AGENDA
IRVINE RANCH WATER DISTRICT
FINANCE AND PERSONNEL COMMITTEE MEETING
TUESDAY, JUNE 6, 2017

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: Doug Reinhart____

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. FY 2016-17 OPERATING AND NON-OPERATING FINANCIAL HIGHLIGHTS THROUGH MARCH 31, 2017 –SMITHSON/CLARY

   Recommendation: Receive and file.

7. THIRD QUARTER 2016-17 LEGAL FEES ANALYSIS – TOBAR/CLARY

   Recommendation: Receive and file.

8. QUARTERLY RISK MANAGEMENT – KANOFF/SHINBASHI/JACOBSON/CLARY

   Recommendation: Receive and file.

ACTION

9. RETIREE HEALTH COSTS ASSISTANCE PROGRAM UPDATE – RONIN/RONEY

Recommendation: That the Board authorize staff to modify the District's Retiree Health Costs Assistance Program benefits plan structure to provide benefits to IRWD retirees with three to nine years of service to meet the IRS discrimination testing requirements.

10. FISCAL YEAR 2017/18 OPERATING BUDGET VENDOR EXPENDITURE COMMITMENTS GREATER THAN $100,000 – AGUILAR/JACOBSON/ CLARY

Recommendation: That the Board approve the list of vendor commitments greater than $100,000 based on approved FY 2017/18 operating budget expenditures.

11. NETWORK INFRASTRUCTURE UPGRADES

Recommendation: That the Board approve a general plant expenditure for $504,400 with Resilient Communications to purchase and implement the Network Infrastructure Upgrades.

12. PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS PLAN FUNDING AND UPDATE – LIN/CLARY

Recommendation: That the Board approve the additional contribution of $17.2 million to the IRWD Section 115 Retirement Trust.

13. SETTING CONNECTION FEES AND PROPERTY TAXES FOR FISCAL YEAR 2017-18 – SMITHSON/CLARY

Recommendation: That the Board approve revised connection fees and property taxes as proposed.

TREASURY SECTION

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

Recommendation: Receive and file.

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

Recommendation: Receive and file.

TREASURY SECTION (Continued)

16. DISCUSSION ITEMS – ALL

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

Items for discussion at next meeting.

OTHER BUSINESS

17. CLOSED SESSION with Legal Counsel relative to: Existing litigation - Government Code Section 54956.9(d)(1) – United States, State of California, et al., ex rel. Hendrix v. J-M Manufacturing Company, Inc. et al; Williams vs. IRWD and MWD; and Craig Realty Group vs. IRWD.

    CLOSED SESSION with Legal Counsel relative to: Anticipated litigation - Government Code Section 54956.9(d)(2) - significant exposure to litigation (one potential case: BKK Working Group notification to IRWD of potential liability, claim and/or litigation on file with the District.

    Directors' Comments

    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.

June 6, 2017
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.

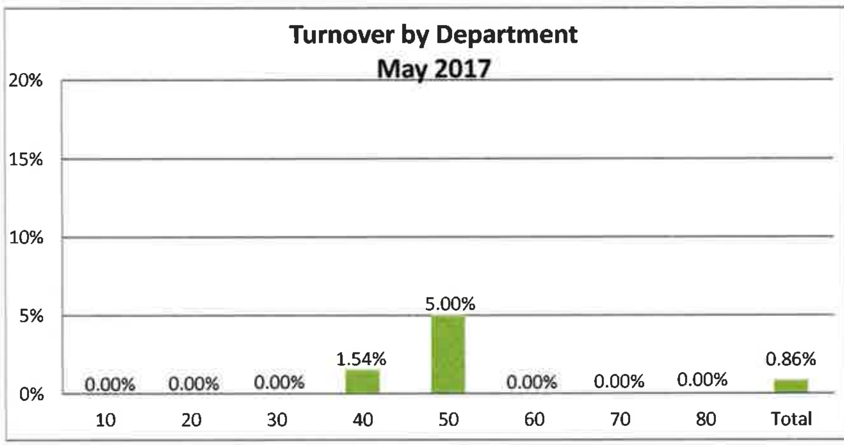
LIST OF EXHIBITS:

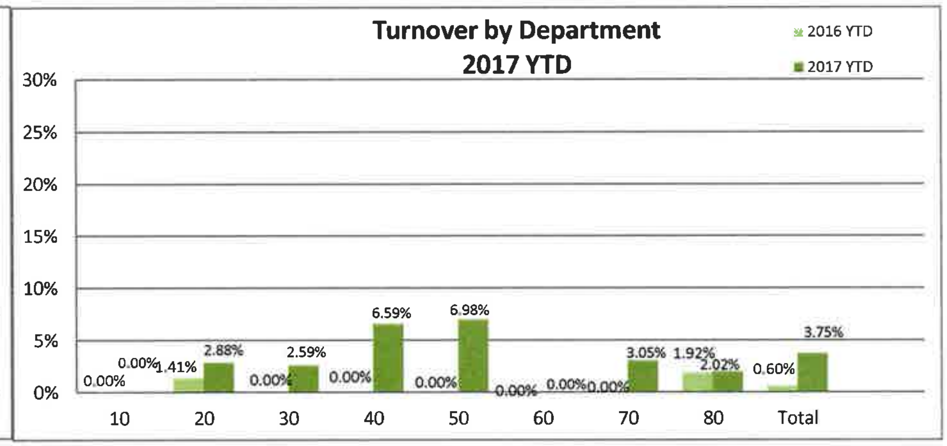
Exhibit "A" - Employee Population/Turnover Status Report

EXHIBIT A

IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
May 2017

	@05/01/17	Current Month Activity							@05/31/17		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	2017	Current	2017
Dept No	Filled	Hires	Vol	Invol	In	Out	In	Out	Filled	Unfilled	Positions*	Positions	FTE	Positions	Period	YTD	Period	YTD
10P	15.0								15.0	0	15.0	13.7	0.0	13.7	0.00%	0.00%	0.00%	0.00%
20P	76.0	1							77.0	3	80.0	74.3	6.8	81.1	0.00%	0.00%	0.00%	2.68%
30P	42.0								42.0	0	42.0	39.9	4.6	44.5	0.00%	0.00%	0.00%	0.00%
40P	65.0		1						64.0	3	67.0	63.0	2.2	65.2	0.00%	0.00%	1.54%	3.08%
50P	40.0		2						38.0	10	48.0	41.0	2.6	43.6	0.00%	2.51%	5.00%	10.05%
60P	19.0								19.0	1	20.0	19.5	0.5	20.0	0.00%	0.00%	0.00%	0.00%
70P	35.0								35.0	1	36.0	32.0	7.3	39.3	0.00%	0.00%	0.00%	0.00%
80P	56.0								56.0	4	60.0	55.0	0.0	55.0	0.00%	1.78%	0.00%	0.00%
Totals	348	1	3	0	0	0	0	0	346.0	22	368.0	338.4	24.0	362.4	0.00%	0.30%	0.86%	2.38%
5/16	337	0	1	0	0	0	0	0	336	16	352.00	316.20	70.40	386.60	0.00%	0.31%	0.30%	2.81%



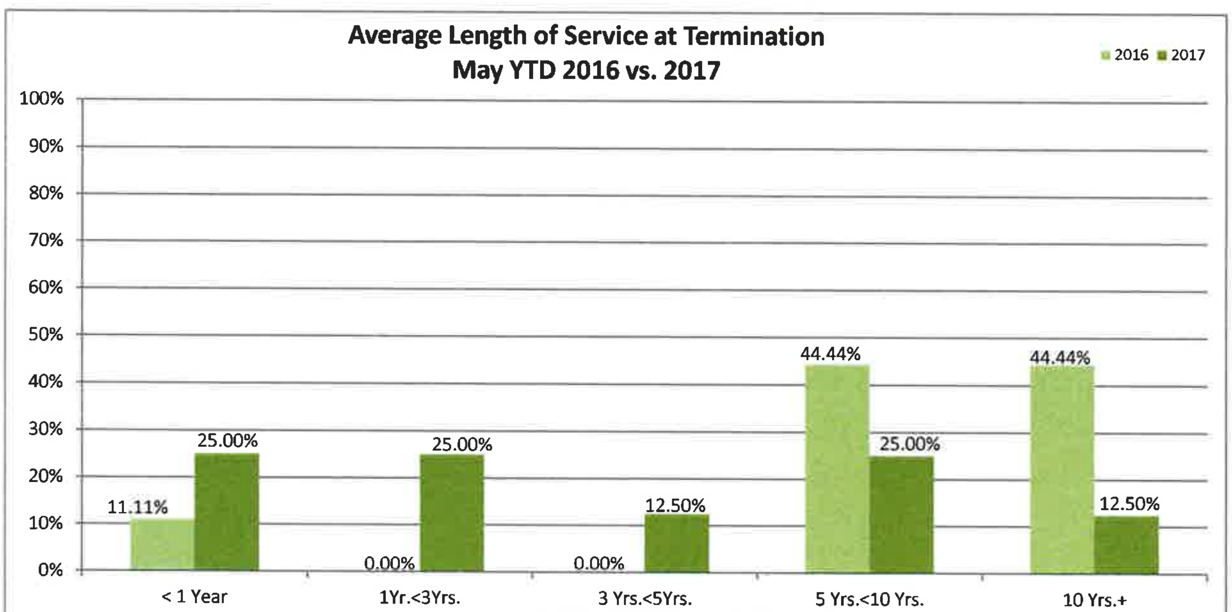


10P-GM, HR, Safety; 20P-Fin., Cust. Serv., IS, Purch.; 30P-Eng.: 40P-Water Ops; 50P-Recycling; 60P-Water Qualty; 70P-Water Res., Pol., Conserv. and Public Affairs; 80P-Maintenance Ops

IRVINE RANCH WATER DISTRICT
TURNOVER STATUS REPORT
May 2017

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		
30P																		
40P		1			1									1			1	
50P				1	2										2		1	
60P																		
70P																		
80P	1																	1
2017 Total	1	2	0	2	3								8	2	2	1	2	1
2016 Data	1	3	1	3	1	3	1	3	2	2	3	3	26					
Percentage of Total Turnover														25.00%	25.00%	12.50%	25.00%	12.50%

2017 Average YTD Length of Service at Termination	5.24 Years
2016 Average YTD Length of Service at Termination	12.43 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



IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
May 2017

NEW HIRES

Hire	Dept	Employee Name	Position	Comments
05/22/17	20P	Viet Quoc Nguyen	Application Analyst	

TERMINATIONS

Termination Date	Dept	Employee Name	Position	Reason	Comments
05/16/17	40P			Voluntary	Other employment
05/16/17	50P			Voluntary	Other employment
05/19/17	50P			Voluntary	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
05/06/17	40P	Diego Martinez	Water Maintenance Technician I	40P	Metering Systems Technician

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
01/28/16	50P	Rafael Vazquez	Operator I	40P	Operator I

IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
May 2017

UNFILLED POSITIONS			
Dept	**Position**	**Salary Grade**	**Comments**
20P	Mailroom Coordinator	6.N	
20P	Mailroom Coordinator	6.N	
20P	Customer Service Specialist III	21.N	
40P	Water Maintenance Technician I (FS)	16.N	Recruiting
40P	Water Maintenance Technician I	16.N	
40P	Operator II	27.N	
50P	Collection Systems Technician I	15.N	Recruiting
50P	Collection Systems Technician I	15.N	Recruiting
50P	Wetland Specialist	24.N	
50P	Operator II (MWRP)	27.N	
50P	Operator III (MWRP)	29.N	Re-posted
50P	Operator III (MWRP)	29.N	Re-posted
50P	Operator III (MWRP)	29.N	
50P	Operator III (MWRP)	29.N	
50P	Operator II (LAWRP)	27.N	
50P	Operator III (LAWRP)	27.N	Re-posted
60P	Scientist	28.N	Selected candidate will start 6-5
70P	Sr. Recycled Water Specialist	27.N	
80P	Executive Assistant	U26.N	
80P	Sr. Electrical Technician	30.N	
80P	Automation Specialist	32.N	
80P	Automation Programmer	13.E	Recruiting

IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
May 2017

LEAVE OF ABSENCE

Type of Leave	Original Status	Final Status	Dept. No.	Claim #	Date Leave Began	Anticipated Return Date	Current Length	Comments
WC	WC		40P	001401	10/14/2016	4/25/2017	7 Months	
VC FMLA/CFR	WC		40P	001601	3/8/2017	5/25/2017	3 Months	
VC/FMLA/CFR	WC		50P	000817	3/22/2017	6/26/2018	10 Weeks	
FMLA/CFRA	SDI		30P	001675	4/3/2017	5/17/2017	8 Weeks	
VC/FMLA/CFR	WC		50P	001336	4/12/2017	8/1/2017	7 Weeks	
DL/FMLA/CFR	SDI		60P	001889	5/12/2017	9/12/2017	2.5 Weeks	

Leave	Original Status	Final Status	Dept. No.	Claim #	Date Leave Began	Anticipated Return Date	Expected Length	Actual Return Date	Comments
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
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
DL/FMLA/CFR	SDI	PFL	20P	002000	7/11/2016	11/11/2016	3 Months	11/14/16	Returned
FMLA/CFRA	SDI	SDI	80P	001375	10/27/2016	12/27/2016	2 days	11/14/16	Returned
FMLA/CFRA	WC	WC	50P	001825	10/26/2016	12/8/2016	1 Week	12/01/16	Returned
DL/FMLA/CFR	SDI	SDI	10P	001971	8/16/2016	12/16/2016	3 Months	12/05/16	Returned
MLA/CFRA/W	WC	WC	40P	001232	11/9/2016	12/6/2016	3 Weeks	12/06/16	Returned
FMLA/CFRA	SDI	SDI	20P	001285	10/26/2016	12/8/2016	5 Weeks	12/19/16	Returned
FMLA/CFRA	PFL	PFL	50P	002031	12/2/2016	12/26/2016	3 Weeks	12/26/16	Returned
FMLA/CFRA	PFL	PFL	10P	000870	12/8/2015	12/31/2016	2 Weeks	12/31/16	Returned
FMLA/CFRA	PFL	PFL	20P	002158	8/1/2016	12/31/2016	1.5 Weeks	12/31/16	Returned
FMLA/CFRA	PFL	PFL	40P	001762	10/28/2016	1/3/2017	9 Weeks	01/03/17	Returned
Extended LOA	SDI		80P	001149	6/27/2014	12/14/2016	30 Months	01/16/17	Resigned
FMLA/CFRA	PFL	PFL	80P	001776	12/28/2016	1/23/2017	3 Weeks	01/23/17	Returned
FMLA/CFRA	PFL	PFL	30P	001606	12/26/2016	1/24/2017	5 Weeks	01/24/17	Returned
DL/FMLA/CFR	SDI	SDI	70P	001886	10/7/2016	2/6/2017	12 Weeks	02/06/17	Returned
FMLA/CFRA	SDI	SDI	50P	001332	12/13/2016	2/6/2017	6 Weeks	02/06/17	Returned
MLA/CFRA/W	WC	WC	20P	000578	11/28/2016	1/24/2017	2 Months	01/24/17	Returned
FMLA/CFRA	SDI	SDI	20P	001077	1/25/2017	2/9/2017	2 Weeks	02/09/17	Returned
FMLA/CFRA	PFL	PFL	20P	002048	1/3/2017	2/23/2017	2 Months	02/21/17	Returned
FMLA/CFRA	PFL	PFL	30P	001876	2/13/2017	2/22/2017	1 Week	02/22/17	Returned
FMLA/CFRA	SDI	SDI	70P	001224	2/15/2017	3/1/2017	2 Weeks	03/02/17	Returned
FMLA/CFRA	PFL	PFL	40P	001765	1/13/2017	3/20/2017	9 Weeks	03/20/17	Returned
FMLA/CFRA	PFL	PFL	50P	002031	2/21/2017	3/22/2017	1 Month	03/22/17	Returned
FMLA/CFRA	SDI	SDI	20P	000578	1/25/2017	4/5/2017	2 Months	04/05/17	Returned
VC/FMLA/CFR	WC	WC	40P	001232	3/15/2017	3/24/2017	1 Week	04/17/17	Returned
FMLA/CFRA	PFL	PFL	80P	001896	3/30/2017	4/17/2017	2 Weeks	04/17/17	Returned
FMLA/CFRA	SDI	SDI	10P	002136	3/24/2017	4/19/2017	5 Weeks	04/19/17	Returned
FMLA/CFRA	SDI	SDI	20P	001600	4/12/2017	4/28/2017	2 Weeks	05/02/17	Returned
FMLA/CFRA	SDI	SDI	70P	001562	2/8/2017	4/26/2017	2 Months	05/09/17	Returned
FMLA/CFRA	SDI	SDI	60P	002041	4/12/2017	5/1/2017	2 Weeks	05/01/17	Returned
FMLA/CFRA	SDI	PFL	40P	002137	1/14/2017	6/14/2017	4 Months	05/24/17	Returned
FMLA/CFRA	PFL	PFL	80P	002007	4/26/2017	5/15/2017	2 Weeks	05/15/17	Returned
FMLA/CFRA	PFL	PFL	50P	001665	5/18/2017	5/25/2017	1 Week	05/25/17	Returned

IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
May 2017

Month	Dept	Length of Employment	Termination Vol	Termination Invol	Comments
January	50P	19 Years, 3 Months	X		Other employment
February	40P	1 Year, 11 Months	X		Other employment
	20P	3 Years, 4 Months	X		Other employment
March					
April	50P	7 Years, 9 Months	X		Other employment
	20P	4 Months	X		Other employment
May	40P	5 Years, 8 Months	X		Other employment
	50P	2 Years, 5 Months	X		Other employment
	50P	1 year, 3 Months	X		Other employment
June					
July					
August					
September					

IRVINE RANCH WATER DISTRICT
SUMMARY OF TEMPORARY AND CONTRACT EMPLOYEES
April 2017
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
0.00	**0.00**			**10P**										
0.99	0.85	Yes		220	3/3/2014		Full Time	20.84	168	3,501.12	12	10	35,011.20	30,947.40
1.00	0.97	Yes		220	5/11/2015		Full Time	28.95	168	4,863.60	12	10	48,636.00	50,937.53
1.00	0.92	Yes		220	2/16/2016		Full Time	28.95	168	4,863.60	12	10	48,636.00	47,861.59
0.95	0.13	No		220	3/13/2017		Full Time	25.97	168	4,362.96	3	1.5	6,544.44	6,044.52
0.97	1.00	Yes		240	5/31/2016	4/10/2017	Full Time	27.72	168	4,656.96	11	10	46,569.60	48,828.78
0.49	0.47	No	X	240	11/7/2016	4/10/2017	Full Time	27.98	168	4,700.64	6	5	23,503.20	22,838.68
0.62	0.14	No		250	2/13/2017		Part Time	14.00	84	1,176.00	4	2	2,352.00	3,388.00
0.15	0.04	No		250	2/17/2017		Part Time	14.00	84	1,176.00	4	2	2,352.00	1,015.00
0.45	0.08	No		250	3/1/2017	5/2/2017	Part Time	18.00	84	1,512.00	2	2	3,024.00	2,412.00
6.62	**4.59**			**20P**										
0.45	0.60	Yes		300	6/20/2015		Full Time	35.35	168	5,938.80	12	10	59,388.00	36,799.35
0.84	0.70	Yes		300	6/20/2015		Full Time	24.23	168	4,070.64	12	10	40,706.40	29,524.26
0.17	0.36	EXC		300	6/22/2015		Part Time	16.00	84	1,344.00	12	10	13,440.00	10,120.00
0.33	0.36	EXC		300	5/23/2016		Part Time	15.00	84	1,260.00	12	10	12,600.00	9,435.00
0.39	0.51	EXC		300	6/20/2016		Part Time	15.00	84	1,260.00	12	10	12,600.00	13,372.50
0.67	0.65	EXC		300	6/20/2016		Part Time	15.00	84	1,260.00	12	10	12,600.00	16,897.50
0.19	0.38	EXC		300	6/20/2016		Part Time	15.00	84	1,260.00	12	10	12,600.00	9,765.00
0.95	0.11	Yes		300	3/21/2017		Full Time	25.00	168	4,200.00	3	1.5	6,300.00	4,675.00
3.99	**3.67**			**30P**										
1.00	0.82	Yes		430	10/26/2015		Full Time	19.14	168	3,215.52	6	10	32,155.20	28,012.83
0.91	0.08	No		430	4/5/2017		Full Time	20.00	168	3,360.00	3	2	6,720.00	2,960.00
1.91	**0.91**			**40P**										
0.33	0.36	EXC		515	6/20/2016		Part Time	19.00	84	1,596.00	12	10	15,960.00	11,770.50
0.44	0.47	EXC		515	6/20/2016		Part Time	16.00	84	1,344.00	12	10	13,440.00	12,984.00
0.95	0.70	Yes		515	6/27/2016		Full Time	26.49	84	2,225.16	12	10	22,251.60	32,092.64
0.23	0.15	EXC		515	10/25/2016		Part Time	16.00	84	1,344.00	9	6.25	8,400.00	4,264.00
1.00	0.31	No		515	1/19/2017		Full Time	34.65	168	5,821.20	6	4.5	26,195.40	18,762.98
2.95	**1.99**			**50P**										
0.53	0.47	EXC		600	7/18/2016		Part Time	14.00	84	1,176.00	12	10	11,760.00	11,352.25
0.53	**0.47**			**60P**										
1.00	0.79	Yes		710	6/8/2015		Full Time	26.49	168	4,450.32	12	10	44,503.20	36,390.64
0.86	0.84	Yes		710	6/8/2015		Full Time	26.49	168	4,450.32	12	10	44,503.20	39,158.84
0.14	0.30	EXC		710	6/29/2015	5/6/2017	Part Time	14.00	84	1,176.00	12	10	11,760.00	7,273.00
1.00	0.74	Yes		710	12/14/2015		Full Time	33.62	168	5,648.16	12	10	56,481.60	43,605.14
0.95	0.72	Yes		710	8/22/2016		Full Time	29.45	168	4,947.60	10	7.25	35,870.10	36,753.60
0.89	0.84	Yes		720	7/5/2016		Full Time	20.00	168	3,360.00	12	10	33,600.00	29,305.00
0.55	0.43	Yes		730	8/13/2015		Part Time	19.80	84	1,663.20	12	10	16,632.00	14,661.90
0.58	0.53	Yes		730	8/13/2015		Part Time	19.00	84	1,596.00	12	10	15,960.00	17,328.00
0.83	0.60	No	X	730	11/23/2015		Part Time	19.99	84	1,679.16	12	10	16,791.60	20,932.73
0.23	0.58	Yes		740	9/6/2016		Full Time	17.00	168	2,856.00	11	8	22,848.00	20,179.00
7.04	**6.37**			**70P**										
0.00	0.00													
0.00	**0.00**			**80P**										
23.04	**18.00**													

IRVINE RANCH WATER DISTRICT
SUMMARY OF TEMPORARY AND CONTRACT EMPLOYEES
April 2017
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	Yes		130	1/29/2014	3/10/2017	Full Time	21.00	168	3,528.00	8	7	24,696.00	0.00
0.00	**0.00**			**10P**										
0.00	0.02	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
0.70	0.13	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
0.74	0.44	No	X	210	10/24/2016	3/17/2017	Full Time	36.96	168	6,209.28	2.25	3.25	20,180.16	28,263.50
0.49	0.05	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	0.17	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
0.49	0.20	Yes		220	10/16/2012	8/27/2016	Full Time	17.00	168	2,856.00	1	3	8,568.00	6,268.75
1.00	0.28	Yes		220	7/13/2015	9/24/2016	Full Time	26.12	168	4,388.16	6	4	17,552.64	13,118.77
1.00	0.36	Yes		220	6/1/2015	10/22/2016	Full Time	26.12	168	4,388.16	6	4	17,552.64	16,325.00
0.25	0.29	Yes		220	8/24/2015	10/7/2016	Full Time	26.12	168	4,388.16	6	4	17,552.64	13,197.13
0.20	0.27	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
4.88	**2.20**			**20P**										
0.55	0.12	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	0.17	Yes		300	6/20/2015	9/24/2016	Full Time	35.35	168	5,938.80	12	3	17,816.40	10,251.50
0.25	0.64	Yes		300	5/23/2016	3/12/2017	Full Time	30.32	168	5,093.76	12	7	35,656.32	33,857.13
0.55	**0.29**			**30P**										
0.99	0.27	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
1.00	0.37	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
0.89	0.60	Yes		430	5/28/2015	1/28/2017	Full Time	20.00	168	3,360.00	12	7	23,520.00	21,115.00
1.99	**0.64**			**40P**										
0.00	0.64	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	**0.64**			**50P**										
0.00	**0.00**			**60P**										
0.00	0.02	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
0.71	0.15	Yes		710	5/8/2014	9/2/2016	Full Time	26.49	168	4,450.32	6	2	8,900.64	6,887.40
0.50	0.68	Yes		710	6/29/2015	3/19/2017	Full Time	26.49	168	4,450.32	12	7	31,152.24	31,728.40
0.71	**0.17**			**70P**										
0.00	**0.00**			**80P**										
	3.77												1,148,531.83	1,032,478.68

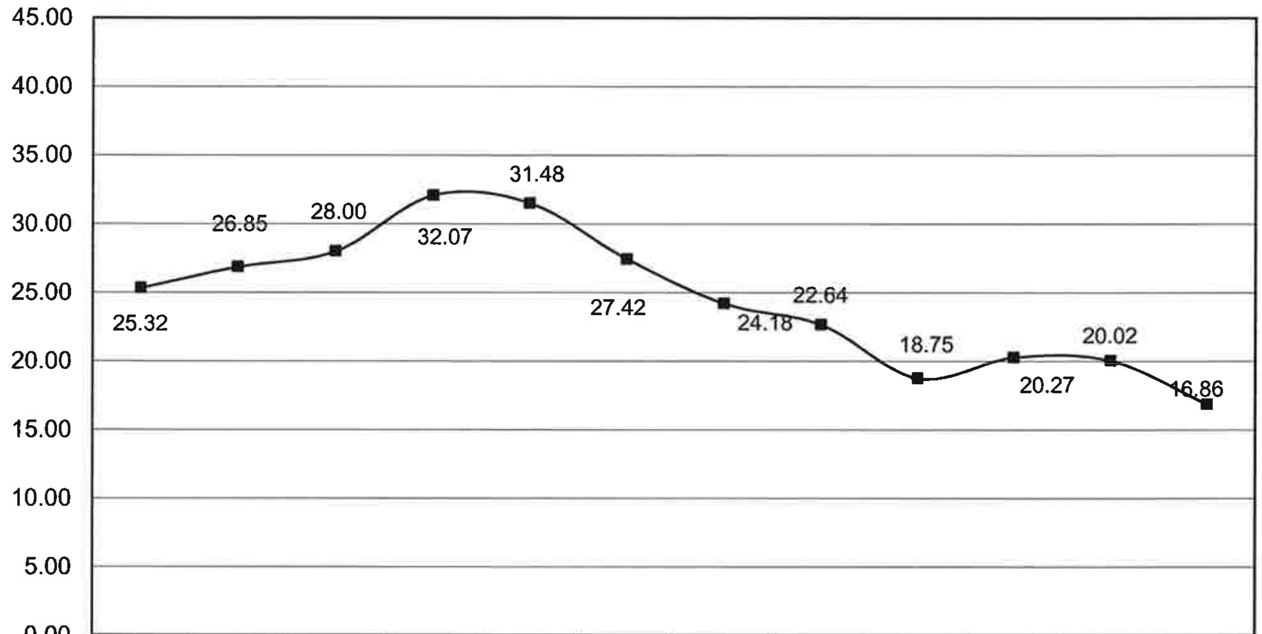
RET = Retired Annuitant working less than 960 hrs/yr/No=Temporary Employee not enrolled in PERS Membership
EXC = Exclude by PERS Contract / Yes= Temporary employee enrolled in PERS Membership

* Temporaries are reported 30 days in arrears

Temporary Employees

Full Time Equivalency thru 04/30/17

District Totals



	4/16	5/16	6/16	7/16	8/16	9/16	10/16	11/16	12/16	1/17	2/17	3/17
District	25.32	26.85	28.00	32.07	31.48	27.42	24.18	22.64	18.75	20.27	20.02	16.86

June 6, 2017
Prepared by: Christopher Smithson
Submitted by: Cheryl Clary
Approved by: Paul Cook

FINANCE AND PERSONNEL COMMITTEE

FY 2016-17 OPERATING AND NON-OPERATING FINANCIAL HIGHLIGHTS THROUGH MARCH 31, 2017

SUMMARY:

Staff has prepared an analysis of the unaudited operating statements through the third quarter 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, sewer, and recycled water systems, attached as Exhibit “B”;
- Actual to budget comparison of non-operating revenue and expense for the consolidated District, attached as Exhibit “C”;
- Full year forecast to budget comparison of operating expense for FY 2016-17, attached as Exhibit “D”; and
- Full year forecast to budget comparison of non-operating revenue and expense for FY 2016-17, attached as Exhibit “E”.

As of the March 31, 2017, overall expenses totaled $100.3 million versus a budget of $109.3 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 $6.0 million and expenses were under budget by $12.2 million, resulting in a positive net operating position of $6.2 million through March 31, 2017.

As shown on Exhibit “C”, actual net non-operating revenues and expenses were $43.5 million versus a budget of $43.2 million. Significant variances greater than $0.25 million are discussed below.

Staff has also provided a full year forecast for operating expenses and non-operating revenues and expenses in Exhibits “D” and “E”, respectively.

BACKGROUND:

Overall Operating Expenses:

Overall operating expenses were under budget by $9.0 million or 8.2%. Exhibit “A” is a summary of actual to budget expenses by major category. Noteworthy variances to budget include:

- Regular labor was under budget by $1.6 million (6.7%). This was primarily due to 23 unfilled positions and seven leave of absences through the end of March 2017. This was partially offset by higher than budgeted contract labor and overtime.
- Benefits was under budget by $0.4 million (3.1%). This was primarily due to 23 unfilled positions and seven leave of absences through the end of March 2017. The PERS contribution was made as budgeted. Excluding the contribution, the total adjusted variance would be 6.2%. Other benefits do not track with regular labor as certain benefits like workers compensation and the District's contribution to deferred compensation are not based on headcount.
- The cost of water was under budget by $1.0 million (3.6%). This is detailed below:

Water Purchases Executive Summary

Treated System – Sales were below budget by 7.2% (2,828 acre feet) and the blend of sources resulted in reduced cost. Cost Impact: expenses are $0.8 million less than budget.

Untreated System – Sales were slightly under budget and supplemental demand was below budget and all demands were met with imported water. Cost Impact: expenses exceeded budget by $0.5 million.

Recycled System – Sales matched 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 2,828 acre feet. Imported water was over budget by 674 acre feet while groundwater was 178 acre feet under budget and the Baker Water Treatment Plant, which was budgeted to become operational in October 2016, went online in January 2017; and therefore was 2,308 acre feet under budget. This change resulted in the potable water cost falling below budget by $0.8 million.

	Treated					
	Acre Feet			Millions		
	Actual	Budget	Variance	Actual	Budget	Variance
Imported/ Supplemental	6,769	6,095	(674)	$6.8	$6.8	($0.6)
Pumped	32,257	32,435	178	15.3	15.5	(0.2)
Baker	1,542	3,849	2,308	-	0.7	1.6
Total	40,568	42,379	1,812	22.1	23.0	0.8
Lost and Process Water	(4,375)	(3,358)	1,017	-	-	-
Sales/Cost of Sales	*36,193*	*39,021*	*2,828*	$22.1	$23.0	$0.8

- For the untreated non-potable system, sales were under budget by 161 acre feet and the reduced sales were primarily due to reduced agriculture demands. The untreated system exceeded budget by $0.5 million. The lack of native water led to the purchase of imported water to meet demands.

	Non-Potable (untreated)					
	Acre Feet			Millions		
	Actual	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**
Imported/ Supplemental	3,498	3,990	492	$2.7	$3.2	$0.4
Native		750	750	-	-	-
Native Trsf to Rcycld	-	-	-	-	-	-
Imported Trsf to Rcycld	(2,007)	(3,278)	(1,271)	(1.2)	(2.2)	(1.0)
Total	1,492	1,462	(30)	1.5	1.0	(0.5)
Lost Water	(255)	(65)	190	-	-	-
Sales/Cost of Sales	*1,237*	*1,397*	*161*	$1.5	$1.0	($0.5)

- The Recycled Water system sales equaled the budget (17 acre feet variance). Supplemental water usage was reduced with demands being met with additional groundwater (471 acre feet). Lost and Process water came in below budget (1,109 acre feet) as well, reducing the total cost of water.

	Recycled					
	Acre Feet			Millions		
	Actual	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**
Imported/ Supplemental	2,291	3,278	987	$1.5	$2.2	$0.7
Pumped	3,390	2,919	(471)	1.3	1.2	($0.1)
Produced/ Storage	***15,955***	16,530	575	-	-	$0.0
Total	21,635	22,727	1,092	2.8	3.4	0.6
Lost and Process Waste	(2,245)	(3,354)	(1,109)	-	-	$0.0
Sales/Cost of Sales	*19,390*	*19,373*	*(17)*	$2.8	$3.4	$0.6

- Electricity was under budget by $2.0 million (19.5%) due in part to a credit from Southern California Edison resulting from IRWD's participation in the Base Interruptible Program. The credit was approximately $0.6 million for the recycling and water operation departments. The cost per unit for electricity was under budget through December with the cost falling below budget by $0.015/kwh. Recycled water treatment and distribution cost fell below budget by $0.5 million due to reduced winter demands. Additionally, the Baker Plant did not become operational as predicted, thus reducing energy costs by $0.5 million.

- Chemicals was under budget by $0.3 million (15.8%). The Baker treatment plant was under budget by $0.4 million through March 31, 2017.

- Repairs & Maintenance – Orange County Sanitation District (OCSD) and Others was under budget by $0.3 million (2.7%). Many line items make up the variance with SOCWA and the East Orange County Feeder being two of the largest at $0.1 million each which is due to timing of expenditures and reconciliation of the prior billing periods.

- Repairs & Maintenance – IRWD was below budget by $1.2 million (18.5%). Many line items generate this variance and the single most significant factor is the delay of the Baker Plant at $0.5 million.
- Legal Fees exceeded budget by $0.3 million due primarily to the Orange County Water District litigation.
- Other Professional Fees was under budget by $1.5 million (44.7%). The most significant contributor is water efficiency communication and education programs which is $0.8 million under budget. Operations identified consultant demands that are $0.2 million under budget.
- Conservation is under budget by $2.4 million (119.2%). Expenses included in the Water Efficiency and the Tactical Incentives programs were offset by rebates funded by the Metropolitan Water District (MWD), reducing anticipated expense by $0.8 million. In addition, normal delays in rebate invoicing and ongoing programs have resulted in commitments of $0.8 million but nothing invoiced through March 31, 2017. Commitments not invoiced will be accrued at year end. Staff labor related to conservation is reflected in the regular or overtime labor category.

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.

The net operating variance to budget for the consolidated District (all systems) was positive by $6.2 million. Net revenues were below budget by $6.0 million (6.3%) and total expenses were under budget by $12.2 million (12.3%). Variances by system are explained below.

Potable and Untreated Water System:

The net operating variance to budget for the water system was positive by $0.8 million. Net revenues were below budget by $3.4 million (6.8%) and total expenses were under budget by $4.2 million (8.2%).

Commodity revenue, excluding over allocation, was under budget by $2.7 million (treated and untreated). Fixed service revenue was under budget by $0.7 million. As detailed above, commodity sales were below budget for both the treated and untreated systems. Fixed service revenue is under budget due in part to the rate change taking effect for bills mailed in August rather than July.

Direct expenses were under budget by $3.3 million (8.3%). Operations and water banking were under budget less than $0.25 million combined. Key variances associated with the cost of water are as follows with the explanations consistent with the variances described above:

Potable Variances (Exp in millions)	Imported	Clear and Process Wells	Baker WTP	Total
Labor and G&A	$0.1	$0.6	$0.3	$1.0
Water	(0.6)	0.1	0.9	0.4
Electricity		0.5	0.5	1.0
Chemicals		(0.1)	0.4	0.3
Other		0.3	0.2	0.5
Total Cost of Water	($0.5)	$1.5	$2.2	$3.1

Indirect expenses, which include customer records and collections and allocated general and administration (G&A) were under budget by $0.9 million. Allocated expenses are based on labor which fell below budget.

Sewer System:

The net operating variance for the sewer system exceeded budget by $1.3 million. Net revenues fell below budget by $0.5 million (2.2%) and total expenses were below budget by $1.8 million (7.6%).

Fixed service revenue was below budget by $1.0 million (2.3%). Fixed service revenue is under budget due to the rate change taking effect in August rather than July.

Direct expenses were below budget by $0.6 million (3.9%). Several line items contribute to this variance and the two most significant factors are electricity and labor. As discussed previously, the cost per unit for electricity was under budget through December.

Indirect expenses were under budget by $1.2 million. G & A is the significant variance which is based on direct labor which fell below budget

Recycled Water System:

The net operating variance to budget for the recycled water system was positive by $0.4 million. Net revenue fell below budget by $1.0 million (6.6%) and expenses were under budget by $1.4 million (8.8%).

Commodity revenue for recycled water sales were under budget by $0.6 million (5.1%). Fixed service revenue was below budget by $0.4 million (8.2%). Commodity revenue is under budget due to the sales blend with more sales coming from the commercial sector where the rate is 70% of the landscape rate. Fixed service revenue is under budget due in part to the rate change taking effect for bills mailed in August rather than July.

Direct expenses were under budget by $1.1 million (9.3%) due primarily to the cost of water coming in under budget by $1.3 million. Key variances are described below:

	Expenses (millions)
Imported Purchases	$0.6
Tertiary Treatment (primarily Labor and G&A)	0.7
Total Cost of Water	$1.3

Over Allocation:

This is a new category broken out to facilitate the understanding of the over-allocation fund. The net operating variance to budget for the marsh, NTS, and conservation was positive by $3.7 million (17.2%). Over allocation revenue fell below budget by $1.1 million (17.2%) with over-allocation sales falling 12.6% under budget. Over allocation expense was under budget by $4.8 million (56.4%) due to additional rebates from the Metropolitan Water District and commitments that have not been invoiced as of March 31, 2017 but will be accrued at year end. Total expenses are anticipated to fall under budget by $0.8 million.

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 $0.3 million. Revenues exceeded budget by $1.6 million and expenses exceeded budget by $0.2 million. Key variances greater than $0.25 million are as follows:

	Variance (millions)
Property tax income exceeded budget due to higher assessed valuations than anticipated	$1.9
Interest income exceeded budget due to higher than anticipated interest rates	$0.3
Connection fees was under budget due to the unpredictable nature of this revenue source. Staff anticipates the fees correcting in the fourth quarter.	($2.2)
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 ET-1 and ET-2)	$1.4
Interest Expense exceeded budget due to the higher than budgeted interest payment for the 2016 GO Debt issue (originally budgeted a variable rate)	($1.0)

Other Expense exceeded budget due to the cost of the debt issuance which was not budgeted as an expense	($0.4)
All other variance less than $0.25	$0.3
Total	$0.3

Operating and Non-Operating Forecasts:

Exhibit "D" is a full year forecast of operating expenses for FY 2016-17. Expenses are forecasted to be $141.0 million versus a budget of $146.9 million. The forecast includes $2.1 million of anticipated lower salaries and $0.5 million of reduced benefits. The forecast for water purchases includes $1.0 million reduction due to lower demands while offset by a potential $1.7 million Basin Equity Assessment for FY 2016-17. The electricity forecast is $3.1 under the original budget due to a lower than budget cost per kwh for six months, a later start-up date for the Baker Plant than anticipated and a credit from Southern California Edison. Chemicals were reduced by $0.4 million based on Baker Plant expenditures that did not occur due to the later start-up than anticipated. Repairs & Maintenance-IRWD was reduced by $1.2 million. The most significant factor is Baker Plant expenditures with well over a dozen line items contributing for the remainder. The legal fees forecast includes an additional $0.4 million for unbudgeted costs associated primarily with the OCWD litigation. The forecast for other professional fees assumes $1.0 million of the budgeted consulting fees will not occur in FY 2016-17. The forecast for Conservation expense was reduced by $0.8 million for rebates funded from MWD.

Exhibit "E" is a full year forecast of non-operating revenues and expenses for FY 2016-17. It is anticipated that the District will generate $97.6 million in revenues and $34.4 million in expenses for a net positive position of $63.2 million versus a budget of $59.4 million. The variance includes higher property tax revenues due to higher assessed values and plan check fees that are partially offset by higher interest and capital project expenses.

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 "D" – Consolidated Operating Forecast to Budget FY 2016-17
Exhibit "E" – Consolidated Non-Operating Forecast to Budget FY 2016-17

Exhibit A

IRVINE RANCH WATER DISTRICT

CONSOLIDATED OPERATING ACTUAL TO BUDGET EXPENSE

Period Ending March 31, 2017

(in thousands)

Expense Group	Expense Name	Actual	Budget	Variance $	Variance %
	Regular Labor	$ 22,430	$ 24,044	$ 1,614	6.7%
Salaries & Benefits	Overtime Labor	1,461	1,311	(150)	(11.5%)
	Contract Labor	1,133	990	(143)	(14.5%)
	Employee Benefits	12,319	12,710	391	3.1%
Salaries & Benefits Total		**37,344**	**39,055**	**1,711**	**4.4%**
	Water	26,339	27,309	970	3.6%
	Electricity	8,386	10,421	2,035	19.5%
Water & Utilities	Fuel	357	374	17	4.5%
	Telecommunication	404	355	(49)	(13.8%)
	Other Utilities	132	126	(6)	(4.6%)
Water & Utilities Total		**35,619**	**38,586**	**2,967**	**7.7%**
	Chemicals	1,650	1,960	310	15.8%
	Operating Supplies	848	1,072	224	20.9%
	Printing	95	136	41	30.0%
Materials & Supplies	Postage	432	445	13	2.9%
	Permits, Licenses and Fees	1,004	1,004	0	0.0%
	Office Supplies	68	95	27	28.3%
	Duplicating Equipment	131	169	38	22.6%
	Equipment Rental	43	108	65	60.3%
Materials & Supplies Total		**4,270**	**4,988**	**718**	**14.4%**
	Rep & Maint OCSD & Other	10,508	10,799	292	2.7%
	Rep & Maint IRWD	5,380	6,598	1,218	18.5%
	Insurance	647	747	100	13.4%
	Legal Fees	607	341	(265)	(77.8%)
	Engineering Fees	431	569	138	24.2%
Professional Services	Accounting Fees	112	93	(20)	(21.4%)
	Data Processing	2,315	2,322	7	0.3%
	Personnel Training	555	739	184	24.9%
	Personnel Physicals	21	38	17	45.7%
	Other Professional Fees	1,788	3,291	1,503	45.7%
	Directors' Fees	111	117	6	5.3%
Professional Services Total		**22,473**	**25,653**	**3,180**	**12.4%**
	Mileage Reimbursement	118	99	(19)	(19.2%)
	Collection Fees	1	16	14	91.3%
	Election Expense	145	128	(17)	(13.6%)
	Safety	96	58	(38)	(65.7%)
	Commuter Program	106	117	11	9.3%
Other	Alarm and Patrol Services	61	128	67	52.5%
	Biosolids Disposals	16	19	3	15.6%
	Computer Backup Storage	11	18	7	40.6%
	Contract Meter Reading	1,012	1,011	(1)	(0.1%)
	Other	292	92	(200)	(218.9%)
	Conservation	(386)	2,010	2,397	119.2%
Other Total		**1,471**	**3,694**	**2,223**	**60.2%**
Grand Total		**$ 101,177**	**$ 111,978**	**$ 10,800**	**9.6%**
Less: Reimbursement from Baker Partners		**(831)**	**(2,673)**	**(1,842)**	
Grand Total		100,347	109,305	8,958	8.2%

Exhibit B

IRVINE RANCH WATER DISTRICT

CONSOLIDATED ACTUAL TO BUDGET REVENUES AND EXPENSES

PERIOD ENDED MARCH 31, 2017

(in thousands)

	Water			Sewer			Recycled			Over Allocation			Total
FY 2016-17	**Actual**	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**	**Variance**
Revenues:													
Commodity Revenues	$28,210	$30,865	$ (2,655)	$ -	$ -	$ -	$10,459	$11,020	$ (561)	$ -	$ -	$ -	$ (3,216)
Service Revenues	24,498	25,175	(676)	37,033	38,012	(979)	4,337	4,723	(386)			-	(2,041)
Over Allocation Revenues			-			-			-	5,142	6,210	(1,067)	(1,067)
Non Rate Generated			-			-			-			-	-
Total Revenues	52,708	56,040	(3,332)	37,033	38,012	(979)	14,796	15,742	(947)	5,142	6,210	(1,067)	(6,325)
Contribution to Enhancement and Replacement Capital Funds	(6,300)	(6,231)	(69)	(13,508)	(13,964)	456	(862)	(817)	(45)			-	341
Net Revenues	$46,408	$49,809	$ (3,401)	$23,525	$24,048	$ (523)	$13,933	$14,925	$ (992)	$ 5,142	$ 6,210	$ (1,067)	$ (5,983)
Expenses:													
Cost of Water	$28,488	$31,559	$ 3,071	$ -	$ -	$ -	$ 6,057	$ 7,326	$ 1,269	$ -	$ -	$ -	$ 4,340
Operations	7,782	7,909	128	5,862	6,491	629	4,343	4,147	(196)			-	561
Water Banking	418	531	114			-			-			-	114
OCSD - O&M			-	9,792	9,795	3			-			-	3
Total Direct	36,687	40,000	3,313	15,654	16,286	632	10,400	11,473	1,073	-	-	-	5,018
Customer Records and Collections	1,891	1,920	29	630	640	10	630	640	10			-	49
General & Admin Expense	6,499	7,321	822	4,733	5,884	1,151	2,275	2,594	318			-	2,291
Total Indirect	8,390	9,241	851	5,363	6,524	1,160	2,906	3,234	328	-	-	-	2,340
General Plant	1,583	1,583	-	652	652	-	1,175	1,175	-			-	-
Marsh/NTS/Conservation			-			-			-	3,707	8,499	4,792	4,792
Total Expenses	$46,660	$50,824	$ 4,164	$21,669	$23,461	$ 1,792	$14,480	$15,881	$ 1,401	$ 3,707	$ 8,499	$ 4,792	$12,150
Net Operating	$ (252)	$ (1,015)	$ 763	$ 1,856	$ 587	$ 1,270	$ (547)	$ (955)	$ 409	$ 1,435	$ (2,290)	$ 3,725	$ 6,167

RECONCILIATION OF EXHIBIT "B" AND EXHIBIT "A"	Act	Bgt	Var
Total Water, Sewer and Recycled Expenses - Sch B	$ 86,517	$ 98,666	$ 12,150
Capital & Other Expenses (including G&A)	15,983	11,375	(4,608)
Fleet	426	0	(426)
Baker Reimb.	831	2,673	1,842
General Plant	(3,410)	(3,410)	0
Total Consolidated Operating Expense - Sch A	$100,347	$109,305	$ 8,958

Exhibit C
IRVINE RANCH WATER DISTRICT
CONSOLIDATED NON-OPERATING ACTUAL TO BUDGET EXPENSES
Period Ending March 31, 2017
(in thousands)

Non-operating Revenues:	**Actual YTD 3/31/17**	**Budget YTD 3/31/17**	**Budget Variance**
Property Taxes	$36,272	$34,401	$1,871
Investment Income	2,285	$2,015	270
Connection Fees	14,338	$16,500	(2,162)
Real Estate Income	9,914	$9,716	199
Real Estate Fair Value Change	0	0	0
Other Income	6,267	$4,875	1,392
Total Revenues	69,076	67,506	1,570
Non-operating Expenses:			
Interest Expense	19,490	18,455	(1,035)
Real Estate Expense	4,985	5,126	140
Other Expenses	1,137	750	(387)
Total Expenses	25,612	24,330	(1,282)
Net Revenues & Expenses	$43,464	$43,176	$288

Exhibit D
IRVINE RANCH WATER DISTRICT
CONSOLIDATED OPERATING BUDGET AND FORECAST EXPENSE
YEAR TO DATE THROUGH MARCH 31, 2017

(in thousands)

Expense Group	Expense Name	Actual thru 3/31/17	Full Year Forecast	Original Budget	Variance $	Variance %
	Regular Labor	$ 22,430	$29,158	$31,258	$ 2,100	6.7%
Salaries & Benefits	Overtime Labor	1,461	1,758	1,758	-	0.0%
	Contract Labor	1,133	1,547	1,347	(200)	-14.8%
	Employee Benefits*	12,319	16,408	16,938	530	3.1%
Salaries & Benefits Total		**37,344**	**48,870**	**51,300**	**2,430**	**4.7%**
	Water	26,339	36,934	36,234	(700)	-1.9%
	Electricity	8,386	11,682	14,829	3,147	21.2%
Water & Utilities	Fuel	357	566	566	-	0.0%
	Telecommunication	404	511	511	-	0.0%
	Other Utilities	132	168	168	-	0.0%
Water & Utilities Total		**35,619**	**49,862**	**52,309**	**2,447**	**4.7%**
	Chemicals	1,650	2,703	3,133	430	13.7%
	Operating Supplies	848	1,478	1,478	-	0.0%
	Printing	95	265	265	-	0.0%
Materials & Supplies	Postage	432	579	579	-	0.0%
	Permits, Licenses and Fees	1,004	1,219	1,219	-	0.0%
	Office Supplies	68	128	128	-	0.0%
	Duplicating Equipment	131	225	225	-	0.0%
	Equipment Rental	43	129	129	-	0.0%
Materials & Supplies Total		**4,270**	**6,726**	**7,156**	**430**	**6.0%**
	Rep & Maint OCSD & Other	10,508	14,400	14,400	-	0.0%
	Rep & Maint IRWD	5,380	7,506	8,726	1,220	14.0%
	Insurance	647	1,004	1,004	-	0.0%
	Legal Fees	607	815	455	(360)	-79.1%
	Engineering Fees	431	736	736	-	0.0%
Professional Services	Accounting Fees	112	115	95	(20)	-21.1%
	Data Processing	2,315	3,027	3,027	-	0.0%
	Personnel Training	555	1,101	1,101	-	0.0%
	Personnel Physicals	21	51	51	-	0.0%
	Other Professional Fees	1,788	3,393	4,393	1,000	22.8%
	Directors' Fees	111	156	156	-	0.0%
Professional Services Total		**22,473**	**32,304**	**34,144**	**1,840**	**5.4%**
	Mileage Reimbursement	118	132	132	-	0.0%
	Collection Fees	1	21	21	-	0.0%
	Election Expense	145	145	145	-	0.0%
	Safety	96	143	83	(60)	-72.2%
	Commuter Program	106	156	156	-	0.0%
Other	Alarm and Patrol Services	61	170	170	-	0.0%
	Biosolids Disposals	16	263	263	-	0.0%
	Computer Backup Storage	11	24	24	-	0.0%
	Contract Meter Reading	1,012	1,350	1,350	-	0.0%
	Other	292	348	123	(225)	-182.9%
	Conservation	(386)	2,195	2,965	770	26.0%
Other Total		**1,471**	**4,947**	**5,432**	**485**	**8.9%**
Grand Total		**$101,177**	**$142,709**	**$150,341**	**$7,632**	**5.1%**
Less: Reimbursement from Baker Partners		**(831)**	**(1,662)**	**(3,408)**	(1,746)	
Grand Total		100,347	141,047	146,933	5,886	4.0%

* Actual expenses include the Annual Required Contribution (ARC) and the additional contribution to PERS.

Exhibit E

IRVINE RANCH WATER DISTRICT

NON-OPERATING FORECAST TO BUDGET REVENUES & EXPENSES

FULL YEAR FORECAST AS OF MARCH 31, 2017

(in thousands)

Non-operating Revenues:	**Actual YTD 3/31/17**	**Full Year Forecast**	**Full Year Budget**	**Forecast Variance**
Property Taxes	$36,272	$51,000	$47,689	$3,311
Investment Income	2,285	3,000	2,686	314
Connection Fees	14,338	22,000	22,000	0
Real Estate Income	9,914	13,100	12,954	146
Real Estate Fair Value Change	0	0	0	0
Other Income	6,267	8,500	6,500	2,000
Total Revenues	69,076	97,600	91,829	5,771
Non-operating Expenses:				
Interest Expense	19,490	25,200	24,606	(594)
Real Estate Expense	4,985	7,100	6,834	(266)
Other Expenses	1,137	2,100	1,000	(1,100)
Total Expenses	25,612	34,400	32,440	(1,960)
Net Revenues & Expenses	$43,464	$63,200	$59,389	$3,811

June 6, 2017
Prepared: by: Javier Tobar
Submitted by: Cheryl Clary
Approved by: Paul Cook

FINANCE AND PERSONNEL COMMITTEE

THIRD QUARTER FY 2016-17 LEGAL FEES ANALYSIS

SUMMARY:

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

BACKGROUND:

Legal fees through the third quarter of FY 2016-17 supporting the general operations of the District totaled $606,670 compared to a budget of $341,250, resulting in a negative variance of $265,420 or (77.8%). Of the total legal fees attributable to operations, general services were over budget by $47,331 due primarily to work associated with SWRCB regulations and state legislation; litigation was over budget by $195,952, due primarily to work associated Orange County Water District litigation; personnel issues were over budget by $103,323 due primarily to work associated with employee matters and personnel policy review and revisions. There were positive variances in other areas including special projects, legislative issues and financial/real property issues. Actual legal fees through the third quarter accounted for 0.66% of actual operating expenses and 0.36% of total expenditures.

Insurance litigation through the third quarter of FY 2016-17, net of insurance reimbursements, totaled $56,463 versus a budget of $75,000. Capitalized legal fees associated with major capital projects through the third quarter of FY 2016-17 totaled $32,767 versus a budget of $171,609, resulting in a positive variance of $138,842 or 80.9%. The MWRP Biosolids and Energy Recovery Facility, and the Water Banking Agreements 16/18 projects comprise 61.9% of total capital spending through the third quarter of FY 2016-17.

Non-operating legal fees through the third quarter of FY 2016-17 totaled $251,668 for bond counsel rendered in connection with the issuance of the Series 2016 General Obligation Bonds IRWD, and of the Certificates of Participation IRWD Series 2016.

Exhibit "A" provides a detailed comparison of actual to budgeted legal fees through the third 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 March 31, 2017

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	$ 13,750	$ -	$ 41,250		
Nossaman LLP	$ 7,537	$ 29,858	$ 28,686	$ -	$ 66,081		
Sub-total	$ 21,287	$ 43,608	$ 42,436	$ -	$ 107,331	$ 60,000	178.9%
Litigation:							
Alston & Bird LLP	$ 97,378	$ 92,385	$ 67,580	$ -	$ 257,343		
Bowie, Arneson, Wiles	$ 2,318	$ 6,316	$ 4,975	$ -	$ 13,609		
Sub-total	$ 99,696	$ 98,701	$ 72,555	$ -	$ 270,952	$ 75,000	361.3%
Special Projects:							
Bowie, Arneson, Wiles	$ 16,907	$ 10,617	$ (3,341)	$ -	$ 24,183	$ 45,000	53.7%
Legislative Issues:							
Bowie, Arneson, Wiles	$ (517)	$ 7,554	$ (4,313)	$ -	$ 2,724	$ 30,000	9.1%
Financial/Real Property Issues:							
Bowie, Arneson, Wiles	$ (293)	$ 1,084	$ 3,330	$ -	$ 4,121	$ 37,500	11.0%
Personnel Issues:							
Bowie, Arneson, Wiles	$ (152)	$ 5,334	$ -	$ -	$ 5,182		
Burke, Williams & Sorensen, LLP	$ 18,647	$ 15,787	$ 18,726	$ -	$ 53,160		
EXTTI, Incorporated	$ 22,601	$ 2,650	$ -	$ -	$ 25,251		
Payne & Fears LLP	$ 40,192	$ 35,832	$ 8,798	$ -	$ 84,822		
Pillsbury Winthrop Shaw Pittman LLP		$ 5,742	$ 416	$ -	$ 6,158		
Sub-total	$ 81,288	$ 65,345	$ 27,940	$ -	$ 174,573	$ 71,250	245.0%
Inter-Agency Issues:							
Bowie, Arneson, Wiles	$ 16,085	$ 11,567	$ (4,866)	$ -	$ 22,786	$ 22,500	101.3%
Legal Fees Total	$ 234,453	$ 238,476	$ 133,741	$ -	$ 606,670	$ 341,250	177.8%
Insurance Litigation:							
Daley & Heft LLP [(1)]	$ -	$ -	$ -	$ -	$ -		
Koeller Nebeker Carlson & Haluck LLP [(1)]	$ 5,410	$ 7,471	$ 6,124	$ -	$ 19,005		
Lewis Brisbois Bisgaard & Smith LLP [(1)]	$ -	$ -	$ -	$ -	$ -		
Woodruff, Spradlin & Smart	$ 37,014	$ 444	$ -	$ -	$ 37,458		
Insurance Litigation Total	$ 42,424	$ 7,915	$ 6,124	$ -	$ 56,463	$ 75,000	75.3%

[(1)] Net of insurance reimbursement

Firm	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Actual	YTD Budget	YTD % Actual vs Budget
Major Capital Projects Legal Fees:							
Baker Water Treatment Plant	$ 176	$ 946	$ 1,386	$ -	$ 2,508	$ 7,302	
Chloramine Booster Stations at 2 DW Reserv	$ 610	$ -	$ 333	$ -	$ 943	$ 473	
DRWF Well 18 Rehab	$ -	$ 925	$ -	$ -	$ 925	$ 4,125	
MWRP Biosolids & Energy Recovery Facility	$ -	$ 5,390	$ 1,276	$ -	$ 6,666	$ -	
ILP North Conv (Rattlesnake to Peters Cyn)	$ -	$ 2,399	$ 616	$ -	$ 3,015	$ 2,175	
Lake Forest Zone A Reservoir Demolition	$ -	$ -	$ 833	$ -	$ 833	$ 828	
Ops Center Permanent Generator	$ 537	$ -	$ -	$ -	$ 537	$ 1,057	
RW Conversion Improvements for Off-Site 16	$ -	$ -	$ -	$ -	$ -	$ 8,250	
San Joaquin Marsh Improvements	$ -	$ 666	$ 629	$ -	$ 1,295	$ 1,575	
Stockdale West Integrated Water Banking	$ 396	$ 4,158	$ 550	$ -	$ 5,104	$ 4,727	
Water Banking Agreements 16/18	$ 245	$ 630	$ 6,650	$ -	$ 7,525	$ 14,980	
Water Banking Planning 16/17	$ 980	$ -	$ -	$ -	$ 980	$ 4,125	
Well Rehab Program DW 13/14 thru 15/16	$ 814	$ -	$ -	$ -	$ 814	$ -	
Other	$ 198	$ 610	$ 814	$ -	$ 1,622	$ 121,992.75	
Capital Projects Total	$ 3,956	$ 15,724	$ 13,087	$ -	$ 32,767	$ 171,609	19.1%

	YTD Actual	YTD Budget
Operating Expense	$ 101,177,275	$ 111,977,730
Operating Legal Fees	$ 663,133	$ 416,250
% of Legal to Operating	0.66%	0.37%
Capital Projects	$ 91,601,919	$ 128,407,050
Capital Legal Fees	$ 32,767	$ 171,609
% of Legal to Capital	0.04%	0.13%
Total Operating and Capital Expenditures	$ 192,779,194	$ 240,384,780
Total Operating and Capital Legal Fees	$ 695,900	$ 587,859
% of Legal Fees to Total Operating and Capital Expenditures	0.36%	0.24%

Non-operating Legal Fees:	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Bond Counsel:					
Bowie, Arneson, Wiles	$ -	$ 26,668	$ -	$ -	$ 26,668
Orrick, Herrington & Sutcliffe	$ -	$ 175,000	$ 30,000	$ -	$ 205,000
Stradling Yocca Carlson & Rauth	$ -	$ -	$ 20,000	$ -	$ 20,000
Total	$ -	$ 201,668	$ 50,000	$ -	$ 251,668

EXHIBIT "B"

Analysis of Legal Fees for the third quarter ended March 31, 2015 - 2017

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	$ 19,744	$ 34,279	$ 257,343	$ 265 to $ 535	Litigation	Orange County Water District litigation
Bowie, Arneson, Wiles & Giannone	$ 215,588	$ 227,896	$ 113,855	$ 185 to $ 220	IRWD legal counsel	District general counsel/legislative/litigation/special project
Burke, Williams & Sorensen, LLP	$ 4,422	$ 195	$ 53,160	$ 325	Employee relations	Personnel policy review and revision
EXTTI, Incorporated	$ -	$ -	$ 25,251	$ 200 to $ 275	Employee relations	Personnel matters
Nossaman LLP	$ -	$ -	$ 66,081	$ 475 to $ 595	Agreement compliance	SWRCB compliance - State Water Resources Control Board
Payne & Fears, LLP	$ 22,618	$ 109,668	$ 84,822	$ 235 to $ 550	Employee relations	General personnel and human resources
Pillsbury Winthrop Shaw Pittman LLP	$ -	$ -	$ 6,158	$ 370 to $ 490	Employee relations	Employee benefits and tax advice
Sub-Total	$ 262,372	$ 372,038	$ 606,670			
Insurance Litigation:						
Daley & Heft LLP [(1)]	$ -	$ -	$ -	$ 175	Legal Counsel	Legal counsel related to insurance claim issues
Koeller Nebeker Carlson & Haluck LLP [(1)]	$ 7,319	$ 5,538	$ 19,005	$ 195	Legal Counsel	Legal counsel related to insurance claim issues
Lewis Brisbois Bisgaard & Smith LLP [(1)]	$ 29,026	$ -	$ -	$ 200	Legal Counsel	Legal counsel related to insurance claim issues
Woodruff, Spradlin & Smart	$ -	$ 27,147	$ 37,458	$ 105 to $ 255	Legal Counsel	Legal counsel related to insurance claim issues
Sub-Total	$ 36,345	$ 32,685	$ 56,463			

[(1)] Net of insurance reimbursement

Firm	YTD Actual 2014-2015	YTD Actual 2015-2016	YTD Actual 2016-2017	Hourly Rate	Area of Expertise	Service Provided
Capitalized Legal Fees:						
Bowie, Arneson, Wiles & Giannone	$ 52,420	$ 69,945	$ 32,767	$ 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	$ 52,420	$ 69,945	$ 32,767			
Total	$ 351,137	$ 474,668	$ 695,900			
Non-operating Legal Fees:						
Bond Counsel:						
Bowie, Arneson, Wiles	$ -	$ -	$ 26,668	$ 185 to $ 220	Bond counsel	Counsel in connection with the issuance of GO bonds and COP
Orrick, Herrington & Sutcliffe LLP	$ -	$ 30,000	$ 205,000	n/a	Bond counsel	Counsel in connection with the issuance of GO bonds and COP
Stradling Yocca Carlson & Rauth	$ -	$ -	$ 20,000	n/a	Bond counsel	Index Tender Note remarketing
Sub-Total	$ -	$ 30,000	$ 251,668			

June 6, 2017
Prepared by: Debbie Kanoff/Allen Shinbashi
Submitted by: Rob Jacobson/Cheryl Clary
Approved by: Paul Cook

FINANCE AND PERSONNEL COMMITTEE

QUARTERLY RISK MANAGEMENT REPORTING

SUMMARY:

Staff will provide the Committee with a report on the insurance and claim expenses incurred by the District through the period ended March 31, 2017.

BACKGROUND:

A comparison of the District's actual versus budget insurance expenses for the first nine months of FY 2015-16 and FY 2016-17 is attached as Exhibit "A" and summarized as follows:

- Insurance premiums total $473,115 and are $81,060 under budget;
- Third-party claims administration expenses total $2,202 and are $27,798 under budget;
- Claim payments total $83,495 and are $10,255 under budget; and,
- Legal expenses total $56,463 and are $18,537 under budget.

The current year payments and expenses are net of receivables from CSAC EIA, the District's excess insurance carrier.

The Closed General Liability Claims Register, attached as Exhibit "B", identifies all general liability claims closed during the nine months ended March 31, 2017.

FISCAL IMPACTS:

Fiscal impacts are outlined above.

ENVIRONMENTAL COMPLIANCE:

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

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Insurance and Claims Loss Expense
Exhibit "B" – FY 2016-17 Closed General Liability Claims Register

INSURANCE AND CLAIMS LOSS EXPENSE
as of
March 31, 2017

Exhibit "A"

	FY 2015-16	FY 2016-17		
	Actual Q3	Actual Q3	Budget	Variance
Premiums:				
Property, Boiler & Machinery	$ 135,414	$ 172,958	$ 206,250	$ 33,292
General Liability	296,934	283,292	325,200	41,908
Crime & Cyber	3,675	3,175	9,000	5,825
IDP Pollution	13,690	13,690	13,725	35
Subtotal	$ 449,713	$ 473,115	$ 554,175	$ 81,060
Claims Losses & Administration:				
Below Deductible Losses:				
Prior Year Open Claims	$ -	$ 35,000		
Current Year Incurred				
Bodily Injury	-	-		
Vehicle Damage - Collision	-	-		
Vehicle Damage - Other	-	23,150		
Prop. Damage - Other (Net CSAC Receivable/Reimbursement)	105,163	25,345		
Subtotal - Losses	$ 105,163	$ 83,495	$ 93,750	$ 10,255
Third Party Claim Admin (Net CSAC Receivable/Reimbursement)	12,754	2,203	30,000	27,797
Legal (Net CSAC Receivable/Reimbursement)	32,685	56,463	75,000	18,537
Other (GL Liability Accrual)	700	(14,606)	-	14,606
Subtotal Losses & Claims Expenses	$ 151,302	$ 127,555	$ 198,750	$ 71,195
Total General Insurance Expense	$ 601,015	$ 600,670	$ 752,925	$ 152,255

Claims Activity:	FY 2015/16	FY 2016/17
Beginning Open Claims	3	9
New Claims	18	29
Closed Claims	(12)	(25)
Current Open Claims	9	13

Reserve	FY 2016/17
Beginning	$ -
Additions	-
Reductions	-
Current Balance	$ -

CLOSED GENERAL LIABILITY CLAIMS REGISTER
as of
March 31, 2017

Exhibit "B"

No.	Incident Date	Claimant Cause Description	Payments					
			Current FY			Cumulative		
			Loss	Expense	Subtotal	Loss	Expense	Subtotal
1	5/31/16	Montbury HOA - Property Damage	980	-	980	980	-	980
2	12/22/16	Daniel Choo - Vehicle Damage	587	-	587	587	-	587
3	10/20/16	AT&T - Property Damage	1,337	-	1,337	1,337	-	1,337
4	9/12/16	2550 Elden, Costa Mesa (ATI)	2,260	-	2,260	2,260	-	2,260
5	9/16/16	Kim Smith - Vehicle damage	156	-	156	156	-	156
6	9/20/16	Michael Kelliher - Property damage	150	-	150	150	-	150
7	9/12/16	Evista Industries	433	-	433	433	-	433
8	6/13/16	Ellie Khalili - broken windshield	364	-	364	364	-	364
9	9/20/16	Natalie Castaneda - Vehicle damage	1,543	-	1,543	1,543	-	1,543
10	9/16/16	Priya Navkar - Vehicle Damage	1,060	323	1,383	1,060	323	1,383
11	9/12/16	Elden Bungalows (ATI) - Water damage	4,305	247	4,552	4,305	247	4,552
12		Amber Property - Plumbing	-	196	196	-	196	196
13	9/16/16	Anthony Gartung - Vehicle Damage	16,849	-	16,849	16,849	-	16,849
14	11/12/16	Xin Bai - Tire Damage	361	-	361	361	-	361
15	10/24/16	Lisa Benjamin - Plumbing	135	-	135	135	-	135

CLOSED GENERAL LIABILITY CLAIMS REGISTER
as of
March 31, 2017

No.	Incident Date	Claimant Cause Description	Payments					
			Current FY			Cumulative		
			Loss	Expense	Subtotal	Loss	Expense	Subtotal
16	11/12/16	Ed Kim - Tire Damage	314	-	314	314	-	314
17	7/27/16	Ester Calderon - Vehicle Damage	1,916	-	1,916	1,916	-	1,916
18	8/22/16	Embers Ridge - Plumbing	1,763	-	1,763	1,763	-	1,763
19	11/12/16	Maidiana Nurdin - Tire Damage	231	-	231	231	-	231
20	11/21/16	Paul Park - Tire Damage	364	-	364	364	-	364
21	7/28/16	SCE - Light Pole Damage	10,000	-	10,000	10,000	-	10,000
22	7/28/16	LBA Realty - Pipe Repair	800	-	800	800	-	800
23	9/23/16	Leatherwood Construction - Bumper	1,222	-	1,222	1,222	-	1,222
24	7/18/16	Old Dominion Freight Line - Vehicle Mirror	119	-	119	119	-	119
25		Horance Mann	(1,906)	-	(1,906)	(1,906)	-	(1,906)
		Subtotal - Closed Claims - General Liability	$ 45,343	$ 766	$ 46,109	$ 45,343	$ 766	$ 46,109
		Subtotal - Open Claims - General Liability	$ 35,000	$ 57,900	$ 92,900	$ 146,120	$ 222,825	$ 368,945
		Total Closed & Open Claims	$ 80,343	$ 58,666	$ 139,009	$ 191,463	$ 223,591	$ 415,054

June 6, 2017
Prepared by: Gretchen Ronin
Submitted by: Jenny Roney
Approved by: Paul A. Cook

FINANCE AND PERSONNEL COMMITTEE

RETIREE HEALTH COSTS ASSISTANCE PROGRAM UPDATE

SUMMARY:

This item was reviewed by Committee on February 7, 2017 and again on May 2, 2017 at the regularly noticed Finance and Personnel Committee meetings. Further information was requested by the Committee.

During a legal review of the District's Retiree Health Costs Assistance Program (RHCAP), staff was informed that the current structure of the benefits plan that requires employees to complete 10 years of service to IRWD to qualify for the benefit does not meet the Internal Revenue Service discrimination testing requirements. Staff recommends the Board authorize staff to change the RHCAP benefits plan structure to provide benefits to IRWD retirees with three to nine years of service to meet the IRS discrimination testing requirements.

BACKGROUND:

Effective July 2002, the Board authorized a retiree benefit program to assist retirees with eligible medical-related expenses. The benefit was designed to offer retirees a specific monthly amount for a specific number of months, depending on the employee's total years of service to IRWD at retirement. Retirees must be age 55 and retiring through CalPERS in order to qualify for the benefit. The minimum benefit level was set at $300 per month for 36 months for retirees with 10 years of service to IRWD. The maximum benefit was set at $600 per month for 60 months for retirees with 25 years of service. The benefit levels for this program have not changed since the inception of this program.

Staff was asked to review the benefit levels and compare them to current medical premiums and the medical component of the Consumer Price Index. Staff reviewed the information and asked the District's legal counsel if increasing the benefit for one specific group of employees, and not all employees, would result in the program failing IRS discrimination testing. Upon review, legal counsel opined that IRS regulations require the program to provide a benefit for retirees with three to nine years of service in order to be non-discriminatory. Legal counsel proposed a benefit design that would meet the IRS discrimination testing requirements, which is attached as Exhibit "A". Attached as Exhibit "B" is a memorandum from legal counsel dated April 25, 2017 recommending that the RHCAP benefits plan structure be modified to provide benefits to IRWD retirees with three to nine years of service to meet the IRS discrimination testing requirements.

FISCAL IMPACTS:

In the nearly 15 years since the inception of the RHCAP (July 2002), 130 employees have retired from IRWD. Of these 130 retirees, 10 did not meet the minimum eligibility for participation in the benefit program. Eight of the 10 retirees did not qualify because they did not meet the minimum age requirement of 55. Only two of the retirees did not qualify because they did not meet the minimum of 10 years of service. Under the proposed revised benefit levels, which include benefits for employees with three to nine years of service, the two retirees would have received a total of $4,800 in benefit payments.

Although the addition of the benefit for those retiring with three to nine years of service to the District could result in employees considering retirement earlier, the current average years of service at retirement is over 23 years. The fiscal impact of modifying the program to comply with IRS regulations is negligible.

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:

That the Board authorize staff to modify the District's Retiree Health Costs Assistance Program benefits plan structure to provide benefits to IRWD retirees with three to nine years of service to meet the IRS discrimination testing requirements.

LIST OF EXHIBITS:

Exhibit "A" – Proposed Retiree Health Costs Assistance Program Benefits
Exhibit "B" – Pillsbury Winthrop Shaw Pittman LLP Memorandum

EXHIBIT "A"

	Months of Benefit				
Years of Service	12	24	36	48	60
25+					$600
24					$580
23					$560
22					$540
21					$520
20					$500
19				$480	
18				$460	
17				$440	
16				$420	
15				$400	
14			$380		
13			$360		
12			$340		
11			$320		
10			$300		
9		$280			
8		$260			
7	$240				
6	$220				
5	$200				
4	$180				
3	$160				

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EXHIBIT "B"

Pillsbury Winthrop Shaw Pittman LLP
12255 El Camino Real, Suite 300 | San Diego, CA 92130-4088 | tel 619.234.5000 | fax 858.509.4010

MEMORANDUM
Confidential
Attorney-Client Privilege

To: Gretchen Ronin

From: Marcus Wu *mw*

Date: April 25, 2017

Re: Application of Section 105(h) Discrimination Testing to the RHCAP

I. Summary

Irvine Ranch Water District sponsors the Retiree Health Costs Assistance Program ("Plan"), a self-insured medical reimbursement plan that is subject to nondiscrimination rules under section 105(h) of the Internal Revenue Code ("Code" or "IRC").[1] The Plan reimburses eligible retirees' eligible medical expenses up to a certain dollar limit. We conclude that the Plan's current design is discriminatory under Code section 105(h) because retirees with 3–9 years of service are excluded from participating. Consequently, all Plan benefits received by "highly compensated" retirees would be taxable; if the District fails to treat those benefits as taxable, it would be exposed to penalties under the tax laws. Below, we discuss the basis for our conclusion and provide options for restructuring the Plan to mitigate this risk.

II. Relevant Facts

The Plan provides eligible retirees with reimbursements for eligible medical expenses under section 213(d) of the Code, which encompass a wide variety of outlays, including co-pays, deductibles, and out-of-pocket costs for certain medicines and drugs, and others. With this design, the Plan is treated as "self-insured" under the tax laws. (By comparison, if the Plan reimbursed only retirees' medical-insurance premiums, the Plan would be "fully insured.")

Upon terminating from District employment, a District employee is entitled to receive Plan benefits (i.e., reimbursements for eligible medical expenses) only if he or she: (i) retires under CalPERS within 120 days after his or her District employment terminates; (ii) is age 55 or older; and (iii) has completed at least 10 years of District service ("YOS").

[1] IRC § 105(h)(1).

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The Plan benefit provided to an eligible retiree is based on his or her total YOS, as follows:

- *Benefit amount:* $300/month at 10 YOS, increasing by $20 per each additional YOS up to a maximum of $600/month at 25+ YOS.
- *Benefit duration:* 36 months for 10–14 YOS; 48 months for 15–19 YOS; and 60 months for 20+ YOS.

III. Applicable Tax Laws

A. Introduction: Taxation of benefits provided to non-HCIs and HCIs

The rules governing the tax treatment of Plan benefits distinguish between "highly compensated individuals" ("HCIs") and non-HCIs. Here, an HCI means a District retiree who was among the highest paid 25% of all nonexcludable District employees when his or her District employment terminated.[2]

Under section 105(b) of the Code, Plan benefits provided to non-HCIs are nontaxable.[3]

By contrast, under section 105(h) of the Code, Plan benefits provided to HCIs are (i) nontaxable only to the extent those benefits are nondiscriminatory, and (ii) taxable as ordinary income to the extent the benefits are discriminatory.[4]

B. Code section 105(h) discrimination testing

Overview

Section 105(h) of the Code imposes two discrimination tests for self-insured medical reimbursement plans: an "Eligibility Test" that requires the plan to cover a specified percentage of non-HCIs; and a "Benefits Test" that requires that covered non-HCIs receive plan benefits substantially equivalent to those provided to HCIs.[5]

For purposes of these tests, the following persons are excluded: (i) employees with fewer than three years of service; (ii) employees under age 25; (iii) part-time or seasonal employees; (iv) certain non-resident aliens; and (v) represented employees who aren't covered by the plan.[6]

[2] Treas. Reg. § 1.105-11(c)(3)(iii) and (d)(3).

[3] IRC § 105(b) and (h); Treas. Reg. § 1.105-11(a).Different tax rules apply to benefits provided to persons other than the retiree or his or her spouse or tax dependent; for instance, benefits provided to a retiree's nondependent domestic partner are subject to federal taxes. Also, benefits are nontaxable only if they are "eligible expenses" under Code section 213(d) and the corresponding expenses (for which the benefits are paid) are properly verified.

[4] Same as footnote 3.

[5] IRC § 105(h)(2).

[6] IRC § 105(h)(3).

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"Identical Benefit Rule" for retiree-only plans

Under the tax regulations, a streamlined test applies to medical reimbursement plans that cover only retirees, such as the District's Plan. The relevant part of the regulations states as follows:

> "[A self-insured medical reimbursement plan is nondiscriminatory if] . . . the type, and the dollar limitations, of benefits provided to retired employees who were highly compensated individuals are the same for all other retired participants."[7]

These words appear to indicate that the Plan would be considered nondiscriminatory as long as all eligible retirees receive identical Plan benefits. But there are several ambiguities, including: Does the Eligibility Test still apply? If yes, how is it applied? May the Plan vary retirees' benefit amounts or duration according to retirees' years of service? And so on.

Unfortunately, the IRS hasn't issued any helpful guidance applying this Identical Benefit Rule. Compounding the challenge, the IRS has stated that for now, it won't issue rulings on whether a particular employer's plan is discriminatory.[8]

C. IRS views on application of section 105(h) to retiree-only plans

Covered retirees

A few years ago, while representing a Northern California city, we had extensive discussions about the 105(h) rules with high-level IRS officials in Washington DC.[9]

The city maintained a self-insured medical reimbursement plan for its represented safety (i.e., fire and police) retirees. Like the District's Plan, the city's plan provided that only retirees with 10 or more years of service qualified for retiree health benefits. The IRS flagged the design, noting that the plan was discriminatory under section 105(h) because it excluded employees with 3–9 years of service.

The IRS never explained the technical basis for its conclusion. But its position was clearly based on section 105(h)'s Eligibility Test (discussed above). Nothing under the tax laws explicitly states that this test applies to retiree-only plans; and the Identical Benefit Rule (quoted above) arguably overrides the Eligibility Test. Nevertheless, the IRS required that the city's plan cover retirees with at least three years of service in order to be nondiscriminatory.

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[7] Treas. Reg. § 1.105-11(c)(3)(iii).

[8] Rev. Ruling 2017-3.

[9] The IRS representatives included Harry Beker, Chief, Health & Welfare Branch, Office of Associate Chief Counsel (Tax Exempt and Government Entities). Mr. Beker is the head of the IRS division that issues private letter rulings on the tax laws governing health and welfare benefits. In that role, Mr. Beker has signed over 700+ such rulings.

In the end, the city acquiesced by modifying its plan to cover represented safety retirees with at least three years of city service, thereby placating the IRS.

Benefits provided

The city's plan also didn't provide an equal benefit to covered retirees. Instead, similar to the District's Plan, the city's plan provided a benefit that increased in tandem with a retiree's total years of city service. Eventually, the IRS agreed that a design under which all retirees' benefits increased—by $10/year—for each year of service after 3 YOS (up to a set maximum) was nondiscriminatory. Notably, contrary to the apparent requirement of the Identical Benefit Rule, this benefit wasn't identical for all covered retirees—rather, the benefit increased with years of service, and all retirees received benefits over the same time span. Nevertheless, the IRS concluded that because the benefit amount and duration for any particular number of years of service was identical for all covered retirees, the design was nondiscriminatory.

IV. SECTION 105(H)'S APPLICATION TO DISTRICT'S PLAN

As currently written, the Plan provides no benefits to retirees with 3–9 years of service. Consequently, on audit or other review, we believe that there is a substantial risk that the IRS would assert that the Plan is discriminatory and that, therefore, all benefits received under the Plan by retiree HCIs are taxable. If the District doesn't treat those benefits as taxable, the District would be exposed to tax penalties for failing to:

- withhold income taxes from HCIs' benefits;
- withhold and pay FICA taxes[10] on the benefits; and
- report the benefits as taxable income on Form W-2.[11]

Below are options for mitigating section 105(h) risk. The options are ordered from lowest to highest risk of an IRS finding of 105(h) discrimination and—not coincidentally—from most to least costly for the District.

Description of Modification	Comments
Provide retirees with 3+ YOS with proportional benefits	*Low risk.* As previously recommended, retirees with 3–9 YOS would be provided with benefits proportional to 10+ YOS retirees' benefits.
Provide retirees with 3–9 YOS with non-proportional benefits	*Medium risk.* Under this option, the Plan would cover retirees with 3–9 YOS, but provide these retirees with benefits disproportionally lower than 10+ YOS retirees' benefits.

[10] FICA comprises Medicare taxes and, to the extent applicable to District employees, Social Security taxes.

[11] The District's liability for prior years is limited by a three-year statute of limitations ("SOL"). The SOL starts on April 15th of the year after the year at issue. For instance, the SOL for 2014 expires on April 15, 2018.

Description of Modification	**Comments**
Do nothing	*High risk.* Leaves the District exposed to the above-discussed tax risks.

* * *

If you have any questions about this memorandum, please contact Marcus Wu, (858) 509-4030, marcus.wu@pillsburylaw.com.

June 6, 2017
Prepared by: Alex Aguilar
Submitted by: R. Jacobson/C. Clary
Approved by: Paul Cook P. Cook.

FINANCE AND PERSONNEL COMMITTEE:

FISCAL YEAR 2017/18 OPERATING BUDGET
VENDOR EXPENDITURE COMMITMENTS GREATER THAN $100,000

SUMMARY:

Each year, following Board approval of the District's operating budget, staff initiates or renews commitments with vendors for certain products and services included in the approved budget. Staff has provided a list of those vendors with expected commitments totaling $100,000 or greater in fiscal year (FY) 2017/18 for the Committee's review. The list of vendor commitments excludes contracts/agreements which were previously approved by separate Board action. Consistent with provisions included in the District's *Policy Regarding Authorization of Expenditures*, staff recommends that the Board approve the list of vendor expenditure commitments greater than $100,000 for FY 2017/18.

BACKGROUND:

On an annual basis, the Board approves the fiscal year operating budget for the District for the upcoming year. Included in the operating budget are expenditures for line items such as chemicals, fuel, hauling of biosolids and other products and services which result in commitments greater than $100,000. These expenditures typically utilize cooperative agreements for best pricing when applicable, or have been previously competitively bid and in some cases are for products (e.g. certain chemicals) provided by a single supplier.

These commitments are structured as open purchase orders and typically consist of multiple individual transactions during the fiscal year with the cumulative total of the purchase order exceeding $100,000. The approval structure allows staff to order goods and services on a regular and efficient basis during the fiscal year. These commitments are a "not to exceed" amount and can be cancelled at any time.

A list of the planned vendor commitments exceeding $100,000 for FY 2017/18 is attached as Exhibit "A". The list includes vendor names, descriptions of the products or service being provided, the basis for pricing (e.g. cooperative agreement, single source, etc.) and estimated annual expense. Excluded from this list are contracts in excess of $100,000, which have been previously approved by separate Board action and are within their approved contract period as well as recurring utility bills.

The total planned expenditure amount for the listed vendors for FY 2017/18 is $2,226,000, representing approximately 1.5% of total planned expenditures in the approved operating budget. Consistent with provisions included in the District's *Policy Regarding Authorization of Expenditures*, staff recommends that the Committee approve the list of vendor commitments greater than $100,000 for FY 2017/18 and recommends Board approval of the same.

FISCAL IMPACTS:

Total planned expenditures for FY 2017/18 for vendor commitments greater than $100,000 (excluding contracts/agreements approved by separate Board action) are $2,226,000, representing approximately 1.5% of total planned expenditures in the approved FY 2017/18 operating budget.

EVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

That the Board approve the list of vendor commitments greater than $100,000 based on approved FY 2017/18 operating budget expenditures.

LIST OF EXHIBITS:

Exhibit "A" – FY 2017/18 Operating Budget - Vendor Commitments Greater than $100,000

Exhibit "A"

FY 2017/18 Open POs Greater than $100,000

VENDORS	SERVICES	PO#	Requester	Dept	TYPE	TIME	Forecasted FY 2017/18 PO Amt
Olin Corporation	OPEN PO TO SUPPLY MWRP WITH SODIUM HYPOCHLORITE 12.5% FOR EFFLUENT DISINFECTION DELIVERIES. DEL METHOD: BULK, VOL 4500-5000 GAL. SOCWA AGREEMENT.	520011	J Perez	550	Cooperative Agreement (SOCWA)	Annual	$ 375,000.00
Athens Services	OPEN PO TO SUPPLY SCREENINGS AND GRIT REMOVAL FROM MWRP. DEL METHOD: ATHENS TRUCK SERVICE. SOCWA AGREEMENT.	530789	J Perez	550	Cooperative Agreement (SOCWA)	Annual	$ 110,000.00
Olin Corporation	OPEN PO FOR BULK SODIUM HYPOCHLORITE 12.5% (#105004 NSF APPROVED); SOCWA CONTRACT PRICE - $0.554/GALLON UNTIL OCT 5, 2017	530985	D Paulson	420	Cooperative Agreement (SOCWA)	Annual	$ 175,000.00
JCI Jones Chemicals Inc	OPEN PO FOR SODIUM HYDROXIDE 25% (#1402-001) at BWTP (ID# 8 & ID# 1) & IDF (2510 SUSAN ST. ID# 2).	533441	D Paulson	420	Cooperative Agreement (SOCWA)	Annual	$ 290,000.00
Hill Brothers Chemical	OPEN PO FOR DELIVERY OF ODOR CONTROL PRODUCT (OXY-CAN) TO HATS DIVERSION SITE AS REQUIRED. UNIT PRICE $3.05/GAL, MINIMUM 300 GAL DEL. FUEL SURCHARGE $20.	530779	H Solis	570	Single Source	6 Years	$ 115,000.00
Aqua Ben Corp	OPEN PO FOR HYDROFLOC 860 BULK SHIPMENTS FOR LAWRP. BULK SHIPMENT IS APPROX 4,200 GAL @ 10.34 LB/GAL = 43,428 LBS. EST @ $0.70/LB DELIVERED.	530675	V Cady	590	Single Source	3 Years	$ 130,000.00
Il Fuels Inc	OPEN PO FOR 87 OCTANE UNLEADED & ULTRA LOW SULPHER DIESEL #2 FUELS AT MRWP AND LAWRP FACILITIES	Cal Card	R Perry	850	Single Source	2 Years	$ 426,000.00
BioMagic Inc.	OPEN PO FOR ODOR CONTROL CHEMICAL DELIVERIES (BIOMAGIC 250 - @ $3.20 PER GALLON) FOR COLLECTIONS LIFT STATION AND ODOR CONTROL INJECTION	530788	H. Solis	570	Single Source	6 Years	$ 225,000.00
Chem Tech International Inc.	OPEN PO FOR CL-50 CORROSION CONTROL($15.36/GALLON) TO SGU AND PAP SITES	530975	D.Paulson	420	Single Source	4 Years	$ 150,000.00
Chem Tech International Inc.	OPEN PO TO PROVIDE SODIUM HYPOCHLORITE 12.5% MINI-BULK DELIVERIES ($1.47/GALLON) TO DATS	533310	B Clinton	420	Single Source	4 Years	$ 130,000.00
Chem Tech International Inc.	OPEN PO TO PROVIDE SODIUM HYPOCHLORITE 12.5% MINI-BULK DELIVERIES ($1.47/GALLON) TO RMS, DATS, and PTP Facilities	532690	D Paulson	420	Single Source	4 Years	$ 100,000.00
						Total	**$ 2,226,000.00**

Note: All goods and services are included in the approved FY 2017-18 operating budget.

June 6, 2017
Prepared by: Tony Mossbarger/Jeff Bertsch TM JB
Submitted by: Cheryl Clary CC
Approved by: Paul Cook P. Cook

FINANCE AND PERSONNEL COMMITTEE

NETWORK INFRASTRUCTURE UPGRADES

SUMMARY:

Staff issued a request for proposal (RFP) for Network Infrastructure Upgrades and received responses from three firms. Based on a thorough evaluation of the proposals, staff recommends that the Committee recommend Board approval of a General Plant expenditure of $504,400 with Resilient Communications for purchase, installation, and configuration of Network Infrastructure Upgrades at Sand Canyon Headquarters, Operations Center, Baker Water Treatment Plant, and Los Alisos Water Recycling Plant.

BACKGROUND:

The current network infrastructure equipment, purchased and installed in 2007, provides access to the District's enterprise network and is nearing end of service. The District's enterprise network supports the interconnection of personal computers, laptops, wireless devices, printers, telephones, servers, and other network based devices.

Staff issued an RFP for Networking Infrastructure Upgrades to four pre-qualified vendors that are certified providers of Cisco networking equipment. Proposals were received from Glass Box Technology, Resilient Communications, and Sirius Computer Solutions. The proposal results were as follows:

Vendor	Proposal Amount
Resilient Communications	$504,400
Sirius Computer Solutions	$787,536
Glass box Technology	$1,117,496

Resilient Communications had the best overall pricing for the Network Infrastructure Upgrades, providing the District significant discounts from list pricing, and has experience providing networking equipment and implementation services to public agencies. The agencies include Orange County Water District and Moulton Niguel Water District. Staff believes that Resilient Communications is the best equipped to implement the Network Infrastructure Upgrades at the Sand Canyon Headquarters, Operations Center, Baker Water Treatment Plant, and Los Alisos Recycling Plant.

FISCAL IMPACTS:

Funds for the Network Infrastructure Upgrades are included in the FY 2015-16 and FY 2016-17 Operating Budgets for General Plant replacement.

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 recommend Board approval of a general plant expenditure of $504,400 with Resilient Communications to purchase and implement the Network Infrastructure Upgrades.

LIST OF EXHIBITS:

Exhibit "A" – Vendor Evaluation Matrix for Network Infrastructure Upgrades

EXHIBIT A - VENDOR EVALUATION MATRIX

Network Infrastructure Upgrades					
Item	**Description**	**Weights**	**Glass Box Technology**	**Resilient Communications**	**Sirius Computer Solutions**
A	**TECHNICAL APPROACH AND SCHEDULE**	**40%**			
1	Overall Project Understanding / Approach	30%	3.0	1.0	2.0
2	Scope of Proposal	60%	3.0	1.0	2.0
3	Schedule	10%	3.0	1.0	2.0
	Weighted Score (Technical Approach)		3.0	1.0	2.0
B	**QUALIFICATION AND EXPERIENCE**	**60%**			
1	Vendor Team	40%	3.0	1.5	1.5
2	Vendor References	20%	2.5	1.0	2.5
4	Vendor Experience	40%	2.0	2.0	2.0
	Weighted Score (Experience)		2.5	1.6	1.9
	COMBINED WEIGHTED SCORE		2.7	1.4	1.9
	Ranking of Vendors				
C	**SCOPE OF WORK**				
			COSTS	COSTS	COSTS
	Equipment, maintenance, tax, shipping		$617,498	$480,106	$625,065
	Professional Services		$457,949	$22,800	$162,471
	Additional Expenses		$42,049	$1,494	
			Tools, patch cables, travel	Patch cables	
	TOTAL COSTS		**$1,117,496**	**$504,400**	**$787,536**
D	**OTHER**				
	Joint Venture		Unknown	None	None
	Sub Consultants		Yes	Yes	Unknown
	Exceptions taken to IRWD Std. Contract		None	None	None
	Insurance (Professional & General Liability)		Unknown	Yes	Yes
	RANKINGS:				
	1 - Best				
	2 - 2nd Best				
	3 - 3rd Best				

June 6, 2017
Prepared by: Eileen Lin EL
Submitted by: Cheryl Clary CC
Approved by: Paul Cook P. Cook

FINANCE AND PERSONNEL COMMITTEE

PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS PLAN FUNDING AND UPDATE

SUMMARY:

The District strives to maintain a fully funded or near fully funded pension plan and Other Post-Employment Benefits (OPEB) plan status. The District's pension obligation was fully funded as of June 30, 2016. During the past two years, CalPERS has achieved lower investment returns than anticipated and is also planning a decrease in its actuarial assumed discount rate over the next three years. The result will be an increase in required pension plan contributions and a higher pension liability for all CalPERS agencies in the coming years. Staff recommends that the Committee approve and recommend Board approval of an additional contribution of $6 million to the IRWD Section 115 Retirement Trust (Trust) in fiscal year ended 2017 to fully fund the pension plan. In addition, Staff recommends that the Committee approve and recommend Board approval of a contribution of $11.2 million to the Trust to fully fund the OPEB liability.

BACKGROUND:

New pension accounting rules require the District to reflect its net pension asset or liability on its Balance Sheet beginning fiscal year ended June 2015. In addition, new post-employment accounting rules will require the District to reflect its OPEB net asset or liability on the Balance Sheet beginning with the fiscal year ending June 2018.

IRWD has taken significant steps over the past few years to address its pension obligation by creating a Trust and has contributed more than $54.1 million since its inception. The Trust has a market value of $65.0 million as of April 30, 2017. The District's pension obligation was fully funded as of June 30, 2016. A fully funded pension plan means the fair value of the assets are equal to the actuarially determined future liabilities given an assumed discount rate and other key assumptions. A fully funded pension was an important consideration by the rating agencies in providing the District with the highest possible credit rating of "AAA" during the recent debt issuance process.

The District currently has a policy of contributing 25 percent of employee salaries to CalPERS and the Trust, with the required annual contribution made to CalPERS and any additional contribution made to the Trust. An initial one-time contribution of $35.0 million was made in June 2013 to the Trust to fully fund the pension plan. The District has made additional contributions totaling $54.1 million since the initial contribution including a Board approved contribution of $11.0 million in February 2017. During the past few years, CalPERS has experienced lower investment returns than the assumptions used to determine the pension liability. In addition, CalPERS recently announced plans to decrease the actuarial assumed discount rate from 7.65% to 7.0 % over three years beginning fiscal year ended 2018. The result will be that pension plan contributions and liabilities are expected to significantly increase over the coming years.

In addition, the District has funded its post-employment obligations on a pay as you go basis and this obligation is currently under funded. As discussed above, the obligation is required to be reflected on the Balance Sheet effective with fiscal year ending June 2018.

Increased Funding of the Pension Plan and OPEB Plan:

Staff recommends that the District continue to fully fund its pension liability. The Board approved a contribution of $11.0 million in February 2017 pending further analysis by the District's actuary of investment returns through the remainder of the year. Updated current actuarial estimates show that the pension plan will be underfunded by approximately $6.0 million for the fiscal year ending June 2018. In order to achieve full funding of the pension liability, staff recommends making an additional contribution of $6.0 million to the Trust in fiscal year ended 2017 funded from borrowing from the Replacement Fund. Recent accounting guidance effective for fiscal year ending 2018 will require that pension assets in the Trust will not be permitted to reduce the Districts' net pension liability on the Balance Sheet. The District will continue to reflect the fully funded status in the related pension footnotes including contributions to the Pension Trust.

In addition, the District has funded its post-employment obligations (OPEB) on a pay as you go basis and this obligation is currently underfunded. As discussed above, the obligation is required to be reflected on the Balance Sheet effective with fiscal year ending June 2018. The actuary has indicated that approximately $11.2 million is needed to fully fund the plan. Staff recommends making a contribution of $11.2 million to the trust funded by $1.2 million received from Pacific Life in 2008 and a borrowing of $10.0 million from the Replacement Fund. The OPEB funding will be established as a sub-account to the existing Section 115 Trust. Recent accounting guidance relative to OPEB permits that OPEB assets in the Section 115 Trust are permitted to reduce the Districts' net OPEB liability on the Balance Sheet.

FISCAL IMPACTS:

The additional contributions to the Trust were not budgeted. Funding will come from the Replacement Fund, and funds will be invested on a periodic basis as directed by the IRWD Retirement Board.

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 recommend that the Board approve the additional contributions of $17.2 million to the IRWD Section 115 Retirement Trust.

LIST OF EXHIBITS:

None.

June 7, 2016
Prepared by: Christopher Smithson
Submitted by: Cheryl Clary CC
Approved by: Paul A. Cook P.C.

FINANCE AND PERSONNEL COMMITTEE

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

SUMMARY:

Staff recommends changes to the existing connection fees and tax rates based on updated data for the IRWD improvement districts (ID). The Long Term Capital Funding Plan (LTFP), completed in November 2013, established connection fees and formed new IDs for funding capital requirements and setting tax rates. The rates were last updated in July 2016.

Staff updated the District's financial model for FY 2017-18 rate setting to include:

- Updated capital improvement program;
- Additional capital contributions from the City of Irvine / Great Park;
- Fund balance adjustments after the Long Term Financial Plan was implemented in Oracle in February 2017; and
- Updated assessed valuations.

The proposed connection fees for developed improvement districts are based on the Engineering News Record (ENR) estimated capital cost increase of 2.70%. Staff recommends that the Committee recommend Board approval of the revised connection fees and property taxes as proposed.

BACKGROUND:

A fundamental concept in the District's LTFP is that the costs of new capital facilities are shared equally between the connection fees paid by the developer and property taxes paid by property owners. The District uses a comprehensive financial model to incorporate regional capital costs, future development, growth rates, inflation, and other variables to determine connection fees. Connection fee increases were modeled for both residential and commercial development along with a consolidated tax rate.

Connection fees were last updated for the IDs in July 2016, with recommended periodic updates based on an updated capital budget and other changing assumptions. The proposed changes, which include increases to the ENR construction cost index, are discussed below.

IDs 112/212:

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

City of Irvine / Great Park

In December 2016, staff presented to the Committee a proposed recycled water connection fee for the Great Park development area. Based on Committee direction, the fee for the Great Park was reviewed in detail, and staff met with City staff on several occasions to discuss the IRWD's calculation. While the potable and sewer connection fees were calculated in line with the traditional methodology utilized for all IDs, IRWD had not previously established a recycled connection fee. The Great Park is unique in that significant recycled water infrastructure was built to meet demands and the District needs to establish a connection fee to recover those costs. The costs of the recycled water facilities is $28.85 million.

In paying this amount, the City has requested that: 1) 50% of the fee be paid at the time of connection, and 2) that IRWD provide financing for the remaining 50% payable over 30 years. IRWD is prohibited under Government Code from lending funds to another public agency, but it is permissible for IRWD to provide financing if the financing is considered an investment in the other public agency. (For example, IRWD executed an investment of this nature when it financed El Toro Water District's capacity purchase in the Baker Water Treatment Plant.) If IRWD were to finance 50% of the City's connection fee payment, the interest rate would be set based on the Bloomberg Fair Value Municipal Index based on the City of Irvine's underlying credit rating for a 30 year issue.

FivePoint Communities – Great Park Neighborhoods

The Great Park Neighborhoods is the FivePoint Communities development within ID 112/212. Staff recommends a 21.1% reduction in the current connection fees based on changes in the capital program from shifts outside the ID (primarily the elimination of the East Orange development) as well as the Great Park connection fee. The consolidated water and sewer connection fee decreases by $1,053, from $5,003 to $3,950 per unit. Staff recommends maintaining the current consolidated tax rate of $0.7500 per $100 of land assessed value in order to maintain the 50/50 split.

County of Orange 100-acre Parcel

Staff recommends applying the same 21.1% reduction to the connection fee for the 100-acre development site owned by the County of Orange with no tax base. The consolidated water and sewer connection fee decreases by $1,938, from $9,206 to $7,268 per unit. The property tax rate will remain at zero because as long as this property is owned by the County, there is no tax base.

	Connection Fees		**Property Tax**	
Improvement Districts	**Current**	**Proposed**	**Current**	**Proposed**
112/212 (Great Park Neighborhood)	$5,003	$3,950	$0.0750	$0.0750
112a/212a (County 100-acre Parcel)	$9,206	$7,268	$0.0000	$0.0000

IDs 113/213 – Tustin Base:

Staff recommends decreasing connection fees by 2% after consideration of the adjusted fund balance. This will decrease the water and sewer connection fee $158, from $7,921 to $7,762 per unit. Staff recommends maintaining the current consolidated tax rate of $0.09900 per $100 of land assessed value in order to maintain the 50/50 split.

	Connection Fees		Property Tax	
Improvement Districts	**Current**	**Proposed**	**Current**	**Proposed**
113/213	$7,921	$7,762	$0.0990	$0.0990

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

In March 2014, General Obligation (GO) bonding authority was voted in for these IDs which provides for a sharing of the capital costs between connection fees and property taxes and bonds were issued in 2016. Staff recommends no change to the existing connection fees. Staff recommends establishing a property tax rate of $0.05350 per $100 of land assessed value.

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

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

Some of the capital shifts identified earlier resulted in an increase in capital costs for IDs 188/288. The future development for 188/288 is smaller than most IDs (900 units) and an increase in future capital, along with the elimination of bonding authority, directly affects the connection fee. Staff recommends increasing connection fees by $2,663, increasing the water and sewer connection fee from $4,035 to $6,698 per residential unit. Staff recommends reducing the current consolidated tax rate of $0.22540 to $0.0835 per $100 of land assessed value. The reduction will provide sufficient revenue to meet annual debt service. The reduction is driven primarily from a significant increase in the assessed value (1,000%).

	Connection Fees		Property Tax	
Improvement Districts	**Current**	**Proposed**	**Current**	**Proposed**
188/288 (Opportunity Study)	$4,035	$6,698	$0.2254	$.0835

IDs 153/253 – Developing IDs:

There has been significant change in development projections in this area. The East Orange development has been reduced with the land being donated as open space. Capital demands and development projections have been updated. The Irvine Lake Management Plan is complete and staff recommendation is to continue with the assumed native water yield of 3,200 acre feet (AF). Assuming the MWD rate increases from 2016 and the proposed increase for 2017, and that water sold to the other agencies is valued at 90% of the imported cost, the future native water revenue increases significantly. Based on the capital adjustments and the assumed native water yield, staff recommends a connection fee decrease of 15%. Staff recommends decreasing connection fees by $628, decreasing the consolidated water and sewer connection fee from $4,188 to $3,560. Bonds were issued for these IDs in 2016. Staff recommends establishing a property tax rate of $0.04100 per $100 of land assessed value.

	Connection Fees		Property Tax	
Improvement Districts	**Current**	**Proposed**	**Current**	**Proposed**
153/253 (Undeveloped ID)	$4,188	$3,560	$0.0000	$0.0410

ID 256 – Orange Park Acres (OPA) Sewer:

In 2011, a connection fee was established for ID 256 (sewer for OPA). The basis for the recommended sewer connection fees was the anticipated construction cost estimate for a community sewer system in OPA (documented in the OPA Sub-Area Master Plan). This includes a full buy-in into the Orange County Sanitation District (OCSD) capital outlay (CORF and Equity). The connection fee is currently $25,839.

To date, local homeowners have funded the necessary local infrastructure connecting to existing systems. The staff recommendation assumes that IRWD will not provide construction for the community sewer and any community facility costs will be funded by local homeowners. The connection fee will provide for a full buy-in into the OCSD capital outlay. In changing the capital requirements, the sewer connection fee will decrease from $25,839 to $5,900 per residential unit.

	Connection Fees		Property Tax	
Improvement Districts	**Current**	**Proposed**	**Current**	**Proposed**
156/256 (Undeveloped ID)	$25,839	$5,900	$0.0000	$0.0000

Some homeowners have been charged the current connection fee and the difference will be refunded to existing homeowners.

All Other IDs:

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

	Connection Fees		Property Tax	
Improvement Districts	**Current**	**Proposed**	**Current**	**Proposed**
125/225(Developed)	$5,484	$5,633	$0.028	$0.028
101/201(Developed no GO Authority)[1]	$9,100	$9,346	NA	NA

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

FISCAL IMPACTS:

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

ENVIRONMENTAL COMPLIANCE:

Not Applicable

RECOMMENDATION:

That the Board approve the revised connection fees and property taxes as proposed.

LIST OF EXHIBITS:

Exhibit "A" – Proposed Connection Fees and Property Tax Rates by ID

Exhibit "A"

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

CONNECTION FEES

	Current			Proposed				
							Change	
Improvement District	Water	Sewer	Total	Water	Sewer	Total	$	%
101/201	$3,260	$5,840	$9,100	$3,348	$5,998	$9,346	$246	2.7%
112/212	$1,386	$3,617	$5,003	$1,460	$2,490	$3,950	($1,053)	-21.1%
112a/212a No Tax Aut	$2,550	$6,656	$9,206	$2,686	$4,582	$7,268	($1,938)	-21.1%
113/213	$2,881	$5,040	$7,921	$2,823	$4,939	$7,762	($158)	-2.0%
125/240	$2,637	$3,621	$6,258	$2,708	$3,719	$6,427	$169	2.7%
125/225	$2,637	$2,847	$5,484	$2,708	$2,924	$5,633	$148	2.7%
153/253	$1,937	$2,251	$4,188	$1,646	$1,913	$3,560	($628)	-15.0%
153/253 PA 30	$3,619	$3,776	$7,395	$3,076	$3,210	$6,286	($1,109)	-15.0%
256 OPA		$25,839	$25,839		$5,900	$5,900	($19,939)	-77.2%
185/285	$1,652	$2,949	$4,601	$1,652	$2,949	$4,601	$0	0.0%
188/288	$1,486	$2,548	$4,035	$2,467	$4,230	$6,698	$2,663	66.0%

PROPERTY TAX RATES (1)

Improvement District	Current	Proposed
112/212	$0.0750	$0.0750
113/213	$0.0990	$0.0990
125/225	$0.0280	$0.0280
153/253 (2)	$0.0000	$0.0410
185/285 (2)	$0.0000	$0.0535
188/288	$0.2254	$0.0835

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

(2) No current tax rate because debt had not been issued previously in these IDs.

June 6, 2017
Prepared by: J. Davis/T. Fournier
Submitted by: R. Jacobson/C. Clary
Approved by: Paul 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 May 31, 2017, as outlined in Exhibit "A"
- The U.S. Treasury Yield Curve as of May 31, 2017, as outlined in Exhibit "B"
- The Summary of Fixed and Variable Debt as of May 31, 2017, as outlined in Exhibit "C"
- The Summary of Variable Rate Debt Rates as of May 31, 2017, as outlined in Exhibit "D"

BACKGROUND:

Investment Portfolio:

For May 2017, the rate of return for the fixed income investment portfolio was 1.01%, which was a 0.01% increase from April's rate of 1.00%. Including real estate investments, the weighted average rate of return for the District's investment portfolio for May 2017 was 3.13%, which was a 0.02% decrease from April's rate of 3.15%.

Debt Portfolio:

As of May 31, 2017, the District's weighted average all-in variable rate was 1.03%, which was a 0.13% decrease from April's rate of 1.16%. 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 3.44%, which is a 0.22% decrease from April's rate of 3.66%. The decrease is primarily due to the change in the negative cash accrual from $615,774 to $519,551 for the District's fixed payer swaps and a decrease in variable debt rates.

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 May 31, 2017, the District had posted $1,897,513 of collateral with Citigroup, which is an increase of $574,563 from April's posted amount. No collateral is posted with Merrill Lynch. The collateral earns the Fed Funds Effective Rate, which is currently 0.91%.

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.

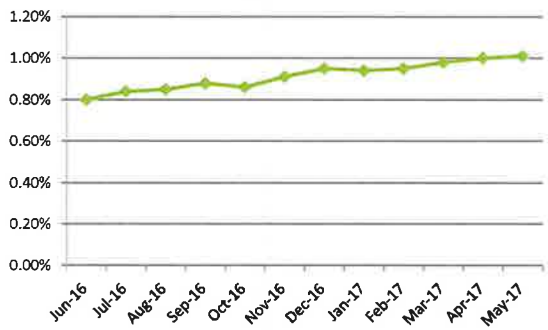
LIST OF EXHIBITS:

Exhibit "A" – Investment Portfolio Summary as of May 31, 2017
Exhibit "B" – Yield Curve as of May 31, 2017
Exhibit "C" – Summary of Fixed and Variable Debt as of May 31, 2017
Exhibit "D" – Summary of Variable Rate Debt Rates as of May 31, 2017

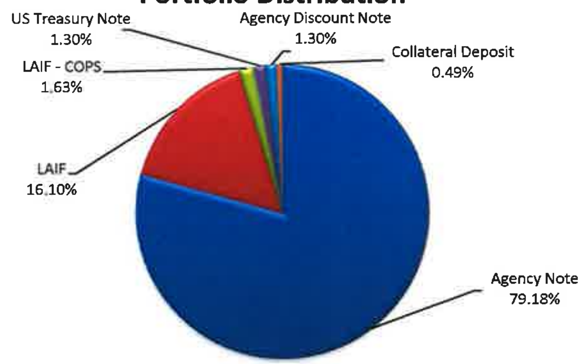
Exhibit "A"

Irvine Ranch Water District
Investment Portfolio Summary
May 2017

Monthly Fixed Income Yield



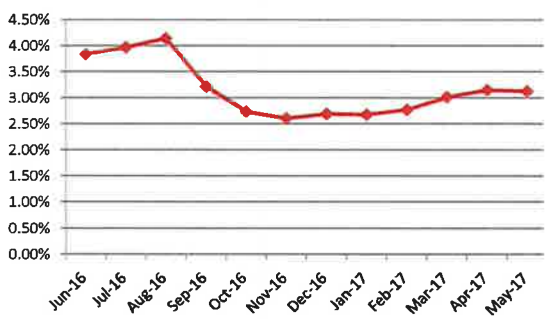
Portfolio Distribution



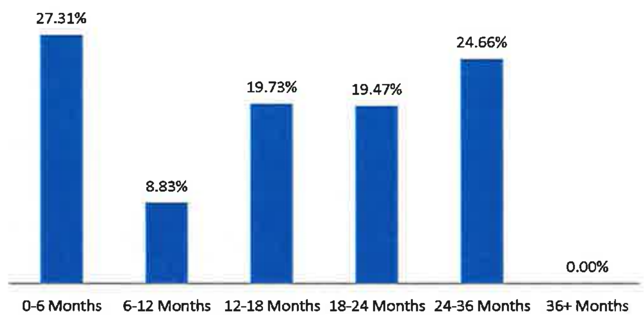
Investment Summary

Type	PAR	Book Value	Market Value
Agency Note	305,000,000	305,254,484	303,997,630
LAIF	62,000,000	62,000,000	61,948,909
LAIF - COPS	6,300,000	6,300,000	6,294,808
US Treasury Note	5,000,000	5,023,385	5,020,300
Agency Discount Note	5,000,000	4,996,750	4,992,200
Collateral Deposit	1,897,513	1,897,513	1,897,513
Grand Total	385,197,513	385,472,132	384,151,360

Weighted Average Return Including Real Estate Portfolio



Maturity Distribution



Top Issuers

Issuer	PAR	% Portfolio
Fed Home Loan Bank	121,000,000	31.41%
Fed Home Loan Mortgage Corp	84,000,000	21.81%
State of California Treasury - LAIF	68,300,000	17.73%
Fed Farm Credit Bank	55,000,000	14.28%
Fed Natl Mortgage Assoc	50,000,000	12.98%
US Treasury Note	5,000,000	1.30%
Citi-Group Collateral	1,897,513	0.49%
Merrill Lynch Collateral	0	0.00%
Grand Total	385,197,513	100.00%

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

05/31/17

SETTLMT *	Call Schedule	Initial Call	Maturity Date	Rating	INVESTMENT TYPE	INSTITUTION / ISSUER	PAR Amount	COUPON DISCOUNT	YIELD	ORIGINAL COST	CARRY VALUE	MARKET VALUE[1] 5/31/2017	UNREALIZED[2] GAIN/(LOSS)
03/06/17			06/01/17		LAIF	State of California Tsy.	$62,000,000		0.890%	$62,000,000.00	$62,000,000.00	61,948,908.96	(51,091.04)
03/06/17			06/01/17		LAIF - COPS	State of California Tsy.	6,300,000		0.890%	$6,300,000.00	$6,300,000.00	6,294,808.49	(5,191.51)
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	5,000,735.64	4,999,950.00	(785.64)
12/09/16	N/A	N/A	07/07/17	NR	FHLB - Discount Note	Fed Home Loan Bank	5,000,000	0.647%	0.658%	4,981,041.65	4,996,750.00	4,992,200.00	(4,550.00)
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	4,999,401.81	4,997,300.00	(2,101.81)
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	4,999,782.19	5,001,400.00	1,617.81
01/30/17	N/A	N/A	10/31/17	NR	US Treasury - Note	US Treasury	5,000,000	1.875%	0.743%	5,042,154.40	5,023,384.92	5,020,300.00	(3,084.92)
12/08/16	N/A	N/A	11/21/17	AAA/NR/NR	FHLB - Note	Fed Home Loan Bank	10,000,000	0.750%	0.866%	9,989,000.00	9,994,531.61	9,985,900.00	(8,631.61)
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	4,991,838.62	4,994,000.00	2,161.38
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	3,999,850.39	3,992,080.00	(7,770.39)
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	4,996,600.00	(3,400.00)
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	5,007,678.08	4,990,700.00	(16,978.08)
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	4,998,295.08	4,981,250.00	(17,045.08)
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	4,997,609.59	4,982,850.00	(14,759.59)
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	5,005,132.52	4,984,350.00	(20,782.52)
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	11,028,232.05	11,006,050.00	(22,182.05)
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	10,008,613.70	9,980,300.00	(28,313.70)
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	4,989,838.98	4,966,500.00	(23,338.98)
12/21/16	One Time	08/15/17	08/15/18	Aaa/AA+/AAA	FHLMC - Note	Fed Home Loan Mortgage Corp	5,000,000	1.000%	1.245%	4,980,000.00	4,985,382.06	4,984,750.00	(632.06)
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	4,979,650.00	(20,350.00)
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	5,013,283.98	4,991,600.00	(21,683.98)
12/28/16	NA	NA	09/14/18	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	1.125%	1.225%	4,991,500.00	4,993,608.00	4,991,600.00	(2,008.00)
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	9,992,965.03	9,962,800.00	(30,165.03)
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	4,995,776.54	4,979,150.00	(16,626.54)
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	5,006,888.49	4,988,200.00	(18,688.49)
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	9,994,323.29	9,950,600.00	(43,723.29)
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	10,102,014.23	10,054,700.00	(47,314.23)
12/21/16	N/A	N/A	12/05/18	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	5,000,000	1.100%	1.319%	4,978,900.00	5,061,414.03	4,987,500.00	(73,914.03)
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	5,032,499.04	5,037,650.00	5,150.96
12/27/16	NA	NA	12/14/18	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	1.750%	1.320%	5,041,536.20	4,983,687.39	5,037,650.00	53,962.61
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	4,995,169.13	4,965,950.00	(29,219.13)
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	4,992,938.26	4,965,950.00	(26,988.26)
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	4,992,566.59	4,965,950.00	(26,616.59)
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	9,992,485.35	9,955,000.00	(37,485.35)
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	5,046,723.86	5,015,100.00	(31,623.86)
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	4,999,961.80	4,968,050.00	(31,911.80)
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	10,025,200.44	9,961,000.00	(64,200.44)
10/31/16	One Time	04/26/17	04/26/19	Aaa/AA+/AAA	FHLMC - Note	Fed Home Loan Mortgage Corp	5,000,000	1.050%	1.060%	4,998,750.00	4,999,042.17	4,969,500.00	(29,542.17)
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	4,998,219.52	4,950,650.00	(47,569.52)

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

05/31/17

SETTLMT *	Call Schedule	Initial Call	Maturity Date	Rating	INVESTMENT TYPE	INSTITUTION / ISSUER	PAR Amount	COUPON DISCOUNT	YIELD	ORIGINAL COST	CARRY VALUE	MARKET VALUE[1] 5/31/2017	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	5,063,915.55	5,021,050.00	(42,865.55)
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	5,053,618.07	5,021,050.00	(32,568.07)
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	4,976,022.79	4,942,650.00	(33,372.79)
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	4,996,809.55	4,961,850.00	(34,959.55)
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	4,998,875.34	4,931,500.00	(67,375.34)
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	4,999,250.23	4,960,750.00	(38,500.23)
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	4,998,069.97	4,928,650.00	(69,419.97)
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	5,001,162.71	4,956,850.00	(44,312.71)
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	9,991,775.06	9,918,200.00	(73,575.06)
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	9,979,844.61	9,901,300.00	(78,544.61)
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	5,000,609.59	4,963,900.00	(36,709.59)
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	4,992,165.76	4,987,100.00	(5,065.76)
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	4,987,541.21	4,981,450.00	(6,091.21)
12/12/16	NA	NA	12/12/19	Aaa/AA+/NR	FFCB - Note	Fed Farm Credit Bank	5,000,000	1.450%	1.440%	5,001,450.00	5,001,223.35	4,999,150.00	(2,073.35)
12/21/16	NA	NA	12/19/19	Aaa/AA+/NR	FFCB - Note	Fed Farm Credit Bank	5,000,000	1.500%	1.621%	4,982,350.00	4,984,966.01	4,996,950.00	11,983.99
05/12/17	One Time	10/27/17	04/27/20	Aaa/AA+/AAA	FHLMC - Note	Fed Home Loan Mortgage Corp	5,000,000	1.750%	1.729%	5,003,000.00	5,002,945.00	5,003,000.00	55.00
SUB-TOTAL							$383,300,000			$383,697,445.03	$383,574,619.16	$382,253,847.45	($1,320,771.70)
RESTRICTED CASH (Swap Collateral Deposits)[4]													
04/01/17					Collateral Deposit	Citi-Group	$1,897,513		0.910%	$1,897,512.69	$1,897,512.69	1,897,512.69	
					Collateral Deposit	Merrill Lynch	-						
SUB-TOTAL							$1,897,513			$1,897,512.69	$1,897,512.69	$1,897,512.69	
TOTAL INVESTMENTS							$385,197,513			$385,594,957.72	$385,472,131.85	$384,151,360.14	
					Petty Cash					3,400.00			
				April	Ck Balance	Bank of America				(108,663.78)			
										$385,489,693.94			

[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] Swap Collateral Deposits assumes 6 month maturity, dependent on interest rate changes

This Investment Summary Report is in conformity with the 2017 Investment Policy and provides sufficient liquidity to meet the next six months estimated expenditures.
*S - Step up

Outstanding Variable Rate Debt	$303,300,000
Net Outstanding Variable Rate Debt (Less $130 million fixed-payer swaps)	$173,300,000
Investment Balance:	$385,489,694
Investment to Variable Rate Debt Ratio:	222%
Portfolio - Average Number of Days To Maturity[4]	456

	Investment Portfolio	**Real Estate[3] Portfolio**	**Weighted Avg. Return**
May	**1.01%**	**14.25%**	**3.13%**
April	**1.00%**	**14.25%**	**3.15%**
Change	**0.01%**		**-0.02%**

IRVINE RANCH WATER DISTRICT
SUMMARY OF MATURITIES

05/31/17

DATE	TOTAL	%	LAIF	Agency Notes	Agency Discount Notes	Collateral Deposit	US Treasury
06/17	$73,300,000	19.03%	$68,300,000	5,000,000			
07/17	5,000,000	1.30%			5,000,000		
08/17	5,000,000	1.30%		5,000,000			
09/17	5,000,000	1.30%		5,000,000			
10/17	5,000,000	1.30%					5,000,000
11/17	11,897,513	3.09%		10,000,000		1,897,513	
12/17	5,000,000	1.30%		5,000,000			
01/18	4,000,000	1.04%		4,000,000			
02/18	5,000,000	1.30%		5,000,000			
03/18	5,000,000	1.30%		5,000,000			
04/18	5,000,000	1.30%		5,000,000			
05/18	10,000,000	2.60%		10,000,000			
SUB-TOTAL	$139,197,513	36.14%	$68,300,000	$59,000,000	$5,000,000	$1,897,513	$5,000,000
13 Months - 3 YEARS							
6/01/18 - 7/31/18	26,000,000	6.75%		26,000,000			
8/01/18 - 10/31/2018	50,000,000	12.98%		50,000,000			
11/01/18 - 1/31/2019	25,000,000	6.49%		25,000,000			
2/01/19 - 4/30/2019	50,000,000	12.98%		50,000,000			
4/01/2019 - 7/31/19	25,000,000	6.49%		25,000,000			
8/01/19 - 10/31/2019	40,000,000	10.38%		40,000,000			
11/01/2019 - 1/31/2020	25,000,000	6.49%		25,000,000			
02/01/2020 - 04/30/2020	5,000,000	1.30%		5,000,000			
	-						
	-						
TOTALS	$385,197,513	100.00%	$68,300,000	$305,000,000	$5,000,000	$1,897,513	$5,000,000
% OF PORTFOLIO			17.72%	79.19%	1.30%	0.49%	1.30%

Irvine Ranch Water District
Summary of Real Estate
3/31/2017

	ACQUISITION DATE	PROPERTY TYPE	OWNERSHIP INTEREST	ORIGINAL COST	ESTIMATED MARKET VALUE 6/30/2016	RATE OF RETURN QUARTER ENDED 3/31/2017
Sycamore Canyon	Dec-92	Apartments	Fee Simple	$ 43,550,810	$ 143,910,000	19.02%
Wood Canyon Villas	Jun-91	Apartments	Limited Partner	$ 6,000,000	$ 27,296,298	8.57%
ITC (230 Commerce)	Jul-03	Office Building	Fee Simple	$ 5,739,845	$ 9,384,000	6.68%
Waterworks Business Pk.	Nov-08	Research & Dev.	Fee Simple	$ 8,630,577	$ 7,650,000	4.85%
Sand Canyon Professional Center	Jul-12	Medical Office	Fee Simple	$ 8,648,594	$ 10,608,000	8.58%
				$ 72,569,826	$ 198,848,298	14.25%

IRVINE RANCH WATER DISTRICT INVESTMENT SUMMARY REPORT
INVESTMENT ACTIVITY
May-17

MATURITIES/SALES/CALLS

DATE	SECURITY TYPE	PAR	YIELD
5/12/2017	FNMA - Discount Note	$5,000,000	0.58%
5/30/2017	FHLB - Note	$5,000,000	0.64%

PURCHASES

Settlement Date	Maturity Date	SECURITY TYPE	PAR	YIELD TO MATURITY
5/12/2017	4/27/2020	FHLMC - Note	$5,000,000	1.73%

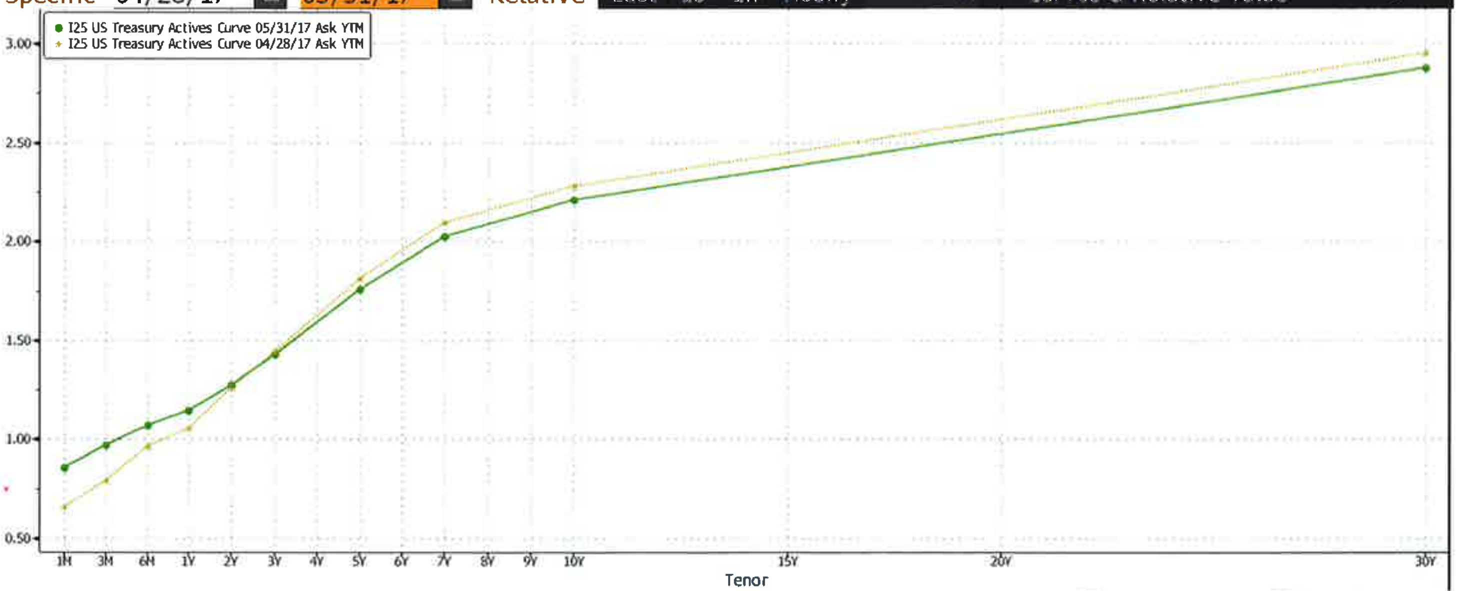
Exhibit "B"

Running as C15. Run GC for more features.

US Treasury Actives Curve | Actions | 98) Table | Settings | Graph Curves

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

Specific 04/28/17 | 05/31/17 | Relative | Last 1D 1W Modify | « | Curves & Relative Value



All Tenors | Key Tenors

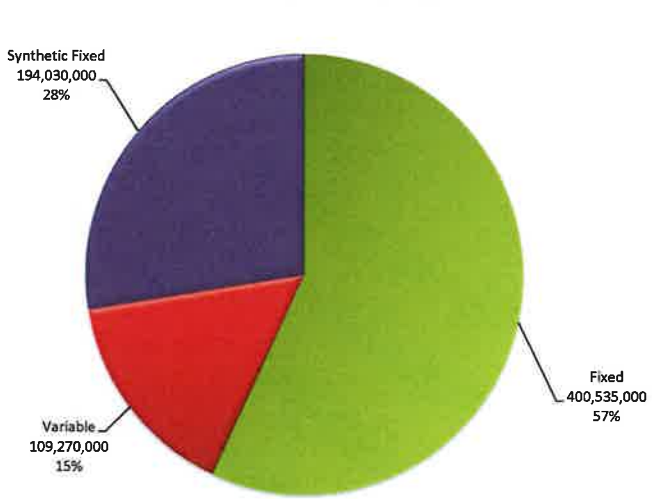
Curve Id	3M	1Y	2Y	3Y	5Y	10Y	30Y
11) I25 05/31/17	0.971	1.145	1.278	1.432	1.757	2.210	2.876
12) I25 04/28/17	0.792	1.058	1.262	1.443	1.814	2.280	2.951
13) I25 (05/31/17-04	17.8	8.8	1.6	-1.1	-5.8	-7.0	-7.5

SN 736334 PDT GMT-7:00 G731-756-0 31-May-2017 08:31:03

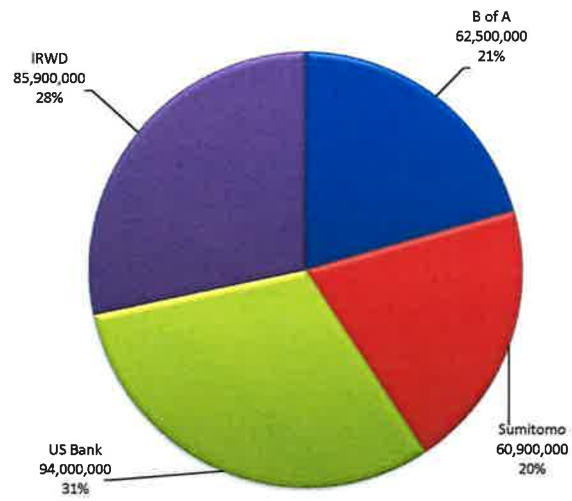
Exhibit "C"

Irvine Ranch Water District
Summary of Fixed and Variable Rate Debt
May 2017

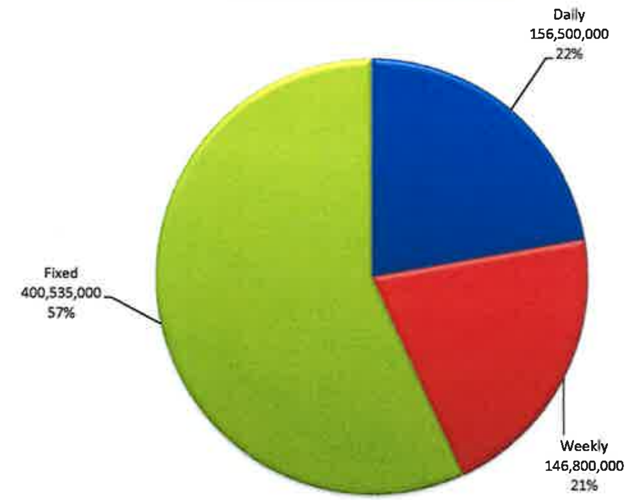
Current Debt Mix By Type



Letters of Credit / Support



Current Debt Rate Reset



Outstanding Par by Series

Series	Issue Date	Maturity Date	Remaining Principal	Percent	Letter of Credit	Rmkt Agent	Mode	Reset
Series 1993	05/19/93	04/01/33	$31,500,000	4.48%	US Bank	BAML	Variable	Daily
Series 1995	12/13/95	01/01/21	$9,900,000	1.41%	Sumitomo	CG	Variable	Weekly
Series 2008-A Refunding	04/24/08	07/01/35	$51,000,000	7.25%	Sumitomo	BAML	Variable	Weekly
Series 2011-A-1 Refunding	04/15/11	10/01/37	$51,540,000	7.32%	IRWD	Goldman	Variable	Weekly
Series 2011-A-2 Refunding	04/15/11	10/01/37	$34,360,000	4.88%	IRWD	Morgan	Variable	Weekly
Series 2009 - A	06/04/09	10/01/41	$62,500,000	8.88%	US Bank	US Bank	Variable	Daily
Series 2009 - B	06/04/09	10/01/41	$62,500,000	8.88%	B of A	Goldman	Variable	Daily
2010 Refunding Cops	02/23/10	03/01/20	$5,390,000	0.77%	N/A	N/A	Fixed	Fixed
2016 COPS	09/01/16	03/01/46	$116,745,000	16.59%	N/A	N/A	Fixed	Fixed
2010 Build America Taxable Bond	12/16/10	05/01/40	$175,000,000	24.86%	N/A	N/A	Fixed	Fixed
Series 2016	10/12/16	02/01/46	$103,400,000	14.69%	N/A	N/A	Fixed	Fixed
Total			$703,835,000	100.00%				

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IRVINE RANCH WATER DISTRICT

SUMMARY OF FIXED & VARIABLE RATE DEBT

May-17

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	$31,500,000	US BANK	05/07/15	11/07/18	Aa3/VMIG1	AA-/A-1+	N/R	$31,924,603	0.3300%	$105,351	BAML	DAILY	0.10%	$31,500	BANK OF NY
SERIES 1995	12/13/95	01/01/21	JAN 1	1st Bus. Day	$40,000,000	$9,900,000	SUMITOMO	04/01/11	07/14/17	Aa2/VMIG 1	AA-/A-1+	N/R	$10,046,466	0.3800%	$38,177	CG	WED	0.08%	$7,425	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	$303,300,000	SUB-TOTAL VARIABLE RATE DEBT						$220,122,849	0.3871% (Wt. Avg)	$852,104			0.10% (Wt. Avg)	$288,250	
FIXED RATE ISSUES																				
2010 REFUNDING COPS	02/23/10	03/01/20	Mar -1	MAR/SEPT	$85,145,000	$5,390,000	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	$400,535,000	SUB-TOTAL FIXED RATE DEBT													
					$869,720,000	$703,835,000	TOTAL- FIXED & VARIABLE RATE DEBT													

Remarketing Agents		
CG	9,900,000	3%
Goldman	114,040,000	38%
Morgan Stanley	34,360,000	11%
BAML	82,500,000	27%
US Bank	62,500,000	21%
	303,300,000	

GO VS COP's		
GO:	581,700,000	83%
COPS:	122,135,000	17%
Total	703,835,000	

LOC Banks	
SUMITOMO	60,900,000
BANK OF AMERICA	62,500,000
US BANK	94,000,000
	217,400,000

Breakdown Between Variable & Fixed Rate Mode		
Daily Issues	156,500,000	22%
Weekly Issues	60,900,000	9%
ITN Issues	85,900,000	12%
Sub-Total	303,300,000	
Fixed Rate Issues	$400,535,000	57%
Sub-Total - Fixed	400,535,000	
TOTAL DEBT FIXED & VAR.	703,835,000	100%

vrdsum.xlsx
5/30/2017

Exhibit "D"

IRVINE RANCH WATER DISTRICT
SUMMARY OF DEBT RATES
May-17

Rmkt Agent	GOLDMAN	GOLDMAN	MORGAN STANLEY	MERRILL LYNCH	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	31,500,000	51,000,000	9,900,000	62,500,000
Bank	BOFA	(SIFMA+7)	(SIFMA+7)	US BANK	Sumitomo	Sumitomo	US BANK
Reset		Wednesday	Wednesday		Wednesday	Wednesday	
5/1/2017	0.60%	0.97%	0.97%	0.58%	0.85%	0.88%	0.67%
5/2/2017	0.54%	0.97%	0.97%	0.52%	0.85%	0.88%	0.63%
5/3/2017	0.54%	0.97%	0.97%	0.48%	0.85%	0.88%	0.58%
5/4/2017	0.52%	0.92%	0.92%	0.47%	0.81%	0.81%	0.55%
5/5/2017	0.50%	0.92%	0.92%	0.47%	0.81%	0.81%	0.55%
5/6/2017	0.50%	0.92%	0.92%	0.47%	0.81%	0.81%	0.55%
5/7/2017	0.50%	0.92%	0.92%	0.47%	0.81%	0.81%	0.55%
5/8/2017	0.49%	0.92%	0.92%	0.45%	0.81%	0.81%	0.54%
5/9/2017	0.46%	0.92%	0.92%	0.41%	0.81%	0.81%	0.54%
5/10/2017	0.41%	0.92%	0.92%	0.40%	0.81%	0.81%	0.49%
5/11/2017	0.42%	0.86%	0.86%	0.43%	0.71%	0.79%	0.46%
5/12/2017	0.43%	0.86%	0.86%	0.45%	0.71%	0.79%	0.44%
5/13/2017	0.43%	0.86%	0.86%	0.45%	0.71%	0.79%	0.44%
5/14/2017	0.43%	0.86%	0.86%	0.45%	0.71%	0.79%	0.44%
5/15/2017	0.43%	0.86%	0.86%	0.45%	0.71%	0.79%	0.44%
5/16/2017	0.43%	0.86%	0.86%	0.47%	0.71%	0.79%	0.44%
5/17/2017	0.46%	0.86%	0.86%	0.47%	0.71%	0.79%	0.44%
5/18/2017	0.46%	0.85%	0.85%	0.47%	0.75%	0.77%	0.44%
5/19/2017	0.46%	0.85%	0.85%	0.49%	0.75%	0.77%	0.46%
5/20/2017	0.46%	0.85%	0.85%	0.49%	0.75%	0.77%	0.46%
5/21/2017	0.46%	0.85%	0.85%	0.49%	0.75%	0.77%	0.46%
5/22/2017	0.46%	0.85%	0.85%	0.50%	0.75%	0.77%	0.46%
5/23/2017	0.50%	0.85%	0.85%	0.49%	0.75%	0.77%	0.47%
5/24/2017	0.52%	0.85%	0.85%	0.50%	0.75%	0.77%	0.49%
5/25/2017	0.53%	0.85%	0.85%	0.53%	0.74%	0.77%	0.53%
5/26/2017	0.55%	0.85%	0.85%	0.57%	0.74%	0.77%	0.56%
5/27/2017	0.55%	0.85%	0.85%	0.57%	0.74%	0.77%	0.56%
5/28/2017	0.55%	0.85%	0.85%	0.57%	0.74%	0.77%	0.56%
5/29/2017	0.55%	0.85%	0.85%	0.57%	0.74%	0.77%	0.56%
5/30/2017	0.56%	0.85%	0.85%	0.58%	0.74%	0.77%	0.58%
5/31/2017	0.56%	0.85%	0.85%	0.58%	0.74%	0.77%	0.58%
Avg Interest Rates	0.49%	0.87%	0.87%	0.49%	0.76%	0.79%	0.51%
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	**0.99%**	**1.00%**	**1.00%**	**0.92%**	**1.21%**	**1.25%**	**1.00%**
Par Amount		114,040,000	34,360,000		82,500,000	9,900,000	62,500,000

Interest Rate Mode	Percent of Total Variable Rate Debt		Par Outstanding	Weighted All-In Average Rate		Base Rate Average
Daily	51.60%		156,500,000	0.98%		0.50%
Weekly	48.40%		146,800,000	1.09%		0.83%
	100.00%	$	**303,300,000**	1.03%		0.66%
Fixed						
COPS 2010	1.35%		5,390,000	3.82%		
COPS 2016	29.15%		116,745,000	2.90%		
BABS 2010	43.69%		175,000,000	4.46%	(1)	
SERIES 2016	25.82%		103,400,000	3.32%		
	100.00%	$	**400,535,000**	3.70%		
All-In Debt Rate Including $130 Million Notional Amount of Swaps						**3.44%**

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

June 6, 2017
Prepared by: J. Davis/T. Fournier
Submitted by: R. Jacobson/C. 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 March 31, 2017, as outlined in Exhibit "A".
- Mutual Fund Performance Review as of March 31, 2017, as outlined in Exhibit "B".

BACKGROUND:

Overview of the Deferred Compensation Assets:

As of March 31, 2017, the District's Section 457(b) and 401(a) Plans (collectively, the "Plans") assets totaled $50,350,301, which represented a $2,695,734 increase from the quarter ending December 31, 2016 and a $6,866,563 increase for the one-year period ending March 31, 2017. The changes in Plan assets over these two periods are summarized as follows:

	For the One-Year Period Ending March 31, 2017	*For the Quarter Ending March 31, 2017*
Beginning Balance	$43,483,738	$47,654,567
Employee Contributions	2,275,160	722,501
District Contributions	882,777	235,114
Transfers to/from other plans	735,559	309,877
Distributions	(1,711,149)	(428,297)
Loan Distributions[(1)]	(669,469)	(197,655)
Loan Repayments	113,931	37,266
Net Investment Gain (Loss)	5,239,753	2,016,928
Ending Balance – March 31, 2017	$50,350,301	$50,350,301
Change in assets for the period	$6,866,563	$2,695,734

(1) Number of loans outstanding: 37

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. The Hotchkis and Wiley Mid-Cap Value Fund has performed below the benchmark three of the trailing five quarters. If the fund fails any additional four quarters through December 2018 (totaling seven out of the trailing 12 quarters), the investment option is to be replaced. The Advised Assets Group Performance Review as of March 31, 2017 is attached as Exhibit "B".

FISCAL IMPACTS:

As of March 31, 2017, the District's Plan assets totaled $50,350,301, which represented a $2,695,734 increase from the quarter ending December 31, 2016 and a $6,866,563 increase for the one-year period ending March 31, 2017.

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

March 31, 2017

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	$36,012,525	$2,710,314	**$38,722,839**	**$11,627,462**	**$50,350,301**
Change From Prior Quarter	*$1,923,046*	*$145,603*	*$2,068,649*	*$627,085*	*$2,695,734*
Change From Prior Year (3/2016)	*$4,975,259*	*$157,246*	*$5,132,505*	*$1,734,058*	*$6,866,563*
Quarterly Contributions	**$722,501**	n/a	**$722,501**	**$235,114**	**$957,615**
Change From Prior Quarter	*$234,456*			$37,063	

****Increase in contributions is due to one addtioanl pay period in the quarter ended March 31, 2017.**

	For the One Year Period Ending March 31, 2017	For the Quarter Ending March 31, 2017
Beginning Balance	$43,483,738	$47,654,567
Employee Contributions	2,275,160	722,501
District Contributions	882,777	235,114
Transfers to/from other plans	735,559	309,877
Distributions	(1,711,149)	(428,297)
Loan Distributions(1)	(669,469)	(197,655)
Loan Repayment	113,931	37,266
Net Investment Gain (Loss)	5,239,753	2,016,928
Ending Balance - March 31, 2017	$50,350,301	$50,350,301
Change in assets for the period	$6,866,563	$2,695,734

(1) Number of loans outstanding as of 3/31/17 : 42

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

March 31, 2017

	Fund	Assets	Percent of Assets	Change from previous quarter
	PROFILE FUNDS			
AGG	Aggressive Profile Fund	5,329,518	10.6%	0.7%
MOD	Moderate Profile Fund	4,950,245	9.8%	0.0%
CON	Conservative Profile Fund	2,858,594	5.7%	-0.2%
	Sub Total	**13,138,357**	**26.1%**	**0.5%**
	INTERNATIONAL FUND			
HAINX	Harbor International Instl	1,848,340	3.7%	-0.2%
VTIAX	Vanguard Total Intl Stock Index Admiral	709,359	1.4%	0.2%
	Sub Total	**2,557,699**	**5.1%**	**0.0%**
	SMALL CAP FUNDS			
BSFIX	Baron Small-Cap Growth Fund	2,178,243	4.3%	0.2%
VSVIX	Victory Integrity Small Cap	1,541,487	3.1%	0.2%
VSMAX	Vanguard Small Cap Index	1,083,570	2.2%	0.3%
	Sub Total	**4,803,300**	**9.6%**	**0.7%**
	MEDIUM CAP FUNDS			
MGOSX	Munder Mid-Cap Core Growth Fund	1,648,543	3.3%	0.0%
HWMIX	Hotchkis & Wiley Mid-Cap Value Fund	2,575,239	5.1%	-0.4%
VIMAX	Vanguard Mid-Cap Index Fund	1,116,818	2.2%	0.4%
	Sub Total	**5,340,600**	**10.6%**	**0.0%**
	LARGE CAP FUNDS			
RGAFX	American Growth Fund R4	3,952,530	7.9%	0.1%
VINIX	Vanguard Institutional Index	5,279,410	10.5%	-0.1%
DHLYX	Diamond Hill Large-Cap Fund	2,027,482	4.0%	0.3%
	Sub Total	**11,259,422**	**22.4%**	**0.3%**
	BOND FUND			
MWTIX	Metropolitan West Total Return Bond	2,376,068	4.7%	-0.8%
	Sub Total	**2,376,068**	**4.7%**	**-0.8%**
	STABLE VALUE FUND			
	Putnam Stable Value	7,979,495	15.8%	-0.7%
	Sub Total	**7,979,495**	**15.8%**	**-0.7%**
	OTHER			
	Ameritrade Brokerage	2,895,359	5.8%	0.0%
	Total Assets	**$50,350,301**	**100%**	

ADVISED ASSETS
GROUP

FUND PERFORMANCE REVIEW

IRVINE RANCH WATER DISTRICT DEFERRED COMPENSATION PLAN | 98453-01

Reporting Period Ending March 31, 2017

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 (FPR): CRITERIA

ADVISED ASSETS GROUP

- **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	Fail
		OR	
Overall Rating: < 25.0%			Fail

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

'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, 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 then-year (if-applicable) Morningstar Rating metrics. Past Performance is no guarantee of future results.

PERFORMANCE SUMMARY

ADVISED ASSETS GROUP

	Morningstar Category	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	28.0	39.0	18.0	3	Neutral	0	0 out of 12	Pass
Small-Cap[14]	Small Growth	BSFIX	Baron Small Cap Instl	53.0	45.0	62.0	3	Above	0	0 out of 12	Pass
	Small Value	VSVIX	Victory Integrity Small-Cap Value Y	66.0	75.0	57.0	4	Above	0	0 out of 12	Pass
Mid-Cap	Mid-Cap Growth	MGOSX	Victory Munder Mid-Cap Core Growth R6	57.0	53.0	60.0	3	Above	0	0 out of 12	Pass
	Mid-Cap Value	HWMIX	Hotchkis & Wiley Mid-Cap Value I	26.0	45.0	8.0	2	Below	1	3 out of 12	Pass
Large-Cap	Large Growth	RGAFX	American Funds Growth Fund of Amer R5	83.0	75.0	92.0	4	Above	0	0 out of 12	Pass
	Large Value	DHLYX	Diamond Hill Large Cap Y	85.0	94.0	77.0	4	Above	0	0 out of 12	Pass
Bond[30]/MMF[12]	Intermediate-Term Bond	MWTIX	Metropolitan West Total Return Bd I	81.0	80.0	83.0	5	Above	0	0 out of 12	Pass
Index Funds[15]	Foreign Large Blend	VTIAX	Vanguard Total Intl Stock Index Admiral (Idx)	55.0	58.0	53.0	3	N/A	0	0 out of 12	Pass
	Small Blend	VSMAX	Vanguard Small Cap Index Adm (Idx)	77.0	74.0	80.0	4	N/A	0	0 out of 12	Pass
	Mid-Cap Blend	VIMAX	Vanguard Mid Cap Index Admiral (Idx)	76.0	69.0	84.0	4	N/A	0	0 out of 12	Pass
	Large Blend	VINIX	Vanguard Institutional Index I (Idx)	91.0	87.0	94.0	5	N/A	0	0 out of 12	Pass

Please refer to the Appendix page for additional footnotes

RETURN ANALYSIS

	Fund Name	1st Quarter 2017 Return	1st Quarter 2017 Percent	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
				Performance vs. Benchmark (Annualized Returns and Return Percentiles)								
International[11]	Foreign Large Blend Peer Group	7.73	50	11.04	50	0.48	50	5.20	50	0.87	50	N/A
	Harbor International Institutional	8.71	84	8.44	18	-1.12	17	3.81	16	2.57	85	12/29/1987
Small-Cap [14]	Small Growth Peer Group	5.62	50	22.16	50	5.69	50	10.83	50	7.61	50	N/A
	Baron Small Cap Instl	8.55	88	23.07	59	5.36	46	10.78	49	7.25	39	05/29/2009
	Small Value Peer Group	0.20	50	23.55	50	6.82	50	12.03	50	6.62	50	N/A
	Victory Integrity Small-Cap Value Y	1.12	71	24.73	66	7.38	60	13.13	79	8.19	86	07/07/2005
Mid-Cap	Mid-Cap Growth Peer Group	7.19	50	15.39	50	6.13	50	10.35	50	7.34	50	N/A
	Victory Munder Mid-Cap Core Growth R6	6.84	37	13.63	32	6.08	50	10.69	58	7.35	51	06/01/2012
	Mid-Cap Value Peer Group	3.51	50	18.93	50	7.35	50	12.29	50	6.69	50	N/A
	Hotchkis & Wiley Mid-Cap Value I	0.88	2	20.50	68	4.35	10	12.76	63	7.11	61	01/02/1997
Large-Cap	Large Growth Peer Group	8.89	50	15.00	50	9.00	50	11.85	50	7.82	50	N/A
	American Funds Growth Fund of Amer R5	8.17	37	20.65	95	10.49	78	14.03	93	7.94	54	05/15/2002
	Large Value Peer Group	3.70	50	17.63	50	7.46	50	11.75	50	5.77	50	N/A
	Diamond Hill Large Cap Y	6.38	97	20.66	83	9.70	94	13.62	93	7.66	94	12/30/2011
Bond[30]/MMF[12]	Intermediate-Term Bond Peer Group	1.00	50	1.49	50	2.50	50	2.53	50	4.26	50	N/A
	Metropolitan West Total Return Bd I	0.90	39	0.93	36	2.57	54	3.69	90	5.80	97	03/31/2000
Index Funds[15]	Vanguard Total Intl Stock Index Admiral (Idx)	8.47	81	13.74	84	1.10	69	4.83	38	1.36	67	11/29/2010
	Vanguard Small Cap Index Adm (Idx)	3.74	85	21.51	41	7.41	65	12.89	72	8.20	85	11/13/2000
	Vanguard Mid Cap Index Admiral (Idx)	6.19	89	16.74	40	8.68	73	12.88	72	7.82	63	11/12/2001
	Vanguard Institutional Index I (Idx)	6.05	70	17.13	67	10.34	93	13.27	88	7.51	81	07/31/1990

Please refer to the Appendix page for additional footnotes

SHARPE RATIO AND EXPENSE ANALYSIS

ADVISED ASSETS GROUP

	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	0.080	50	0.460	50	11.52	12.59	1.04	50	-	-
	Harbor International Institutional	-0.040	20	0.343	15	12.80	12.93	0.79	76	8	34293.0
Small-Cap [14]	Small Growth Peer Group	0.420	50	0.790	50	15.60	14.55	1.18	50	-	-
	Baron Small Cap Instl	0.440	55	0.853	68	13.53	12.85	1.06	65	20	3374.0
	Small Value Peer Group	0.500	50	0.890	50	14.62	13.74	1.22	50	-	-
	Victory Integrity Small-Cap Value Y	0.520	53	0.920	60	15.83	14.48	1.15	59	13	2435.0
Mid-Cap	Mid-Cap Growth Peer Group	0.510	50	0.840	50	12.55	12.17	1.10	50	-	-
	Victory Munder Mid-Cap Core Growth R6	0.533	53	0.918	67	12.09	11.68	0.87	80	16	4134.0
	Mid-Cap Value Peer Group	0.610	50	1.040	50	11.81	11.68	1.08	50	-	-
	Hotchkis & Wiley Mid-Cap Value I	0.320	6	0.840	9	17.11	15.52	1.02	57	20	2112.0
Large-Cap	Large Growth Peer Group	0.780	50	1.020	50	11.67	11.52	0.99	50	-	-
	American Funds Growth Fund of Amer R5	0.950	86	1.280	97	11.01	10.68	0.39	97	23	156142.0
	Large Value Peer Group	0.700	50	1.070	50	10.78	10.72	0.95	50	-	-
	Diamond Hill Large Cap Y	0.830	78	1.170	76	11.85	11.42	0.59	89	15	4405.0
Bond[30]/MMF[12]	Intermediate-Term Bond Peer Group	0.810	50	0.820	50	2.90	2.96	0.70	50	-	-
	Metropolitan West Total Return Bd I	0.930	72	1.240	93	2.57	2.83	0.44	85	20	79017.0
Index Funds[15]	Vanguard Total Intl Stock Index Admiral (Idx)	0.130	68	0.430	37	11.72	12.62	0.11	97	9	262498.0
	Vanguard Small Cap Index Adm (Idx)	0.581	75	1.006	84	13.56	12.78	0.08	98	1	74868.0
	Vanguard Mid Cap Index Admiral (Idx)	0.770	83	1.130	84	11.40	11.15	0.08	97	19	83595.0
	Vanguard Institutional Index I (Idx)	0.982	94	1.264	94	10.41	10.20	0.04	98	16	222543.0

Please refer to the Appendix page for additional footnotes

ANNUAL RETURNS AND STATISTICS

ADVISED ASSETS GROUP

	Fund Name	Calendar Year Returns 2016	2015	2014	2013	2012	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	0.89	-1.20	-5.41	20.31	17.97	N/A	N/A	N/A	N/A	N/A	N/A
	Harbor International Institutional	0.25	-3.82	-6.81	16.84	20.87	-1.56	1.01	93	14	76	30.0%
Small-Cap [14]	Small Growth Peer Group	10.51	-2.19	3.22	41.25	14.23	N/A	N/A	N/A	N/A	N/A	N/A
	Baron Small Cap Instl	10.26	-5.01	1.95	38.10	18.30	0.06	0.83	92	10	74	36.0%
	Small Value Peer Group	26.08	-6.25	4.20	36.10	16.09	N/A	N/A	N/A	N/A	N/A	N/A
	Victory Integrity Small-Cap Value Y	24.38	-6.65	7.33	41.02	13.97	-0.24	1.01	95	47	140	13.0%
Mid-Cap	Mid-Cap Growth Peer Group	5.34	-0.35	7.49	35.80	14.84	N/A	N/A	N/A	N/A	N/A	N/A
	Victory Munder Mid-Cap Core Growth R6	7.58	-4.20	10.40	33.93	16.15	-2.85	1.03	95	40	79	21.0%
	Mid-Cap Value Peer Group	17.67	-4.95	10.03	35.06	16.49	N/A	N/A	N/A	N/A	N/A	N/A
	Hotchkis & Wiley Mid-Cap Value I	21.00	-12.53	12.18	42.55	31.09	-3.67	1.04	83	42	59	35.0%
Large-Cap	Large Growth Peer Group	2.84	4.55	10.59	34.55	15.66	N/A	N/A	N/A	N/A	N/A	N/A
	American Funds Growth Fund of Amer R5	8.75	5.65	9.61	34.20	20.92	0.20	0.95	92	31	350	24.0%
	Large Value Peer Group	14.46	-3.59	10.87	31.85	15.27	N/A	N/A	N/A	N/A	N/A	N/A
	Diamond Hill Large Cap Y	14.74	-0.74	10.89	36.87	12.79	-0.68	1.08	94	23	50	32.0%
Bond[30]/MMF[12]	Intermediate-Term Bond Peer Group	2.95	0.05	5.56	-1.69	6.60	N/A	N/A	N/A	N/A	N/A	N/A
	Metropolitan West Total Return Bd I	2.46	0.29	5.99	0.50	11.54	0.21	0.87	98	303	1896	26.0%
Index Funds[15]	Vanguard Total Intl Stock Index Admiral (Id	4.67	-4.26	-4.17	15.14	18.21	0.53	0.94	97	4	6047	7.0%
	Vanguard Small Cap Index Adm (Idx)	18.30	-3.64	7.50	37.81	18.24	0.39	0.93	99	14	1439	3.0%
	Vanguard Mid Cap Index Admiral (Idx)	11.22	-1.34	13.76	35.15	15.99	-0.14	0.99	98	15	352	7.0%
	Vanguard Institutional Index I (Idx)	11.93	1.37	13.65	32.35	15.98	-0.02	1.00	100	5	516	18.0%

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 2016	Annual Return 2015	Annual Return 2014	Annual Return 2013	Annual Return 2012
International[11]	MSCI EMF ID	14.53	-1.23	-1.65	0.31	8.58	-16.96	-4.63	-4.98	15.15
	MSCI Eafe Ndtr_D	11.67	0.50	5.83	1.05	1.00	-0.81	-4.90	22.78	17.32
	MSCI World Ndtr_D	14.77	5.52	9.37	4.21	7.51	-0.87	4.94	26.68	15.83
Small-Cap [14]	Russell 2000 Growth	23.03	6.72	12.10	8.06	11.32	-1.38	5.60	43.30	14.59
	Russell 2000	26.22	7.22	12.35	7.12	21.31	-4.41	4.89	38.82	16.35
	Russell 2000 Value	29.37	7.62	12.54	6.09	31.74	-7.47	4.22	34.52	18.05
Mid-Cap	Russell Midcap Growth	14.07	7.88	11.95	8.13	7.33	-0.20	11.90	35.74	15.81
	Standard & Poor's Midcap 400	20.92	9.36	13.32	8.96	20.74	-2.18	9.77	33.50	17.88
	Russell Midcap Value	19.82	8.94	14.07	7.47	20.00	-4.78	14.75	33.46	18.51
Large-Cap	Russell 1000 Growth	15.76	11.27	13.32	9.13	7.08	5.67	13.05	33.48	15.26
	Standard & Poor's 500 TR	17.17	10.37	13.30	7.51	11.96	1.38	13.69	32.39	16.00
	Russell 1000 Value	19.22	8.67	13.13	5.93	17.34	-3.83	13.45	32.53	17.51
Bond[30]/MMF[12]	BBgBarc US Aggregate Bond	0.44	2.68	2.34	4.27	2.65	0.55	5.97	-2.02	4.21
	BBgBarc US Capital Credit	2.96	3.52	3.70	5.29	5.63	-0.77	7.53	-2.01	9.37
	BBgBarc US Mortgage-Backed	0.17	2.69	2.04	4.16	1.67	1.51	6.08	-1.41	2.59
	BBgBarc US Government Bond	-1.34	2.04	1.59	3.78	1.05	0.86	4.92	-2.60	2.02
	BBgBarc US 1-3 Year Government	0.25	0.74	0.65	2.07	0.87	0.57	0.64	0.37	0.51

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.

3. Foreign investments involve special risks, including currency fluctuations and political developments.
4. Specialty funds limit the number of issuers in which they invest and are generally non-diversified.
5. Equity securities of small-sized companies may be more volatile than securities of larger, more established companies.
6. Index funds are not provided an overall rating as their objective is to track their respective index, not to outperform managed funds.
7. *An investment in a money market fund, if part of the fund lineup, is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and it should not be expected that the sponsor will provide financial support to the fund at any time.*
8. Equity securities of medium-sized companies may be more volatile than securities of larger, more established companies.
9. A bond fund's yield, share price, and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise, and vice versa.

Shares of the series of Great-West Funds, Inc. are not available to the general public but are offered only to insurance company separate accounts for certain variable annu contracts and variable life policies, to individual retirement account (IRA) custodians or trustees, to plan sponsors of qualified retirement plans and to college savings progra

The principal underwriter of Great-West Funds, Inc. is its affiliate GWFS Equities, Inc., Member FINRA/SIPC. Great-West Capital Management, LLC (GWCM) is the investmen adviser. GWFS Equities, Inc., Great-West Funds, Inc. and GWCM are subsidiaries of Great-West Life & Annuity Insurance Company (GWL&A). The Great-West Lifetime Func Great-West SecureFoundation Lifetime Funds, Great-West SecureFoundation Balanced Fund, and the Great-West Profile Funds may invest in funds advised by GWCM, funds are sub-advised by affiliated and unaffiliated sub-advisers retained by GWCM or funds that are advised by affiliated and unaffiliated investment advisers of GWCM or in a fixed-interest contract issued and guaranteed by GWL&A.

Certain Great-West funds are managed by sub-advisers who manage other mutual funds having similar names and investment objectives. While their investment managem may be similar to, or modeled after, those other mutual funds, the Great-West funds are not directly related to any other mutual funds. Consequently, the investment performance and other features of other mutual funds and any similarly named Great-West Fund may differ substantially.

Putnam funds are managed by Putnam Investment Management. Putnam mutual funds are distributed by Putnam Retail Management. Putnam is affiliated with GWL&A anc subsidiaries.

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)

ADVISED ASSETS GROUP

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.