting |
| 50P | Operator III | 29.N | Candidate declined |
| 50P | Operator III | 29.N | Candidate declined |
| 50P | Operator III | 29.N | |
| 60P | Scientist | 28.N | |
| 70P | Water Efficiency Specialist | 24.N | |
| 70P | Sr. Recycled Water Specialist | 27.N | |
| 70P | Sr. Water Efficiency Specialist | 29.N | Reposted |
| 70P | Water Efficiency Analyst | 31.N | |
| 70P | Public Affairs Analyst | 10.E | |
| 80P | Electrical Technician | 28.N | 2nd recruitment waiting on decision |
| 80P | Analyst | 10.E | Interviews scheduled for 11-2 |
| 80P | Automation Programmer | 13.E | |
| 80P | Automation Supervisor | U34.N | |
| 80P | Asset System Manager | U17.E | Cross-training |

**IRVINE RANCH WATER DISTRICT**
**EMPLOYEE POPULATION STATUS REPORT**
**November 2016**

**LEAVE OF ABSENCE**

| Type of Leave | Original Status | Final Status | Dept. No. | Claim # | Date Leave Began | Anticipated Return Date | Current Length | Comments |
|---|---|---|---|---|---|---|---|---|
| Extended LOA | SDI | | 80P | 001149 | 6/27/2014 | 12/14/2016 | 29 Months | |
| WC | WC | WC/LTD | 50P | 001341 | 4/30/2015 | 11/1/2016 | 19 Months | WC Claim |
| FMLA/CFRA | PFL | | 10P | 000870 | 12/8/2015 | 12/31/2016 | | Intermittent |
| FMLA/CFRA | PFL | | 20P | 002158 | 8/1/2016 | 12/31/2016 | | Intermittent |
| DL/FMLA/CFR | SDI | | 10P | 001971 | 8/16/2016 | 12/16/2016 | 3 Months | |
| FMLA/CFRA | SDI | | 70P | 002062 | 9/26/2016 | 12/5/2016 | 2 Month | |
| DL/FMLA/CFR | SDI | | 70P | 001886 | 10/7/2016 | 3/1/2017 | 7 Weeks | |
| WC | WC | | 40P | 001401 | 10/14/2016 | 1/14/2017 | 6 Weeks | |
| FMLA/CFRA | SDI | | 20P | 001285 | 10/26/2016 | 12/8/2016 | 5 Weeks | |
| FMLA/CFRA | WC | | 50P | 001825 | 10/26/2016 | 12/8/2016 | 1 Week | |

| Leave | Original Status | Final Status | Dept. No. | Claim # | Date Leave Began | Anticipated Return Date | Expected Length | Actual Return Date | Comments |
|---|---|---|---|---|---|---|---|---|---|
| FMLA | PFL | PFL | 70P | 002062 | 6/17/2016 | 7/5/2016 | 2 Weeks | 07/05/16 | Returned |
| FMLA | S/V | Sick/Vac. | 80P | 001896 | 7/5/2016 | 7/17/2019 | 2 Weeks | 07/18/16 | Returned |
| FMLA/CFRA | SDI | SDI | 60P | 001533 | 7/13/2016 | 7/27/2016 | 2 Weeks | 07/28/16 | Returned |
| FMLA./CFRA | PFL | PFL | 70P | 002062 | 7/23/2016 | 8/2/2016 | 1 Week | 08/01/16 | Returned |
| CFRA | PFL | PFL | 70P | 001779 | 5/23/2016 | 5/27/2016 | 1 Week | 05/30/16 | Returned |
| FMLA/CFRA | SDI | SDI | 70P | 001303 | 6/2/2016 | 8/15/2016 | 1 1/2 Weeks | 08/15/16 | Returned |
| FMLA/CFRA | SDI | SDI | 80P | 000857 | 7/19/2016 | 9/1/2016 | 6 Weeks | 08/29/16 | Returned |
| FMLA/CFRA | PFL | PFL | 70P | 001445 | 2/2/2016 | 2/2/2017 | 9/12/2016 | 09/13/16 | Returned |
| FMLA/CFRA | SDI | SDI | 70P | 001461 | 8/25/2016 | 9/8/2016 | 1 Week | 09/08/16 | Returned |
| FMLA/CFRA | PFL | PFL | 80P | 001062 | 3/28/2016 | 9/30/2016 | 3 Weeks | 09/10/16 | Returned |
| FMLA/CFRA | SDI | SDI | 80P | 001572 | 9/18/2015 | 9/18/2016 | 2 Weeks | 09/18/16 | Returned |
| FMLA/CFRA | PFL | PFL | 40P | 002112 | 8/29/2016 | 10/10/2016 | 5 Weeks | 10/03/16 | Returned |
| FMLA/CFRA | PFL | PFL | 40P | 001606 | 9/16/2016 | 10/10/2016 | 2 Weeks | 10/10/16 | Returned |
| DL/FMLA/CFR | SDI | PFL | 10P | 002059 | 7/8/2016 | 10/26/2016 | 3 Months | 10/26/16 | Returned |
| FMLA/CFRA | SDI | SDI | 20P | 001503 | 10/10/2016 | 10/16/2016 | 1 Week | 10/17/16 | Returned |
| FMLA/CFRA | WC | WC/LTD | 40P | 001601 | 6/16/2016 | 10/24/2016 | 4 Months | 10/24/16 | Returned |
| FMLA/CFRA | SDI | SDI | 50P | 001332 | 10/11/2016 | 10/24/2016 | 2 Weeks | 10/24/16 | Returned |
| FMLA/CFRA | PFL | PFL | 50P | 002070 | 10/3/2016 | 10/31/2016 | 4 Weeks | 10/31/16 | Returned |
| FMLA/CFRA | PFL | PFL | 50P | 001123 | 7/18/2016 | 6/1/2017 | 4 Weeks | 11/07/16 | Returned |
| FMLA/CFRA | PFL | | 80P | 002007 | 10/19/2016 | 11/8/2016 | 2 Weeks | 11/07/16 | Returned |
| DL/FMLA/CFR | SDI | | 20P | 002000 | 7/11/2016 | 11/11/2016 | 3 Months | 11/14/16 | Returned |
| FMLA/CFRA | SDI | | 80P | 001375 | 10/27/2016 | 12/27/2016 | 2 days | 11/14/16 | Returned |

*Intermittent

**IRVINE RANCH WATER DISTRICT**
**EMPLOYEE POPULATION STATUS REPORT**
**October 2016**

| Month | Dept | Length of Employment | Termination | | Comments |
|---|---|---|---|---|---|
| | | | Vol | Invol | |
| January | 40P | 5 Years, 2 Months | | X | |
| February | 50P | 1 Week | X | | Returned to previous employer |
| | 40P | 16 Years, 5 Months | X | | Retired |
| | 80P | 8 Years, 7 Months | X | | Resigned |
| March | 20P | 12 Years, 11 Months | X | | Retired |
| April | 20P | 19 Years, 6 Months | | X | |
| | 30P | 5 Years | X | | Resigned |
| | 40P | 8 Years, 9 Months | X | | Resigned |
| May | 70P | 28 Years, 7 Months | X | | Retired |
| | 50P | 6 Months | | X | Released from probation |
| June | 50P | 25 Years, 2 Months | X | | Retired |
| | 40P | 6 Years | X | | Relocating |
| July | 40P | 26 Years, 2 Months | X | | Retired |
| August | 30P | 26 Years, 4 Months | X | | Retired |
| | 20P | 11 Months | | X | Released from probation |
| | 70P | 5 Years, 4 Months | X | | Other employment |
| September | 20P | 17 Years, 2 Months | X | | Retired |
| | 50P | 4 Years, 11 Months | X | | Other employment |
| October | 30P | 27 Years, 4 Months | X | | Retired |
| | 20P | 9 Months | X | | Relocating |
| November | 20P | 4 Years, 1 Month | X | | Other employment |
| | 70P | 2 Years, 3 Months | X | | Other employment |
| | 60P | 5 Years, 4 Months | X | | Family business |
| December | | | | | |

**IRVINE RANCH WATER DISTRICT**
**SUMMARY OF TEMPORARY AND CONTRACT EMPLOYEES**
**October 2016**
**ACTIVE EMPLOYEES**

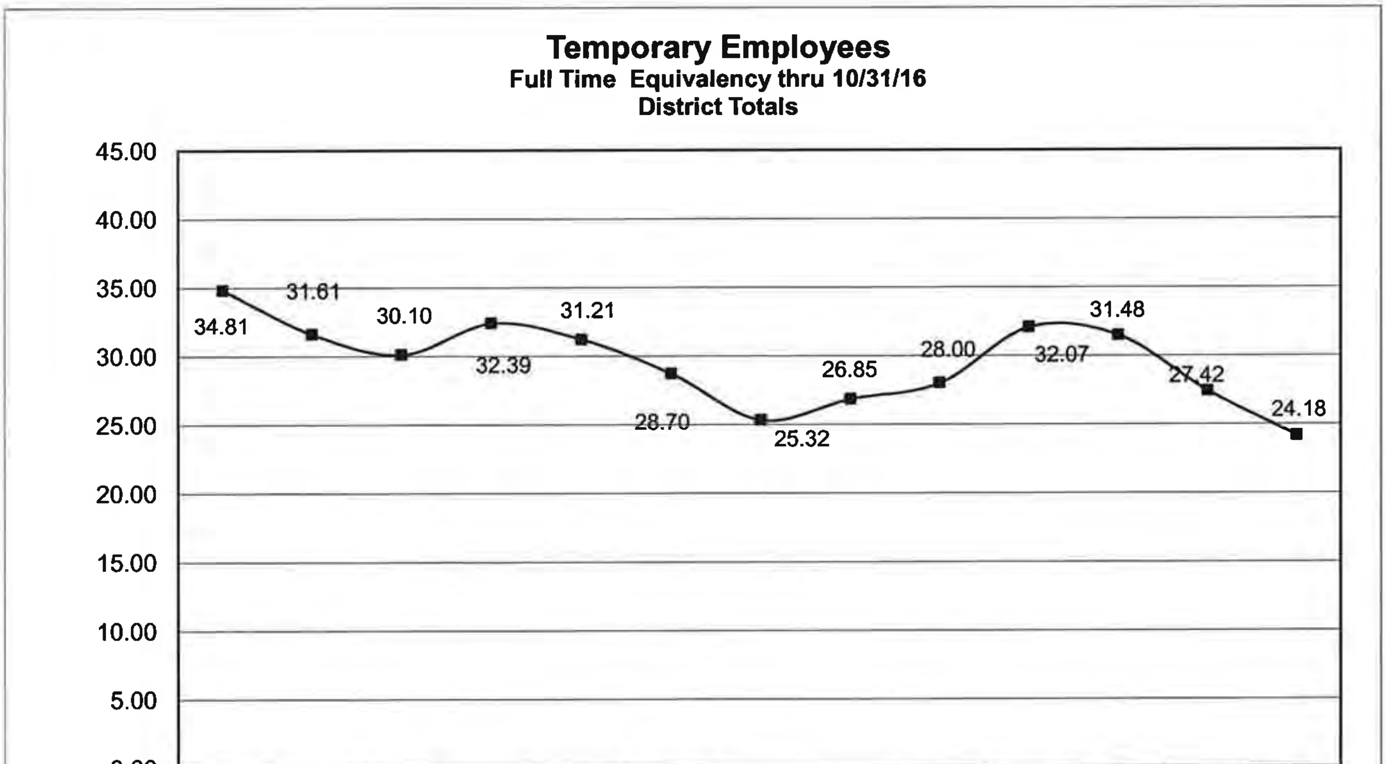
| Current Month FTE | Avg FYTD Temp Emp FTE | Active PERS Y/N * | Agency | Dept | Hire Date | Term Date | Classification | Hourly Rate | Est Hours per Month | Est Cost Per Month | Expected Duration (Months) | Actual Worked (Months) | Projected Cost FY' YTD | Actual Cost FY 'YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0.95 | 0.93 | Yes | | 130 | 1/29/2014 | | Full Time | 21.00 | 168 | 3,528.00 | 8 | 4 | 14,112.00 | 13,440.00 |
| **0.95** | **0.93** | | | **10P** | | | | | | | | | | |
| 0.26 | 0.07 | No | | 210 | 10/24/2016 | | Full Time | 36.96 | 168 | 6,209.28 | 2.25 | 1.25 | 7,761.60 | 1,653.78 |
| 0.96 | 0.91 | Yes | | 220 | 6/1/2015 | 10/22/2016 | Full Time | 26.12 | 168 | 4,388.16 | 6 | 4 | 17,552.64 | 16,325.00 |
| 1.00 | 0.72 | Yes | | 220 | 7/13/2015 | 9/24/2016 | Full Time | 26.12 | 168 | 4,388.16 | 6 | 4 | 17,552.64 | 13,118.77 |
| 0.24 | 0.73 | Yes | | 220 | 8/24/2015 | 10/7/2016 | Full Time | 26.12 | 168 | 4,388.16 | 6 | 4 | 17,552.64 | 13,197.13 |
| 0.19 | 0.69 | No | X | 220 | 3/21/2016 | 10/7/2016 | Full Time | 26.12 | 168 | 4,388.16 | 6 | 4 | 17,552.64 | 12,490.85 |
| 0.96 | 0.91 | Yes | | 220 | 3/3/2014 | | Full Time | 20.84 | 168 | 3,501.12 | 12 | 4 | 14,004.48 | 13,040.63 |
| 0.97 | 1.00 | Yes | | 220 | 5/11/2015 | | Full Time | 28.95 | 168 | 4,863.60 | 12 | 4 | 19,454.40 | 20,786.10 |
| 1.00 | 1.00 | No | X | 220 | 2/16/2016 | | Full Time | 28.95 | 168 | 4,863.60 | 12 | 4 | 19,454.40 | 20,974.28 |
| 1.00 | 0.67 | No | X | 240 | 5/31/2016 | | Full Time | 27.72 | 168 | 4,656.96 | 11 | 4 | 18,627.84 | 12,668.04 |
| **6.58** | **6.70** | | | **20P** | | | | | | | | | | |
| 0.90 | 0.88 | Yes | | 300 | 6/20/2015 | | Full Time | 35.35 | 168 | 5,938.80 | 12 | 4 | 23,755.20 | 21,033.25 |
| 0.95 | 0.82 | Yes | | 300 | 6/20/2015 | | Full Time | 24.23 | 168 | 4,070.64 | 12 | 4 | 16,282.56 | 13,520.34 |
| 0.21 | 0.64 | EXC | | 300 | 6/22/2015 | | Part Time | 16.00 | 84 | 1,344.00 | 12 | 4 | 5,376.00 | 6,944.00 |
| 0.24 | 0.41 | EXC | | 300 | 5/23/2016 | | Part Time | 15.00 | 84 | 1,260.00 | 12 | 4 | 5,040.00 | 4,230.00 |
| 0.92 | 0.92 | No | X | 300 | 5/23/2016 | | Full Time | 30.32 | 168 | 5,093.76 | 12 | 4 | 20,375.04 | 18,889.36 |
| 0.47 | 0.75 | EXC | | 300 | 6/20/2016 | | Part Time | 15.00 | 84 | 1,260.00 | 12 | 4 | 5,040.00 | 7,650.00 |
| 0.58 | 0.78 | EXC | | 300 | 6/20/2016 | | Part Time | 15.00 | 84 | 1,260.00 | 12 | 4 | 5,040.00 | 7,935.00 |
| 0.28 | 0.65 | EXC | | 300 | 6/20/2016 | | Part Time | 15.00 | 84 | 1,260.00 | 12 | 4 | 5,040.00 | 6,652.50 |
| **4.56** | **5.84** | | | **30P** | | | | | | | | | | |
| 0.89 | 0.68 | No | X | 430 | 5/28/2015 | | Full Time | 20.00 | 168 | 3,360.00 | 6 | 4 | 13,440.00 | 9,285.00 |
| 1.00 | 0.98 | Yes | | 430 | 10/26/2015 | | Full Time | 19.14 | 168 | 3,215.52 | 6 | 4 | 12,862.08 | 13,153.97 |
| 1.00 | 0.95 | No | X | 425 | 5/31/2016 | 10/28/2016 | Full Time | 29.19 | 168 | 4,903.92 | 6 | 4 | 19,615.68 | 19,265.40 |
| **2.89** | **2.61** | | | **40P** | | | | | | | | | | |
| 0.34 | 0.42 | EXC | | 515 | 6/20/2016 | | Part Time | 19.00 | 84 | 1,596.00 | 12 | 4 | 6,384.00 | 5,367.50 |
| 0.52 | 0.56 | EXC | | 515 | 6/20/2016 | | Part Time | 16.00 | 84 | 1,344.00 | 12 | 4 | 5,376.00 | 6,144.00 |
| 0.69 | 0.60 | EXC | | 515 | 6/27/2016 | | Part Time | 16.00 | 84 | 1,344.00 | 12 | 4 | 5,376.00 | 6,480.00 |
| **1.56** | **1.58** | | | **50P** | | | | | | | | | | |
| 0.45 | 0.54 | EXC | | 630 | 7/18/2016 | | Part Time | 14.00 | 84 | 1,176.00 | 12 | 4 | 4,704.00 | 5,125.75 |
| **0.45** | **0.54** | | | **60P** | | | | | | | | | | |
| 0.95 | 0.65 | Yes | | 710 | 6/8/2015 | | Full Time | 26.49 | 168 | 4,450.32 | 6 | 4 | 17,801.28 | 11,801.30 |
| 1.00 | 0.90 | Yes | | 710 | 6/8/2015 | | Full Time | 26.49 | 168 | 4,450.32 | 6 | 4 | 17,801.28 | 16,708.57 |
| 1.00 | 0.95 | Yes | | 710 | 6/29/2015 | | Full Time | 26.49 | 168 | 4,450.32 | 6 | 4 | 17,801.28 | 17,582.74 |
| 0.33 | 0.40 | EXC | | 710 | 6/29/2015 | | Part Time | 14.00 | 84 | 1,176.00 | 12 | 4 | 4,704.00 | 3,794.00 |
| 0.88 | 0.77 | No | X | 710 | 12/14/2015 | | Full Time | 33.62 | 168 | 5,648.16 | 6 | 4 | 22,592.64 | 17,759.77 |
| 1.00 | 0.60 | No | X | 710 | 8/22/2016 | | Full Time | 29.19 | 168 | 4,903.92 | 10 | 3 | 14,711.76 | 11,909.52 |
| 1.00 | 0.66 | No | X | 720 | 7/5/2016 | | Full Time | 20.00 | 168 | 3,360.00 | 12 | 4 | 13,440.00 | 9,020.00 |
| 0.62 | 0.60 | Yes | | 730 | 8/13/2015 | | Part Time | 19.80 | 84 | 1,663.20 | 12 | 4 | 6,652.80 | 8,058.60 |
| 0.65 | 0.63 | Yes | | 730 | 8/13/2015 | | Part Time | 19.00 | 84 | 1,596.00 | 12 | 4 | 6,384.00 | 8,198.50 |
| 0.76 | 0.49 | No | X | 730 | 11/23/2015 | | Part Time | 19.80 | 84 | 1,663.20 | 12 | 4 | 6,652.80 | 6,633.00 |
| **8.18** | **6.66** | | | **70P** | | | | | | | | | | |
| 0.00 | 0.00 | | | | | | | | | | | | | |
| **0.00** | **0.00** | | | **80P** | | | | | | | | | | |
| **25.18** | **24.86** | | | | | | | | | | | | | |

**IRVINE RANCH WATER DISTRICT**
**SUMMARY OF TEMPORARY AND CONTRACT EMPLOYEES**
**October 2016**
**TERMINATED TEMPORARY EMPLOYEES**

| Current Month FTE | Avg FYTD Temp Emp FTE | Active PERS Y/N * | Agency | Dept | Hire Date | Term Date | Classification | 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** | | | **10P** | | | | | | | | | | |
| 0.00 | 0.06 | No | X | 210 | 8/15/2016 | 8/23/2016 | Full Time | 77.99 | 168 | 13,102.32 | 6 | 0.25 | 3,275.58 | 3,119.60 |
| 0.66 | 0.33 | No | X | 210 | 5/24/2016 | 9/6/2016 | Full Time | 75.95 | 168 | 12,759.60 | 6 | 2 | 25,519.20 | 17,468.50 |
| 0.47 | 0.12 | No | X | 210 | 9/19/2016 | 10/6/2016 | Full Time | 53.00 | 168 | 8,904.00 | 6 | 0.5 | 4,452.00 | 4,187.00 |
| 0.00 | 0.42 | No | X | 220 | 6/14/2016 | 7/13/2016 | Full Time | 32.30 | 168 | 5,426.40 | 6 | 1 | 5,426.40 | 9,302.40 |
| 0.47 | 0.52 | Yes | | 220 | 10/16/2012 | 8/27/2016 | Full Time | 17.00 | 168 | 2,856.00 | 1 | 3 | 8,568.00 | 6,268.75 |
| **1.60** | **1.44** | | | **20P** | | | | | | | | | | |
| 0.52 | 0.31 | EXC | | 300 | 6/1/2015 | 8/19/2016 | Part Time | 15.00 | 84 | 1,260.00 | 0.5 | 2.5 | 3,150.00 | 3,112.50 |
| 0.00 | 0.43 | Yes | | 300 | 6/20/2015 | 9/24/2016 | Full Time | 35.35 | 168 | 5,938.80 | 12 | 3 | 17,816.40 | 10,251.50 |
| **0.52** | **0.73** | | | **30P** | | | | | | | | | | |
| 0.94 | 0.69 | No | X | 430 | 6/21/2016 | 9/29/2016 | Full Time | 29.19 | 168 | 4,903.92 | 3 | 3 | 14,711.76 | 14,295.80 |
| **0.94** | **0.69** | | | **40P** | | | | | | | | | | |
| 0.00 | 1.00 | Yes | | 840 | 9/28/2015 | 7/4/2016 | Full Time | 30.59 | 168 | 5,139.12 | 0.25 | 0.1 | 513.91 | 34,146.09 |
| **0.00** | **1.00** | | | **50P** | | | | | | | | | | |
| **0.00** | **0.00** | | | **60P** | | | | | | | | | | |
| 0.00 | 0.06 | No | X | 710 | 12/14/2015 | 7/15/2016 | Full Time | 33.62 | 168 | 5,648.16 | 2 | 1.5 | 8,472.24 | 1,428.85 |
| 0.67 | 0.38 | Yes | | 710 | 5/8/2014 | 9/2/2016 | Full Time | 26.49 | 168 | 4,450.32 | 6 | 2 | 8,900.64 | 6,887.40 |
| **0.67** | **0.44** | | | **70P** | | | | | | | | | | |
| **0.00** | **0.00** | | | **80P** | | | | | | | | | | |
| | 3.87 | | | | | | | | | | | | 546,679.81 | 511,305.01 |

RET = Retired Annuitant working less than 960 hrs/yr/No=Temporary Employee not enrolled in PERS Membership
EXC = Exclude by PERS Contract / Yes= Temporary employee enrolled in PERS Membership

* Temporaries are reported 30 days in arrears




| | 10/15 | 11/15 | 12/15 | 1/16 | 2/16 | 3/16 | 4/16 | 5/16 | 6/16 | 7/16 | 8/16 | 9/16 | 10/16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| District | 34.81 | 31.61 | 30.10 | 32.39 | 31.21 | 28.70 | 25.32 | 26.85 | 28.00 | 32.07 | 31.48 | 27.42 | 24.18 |

December 6, 2016
Prepared: by: Javier Tobar
Submitted by: Cheryl Clary
Approved by: Paul Cook

FINANCE AND PERSONNEL COMMITTEE

## FIRST QUARTER FY 2016-17 LEGAL FEES ANALYSIS

### SUMMARY:

This write-up provides a summary of legal fees incurred by the Irvine Ranch Water District for the first quarter of Fiscal Year (FY) 2016-17.

### BACKGROUND:

Legal fees for the first quarter of FY 2016-17 supporting the general operations of the District totaled $234,453 compared to a budget of $113,750, resulting in a negative variance of $120,703 or (106.1%). Of the total legal fees attributable to operations, litigation was over budget by $74,696, due primarily to work associated Orange County Water District litigation; personnel issues were over budget by $57,538, due primarily to work associated with employee matters, and inter-agency issues were over budget by $8,585, due primarily to work associated with OCWD /Basin production percentage. There were positive variances in other areas including legislative issues and financial / real property issues. Actual legal fees for the first quarter accounted for 0.81% of actual operating expenses and 0.56% of total expenditures.

Insurance litigation for the first quarter of FY 2016-17, net of insurance reimbursements, totaled $42,424. Capitalized legal fees for the first quarter of FY 2016-17 totaled $3,956 versus a budget of $57,203, resulting in a positive variance of $53,247 or 93.1%. The Water Banking Planning 16/17 and the Well Rehab Program Domestic Water 13/14 through 15/16 projects comprise 45.3% of total capital spending in the first quarter of FY 2016-17.

There were no Non-operating legal fees in the first quarter of FY 2016-17.

Exhibit “A” provides a detailed comparison of actual to budgeted legal fees for the first quarter of FY 2016-17. Exhibit “B” provides a three-year comparison of fees incurred by the firms providing services in FY 2014-15 through FY 2016-17, their hourly rates and a general description of the services provided.

### FISCAL IMPACTS:

Not applicable.

### ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Fiscal Year 2016 - 2017, Legal Fees
Exhibit "B" – Analysis of Legal Fees, Expensed and Capitalized for FY 2015 through FY 2017

# EXHIBIT "A"

Fiscal Year 2016 - 2017, Legal Fees
As of September 30, 2016

| Firm | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | YTD Actual Operating Legal Fees | YTD Budget Operating Legal Fees | YTD % Actual vs Budget |
|---|---|---|---|---|---|---|---|
| **Legal Fees:** | | | | | | | |
| General Services (Fixed Fee): | | | | | | | |
| Bowie, Arneson, Wiles | $ 13,750 | $ - | $ - | $ - | $ 13,750 | | |
| Nossaman LLP | $ 7,537 | $ - | $ - | $ - | $ 7,537 | | |
| Sub-total | $ 21,287 | $ - | $ - | $ - | $ 21,287 | $ 20,000 | 106.44% |
| Litigation: | | | | | | | |
| Alston & Bird LLP | $ 97,378 | $ - | $ - | $ - | $ 97,378 | | |
| Bowie, Arneson, Wiles | $ 2,318 | $ - | $ - | $ - | $ 2,318 | | |
| Sub-total | $ 99,696 | $ - | $ - | $ - | $ 99,696 | $ 25,000 | 398.78% |
| Special Projects: | | | | | | | |
| Bowie, Arneson, Wiles | $ 16,907 | $ - | $ - | $ - | $ 16,907 | $ 15,000 | 112.71% |
| Legislative Issues: | | | | | | | |
| Bowie, Arneson, Wiles | $ (517) | $ - | $ - | $ - | $ (517) | $ 10,000 | -5.17% |
| Financial/Real Property Issues: | | | | | | | |
| Bowie, Arneson, Wiles | $ (293) | $ - | $ - | $ - | $ (293) | $ 12,500 | -2.34% |
| Personnel Issues: | | | | | | | |
| Bowie, Arneson, Wiles | $ (152) | $ - | $ - | $ - | $ (152) | | |
| Burke, Williams & Sorensen, LLP | $ 18,647 | $ - | $ - | $ - | $ 18,647 | | |
| EXTTI, Incorporated | $ 22,601 | $ - | $ - | $ - | $ 22,601 | | |
| Payne & Fears LLP | $ 40,192 | $ - | $ - | $ - | $ 40,192 | | |
| Sub-total | $ 81,288 | $ - | $ - | $ - | $ 81,288 | $ 23,750 | 342.27% |
| Inter-Agency Issues: | | | | | | | |
| Bowie, Arneson, Wiles | $ 16,085 | $ - | $ - | $ - | $ 16,085 | $ 7,500 | 214.47% |
| **Legal Fees Total** | $ 234,453 | $ - | $ - | $ - | $ 234,453 | $ 113,750 | 206.11% |
| **Insurance Litigation:** | | | | | | | |
| Daley & Heft LLP [1] | $ - | $ - | $ - | $ - | $ - | | |
| Koeller Nebeker Carlson & Haluck LLP [1] | $ 5,410 | $ - | $ - | $ - | $ 5,410 | | |
| Lewis Brisbois Bisgaard & Smith LLP [1] | $ - | $ - | $ - | $ - | $ - | | |
| Woodruff, Spradlin & Smart | $ 37,014 | $ - | $ - | $ - | $ 37,014 | | |
| **Insurance Litigation Total** | $ 42,424 | $ - | $ - | $ - | $ 42,424 | $ 25,000 | 169.70% |

(1) Net of insurance reimbursement

| Firm | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | YTD Actual Operating Legal Fees | YTD Budget Operating Legal Fees | YTD % Actual vs Budget |
|---|---|---|---|---|---|---|---|
| **Major Capital Projects Legal Fees:** | | | | | | | |
| Baker Water Treatment Plant | $ 176 | $ - | $ - | $ - | $ 176 | $ 2,434 | |
| Chloramine Booster Stations at 2 DW Reserv | $ 610 | $ - | $ - | $ - | $ 610 | $ 158 | |
| Ops Center Permanent Generator | $ 537 | $ - | $ - | $ - | $ 537 | $ 352 | |
| RW Conversion Improvements for Off-Site 1( | $ - | $ - | $ - | $ - | $ - | $ 2,750 | |
| Santa Ana Delhi Diversion Project | $ 198 | $ - | $ - | $ - | $ 198 | $ 926 | |
| Stockdale West Integrated Water Banking | $ 396 | $ - | $ - | $ - | $ 396 | $ 1,576 | |
| Water Banking Agreements 16/18 | $ 245 | $ - | $ - | $ - | $ 245 | $ 4,993 | |
| Water Banking Planning 16/17 | $ 980 | $ - | $ - | $ - | $ 980 | $ 1,375 | |
| Well Rehab Program DW 13/14 thru 15/16 | $ 814 | $ - | $ - | $ - | $ 814 | $ - | |
| Other | $ - | $ - | $ - | $ - | $ - | $ 42,640 | |
| **Capital Projects Total** | $ 3,956 | $ - | $ - | $ - | $ 3,956 | $ 57,203 | 6.92% |

| | YTD Actual | YTD Budget |
|---|---|---|
| Operating Expense | $ 34,134,590 | $ 38,119,800 |
| Operating Legal Fees | $ 276,877 | $ 138,750 |
| % of Legal to Operating | 0.81% | 0.36% |
| Capital Projects | $ 15,883,571 | $ 42,802,350 |
| Capital Legal Fees | $ 3,956 | $ 57,203 |
| % of Legal to Capital | 0.02% | 0.13% |
| Total Operating and Capital Expenditures | $ 50,018,161 | $ 80,922,150 |
| Total Operating and Capital Legal Fees | $ 280,833 | $ 195,953 |
| % of Legal Fees to Total Operating and Capital Expenditures | 0.56% | 0.24% |

| **Non-operating Legal Fees:** | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Total |
|---|---|---|---|---|---|
| Bond Counsel: | | | | | |
| Orrick, Herrington & Sutcliffe | $ - | $ - | $ - | $ - | $ - |
| Stradling Yocca Carlson & Rauth | $ - | $ - | $ - | $ - | $ - |
| **Total** | $ - | $ - | $ - | $ - | $ - |

# EXHIBIT "B"

Analysis of Legal Fees for the first quarter ended September 30, 2014 - 2016

| Firm | YTD Actual 2014-2015 | YTD Actual 2015-2016 | YTD Actual 2016-2017 | Hourly Rate | Area of Expertise | Service Provided |
|---|---|---|---|---|---|---|
| **Legal Fees:** | | | | | | |
| Alston & Bird LLP | $ 7,140 | $ 4,675 | $ 97,378 | $ 265 to $ 535 | Litigation | Orange County Water District litigation |
| Bowie, Arneson, Wiles & Giannone | $ 74,880 | $ 67,764 | $ 48,098 | $ 185 to $ 220 | IRWD legal counsel | District general counsel/legislative/litigation/special project |
| Burke, Williams & Sorensen, LLP | $ 260 | $ 195 | $ 18,647 | $ 325 | Employee relations | Personnel policy review and revision |
| EXTTI, Incorporated | $ - | $ - | $ 22,601 | $ 200 to $ 275 | Employee relations | Personnel matters |
| Nossaman LLP | $ - | $ - | $ 7,537 | $ 475 to $ 595 | Agreement compliance | SWRCB compliance - State Water Resources Control Board |
| Payne & Fears, LLP | $ 8,082 | $ 35,669 | $ 40,192 | $ 235 to $ 550 | Employee relations | General personnel and human resources |
| Sub-Total | $ 90,362 | $ 108,303 | $ 234,453 | | | |
| **Insurance Litigation:** | | | | | | |
| Daley & Heft LLP [1] | $ - | $ - | $ - | $ 175 | Legal Counsel | Legal counsel related to insurance claim issues |
| Koeller Nebeker Carlson & Haluck LLP [1] | $ 27,311 | $ 2,961 | $ 5,410 | $ 195 | Legal Counsel | Legal counsel related to insurance claim issues |
| Lewis Brisbois Bisgaard & Smith LLP [1] | $ - | $ - | $ - | $ 200 | Legal Counsel | Legal counsel related to insurance claim issues |
| Woodruff, Spradlin & Smart | $ - | $ 3,189 | $ 37,014 | $ 105 to $ 255 | Legal Counsel | Legal counsel related to insurance claim issues |
| Sub-Total | $ 27,311 | $ 6,150 | $ 42,424 | | | |
| **Capitalized Legal Fees:** | | | | | | |
| Bowie, Arneson, Wiles & Giannone | $ 10,833 | $ 8,894 | $ 3,956 | $ 185 to $ 220 | IRWD legal counsel | District general counsel/legislative/litigation/special project |
| Clifford & Brown | $ - | $ - | $ - | $ 225 | IRWD General Business | Legal Service Fees Regarding Jackson Ranch |
| Orrick, Herrington & Sutcliffe LLP | $ - | $ - | $ - | n/a | Bond counsel | Bond Counsel services in connection the consolidation of ID's |
| Rutan & Tucker, LLP | $ - | $ - | $ - | $ 305 | Real estate law | Legal services for asset optimization |
| Sub-Total | $ 10,833 | $ 8,894 | $ 3,956 | | | |
| **Total** | $ 128,506 | $ 123,347 | $ 280,833 | | | |
| **Non-operating Legal Fees:** | | | | | | |
| Bond Counsel: | | | | | | |
| Orrick, Herrington & Sutcliffe LLP | $ - | $ - | $ - | n/a | Bond counsel | Disclosure Counsel in connection with the remarketing of Bonds |
| Stradling Yocca Carlson & Rauth | $ - | $ - | $ - | n/a | Bond counsel | Index Tender Note remarketing |
| Sub-Total | $ - | $ - | $ - | | | |

[1] Net of insurance reimbursement

December 6, 2016
Prepared by: T. Bertsch / C. Smithson
Submitted by: C. Clary CC
Approved by: Paul Cook

FINANCE AND PERSONNEL COMMITTEE

# FY 2016-17 OPERATING AND NON-OPERATING FINANCIAL HIGHLIGHTS

## SUMMARY:

Staff has prepared an analysis of the unaudited operating statements through the first quarter of Fiscal Year (FY) 2016-17, as follows:

- Actual to budget comparison of operating expense for the consolidated District, attached as Exhibit "A";
- Actual to budget comparison of revenue and expense for the water and sewer/recycled water systems, attached as Exhibit "B"; and
- Actual to budget comparison of non-operating revenue and expense for the consolidated District, attached as Exhibit "C".

As of the September 30, 2016, overall expenses totaled $34.1 million versus a budget of $38.1 million. Significant variances greater than $0.25 million are discussed below.

Based on system revenues and expenses shown on Exhibit "B", net operating revenues is under budget by $1.0 million and expenses were under budget by $3.2 million, resulting in a positive net operating position of $2.2 million through September 30, 2016.

As shown on Exhibit "C", actual net non-operating revenues and expenses were $15.4 million versus a budget of $12.0 million. Significant variances greater than $0.25 million are discussed below.

## BACKGROUND:

### Overall Operating Expenses:

Overall operating expenses were under budget by $4.0 million or 10.5%. Exhibit "A" is a summary of actual to budget expenses by major category. Noteworthy variances to budget include:

- Regular labor was under budget by $1.3 million (15.2%). This was primarily due to 32 unfilled positions and 8 leave of absences through the end of September 2016. This was slightly offset by higher than budgeted contract labor. The percentage of benefit variance should correlate with the labor percentage variance but the headcount assumption for benefit budgeted vacancies was closer to actual than budgeted regular labor vacancies.

- The cost of water was under budget by $0.5 million (4.8%). This is detailed below:

*Water Purchases Executive Summary*

*Treated System* – Demands were slightly under budget by 258 acre feet (AF). Cost Impact: Expenses are $0.3 million less than budget.

*Untreated System* – Sales were slightly under budget and supplemental demand was below budget reducing the imported supply. Cost Impact: Expenses exceeded budget by $0.3 million.

*Recycled System* – Sales exceeded budget. Increased groundwater production and the use of stored water from recycled reservoirs reduced supplemental demands. Cost Impact: Expenses are $0.6 million less than budget.

A more thorough discussion of the water system follows:

- For the treated potable system, sales were under budget by 258 AF. Imported water supplied was over budget by 14 AF while groundwater came in 229 AF under budget. This resulted in the potable cost of water falling below budget by $0.3 million.

| | Treated | | | | | |
|---|---|---|---|---|---|---|
| | Acre Feet | | | Millions | | |
| | Actual | Budget | Variance | Actual | Budget | Variance |
| Imported/ Supplemental | 2,944 | 2,930 | (14) | $3.2 | $3.3 | $0.1 |
| Pumped | | | - | | | - |
| Native/ Produced | 12,892 | 13,121 | 229 | 5.1 | 5.3 | 0.2 |
| Total | 15,836 | 16,051 | 215 | 8.3 | 8.6 | 0.3 |
| Lost and Process Water | (1,278) | (1,235) | 43 | - | - | - |
| Sales/Cost of Sales | *14,558* | *14,816* | *258* | $8.3 | $8.6 | $0.3 |

- For the untreated system, sales were under budget by 31 AF and the reduced sales were primarily in reduced agriculture demands. Supplemental demands to the Recycled system were below budget nearly mirroring the reduction in imported demands.

| | Non-Potable (untreated) | | | | | |
|---|---|---|---|---|---|---|
| | Acre Feet | | | Millions | | |
| | Actual | Budget | Variance | Actual | Budget | Variance |
| Imported/ Supplemental | 2,329 | 3,657 | 1,328 | $1.5 | $2.2 | $0.7 |
| Native Available/Evaporated | | - | - | - | - | - |
| Native Trsf to Rcycld | | - | - | - | - | - |
| Imported Trsf to Rcycld | (1,679) | (2,945) | (1,266) | (1.0) | (2.0) | (1.0) |
| Total | 650 | 712 | 62 | 0.6 | 0.2 | (0.3) |
| Lost Water | (3) | (34) | (31) | - | - | - |
| Sales/Cost of Sales | *647* | *678* | *31* | $0.6 | $0.2 | ($0.3) |

- The Recycled Water system sales exceeded budget by 1,412 AF. Supplemental water usage was under budget by 1,186 AF with demands being met with less expensive sources that include recycled storage and additional groundwater.

| | Recycled | | | | | |
|---|---|---|---|---|---|---|
| | Acre Feet | | | Millions | | |
| | **Actual** | **Budget** | **Variance** | **Actual** | **Budget** | **Variance** |
| Imported/ Supplemental | 1,759 | 2,945 | 1,186 | $1.3 | $2.0 | $0.7 |
| Pumped | 1,949 | 1,250 | (700) | 0.6 | 0.5 | (0.1) |
| Produced/ Storage | 7,727 | 6,030 | (1,697) | - | - | - |
| Total | 11,435 | 10,225 | (1,210) | 1.9 | 2.5 | 0.6 |
| Lost and Process Waste | (408) | (610) | (202) | - | - | - |
| Sales/Cost of Sales | *11,027* | *9,615* | *(1,412)* | $1.9 | $2.5 | $0.6 |

- Electricity was under budget by $0.5 million (12.8%). The electricity expense was under budget for the first quarter of FY 2016/17 due in part to a credit from Southern California Edison due to IRWD's participation in the Base Interruptible Program. The credit totaled approximately $0.4 million for the recycling and water operation departments. Various water operation facility maintenance and well rehabilitation activities resulted in lower production and reduced energy usage.
- Repairs & Maintenance – IRWD was under budget by $0.5 million (21.6%). Many line items make the variance which is due to timing of expenditures.
- Other Professional Fees – IRWD was under budget by $0.6 million (57.1%). Many line items contribute to the variance. Water efficiency education programs and the classroom education program for conservation are the most significant ($0.3 million) and the variance is due to timing of expenditures.
- Conservation is under budget by $0.4 million (76.9%). At the end of the first quarter expenses were under budget due to the timing of expenditures.

Summary of System Actual to Budget Performance:

Exhibit "B" shows a detailed comparison of actual to budgeted revenue and expenses by system for FY 2016-17. Expenses are summarized into direct, indirect, general plant, marsh, natural treatment system and conservation. Exhibit "B" continues to include a reconciliation of system operating expenses to consolidated expenses included in Exhibit "A".

The net operating variance to budget for the consolidated District (all systems) was positive by $2.2 million. Net revenues fell below budget by $1.0 million (2.8%) and total expenses were under budget by $3.2 million (9.4%). Variances by system are explained below.

*Potable and Untreated Water System:*

The net operating variance to budget for the water system was negative by $0.1 million. Net revenues fell below budget by $1.6 million (7.8%) and total expenses were under budget by $1.5 million (7.8%).

Treated and untreated commodity revenues, excluding over allocation, were under budget by $1.1 million. Fixed service revenue was slightly below budget. Over allocation revenue was under budget by $0.5 million. As detailed above, commodity sales were below budget through the first quarter and over allocation revenue was below budget as well. This is due to a shift in sales with more units falling in the Low Volume and Base tiers and less units in the over allocation tiers.

Direct expenses were under budget by $0.5 million (3.5%). The variance is primarily due to reduced pumping and the energy credit received from SCE as detailed below:

| | Expenses (millions) |
|---|---|
| Imported Purchases | ($0.2) |
| Clear and Process Wells | $0.6 |
| *Total Cost of Water* | $0.4 |

Water operations including labor and energy were below budget by $0.1 million (3.4%). Indirect expenses were slightly under budget. Marsh, Urban Runoff (NTS), and Conservation were under budget by $1.0 million due to a delay in the timing of planned expenditures.

*Sewer System:*

The net operating variance for the sewer system exceeded budget by $0.3 million. Net revenues fell below budget by $0.2 million (2.9%) and total expenses fell below budget by $0.5 million (6.6%).

Fixed service revenue was under budget by $0.3 million (2.6%). Estimated revenue was based on customer growth that was not significant in the first quarter.

Direct expenses fell below budget by $0.4 million (6.5%). Various categories contributed to this variance including Repairs & Maintenance IRWD which is due to timing of expenditures.

*Recycled Water System:*

The net operating variance to budget for the recycled water system was positive by $2.0 million. Net revenues exceeded budget by $0.9 million (12.4%) and expenses were under budget by $1.2 million (16.2%).

Commodity revenue for recycled water sales exceeded budget by $0.7 million (12.3%) due to recycled sales exceeding budget by 1,412 AF through the first quarter. Both fixed service revenue and over allocation revenue exceeded budget by $0.1 million.

Direct expenses were under budget by $1.0 million (18.1%). This variance was driven primarily by reduced supplemental purchases (1,186 AF)with production/storage and pumping providing an additional 1,697 and 700AF, respectively:

| | Expenses (millions) |
|---|---|
| Imported Purchases | $0.7 |
| Tertiary Treatment | $0.2 |
| *Total Cost of Water* | $0.9 |

Summary of Non-Operating Actual-to-Budget Expense:

Exhibit "C" provides a detailed comparison of actual to budget for FY 2016-17 and significant variances greater than $0.25 million are discussed below.

*Non-Operating Income/Expenses:*

The net non-operating variance to budget was positive by $3.4 million. Revenues were over budget by $2.2 million and expenses were under budget by $1.1 million. Key variances greater than $0.25 million are as follows:

| | Variance (millions) |
|---|---|
| Investment income was under budget due to the postponed debt issuance; | ($0.3) |
| Connection fees exceeded budget due to construction activity occurring earlier than expected ; | $1.3 |
| Other income was over budget due to higher than anticipated LRP reimbursement and an unanticipated reimbursement from the Settling Federal Agencies/OCWD/IRWD/El Toro Settlement Agreement related to the former Marine Corps Air Station El Toro Groundwater Remediation (rehabilitation of Wells ET1 and ET2; | $1.1 |
| Interest expense was under budget due to postponed debt issuance; | $1.3 |
| *Total* | $3.4 |

FISCAL IMPACTS:

Fiscal impacts are provided in this write-up.

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" – Consolidated Operating Actual to Budget Expense
Exhibit "B" – Actual to Budget Revenues and Expenses by System
Exhibit "C" – Consolidated Non-Operating Actual to Budget

# EXHIBIT "A"

## IRVINE RANCH WATER DISTRICT
## CONSOLIDATED OPERATING ACTUAL TO BUDGET EXPENSE
## Period Ending September 30, 2016

(in thousands)

| Expense Category / Name | | Actual YTD 9/30/16 | Budget YTD 9/30/16 | Budget (Over)/Under | % |
|---|---|---|---|---|---|
| Salaries & Benefits | Regular Labor | $ 7,138 | $ 8,416 | $ 1,278 | 15.2% |
| | Overtime Labor | 494 | 430 | (64) | (14.9%) |
| | Contract Labor | 456 | 347 | (109) | (31.3%) |
| | Employee Benefits | 2,143 | 2,274 | 131 | 5.8% |
| Salaries & Benefits Total | | 10,231 | 11,467 | 1,236 | 10.8% |
| Water & Utilities | Water | 10,735 | 11,278 | 543 | 4.8% |
| | Electricity | 3,357 | 3,852 | 495 | 12.8% |
| | Fuel | 90 | 123 | 34 | 27.2% |
| | Telecommunication | 113 | 115 | 2 | 2.2% |
| | Other Utilities | 36 | 42 | 6 | 14.2% |
| Water & Utilities Total | | 14,331 | 15,411 | 1,080 | 7.0% |
| Materials & Supplies | Chemicals | 585 | 553 | (33) | (5.9%) |
| | Operating Supplies | 276 | 361 | 85 | 23.5% |
| | Printing | 46 | 45 | (1) | (1.8%) |
| | Postage | 151 | 181 | 31 | 17.0% |
| | Permits, Licenses and Fees | 192 | 259 | 67 | 25.7% |
| | Office Supplies | 18 | 32 | 14 | 44.6% |
| | Duplicating Equipment | 43 | 56 | 13 | 22.9% |
| | Equipment Rental | 13 | 42 | 29 | 68.4% |
| Materials & Supplies Total | | 1,325 | 1,530 | 205 | 13.4% |
| Professional Services | Rep & Maint OCSD & Others | 3,621 | 3,599 | (22) | (0.6%) |
| | Rep & Maint IRWD | 1,775 | 2,264 | 490 | 21.6% |
| | Insurance | 225 | 265 | 40 | 15.2% |
| | Legal Fees | 234 | 114 | (121) | (106.1%) |
| | Engineering Fees | 131 | 210 | 79 | 37.5% |
| | Accounting Fees | 49 | 37 | (13) | (35.3%) |
| | Data Processing | 655 | 724 | 69 | 9.6% |
| | Personnel Training | 147 | 236 | 89 | 37.6% |
| | Personnel Physicals | 18 | 13 | (5) | (37.9%) |
| | Other Professional Fees | 466 | 1,086 | 620 | 57.1% |
| | Directors' Fees | 24 | 39 | 15 | 39.3% |
| Professional Services Total | | 7,346 | 8,588 | 1,242 | 14.5% |
| Other | Mileage Reimbursement | 48 | 33 | (15) | (45.0%) |
| | Collection Fees | 0 | 5 | 5 | 91.4% |
| | Election Expense | 55 | 55 | 0 | - |
| | Safety | 30 | 19 | (11) | (54.5%) |
| | Alarm and Patrol Services | 20 | 43 | 23 | 54.1% |
| | Biosolids Disposals | 5 | 6 | 1 | 17.9% |
| | Commuter Program | 35 | 39 | 4 | 10.3% |
| | Computer Backup Storage | 2 | 6 | 4 | 61.7% |
| | Contract Meter Reading | 336 | 336 | 0 | 0.1% |
| | Other | 244 | 31 | (214) | (700.3%) |
| | Conservation | 128 | 552 | 424 | 76.9% |
| Other Total | | 903 | 1,125 | 222 | 19.8% |
| **Grand Total** | | **$ 34,135** | **$ 38,120** | **$ 3,985** | **10.5%** |

# EXHIBIT "B"

IRVINE RANCH WATER DISTRICT
CONSOLIDATED ACTUAL TO BUDGET REVENUES AND EXPENSES
PERIOD ENDED SEPTEMBER 30, 2016
(in thousands)

| FY 2016-17 | Water Actual | Water Budget | Water Variance | Sewer Actual | Sewer Budget | Sewer Variance | Recycled Actual | Recycled Budget | Recycled Variance | Total Variance |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | |
| Commodity Revenues | $11,485 | $12,547 | ($1,062) | | | $0 | $6,117 | $5,450 | $667 | ($394) |
| Service Revenues | 8,218 | 8,262 | (44) | 12,337 | 12,671 | (334) | 1,767 | 1,626 | 141 | (238) |
| Over Allocation Revenues | 1,931 | 2,439 | (508) | | | 0 | 344 | 258 | 86 | (422) |
| Non Rate Generated | | | 0 | | | 0 | | | 0 | 0 |
| Total Revenues | 21,633 | 23,248 | (1,615) | 12,337 | 12,671 | (334) | 8,228 | 7,334 | 894 | (1,055) |
| Contribution to Enhancement and Replacement Capital Funds | (2,107) | (2,077) | (30) | (4,550) | (4,655) | 105 | (290) | (272) | (18) | 57 |
| Net Revenues | $19,526 | $21,171 | ($1,645) | $7,787 | $8,016 | ($229) | $7,938 | $7,062 | $876 | ($998) |
| Expenses: | | | | | | | | | | |
| Cost of Water | $11,046 | $11,443 | $397 | | | $0 | $2,990 | $3,861 | $871 | 1,269 |
| Operations | 2,697 | 2,673 | (24) | 1,961 | 2,314 | 352 | 1,563 | 1,697 | 135 | 463 |
| Water Banking | 13 | 132 | 118 | | | 0 | | | 0 | 118 |
| OCSD - O&M | | | 0 | 3,268 | 3,279 | 11 | | | 0 | 11 |
| *Total Direct* | 13,756 | 14,247 | 492 | 5,230 | 5,593 | 363 | 4,552 | 5,558 | 1,006 | 1,861 |
| Customer Records and Collections | 641 | 677 | 36 | 214 | 226 | 12 | 214 | 226 | 12 | 59 |
| General & Admin Expense | 1,984 | 1,988 | 4 | 1,473 | 1,601 | 128 | 708 | 704 | (4) | 128 |
| *Total Indirect* | 2,626 | 2,665 | 39 | 1,686 | 1,827 | 140 | 922 | 930 | 8 | 188 |
| General Plant | 528 | 528 | 0 | 217 | 217 | 0 | 438 | 438 | 0 | 0 |
| Marsh/NTS/Conservation | 1,222 | 2,223 | 1,002 | | | 0 | 209 | 381 | 172 | 1,173 |
| Total Expenses | $18,131 | $19,664 | $1,533 | $7,133 | $7,637 | $503 | $6,122 | $7,307 | $1,186 | $3,221 |
| Net Operating | $1,395 | $1,507 | ($112) | $654 | $380 | $274 | $1,816 | ($245) | $2,061 | $2,224 |

| RECONCILIATION OF EXHIBIT "B" AND EXHIBIT "A" | | | |
|---|---|---|---|
| Total Water, Sewer and Recycled Expenses - Sch B | $31,386 | $34,607 | $3,221 |
| Capital & Other Expenses (including G&A) | 3,932 | 4,696 | 764 |
| General Plant | (1,183) | (1,183) | 0 |
| Total Consolidated Operating Expense - Sch A | $34,135 | $38,120 | $3,985 |

## EXHIBIT "C"

IRVINE RANCH WATER DISTRICT
CONSOLIDATED NON-OPERATING ACTUAL TO BUDGET EXPENSES
Period Ending September 30, 2016
(in thousands)

| **Non-operating Revenues:** | **Actual YTD 9/30/16** | **Budget YTD 9/30/16** | **Budget Variance** |
|---|---|---|---|
| Property Taxes | $9,147 | $9,101 | $47 |
| Investment Income | 349 | 672 | (322) |
| Connection Fees | 6,843 | 5,500 | 1,343 |
| Real Estate Income | 3,268 | 3,239 | 29 |
| Real Estate Fair Value Change | 0 | 0 | 0 |
| Other Income | 2,749 | 1,625 | 1,124 |
| Total Revenues | 22,357 | 20,136 | 2,221 |
| | | | |
| **Non-operating Expenses:** | | | |
| Interest Expense | 4,762 | 6,152 | 1,389 |
| Real Estate Expense | 1,844 | 1,709 | (136) |
| Other Expenses | 365 | 250 | (115) |
| Total Expenses | 6,972 | 8,110 | 1,138 |
| | | | |
| **Net Revenues & Expenses** | $15,385 | $12,026 | $3,360 |

December 6, 2016
Prepared by: Christopher Smithson
Submitted by: Cheryl Clary
Approved by: Paul Cook

FINANCE AND PERSONNEL COMMITTEE

## IRWD UNTREATED AGRICULTURAL RATE

### SUMMARY:

The IRWD untreated water rate is set annually as part of the budget process and has increased significantly over several years. This is due to the conversion of customers from the untreated system to the recycled system which reduces the untreated customer base covering the fixed costs. The overall demand on the system has not changed because the untreated water is transferred to the recycled system to supplemental additional water needed to meet recycled sales in excess of production.

Currently, all of the operations and maintenance or fixed costs have been included in the untreated rate while none of those costs have been allocated to the supplemental recycled rate. Staff recommends reallocating untreated fixed operating and maintenance costs based on budgeted demands which results in the following changes:

- Untreated rate decrease from $898/acre foot (AF) to $774/AF; and
- Recycled supplemental rate increase from $636/AF to $694/AF.

Exhibit "A" identifies the methodology used to reallocated the costs and the rate impacts.

### BACKGROUND:

Over several years, demands on IRWD's untreated water system has decreased while the total system demand has remained constant from an increase in supplemental demand for the recycled system. Over this same time period, the untreated rate has increased due to spreading fixed costs over diminishing sales. Fixed costs have not previously been allocated to the recycled supplemental rate.

The supplemental rate was based on the average cost of water from the various sources and it does not include untreated fixed costs. Staff recommends allocating a respective share of untreated fixed expense to supplemental sales to more fairly and equitably allocate system expenses based on cost of service. The re-allocation is shown in the table below:

| | *Untreated System Demands in AF* | | *Untreated System Maintenance Costs* Current | *Proposed* |
|---|---|---|---|---|
| Untreated | 1,965 | 37% | $400,100 | $148,000 |
| Recycled | 3,402 | 63% | 0 | 252,100 |
| Total | 5,367 | 100% | $400,100 | $400,100 |

Reallocating fixed operating expense shifts $0.25 million to the recycled supplemental cost of water increasing the supplemental cost of water by $58/AF. This change has no budget implications as supplemental sales are currently under budget by 1,200 acre feet.

The recommended change to the supplemental rate also impacts the untreated agricultural rate the Irvine Company is charged based on the Irvine Sub-basin agreement between the District and the Irvine Company. This agreement provides the Irvine Company with consideration for transferring their untreated wells to the District several years ago. Their rate is a melded cost of water for the Irvine Company that utilizes both the untreated rate and the all-in cost of using groundwater. The calculation for the revised melded rate is included as Exhibit "B".

Staff recommends:

1. Allocating the untreated systems operations and maintenance costs to all sales;
2. Reducing the untreated rate from $2.06/ccf to $1.78/ccf ($898 to $774/AF); and
3. Increasing the recycled rate from $1.46/ccf to $1.59/ccf ($636 to $694/AF).
4. Reducing the sub-basin agreement rate from $1.46/ccf to $1.32/ccf ($636 to $576/AF); and
5. Making all of these changes retroactive to the beginning of the fiscal year.

FISCAL IMPACTS:

Minimal impact is expected for the FY2016-17.

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 concur with the proposed change to the IRWD untreated agricultural water rate.

LIST OF EXHIBITS:

Exhibit "A" – Reallocation of Untreated System Maintenance Expense to All Units Sold

# EXHIBIT "A"

## IRVINE RANCH WATER DISTRICT
Reallocation of Untreated System Maintenance Expense to all Units Sold

| | Untreated / Ag Rate | | Supplemental Rate for Recycled System [(1)] | | TIC Ag | |
|---|---|---|---|---|---|---|
| | ccf | af | ccf | af | ccf | af |
| **Current Rates** | $2.06 | $898 | $1.46 | $636 | **$1.46** | **$636** |
| ***Recommended*** | *$1.78* | *$774* | *$1.59* | *$694* | ***$1.32*** | ***$576*** |

| | | | |
|---|---|---|---|
| Sales | 1,881 | | 27,004 |
| Demand | 5,367 | 100% | 29,867 |
| Production | | | 22,300 |
| Irvine Desalter | | | 4,165 |
| Native Water | 1,000 | | |
| Import | 4,367 | | |
| Supplemental (Recycled) | (3,402) | 63% (2) | 3,402 |
| Total Untreated Demand | 1,965 | 37% (2) | 29,867 |
| Lost/Process Water | (84) | | (2,863) |
| Sales | 1,881 | | 27,004 |

| *Untreated System Maintenance Components* | |
|---|---|
| Untreated Water System Maint. | $325,478 |
| Irvine Lake Maint. | 74,594 |
| Total System Maint. | $400,072 |

| | | |
|---|---|---|
| **Reallocated Based on Demand** | $148,027 | $252,045 [(3)] |
| Budgeted Supplemental Cost | | $2,109,000 |
| Additional System Maint. Allocation (from above) | | 252,045 |
| Total | | $2,361,045 |

| | ccf | AF | Change |
|---|---|---|---|
| **Adjusted Cost for Supplemental Water** | $1.59 | $694 | $58 |
| **Adjusted cost for Untreated** | $1.78 | $774 | ($123) |
| **Adjusted Cost for TIC Ag** | $1.32 | $576 | ($60) |

**(1)** Internal rate paid by the recycled system to the untreated system for supplemental water.
**(2)** Demand used to Allocate Operating costs.
**(3)** Added to the Supplemental cost of water.

# 2017 TIC Melded Rate Calculation

$$TIC\_Melded\_Rate = \frac{(ILP\_Cost + GW\_Cost)}{(TIC\_Demand)}$$

**ILP Cost** (ILP Fraction * TIC Demand - CW Amount )* ( MWD ILP Untreated Rate during FY + Proportional Share of ILP O & M)

| | | | | | |
|---|---|---|---|---|---|
| ILP Fraction | = | **ILP%** | = | 60% | |
| MWD ILP Untreated Rate | = | **UNTRTD** | = | $ 774.20 | IRWD's untreated rate |
| TIC Demand | = | **TICd** | = | 1,900 | from TIC |
| O & M | = | **O&M$** | = | $0 | Included in IRWD's untreated rate |
| CW Amount | = | **CWwtr** | = | 190 | Lesser of 10% TICd or 800 AF (first 10 years) |
| CW Percentage | = | **CW%** | = | 10% | Second year |

**GW Cost** GW Fraction * TIC Demand * (OCWD RA+Power Cost+O & M)

| | | | | | |
|---|---|---|---|---|---|
| GW Fraction | = | **GW%** | = | 40% | |
| RA Projection | = | **RA$** | = | $200.00 | |
| O & M Projection | = | **OM$** | = | $31.75 | Indexed with CPI |
| Power Cost | = | **PC$** | = | $239.76 | Indexed with IRWD's average cost of Energy |

**TIC Melded Rate** = $$\boxed{\frac{((ILP\% \times TICD - CWWTR) \times (UNTRTD + ILPOM)) + (GW\% \times TICD \times (RA\$ + PC\$ + OM\$))}{(TIC\_Demand)}}$$

**TIC Melded Rate** = $$\boxed{\frac{((.6 \times 1{,}900 - 190) \times (889)) + (.4 \times 1{,}900 \times (201 + 242 + 32))}{(1{,}900)}}$$

**TIC Melded Rate** = $$\boxed{\frac{(.6 \times 1{,}900 \times 889)}{1{,}900}} - \boxed{\frac{(190 \times 653)}{1{,}900}} + \boxed{\frac{(.4 \times 1{,}900 \times 475)}{1{,}900}}$$

**TIC Melded Rate** = 465 - 77.42 + 188.60 575.70

$$\frac{\text{Cost of Water}}{\text{Total Demand}} = \frac{1{,}093{,}835}{1{,}900} =$$

| AF | ccf |
|---|---|
| $ 575.70 | $1.32 |

**Cost per Acre Foot** 464.52 77.42 188.60 = $575.70

**Cost per ccf** $1.32

December 6, 2016
Prepared by: Christopher Smithson
Submitted by: Cheryl Clary/Kevin Burton
Approved by: Paul Cook

FINANCE AND PERSONNEL COMMITTEE

## ORANGE COUNTY GREAT PARK CONNECTION FEE

### SUMMARY:

In 2009, IRWD provided the Orange County Great Park(OCGP) Corporation an estimated connection fee for the OCGP portion of the Planning Area 30 and 51 proposed Sub Area Master Plan (SAMP) improvements. The original estimate of $11.1 million was used to establish connection fees in Improvement Districts (ID) 112 and 212. The Great Park connection fee calculation assumed:

- The fee represented 50% of the total costs allocated to the Great Park;
- Tax revenue from ID 112/212 would fund 50%; and
- OCGP could elect to pay the connection fee in installments based on a fair market value rate

In September 2016, the Planning Area 30 and 51 SAMP update was finalized and staff reviewed the connection fee strategy previously considered. The updated connection fee for the Great Park is $14.3 million based on the Park's respective share of system demands and a 50-50% sharing of capital costs between connection fees and property taxes. Property taxes would be paid for by property tax owners in ID 112/212. Staff recommends approval of the proposed approach to setting and financing the connection fees for the Orange County Great Park.

### BACKGROUND:

In August 2009, the Orange County Great Park(OCGP) Corporation requested an estimated connection fee be calculated for the OCGP portion of the Planning Area 30 and 51 proposed Sub Area Master Plan (SAMP) improvements. Staff prepared an estimated connection fee of $11.1 million based on system demands and the assumption that costs be shared equally between connection fees and property taxes. In September 2016, the Planning Area 30 and 51 SAMP Update was finalized and the updated SAMP was used to calculate an updated connection fee for the OCGP.

The table below represents total capital allocated to IDs 112/212, the OCGP respective share of the cost of service by system. The total attributable to the OCGP is $28.6 million.

| Summary of OC Great Park Cost of Service (in millions) | | | | |
|---|---|---|---|---|
| Component | Potable | Sewer | Non-Potable | Total |
| ID 112 / 212 Cost of Service | $32.740 | $43.280 | $67.838 | $143.858 |
| OCGP 112/212 Cost Allocation | 0.8% | 0.9% | 41.1% | |
| Total Allocated Cost | $0.270 | $0.391 | $27.911 | $28.573 |

Staff recommends that the Committee recommend to the Board, approval of a total connection fee for the Orange County Great Park of $14,286,500; that the portion to be funded from tax revenue remain within IDs 112/212, and that the District be open to providing financing for the connection fee to the OCGP at a fair market value rate.

## FISCAL IMPACTS:

The fiscal impacts are estimated at $14.3 million funded from the OCGP.

## 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 approve the proposed connection fee approach for the Orange County Great Park.

## LIST OF EXHIBITS:

None.

December 6, 2016
Prepared by: Jennifer Davis/Tanja Fournier
Submitted by: Robert Jacobson/Cheryl Clary
Approved by: Paul Cook

FINANCE AND PERSONNEL COMMITTEE

## PROPOSED 2017 INVESTMENT POLICY

### SUMMARY:

Each year, the District is required to adopt an Investment Policy. Changes to the policy from year-to-year are required to conform to any amendments to the California Government Code governing investment of public funds. During 2016, there were no significant changes to the Government Code and the proposed policy for 2017 has no change from the policy adopted for 2016. Staff is requesting that the Committee recommend the Board approve the proposed policy attached as Exhibit "A".

### BACKGROUND:

Staff annually submits a Statement of Investment Policy to the Board of Directors for approval. The annual submittal generally incorporates amendments to investment-related Government Code sections, policy objectives, delegation of authority and a detailed schedule of authorized investments. The proposed 2017 Investment Policy and related Resolution are attached as Exhibits "A" and Exhibit "B", respectively. During 2016, there were no significant amendments to the Government Code section relating to authorized investments for local agencies, and therefore the 2017 proposed policy is the same as the 2016 Investment Policy.

As specified in the Government Code, the Board's delegation of authority to the Treasurer and Assistant Treasurer(s) to manage the District's investment program is limited to a one year period, renewable annually. The recommended 2017 Investment Policy includes continuation of this annual delegation of authority to the Treasurer and Assistant Treasurer(s).

Given the conservative nature of the State codes and the Board's additional restrictions, staff believes the authorized investments in the recommended 2017 Investment Policy are sufficiently limited to ensure appropriate investment security while retaining some degree of flexibility to take advantage of changing market opportunities. Additionally, the recommended policy provides authority for the Finance and Personnel Committee to further restrict, but not liberalize, authorized investments. Any liberalization of authorized investments would first require the approval of the Board of Directors.

### FISCAL IMPACTS:

None.

### ENVIRONMENTAL COMPLIANCE:

This activity is categorically exempt from the California Environmental Quality Act (CEQA) as authorized under the California Code of Regulations, Title 14, Chapter 3, Sections 15301 and 15302.

RECOMMENDATION:

That the Board approve the proposed 2017 Investment Policy.

LIST OF EXHIBITS:

Exhibit "A" – Proposed 2017 Investment Policy
Exhibit "B" – Resolution Adopting 2017 Investment Policy

# EXHIBIT "A"

## IRVINE RANCH WATER DISTRICT

## PROPOSED 2017 INVESTMENT POLICY

**Introduction:**

This investment policy is intended to establish a clear understanding of the District's authorized investment activities for members of the public, the Board of Directors of the Irvine Ranch Water District (the "District"), District management and outside investment professionals.

**Policy:**

It is the policy of the District to invest its funds in a prudent and professional manner which will provide maximum security of principal while meeting required cash flow demands and conforming to all State statutes governing the investment of public funds, the District's investment policies, and prudent cash management principles.

**Scope:**

This investment policy applies to all District funds that are under the direct oversight of the Board of Directors. The investment of any bond proceeds or related funds will also be made in accordance with this investment policy.

**Standard of Care:**

The Board of Directors and those persons authorized to make investment decisions on behalf of the District are trustees of public funds. The standard of care to be used in all investment transactions shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio (Government Code Section 53600.3). The "prudent person" standard is:

> Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Officers and employees of the District involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program or could impair their ability to make impartial investment decisions. "Designated employees" of the District involved in the investment of District funds, which includes the Treasurer and Assistant Treasurer(s), shall disclose all information at the times and in the manner required by the District's Conflict of Interest Code.

## Objectives:

The primary objectives of the District's investment activities, in priority order, are as follows:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Accordingly, diversification by issuer, type, and maturity of securities will be made to avoid or minimize potential losses on individual securities.

2. Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating and capital cash requirements. To the extent required, this liquidity will be maintained through the purchase of securities with active secondary or resale markets and with short-term maturities so as to minimize market risk on the market price of the securities.

3. Yield: The District's investment portfolio shall be designed with the objective of attaining the highest rate of return commensurate with the above requirements for the preservation of capital and the maintenance of adequate liquidity.

## Delegation of Authority:

In accordance with Government Code Sections 53607 and 53608, the Board of Directors has delegated to the District's Treasurer and Assistant Treasurer(s), acting singly, the authority to manage the District's investment program and to provide for the safekeeping of securities. This delegated authority is effective for the 2017 calendar year (Resolution 2016-XX).

## Authorized Investments:

The District is authorized to invest its funds pursuant to the following State codes:

Government Code:

- Section 53600 et seq. - General investments
- Section 16429.1 - Local Agency Investment Fund (LAIF)
- Section 53684 - Orange County Treasury Pool (not currently authorized by the Board of Directors)
- Section 5920 - Public finance contracts

Water Code:

- Section 35912 - Real estate

The Treasurer and Assistant Treasurer(s) are authorized to invest District funds in accordance with these Code sections, subject to certain restrictions imposed by the District's Board of Directors. These authorized investments and restrictions are shown in Exhibit "A".

Whenever practical, a competitive process shall be used for the purchase and sale of securities.

The Board of Directors has approved investing in securities with terms or remaining maturities in excess of five years as part of the District's investment program, but that no such investments are to be made without the concurrence of the Finance and Personnel Committee.

**Authorized Financial Institutions:**

Only financial institutions designated as "primary dealers" by the Federal Reserve Bank of New York, or other dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule), are authorized to provide investment services to the District. The Treasurer may limit the number of dealers authorized to provide such services.

A copy of the District's annual investment policy shall be provided to each institution authorized by the Treasurer to provide services to the District. Prior to providing investment services, such financial institution shall acknowledge in writing that it has received the District's investment policy and that all persons handling the District's account have reviewed the policy.

All authorized financial institutions are required to send the District unaudited quarterly and audited annual financial statements or provide electronic access to the financial statements.

**Safekeeping and Custody:**

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. All securities owned by the District shall be delivered to the District by book entry, physical delivery, or a third party custodial agreement. Any third party custodian shall be designated by the Treasurer, and all securities held by such custodian, including book entry and physical securities, shall be held in a manner that clearly establishes the District's right of ownership. The District's custodial agent shall meet the requirements of Government Code Section 53608. The District's deposits with LAIF or any other authorized investment pool shall be evidenced by the standard reporting requirements of LAIF or the investment pool.

## Reporting:

The Treasurer shall file a monthly report with the Board of Directors at a public meeting that shows the status of the District's cash and securities, and all related investment transactions that occurred during the month. The status report shall also be filed with the District's General Manager and will include at least the following information:

- Type of investment
- Original cost
- Issuing institution
- Market value, including source
- Par amount
- Maturity date
- Coupon and/or yield

In addition, the status report shall include the portfolio's rate of return for the month, the average weighted life of the portfolio, a statement regarding the portfolio's compliance with the District's investment policy, and a statement regarding the District's ability to meet expenditure requirements over the following six months. (Government Code Sections 53607 and 53646)

The Treasurer shall also file a quarterly report with the Board of Directors at a public meeting with respect to the District's real estate investments and any related transactions which occurred during such quarter. The real estate report will be structured to comply as closely as possible with the information requirements of G.C. Section 53646.

## Investment Policy Adoption and Amendments:

The Treasurer shall submit an investment policy at least annually to the Board of Directors at a public meeting (Government Code Section 53646). The policy shall be effective for the calendar year specified. If the Board of Directors does not approve an investment policy for any calendar year, then the investment policy for the previous calendar year shall remain in effect until a new policy is approved.

The District's Finance and Personnel Committee is authorized to make changes in the investment policy from time to time as may be necessary, provided that such changes may only be more restrictive in nature. Any changes that would liberalize the investment policy shall be approved by the Board of Directors before becoming effective. Any changes in the investment policy by the Finance and Personnel Committee shall be reported to the Board of Directors at its next regular meeting.

Exhibit "A"
IRVINE RANCH WATER DISTRICT
2017 AUTHORIZED INVESTMENTS

| INVESTMENT | MAJOR PROVISIONS (G.C. 53601 OR 53635 except as noted) | ADDITIONAL RESTRICTIONS IMPOSED BY THE BOARD OF DIRECTORS |
|---|---|---|
| California State and Local Agency Bonds, Notes and Warrants | Registered State warrants, treasury notes or bonds. Any bonds, notes, warrants or other evidences of indebtedness of any local agency. | Limited to securities approved by the Finance and Personnel Committee. |
| U.S. Treasury and Agency Obligations | U.S. Treasury notes, bonds, bills or certificates of indebtedness or those for which the full faith and credit of the United States are pledged for the payment of principal and interest. Also federal agency or U.S. government sponsored obligations. | No additional restrictions. |
| Registered treasury notes or bonds of California or other 49 United States | Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California. | Limited to states and/or agencies approved by the Finance and Personnel Committee. |
| Banker's Acceptances | Must be eligible for discount at the Federal Reserve Bank. May not exceed 180 days maturity or 40% of local agency funds. No more than 30% of local agency funds may be invested in banker's acceptances of any one commercial bank. | Limited to domestic and foreign banks approved by the Finance and Personnel Committee. |
| U.S. Dollar Denominated Senior Unsecured Unsubordinated Obligations | Permits United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, rated "AA" or better, not exceeding 30% of the agency's moneys that may be invested pursuant Section 53601 | Limited to securities approved by the Finance and Personnel Committee. |

IRVINE RANCH WATER DISTRICT
2017 AUTHORIZED INVESTMENTS

| INVESTMENT | MAJOR PROVISIONS (G.C. 53601 OR 53635 except as noted) | ADDITIONAL RESTRICTIONS IMPOSED BY THE BOARD OF DIRECTORS |
|---|---|---|
| Commercial Paper | Must be of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized rating service. Issuers must be organized and operating in U.S., have assets exceeding $500 million and be rated "A" or better. May not exceed 270 days maturity. May not exceed 25% of a local agency's funds. May not exceed 270 days maturity. May not exceed 25% of a local agency's funds. | Limited to corporations approved by the Finance and Personnel Committee. |
| Negotiable Certificates of Deposit | Issued by national or state-chartered banks, savings associations, federal associations, or state or federal credit unions or state-licensed branches of a foreign bank. Specified restrictions on credit unions. Limited to 30% of local agency funds. | Limited to domestic and foreign banks and thrift institutions approved by the Finance and Personnel Committee. |
| Repurchase and Reverse Repurchase Agreements | Repurchase agreements are limited to one year or less and collateral shall be valued at least 102%. Reverse repurchase agreements, including securities lending agreements, are limited to 20% of the base portfolio value and to terms of 92 days or less unless a spread is guaranteed in writing. Securities being sold on reverse must be owned by the agency for at least 30 days. Reverse repurchase agreements may be made with primary dealers of the Federal Reserve Bank of New York, or nationally and state chartered banks with a significant banking relationship with the local agency. | All reverse repurchase agreements must have the prior approval of the Finance and Personnel Committee.<br><br>All repurchase agreements must be made only with primary dealers of the Federal Reserve Bank of New York, or nationally and state chartered banks with a significant banking relationship with the local agency. |
| Medium Term Corporate Notes | All debt securities issued by U.S. corporations or depository institutions licensed by the U.S. or any state and operating within the U.S. Institutions rated "A" or better. May not exceed five years maturity, or 30% of funds. | For depository institutions, same as shown under Negotiable Certificates of Deposit. For corporations, limited to those approved by the Finance and Personnel Committee. |

IRVINE RANCH WATER DISTRICT
2017 AUTHORIZED INVESTMENTS

| INVESTMENT | MAJOR PROVISIONS (G.C. 53601 OR 53635 except as noted) | ADDITIONAL RESTRICTIONS IMPOSED BY THE BOARD OF DIRECTORS |
|---|---|---|
| Shares of Beneficial Interest | Issued by diversified management companies investing in securities as specified. Companies shall have highest rating assigned by not less than two nationally recognized statistical rating organizations or shall have a registered and experienced investment advisor. Purchase price shall not include any commissions. Limited to 20% of funds of which no more than 10% may be with any one fund. | No additional restrictions. |
| Collateralized Negotiable Securities | Notes, bonds or obligations secured by a valid first priority security interest in specified securities. Collateral to be placed by delivery or book-entry into the custody of a trust company/department not affiliated with the issuer. Security interest perfected in accordance with Uniform Commercial Code or applicable federal regulations. Collateral requirements are the same as required to secure bank deposits made by local agencies. | No investment in collateralized negotiable securities shall be made without the prior approval of the Finance and Personnel Committee. |
| Collateralized Mortgage Obligations and Asset-Backed Securities | Mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of 5 years maturity. Securities must be issued by an issuer having an "A" or higher rating by a nationally recognized rating service. Securities themselves must have an "AA" rating and may not exceed 20% of surplus funds. | No investment in collateralized mortgage obligations or asset-backed securities shall be made without the prior approval of the Finance and Personnel Committee. |
| Financial Futures and Options | Authorizes the investment in financial futures and financial option contracts in any of the investment categories contained in G.C. Section 53601. **(Government Code Section 53601.1)** | No investments in financial futures and financial option contracts are to be made without the prior approval of the Finance and Personnel Committee. |

| INVESTMENT | MAJOR PROVISIONS (G.C. 53601 OR 53635 except as noted) | ADDITIONAL RESTRICTIONS IMPOSED BY THE BOARD OF DIRECTORS |
|---|---|---|
| Prohibited Investments | A local agency shall not invest any funds in inverse floaters, range notes, and mortgage derived interest-only strips, or any security that could result in zero interest accrual if held to maturity. **(Government Code Sections 53601.6 and 53631.5)** | No additional restrictions. |
| Local Agency Investment Fund | Permits a local agency to deposit funds with the State Treasurer for the purpose of investment in securities prescribed in Government Code Section 16430. **(Government Code Section 16429.1 et seq.)** | No additional restrictions. |
| Orange County Treasury Pool | Permits a local agency to deposit funds with the County Treasurer for investment in securities prescribed in Government Code Section 53601 or 53635. **(Government Code Section 53684)** | No investments are to be made with the Orange County Treasury Pool without the prior approval of the Board of Directors. |
| Inactive Public Deposits | Deposits or contracts with Federal Reserve System banks insured by FDIC, savings associations or federal associations which are home loan bank members or insured by FSLIC, and state or federal credit unions. Specified restrictions on credit unions. | No inactive public deposits are to be made without the prior approval of the Finance and Personnel Committee. |
| Public Finance Contracts | Includes interest rate swap agreements, currency swap agreements, forward payment conversion agreements, futures, or index-based agreements to hedge payment, currency, rate, spread or similar exposure. Requires certain determinations by governing body. (Government Code Section 5920 et seq.) | The Board is authorized to approve the general parameters for swap transaction types, maximum notional amount(s) and maximum duration(s). The Finance and Personnel Committee shall structure specific parameters for individual transactions including notional amount, transaction timing, counterparty selection, index to be used and ISDA agreement approval. (Resolution 2003-36) |

IRVINE RANCH WATER DISTRICT
2017 AUTHORIZED INVESTMENTS

| INVESTMENT | MAJOR PROVISIONS (G.C. 53601 OR 53635 except as noted) | ADDITIONAL RESTRICTIONS IMPOSED BY THE BOARD OF DIRECTORS |
|---|---|---|
| Real Estate Investments | Authorized to invest no more than 30% of the District's Replacement Fund in real estate located in Orange County. (Water Code Section 35912) | Real estate investments shall be made in accordance with existing Board policies (Resolution 1990-30).<br>All real estate investments must be individually approved by the Board of Directors. |

RESOLUTION NO. 2016-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT APPROVING INVESTMENT POLICY AND AUTHORIZING THE TREASURER AND ASSISTANT TREASURERS TO INVEST AND REINVEST FUNDS OF THE DISTRICT AND OF EACH OF ITS IMPROVEMENT DISTRICTS AND TO SELL AND EXCHANGE SECURITIES

WHEREAS, the Treasurer of the Irvine Ranch Water District is permitted by Section 53646 of the California Government Code to annually render to the Board of Directors a statement of investment policy, which the Board shall consider at a public meeting; and

WHEREAS, in accordance with such requirement, the Treasurer has presented an investment policy to the Board at this meeting; and

WHEREAS, Section 53607 of the California Government Code permits the Board of Directors to delegate to the Treasurer of the District the Board's authority to invest or reinvest funds of the District or sell or exchange securities so purchased, limits the delegation to a one-year period, allows renewal by the Board on an annual basis and establishes a requirement for monthly reporting of the transactions by the Treasurer to the Board; and

WHEREAS, Section 53608 of the California Government Code permits the Board of Directors to delegate to the Treasurer of the District the Board's authority to deposit for safekeeping the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants or other evidences of indebtedness in which money of the District is invested; and

WHEREAS, under Section 53635.2 of the California Government Code, funds of the District may be deposited with certain financial institutions; and

WHEREAS, pursuant to Section V, Paragraph 8 of the District's Bylaws, the Board has appointed one or more Assistant Treasurers;

WHEREAS, Resolution No. 2015-32 contains the previous delegation by this Board of the authority to invest or reinvest funds, sell or exchange securities, deposit investments for safekeeping, and deposit funds;

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

Section 1. The 2017 Investment Policy of the District is approved in the form presented by the Treasurer to this meeting, to be effective January 1, 2017, and remain in effect until it is revoked or is superseded.

Section 2. The authority of the Board of Directors to invest or reinvest funds of the District and its improvement districts or sell or exchange securities so purchased, subject to the requirements of the Investment Policy approved hereby, is hereby delegated to each of the Treasurer and the Assistant Treasurer(s), acting singly. Pursuant to Government Code Section 53607, the Treasurer shall assume full responsibility for those transactions until this delegation is revoked or expires. This delegation shall become effective January 1, 2017, and shall remain in effect until it is revoked or is superseded by a subsequent delegation.

Section 3. The authority of the Board of Directors to deposit for safekeeping the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants or other evidences of instruments in which money of the District and its improvement districts is invested, subject to the requirements of the investment policy approved hereby, is hereby delegated to each of the Treasurer and the Assistant Treasurer(s), acting singly. This delegation shall become effective January 1, 2017, and shall remain in effect until it is revoked or is superseded by a subsequent delegation.

ADOPTED, SIGNED AND APPROVED this _____ day of ___________, 2016.

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

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

APPROVED AS TO FORM:

BOWIE, ARNESON,
WILES & GIANNONE
Legal Counsel – IRWD

By ______________________

00193857/ 120116

December 6, 2016
Prepared by: Tony Mossbarger
Submitted by: Cheryl Clary
Approved by: Paul Cook

FINANCE AND PERSONNEL COMMITTEE

# FINANCIAL SYSTEM UPGRADE AND PROJECT MANAGEMENT IMPLEMENTATION CONSULTANT SERVICES VARIANCE APPROVAL

## SUMMARY:

The District's Oracle financial software upgrade and project management implementation to support changes was started in April of 2016. Changes include the District's Improvement District (ID) consolidation, implementation of the Project Management module, and the need to simplify the processing of project related transactions. A variance is needed to the professional services agreement with KPMG for changes in the Project Management, Inventory, Online Time Entry functions, and report automation. Staff recommends that the Board authorize the General Manager to execute a variance to the agreement with KPMG; Variance No. 4 in the amount of $100,880.

## BACKGROUND:

In February 2016, the Board authorized the General Manager to execute a professional services agreement in the amount of $2,544,000 with KPMG for the Oracle Financial Systems Upgrade and Project Management Implementation. The upgrade includes changes necessary to implement the District's ID Consolidation configuration and simplify the system to utilize more standard out-of-the box functionality. Utilization of out-of-the-box functionality will eliminate the need for several customizations made during the original implementation which requires significant staff time to support.

A variance is needed to the professional services agreement with KPMG for changes in the Project Management module that will allow for the efficient processing of ID transactions. The variance includes necessary changes to the inventory module that will allow for efficient updates to overhead rates, changes to the online time entry module that will allow for entry of vehicle usage hours, and changes to automate expense authorization reporting.

The following is a summary of the variances for this professional services agreement:

Variance No. 1 in the amount of $0, for a schedule change under the Director of Administrative Services' signature authority on August 22, 2016.

Variance No. 2 in the amount of $39,000, for modifications to various Project Management, GL, and Online Time Entry functions under the Director of Administrative Services' signature authority on August 25, 2016.

Variance No. 3 in the amount of $59,150, for modifications to various Project Management and Online Time Entry functions under the General Manager's signature authority on November 3, 2016.

Variance No. 4 in the amount of $100,880, for Modifications to the Project Management, Inventory, Online Time Entry functions, and report automation is attached in Exhibit "A".

FISCAL IMPACTS:

The Financial Systems Upgrade and Project Management Implementation project, Projects 4394 and 4395, are included in the FY 2016-17 Capital Budget. The existing budget and Expenditure Authorization are sufficient to fund Variance No. 4.

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 the General Manager to execute a variance to the agreement with KPMG for Variance No. 4 in the amount of $100,880 for the Financial Systems Upgrade and Project Management Implementation agreement.

LIST OF EXHIBITS:

Exhibit "A" – Variance No. 4 for Modifications to the Project Management, Inventory, Online Time Entry functions, and report automation

# IRVINE RANCH WATER DISTRICT
## PROFESSIONAL SERVICES VARIANCE

**EXHIBIT "A"**

Project Title: EBS Upgrade and Project Management Implementation
Project No.: 4394/4395 Date: 11-10-2016
Purchase Order No.: 528981 Variance No.: 4

Originator: [X] IRWD [ ] ENGINEER/CONSULTANT [ ] Other (Explain)

Description of Variance (*attach any back-up material*):
A Project Change Request is initiated to provide changes to the following functions: Project Management ID Split and Fund Pattern functionality changes, Inventory functionality for MOH rate changes, online time entry for vehicle usage, and EA report automation. Description of the changes are in the attached Project Change Request (PCR5).

Engineering & Management Cost Impact:

| Classification | Manhours | Billing Rate | Labor $ | Direct Costs | Subcon. $ | Total $ |
|---|---|---|---|---|---|---|
| Project Change Request #5 (PCR5) | 544 | | | | | 100,880 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | **Total $ =** | 100,880 |

Schedule Impact:

| Task No. | Task Description | Original Schedule | Schedule Variance | New Schedule |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |

Required Approval Determination:

| | |
|---|---|
| Total Original Contract $ 2,543,978 | [ ] Director: Cumulative total of Variances less than or equal to $50,000. |
| Previous Variances $ 98,150<br>This Variance $ 100,880 | [ ] Executive Director: Cumulative total of Variances less than or equal to $75,000. |
| Total Sum of Variances $ 199,030<br>New Contract Amount $ 2,942,038 | [ ] General Manager: Cumulative total of Variances less than or equal to $100,000. |
| Percentage of Total Variances to Original Contract 7.7 % | [X] Board: Cumulative total of Variances greater than $100,000. |

ENGINEER/CONSULTANT: KPMG LLP
Company Name

IRVINE RANCH WATER DISTRICT

Project Engineer/Manager Pam Follett — Date

Department Director — Date 11-10-2016

Engineer's/Consultant's Management John Vaughan — Date

General Manager/Board — Date



EBS Upgrade PSA Variance_4.docx

Rev. 09/14

# IRVINE RANCH WATER DISTRICT

## PROFESSIONAL SERVICES VARIANCE REGISTER

Project Title: EBS Upgrade and Project Management Module Implementation

Project No.: 4394/4395 Project Manager: Mohit Saini

| Variance No. | Description | Dates Initiated | Dates Approved | Variance Amount |
|---|---|---|---|---|
| 1 | Project Change Request # 1 – Schedule Change | 8-18-2016 | 8-22-2016 | $0 |
| 2 | Project Change Request # 2 – Modifications to Various Project Management GL, and Online Time Entry Functions | 8-18-2016 | 8-22-2016 | $39,000 |
| 3 | Project Change Request # 4 – Modifications to Various Project Management and Online Time Entry Functions. | 11-02-2016 | 11-03-2016 | $59,150 |
| 4 | Project Change Request # 5 – Modifications to the Project Management, Inventory, and Online Time Entry Modules | 11-01-2016 | | $100,880 |
| | | | | |
| | | | | |
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# KPMG Project Change Request

| | | | | | |
|---|---|---|---|---|---|
| **Document Description** | A Project Change Request is initiated due to a deviation from the original project scope/timeline defined in the project charter, subsequent change order(s), and/or system enhancement requests. | | | | |
| **Client & Project Name** | IRWD Upgrade / Projects Implementation | **Project ID** | 2000506887 – Phase 1 | **Project Sponsor** | Cheryl Clary |
| **Change Request Name** | Projects Implementation Changes | **Change Request ID** | PCR5 | **Project Manager** | Pam Follett |
| **Date Submitted** | November 1, 2016 | **Requester** | Jeff Francis | **Assigned to** | Cheryl Clary |
| **Priority** | Medium | **Status** | Open | | |

**Description of Change:**

Changes have been requested as a result of the SIT test event. Additionally, IRWD has requested to exercise effort for one of the task 6 items.

- ID Split & Fund Pattern functionality changes – option 3, Phases 3 & 4:
  - Add the following functions to be detailed in documentation:
    - Delete functionality on IDs with checks on reclass period; limited to super users
    - Open end period for setting to NULL (OR) have the delete button do this with checks on reclass period
    - Delete icon for fund patterns
  - DF-302: The "Populate ID Splits" button only works once unless you exit off the page and come back into the ID Splits page. Even if you "Save" the splits, you must exit the page, then come back to make corrections.
- Task 6 item: Ability to change the MOH rate for inventory on demand
- OTL Equipment Usage Hours Validation Rules – confirm usages hours for any vehicle class are not greater than the total project/task hours associated for the day.
- Automate EA Report submission and delivery through email (NB – this is anticipated to be a post go-live item) – 2 options
  - Option 1: Financial Plan approval workflow submits report and emails when EA is baselined

**Recommended Solution:**

The level of effort and associated costs for these items are itemized below:

| | | |
|---|---|---|
| • ID Split | 200 hours | $39,000.00 |
| • Inventory MOH | 120 hours | $23,400.00 |
| • OTL Vehicle Usage | 120 hours | $23,400.00 |
| • EA Report automation: | | |
|   • Option 1: | 104 hours | $15,080.00 |
| Totals: | 544 hours | $100,880.00 |

| | | |
|---|---|---|
| **Total Estimated Time to Complete** 544 hours | **Cost to Complete** $100,880.00 | **Is the Project end Date affected?** No<br>**Project End Date Change from _ to** |

This PROJECT CHANGE REQUEST is bound to the Phase 1 Statement of Work dated February 29, 2016. The following signatures authorize the described work herein to be performed.

| | | | |
|---|---|---|---|
| IRWD - Project Manager<br>Tony Mossbarger, Director | Date | KPMG – Project Manager<br>Pam Follett, Manager Advisory | Date |
| IRWD – Project Sponsor<br>Cheryl Clary, CFO | Date | KPMG – Project Sponsor<br>John Vaughan, Advisory<br>Managing Director | Date |
| IRWD – Executive Sponsor<br>Paul Cook, General Manager | Date | | |

December 6, 2016 *gO*
Prepared by: Jennifer Davis/Tanja Fournier
Submitted by: Robert Jacobson/Cheryl Clary *CC*
Approved by: Paul Cook *P. 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 November 28, 2016, as outlined in Exhibit "A"
- The U.S. Treasury Yield Curve as of November 28, 2016, as outlined in Exhibit "B"
- The Summary of Fixed and Variable Debt as of November 28, 2016, as outlined in Exhibit "C"
- The Summary of Variable Rate Debt Rates as of November 28, 2016, as outlined in Exhibit "D"

BACKGROUND:

Investment Portfolio:

Due to the timing of the Committee meeting, the rate of return for November 2016 is not complete at this time. Preliminary calculations indicate a rate of return for the fixed income investment portfolio of 0.91%, which is a 0.05% increase from October's rate of 0.86%. Including real estate investments, the weighted average rate of return for the District's investment portfolio for November 2016 is estimated to be 2.60%, which is a 0.13% decrease from October's rate of 2.73%. The decrease is primarily due to the change in the fixed income portfolio average balance from $397,068,758 to $444,333,374.

Debt Portfolio:

As of November 28, 2016, the District's weighted average all-in variable rate was 0.88%, which was a 0.17% decrease from October's rate of 1.05%. Including the District's weighted average fixed rate bond issues of 3.70% and the previous month's 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 3.51%, which is a 0.01% decrease from October's rate of 3.52%.

Interest Rate Swaps:

Due to the timing of the Committee meeting, the swap report is not complete at this time. Staff will provide an update at the meeting. As of November 28, 2016, the District had posted $6,611,834 of collateral with Citigroup, which represents a $1,011,623 decrease from the collateral posted in October and $3,730,000 of collateral with Merrill Lynch, which is unchanged from October's collateral. The collateral earns the Fed Funds Effective Rate, which is currently 0.41%.

## FISCAL IMPACTS:

Fiscal impacts are included in the above narrative and in the attached exhibits.

## 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.

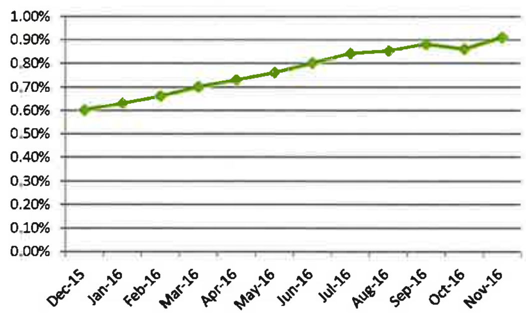
## LIST OF EXHIBITS:

Exhibit "A" – Investment Portfolio Summary as of November 28, 2016
Exhibit "B" – Yield Curve as of November 28, 2016
Exhibit "C" – Summary of Fixed and Variable Debt as of November 28, 2016
Exhibit "D" – Summary of Variable Rate Debt Rates as of November 28, 2016

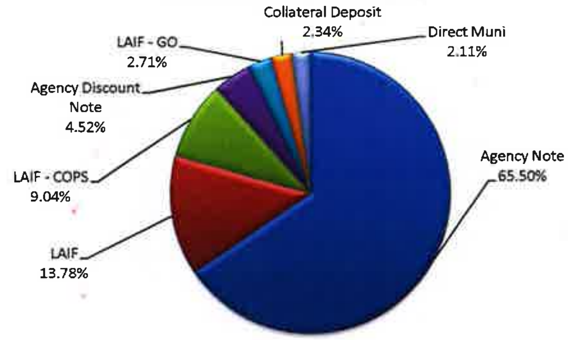
Exhibit "A"

# Irvine Ranch Water District
# Investment Portfolio Summary
# November 2016

## Monthly Fixed Income Yield



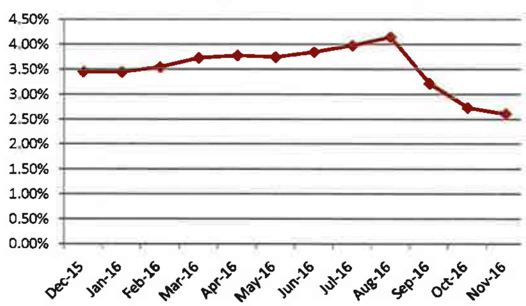

## Portfolio Distribution



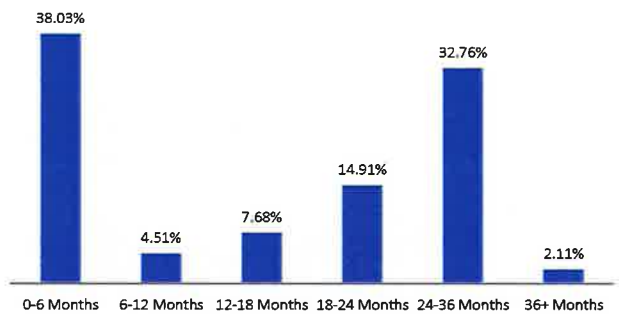

## Investment Summary

| Type | PAR | Book Value | Market Value |
|---|---|---|---|
| Agency Note | 290,000,000 | 290,385,983 | 290,296,360 |
| LAIF | 61,000,000 | 61,000,000 | 61,018,668 |
| LAIF - COPS | 40,000,000 | 40,000,000 | 40,012,241 |
| Agency Discount Note | 20,000,000 | 19,973,322 | 19,973,750 |
| LAIF - GO | 12,000,000 | 12,000,000 | 12,003,672 |
| Collateral Deposit | 10,341,834 | 10,341,834 | 10,341,834 |
| Direct Muni | 9,323,408 | 9,323,408 | 9,323,408 |
| Grand Total | 442,665,242 | 443,024,547 | 442,969,934 |

## Weighted Average Return Including Real Estate Portfolio




## Maturity Distribution




## Top Issuers

| Issuer | PAR | % Portfolio |
|---|---|---|
| Fed Home Loan Bank | 121,000,000 | 27.33% |
| State of California Treasury - LAIF | 113,000,000 | 25.53% |
| Fed Home Loan Mortgage Corp | 79,000,000 | 17.84% |
| Fed Natl Mortgage Assoc | 70,000,000 | 15.81% |
| Fed Farm Credit Bank | 40,000,000 | 9.04% |
| ETWD | 9,323,408 | 2.11% |
| Citi-Group Collateral | 6,611,834 | 1.49% |
| Merrill Lynch Collateral | 3,730,000 | 0.85% |
| Grand Total | 442,665,242 | 100.00% |

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

11/28/16

| SETTLMT * | Call Schedule | Initial Call | Maturity Date | Rating | INVESTMENT TYPE | INSTITUTION / ISSUER | PAR Amount | COUPON DISCOUNT | YIELD | ORIGINAL COST | CARRY VALUE | MARKET VALUE[1] 11/28/2016 | UNREALIZED[2] GAIN/(LOSS) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 08/19/16 | | | 11/29/16 | | LAIF | State of California Tsy. | $61,000,000 | | 0.680% | $61,000,000.00 | $61,000,000.00 | 61,018,667.95 | 18,667.95 |
| 09/01/16 | | | 11/29/16 | | LAIF - COPS | State of California Tsy. | 40,000,000 | | 0.680% | $40,000,000.00 | $40,000,000.00 | 40,012,241.28 | 12,241.28 |
| 10/12/16 | | | 11/29/16 | | LAIF - GO | State of California Tsy. | 12,000,000 | | 0.680% | $12,000,000.00 | $12,000,000.00 | 12,003,672.38 | 3,672.38 |
| 09/21/15 | N/A | N/A | 12/09/16 | Aaa/AA+/AAA | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 1.625% | 0.532% | 5,066,150.00 | 5,001,189.21 | 5,006,800.00 | 5,610.79 |
| 10/12/16 | N/A | N/A | 12/22/16 | NR | FHLB - Discount Note | Fed Home Loan Bank | 10,000,000 | 0.305% | 0.310% | 9,993,984.72 | 9,996,526.39 | 9,997,000.00 | 473.61 |
| 10/08/15 | N/A | N/A | 01/30/17 | Aaa/AA+/AAA | FNMA - Note | Fed Natl Mortgage Assoc | 5,000,000 | 1.250% | 0.492% | 5,049,445.00 | 5,006,180.63 | 5,010,250.00 | 4,069.38 |
| 09/21/15 | N/A | N/A | 02/22/17 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 0.875% | 0.570% | 5,021,500.00 | 5,003,431.73 | 5,007,000.00 | 3,568.27 |
| 06/15/15 | N/A | N/A | 03/30/17 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 0.625% | 0.727% | 4,990,950.00 | 4,998,353.29 | 5,002,950.00 | 4,596.71 |
| 06/16/16 | N/A | N/A | 04/21/17 | NR | FNMA - Discount Note | Fed Natl Mortgage Assoc | 5,000,000 | 0.530% | 0.539% | 4,977,254.15 | 4,989,620.83 | 4,989,300.00 | (320.83) |
| 06/16/16 | N/A | N/A | 04/27/17 | Aaa/AA+/NR | FNMA - Note | Fed Natl Mortgage Assoc | 5,000,000 | 1.125% | 0.607% | 5,022,271.95 | 5,010,393.58 | 5,014,650.00 | 4,256.42 |
| 06/16/16 | N/A | N/A | 05/12/17 | NR | FNMA - Discount Note | Fed Natl Mortgage Assoc | 5,000,000 | 0.570% | 0.580% | 4,973,875.00 | 4,987,175.00 | 4,987,450.00 | 275.00 |
| 08/27/15 | N/A | N/A | 05/30/17 | NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 0.625% | 0.642% | 4,998,500.00 | 4,999,579.44 | 5,002,350.00 | 2,770.56 |
| 06/16/16 | N/A | N/A | 06/30/17 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 0.800% | 0.614% | 5,009,614.00 | 5,005,352.39 | 5,006,700.00 | 1,347.61 |
| 11/05/15 | N/A | N/A | 08/28/17 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 0.750% | 0.800% | 4,995,500.00 | 4,998,164.65 | 5,005,050.00 | 6,885.35 |
| 09/16/15 | N/A | N/A | 09/15/17 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 0.900% | 0.915% | 4,998,500.00 | 4,999,408.22 | 5,007,850.00 | 8,441.78 |
| 12/18/15 | Continuous after | 12/13/13 | 12/12/17 | Aaa/AA+/NR | FFCB - Note | Fed Farm Credit Bank | 5,000,000 | 0.820% | 1.132% | 4,969,500.00 | 4,984,182.07 | 4,991,100.00 | 6,917.93 |
| 04/22/16 | N/A | N/A | 01/29/18 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 4,000,000 | 0.850% | 0.856% | 3,999,600.00 | 3,999,737.87 | 4,000,800.00 | 1,062.13 |
| 03/01/16 | Quarterly | 05/26/16 | 02/26/18 | NR/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 1.050% | 1.050% | 5,000,000.00 | 5,000,000.00 | 5,000,100.00 | 100.00 |
| 03/23/16 | N/A | N/A | 03/23/18 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 1.100% | 0.908% | 5,019,000.00 | 5,012,415.07 | 5,012,600.00 | 184.93 |
| 04/07/16 | N/A | N/A | 04/09/18 | NA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 0.750% | 0.790% | 4,996,000.00 | 4,997,300.55 | 4,994,150.00 | (3,150.55) |
| 05/16/16 | N/A | N/A | 05/16/18 | Aaa/AA+/NR | FFCB - Note | Fed Farm Credit Bank | 5,000,000 | 0.750% | 0.801% | 4,995,000.00 | 4,996,363.01 | 4,990,050.00 | (6,313.01) |
| 05/13/16 | N/A | N/A | 05/21/18 | Aaa/AA+/AAA | FNMA - Note | Fed Natl Mortgage Assoc | 5,000,000 | 0.875% | 0.768% | 5,010,700.00 | 5,007,771.27 | 5,001,400.00 | (6,371.27) |
| 05/24/16 | N/A | N/A | 06/08/18 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 11,000,000 | 1.250% | 0.995% | 11,056,540.00 | 11,042,044.51 | 11,061,710.00 | 19,665.49 |
| 06/29/16 | One Time | 12/29/16 | 06/29/18 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 10,000,000 | 1.000% | 0.679% | 10,016,000.00 | 10,012,602.74 | 9,999,800.00 | (12,802.74) |
| 09/01/16 | One Time | 07/27/17 | 07/27/18 | Aaa/AA+/AAA | FNMA - Note | Fed Natl Mortgage Assoc | 5,000,000 | 0.750% | 0.928% | 4,983,250.00 | 4,985,446.33 | 4,983,950.00 | (1,496.33) |
| 09/01/16 | One Time | 02/28/17 | 08/28/18 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 1.000% | 1.000% | 5,000,000.00 | 5,000,000.00 | 4,988,500.00 | (11,500.00) |
| 09/01/16 | NA | NA | 09/14/18 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 1.125% | 0.916% | 5,021,000.00 | 5,018,427.99 | 5,017,950.00 | (477.99) |
| 10/12/16 | N/A | N/A | 09/27/18 | Aaa/AA+/NR | FHLB -Note | Fed Home Loan Bank | 10,000,000 | 0.900% | 0.952% | 9,990,000.00 | 9,990,419.58 | 9,993,800.00 | 3,380.42 |
| 10/12/16 | N/A | N/A | 09/28/18 | Aaa/AA+/AAA | FFCB - Note | Fed Farm Credit Bank | 5,000,000 | 0.880% | 0.942% | 4,994,000.00 | 4,994,251.40 | 4,999,200.00 | 4,948.60 |
| 09/01/16 | NA | NA | 10/01/18 | Aaa/AA+/NR | FFCB - Note | Fed Farm Credit Bank | 5,000,000 | 1.030% | 0.925% | 5,010,750.00 | 5,009,462.83 | 5,007,350.00 | (2,112.83) |
| 10/12/16 | One Time | 04/12/17 | 10/12/18 | Aaa/NR/NR | FFCB - Note | Fed Farm Credit Bank | 10,000,000 | 1.000% | 1.041% | 9,992,000.00 | 9,992,328.77 | 9,984,600.00 | (7,728.77) |
| 10/12/16 | N/A | N/A | 11/27/18 | Aaa/AA+/AAA | FNMA - Note | Fed Natl Mortgage Assoc | 10,000,000 | 1.625% | 0.956% | 10,140,360.00 | 10,134,933.71 | 10,135,400.00 | 466.29 |
| 09/01/16 | NA | NA | 12/14/18 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 1.750% | 0.941% | 5,091,300.00 | 5,081,338.01 | 5,080,650.00 | (688.01) |
| 09/01/16 | One Time | 07/30/18 | 01/30/19 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 0.950% | 1.009% | 4,993,000.00 | 4,993,723.04 | 4,988,400.00 | (5,323.04) |
| 10/26/16 | One Time | 07/30/18 | 01/30/19 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 0.950% | 1.035% | 4,990,500.00 | 4,990,845.04 | 4,988,400.00 | (2,445.04) |
| 10/26/16 | One Time | 07/30/18 | 01/30/19 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 0.950% | 1.040% | 4,990,000.00 | 4,990,363.20 | 4,988,400.00 | (1,963.20) |
| 10/12/16 | Continuous after | 02/12/18 | 02/12/19 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 10,000,000 | 1.050% | 1.093% | 9,990,000.00 | 9,990,351.70 | 9,990,600.00 | 248.30 |
| 09/01/16 | NA | NA | 03/08/19 | Aaa/AA+/AAA | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 1.500% | 0.964% | 5,066,500.00 | 5,059,907.95 | 5,057,900.00 | (2,007.95) |
| 10/12/16 | One Time | 03/29/17 | 03/29/19 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 1.050% | 1.050% | 4,999,950.00 | 4,999,951.67 | 4,994,850.00 | (5,101.67) |
| 10/12/16 | N/A | N/A | 04/15/19 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 10,000,000 | 1.125% | 0.992% | 10,032,800.00 | 10,031,724.59 | 10,027,500.00 | (4,224.59) |
| 10/31/16 | One Time | 04/26/17 | 04/26/19 | Aaa/AA+/AAA | FHLMC - Note | Fed Farm Credit Bank | 5,000,000 | 1.050% | 1.060% | 4,998,750.00 | 4,998,791.35 | 4,997,800.00 | (991.35) |
| 09/01/16 | One Time | 08/28/17 | 05/28/19 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 1.030% | 1.048% | 4,997,550.00 | 4,997,773.17 | 4,976,650.00 | (21,123.17) |

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

11/28/16

| SETTLMT * | Call Schedule | Initial Call | Maturity Date | Rating | INVESTMENT TYPE | INSTITUTION / ISSUER | PAR Amount | COUPON DISCOUNT | YIELD | ORIGINAL COST | CARRY VALUE | MARKET VALUE[1] 11/28/2016 | UNREALIZED[2] GAIN/(LOSS) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 09/01/16 | NA | NA | 06/14/19 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 1.625% | 0.987% | 5,087,400.00 | 5,079,571.85 | 5,075,100.00 | (4,471.85) |
| 10/12/16 | NA | NA | 06/14/19 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 1.625% | 1.103% | 5,068,515.88 | 5,066,407.70 | 5,075,100.00 | 8,692.30 |
| 10/12/16 | NA | NA | 07/19/19 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 0.875% | 1.098% | 4,969,652.90 | 4,970,554.30 | 4,990,650.00 | 20,095.70 |
| 09/01/16 | One Time | 01/26/17 | 07/26/19 | Aaa/AA+/AAA | FNMA - Note | Fed Natl Mortgage Assoc | 5,000,000 | 1.150% | 1.180% | 4,995,700.00 | 4,996,069.85 | 4,983,050.00 | (13,019.85) |
| 09/01/16 | One Time | 08/28/17 | 08/28/19 | Aaa/AA+/AAA | FNMA - Note | Fed Natl Mortgage Assoc | 5,000,000 | 1.150% | 1.160% | 4,998,500.00 | 4,998,625.11 | 4,977,600.00 | (21,025.11) |
| 09/01/16 | One Time | 02/28/17 | 08/28/19 | Aaa/AA+/AAA | FNMA - Note | Fed Natl Mortgage Assoc | 5,000,000 | 1.125% | 1.132% | 4,999,000.00 | 4,999,083.41 | 4,975,450.00 | (23,633.41) |
| 09/28/16 | Quarterly | 03/09/17 | 09/09/19 | Aaa/AA+/AAA | FNMA - Note | Fed Natl Mortgage Assoc | 5,000,000 | 1.125% | 1.142% | 4,997,500.00 | 4,997,648.29 | 4,972,200.00 | (25,448.29) |
| 09/28/16 | Continuous after | 12/27/16 | 09/27/19 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 1.250% | 1.189% | 5,001,500.00 | 5,001,412.25 | 4,988,000.00 | (13,412.25) |
| 10/12/16 | Continuous after | 10/03/17 | 10/03/19 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 10,000,000 | 1.125% | 1.160% | 9,989,780.00 | 9,990,062.32 | 9,985,800.00 | (4,262.32) |
| 10/12/16 | Continuous after | 10/11/17 | 10/11/19 | Aaa/AA+/NR | FFCB - Note | Fed Farm Credit Bank | 10,000,000 | 1.120% | 1.205% | 9,975,000.00 | 9,975,685.56 | 9,979,900.00 | 4,214.44 |
| 11/08/16 | Quarterly | 05/08/17 | 11/08/19 | Aaa/AA+/NR | FNMA - Note | Fed Natl Mortgage Assoc | 5,000,000 | 1.250% | 1.245% | 5,000,750.00 | 5,000,734.25 | 5,000,750.00 | 15.75 |
| 11/28/16 | NA | NA | 11/15/19 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 1.375% | 1.440% | 4,990,550.00 | 4,990,576.20 | 4,990,550.00 | (26.20) |
| 11/28/16 | Quarterly | 05/25/17 | 11/25/19 | Aaa/AA+/NR | FNMA - Note | Fed Natl Mortgage Assoc | 5,000,000 | 1.400% | 1.503% | 4,985,000.00 | 4,985,041.21 | 4,985,000.00 | (41.21) |
| 05/30/15 | N/A | N/A | 04/30/36 | NR | Direct Muni | ETWD | 9,323,408 | 4.570% | 4.570% | 9,323,407.59 | 9,323,407.59 | 9,323,407.59 | |
| SUB-TOTAL | | | | | | | $432,323,408 | | | $432,823,851.19 | $432,682,712.63 | $432,628,099.21 | ($54,613.43) |
| RESTRICTED CASH (Swap Collateral Deposits)[5] | | | | | | | | | | | | | |
| 03/01/16 | | | | | Collateral Deposit | Citi-Group | $6,611,834 | | 0.410% | $6,611,834.37 | $6,611,834.37 | 6,611,834.37 | |
| 02/28/16 | | | | | Collateral Deposit | Merrill Lynch | $3,730,000 | | 0.410% | $3,730,000.00 | $3,730,000.00 | 3,730,000.00 | |
| SUB-TOTAL | | | | | | | $10,341,834 | | | $10,341,834.37 | $10,341,834.37 | $10,341,834.37 | |
| TOTAL INVESTMENTS | | | | | | | $442,665,242 | | | $443,165,685.56 | $443,024,547.00 | $442,969,933.58 | |
| | | | | | Petty Cash | | | | | 3,400.00 | | | |
| | | | | October | Ck Balance | Bank of America | | | | 903,287.05 | | | |
| | | | | | | | | | | $444,072,372.61 | | | |

(1) LAIF market value is as of the most recent quarter-end as reported by LAIF.
Security market values are determined using Bank of New York ("Trading Prices"), Bloomberg and/or broker dealer pricing.
(2) Gain (loss) calculated against carry value using the trading value provided by Bank of New York/or Brokers
(3) Real estate rate of return is based on most recent quarter end return
(4) Calculation excludes Direct Muni - ETWD
(5) Swap Collateral Deposits assumes 6 month maturity, dependent on interest rate changes

This Investment Summary Report is in conformity with the 2016 Investment Policy and provides sufficient liquidity to meet the next six months estimated expenditures.
*S - Step up

| | |
|---|---|
| Outstanding Variable Rate Debt | $307,100,000 |
| Net Outstanding Variable Rate Debt (Less $130 million fixed-payer swaps) | $177,100,000 |
| Investment Balance: | $444,072,373 |
| Investment to Variable Rate Debt Ratio: | 251% |
| Portfolio - Average Number of Days To Maturity[4] | 462 |

| | Investment Portfolio | Real Estate[3] Portfolio | Weighted Avg. Return |
|---|---|---|---|
| **November** | **0.91%** | **12.97%** | **2.60%** |
| **October** | **0.86%** | **12.97%** | **2.73%** |
| **Change** | **0.05%** | | **-0.13%** |

IRVINE RANCH WATER DISTRICT
SUMMARY OF MATURITIES

11/28/16

| DATE | TOTAL | % | LAIF | Agency Notes | Agency Discount Notes | Collateral Deposit | Direct Muni |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 11/16 | $113,000,000 | 25.53% | $113,000,000 | | | | |
| 12/16 | 15,000,000 | 3.39% | | 5,000,000 | 10,000,000 | | |
| 01/17 | 5,000,000 | 1.13% | | 5,000,000 | | | |
| 02/17 | 5,000,000 | 1.13% | | 5,000,000 | | | |
| 03/17 | 15,341,834 | 3.47% | | 5,000,000 | | $10,341,834 | |
| 04/17 | 10,000,000 | 2.26% | | 5,000,000 | 5,000,000 | | |
| 05/17 | 10,000,000 | 2.26% | | 5,000,000 | 5,000,000 | | |
| 06/17 | 5,000,000 | 1.13% | | 5,000,000 | | | |
| 07/17 | | | | | | | |
| 08/17 | 5,000,000 | 1.13% | | 5,000,000 | | | |
| 09/17 | 5,000,000 | 1.13% | | 5,000,000 | | | |
| 10/17 | | | | | | | |
| SUB-TOTAL | $188,341,834 | 42.55% | $113,000,000 | $45,000,000 | $20,000,000 | $10,341,834 | |
| 13 Months - 3 YEARS | | | | | | | |
| 11/01/17-1/31/18 | 9,000,000 | 2.03% | | 9,000,000 | | | |
| 2/01/18 - 4/30/2018 | 15,000,000 | 3.39% | | 15,000,000 | | | |
| 05/01/18 - 7/31/2018 | 36,000,000 | 8.13% | | 36,000,000 | | | |
| 08/01/18 - 10/31/2018 | 40,000,000 | 9.04% | | 40,000,000 | | | |
| 11/01/2018-1/31/19 | 30,000,000 | 6.78% | | 30,000,000 | | | |
| 2/01/19 - 4/30/2019 | 35,000,000 | 7.91% | | 35,000,000 | | | |
| 05/01/2019 - 07/31/2019 | 25,000,000 | 5.65% | | 25,000,000 | | | |
| 08/01/2019 - 10/31/2019 | 40,000,000 | 9.04% | | 40,000,000 | | | |
| 11/01/2019 - 1/31/2020 | 15,000,000 | 3.39% | | 15,000,000 | | | |
| | | | | | | | |
| 04/30/2036 | 9,323,408 | 2.11% | | | | | 9,323,408 |
| | | | | | | | |
| TOTALS | $442,665,242 | 100.00% | $113,000,000 | $290,000,000 | $20,000,000 | $10,341,834 | $9,323,408 |
| % OF PORTFOLIO | | | 25.53% | 65.50% | 4.52% | 2.34% | 2.11% |

Irvine Ranch Water District
Summary of Real Estate
9/30/2016

| | ACQUISITION DATE | PROPERTY TYPE | OWNERSHIP INTEREST | ORIGINAL COST | ESTIMATED MARKET VALUE 30-Jun-16 | RATE OF RETURN QUARTER ENDED 30-Sep-16 |
|---|---|---|---|---|---|---|
| Sycamore Canyon | Dec-92 | Apartments | Fee Simple | $ 43,550,810 | $ 143,910,000 | 17.95% |
| Wood Canyon Villas | Jun-91 | Apartments | Limited Partner | $ 6,000,000 | $ 27,296,298 | 8.56% |
| ITC (230 Commerce) | Jul-03 | Office Building | Fee Simple | $ 5,739,845 | $ 9,384,000 | -2.42% |
| Waterworks Business Pk. | Nov-08 | Research & Dev. | Fee Simple | $ 8,630,577 | $ 7,650,000 | 5.66% |
| Sand Canyon Professional Center | Jul-12 | Medical Office | Fee Simple | $ 8,648,594 | $ 10,608,000 | 8.45% |
| | | | | $ 72,569,826 | $ 198,848,298 | 12.97% |

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

**MATURITIES/SALES/CALLS**

| DATE | SECURITY TYPE | PAR | YIELD |
|---|---|---|---|
| 11/8/2016 | FFCB - Note | $5,000,000 | 0.82% |
| 11/28/2016 | FHLB - Discount Note | $10,000,000 | 0.28% |

**PURCHASES**

| Settlement Date | Maturity Date | SECURITY TYPE | PAR | YIELD TO MATURITY |
|---|---|---|---|---|
| 11/8/2016 | 11/8/2019 | FNMA - Note | $5,000,000 | 1.24% |
| 11/28/2016 | 11/15/2019 | FHLB - Note | $5,000,000 | 1.44% |
| 11/28/2016 | 11/25/2019 | FNMA - Note | $5,000,000 | 1.50% |

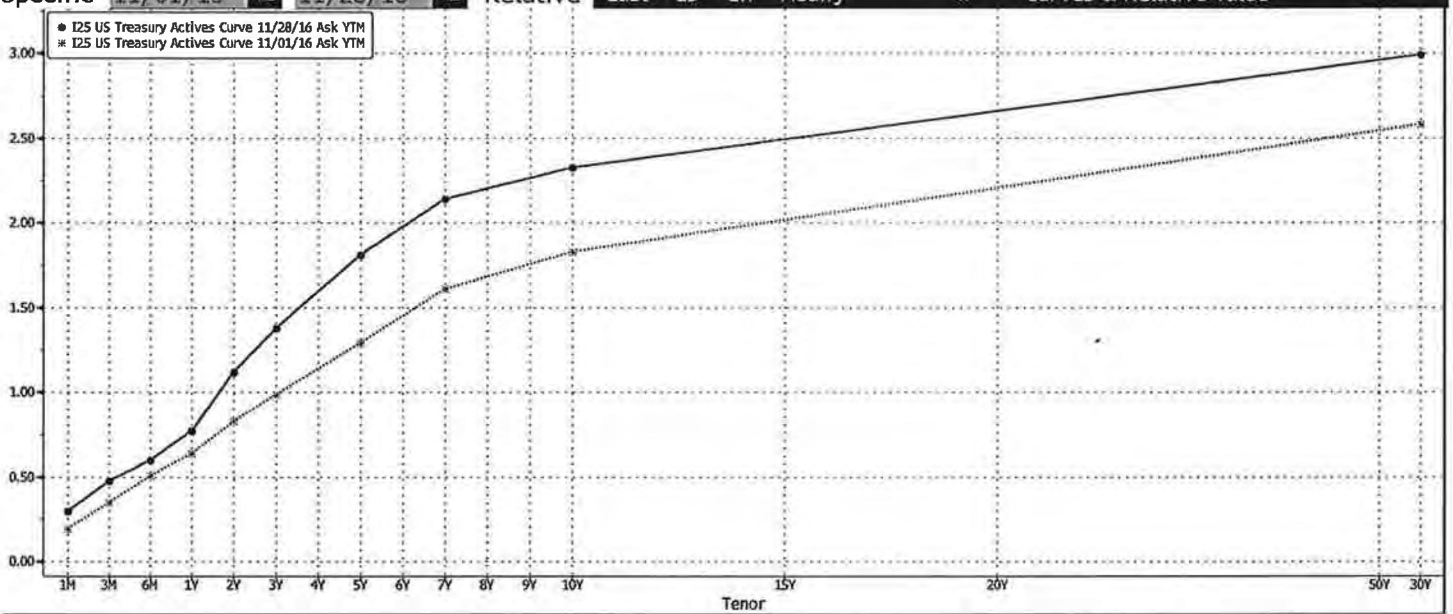
Exhibit “B”

Running as C15.  Run GC for more features.

US Treasury Actives Curv    Actions    98) Table    Settings    Graph Curves

X-Axis Tenor    Y-Axis Ask YTM    Currency None    PCS BGN    Lower Chart History Table

Specific 11/01/16    11/28/16    Relative    Last 1D 1W Modify    «    Curves & Relative Value



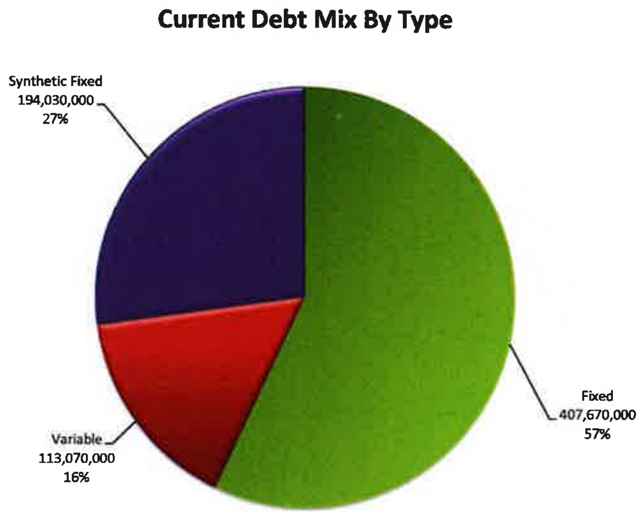

All Tenors    Key Tenors

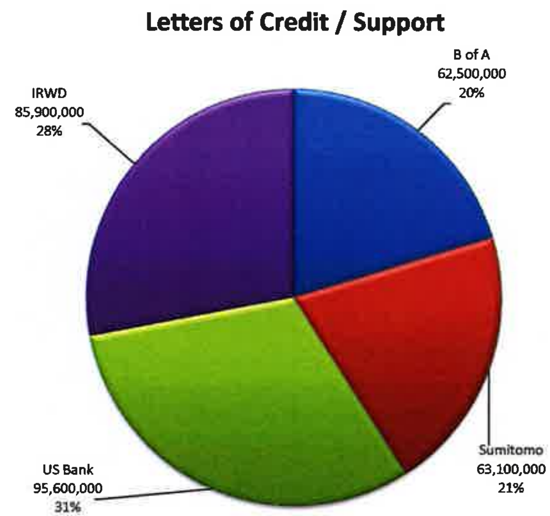
| Curve Id | 3M | 1Y | 2Y | 3Y | 5Y | 10Y | 30Y |
|---|---|---|---|---|---|---|---|
| 11) I25 11/28/16 | 0.477 | 0.770 | 1.115 | 1.378 | 1.812 | 2.327 | 2.991 |
| 12) I25 11/01/16 | 0.351 | 0.637 | 0.831 | 0.984 | 1.292 | 1.827 | 2.577 |
| 13) I25 (11/28/16-11 | 12.6 | 13.3 | 28.4 | 39.4 | 52.0 | 49.9 | 41.3 |

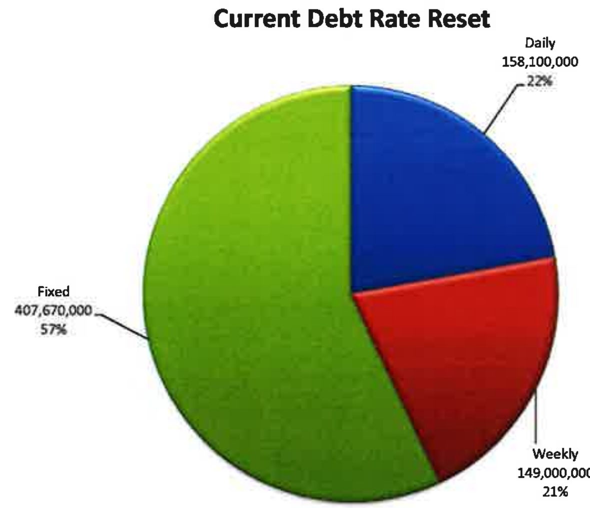
SN 736334 PST  GMT-8:00 G602-569-0 28-Nov-2016 09:49:15

Exhibit "C"

# Irvine Ranch Water District
## Summary of Fixed and Variable Rate Debt
## November 2016




**Outstanding Par by Series**

| Series | Issue Date | Maturity Date | Remaining Principal | Percent | Letter of Credit | Rmkt Agent | Mode | Reset |
|---|---|---|---|---|---|---|---|---|
| Series 1993 | 05/19/93 | 04/01/33 | $33,100,000 | 4.63% | US Bank | BAML | Variable | Daily |
| Series 1995 | 12/13/95 | 01/01/21 | $12,100,000 | 1.69% | Sumitomo | CG | Variable | Weekly |
| Series 2008-A Refunding | 04/24/08 | 07/01/35 | $51,000,000 | 7.14% | Sumitomo | BAML | Variable | Weekly |
| Series 2011-A-1 Refunding | 04/15/11 | 10/01/37 | $51,540,000 | 7.21% | IRWD | Goldman | Variable | Weekly |
| Series 2011-A-2 Refunding | 04/15/11 | 10/01/37 | $34,360,000 | 4.81% | IRWD | Morgan | Variable | Weekly |
| Series 2009 - A | 06/04/09 | 10/01/41 | $62,500,000 | 8.74% | US Bank | US Bank | Variable | Daily |
| Series 2009 - B | 06/04/09 | 10/01/41 | $62,500,000 | 8.74% | B of A | Goldman | Variable | Daily |
| 2010 Refunding Cops | 02/23/10 | 03/01/32 | $12,525,000 | 1.75% | N/A | N/A | Fixed | Fixed |
| 2016 COPS | 09/01/16 | 03/01/46 | $116,745,000 | 16.33% | N/A | N/A | Fixed | Fixed |
| 2010 Build America Taxable Bond | 12/16/10 | 05/01/40 | $175,000,000 | 24.48% | N/A | N/A | Fixed | Fixed |
| Series 2016 | 10/12/16 | 02/01/46 | $103,400,000 | 14.47% | N/A | N/A | Fixed | Fixed |
| Total | | | $714,770,000 | 100.00% | | | | |

IRVINE RANCH WATER DISTRICT

SUMMARY OF FIXED & VARIABLE RATE DEBT

November-16

| |
|---|
| 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 | Reimbursment 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 (2014) | 5th Bus. Day | $38,300,000 | $33,100,000 | US BANK | 05/07/15 | 11/07/18 | Aa3/VMIG1 | AA-/A-1+ | N/R | $33,546,170 | 0.3300% | $110,702 | BAML | DAILY | 0.10% | $33,100 | BANK OF NY |
| SERIES 1995 | 12/13/95 | 01/01/21 | JAN 1 | 1st Bus. Day | $40,000,000 | $12,100,000 | SUMITOMO | 04/01/11 | 07/14/17 | | | N/R | $12,279,014 | 0.3800% | $46,660 | CG | WED | 0.08% | $9,075 | BANK OF NY |
| SERIES 2008-A Refunding | 04/24/08 | 07/01/35 | JUL 1 | 5th Bus. Day | $60,215,000 | $51,000,000 | SUMITOMO | 04/01/11 | 07/14/17 | Aa2 (*) | N/R | N/R | $51,754,521 | 0.3800% | $196,667 | BAML | WED | 0.07% | $35,700 | BANK OF NY |
| SERIES 2011-A-1 Refunding | 04/15/11 | 10/01/37 | Oct 1 | 1st Bus. Day | $60,545,000 | $51,540,000 | N/A | N/A | N/A | Aa1/VMIG1 | A-1+ | AAA/F1+ | N/A | N/A | N/A | Goldman | WED | 0.13% | $64,425 | BANK OF NY |
| SERIES 2011-A-2 Refunding | 04/15/11 | 10/01/37 | Oct 1 | 1st Bus. Day | $40,370,000 | $34,360,000 | N/A | N/A | N/A | Aa1/VMIG1 | A-1+ | AAA/F1+ | N/A | N/A | N/A | Morgan S. | WED | 0.13% | $42,950 | BANK OF NY |
| SERIES 2009 - A | 06/04/09 | 10/01/41 | Oct 1 | 1st Bus. Day | $75,000,000 | $62,500,000 | US BANK | 04/01/11 | 12/22/20 | Aa2/VMIG 1 | AA-/A-1+ | AA/F1+ | $63,198,630 | 0.4100% | $259,114 | US Bank | DAILY | 0.07% | $43,750 | US BANK |
| SERIES 2009 - B | 06/04/09 | 10/01/41 | Oct 1 | 1st Bus. Day | $75,000,000 | $62,500,000 | B of A | 04/01/11 | 07/15/19 | A1/VMIG 1 | A/A-1 | A1/F1+ | $63,198,630 | 0.4000% | $252,795 | Goldman | DAILY | 0.10% | $62,500 | US BANK |
| | | | | | **$389,430,000** | **$307,100,000** | **SUB-TOTAL VARIABLE RATE DEBT** | | | | | | **$223,976,964** | **0.3866%** | **$865,939** | | | **0.09%** | **$291,500** | |
| | | | | | | | | | | | | | | (Wt. Avg) | | | | (Wt. Avg) | | |
| FIXED RATE ISSUES | | | | | | | | | | | | | | | | | | | | |
| 2010 REFUNDING COPS | 02/23/10 | 03/01/32 | Mar -1 | MAR/SEPT | $85,145,000 | $12,525,000 | N/A | N/A | N/A | Aa1 | AAA | AAA | N/A | N/A | N/A | N/A | N/A | N/A | N/A | BANK OF NY |
| 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 | $116,745,000 | N/A | N/A | N/A | NR | AAA | AAA | N/A | N/A | N/A | N/A | N/A | N/A | N/A | US BANK |
| SERIES 2016 | 10/12/16 | 02/01/46 | Feb - 1 | 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 |
| | | | | | **$480,290,000** | **$407,670,000** | **SUB-TOTAL FIXED RATE DEBT** | | | | | | | | | | | | | |
| | | | | | **$869,720,000** | **$714,770,000** | **TOTAL- FIXED & VARIABLE RATE DEBT** | | | | | | | | | | | | | |

| Remarketing Agents | | |
|---|---|---|
| CG | 12,100,000 | 4% |
| Goldman | 114,040,000 | 37% |
| Morgan Stanley | 34,360,000 | 11% |
| BAML | 84,100,000 | 27% |
| US Bank | 62,500,000 | 20% |
| | 307,100,000 | |

| GO VS COP's | | |
|---|---|---|
| GO: | 585,500,000 | 82% |
| COPS: | 129,270,000 | 18% |
| Total | 714,770,000 | |

| LOC Banks | |
|---|---|
| SUMITOMO | 63,100,000 |
| BANK OF AMERICA | 62,500,000 |
| US BANK | 95,600,000 |
| | 221,200,000 |

| Breakdown Between Variable & Fixed Rate Mode | | |
|---|---|---|
| Daily Issues | 158,100,000 | 22% |
| Weekly Issues | 63,100,000 | 9% |
| ITN Issues | 85,900,000 | 12% |
| Sub-Total | 307,100,000 | |
| Fixed Rate Issues | $407,670,000 | 57% |
| Sub-Total - Fixed | 407,670,000 | |
| TOTAL DEBT FIXED & VAR. | 714,770,000 | 100% |

vrdsum.xlsx
11/29/2016

# Exhibit "D"

**IRVINE RANCH WATER DISTRICT**
**SUMMARY OF DEBT RATES**
**Nov-16**

| Rmkt Agent | GOLDMAN | GOLDMAN | MORGAN STANLEY | MERRILL LYNCH | | CITIGROUP | US BANK |
|---|---|---|---|---|---|---|---|
| | DAILY | WEEKLY | WEEKLY | DAILY | WEEKLY | WEEKLY | DAILY |
| Bond Issue | 2009 - B | 2011 A-1 | 2011 A-2 | 1993 | 2008-A | 1995 | 2009-A |
| Par Amount | 62,500,000 | 51,540,000 | 34,360,000 | 33,100,000 | 51,000,000 | 12,100,000 | 62,500,000 |
| Bank | BOFA | (SIFMA+8) | (SIFMA+8) | US BANK | Sumitomo | Sumitomo | US BANK |
| Reset | | Wednesday | Wednesday | | Wednesday | Wednesday | |
| 11/1/2016 | 0.42% | 0.71% | 0.71% | 0.36% | 0.61% | 0.54% | 0.41% |
| 11/2/2016 | 0.38% | 0.71% | 0.71% | 0.34% | 0.61% | 0.54% | 0.39% |
| 11/3/2016 | 0.36% | 0.64% | 0.64% | 0.38% | 0.52% | 0.51% | 0.40% |
| 11/4/2016 | 0.36% | 0.64% | 0.64% | 0.40% | 0.52% | 0.51% | 0.42% |
| 11/5/2016 | 0.36% | 0.64% | 0.64% | 0.40% | 0.52% | 0.51% | 0.42% |
| 11/6/2016 | 0.36% | 0.64% | 0.64% | 0.40% | 0.52% | 0.51% | 0.42% |
| 11/7/2016 | 0.42% | 0.64% | 0.64% | 0.40% | 0.52% | 0.51% | 0.44% |
| 11/8/2016 | 0.43% | 0.64% | 0.64% | 0.40% | 0.52% | 0.51% | 0.46% |
| 11/9/2016 | 0.42% | 0.64% | 0.64% | 0.40% | 0.52% | 0.51% | 0.46% |
| 11/10/2016 | 0.42% | 0.63% | 0.63% | 0.40% | 0.52% | 0.51% | 0.46% |
| 11/11/2016 | 0.42% | 0.63% | 0.63% | 0.40% | 0.52% | 0.51% | 0.46% |
| 11/12/2016 | 0.42% | 0.63% | 0.63% | 0.40% | 0.52% | 0.51% | 0.46% |
| 11/13/2016 | 0.42% | 0.63% | 0.63% | 0.40% | 0.52% | 0.51% | 0.46% |
| 11/14/2016 | 0.45% | 0.63% | 0.63% | 0.42% | 0.52% | 0.51% | 0.46% |
| 11/15/2016 | 0.41% | 0.63% | 0.63% | 0.42% | 0.52% | 0.51% | 0.46% |
| 11/16/2016 | 0.43% | 0.63% | 0.63% | 0.42% | 0.52% | 0.51% | 0.46% |
| 11/17/2016 | 0.44% | 0.63% | 0.63% | 0.42% | 0.53% | 0.51% | 0.46% |
| 11/18/2016 | 0.45% | 0.63% | 0.63% | 0.42% | 0.53% | 0.51% | 0.47% |
| 11/19/2016 | 0.45% | 0.63% | 0.63% | 0.42% | 0.53% | 0.51% | 0.47% |
| 11/20/2016 | 0.45% | 0.63% | 0.63% | 0.42% | 0.53% | 0.51% | 0.47% |
| 11/21/2016 | 0.46% | 0.63% | 0.63% | 0.42% | 0.53% | 0.51% | 0.48% |
| 11/22/2016 | 0.46% | 0.63% | 0.63% | 0.42% | 0.53% | 0.51% | 0.48% |
| 11/23/2016 | 0.46% | 0.63% | 0.63% | 0.42% | 0.53% | 0.51% | 0.48% |
| 11/24/2016 | 0.46% | 0.63% | 0.63% | 0.42% | 0.51% | 0.51% | 0.48% |
| 11/25/2016 | 0.46% | 0.63% | 0.63% | 0.42% | 0.51% | 0.51% | 0.48% |
| 11/26/2016 | 0.46% | 0.63% | 0.63% | 0.42% | 0.51% | 0.51% | 0.48% |
| 11/27/2016 | 0.46% | 0.63% | 0.63% | 0.42% | 0.51% | 0.51% | 0.48% |
| 11/28/2016 | 0.47% | 0.63% | 0.63% | 0.46% | 0.51% | 0.51% | 0.48% |
| 11/29/2016 | 0.48% | 0.63% | 0.63% | 0.45% | 0.51% | 0.51% | 0.49% |
| 11/30/2016 | 0.48% | 0.63% | 0.63% | 0.45% | 0.51% | 0.51% | 0.49% |
| Avg Interest Rates | 0.43% | 0.63% | 0.63% | 0.41% | 0.53% | 0.51% | 0.46% |
| Rmkt Fee | 0.10% | 0.13% | 0.13% | 0.10% | 0.07% | 0.08% | 0.07% |
| LOC Fee | 0.40% | | | 0.33% | 0.38% | 0.38% | 0.41% |
| **All-In Rate** | **0.93%** | **0.76%** | **0.76%** | **0.84%** | **0.98%** | **0.97%** | **0.94%** |
| Par Amount | | 114,040,000 | 34,360,000 | | 84,100,000 | 12,100,000 | 62,500,000 |

| Interest Rate Mode | Percent of Total Variable Rate Debt | | Par Outstanding | Weighted All-In Average Rate | | Base Rate Average |
|---|---|---|---|---|---|---|
| Daily | 51.48% | | 158,100,000 | 0.92% | | 0.44% |
| Weekly | 48.52% | | 149,000,000 | 0.85% | | 0.59% |
| | 100.00% | $ | **307,100,000** | 0.88% | | 0.51% |
| **Fixed** | | | | | | |
| COPS 2010 | 3.07% | | 12,525,000 | 3.82% | | |
| COPS 2016 | 28.64% | | 116,745,000 | 2.90% | | |
| BABS 2010 | 42.93% | | 175,000,000 | 4.46% | (1) | |
| SERIES 2016 | 25.36% | | 103,400,000 | 3.32% | | |
| | 100.00% | $ | **407,670,000** | 3.70% | | |
| **All-In Debt Rate Including $130 Million Notional Amount of Swaps** | | | | | | **3.51%** |

(1) Rate adjusted up from 4.35% as a result of sequestration reducing BAB's subsidy by 6.8%

December 6, 2016
Prepared by: Jennifer Davis/Tanja Fournier
Submitted by: Rob Jacobson/Cheryl Clary
Approved by: Paul Cook

FINANCE AND PERSONNEL COMMITTEE

## QUARTERLY DEFERRED COMPENSATION PLAN AND FUND REVIEW

SUMMARY:

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

- A Summary of the Deferred Compensation Program and Distribution of Assets as of September 30, 2016, as outlined in Exhibit "A".
- Mutual Fund Performance Review as of September 30, 2016, as outlined in Exhibit "B".

BACKGROUND:

Overview of the Deferred Compensation Assets:

As of September 30, 2016, the District's Section 457(b) and 401(a) Plans (collectively, the "Plans") assets totaled $46,233,490, which represented a $2,194,413 increase from the quarter ending June 30, 2016 and a $3,864,111 increase for the one year period ending September 30, 2016. The changes in Plan assets over these two periods are summarized as follows:

| | *For the One Year Period Ending September 30, 2016* | *For the Quarter Ending September 30, 2016* |
|---|---|---|
| Beginning Balance | $42,369,379 | $44,039,076 |
| Employee Contributions | 2,148,011 | 543,686 |
| District Contributions | 865,362 | 230,121 |
| Transfers to/from other plans | 427,054 | 181,307 |
| Distributions | (2,594,431) | (438,829) |
| Loan Distributions(1) | (537,129) | (63,436) |
| Loan Repayments | 44,830 | 28,103 |
| Net Investment Gain (Loss) | 3,510,414 | 1,713,460 |
| Ending Balance – September 30, 2016 | $46,233,490 | $46,233,490 |
| Change in assets for the period | $3,864,111 | $2,194,413 |

(1) Number of loans outstanding: 32

Review of Investment Options:

The District's deferred compensation policy states that any investment option performing "Below Benchmark" for four consecutive quarters or seven out of the trailing 12 quarters, has "Failed" the Long-Term Rolling Analysis (LTRA) and the investment option is to be replaced. For the quarter ending September 30, 2016, all the funds in the Plan passed the LTRA. The Advised Assets Group Performance Review as of September 30, 2016 is attached as Exhibit "B".

## FISCAL IMPACTS:

As of September 30, 2016, the District's Plan assets totaled $46,233,490, which represented a $2,194,413 increase from the quarter ending June 30, 2016 and a $3,864,111 increase for the one-year period ending September 30, 2016.

## 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" – Advised Assets Group Fund Performance Review

Exhibit "A"

IRVINE RANCH WATER DISTRICT

SUMMARY OF DEFERRED COMPENSATION PROGRAM

September 30, 2016

**Deferred Compensation IRS Section 457 (Employee Contributions)**

**Money Purchase Pension Plan & Executive Plan - IRS Section 401 (a) (District Contribution)**

| | 457 Assets | | | 401(a) Assets | |
|---|---|---|---|---|---|
| | Empower-Retirement Core Investments | Ameritrade Brokerage | **Total 457** | **Total 401(a)** **401 (a)** | **GRAND TOTAL** 457 & 401(a) |
| **Assets** | $32,997,503 | $2,625,007 | **$35,622,510** | **$10,610,980** | **$46,233,490** |
| *Change From Prior Quarter* | *$1,605,425* | *$38,242* | *$1,643,666* | *$550,747* | *$2,194,413* |
| *Change From Prior Year (9/2015)* | *$2,827,626* | *($124,857)* | *$2,702,769* | *$1,161,342* | *$3,864,111* |
| | | | | | |
| **Quarterly Contributions** | **$543,686** | n/a | **$543,686** | **$230,121** | **$773,808** |
| Change From Prior Quarter | *$22,758* | | | $10,631 | |

| | For the One Year Period Ending September 30, 2016 | For the Quarter Ending September 30, 2016 |
|---|---|---|
| Beginning Balance | $42,369,379 | $44,039,076 |
| Employee Contributions | 2,148,011 | 543,686 |
| District Contributions | 865,362 | 230,121 |
| Transfers to/from other plans | 427,054 | 181,307 |
| Distributions | (2,594,431) | (438,829) |
| Loan Distributions[1] | (537,129) | (63,436) |
| Loan Repayment | 44,830 | 28,103 |
| Net Investment Gain (Loss) | 3,510,414 | 1,713,460 |
| Ending Balance - September 30, 2016 | $46,233,490 | $46,233,490 |
| Change in assets for the period | $3,864,111 | $2,194,413 |

[1] Number of loans outstanding as of 09/30/16 : 32

| **Employee Participation** | |
|---|---|
| Full-time Permanent Employees | 336 |
| Temporary Employees | 19 |
| Student Interns | 11 |
| Permanent Employees Participating | 308 |
| Percent Participation | 92% |

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

Quarter Ending September 30, 2016

| | Fund | Assets | Percent of Assets | Change from previous quarter |
|---|---|---|---|---|
| | ***PROFILE FUNDS*** | | | |
| AGG | Aggressive Profile Fund | 4,468,681 | 9.7% | 0.3% |
| MOD | Moderate Profile Fund | 4,527,151 | 9.8% | 0.1% |
| CON | Conservative Profile Fund | 2,729,826 | 5.9% | -0.4% |
| | **Sub Total** | **11,725,659** | **25.4%** | **-0.1%** |
| | ***INTERNATIONAL FUND*** | | | |
| HAINX | Harbor International Instl | 2,050,955 | 4.4% | 0.3% |
| VTIAX | Vanguard Total Intl Stock Index Admiral | 405,011 | 0.9% | 0.0% |
| | **Sub Total** | **2,455,967** | **5.3%** | **0.2%** |
| | ***SMALL CAP FUNDS*** | | | |
| BSFIX | Baron Small-Cap Growth Fund | 1,980,767 | 4.3% | 0.1% |
| VSVIX | Victory Integrity Small Cap | 1,208,826 | 2.6% | 0.0% |
| VSMAX | Vanguard Small Cap Index | 791,470 | 1.7% | 0.3% |
| | **Sub Total** | **3,981,062** | **8.6%** | **0.4%** |
| | ***MEDIUM CAP FUNDS*** | | | |
| MGOSX | Munder Mid-Cap Core Growth Fund | 1,591,076 | 3.4% | -0.1% |
| HWMIX | Hotchkis & Wiley Mid-Cap Value Fund | 2,274,283 | 4.9% | -0.5% |
| VIMAX | Vanguard Mid-Cap Index Fund | 728,785 | 1.6% | 0.1% |
| | **Sub Total** | **4,594,145** | **9.9%** | **-0.4%** |
| | ***LARGE CAP FUNDS*** | | | |
| RGAFX | American Growth Fund R4 | 3,653,797 | 7.9% | 0.2% |
| VINIX | Vanguard Institutional Index | 4,772,536 | 10.3% | 6.8% |
| DHLYX | Diamond Hill Large-Cap Fund | 1,717,223 | 3.7% | -17.7% |
| | **Sub Total** | **10,143,557** | **21.9%** | **-10.7%** |
| | ***BOND FUND*** | | | |
| MWTIX | Metropolitan West Total Return Bond | 2,706,949 | 5.9% | 0.1% |
| | **Sub Total** | **2,706,949** | **5.9%** | **0.1%** |
| | ***STABLE VALUE FUND*** | | | |
| | Putnam Stable Value | 7,814,465 | 16.9% | -0.7% |
| | **Sub Total** | **7,814,465** | **16.9%** | **-0.7%** |
| | ***OTHER*** | | | |
| | Ameritrade Brokerage | 2,811,686 | 6.1% | -0.2% |
| | Total Assets | **$46,233,490** | **100%** | |

Exhibit "B"

ADVISED ASSETS
GROUP

# FUND PERFORMANCE REVIEW

## IRVINE RANCH WATER DISTRICT DEFERRED COMPENSATION PLAN | 98453-01

Reporting Period Ending September 30, 2016



Prepared by Advised Assets Group, LLC | 8515 East Orchard Road | Greenwood Village, Colorado 80111

# FUND PERFORMANCE REVIEW

## IMPORTANT DISCLOSURES

The Fund Performance Review is compiled at the request of the Plan Sponsor and/or broker. It 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. Plan Sponsors may wish to review the enclosed material with their investment adviser, consultant or broker, if necessary, prior to making final investment decisions.

Funds listed on the Fund Performance Review are designed to meet stated investment objectives and risk profiles. 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.

# FUND PERFORMANCE REVIEW: OVERVIEW

ADVISED ASSETS GROUP

**OBJECTIVE:**
- To quantify historical fund performance relative to peer group benchmarks.
- To identify funds that have consistently underperformed 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 as determined by *Morningstar, Inc.®*

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

**SCOPE:**
- The Fund Performance Review is designed as a high level analytical tool to aide plan sponsors in carrying out their fiduciary responsibilities.

The purpose of this document is to provide investment-related information only for the plan sponsor in its role as a fiduciary to the Plan. not as investment advice for plans or plan participants. Although the data contained in this report is from reliable sources, Advised Assets Group, LLC cannot guarantee is completeness or accuracy. Risks associated with investment options can vary significantly with each particular investment category and the relative risks of categories may change under certain economic conditions. The investment return and principal of an investment will fluctuate so that an investor's shares, when redeemed, may be more of less than their original cost.

**Current performance may be lower or higher than performance data shown due to market volatility. Past performance is no guarantee of future returns.**

# FUND PERFORMANCE REVIEW: CRITERIA

- **OVERALL RATING:** Based on 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 | ❸, ❹, or ❺ | Above |
| < 50.0% | OR | ❸, ❹, or ❺ | Neutral |
| < 50.0% | AND | ❶, or ❷ | Below |
| ≤ 25.0% | | | Below |

- **LONG-TERM ROLLING ANALYSIS:** Based on the accumulated trailing 12 quarters "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 | Warning OR Fail |
| OR | | | |
| Overall Rating: ≤ 25.0% | | | Warning OR Fail |

- **FUNDS RECEIVING A WARNING:** Please see the footnotes page for Special Product Consideration Funds.

For expanded definitions of the Composites, Sharpe Ratio and Ratings, please refer to the corresponding glossary. Information for this fund evaluation was received from what we believe to be reliable sources, but we cannot absolutely guarantee accuracy, completeness or suitability for any purpose. The performance data quoted within represents past performance and is not a guarantee or indication of future investment results. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of the funds in each category 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 with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. Past Performance is no guarantee of future results.

# FUND COMPLEX RATING (Based on Recent Mutual Fund Investigations)

- **OVERVIEW:** Due to the issues involving mutual fund complexes and their compliance with security laws and regulations, Great-West FinancialSM developed a ratings system for funds involved in its packaged products. Mutual fund complexes are assigned a rank of red, yellow or green.

**RED RATING:** A fund complex or any of its respective funds may be placed on the Red Fund Corporate Rating and may be terminated or disqualified from participating in the packaged products if that fund complex is determined by a court or appropriate regulatory agency or the fund complex admits to having allowed regulatory violations or corporate infractions in its funds by its employees (officers or portfolio managers) of the complex. In such event, depending on the severity of the violation or infraction, the fund(s) may be terminated even if such activity was not found to have occurred in a fund used by Great-West FinancialSM but elsewhere in the fund complex.

**YELLOW RATING:** A fund or fund complex will be put on the Yellow Fund Complex Corporate Rating if that fund complex is by a court or appropriate regulatory agency or admits to having allowed regulatory violations or infractions in its funds. While a fund is on the Yellow Fund Complex Corporate Rating, no action shall be taken to terminate or replace the fund.

**GREEN RATING:** A fund or fund complex that has not been implicated in any regulatory violations or infractions nor has admitted to committing such activities.

# PERFORMANCE SUMMARY

| Morningstar Category | | Fund Complex Rating | Ticker Symbol | Fund Name | Overall Rating[1] Composite % Overall | Composite % Return | Composite % Sharpe | Mstar Rating | | Long-Term Rolling Analysis[2] Consecutive Quarters Below | # of Quarters Below Out of Trailing 12 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| International[11] | Foreign Large Blend | | HAINX | Harbor International Institutional | 44.8 | 55.7 | 34.0 | 3 | Neutral | 0 | 0 out of 12 | Pass |
| Small-Cap [14] | Small Growth | | BSFIX | Baron Small Cap Instl | 52.2 | 45.3 | 59.0 | 3 | Above | 0 | 0 out of 12 | Pass |
| | Small Value | | VSVIX | Victory Integrity Small-Cap Value Y | 54.5 | 61.0 | 48.0 | 4 | Above | 0 | 0 out of 12 | Pass |
| Mid-Cap | Mid-Cap Growth | | MGOSX | Victory Munder Mid-Cap Core Growth R6 | 51.6 | 46.7 | 56.5 | 3 | Above | 0 | 0 out of 12 | Pass |
| | Mid-Cap Value | | HWMIX | Hotchkis & Wiley Mid-Cap Value I | 35.8 | 52.0 | 19.5 | 3 | Neutral | 0 | 2 out of 12 | Pass |
| Large-Cap | Large Growth | | RGAFX | American Funds Growth Fund of Amer R5 | 79.1 | 69.7 | 88.5 | 4 | Above | 0 | 0 out of 12 | Pass |
| | Large Value | | DHLYX | Diamond Hill Large Cap Y | 74.7 | 84.3 | 65.0 | 4 | Above | 0 | 0 out of 12 | Pass |
| Bond[30]/MMF[12] | Intermediate-Term Bond | | MWTIX | Metropolitan West Total Return Bd I | 86.9 | 84.3 | 89.5 | 5 | Above | 0 | 0 out of 12 | Pass |
| Index Funds[15] | Foreign Large Blend | | VTIAX | Vanguard Total Intl Stock Index Admiral (Idx) | 50.3 | 54.0 | 46.5 | 3 | N/A | 0 | 0 out of 12 | Pass |
| | Small Blend | | VSMAX | Vanguard Small Cap Index Adm (Idx) | 84.2 | 82.3 | 86.0 | 4 | N/A | 0 | 0 out of 12 | Pass |
| | Mid-Cap Blend | | VIMAX | Vanguard Mid Cap Index Adm (Idx) | 85.8 | 81.7 | 90.0 | 4 | N/A | 0 | 0 out of 12 | Pass |
| | Large Blend | | VINIX | Vanguard Institutional Index I (Idx) | 90.0 | 87.0 | 93.0 | 5 | N/A | 0 | 0 out of 12 | Pass |

Please refer to the Appendix page for additional footnotes

# RETURN ANALYSIS

ADVISED ASSETS GROUP

| | Fund Name | 3rd Quarter 2016 Return | 3rd Quarter 2016 Percent | Performance vs. Benchmark (Annualized Returns and Return Percentiles) 1 Year Return | 1 Year Percent | 3 Year Return | 3 Year Percent | 5 Year Return | 5 Year Percent | 10 Year Return | 10 Year Percent | Incept. Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| International[11] | Foreign Large Blend Peer Group | 6.17 | 50 | 6.11 | 50 | 0.55 | 50 | 7.22 | 50 | 1.66 | 50 | N/A |
| | Harbor International Institutional | 5.96 | 40 | 7.75 | 67 | -0.55 | 26 | 7.31 | 53 | 3.81 | 88 | 12/29/1987 |
| Small-Cap [14] | Small Growth Peer Group | 7.79 | 50 | 10.77 | 50 | 5.35 | 50 | 14.56 | 50 | 7.78 | 50 | N/A |
| | Baron Small Cap Instl | 6.50 | 30 | 13.21 | 69 | 5.06 | 48 | 14.10 | 42 | 7.63 | 46 | 05/29/2009 |
| | Small Value Peer Group | 7.22 | 50 | 14.65 | 50 | 6.39 | 50 | 15.05 | 50 | 6.61 | 50 | N/A |
| | Victory Integrity Small-Cap Value Y | 7.38 | 57 | 10.69 | 20 | 5.90 | 40 | 15.85 | 64 | 7.40 | 79 | 07/07/2005 |
| Mid-Cap | Mid-Cap Growth Peer Group | 4.56 | 50 | 8.56 | 50 | 6.59 | 50 | 14.07 | 50 | 7.64 | 50 | N/A |
| | Victory Munder Mid-Cap Core Growth R6 | 3.04 | 20 | 6.32 | 30 | 6.34 | 46 | 13.81 | 46 | 7.56 | 48 | 06/01/2012 |
| | Mid-Cap Value Peer Group | 4.70 | 50 | 13.46 | 50 | 7.81 | 50 | 15.48 | 50 | 6.97 | 50 | N/A |
| | Hotchkis & Wiley Mid-Cap Value I | 10.61 | 98 | 8.12 | 9 | 4.11 | 10 | 18.90 | 99 | 6.87 | 47 | 01/02/1997 |
| Large-Cap | Large Growth Peer Group | 5.59 | 50 | 10.61 | 50 | 9.68 | 50 | 15.28 | 50 | 7.63 | 50 | N/A |
| | American Funds Growth Fund of Amer R5 | 6.55 | 73 | 15.33 | 93 | 10.68 | 71 | 16.91 | 85 | 7.75 | 53 | 05/15/2002 |
| | Large Value Peer Group | 3.72 | 50 | 13.11 | 50 | 7.99 | 50 | 14.40 | 50 | 5.58 | 50 | N/A |
| | Diamond Hill Large Cap Y | 5.80 | 84 | 14.74 | 67 | 9.25 | 80 | 15.91 | 84 | 7.26 | 89 | 12/30/2011 |
| Bond[30]/MMF[12] | Intermediate-Term Bond Peer Group | 0.88 | 50 | 5.27 | 50 | 3.81 | 50 | 3.47 | 50 | 4.72 | 50 | N/A |
| | Metropolitan West Total Return Bd I | 0.74 | 41 | 4.82 | 32 | 4.01 | 62 | 4.83 | 93 | 6.48 | 98 | 03/31/2000 |
| Index Funds[15] | Vanguard Total Intl Stock Index Admiral (Idx) | 6.65 | 67 | 9.66 | 83 | 0.89 | 60 | 6.78 | 35 | 2.19 | 67 | 11/29/2010 |
| | Vanguard Small Cap Index Adm (Idx) | 6.17 | 30 | 14.97 | 63 | 7.92 | 81 | 16.70 | 77 | 8.42 | 89 | 11/13/2000 |
| | Vanguard Mid Cap Index Adm (Idx) | 5.18 | 64 | 12.64 | 55 | 9.90 | 92 | 16.52 | 83 | 8.20 | 70 | 11/12/2001 |
| | Vanguard Institutional Index I (Idx) | 3.85 | 51 | 15.41 | 89 | 11.13 | 94 | 16.35 | 88 | 7.24 | 79 | 07/31/1990 |

Please refer to the Appendix page for additional footnotes

# SHARPE RATIO AND EXPENSE ANALYSIS

| | Fund Name | Sharpe Ratio and Percentiles 3 Yr Ratio | 3 Yr % | 5 Yr Ratio | 5 Yr % | Standard Deviation 3 Yr | 5 Yr | Expense Ratio | Expense % | Manager Tenure | Fund Size $ MM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| International[11] | Foreign Large Blend Peer Group | 0.100 | 50 | 0.580 | 50 | 11.94 | 13.59 | 1.12 | 50 | - | - |
| | Harbor International Institutional | 0.013 | 28 | 0.556 | 40 | 13.11 | 14.39 | 0.76 | 81 | 8 | 38422.3 |
| Small-Cap[14] | Small Growth Peer Group | 0.420 | 50 | 0.960 | 50 | 15.02 | 15.53 | 1.23 | 50 | - | - |
| | Baron Small Cap Instl | 0.420 | 51 | 1.010 | 67 | 13.67 | 13.97 | 1.04 | 73 | 19 | 3526.6 |
| | Small Value Peer Group | 0.520 | 50 | 1.060 | 50 | 13.35 | 14.16 | 1.25 | 50 | - | - |
| | Victory Integrity Small-Cap Value Y | 0.470 | 36 | 1.080 | 60 | 13.89 | 14.55 | 1.20 | 58 | 13 | 1972.9 |
| Mid-Cap | Mid-Cap Growth Peer Group | 0.560 | 50 | 1.010 | 50 | 12.53 | 13.60 | 1.15 | 50 | - | - |
| | Victory Munder Mid-Cap Core Growth R6 | 0.560 | 52 | 1.060 | 61 | 12.02 | 13.00 | 0.88 | 81 | 16 | 4687.6 |
| | Mid-Cap Value Peer Group | 0.680 | 50 | 1.170 | 50 | 11.90 | 12.67 | 1.14 | 50 | - | - |
| | Hotchkis & Wiley Mid-Cap Value I | 0.330 | 7 | 1.100 | 32 | 15.37 | 16.99 | 1.02 | 63 | 20 | 2066.1 |
| Large-Cap | Large Growth Peer Group | 0.810 | 50 | 1.170 | 50 | 12.20 | 12.75 | 1.04 | 50 | - | - |
| | American Funds Growth Fund of Amer R5 | 0.941 | 82 | 1.388 | 95 | 11.39 | 11.74 | 0.38 | 98 | 23 | 146844.0 |
| | Large Value Peer Group | 0.740 | 50 | 1.220 | 50 | 11.02 | 11.59 | 0.99 | 50 | - | - |
| | Diamond Hill Large Cap Y | 0.794 | 61 | 1.276 | 69 | 11.92 | 12.13 | 0.59 | 91 | 14 | 3906.3 |
| Bond[30]/MMF[12] | Intermediate-Term Bond Peer Group | 1.410 | 50 | 1.180 | 50 | 2.62 | 2.80 | 0.74 | 50 | - | - |
| | Metropolitan West Total Return Bd I | 1.680 | 84 | 1.750 | 95 | 2.30 | 2.68 | 0.44 | 87 | 20 | 81266.5 |
| Index Funds[15] | Vanguard Total Intl Stock Index Admiral (Idx) | 0.120 | 59 | 0.540 | 34 | 12.13 | 13.78 | 0.12 | 97 | 8 | 225970.6 |
| | Vanguard Small Cap Index Adm (Idx) | 0.650 | 86 | 1.180 | 86 | 12.92 | 13.93 | 0.08 | 99 | 1 | 63296.6 |
| | Vanguard Mid Cap Index Adm (Idx) | 0.870 | 91 | 1.290 | 89 | 11.55 | 12.43 | 0.08 | 97 | 18 | 73636.1 |
| | Vanguard Institutional Index I (Idx) | 1.020 | 93 | 1.420 | 93 | 10.83 | 11.12 | 0.04 | 99 | 16 | 208758.4 |

Please refer to the Appendix page for additional footnotes

# ANNUAL RETURNS AND STATISTICS

| | Fund Name | Calendar Year Returns 2015 | 2014 | 2013 | 2012 | 2011 | MPT Statistics (3 year) Alpha | Beta | R2 | Portfolio Construction Turnover Ratio | Number of Holdings | % in Top 10 Holdings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| International[11] | Foreign Large Blend Peer Group | -1.17 | -5.39 | 20.20 | 17.96 | -13.22 | N/A | N/A | N/A | N/A | N/A | N/A |
| | Harbor International Institutional | -3.82 | -6.81 | 16.84 | 20.87 | -11.13 | -0.98 | 1.02 | 94 | 25 | 81 | 47.0% |
| Small-Cap [14] | Small Growth Peer Group | -2.17 | 3.24 | 41.25 | 14.13 | -2.01 | N/A | N/A | N/A | N/A | N/A | N/A |
| | Baron Small Cap Instl | -5.01 | 1.95 | 38.10 | 18.30 | -1.37 | -0.16 | 0.88 | 93 | 14 | 79 | 44.0% |
| | Small Value Peer Group | -6.17 | 4.29 | 35.99 | 16.50 | -4.30 | N/A | N/A | N/A | N/A | N/A | N/A |
| | Victory Integrity Small-Cap Value Y | -6.65 | 7.33 | 41.02 | 13.97 | -2.60 | -1.50 | 0.99 | 95 | 47 | 131 | 9.0% |
| Mid-Cap | Mid-Cap Growth Peer Group | -0.63 | 7.40 | 35.80 | 14.83 | -3.96 | N/A | N/A | N/A | N/A | N/A | N/A |
| | Victory Munder Mid-Cap Core Growth R6 | -4.20 | 10.40 | 33.93 | 16.15 | -0.77 | -3.49 | 1.02 | 95 | 40 | 84 | 16.0% |
| | Mid-Cap Value Peer Group | -4.76 | 9.75 | 34.88 | 16.40 | -4.27 | N/A | N/A | N/A | N/A | N/A | N/A |
| | Hotchkis & Wiley Mid-Cap Value I | -12.53 | 12.18 | 42.55 | 31.09 | -8.60 | -8.99 | 1.25 | 78 | 42 | 59 | 22.0% |
| Large-Cap | Large Growth Peer Group | 4.35 | 10.50 | 34.51 | 15.47 | -1.57 | N/A | N/A | N/A | N/A | N/A | N/A |
| | American Funds Growth Fund of Amer R5 | 5.65 | 9.61 | 34.20 | 20.92 | -4.59 | -0.16 | 0.96 | 94 | 29 | 368 | 24.0% |
| | Large Value Peer Group | -3.59 | 10.81 | 31.69 | 15.15 | -0.33 | N/A | N/A | N/A | N/A | N/A | N/A |
| | Diamond Hill Large Cap Y | -0.74 | 10.89 | 36.87 | 12.79 | 2.35 | -1.59 | 1.06 | 94 | 20 | 53 | 28.0% |
| Bond[30]/MMF[12] | Intermediate-Term Bond Peer Group | 0.00 | 5.54 | -1.65 | 6.68 | 6.47 | N/A | N/A | N/A | N/A | N/A | N/A |
| | Metropolitan West Total Return Bd I | 0.29 | 5.99 | 0.50 | 11.54 | 5.52 | 0.49 | 0.87 | 96 | 303 | 1890 | 24.0% |
| Index Funds[15] | Vanguard Total Intl Stock Index Admiral (Id | -4.26 | -4.17 | 15.14 | 18.21 | -14.52 | 0.68 | 0.95 | 98 | 3 | 6005 | 35.0% |
| | Vanguard Small Cap Index Adm (Idx) | -3.64 | 7.50 | 37.81 | 18.24 | -2.69 | 0.71 | 0.94 | 98 | 11 | 1462 | 86.0% |
| | Vanguard Mid Cap Index Adm (Idx) | -1.34 | 13.76 | 35.15 | 15.99 | -1.97 | -0.02 | 1.00 | 99 | 15 | 347 | 91.0% |
| | Vanguard Institutional Index I (Idx) | 1.37 | 13.65 | 32.35 | 15.98 | 2.09 | -0.02 | 1.00 | 100 | 5 | 515 | 5.0% |

Please refer to the Appendix page for additional footnotes

# INDEX PERFORMANCE



| | Index | Total Return 1 Year | Total Return Annlzd 3 Year | Total Return Annlzd 5 Year | Total Return Annlzd 10 Year | Annual Return 2015 | Annual Return 2014 | Annual Return 2013 | Annual Return 2012 | Annual Return 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| International[11] | MSCI EMF ID | 14.07 | -2.92 | 0.52 | 1.50 | -16.96 | -4.63 | -4.98 | 15.15 | -20.41 |
| | MSCI EAFE Ndtr_D | 6.52 | 0.48 | 7.39 | 1.82 | -0.81 | -4.90 | 22.78 | 17.32 | -12.14 |
| | MSCI World Ndtr_D | 11.36 | 5.85 | 11.63 | 4.47 | -0.87 | 4.94 | 26.68 | 15.83 | -5.54 |
| Small-Cap [14] | Russell 2000 Growth | 12.12 | 6.58 | 16.15 | 8.29 | -1.38 | 5.60 | 43.30 | 14.59 | -2.91 |
| | Russell 2000 | 15.47 | 6.71 | 15.82 | 7.07 | -4.41 | 4.89 | 38.82 | 16.35 | -4.18 |
| | Russell 2000 Value | 18.81 | 6.77 | 15.45 | 5.78 | -7.47 | 4.22 | 34.52 | 18.05 | -5.50 |
| Mid-Cap | Russell Mid Cap Growth | 11.24 | 8.90 | 15.85 | 8.51 | -0.20 | 11.90 | 35.74 | 15.81 | -1.65 |
| | Standard & Poor's Midcap 400 | 15.33 | 9.35 | 16.50 | 9.11 | -2.18 | 9.77 | 33.50 | 17.88 | -1.73 |
| | Russell Mid Cap Value | 17.26 | 10.49 | 17.38 | 7.89 | -4.78 | 14.75 | 33.46 | 18.51 | -1.38 |
| Large-Cap | Russell 1000 Growth | 13.76 | 11.83 | 16.60 | 8.85 | 5.67 | 13.05 | 33.48 | 15.26 | 2.64 |
| | Standard & Poor's 500 | 15.43 | 11.16 | 16.37 | 7.24 | 1.38 | 13.69 | 32.39 | 16.00 | 2.11 |
| | Russell 1000 Value | 16.20 | 9.70 | 16.15 | 5.85 | -3.83 | 13.45 | 32.53 | 17.51 | 0.39 |
| Bond[30]/MMF[12] | BarCap US Aggregate Bond | 5.19 | 4.03 | 3.08 | 4.79 | 0.55 | 5.97 | -2.02 | 4.21 | 7.84 |
| | BarCap US Credit | 8.30 | 5.44 | 4.83 | 5.77 | -0.77 | 7.53 | -2.01 | 9.37 | 8.35 |
| | BarCap US MBS | 3.61 | 3.61 | 2.65 | 4.65 | 1.51 | 6.08 | -1.41 | 2.59 | 6.23 |
| | BarCap US Government Bond | 4.00 | 3.32 | 2.16 | 4.34 | 0.86 | 4.92 | -2.60 | 2.02 | 9.02 |
| | BarCap US Govt 1-3 Yr | 0.89 | 0.87 | 0.72 | 2.33 | 0.57 | 0.64 | 0.37 | 0.51 | 1.56 |

Please refer to the Appendix page for additional footnotes

# IMPORTANT DISCLOSURES

| Footnote Subscript | Disclosure |
|---|---|
| 1 | The Overall Rating is derived from the 3, 5 and 10 year net-of-fee performance figures, the 3 and 5 year Sharpe Ratio and the Morningstar Rating. |
| 2 | The Long-Term Rolling Analysis accumulates the trailing 12 quarter Overall Ratings and determines a Pass / Fail designation accordingly. |
| 3 | The Fund Performance Review is a proprietary high level analytical tool that is used to evaluate fund performance and is not intended as an offer or solicitation of securities, or as investment advice. |
| 4 | 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. |
| 5 | A Percentile Ranking of 100% represents the best in class performance, whereas 0% represents the lowest. |
| 6 | MSCI Eafe Ndtr_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. |
| 7 | Please check on the availability of the Great-West product and its Blue Sky status for NAV. |
| 8 | MSCI World Ndtr_D: Includes all 23 MSCI developed market countries. Ndtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. |
| 9 | 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. |
| 10 | Russell 2000: Consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization. |
| 11 | Foreign investments, if part of the fund lineup, involve special risks, including currency fluctuations and political developments. |
| 12 | An investment in a Money Market Portfolio/Fund, if part of the portfolio/fund lineup, is not insured or guaranteed by the Federal Deposit Insurance Corporation. Although the portfolio/fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the portfolio/fund. |
| 13 | 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. |
| 14 | Equity securities of small-sized companies may be more volatile than securities of larger, more established companies. |
| 15 | Index Funds are not provided an overall rating as their objective is to track their respective index, not to outperform managed funds. |
| 16 | Russell Midcap 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. |
| 17 | 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. |
| 18 | Russell Midcap 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. |
| 19 | Barra Large Cap Growth: Market capitalization-weighted index of the stocks in the Standard & Poor's 500 Index having the lowest book to price ratios. The index consists of approximately half of the S&P 500 on a market capitalization basis. |
| 20 | 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. |
| 21 | Barra Large Cap Value: Market capitalization-weighted index of the stocks in the Standard & Poor's 500 Index having the highest book to price ratios. The index consists of approximately half of the S&P 500 on a market capitalization basis. |
| 22 | Barclays Capital Aggregate Bond: Composed of the Barclays Capital Govt/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. |
| 23 | Bar Cap 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. |
| 24 | Bar Cap Mortgage-Backed: Includes 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA). |
| 25 | Bar Cap 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. |

# IMPORTANT DISCLOSURES

| Footnote Subscript | Disclosure |
|---|---|
| 26 | Bar Cap 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). |
| 27 | In certain instances the fund shown and the related data is the load waived share class. |
| 28 | Investment options available in the plan may be through mutual funds and / or a group fixed annuity contract. 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 fees / expenses are deducted. |

# APPENDIX A - ADDITIONAL DISCLOSURES



1. An investment in a money market fund, if part of the fund lineup, is not insured or guaranteed by the Federal Deposit Insurance Corporation. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

# APPENDIX B - 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 special situations (i.e., turnaround, mergers & acquisitions, etc.).

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

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

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

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

**Barclays Capital Aggregate Index** Composed of the Barclays Capital Govt/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns published for the index are total returns, which include reinvestment of dividends.

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

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

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

**Bond funds** Contrary to individual bonds, which offer a guaranteed rate of return, bond funds are variable funds and their returns may rise or fall depending on market conditions. Funds with 70% or more of their assets invested in bonds are classified as Bond Funds. Bond funds are divided into two main groups: Taxable Bond and Municipal Bond. Taxable Bond Fund categories include the following: Long-Term Government, Intermediate-Term Government, Short-Term Government, Long-Term Bond, Intermediate-Term Bond, Short-Term Bond, Ultrashort-Bond, International- Bond, High-Yield Bond, Emerging-Markets Bond and Multisector Bond.

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

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

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

**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.

**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.

# APPENDIX B - GLOSSARY (CONTINUED)

**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.

**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.

**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.

**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** was founded in 1984 to provide investors with useful information for making intelligent, informed investment decisions. The company's first product, originally named the Mutual Fund Sourcebook, proved to be innovative in its ability to tap into an underserved market. Soon a demand grew for an even more in-depth and analytical publication, leading to the launch of Morningstar Mutual Funds in late 1986. Morningstar and Advised Assets Group are separate and unaffiliated. The Morningstar name is a registered mark of Morningstar. Marks used in conjunction with Morningstar products or services are the property of Morningstar or its subsidiaries.

**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 Ndtr_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. Ndtr_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, Ndtr_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 Ndtr_D** Includes all 23 MSCI developed market countries. Ndtr_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, Ndtr_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.

# APPENDIX B - GLOSSARY (CONTINUED)

**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.

**Overall Rating** The equal weighted average of the Return Composite and the Sharpe Composite. The Return Composite is the equal weighted average of the 3, 5, and 10 year category return percentiles. The Sharpe Composite is the equal weighted average of the 3 and 5 year category sharpe percentiles.

**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.

**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.

**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 401(k) until you withdraw your money. The money in a 401(k) can grow faster than with other types of savings plans, because the earnings you accumulate, if any, are also tax-deferred.

# APPENDIX B - GLOSSARY (CONCLUDED)

**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.