AGENDA
IRVINE RANCH WATER DISTRICT
BOARD OF DIRECTORS
REGULAR MEETING

February 8, 2016

PLEDGE OF ALLEGIANCE

CALL TO ORDER 5:00 p.m., Board Room, District Office
15600 Sand Canyon Avenue, Irvine, California

ROLL CALL Directors LaMar, Reinhart, Swan, Withers and President Matheis

NOTICE

If you wish to address the Board on any item, including Consent Calendar items, please file your name with the Secretary. Forms are provided on the lobby table. Remarks are limited to five minutes per speaker on each subject. Consent Calendar items will be acted upon by one motion, without discussion, unless a request is made for specific items to be removed from the Calendar for separate action.

COMMUNICATIONS TO THE BOARD

1. A. Written:

   B. Oral:

2. ITEMS RECEIVED TOO LATE TO BE AGENDIZED

   Recommendation: Determine the need to discuss and/or take immediate action on item(s).

CONSENT CALENDAR — Resolution No. 2016-4 — Items 3-8

3. RATIFY/APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

   Recommendation: That the Board ratify/approve the meetings and events for Steven LaMar, Mary Aileen Matheis, Douglas Reinhart, Peer Swan, and John Withers as described.

4. MINUTES OF REGULAR BOARD MEETING

   Recommendation: That the minutes of the January 25, 2016 Regular Board meeting be approved as presented.

CONSENT CALENDAR – Continued	Items 3-8
5. ADDENDUM NO. 2 TO THE STRAND RANCH INTEGRATED BANKING PROJECT FINAL ENVIRONMENTAL IMPACT REPORT Recommendation: That the Board approve Addendum No. 2 to the Strand Ranch Integrated Banking Project Final Environmental Impact Report including the determinations set forth in Addendum No. 2, approve the modification to the project and authorize staff to file a Notice of Determination with the Counties of Orange and Kern as well as the state clearinghouse.	
6. 2016 INDEX TENDER NOTES REMARKETING Recommendation: That the Board approve the 2016 Index Tender Notes Remarketing Statements and adopt a resolution approving Remarketing Statements relating to unscheduled mandatory tenders (Refunding Series 2011A-1 and Refunding Series 2011A-2).	Reso. No. 2016-
7. RANCHO PARKWAY ZONE C RECYCLED WATER PIPELINE CONSTRUCTION AWARD Recommendation: That the Board authorize the General Manager to execute a construction contract with Paulus Engineering, Inc. in the amount of $413,125 for the Rancho Parkway Zone C Recycled Water Pipeline, project 6470.	
8. ON-CALL PROFESSIONAL PROGRAMMING AND NETWORKING CONSULTANT SERVICES VARIANCE APPROVAL Recommendation: That the Board authorize the General Manager to execute Variance No. 2 to the On-call Programming and Network Services Agreement with Outsource Technical in the amount of $260,000.	

ACTION CALENDAR	
9. DROUGHT OUTREACH PROGRAM UPDATE AND BUDGET REQUEST Recommendation: That the Board approve an additional $500,000 in FY 2015-16 over-allocation funding for customer drought outreach programs.	

ACTION CALENDAR - Continued

10. WATERWISE CONSULTING AGREEMENT VARIANCE NO. 1 FOR TURNKEY TURF REMOVAL PROGRAM

    Recommendation: That the Board authorize the General Manager to execute Variance No. 1 to the Non-Consultant Services Agreement between IRWD and WaterWise Consulting, Inc. in the amount of $305,000.

11. FINANCIAL SYSTEM UPGRADE AND PROJECT MANAGEMENT IMPLEMENTATION CONSULTANT SELECTION

    Recommendation: That the Board authorize the General Manager to execute a Professional Services Agreement with KPMG LLP for a not-to-exceed cost of $2,544,000; approve a capital budget increase of $838,800 each for projects 4394 and 4395, for a total budget increase of $1,677,600; approve the procurement of hardware for a not-to-exceed cost of $152,000; and authorize the General Manager to execute a Professional Services Agreement with Outsource Technical for a not-to-exceed cost of $450,000.

12. AB 1713 (EGGMAN, D-STOCKTON) – SACRAMENTO-SAN JOAQUIN DELTA

    Recommendation: That the Board adopt an "oppose" position on AB 1713 (Eggman, D-Stockton) and authorize IRWD to work with its industry partners to communicate continued support for the 2009 Delta package and policies that further the co-equal goals of water supply reliability and the Delta ecosystem.

OTHER BUSINESS

Pursuant to Government Code Section 54954.2, members of the Board of Directors or staff may ask questions for clarification, make brief announcements, make brief reports on his/her own activities. The Board or a Board member may provide a reference to staff or other resources for factual information, request staff to report back at a subsequent meeting concerning any matter, or direct staff to place a matter of business on a future agenda. Such matters may be brought up under the General Manager's Report or Directors' Comments.

13. A. General Manager's Report

    B. Directors' Comments

    C. Adjourn

* *

<u>Availability of agenda materials</u>: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Irvine Ranch Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors 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 Board 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 Board Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance to the Board of Directors Room of the District Office. The Irvine Ranch Water District Board 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 alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

February 8, 2016
Prepared and
Submitted by: N. Savedra
Approved by: P. Cook

CONSENT CALENDAR

RATIFY/APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

SUMMARY:

Pursuant to Resolution 2006-29 adopted on August 28, 2006, approval of attendance of the following events and meetings are required by the Board of Directors.

Events/Meetings

Steven LaMar

2/05/16	Calif. Environmental Dialogue-Long View Committee Meeting, Sacramento, CA
2/18/16	Orange County Forum
2/18/16	OCBC Annual Meeting & Installation of Board of Directors
2/22-25/16	ACWA Washington D.C. Conference

Mary Aileen Matheis

1/14/16	ACWA CA Water 2.0 Briefing Meeting, Sacramento, CA
2/04/16	SOC Watershed Management Area Executive Committee Meeting
2/09/16	Irvine State of the City Address by Mayor Steven Choi
2/10-12/16	Urban Water Institute Spring Water Conference, Palm Springs, CA
2/18/16	Orange County Forum
2/18/16	OCBC Annual Meeting & Installation of Board of Directors
2/22-25/16	ACWA Washington D.C. Conference
2/29/16	Monthly Meeting with General Manager Paul Cook re: District Activities

Douglas Reinhart

2/10-12/16	Urban Water Institute Spring Water Conference, Palm Springs, CA

Peer Swan

2/08/16	Newport Bay Watershed Executive Committee Meeting
2/10-12/16	Urban Water Institute Spring Water Conference, Palm Springs, CA
2/16/16	WACO Planning Committee Meeting
2/21-25/16	CASA Washington D.C. Conference

John Withers

1/20/16	Orange County Water Association Meeting
2/09/16	Irvine State of the City Address by Mayor Steven Choi
2/18/16	OCBC Annual Meeting & Installation of Board of Directors

RECOMMENDATION:

THAT THE BOARD RATIFY/APPROVE THE MEETINGS AND EVENTS FOR STEVEN LAMAR, MARY AILEEN MATHEIS, DOUGLAS REINHART, PEER SWAN, AND JOHN WITHERS AS DESCRIBED.

LIST OF EXHIBITS:

None

February 8, 2016
Prepared and
Submitted by: L. Bonkowski
Approved by: P. Cook

CONSENT CALENDAR

MINUTES OF BOARD MEETING

SUMMARY:

Provided are the minutes of the January 25, 2016 Regular Board Meeting for approval.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

Not applicable.

RECOMMENDATION:

THAT THE MINUTES OF THE JANUARY 25, 2016 REGULAR BOARD MEETING BE APPROVED AS PRESENTED.

LIST OF EXHIBITS:

Exhibit "A" – January 25, 2016 Minutes

EXHIBIT "A"

MINUTES OF REGULAR MEETING – JANUARY 25, 2016

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:00 p.m. by President Matheis on January 25, 2016 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Reinhart, LaMar, Swan, Matheis and Withers

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance and Administration Clary, Executive Director of Water Policy Weghorst, Executive Director of Operations Sheilds, Assistant Director of Maintenance Drake, Director of Treasury and Risk Management Jacobson, Director of Public Affairs Beeman, Director of Water Resources Sanchez, Director of Human Resources Roney, Legal Counsel Arneson, Secretary Bonkowski, Government Relations Officer Compton, Mr. Bruce Newell, Mr. Jim Reed, Mr. Rich Mori, Mr. Ed Casey, Mr. Ted Flannigan and other members of the public and staff.

WRITTEN AND ORAL COMMUNICATIONS: None.

ITEMS RECEIVED TOO LATE: None.

WORKSHOP

ENERGY STORAGE OPPORTUNITY

Using a PowerPoint presentation, Executive Director of Operations Sheilds provided an overview of a potential battery energy storage system program with energy storage system developer Advanced Microgrid Solutions (AMS). He introduced Mr. Ted Flanigan of EcoMotion, the District's energy consultant, to the Board who said he would be working with staff to develop the best possible solutions to the District.

Mr. Sheilds reviewed the objective of developing seven megawatts of energy storage at 13 District sites. He said that AMS would assume all responsibility for project design, development, permitting, financing, maintenance, operations, and all legal and contractual obligations to SCE. He further said that IRWD would in turn provide site and billing data access, with energy incentives being paid to AMS and that any savings greater than the minimum guarantee would be paid to IRWD. The contract term would be 10 years. He further reviewed the next steps which include working with legal counsel to develop and then execute a non-disclosure agreement and a non-binding Memorandum of Understanding that would be followed by the preparation of an energy storage services agreement with AMS for Board submittal in March or April 2016. Following discussion, Director Swan asked that staff review the rationale at a future meeting for each of the proposed sites for battery storage.

CONSENT CALENDAR

Director Swan said relative to item No. 9, he would like staff to provide him with a copy of the agreement and fee formula. There being no further discussion, on MOTION by Reinhart, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 11 WERE APPROVED AS PRESENTED.

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the January 11, 2016 Regular Board Meeting be approved as presented.

5. RATIFY/APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: That the Board ratify/approve the meetings and events for Steven LaMar, Mary Aileen Matheis, Douglas Reinhart, Peer Swan, and John Withers as described.

6. IRVINE RANCH WATER DISTRICT STRATEGIC MEASURES

Recommendation: That the Board receive and file the report.

7. DECEMBER 2015 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for December 2015, and Disclosure Report of Reimbursements to Board members and staff; approve the December 2015 summary of payroll ACH payments in the total amount of $1,569,894 and approve the December 2015 Accounts Payable Disbursement Summary of warrants 363367 through 364168, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of $33,933,726.

8. PIEZOMETER AUTOMATION FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Piezometer Automation, project 30572 (6298); authorize the General Manager to file a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.

9. ORANGE COUNTY WATER DISTRICT ANNEXATION BUDGET INCREASE

Recommendation: That the Board approve a budget increase in the amount of $132,600, from $439,400 to $572,000, for the Orange County Water District annexation fee for 2015/16, project 1363.

10. ACQUISITION OF LAND AND EASEMENTS FOR EASTWOOD AND HIDDEN CANYON PUMP STATIONS

Recommendation: That the Board authorize the acquisition of pump station sites for Eastwood and Hidden Canyon Developments from Irvine Community Development Company LLC and the Irvine Land Company LLC; authorize the General Manager to execute the Conveyance Agreements and related deeds for the acquisitions; and subject to non-substantive changes, authorize the General Manager to execute the agreement with the City of Irvine with regard to the City of Irvine's storm drain easement within the proposed Eastwood Pump Station site; and adopt the following resolution by title:

RESOLUTION NO. 2016 -3

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT AUTHORIZING ACQUISITION OF LAND AND EASEMENTS FOR EASTWOOD AND HIDDEN CANYON PUMP STATIONS

RECESS AND CLOSED SESSION

At 6:20 p.m., General Manager Cook asked that the meeting be recessed to hold a Closed Session. There being no objections, President Matheis announced that a Closed Session would be held as follows: Conference with Real Property Negotiator relative to Government Code Section 54956.8; Property: OCSD Service Area 7 Sewer Infrastructure; Agency Negotiator: Paul Cook, General Manager; Purpose of Negotiations: Proposed Acquisition of Property – Price and Terms. The Board meeting was recessed at 6:22 p.m.

RECONVENE AND OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Matheis, Reinhart, Swan, Withers, and LaMar present. No action was reported.

ACTION CALENDAR

OCSD SERVICE AREA 7 LOCAL SEWER FACILITIES TRANSFER AGREEMENT

Two agencies, Irvine Ranch Water District and East Orange County Water District (EOCWD), have submitted applications to Orange County Local Agency Formation Commission (OC LAFCO) to assume the local sewer service from OCSD. Any transfer of ownership of the local sewers will require that OC LAFCO approve the requested reorganization. In light of the pending OC LAFCO decision, IRWD and OCSD have negotiated a Local Sewer Facilities Transfer Agreement to transfer ownership of local sewers in Service Area 7 and the appropriate reserve balance to IRWD should OC LAFCO approve IRWD's application (the Transfer Agreement).

On MOTION by Reinhart, seconded and unanimously carried, SUBJECT TO NON-SUBSTANTIVE CHANGES, THE BOARD APPROVED THE PROPOSED SERVICE AREA 7 LOCAL SEWER FACILITIES TRANSFER AGREEMENT BETWEEN THE ORANGE COUNTY SANITATION DISTRICT AND IRWD, AND AUTHORIZED THE PRESIDENT TO EXECUTE THE AGREEMENT ON BEHALF OF THE DISTRICT.

GENERAL MANAGER'S REPORT

General Manager Cook reported on a burglary next door at the post office where the mailbox was vandalized. He noted a past incident when this occurred in December, and staff issued Stop Payments on vender checks which were reissued.

Mr. Cook reported on the shared service program with El Toro Water District for sewage flows, and that he and General Manager Bob Hill submitted a letter to LAFCO reporting on its success.

Mr. Cook reported on the biosolids tour held last Friday with Metropolitan Water District of Southern California along with OCWD staff.

DIRECTORS' COMMENTS

Director LaMar reported that he along with Director Matheis attended the Southern California Water Committee meeting. He also said he attended a MWDOC Water Policy dinner.

Director Withers reported that he will be attending an upcoming LAFCO Executive Committee meeting.

Director Swan reported on his attendance at an OCWD Board meeting, a WACO Planning meeting, a CASA conference where branding was discussed, a San Joaquin Wildlife Sanctuary Board meeting along with Director Matheis, and a MWDOC Water Policy dinner.

Director Reinhart reported on his attendance at a MWDOC Administration and Finance Committee meeting, and a meeting he and Director Matheis had with Moulton Niguel Water District relative to acquisitions and consolidations.

Director Matheis reported on her attendance at a Clean Tech Connect Water Energy Innovation forum, a Irvine Chamber Business Outlook meeting, a Shadetree Partnership Board meeting, a MWDOC Water Policy dinner, and a San Joaquin Wildlife Sanctuary Board meeting.

ADJOURNMENT

President Matheis adjourned the meeting.

APPROVED and SIGNED this 8th day of February, 2016.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone

February 8, 2016
Prepared by: J. Corey / K. Welch
Submitted by: F. Sanchez / P. Weghorst
Approved by: Paul Cook

CONSENT CALENDAR

ADDENDUM NO. 2 TO THE STRAND RANCH INTEGRATED BANKING PROJECT FINAL ENVIRONMENTAL IMPACT REPORT

SUMMARY:

A minor modification is proposed to the project description for the Strand Ranch Integrated Banking Project which would increase the limit on instantaneous rate of recovery of water. Environmental review has been completed for the proposed modification. Staff recommends the Board approve the proposed modification, approve Addendum No. 2 to the Final Environmental Impact Report (FEIR) and authorize staff to file a Notice of Determination with the counties of Orange and Kern as well as the state clearinghouse.

BACKGROUND:

In 2008, IRWD prepared and certified an FEIR for the Strand Ranch Integrated Banking Project. The project, as described in the FEIR, involved construction and operation of groundwater recharge basins and production wells at IRWD's Strand Ranch property in Kern County. The project includes a limit on groundwater extraction of 17,500 acre-feet (AF) per year from any combination of up to nine wells onsite at Strand Ranch and up to three offsite wells (project wells). The project wells would be designed to pump groundwater at a rate of approximately 5 cubic feet per second (cfs). The description of project operations states that project wells would be limited to a combined instantaneous rate of 36 cfs to 40 cfs. Staff proposes to modify the project description to remove the limit on the instantaneous recovery rate while maintaining the overall recovery limit of 17,500 AF per year. The proposed modification would only affect the operating criteria for groundwater wells. It would provide flexibility for the simultaneous operation of all project wells, and would not result in any new significant impacts. The modeling and technical analysis provided in the FEIR is sufficient and supports the proposed modification.

Addendum No. 2:

Environmental review has been completed for the proposed modification to the project as described above and Addendum No. 2 to the FEIR has been prepared. There are no substantial changes to the project that would require major revisions to the FEIR due to new significant environmental effects or a substantial increase in the severity of impacts identified in the FEIR. A copy of Addendum No. 2 is attached as Exhibit "A".

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Section 15164 of the State of California Environmental Quality Act (CEQA) Guidelines provides for the preparation of an addendum to a previously certified EIR by a lead agency or a responsible agency if some changes or additions to the project are necessary but none of the conditions described in CEQA calling for preparation of a subsequent EIR have occurred. Based on the information and analysis conducted in the proposed Addendum No. 2, the conclusion section of the Addendum sets forth the proposed determinations by the District that none of such conditions have occurred. The proposed modification would not change the regulatory framework, impact discussion, mitigation measures or conclusions as described in the FEIR.

COMMITTEE STATUS:

This item was reviewed by the Water Banking Committee on February 1, 2016.

RECOMMENDATION:

THAT THE BOARD APPROVE ADDENDUM NO. 2 TO THE STRAND RANCH INTEGRATED BANKING PROJECT FINAL ENVIRONMENTAL IMPACT REPORT INCLUDING THE DETERMINATIONS SET FORTH IN ADDENDUM NO. 2, APPROVE THE MODIFICATION TO THE PROJECT AND AUTHORIZE STAFF TO FILE A NOTICE OF DETERMINATION WITH THE COUNTIES OF ORANGE AND KERN AS WELL AS THE STATE CLEARINGHOUSE.

LIST OF EXHIBITS:

Exhibit "A" – Addendum No. 2 to the Strand Ranch Integrated Banking Project Final Environmental Impact Report

Exhibit "A"

ADDENDUM NO. 2

Strand Ranch Integrated Banking Project Final EIR

1. Introduction

This document is Addendum No. 2 to the Final Environmental Impact Report (EIR) prepared by Rosedale-Rio Bravo Water Storage District (Rosedale) and Irvine Ranch Water District (IRWD) for the Strand Ranch Integrated Banking Project. The Final EIR evaluated the potential environmental effects of the Project, which proposed construction of groundwater banking facilities at Strand Ranch, including recharge basins, conveyance channels, and recovery wells. The Final EIR was certified on May 27, 2008 by Rosedale's Board of Directors, which acted as the Lead Agency pursuant to the California Environmental Quality Act (CEQA) (*CEQA Guidelines* (Title 14, California Code of Regulations, Section 15300 et. seq.) §15090). The Final EIR was approved on May 27, 2008 by IRWD's Board of Directors, which acted as the Responsible Agency. A Notice of Completion for the Final EIR was filed with the county clerks of both Kern County and Orange County.

IRWD is proposing to make changes to the project description for the Strand Ranch Integrated Banking Project. Under CEQA, an addendum may be prepared when minor modifications are proposed for a project that has already been approved and when no additional significant environmental impacts would result (*CEQA Guidelines*, §15164, 15162, 15163). This Addendum No. 2 evaluates whether any new significant impacts would result from implementation of the proposed modification.

2. Purpose of Addendum

Under CEQA, the lead agency or a responsible agency shall prepare an addendum to a previously-certified EIR if some changes or additions are necessary to the prior EIR, but none of the conditions calling for preparation of a subsequent or supplemental EIR have occurred (*CEQA Guidelines* §15164). Once an EIR has been certified, a subsequent EIR is only required when the lead agency or responsible agency determines that one of the following conditions has been met:

(1) Substantial changes are proposed in the project, or substantial changes occur with respect to the circumstances under which the project is undertaken, which require major revisions of the previous EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects (CEQA Guidelines §15162(a)(1), (2));

(2) New information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous EIR was certified as complete, shows any of the following:

a. The project will have one or more significant effects not discussed in the previous EIR;

b. Significant effects previously examined will be substantially more severe than shown in the previous EIR;

c. Mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects of the project, but the project proponents decline to adopt the mitigation measure or alternative; or

d. Mitigation measures or alternatives which are considerably different from those analyzed in the previous EIR would substantially reduce one or more significant effects on the environment, but the project proponents decline to adopt the mitigation measure or alternative (*CEQA Guidelines* §15162(a)(3)).

If one or more of the conditions described above for a subsequent EIR exist, but only minor additions or changes would be necessary to make the previous EIR adequately apply to the project in the changed situation, then the lead agency may prepare a supplement to an EIR, rather than a subsequent EIR (*CEQA Guidelines* §15163(a)).

CEQA recommends that a brief explanation of the decision to prepare an addendum rather than a subsequent or supplemental EIR be included in the record (*CEQA Guidelines* §15164(e)). This Addendum has been prepared because the proposed modifications to the Strand Ranch Integrated Banking Project do not meet the conditions for a subsequent or supplemental EIR. This Addendum explains why the proposed modifications would not result in new significant environmental effects or result in a substantial increase in the severity of previously-identified significant effects. There is no new information that would show that the proposed modifications would have new effects or more severe effects on the environment. The proposed modifications would not have any adverse environmental effects and would not change the conclusions of the previously-certified Final EIR.

An addendum does not need to be circulated for public review, but rather can be attached to the final EIR (*CEQA Guidelines* §15164(c)). Prior to initiating the modified Project, the IRWD Board of Directors will consider this Addendum together with the Final EIR and make a decision regarding the modified Project (*CEQA Guidelines* §15164(d)).

3. Integrated Banking Project Overview

Rosedale as the CEQA Lead Agency, in consultation with IRWD as a Responsible Agency, prepared and certified the Final EIR for the Strand Ranch Integrated Banking Project in 2008. The purpose of the Project was twofold: to augment the recharge and extraction capacity of Rosedale's Groundwater Storage, Banking, Exchange, Extraction and Conjunctive Use Program (Conjunctive Use Program), and to provide water supply reliability and redundancy to IRWD customers. Rosedale and IRWD proposed to develop groundwater banking facilities on the Strand Ranch for use by both districts. Facilities would be constructed to recharge and recover up to 17,500 acre feet per year (afy) for IRWD. When not in use by IRWD, the facilities could also be used by Rosedale to serve its existing commitments.

Strand Ranch is located in western Kern County, California. Strand Ranch is owned by IRWD and consists of approximately 611 acres of land six miles west of the City of Bakersfield. The Project integrates Strand Ranch into Rosedale's existing Conjunctive Use Program. In accordance with the Project as described in the Final EIR, groundwater banking facilities, including recharge basins, conveyance channels, pipelines and seven recovery wells have been developed on Strand Ranch. In addition, the Project includes up to three additional offsite wells within the Rosedale service area, as shown in Figure 2-4 of the Final EIR; these wells, although not yet built, will provide operational flexibility to achieve the extraction goals of the Project..

The Project provides the flexibility to pump from any combination of the onsite Strand Ranch wells and three offsite wells. Recovery operations from the onsite and offsite wells are limited to a combined rate of 36 cubic feet per second (cfs) with the following exception: Rosedale has the ability to increase the combined rate of recovery to 40 cfs as required to meet mitigation requirements (Final EIR, Page 2-17). As an example, this could occur in response to a request from a neighboring property to limit recovery operations on Strand Ranch to a certain period of time.

4. Proposed Modifications to Project Description

Recovery Facilities

IRWD is proposing to modify the Project to eliminate the restriction of a combined recovery rate of 36 cfs from both onsite and offsite wells. The modification would not change the annual extraction limit of 17,500 afy for IRWD. The modification would allow simultaneous operation of all wells onsite at Strand Ranch and the three offsite wells. This modification will not result in any new potentially significant impacts, and thus this Addendum is being prepared.

5. Analysis of Potential Environmental Impacts Associated with the Proposed Modifications

The proposed modification would not alter the construction or location of any project facilities. Therefore, the proposed modifications would not change the environmental setting, regulatory framework, impact discussion, mitigation measures, or significant conclusions for the following resource areas as currently described in the Final EIR: Aesthetics; Agricultural Resources; Air Quality; Biological Resources; Cultural Resources; Geology, Soils and Mineral Resources; Hazards and Hazardous Materials; Land Use, Planning and Recreation; Noise; Transportation and Traffic; and Utilities and Public Services. The proposed modification would only affect the operating criteria for groundwater wells. Thus, the analysis for this Addendum is focused on potential environmental impacts to Hydrology, Groundwater Resources and Water Quality, specifically impacts to groundwater resources associated with operation of recovery facilities.

Hydrology, Groundwater Resources, and Water Quality

Recovery Facilities

The Final EIR analyzes the potential for Project operations to affect groundwater levels at neighboring wells during periods of recovery (Impact 3.8-1). Under Impact 3.8-1, the Final EIR describes the results of groundwater modeling conducted for the Project to assess the potential for operation of the Strand Ranch wells to affect neighboring groundwater extraction wells. The groundwater modeling report includes both a 7-well pumping scenario for wells on Strand Ranch and a 3-well pumping scenario for offsite wells. The modeling assumes individual well capacities of 5 cfs.

The 7-well pumping scenario assumes that pumping occurs continuously over a 250-day period, which is required to achieve the maximum annual production of 17,500 acre-feet. The 7-well scenario concludes that temporary drawdown of between 3 to 29 feet would occur at land sections with neighboring Kern Water Bank Authority (KWBA) wells; the highest drawdown potential would occur at two KWBA wells immediately adjacent to the Strand Ranch property.

The 3-well pumping scenario concludes that temporary drawdown of less than one foot would result at neighboring KWBA wells. As a result the Final EIR concludes that, given the average depth of the KWBA wells (900 feet) and the historic groundwater fluctuations in the region (up to 140 feet), the Project's potential to lower water surface elevations by up to 29 feet would not significantly impact the function of neighboring wells.

The proposed modification would allow simultaneous pumping of all onsite Strand Ranch wells and the three offsite wells, eliminating the combined recovery restriction of 36 cfs. This proposed modification is already modeled as part of the Strand Ranch Well Placement and Drawdown Analysis provided in Appendix F of the Final EIR. The analysis includes simultaneous pumping of all wells, represented by both the 7-well pumping scenario and the 3-well pumping scenario. Based on the analysis, Chapter 3.8 of the Final EIR states that:

> "Under a scenario of both sets of wells pumping simultaneously, the effect at the KWBA wells due to pumping from the seven Strand Ranch wells and three Rosedale wells would still be within the one to 29 feet range. This small range of impact on water surface elevations on adjacent wells would not result in a loss of the KWBA to perform recharge and recovery options." (Final EIR, page 3.8-1)

The analysis conducted in the Final EIR therefore supports the proposed modification by IRWD and does not present any new impacts to resources in the project area. Simultaneous pumping of onsite and offsite wells would not result in additional drawdown and would not have additional impacts to neighboring wells.

In addition, as stated in the Final EIR, the temporary impacts to neighboring wells would be subject to the existing commitments and conditions of Rosedale's Memorandum of Understanding (MOU) with adjoining entities. The MOU provides guidelines for operation and monitoring of Rosedale's groundwater banking programs. The MOUs allow for Rosedale to operate its Conjunctive Use Program to achieve maximum water storage and withdrawal benefits, while also avoiding, eliminating, or mitigating adverse impacts to the groundwater basin and to the operation of other groundwater banking programs in the Kern Fan area. Potential mitigation measures are identified in the MOU; and groundwater recovery operations at Strand Ranch would adhere to the requirements of Rosedale's current MOU.

Since certification of the Final EIR, Rosedale has developed the *Long Term Project Recovery Operations Plan Regarding Rosedale-Rio Bravo Water Storage District Projects* (Long Term Operations Plan), which implements the provisions of the MOU and is provided in **Appendix A**. The Project will be operated in accordance with the Long Term Operations Plan, the purpose of which is to designate specific measures to be employed to "prevent, eliminate or mitigate significant adverse impacts" resulting from project operations. A general description of the primary components of the Long Term Operations Plan is as follows:

A. Establish a Protocol for Monitoring and Reporting Groundwater Conditions:

- Conduct monitoring of groundwater conditions during years that recovery is expected from a Rosedale project, in addition to the monitoring conducted by the Kern Fan Monitoring Committee; report current groundwater levels monthly to the Rosedale Board of Directors; and make reports available to the public on Rosedale's website.
- Regularly update Rosedale's Groundwater Model to actual conditions; use the Model to predict future groundwater conditions; report modeling results to the Rosedale Board of Directors; and make modeling results available to the public on Rosedale's web site.
- Recovery in any calendar year shall not commence until the Model has been run for projected operations.

B. Implement Proactive Measures

- Rosedale's Groundwater Model will be used to predict the contribution of Rosedale's projects to groundwater level declines in the area. The Model will be used to simulate and compare the No-Project Condition to the Project Condition. The No-Project Condition is the water level that would have been at any particular well location absent the Rosedale project.
- The Model will be periodically run and updated as recovery plans become known or change in any given year.
- The Model will be used to identify a negative project impact (NPI) based on the comparison of No-Project Conditions and Project Conditions, and to identify the wells at risk of impact during recovery operations.

C. Establish Triggers and Mitigation Actions

- Mitigation measures will be implemented when a NPI is triggered in years when average water levels at specified wells[1] are more than 140 feet from the surface as measured on March 31 each year. It is expected that water levels will not decline to an extent resulting in a NPI when water levels are less than 140 feet from the surface.
- A NPI is triggered when the Model results predict that groundwater levels under Project Conditions are 30 feet deeper than No-Project Conditions at a nearby existing and operative well, and the well has (or is expected to) experience mechanical failure or other operational problems due to declining water levels. Given historical fluctuations in groundwater levels in the area when other nearby groundwater banking projects are recovering, it is expected that additional declines attributable to the proposed project beyond historic low groundwater levels could result in operational problems at some existing wells.
- Agricultural Wells. The following measures would be implemented when a NPI is triggered for an operational agricultural well:
  - When the Model predicts a NPI outside the current operating range of the pump but within the potential operating range of the well, then Rosedale will provide compensation to lower the well pump to meet the landowner's needs.
  - When the Model predicts a NPI outside the current and potential operating range of the well, then Rosedale will supply an equivalent water supply to the affected landowner from an alternate source at no greater cost; provide other acceptable mitigation to the landowner; or reduce or adjust pumping as necessary to prevent, avoid, or eliminate the NPI.
- Domestic Wells. The following measures would be implemented when a NPI is triggered for a domestic well:
  - When the Model predicts a NPI such that production ceases or is likely to cease, then Rosedale will provide compensation to implement one of the following: lower the domestic submersible pump bowl setting sufficient to restore and maintain service; provide a one-time permanent connection to the nearest water service provider; or drill and equip a new domestic well. If necessary, Rosedale will provide interim in-home water supplies until one of these actions is completed.

The Long Term Operations Plan is new information that was not known and could not have been known at the time the previous EIR was certified. However, this new information does not result in new significant environmental effects or more severe significant environmental effects. Rather this new information implements the commitments in the MOU and provides additional specificity in the form of triggers and mitigation actions for Project-related effects to neighboring wells.

---

1 Wells 29S/25E-27N1&2, 29S/25E-25M1&2, 29S/26E-31H1&2, and 29S/25E-35G01 are the wells that will be used to monitor groundwater levels. These wells have been determined to be best suited for detecting fluctuations in groundwater levels due to project operations.

Cumulative Impacts

The Final EIR concluded that the Project would have no long-term cumulative impacts to groundwater resources (Chapter 4.0). The proposed modifications would not change the conclusions of the Final EIR. There would be no cumulatively considerable impacts to groundwater associated with the proposed modifications based on the technical analysis provided in the Strand Ranch Well Placement and Drawdown Analysis, Appendix F in the Final EIR.

7. Conclusions

Section 15164(a) of the *Guidelines* states the following:

> "The lead agency or a responsible agency shall prepare an addendum to a previously certified EIR if some changes or additions are necessary but none of the conditions described in Section 15162 calling for preparation of a Subsequent EIR have occurred."

The proposed modifications to the original Project would not result in new significant environmental effects or a substantial increase in the severity of previously identified significant effects. Furthermore, new information associated with the proposed modifications does not indicate that the Project will have one or more significant effects not discussed in the certified EIR; that significant effects previously examined will be substantially more severe than shown in the certified EIR; that mitigation measures or alternatives previously found not to be feasible would in fact be feasible; or that mitigation measures or alternatives which are considerably different from those analyzed in the certified EIR would substantially reduce one or more significant effects on the environment. Accordingly, an addendum was prepared as opposed to a negative declaration or a subsequent environmental impact report. Rosedale and IRWD are issuing this Addendum in accordance with the *State CEQA Guidelines* (Section 15164).

February 8, 2016
Prepared by: J. Davis / T. Fournier
Submitted by: R. Jacobson / C. Clary
Approved by: Paul Cook

CONSENT CALENDAR

2016 INDEX TENDER NOTES REMARKETING

SUMMARY:

The District's Index Tender Note debt issues (2011 A-1 and 2011 A-2), which were originally issued in April 2011, are within their annual remarketing period. Staff, the District's underwriters (Goldman Sachs and Morgan Stanley), and legal counsel have prepared the required Remarketing Statements, attached as Exhibits "A" and "B", respectively.

Legal counsel has prepared a resolution for adoption by the Board approving the Remarketing Statements, attached as Exhibit "C".

BACKGROUND:

The District currently has $53,100,000 of Index Tender Notes (ITNs), that are remarketed by Goldman Sachs (2011 A-1) and $35,400,000 of ITNs that are remarketed by Morgan Stanley (2011 A-2). The ITNs are remarketed annually based on a spread to the SIFMA tax-exempt variable rate index. The last annual interest rate reset for the ITNs was in February 2015 at the SIFMA weekly index with a spread of three basis points, resulting in an all-in rate for 2015 of 0.19%, which was a 0.01% increase from calendar year 2014. The all-in rate includes the net interest rate (the index and spread) and annual remarketing fees of approximately 0.13%. The interest rate spread, if any, to the SIFMA index will be determined on February 17, 2016.

Staff and legal counsel have prepared the Remarketing Statements reflecting the District's most recent financial information, updated disclosure information and other pertinent updates for the 2011 A-1 and 2011 A-2 issues, which are attached for the Board's review as Exhibits "A" and "B", respectively.

Legal counsel has prepared a resolution for adoption by the Board approving the Remarketing Statements, attached as Exhibit "C".

FISCAL IMPACTS:

The current outstanding principal amount for the 2011 A-1 and A-2 ITN bond issues is $88.5 million. The ITNs are priced at a spread to the SIFMA tax-exempt variable rate index, which will occur on February 17, 2016.

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on February 2, 2016.

RECOMMENDATION:

THAT THE BOARD APPROVE THE 2016 INDEX TENDER NOTES REMARKETING STATEMENTS, AND ADOPT THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2016-

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT APPROVING
REMARKETING STATEMENTS RELATING TO
UNSCHEDULED MANDATORY TENDERS
(REFUNDING SERIES 2011A-1 AND REFUNDING SERIES 2011A-2)

LIST OF EXHIBITS:

Exhibit "A" – Remarketing Statement for Series 2011A-1
Exhibit "B" – Remarketing Statement for Series 2011A-2
Exhibit "C" – Resolution Approving Remarketing Statements

Stradling Yocca Carlson & Rauth
Draft of 1/28/16

REOFFERING – NOT A NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: See the caption "RATINGS"**

On April 15, 2011, Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District, delivered their respective opinions in connection with the issuance of the Series 2011A-1 Bonds. Such opinions stated that, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A-1 Bonds was excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and was exempt from State of California personal income taxes. Further, the opinions of Co-Bond Counsel stated that interest on the Series 2011A-1 Bonds was not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observed that such interest was included in adjusted current earnings when calculating corporate alternative minimum taxable income. Co-Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A-1 Bonds. Co-Bond Counsel have not taken and do not intend to take any action to update such opinions or to determine if interest on the Series 2011A-1 Bonds is presently excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes. See the caption "TAX MATTERS" herein.

[IRWD LOGO]

$53,100,000
BONDS OF IRVINE RANCH WATER DISTRICT
REFUNDING SERIES 2011A-1
CUSIP†: 4636324Q9

Date of Initial Delivery: April 15, 2011 **Scheduled Mandatory Tender Date: March 17, 2017** **Due: October 1, 2037**
Price: 100% **Call Protection Date: September 17, 2016**

This Remarketing Statement replaces the Remarketing Statement dated February 11, 2015, as supplemented on February 18, 2015, in its entirety.

Pursuant to the provisions of the Indenture of Trust, dated as of April 1, 2011, by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Series 2011A-1 Bonds, as amended, the District has exercised its option to effect an Unscheduled Mandatory Tender of the Series 2011A-1 Bonds on February 19, 2016.

Upon the purchase of the Series 2011A-1 Bonds pursuant to such Unscheduled Mandatory Tender, the Series 2011A-1 Bonds: (i) will be remarketed in the Index Mode for a Tender Period commencing on February 19, 2016 with the Scheduled Mandatory Tender Date on March 17, 2017; and (ii) will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period). Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 19, 2016, the District will publish it by supplementing this Remarketing Statement and posting the supplement on the EMMA system.

The Purchase Price of the tendered Series 2011A-1 Bonds will be paid on February 19, 2016 from moneys held by the Trustee, consisting of immediately available funds on deposit in the Remarketing Proceeds Account, as more fully described herein.

The Series 2011A-1 Bonds were issued by the Irvine Ranch Water District and constitute the consolidated, several general obligations of Improvement District Nos. 113, 125, 213 and 225, which are geographical subdivisions of the District through which the District funds capital improvements. The Series 2011A-1 Bonds are payable from the following sources: (i) Assessment Proceeds of each Improvement District, consisting of *ad valorem* assessments on taxable land, In Lieu Charges and proceeds from the sale of property for the enforcement of delinquent assessments collected from within each Improvement District and applied by the District to pay such Improvement District's Included Amount of the principal, Purchase Price and Redemption Price of, and interest on, all Outstanding Series 2011A-1 Bonds; (ii) Net Revenues of the District, consisting of water, sewer and reclaimed water rates and charges imposed by the District remaining after payment of Operation and Maintenance Expenses; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—Pledge of Assessment Proceeds and Revenues." The obligation of the District to pay the principal, Purchase Price upon the Scheduled Mandatory Tender and Redemption Price of, and interest on, the Series 2011A-1 Bonds from Net Revenues is payable on a parity with certain Parity Obligations described under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—Limitations on Parity and Superior Obligations—Obligations on a Parity with the Series 2011A-1 Bonds."

See the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" and Appendix A under the caption "THE IMPROVEMENT DISTRICTS—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250, the Assessment Proceeds of which were pledged to payment of the Series 2011A-1 Bonds at the time of their initial issuance, into Improvement District Nos. 125 and 225, respectively.

The Series 2011A-1 Bonds were issued pursuant to the Indenture for the purposes of: (i) providing a portion of the funds to refund the then-outstanding Bonds of Irvine Ranch Water District, Consolidated Refunding Series 2008B; and (ii) paying costs of issuance with respect to the Series 2011A-1 Bonds.

The Series 2011A-1 Bonds were issued in fully registered form and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the Series 2011A-1 Bonds will not receive physical certificates representing their beneficial ownership in the Series 2011A-1 Bonds purchased. The principal, Purchase Price and Redemption Price of, and interest on, the Series 2011A-1 Bonds are payable by the Trustee to Cede & Co. and such principal, Purchase Price, Redemption Price and interest payments are to be disbursed to the beneficial owners of the Series 2011A-1 Bonds through their nominees.

While the Series 2011A-1 Bonds are in the Index Mode, interest on the Series 2011A-1 Bonds will be payable on the first Business Day of each month. The Series 2011A-1 Bonds will be subject to a Scheduled Mandatory Tender on March 17, 2017. The failure of the District to pay the Purchase Price of the Series 2011A-1 Bonds upon any Scheduled Mandatory Tender would constitute an Event of Default under the Indenture. See the caption

---

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Remarketing Agent takes any responsibility for the accuracy of such numbers.

"THE SERIES 2011A-1 BONDS—Mandatory Tender for Purchase—Scheduled Mandatory Tender for Purchase." The Series 2011A-1 Bonds are also subject to mandatory tender on an Unscheduled Mandatory Tender Date at the option of the District as described herein. The failure of the District to pay the Purchase Price of the Series 2011A-1 Bonds upon such Unscheduled Mandatory Tender would not constitute an Event of Default under the Indenture. See the caption "THE SERIES 2011A-1 BONDS—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase." While in the Index Mode, individual purchases of Series 2011A-1 Bonds will be made in principal amounts of $100,000 and integral multiples of $5,000 in excess thereof.

This Remarketing Statement describes the Series 2011A-1 Bonds while in the Index Mode and for the Tender Period commencing on February 19, 2016 and ending on the Scheduled Mandatory Tender Date set forth above. There are significant differences in the terms of the Series 2011A-1 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-1 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other Tender Period.

Concurrently with the reoffering of the Series 2011A-1 Bonds, the District anticipates reoffering its Series 2011A-2 Bonds. Owners or prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-2 Bonds but should look instead to the most current Remarketing Statement prepared by the District for the Series 2011A-2 Bonds.

The Series 2011A-1 Bonds are subject to optional and mandatory redemption prior to maturity as more fully described under the caption "THE SERIES 2011A-1 BONDS—Redemption of Series 2011A-1 Bonds."

THE SERIES 2011A-1 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2011A-1 Bonds. Investors are advised to read the entire Remarketing Statement to obtain information essential to the making of an informed investment decision. Capitalized terms have the meanings given such terms in this Remarketing Statement.

Certain legal matters in connection with the reoffering of the Series 2011A-1 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District, and for the Remarketing Agent by Stradling Yocca Carlson & Rauth, a Professional Corporation. The Series 2011A-1 Bonds are available through the facilities of The Depository Trust Company. Goldman, Sachs & Co. is serving as Remarketing Agent and will remarket the Series 2011A-1 Bonds on February 19, 2016 following their mandatory tender.

Goldman, Sachs & Co.
Series 2011A-1 Bonds Remarketing Agent

Dated: February __, 2016

No dealer, broker, salesperson or other person has been authorized by the District or the Remarketing Agent to give any information or to make any representation other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Remarketing Agent. This Remarketing Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2011A-1 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Remarketing Statement is not to be construed as a contract with the purchasers of the Series 2011A-1 Bonds. Statements contained in this Remarketing Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Statement:

> The Remarketing Agent has reviewed the information in this Remarketing Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

The information set forth in this Remarketing Statement has been obtained from official sources and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Remarketing Agent. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Remarketing Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011A-1 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CERTAIN STATEMENTS CONTAINED IN THIS REMARKETING STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS REMARKETING STATEMENT. THE PROJECTIONS CONTAINED IN THIS REMARKETING STATEMENT WILL NOT BE UPDATED AS PART OF THE DISTRICT'S CONTINUING DISCLOSURE OBLIGATIONS FOR THE SERIES 2011A-1 BONDS.

THE SERIES 2011A-1 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES 2011A-1 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not part of this Remarketing Statement and should not be relied upon in making an investment decision with respect to the Series 2011A-1 Bonds.

IRVINE RANCH WATER DISTRICT
Orange County, California

Board of Directors

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

Management

Paul A. Cook, *General Manager*
Cheryl Clary, *Executive Director of Finance and Administration*
Robert Jacobson, *Treasurer*
Leslie Bonkowski, *Secretary*

District General Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Co-Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

[REGIONAL MAP]

[MAP OF WATER IMPROVEMENT DISTRICTS]

[MAP OF SEWER IMPROVEMENT DISTRICTS]

TABLE OF CONTENTS

Page

REMARKETING STATEMENT

$53,100,000
BONDS OF IRVINE RANCH WATER DISTRICT
REFUNDING SERIES 2011A-1

INTRODUCTION

This Remarketing Statement replaces the Remarketing Statement dated February 11, 2015, as supplemented on February 18, 2015, in its entirety.

Pursuant to the provisions of the Indenture of Trust, dated as of April 1, 2011 (the "Original Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as amended by the First Supplemental Indenture of Trust, dated as of February 1, 2014 (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture"), by and between the District and the Trustee, relating to the Bonds of Irvine Ranch Water District Refunding Series 2011A-1 (the "Series 2011A-1 Bonds"), the Irvine Ranch Water District (the "District") has exercised its option to effect an Unscheduled Mandatory Tender of the Series 2011A-1 Bonds on February 19, 2016.

Upon the purchase of the Series 2011A-1 Bonds pursuant to such Unscheduled Mandatory Tender, the Series 2011A-1 Bonds: (i) will be remarketed in the Index Mode for a Tender Period commencing on February 19, 2016 with the Scheduled Mandatory Tender Date of March 17, 2017; and (ii) will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period), all as more fully described herein.

Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 19, 2016, the District will publish it by supplementing this Remarketing Statement and posting the supplement with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System ("EMMA").

The Purchase Price of the tendered Series 2011A-1 Bonds will be paid on February 19, 2016 from moneys held by the Trustee, consisting of immediately available funds on deposit in the Remarketing Proceeds Account, as more fully described herein.

This Introduction is subject in all respects to the more complete information contained and referenced elsewhere in this Remarketing Statement. The remarketing of the Series 2011A-1 Bonds to potential investors is made only by means of the entire Remarketing Statement.

Purpose

The purpose of this Remarketing Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the District and Improvement District Nos. 113, 125, 213 and 225 (collectively, the "Improvement Districts" or individually, an "Improvement District") which are geographical subdivisions of the District through which the District funds capital improvements, in connection with the remarketing of $53,100,000 aggregate principal amount of the Series 2011A-1 Bonds, which Series 2011A-1 Bonds constitute the consolidated several general obligations of Improvement District Nos. 113, 125, 213 and 225. In addition, the District has pledged Revenues to the repayment of the Series 2011A-1 Bonds. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—Pledge of Assessment Proceeds and Revenues."

The Series 2011A-1 Bonds were issued pursuant to the Indenture for the purposes of: (i) providing a portion of the funds to refund the then-outstanding Bonds of Irvine Ranch Water District, Consolidated

Refunding Series 2008B; and (ii) paying costs of issuance with respect to the Series 2011A-1 Bonds. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

This Remarketing Statement describes the Series 2011A-1 Bonds only while in the Index Mode and for the Tender Period commencing February 19, 2016. There are significant differences in the terms of the Series 2011A-1 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-1 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other Tender Period.

Concurrently with the reoffering of the Series 2011A-1 Bonds, the District anticipates reoffering its Bonds of Irvine Ranch Water District Refunding Series 2011A-2 (the "Series 2011A-2 Bonds"). Owners or prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-2 Bonds but should look instead to the most current Remarketing Statement prepared by the District for the Series 2011A-2 Bonds.

Although the District has the right under the Indenture to enter into a Liquidity Facility in connection with the Series 2011A-1 Bonds, the District has not elected to enter into a Liquidity Facility in connection with the remarketing of the Series 2011A-1 Bonds for the Tender Period commencing February 19, 2016. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-1 Bonds supported by a Liquidity Facility. Owners and prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information in connection with the Series 2011A-1 Bonds supported by a Liquidity Facility, but should look solely to the offering document to be used in connection with any future entry of the District into a Liquidity Facility with respect to the Series 2011A-1 Bonds.

The District

The District is a California water district, formed in 1961 under the authority of the California Water District Law, constituting Division 13 of the California Water Code (the "Act"). Currently there are seven water improvement districts and ten sewer improvement districts formed pursuant to the Act, which are geographical subdivisions of the District through which the District funds capital improvements. See Appendix A—"IRVINE RANCH WATER DISTRICT."

The Series 2011A-1 Bonds

The Series 2011A-1 Bonds are being remarketed in an Index Mode for a Tender Period commencing on February 19, 2016 with the Scheduled Mandatory Tender Date of March 17, 2017 and will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period, all as more fully described under the caption "THE SERIES 2011A-1 BONDS"). While in the Index Mode, interest on the 2011A-1 Bonds will be payable on the first Business Day of each month. The Series 2011A-1 Bonds will be subject to a Scheduled Mandatory Tender on March 17, 2017. The failure of the District to pay the Purchase Price of a Series 2011A-1 Bond upon any Scheduled Mandatory Tender would constitute an Event of Default under the Indenture. See the caption "THE SERIES 2011A-1 BONDS—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure." The Series 2011A-1 Bonds are also subject to mandatory tender on an Unscheduled Mandatory Tender Date established at the option of the District as described herein. See the caption "THE SERIES 2011A-1 BONDS—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase."

While in the Index Mode, individual purchases of Series 2011A-1 Bonds will be made in principal amounts of $100,000 and integral multiples of $5,000 in excess thereof.

Improvement Districts

Set forth below are brief descriptions of the Improvement Districts for which the Series 2011A-1 Bonds constitute the consolidated, several general obligations. For more complete information with respect to the Improvement Districts, see Appendix A—"IRVINE RANCH WATER DISTRICT" under the caption "THE IMPROVEMENT DISTRICTS."

Improvement District Nos. 125 and 225. At the time of their initial issuance on April 15, 2011, the Series 2011A-1 Bonds constituted the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250. Pursuant to the Indenture, the District covenanted to fix and collect *ad valorem* assessments on taxable land within such improvement districts in amounts sufficient to pay principal of and interest on the Series 2011A-1 Bonds. See the caption "—Security for the Series 2011A-1 Bonds—Assessment Proceeds."

Beginning in 2011, the District undertook a long-term review of its capital funding plan. As a result of such review, the Board of Directors of the District determined that it was in the District's best interest to consolidate certain improvement districts to support differing capital infrastructure needs within developed and undeveloped areas of the District. Accordingly, by resolutions adopted on October 14, 2013, October 28, 2013 and November 11, 2013, the Board of Directors of the District undertook the following actions:

- Certain lands were annexed into Improvement District Nos. 105 and 250 in accordance with Section 36428 *et seq*. of the Act. The annexed lands were declared to be liable for debt service on the outstanding bonds of Improvement District Nos. 105 and 250, including each such Improvement District's Included Amount (as such term is defined under the caption "—Security for the Series 2011A-1 Bonds—General") of the Series 2011A-1 Bonds.

- Certain lands generally constituting large permanent open space parcels were detached from Improvement District Nos. 105 and 250 in accordance with Section 36442 *et seq*. of the Act. The detached lands were declared to be relieved of liability for debt service on the outstanding bonds of Improvement District Nos. 105 and 250, including each such Improvement District's Included Amount of the Series 2011A-1 Bonds to the extent permitted by law.

- Improvement District No. 105 and ten other water improvement districts were consolidated into a new improvement district, Improvement District No. 125, in accordance with Section 36454 *et seq*. of the Act. Pursuant to Section 36454.1 of the Act, Improvement District No. 105's Included Amount of the Series 2011A-1 Bonds was assumed by and became the liability of Improvement District No. 125.

- Improvement District No. 250 and nine other sewer improvement districts were consolidated into a new improvement district, Improvement District No. 225, in accordance with Section 36454 *et seq*. of the Act. Pursuant to Section 36454.1 of the Act, Improvement District No. 250's Included Amount of the Series 2011A-1 Bonds was assumed by and became the liability of Improvement District No. 225.

As a result of the foregoing actions:

- The Series 2011A-1 Bonds currently constitute the consolidated, several general obligations of Improvement District Nos. 113, 125, 213 and 225. Pursuant to the Act, Improvement District Nos. 125 and 225 are authorized to levy and collect the assessments and charges necessary to satisfy the obligations of their predecessor improvement districts, including the assessments and charges necessary to satisfy payment of the Series 2011A-1 Bonds for Improvement District Nos. 105 and 250, respectively.

- As of December 31, 2015: (i) Improvement District No. 125 had $322,089,600 aggregate principal amount of authorized but unissued *ad valorem* assessment bonds and $184,154,205 aggregate principal amount of outstanding *ad valorem* assessment bonds, including the Series 2011A-1 Bonds; and (ii) Improvement District No. 225 had $406,895,000 aggregate principal amount of authorized but unissued *ad valorem* assessment bonds and $231,726,235 aggregate principal amount of outstanding *ad valorem* assessment bonds, including the Series 2011A-1 Bonds. See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness" in Appendix A.

Improvement District No. 125 (water) covers approximately 35,438 acres of the District, including several contiguous and non-contiguous areas in the central and coastal parts of the District. Improvement District No. 225 (sewer) covers approximately 32,862 acres of the District, including several contiguous and non-contiguous areas in the central part of the District. Currently, the majority of the land within Improvement District Nos. 125 and 225 consists of developed residential property. However, the District expects certain areas within Improvement District Nos. 125 and 225 to be subject to infill development and redevelopment in the future. The District expects such additional development in Improvement District Nos. 125 and 225 to continue through at least 2020. The Fiscal Year 2016 assessed value of the land in Improvement District No. 125 is $32,752,414,757, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 105 before its consolidation into Improvement District No. 125 was $7,099,866,552. The Fiscal Year 2016 assessed value of the land in Improvement District No. 225 is $27,557,606,802, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 250 before its consolidation into Improvement District No. 225 was $6,776,400,622.

See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness" in Appendix A for a description of the *ad valorem* assessment bonds, including the Series 2011A-1 Bonds, attributable to Improvement District Nos. 125 and 225, respectively.

Improvement District Nos. 113 and 213. Improvement District No. 113 (water) and Improvement District No. 213 (sewer) are coterminous and are located in portions of the Cities of Tustin and Irvine. Improvement District Nos. 113 and 213 are comprised of approximately 1,629 acres of the land formerly known as Marine Corps Air Station Tustin. The boundaries of Improvement District Nos. 113 and 213 are Harvard Avenue on the southeast, Barranca Parkway on the southwest, Red Hill Avenue on the northwest and Edinger Avenue on the northeast. The former helicopter base, now known as Tustin Legacy, is currently being redeveloped with residential, commercial, institutional and recreational uses. The District expects development in Improvement District Nos. 113 and 213 to continue through at least 2020. The District expects that the total existing and future development will consist of 4,800 dwelling units and 12,100,000 square feet of commercial, institutional and recreational uses. The Fiscal Year 2016 assessed value of the land in coterminous Improvement District Nos. 113 and 213 is $827,524,085.

Security for the Series 2011A-1 Bonds

General. The Series 2011A-1 Bonds constitute the consolidated, several general obligations of the Improvement Districts payable from the following sources, each as further described under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS": (i) Assessment Proceeds collected from within each Improvement District and applied by the District to pay such Improvement District's Included Amount (as defined below) of the principal, Purchase Price and Redemption Price of, and interest on, all Outstanding Series 2011A-1 Bonds; (ii) Net Revenues of the District; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture.

The principal amount of the Series 2011A-1 Bonds allocated to an Improvement District is referred to as such Improvement District's "Included Amount" and an Improvement District's Included Amount divided by the total principal amount of the Series 2011A-1 Bonds is referred to as such Improvement District's "Included Percentage."

Assessment Proceeds. The District has covenanted in the Indenture that, to the extent necessary to provide Assessment Proceeds sufficient to pay when due, together with the other funds available for such payment, the principal of and interest on the Included Amount for each respective Improvement District, the District will: (a) fix and collect, or cause the fixing and collection of, *ad valorem* assessments on taxable land within the applicable Improvement District; (b) pursue any remedy available to collect, or cause the collection of, delinquent *ad valorem* assessments and apply amounts realized from the sale of any property for the enforcement of delinquent *ad valorem* assessments to the payment of principal of and interest on the Included Amount of the Series 2011A-1 Bonds of the applicable Improvement District; or (c) in its discretion, impose and collect, or cause the imposition and collection of, In Lieu Charges (which constitute charges for water or sewer service, as applicable, in the applicable Improvement District in lieu of *ad valorem* assessments). See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Covenant to Collect Assessment Proceeds."

As among the Improvement Districts, Assessment Proceeds collected in any Improvement District will not be available to pay any other Improvement District's share of debt service of the Series 2011A-1 Bonds. Each Improvement District's Included Amount and Included Percentage will be as set forth below:

SERIES 2011A-1 BONDS

Improvement District No.	***Included Amount***	***Included Percentage***
113	$ 2,655,000	5.00%
125	24,797,700	46.70
213	3,345,300	6.30
225	22,302,000	42.00
Total	$ 53,100,000	100.00%

The Included Amount for each Improvement District with respect to the Series 2011A-1 Bonds and any other outstanding or future District general obligation bonds issued for such Improvement District are equally secured by the *ad valorem* assessments and any charges for water or sewer service, as applicable, imposed and collected in lieu of *ad valorem* assessments, collected within such Improvement District. The *ad valorem* assessments are levied only on land and are based on the land value of parcels in the Improvement District without regard to the value of any improvements thereon. See Appendix A—"IRVINE RANCH WATER DISTRICT" under the captions "THE IMPROVEMENT DISTRICTS—Improvement District Nos. 125 and 225" and "THE IMPROVEMENT DISTRICTS—Improvement District Nos. 113 and 213."

During the term of the Series 2011A-1 Bonds, the Included Amounts and Included Percentages for any Improvement District may be adjusted as a result of the purchase or redemption of Series 2011A-1 Bonds allocated to one or more Improvement Districts, pursuant to calculations made by the District and delivered to the Trustee pursuant to the Indenture, without need for any amendment of or supplement to the Indenture.

Net Revenues. The Series 2011A-1 Bonds are also payable from the Net Revenues of the District and are secured by a pledge of the Revenues of the District, subject to the application of the Revenues as provided in the Indenture. Net Revenues for any period consist of the Revenues of the District less the Operation and Maintenance Expenses of the District for such period, as such terms are defined under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—Pledge of Assessment Proceeds and Revenues—Net Revenues."

Net Revenues collected within any improvement district of the District, including the Improvement Districts, are available to make debt service payments on the Series 2011A-1 Bonds.

The obligation of the District to pay the principal, Redemption Price and Purchase Price (other than the Purchase Price due on an Unscheduled Mandatory Tender) of, and interest on, the Series 2011A-1 Bonds from Net Revenues is payable on a parity with the District's obligations under certain Parity Obligations. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—Existing Parity Obligations." The District may enter into additional Parity Obligations in accordance with the terms of the Indenture. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—Limitations on Parity and Superior Obligations—Obligations on a Parity with the Series 2011A-1 Bonds."

The District has covenanted in the Indenture, to the fullest extent permitted by law, to fix, prescribe and collect Revenues which, together with any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, will be at least sufficient to yield during each Fiscal Year Net Revenues which are at least equal to 125% of Aggregate Debt Service payable during such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the rate covenant with respect to all outstanding Parity Obligations. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Revenue Rate Covenant."

Limited Obligations. **THE SERIES 2011A-1 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS.**

Professionals Involved in the Remarketing

The Bank of New York Mellon Trust Company, N.A. serves as Trustee under the Indenture. Certain legal matters in connection with the reoffering of the Series 2011A-1 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District ("General Counsel"), and for Goldman, Sachs & Co. (the "Remarketing Agent") by Stradling Yocca Carlson & Rauth, a Professional Corporation.

Summaries Not Definitive

The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to each such document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning given to it in the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

All references to and summaries of the Indenture, documents, statutes, reports and other instruments referred to herein are qualified in their entirety by reference to the full Indenture, and each such document, statute, report or instrument, respectively. Forward looking statements in this Remarketing Statement are subject to risks and uncertainties. Actual results may vary from forecasts or projections contained herein because events and circumstances do not occur as expected, and such variances may be material. The projections contained in this Remarketing Statement will not be updated as part of the District's continuing disclosure obligations for the Series 2011A-1 Bonds.

Additional Information

Copies of the Indenture and audited financial statements of the District are available for inspection at the offices of the District in Irvine, California, and will be available from the Trustee upon request and payment of costs. Additional information regarding this Remarketing Statement may be obtained by contacting the District, at the following address:

Treasurer
Irvine Ranch Water District
15600 Sand Canyon Avenue
Irvine, California 92618
(949) 453-5300

THE SERIES 2011A-1 BONDS

This Remarketing Statement describes the Series 2011A-1 Bonds while in the Index Mode and for the Tender Period described herein only. There are significant differences in the terms of the Series 2011A-1 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-1 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other Tender Period.

General

The Series 2011A-1 Bonds mature on October 1, 2037. The Series 2011A-1 Bonds are being remarketed in an Index Mode for a Tender Period commencing on February 19, 2016 with the Scheduled Mandatory Tender Date set forth on the front cover page hereof and will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period). Notice of the Index Spread for the Tender Period commencing on February 19, 2016 will be given as described under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Index Spread; Adjustment of Index Spread." All Outstanding Series 2011A-1 Bonds will be in the same Mode. Any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner provided in the Indenture.

While in the Index Mode, the Series 2011A-1 Bonds will be subject to all of the terms of the Indenture relating to the Series 2011A-1 Bonds in the Index Mode, including provisions that require the Owners to tender their Series 2011A-1 Bonds for purchase on the Scheduled Mandatory Tender Date and on other dates as described in this Remarketing Statement, and provisions that permit the District to effect an Unscheduled Mandatory Tender (which Unscheduled Mandatory Tender is subject to rescission and successful remarketing as described under the caption "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Rescission"). See the captions "—Mandatory Tender for Purchase" and "—Purchase of Series 2011A-1 Bonds."

While in the Index Mode, the Series 2011A-1 Bonds are not subject to tender for purchase at the option of the Owners.

The Series 2011A-1 Bonds are in the form of fully registered bonds and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2011A-1 Bonds. While the Series 2011A-1 Bonds are in the Index Mode, individual purchases of Series 2011A-1 Bonds will be made in principal amounts of $100,000 and integral multiples of $5,000 in excess thereof. See the caption "—Book-Entry Only System" and Appendix E hereto.

Payment of Interest

Interest on the Series 2011A-1 Bonds in an Index Mode will be calculated on the basis of a 365/366-day year for the actual number of days elapsed. Interest on the Series 2011A-1 Bonds in an Index Mode and for the Tender Period commencing February 19, 2016 is payable on the first Business Day of each calendar month, commencing March 1, 2016, and on each Mandatory Purchase Date, Scheduled Mandatory Tender Date and Unscheduled Mandatory Tender Date on which all outstanding Series 2011A-1 Bonds are purchased (each, an "Interest Payment Date").

During the Index Mode, payment will be made on each Interest Payment Date for unpaid interest accrued from and including each Interest Accrual Date, which is the first day of each Tender Period and each Interest Payment Date thereafter. The amount of interest payable on each such Interest Payment Date will be determined in accordance with the provisions described under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Duration of Tender Period") and, thereafter, the first Business Day of each month during such Tender Period (each, an "Interest Accrual Date") to but excluding such Interest Payment Date. Notwithstanding any provision of the Indenture, at no time may the rate of interest on any Series 2011A-1 Bond exceed the Maximum Rate.

Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode

Determination of SIFMA Average Index Rate and Index Tender Rate. During each Tender Period, no later than 11:00 a.m.* on the Business Day immediately preceding each Interest Payment Date while the Series 2011A-1 Bonds bear interest in the Index Mode, the Trustee will deliver written notice to the District and the Remarketing Agent specifying the SIFMA Average Index Rate and the Index Tender Rate for, and the aggregate amount of interest that accrued during, the Index Rate Accrual Period ending on the day preceding such Interest Payment Date together with a detailed calculation of the foregoing. All percentages resulting from the calculation of the SIFMA Average Index Rate will be rounded, if necessary, to the nearest ten-thousandth of a percentage point with five hundred thousandths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation of interest on the Series 2011A-1 Bonds while bearing interest in an Index Mode will be rounded to the nearest cent (with one-half cent being rounded upward).

Index Spread; Adjustment of Index Spread. Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 19, 2016, the District will publish it by supplementing this Remarketing Statement and posting the supplement with EMMA. With respect to subsequent Tender Periods, the Index Spread will be determined by the Remarketing Agent and adjusted as described under the captions "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender" and "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender." During each Tender Period, the Index Spread with respect to such Tender Period will apply to all Series 2011A-1 Bonds.

Duration of Tender Period. A Tender Period will commence on February 19, 2016 and will have a Scheduled Mandatory Tender Date of March 17, 2017. Thereafter, each Tender Period will commence on the first to occur of: (i) the Scheduled Mandatory Tender Date of the immediately preceding Tender Period; (ii) an

* *Unless otherwise expressly stated, all times referred to in this Remarketing Statement are New York City time.*

Unscheduled Mandatory Tender Date in connection with any Unscheduled Mandatory Tender if all Series 2011A-1 Bonds are actually purchased as described under the caption "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds;" and (iii) the effective date of a Change in Mode to an Index Mode. Each Tender Period will terminate on the first to occur of: (a) the Scheduled Mandatory Tender Date; (b) an Unscheduled Mandatory Tender Date in connection with any Unscheduled Mandatory Tender if all Series 2011A-1 Bonds are actually purchased as described under the caption "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds;" (c) the first date on which the Series 2011A-1 Bonds bear interest in a Mode other than the Index Mode; or (d) the date on which all Series 2011A-1 Bonds are redeemed in accordance with the terms of the Indenture or all principal and accrued interest on all Series 2011A-1 Bonds are otherwise paid in full.

Mandatory Tender for Purchase

Scheduled Mandatory Tender for Purchase. Unless the Series 2011A-1 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, the Owners of all of the Series 2011A-1 Bonds will tender for purchase, and the District will purchase, all of the Series 2011A-1 Bonds on the Scheduled Mandatory Tender Date for such Tender Period. The Trustee will give notice of each Scheduled Mandatory Tender to the Owners of the Series 2011A-1 Bonds as provided in the Indenture not less than seven days prior to the Scheduled Mandatory Tender Date. With respect to the Tender Period commencing on February 19, 2016, the Scheduled Mandatory Tender Date is March 17, 2017 and, with respect to each subsequent Tender Period, the Scheduled Mandatory Tender Date will be determined as described under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Duration of Tender Period." Failure of the District to pay the Purchase Price for the Series 2011A-1 Bonds on a Scheduled Mandatory Tender Date constitutes an Event of Default under the Indenture. See the caption "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure" below.

Unscheduled Mandatory Tender for Purchase. While the Series 2011A-1 Bonds bear interest in an Index Mode, at its option, the District may require, during each Tender Period, the Owners of all (but not less than all) of the Series 2011A-1 Bonds to tender their Series 2011A-1 Bonds to the District for purchase, from the source of funds described under the caption "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds" on any Business Day from and after the Call Protection Date for such Tender Period. The Call Protection Date for the Tender Period commencing February 19, 2016 is set forth on the front cover page hereof. To exercise such option, the District will deliver to the Trustee at its Corporate Trust Office and the Remarketing Agent, no later than 10 days before the Unscheduled Mandatory Tender Date, the written notice of Unscheduled Mandatory Tender described under the caption "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Effect of a Successful Remarketing." The Trustee will give notice of each Unscheduled Mandatory Tender to the Owners of the Series 2011A-1 Bonds as provided in the Indenture not less than seven days prior to the Unscheduled Mandatory Tender Date. Except as provided under the captions "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Rescission" and "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions," the Trustee will pay to the Owners of the Series 2011A-1 Bonds 100% of the principal amount of the Series 2011A-1 Bonds from the proceeds of the remarketing of such Series 2011A-1 Bonds as described under the caption "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds." If all outstanding Series 2011A-1 Bonds are purchased, the Unscheduled Mandatory Tender Date is also an Interest Payment Date for the Series 2011A-1 Bonds and the District will pay the unpaid accrued interest on the Series 2011A-1 Bonds on such date. The failure to pay the purchase price of Series 2011A-1 Bonds in connection with an Unscheduled Mandatory Tender does not constitute an Event of Default under the

Indenture and the purchase of the Series 2011A-1 Bonds subject to mandatory tender will be cancelled and the Index Mode Tender Period will continue. See the caption "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions."

Purchase of Series 2011A-1 Bonds

The Remarketing Agent has agreed to use its best efforts to remarket the Series 2011A-1 Bonds pursuant to the Indenture at the minimum interest rate available in the marketplace to permit the Remarketing Agent to remarket the Series 2011A-1 Bonds on the Purchase Date, Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, at the principal amount thereof; provided that the remarketing of the Series 2011A-1 Bonds in connection with a Scheduled Mandatory Tender or an Unscheduled Mandatory Tender will be as provided under the captions "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender" and "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender," respectively. Series 2011A-1 Bonds subject to purchase on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date will be purchased from the Owners thereof at the Purchase Price which will be payable solely from the following sources in the order listed, except that the Purchase Price in connection with an Unscheduled Mandatory Tender is payable solely from the source described in clause (i) below:

(i) Immediately available funds on deposit in the Remarketing Proceeds Account; and

(ii) Immediately available funds on deposit in the District Purchase Account.

See Appendix C under the caption "DEFINITIONS" for a description of the Remarketing Proceeds Account and District Purchase Account.

At or before 3:00 p.m. on the Business Day immediately preceding each Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, the Remarketing Agent: (i) unless otherwise provided in a Representation Letter, is to deliver to the Trustee instructions for registration of Series 2011A-1 Bonds remarketed in accordance with the Indenture; and (ii) is to give Electronic Notice to the Trustee and the District, specifying the aggregate principal amount of Series 2011A-1 Bonds not remarketed, if any. If the Series 2011A-1 Bonds are registered in the name of a Bond Depository or its nominee, and if the amount of such remarketing proceeds is sufficient to pay the Purchase Price of all Series 2011A-1 Bonds to be purchased on the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, the Remarketing Agent may apply such remarketing proceeds to the appropriate accounts of such Bond Depository to effect payment of the Purchase Price of Series 2011A-1 Bonds in accordance with the procedures established by such Bond Depository.

If the amount of proceeds from the remarketing delivered to the Trustee indicates that Series 2011A-1 Bonds are required to be purchased from moneys provided by the District, the Trustee will give Electronic Notice to the District at or prior to 11:30 a.m. on such date specifying the information set forth in the Indenture. Upon receipt of such notice, on each Mandatory Purchase Date and Scheduled Mandatory Tender Date, the District is to deposit with the Trustee in the District Purchase Account, by 2:00 p.m. on such date, immediately available funds in an amount together with the remarketing proceeds, to enable the Trustee to pay the Purchase Price of the tendered Series 2011A-1 Bonds. Unless otherwise provided in a Representation Letter, on each Mandatory Purchase Date, Scheduled Mandatory Tender Date and, if all Series 2011A-1 Bonds are purchased, each Unscheduled Mandatory Tender Date, all Series 2011A-1 Bonds which have been remarketed will be registered as directed by the Remarketing Agent.

The Trustee will pay from the funds specified in the Indenture, the Purchase Price for each tendered Series 2011A-1 Bond at or prior to 3:00 p.m. on the Mandatory Purchase Date, Scheduled Mandatory Tender Date or, if all Series 2011A-1 Bonds are purchased, the Unscheduled Mandatory Tender Date, as the case may be; provided that the Purchase Price of Series 2011A-1 Bonds in connection with an Unscheduled Mandatory Tender will be payable only from amounts in the Remarketing Proceeds Account. The Purchase Price of any Series 2011A-1 Bond so tendered is payable only upon surrender of such Series 2011A-1 Bond to the Trustee at its Corporate Trust Office for delivery of such Series 2011A-1 Bond, except that payment of the Purchase Price of any Series 2011A-1 Bond tendered for purchase or otherwise purchased pursuant to a Representation Letter will be made in immediately available funds and in such manner as the Bond Depository and the Trustee agree.

Notwithstanding any provision to the contrary contained in the Indenture, all tenders for purchase in connection with an Unscheduled Mandatory Tender are payable only from immediately available funds on deposit in the Remarketing Proceeds Account.

Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender

Remarketing of Series 2011A-1 Bonds. During each Tender Period in the Index Mode, upon establishing the Index Spread for the next succeeding Tender Period (as described below under the caption "—Determination of Index Spread"), the Remarketing Agent will offer for sale and use its best efforts to sell in accordance with the Remarketing Agreement all Series 2011A-1 Bonds at a price equal to the principal amount thereof, such that the Index Spread for the next Tender Period will be adjusted as described below under the caption "—Determination of Index Spread." The Remarketing Agent will sell any Series 2011A-1 Bonds tendered pursuant to a Scheduled Mandatory Tender at the principal amount thereof; provided that if the District delivers a Favorable Opinion of Bond Counsel, the District has the right to direct the Remarketing Agent to sell any Series 2011A-1 Bonds tendered pursuant to a Scheduled Mandatory Tender at a discount or at a premium.

Determination of Scheduled Mandatory Tender Date. Unless the Series 2011A-1 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, the District, by direction to the other Notice Parties by Electronic Notice or telecopy not later than 10 days before the Scheduled Mandatory Tender Date for each Tender Period, is to determine the Scheduled Mandatory Tender Date for all Series 2011A-1 Bonds for the Tender Period immediately following the purchase of Series 2011A-1 Bonds pursuant to a Scheduled Mandatory Tender as provided in the Indenture. Such Scheduled Mandatory Tender Date may be any Business Day during the next Tender Period except that the Scheduled Mandatory Tender Date will not be a date that is earlier than three months after the commencement of the Tender Period. If the District is required to deliver a written direction as provided above but fails to do so, then the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of Series 2011A-1 Bonds will be the date that is one year after the commencement of the Tender Period (unless such date is not a Business Day, in which case the Scheduled Mandatory Tender Date will be the first Business Day following such date).

Establishment of Call Protection Date. With respect to any Tender Period commencing on a Scheduled Mandatory Tender Date that the Series 2011A-1 Bonds are purchased pursuant to a Scheduled Mandatory Tender, the Call Protection Date will be the Tender Period Standard Date; provided that if the District delivers to the Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction as to the Scheduled Mandatory Tender Date, the District may determine that the Call Protection Date for such Tender Period will be any Business Day during the Tender Period. The Call Protection Date with respect to the Tender Period commencing on February 19, 2016 is September 17, 2016.

Determination of Index Spread. Unless the Series 2011A-1 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, no later than 5:00 p.m. on the day that is two Business Days before the Scheduled Mandatory Tender Date for such Tender Period, the Remarketing Agent is to determine the Index Spread with respect to the Tender Period immediately following such Scheduled Mandatory Tender Date. The Index Spread determined by the Remarketing Agent is to be equal to the minimum fixed spread to SIFMA which, if borne by the Series 2011A-1 Bonds, would enable the Remarketing Agent to sell all Series 2011A-1 Bonds tendered or deemed tendered pursuant to the Scheduled Mandatory Tender on the Scheduled Mandatory Tender Date at a price equal to the principal amount thereof. With respect to all Series 2011A-1 Bonds sold with an Index Tender Rate based on an Index Spread determined by the Remarketing Agent pursuant to the Indenture, the determination of the Index Spread so determined by the Remarketing Agent will be conclusive and binding on the Notice Parties and the Owners of the Series 2011A-1 Bonds.

Purchase of Series 2011A-1 Bonds. Series 2011A-1 Bonds required to be purchased as described under caption "—Remarketing of Series 2011A-1 Bonds" will be purchased from the Owners thereof, on the Scheduled Mandatory Tender Date at the Purchase Price from the sources and in the order of priority described under the caption "—Mandatory Tender for Purchase—Scheduled Mandatory Tender for Purchase."

The District is irrevocably obligated to pay the Purchase Price of all Series 2011A-1 Bonds on each Scheduled Mandatory Tender Date.

Consequences of a Scheduled Mandatory Tender Failure. Upon the occurrence of a Scheduled Mandatory Tender Failure on any Scheduled Mandatory Tender Date, the following will occur:

(i) The Trustee will promptly return all Series 2011A-1 Bonds to the Owners thereof together with notice of such failure and the Trustee and the Remarketing Agent will promptly return all remarketing proceeds to the persons providing such moneys without interest;

(ii) The Tender Period then in effect will terminate on such Scheduled Mandatory Tender Date and the Series 2011A-1 Bonds will bear interest at the last Index Tender Rate for the Tender Period so terminated from the applicable Scheduled Mandatory Tender Date to the earliest to occur of the purchase of the Series 2011A-1 Bonds by or on behalf of the District or the payment of the principal of the Series 2011A-1 Bonds; and

(iii) An Event of Default under the Indenture will occur.

Effect of a Successful Remarketing. If moneys on deposit with the Trustee are sufficient to pay the Purchase Price of Series 2011A-1 Bonds to be purchased as described under caption "—Remarketing of Series 2011A-1 Bonds" on a Scheduled Mandatory Tender Date, the following will occur:

(i) The Tender Period in effect immediately before such purchase will terminate on the Scheduled Mandatory Tender Date and a new Tender Period will commence on such date; and

(ii) The Index Spread with respect to the Series 2011A-1 Bonds for the new Tender Period will be the Index Spread determined as described above under the caption "—Determination of Index Spread."

Notification of Scheduled Mandatory Tender Failure. On the date of a Scheduled Mandatory Tender Failure, the Trustee will deliver a notice by mail to: (i) the District; (ii) the respective Owners of any Series 2011A-1 Bonds at their addresses appearing on the Bond Register; (iii) the Remarketing Agent; and (iv) one or more Information Services, which will state: (A) that a Scheduled Mandatory Tender Failure occurred; (B) the Trustee will return all Series 2011A-1 Bonds tendered on the Scheduled Mandatory Tender Date to the Owners thereof; and (C) an Event of Default has occurred under the Indenture.

Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender

Remarketing of Series 2011A-1 Bonds. Upon receipt of notice of an Unscheduled Mandatory Tender from the District as described under the caption "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase," the Remarketing Agent will offer for sale and use its best efforts to sell in accordance with the Remarketing Agreement all Series 2011A-1 Bonds at a price equal to the principal amount thereof, such that the Index Spread for the next Tender Period will be adjusted as described below under the caption "—Determination of Index Spread." The Remarketing Agent will sell any Series 2011A-1 Bonds tendered pursuant to an Unscheduled Mandatory Tender at the principal amount thereof; provided that if the District delivers a Favorable Opinion of Bond Counsel, the District has the right to direct the Remarketing Agent to sell any Series 2011A-1 Bonds tendered pursuant to an Unscheduled Mandatory Tender at a discount or at a premium.

Determination of Scheduled Mandatory Tender Date. The District, by direction to the other Notice Parties by Electronic Notice or telecopy not later than ten days before each Unscheduled Mandatory Tender Date, will determine the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of Series 2011A-1 Bonds pursuant to an Unscheduled Mandatory Tender, as provided in the Indenture. Such Scheduled Mandatory Tender Date may be any Business Day, except that the Scheduled Mandatory Tender Date may not be a date that is earlier than three months after the commencement of the Tender Period.

Establishment of Call Protection Date. With respect to any Tender Period commencing on an Unscheduled Mandatory Tender Date that all Series 2011A-1 Bonds are purchased pursuant to an Unscheduled Mandatory Tender, the Call Protection Date will be the Tender Period Standard Date; provided that if the District delivers to the Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction as to the Scheduled Mandatory Tender Date, the District may determine that the Call Protection Date for such Tender Period will be any Business Day during such Tender Period. The Call Protection Date with respect to the Tender Period commencing on February 19, 2016 is September 17, 2016.

Determination of Index Spread. No later than 5:00 p.m. on the day that is two Business Days before each Unscheduled Mandatory Tender Date, the Remarketing Agent will determine the Index Spread with respect to the Tender Period immediately following such Unscheduled Mandatory Tender Date. The Remarketing Agent will determine the Index Spread which will be equal to the minimum spread to SIFMA which, if borne by the Series 2011A-1 Bonds, would enable the Remarketing Agent to sell all Series 2011A-1 Bonds tendered pursuant to the Unscheduled Mandatory Tender on the Unscheduled Mandatory Tender Date at a price equal to the principal amount thereof. With respect to all Series 2011A-1 Bonds sold with an Index Tender Rate based on an Index Spread determined by the Remarketing Agent pursuant to the Indenture, the determination of the Index Spread so determined by the Remarketing Agent will be conclusive and binding on the Notice Parties and the Owners of the Series 2011A-1 Bonds.

Purchase of Series 2011A-1 Bonds. Subject to the provisions described under the caption "—Rescission" and "—Failure to Meet Conditions," the District will cause Series 2011A-1 Bonds required to be purchased in an Unscheduled Mandatory Tender to be purchased on each Unscheduled Mandatory Tender Date from the Owners thereof at the Purchase Price from the source indicated under the caption "—Purchase of Series 2011A-1 Bonds."

Consequences of an Unscheduled Mandatory Tender Failure or a Rescission. If the District rescinds any Unscheduled Mandatory Tender as described under the caption "—Rescission" or if any of the conditions of any Unscheduled Mandatory Tender are not satisfied as described under the captions "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase" and "—Failure to Meet Conditions," then the District will not have any obligation to purchase any Series 2011A-1 Bonds and no purchase of Series 2011A-1 Bonds will occur. In such event, the following will occur:

(i) The Trustee will return all Series 2011A-1 Bonds to the Owners thereof together with notice of the basis for such return and the Trustee and the Remarketing Agent will return all remarketing proceeds to the persons providing such moneys without interest;

(ii) The Series 2011A-1 Bonds will continue to bear interest at the Index Tender Rate in effect during such Tender Period without change or modification and the Tender Period then in effect will continue until terminated in accordance with the provisions set forth under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Duration of Tender Period"; and

(iii) No Event of Default under the Indenture will have occurred.

Rescission. The District has the option to deliver to the Trustee at its Corporate Trust Office and the Remarketing Agent, on or prior to 5:00 p.m. on the Business Day immediately preceding the Unscheduled Mandatory Tender Date for an Unscheduled Mandatory Tender, a notice to the effect that the District elects to rescind such Unscheduled Mandatory Tender. If the District so rescinds an Unscheduled Mandatory Tender, then no purchase will occur, the Series 2011A-1 Bonds will continue to bear interest at the Index Tender Rate in effect during the Tender Period then in effect without change or modification and the Tender Period then in effect will continue until terminated as described under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Duration of Tender Period."

Failure to Meet Conditions. Any Unscheduled Mandatory Tender, if not rescinded, will be conditioned upon: (a) amounts sufficient to pay the Purchase Price of such mandatory tender being on deposit from remarketing proceeds, as described under the caption "—Purchase of Series 2011A-1 Bonds," with the Trustee on the Unscheduled Mandatory Tender Date; and (b) in connection with any change in the Call Protection Date for the next succeeding Tender Period from the Tender Period Standard Date, the delivery by the District of the Favorable Opinion of Bond Counsel described under the caption "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Establishment of Call Protection Date." If on an Unscheduled Mandatory Tender Date the conditions described in the immediately preceding sentence are not satisfied, then no purchase of Series 2011A-1 Bonds will occur, the Series 2011A-1 Bonds will continue to bear interest at the Index Tender Rate in effect during the Tender Period then in effect without change or modification and the Tender Period then in effect will continue until terminated as described under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-1 Bonds in Index Mode—Duration of Tender Period."

Failure by the District to pay or cause to be paid the Purchase Price of Series 2011A-1 Bonds tendered under the Unscheduled Mandatory Tender provisions of the Indenture for any reason does not constitute an Event of Default by the District under the Indenture. No such failure affects the District's right to require Owners of Series 2011A-1 Bonds to tender their Series 2011A-1 Bonds as described under the caption "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase" during the remainder of the Tender Period then in effect or during any subsequent Tender Period.

Effect of a Successful Remarketing. If moneys on deposit with the Trustee are sufficient to pay the Purchase Price of Series 2011A-1 Bonds to be purchased as described under the caption "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase" and all other conditions are satisfied, the following will occur:

(i) The Tender Period in effect immediately before such tender will terminate on such Unscheduled Mandatory Tender Date and a new Tender Period will commence on such date; and

(ii) The Index Spread with respect to the Series 2011A-1 Bonds for the new Tender Period will be the Index Spread determined as described above under the caption "—Determination of Index Spread."

Changes in Mode

Subject to the provisions of the Indenture, the District may effect a Change in Mode with respect to the Series 2011A-1 Bonds by delivering to the Trustee, with copies to the other Notice Parties, a Notice of Change in Mode stating: (A) the election to change the Mode to which the Series 2011A-1 Bonds are then subject (the "Current Mode") to a different Mode (the "New Mode"), the type of which will be specified; (B) the date on which the Series 2011A-1 Bonds are required to be purchased pursuant to the provisions described below under the caption "—Mandatory Purchase of Series 2011A-1 Bonds," which will be the date as of which the New Mode takes effect and a Business Day immediately following the end of an Adjustment Period or the last day of a Tender Period, or a Business Day on which the Series 2011A-1 Bonds would be subject to redemption at the option of the District; and (C) a form of notice of mandatory tender for purchase satisfying the requirements described below under the caption "—Mandatory Purchase of Series 2011A-1 Bonds." In no event will a Change in Mode occur prior to the Call Protection Date set forth on the front cover page hereof.

Not less than seven days prior to a proposed Change in Mode, and in reliance upon a Notice of Change in Mode, the Trustee will give written notice, in the form prepared by the District and delivered to the Trustee pursuant to the immediately preceding paragraph, to the Owners of the mandatory tender for purchase of all Outstanding Series 2011A-1 Bonds as described below under the caption "—Mandatory Purchase of Series 2011A-1 Bonds" in connection with the Change in Mode.

The New Mode will take effect only if the following conditions are satisfied: (i) by 9:00 a.m. on the date of the proposed Change in Mode: (A) if a Liquidity Facility is to be in effect during the New Mode, the interest portion of the Liquidity Facility is in an amount equal to or greater than the Liquidity Facility Interest Amount for the applicable Mode; and (B) if the New Mode is the Fixed Rate Mode, the Trustee and the Remarketing Agent have received a Fixed Rate Terms Certificate; and (ii) the Trustee has received sufficient remarketing proceeds of the Series 2011A-1 Bonds in the New Mode to pay the Purchase Price of the Bonds subject to mandatory tender for purchase in connection with the Change in Mode. If such conditions are satisfied, then the New Mode will take effect on the date of the proposed Change in Mode. If such conditions are not satisfied, then: (a) all Outstanding Series 2011A-1 Bonds will be purchased on the Mandatory Purchase Date described below under the caption "—Mandatory Purchase of Series 2011A-1 Bonds;" (b) all Outstanding Series 2011A-1 Bonds will continue to be subject to the Index Mode; (c) the Tender Period for all Outstanding Series 2011A-1 Bonds will extend from and including the date on which the New Mode was to take effect to and including the date which is three months after such date (and if such date is not a Business Day, the next day which is followed by a Business Day); (d) the interest on the Series 2011A-1 Bonds for the Index Rate Accrual Period will be the last Index Tender Rate in effect during the immediately preceding Tender Period; and (e) the Trustee will, within five Business Days after the date of the proposed Change in Mode, send notice to the Notice Parties stating that the conditions to the Change in Mode have not all been satisfied and informing them of the consequences thereof, as described in the Indenture.

Mandatory Purchase of Series 2011A-1 Bonds

Except as otherwise provided under the captions "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Rescission" and "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions" with respect to an Unscheduled Mandatory Tender, each Series 2011A-1 Bond which is subject to mandatory tender for purchase on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date as a result of a Change in Mode or as otherwise provided in the Indenture will be purchased on such date at the applicable Purchase Price but solely from the sources of payment described under the captions "—Purchase of Series 2011A-1 Bonds," "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds" or "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds," as applicable. Subject to the provisions of the Indenture and unless otherwise provided in a Representation Letter, all Series 2011A-1 Bonds required to be purchased on a

Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date will be tendered for purchase by delivery to the Trustee at its Corporate Trust Office on or prior to the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, and, except as otherwise provided under the caption "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase" with respect to an Unscheduled Mandatory Tender, will be purchased, but solely from the sources of payment described under the captions "—Purchase of Series 2011A-1 Bonds," "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds" or "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-1 Bonds," as applicable.

Undelivered Bonds

Any Series 2011A-1 Bond which is subject to mandatory tender for purchase in accordance with the provisions described under the caption "—Mandatory Tender for Purchase" which is not tendered for purchase as required by the Indenture, will constitute an Undelivered Bond and will nonetheless be deemed to have been so tendered and, upon provision for payment of the Purchase Price thereof from the applicable funds specified under the caption "—Purchase of Series 2011A-1 Bonds," will be deemed to have been purchased on the Mandatory Purchase Date, the Scheduled Mandatory Tender Date or the Unscheduled Mandatory Tender Date, as applicable, after which no interest will accrue on such Series 2011A-1 Bond for the benefit of the Owner required to tender such Series 2011A-1 Bond from and after such Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, and such Owner will have no rights under the Indenture as the Owner of such Series 2011A-1 Bond except the right to receive the Purchase Price thereof from the funds available therefor, as described under the caption "—Purchase of Series 2011A-1 Bonds."

Refinancing and Related Risks

No assurance can be given that the District will have sufficient remarketing proceeds or funds on hand on March 17, 2017 or any other Scheduled Mandatory Tender Date to pay the Purchase Price of the Series 2011A-1 Bonds upon the mandatory tender thereof on such date. The District has not currently provided for any Liquidity Facility to support the payment of the Purchase Price upon mandatory tender of the Series 2011A-1 Bonds. In the event that the District does not have sufficient funds to pay the Purchase Price of the Series 2011A-1 Bonds on such date from remarketing proceeds or other funds on hand, the District's ability to pay such Purchase Price is dependent on the District's ability: (i) to issue and sell refunding obligations to refund Series 2011A-1 Bonds prior to such date; or (ii) to provide for the conversion of such Series 2011A-1 Bonds to another Mode on or prior to such date and to receive sufficient remarketing proceeds upon such conversion to provide for payment of the Purchase Price of the Series 2011A-1 Bonds upon the mandatory tender thereof.

A variety of events could prevent access to the municipal securities market, prohibit the District from issuing such refunding obligations or remarketing such Series 2011A-1 Bonds or make the issuance of refunding obligations or the remarketing of such Series 2011A-1 Bonds prohibitively expensive. No assurance can be given that the District will be able to effect such a refinancing or remarketing on sufficiently favorable terms. Failure of the District to provide sufficient funds to pay the Purchase Price on the Scheduled Mandatory Tender Date constitutes an Event of Default under the Indenture. See the caption "THE SERIES 2011A-1 BONDS—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure."

The Series 2011A-2 Bonds are also subject to risks described in the preceding two paragraphs.

Redemption of Series 2011A-1 Bonds

Optional Redemption. The Series 2011A-1 Bonds in the Index Mode are subject to redemption at the option of the District in whole or in part, in Authorized Denominations, during any Tender Period, on any Business Day on or after the Call Protection Date for such Tender Period, at a Redemption Price equal to 100% of the principal amount of the Series 2011A-1 Bonds being redeemed plus unpaid accrued interest, if any, to such Redemption Date, without premium. See the captions "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Scheduled Mandatory Tender—Establishment of Call Protection Date" and "—Remarketing and Purchase of Series 2011A-1 Bonds in Connection with Unscheduled Mandatory Tender—Establishment of Call Protection Date." The Call Protection Date for the Tender Period commencing on February 19, 2016 is September 17, 2016.

Mandatory Redemption. The Series 2011A-1 Bonds are subject to mandatory redemption in part on October 1, 2016 and on each October 1 thereafter, upon notice as described under the caption "—Notice of Redemption," at a Redemption Price equal to 100% of the principal amount of the Series 2011A-1 Bonds to be redeemed, without premium, in the years and principal amounts as follows:

SERIES 2011A-1 BONDS DUE OCTOBER 1, 2037

Mandatory Redemption Dates (October 1)	***Principal Amount of Series 2011A-1 Bonds to be Redeemed***
2016	$1,560,000
2017	1,620,000
2018	1,680,000
2019	1,740,000
2020	1,800,000
2021	1,920,000
2022	1,980,000
2023	2,040,000
2024	2,100,000
2025	2,220,000
2026	2,280,000
2027	2,400,000
2028	2,460,000
2029	2,580,000
2030	2,700,000
2031	2,820,000
2032	2,880,000
2033	3,000,000
2034	3,120,000
2035	3,240,000
2036	3,420,000
2037 (maturity)	3,540,000

Upon any purchase and cancellation of Series 2011A-1 Bonds by the District or any redemption of Series 2011A-1 Bonds pursuant to the optional redemption provisions of the Indenture described under the caption "—Optional Redemption," an amount equal to the aggregate principal amount of Series 2011A-1 Bonds so purchased or redeemed will be credited toward a part or all of any one or more yearly mandatory redemptions required by the Indenture, as directed in writing by the District, provided that such direction is received by the Trustee at least 45 days before the date of such mandatory redemption. Any such direction will state the years in which and the amounts by which such mandatory redemptions are to be reduced. The portion of any such mandatory redemption remaining after the deduction of any such amounts credited toward the same (or the original amount of any such mandatory redemption if no such amounts have been credited toward the same) constitutes the unsatisfied balance of such mandatory redemption for the purpose of the calculation of payments due on October 1 in any future year.

Selection of Series 2011A-1 Bonds for Redemption

If not otherwise provided in the Indenture, whenever less than all Outstanding Series 2011A-1 Bonds of a maturity are to be redeemed on any one date, the Trustee will select the Series 2011A-1 Bonds of such maturity to be redeemed from the Outstanding Series 2011A-1 Bonds of such maturity by lot, or in such other manner as the Trustee deems fair.

Notice of Redemption

Notice of redemption will be given by Mail by the Trustee to the Remarketing Agent and the Owners of any Series 2011A-1 Bonds designated for redemption in whole or in part no less than 30 days nor more than 60 days prior to the Redemption Date. So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2011A-1 Bonds, notices of redemption will be given to DTC. See the caption "—Book-Entry Only System" below.

Each notice of redemption will state the Redemption Date, the redemption place and the Redemption Price, the maturity dates of the Series 2011A-1 Bonds to be redeemed and designate the numbers of the Series 2011A-1 Bonds to be redeemed if less than all of the Outstanding Series 2011A-1 Bonds of a maturity are to be redeemed, will (in the case of any Series 2011A-1 Bond called for redemption in part only) state the portion of the principal amount thereof which is to be redeemed, and state that, if the Trustee holds sufficient available funds to pay the Redemption Price of the Series 2011A-1 Bonds to be redeemed on the Redemption Date, the interest thereon or portions thereof designated for redemption will cease to accrue from and after such Redemption Date and that on such Redemption Date there will become due and payable on the Series 2011A-1 Bonds or portions thereof designated for redemption the Redemption Price thereof. The failure of any Owner to receive such notice will not affect the validity of the redemption of any Series 2011A-1 Bonds.

With respect to any notice of any optional redemption of Series 2011A-1 Bonds, unless at the time such notice is given the Trustee holds sufficient available funds to pay the Redemption Price of the Series 2011A-1 Bonds to be redeemed, such notice will state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the Redemption Price of the Series 2011A-1 Bonds to be redeemed, and that if such moneys have not been so received said notice will be of no force and effect and the District will not be required to redeem such Series 2011A-1 Bonds. In the event that a notice of redemption of Series 2011A-1 Bonds contains such a condition and such moneys are not so received, the redemption of such Series 2011A-1 Bonds as described in the conditional notice of redemption will not be made and the Trustee will, within a reasonable time after the date on which such redemption was to occur, give notice to the persons who received such notice of redemption and in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of Series 2011A-1 Bonds pursuant to such notice of redemption.

Any notice of redemption mailed as provided in the Indenture will be conclusively presumed to have been given, whether or not actually received by any Owner.

See the caption "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase" for information with respect to notice of Unscheduled Mandatory Tenders.

Allocation of Credits for Purchased or Redeemed Series 2011A-1 Bonds

Except as otherwise provided in the Indenture, the principal amount of any Series 2011A-1 Bonds purchased and cancelled by the District, or redeemed by the District, will be credited proportionally to all Improvement Districts and the Included Amount for each Improvement District will be reduced by such Improvement District's Included Percentage (calculated immediately before such purchase or redemption) of the purchased or redeemed Series 2011A-1 Bonds.

In the event that Series 2011A-1 Bonds are purchased for cancellation or redeemed with funds provided by one or more Improvement Districts other than funds provided proportionately with all other Improvement Districts, the principal amount of any Series 2011A-1 Bonds purchased and cancelled by the District, or redeemed by the District, will be credited proportionally to all such contributing Improvement Districts and the Included Amount for each such Improvement District will be reduced by such Improvement District's proportional contribution to the purchase price of such purchased Series 2011A-1 Bonds and the Redemption Price of such redeemed Series 2011A-1 Bonds and the Included Percentage (calculated immediately before such purchase or redemption) of the purchased or redeemed Series 2011A-1 Bonds.

Immediately following each purchase of Series 2011A-1 Bonds by the District for cancellation and each redemption of Series 2011A-1 Bonds and the allocation of credits in connection with such purchase and redemption in accordance with the provisions of the Indenture, as applicable, the Included Percentages for all Improvement Districts will be recomputed for all purposes after such redemption in the following manner:

$$\frac{\textit{Improvement District's Included Amount after purchase or redemption}}{\textit{Total Amount of Outstanding Series 2011A-1 Bonds after purchase or redemption}} = \textit{Included Percentage, as adjusted}$$

Book-Entry Only System

One fully-registered Series 2011A-1 Bond has been issued in the outstanding principal amount of the Series 2011A-1 Bonds. The Series 2011A-1 Bonds are registered in the name of Cede & Co. and have been deposited with DTC. So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2011A-1 Bonds, all payments of principal, Purchase Price and Redemption Price of and interest on the Series 2011A-1 Bonds will be made directly to DTC. Disbursement of such payments to the DTC Participants will be the responsibility of DTC. Disbursement of such payments to the Beneficial Owners of the Series 2011A-1 Bonds will be the responsibility of the DTC Participants as more fully described herein. See Appendix E—"BOOK-ENTRY SYSTEM."

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for the Series 2011A-1 Bonds. In that event, the Series 2011A-1 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal, Purchase Price, Redemption Price and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC Participants or others will distribute payments with respect to the Series 2011A-1 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Remarketing Statement. See Appendix E hereto for additional information concerning DTC.

SECURITY FOR THE SERIES 2011A-1 BONDS

General

Sources of Payment. The Series 2011A-1 Bonds constitute the consolidated, several general obligations of the Improvement Districts payable from: (i) Assessment Proceeds collected from within each Improvement District and applied by the District to pay such Improvement District's Included Amount of the principal, Purchase Price and Redemption Price of, and interest on, Outstanding Series 2011A-1 Bonds; (ii) Net Revenues of the District; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture. See the caption "—Pledge of Assessment Proceeds and Revenues." The District currently expects to pay a portion of scheduled debt service on the Series 2011A-1 Bonds from a combination of Assessment Proceeds and Net Revenues and, to the extent that remarketing proceeds are insufficient, to pay the Purchase Price of the Series 2011A-1 Bonds from Net Revenues.

Authority for Issuance. Elections were held in Improvement District Nos. 105, 113, 213 and 250 at which the qualified voters within each such improvement district authorized the District to incur an indebtedness and issue general obligation bonds for each respective improvement district. See Appendix A—"IRVINE RANCH WATER DISTRICT" for a discussion of the bond authorization, amount of outstanding bonds and remaining bond authorization for each of the Improvement Districts. The Series 2011A-1 Bonds are authorized for issuance pursuant to the Act and all laws of the State amendatory thereof or supplemental thereto.

Covenant to Collect Assessment Proceeds. The District has covenanted in the Indenture that, to the extent necessary to provide Assessment Proceeds sufficient to pay when due, together with the other funds available for such payment, the principal of and interest on the Included Amount for each respective Improvement District, the District will: (a) fix and collect, or cause the fixing and collection of, *ad valorem* assessments on taxable land within the applicable Improvement District; (b) pursue any remedy available to collect, or cause the collection of, delinquent *ad valorem* assessments and apply amounts realized from the sale of any property for the enforcement of delinquent *ad valorem* assessments to the payment of principal of and interest on the Included Amount of Series 2011A-1 Bonds of the applicable Improvement District; or (c) in its discretion, impose and collect, or cause the imposition and collection of In Lieu Charges for water or sewer service, as applicable, in the applicable Improvement District in lieu of *ad valorem* assessments.

Revenue Rate Covenant. The District has also covenanted in the Indenture, to the fullest extent permitted by law, to fix, prescribe and collect Revenues which, together with any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, will be at least sufficient to yield during each Fiscal Year Net Revenues which are at least equal to 125% of Aggregate Debt Service payable during such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements.

Notwithstanding the foregoing, so long as the Installment Sale Agreement, dated as of February 1, 2010 (the "2010 Installment Sale Agreement"), by and between the District and the Irvine Ranch Water District Water Service Corporation remains in effect, the District will need to comply with the requirements set therein regarding the rate covenant, which are identical to those set forth in the prior paragraph except that the Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) which are applied as a credit to Debt Service above are included as revenues for purposes of such calculation and the definition of Aggregate Debt Service in the 2010 Installment Sale Agreement does not provide an offset for debt service paid from Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) associated with Revenue Enhancement Agreements. In addition, certain of the Prior Reimbursement Agreements described under the caption "—Existing Parity Obligations" related to outstanding *ad valorem* assessment bonds of the District, and certain swap agreements entered into by the District, have covenants related to the setting of rates and charges with which the District is contractually obligated to comply.

Additional Covenants. See Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" under the caption "CERTAIN COVENANTS" for a summary of additional covenants of the District under the Indenture.

Pledge of Trust Estate. Pursuant to the Indenture, the District has pledged the Trust Estate thereunder to secure the payment of the Series 2011A-1 Bonds issued thereunder. The "Trust Estate" under the Indenture consists of the following:

(A) The Bond Payment Fund (defined below) established under the Indenture, including all accounts in such fund, and all of the monies in such fund and accounts and the investments, if any, thereof, and all income and proceeds derived from such investments; and

(B) Subject to the application on the terms and conditions contained in the Indenture, Revenues of the District.

Pledge of Assessment Proceeds and Revenues

Subject to the application of the Revenues on the terms and conditions provided in the Indenture, Revenues have been irrevocably pledged to the payment when due of the principal, Purchase Price and Redemption Price of, and interest on, the Outstanding Series 2011A-1 Bonds, which pledge will be on a parity with any pledge of Revenues securing other Parity Obligations. Such pledge constitutes a pledge of and charge and lien upon the Revenues for the payment of the principal, Purchase Price upon the Scheduled Mandatory Tender and Redemption Price of, and interest on, the Outstanding Series 2011A-1 Bonds and all other Parity Obligations in accordance with the terms of the Indenture and the Series 2011A-1 Bonds after payment from the Revenues of the Operation and Maintenance Expenses, and the funding of contingency reserves therefor, as provided in the Indenture.

THE SERIES 2011A-1 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-1 BONDS.

Assessment Proceeds. Assessment Proceeds means, with respect to any Improvement District: (i) *ad valorem* assessments on taxable land in such Improvement District levied pursuant to the Act; (ii) In Lieu Charges, consisting of water or sewer charges, as applicable, which in the discretion of the Board of Directors of the District are fixed and collected in an Improvement District in lieu of *ad valorem* assessments pursuant to the Act; and (iii) proceeds from the sale of property in such Improvement District for the enforcement of delinquent assessments pursuant to the Act.

The Included Amount for each Improvement District with respect to the Series 2011A-1 Bonds and any other outstanding or future District general obligation bonds issued for such Improvement District are equally secured by the *ad valorem* assessments and any charges for water or sewer service, as applicable, imposed and collected in lieu of *ad valorem* assessments, collected within such Improvement District. The *ad valorem* assessments are levied only on land and are based on the land value of parcels in the Improvement District without regard to the value of any improvements thereon. See Appendix A—"IRVINE RANCH WATER DISTRICT" under the captions "THE IMPROVEMENT DISTRICTS—Improvement District Nos. 125 and 225" and "THE IMPROVEMENT DISTRICTS—Improvement District Nos. 113 and 213."

Net Revenues. Net Revenues for any period consist of the Revenues of the District less the Operation and Maintenance Expenses of the District for such period. "Revenues" means:

(1) The water, sewer and reclaimed water rates and charges imposed by the District in connection with providing water, sewer and reclaimed water services to retail customers through the Operating Systems (as such term is defined in the Indenture), including commodity, service, standby, material treatment and connection charges, except: (i) such water, sewer and reclaimed water rates and charges levied in lieu of *ad valorem* assessments pursuant to Sections 36425 and 35975 of the Act; and (ii) customer deposits (together, the "Utility Rates and Charges"); and

(2) Other revenues of the District, including, without limiting the generality of the foregoing, the proceeds of any stand-by or natural treatment, connection and water availability charges; together with the District's share of the Orange County, California 1% *ad valorem* property tax (to the extent not applied by the District to pay principal of and interest on Secured Bonds) and Investment Income;

but excluding in all cases: (i) customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; (ii) any proceeds of taxes or *ad valorem* assessments restricted by law to be used by the District to pay bonds issued by the District, and the proceeds of any actions to enforce delinquent *ad valorem* assessments so restricted; and (iii) water, sewer and reclaimed water rates and charges levied in lieu of *ad valorem* assessments pursuant to Sections 36425 and 35975 of the Act.

"Operation and Maintenance Expenses" consist of the costs and expenses paid or incurred by the District for operating and maintaining the Operating Systems (as such term is defined in the Indenture) including, but not limited to: (a) all costs of water generated or purchased by the District for resale; (b) all costs and expenses of providing services and commodities through or with the Operating Systems; (c) all costs and expenses of management of the Operating Systems; (d) all costs and expenses of maintenance and repair of, and other expenses necessary or appropriate in the judgment of the District to maintain and preserve, any of the Operating Systems in good repair and working order; (e) all administrative and general expenses, such as salaries and wages of employees, overhead, taxes (if any), insurance premiums, retirement benefits and health care benefits; (f) all deposits to be made to a contingency reserve for Operation and Maintenance Expenses; (g) all deposits to be made to a rebate fund established with respect to Parity Obligations to provide for any rebate to the United States required to maintain the tax-exempt status of interest on such Parity Obligations; (h) any cost or expense paid or incurred by the District to comply with requirements of law applicable to any of the Operating Systems or the ownership or operation thereof or any activity in connection therewith; and (i) any other cost or expense which, in accordance with Generally Accepted Accounting Principles, is to be treated as an expense of operating or maintaining any of the Operating Systems; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, and amortization of intangibles.

Net Revenues collected within any improvement district of the District, including the Improvement Districts, are available to make debt service payments on the Series 2011A-1 Bonds. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS."

Allocation of Monies Under the Indenture

Allocation of Revenues. In order to carry out and effectuate the pledge and lien on the Revenues contained in the Indenture, the District has agreed and covenanted in the Indenture that all Revenues received by it will be deposited when and as received in the Revenue Fund, which fund has been previously established by the District and which fund the District has agreed and covenanted to maintain as a special fund, separate and apart from other moneys of the District so long as any Series 2011A-1 Bond remains Outstanding. All Revenues will be applied in the following order of priority:

First: to the payment of Operation and Maintenance Expenses (other than the funding of contingency reserves for Operation and Maintenance Expenses) as they become due and payable.

Second: to the funding of contingency reserves for Operation and Maintenance Expenses.

Third: (i) two Business Days before each Interest Payment Date, to a deposit to the Bond Payment Fund in an amount equal to the transfer to the Interest Account and Principal Account to be made on such Interest Payment Date; and (ii) on each date, other than an Interest Payment Date, on which the principal of an Outstanding Series 2011A-1 Bond becomes due, whether by mandatory redemption, acceleration, or otherwise, to a deposit to the Bond Payment Fund in an amount equal to the principal and Redemption Price of, and interest on, the Outstanding Series 2011A-1 Bonds coming due on such date. Notwithstanding the provisions of the immediately preceding sentence, no such deposit to the Bond Payment Fund need be made by the District to the extent that the Trustee then holds, or is concurrently receiving from the District from Assessment Proceeds or other sources that do not constitute Revenues, moneys for such purpose in the Bond Payment Fund, or being deposited in the Bond Payment Fund, available to pay the principal and Redemption Price of, and interest on, the Outstanding Series 2011A-1 Bonds to be paid with such deposit. The District will also pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Parity Obligations (other than the principal and Redemption Price of, and interest on, the Outstanding Series 2011A-1 Bonds), without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, on the dates specified in the proceedings relating to such Parity Obligations, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest (including purchase price) on Parity Obligations (other than the principal and Redemption Price of, and interest on, the Outstanding Series 2011A-1 Bonds) in accordance with the terms of such Parity Obligations.

Fourth: the District will transfer or cause to be transferred to any applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein in accordance with the terms of such Parity Obligations.

Fifth: to any lawful purpose of the District, including the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations, which application will be free and clear of the pledge and lien on Revenues created by the Indenture.

Bond Payment Fund. There has been established and created a fund with the Trustee under the Indenture designated the "Bonds of Irvine Ranch Water District, Series 2011A-1 Bond Payment Fund" (the "Bond Payment Fund"). The Trustee will transfer money contained in the Bond Payment Fund to the accounts described below at the following times in the manner provided in the Indenture, which accounts the Trustee has agreed to establish and maintain so long as the Indenture is not discharged in accordance with the provisions thereof, and each such account constitutes a trust fund for the benefit of the Owners of the Series 2011A-1 Bonds, and the money in each such account will be disbursed only for the purposes and uses authorized in the Indenture.

Interest Account. The Trustee, on each Interest Payment Date, will deposit in the Interest Account from money in the Bond Payment Fund an amount which, together with amounts already on deposit in the Interest Account, will be sufficient to pay interest on the Outstanding Series 2011A-1 Bonds due on such Interest Payment Date. Money in the Interest Account will be used and withdrawn by the Trustee on each Interest Payment Date solely for the payment of interest on the Outstanding Series 2011A-1 Bonds then due.

Principal Account. The Trustee, on each Principal Payment Date, will deposit in the Principal Account from money in the Bond Payment Fund such amount as is sufficient to pay the principal of the Outstanding Series 2011A-1 Bonds due on such Principal Payment Date. Money in the Principal Account will be used and withdrawn by the Trustee on each Principal Payment Date solely for the payment of the principal of Outstanding Series 2011A-1 Bonds then due.

Redemption Account. The Trustee will deposit in the Redemption Account amounts received from the District to pay the Redemption Price of Series 2011A-1 Bonds to be redeemed. Money in such Redemption Account will be used and withdrawn by the Trustee on each Redemption Date solely for the payment of the Redemption Price of Outstanding Series 2011A-1 Bonds upon the redemption thereof.

Existing Parity Obligations

The District has entered into certain Parity Obligations described below. The reimbursement agreements described below relate to outstanding *ad valorem* assessment bonds:

(i) the Fifth Amended and Restated Reimbursement Agreement, dated as of April 1, 2011, by and between the District and Bank of America, N.A.;

(ii) the Reimbursement Agreement, dated May 7, 2015, by and between the District and U.S. Bank National Association;

(iii) the two Reimbursement Agreements, each dated as of April 1, 2011, by and between the District and Sumitomo Mitsui Banking Corporation;

(iv) the Amended and Restated Reimbursement Agreement, dated as of April 1, 2011, by and between the District and U.S. Bank National Association;

(v) the State Revolving Loan Contract No. 6-817-550-0, dated June 26, 1997, by and between the District and the State Water Resources Control Board, as amended and supplemented, currently outstanding in the aggregate principal amount of $776,581;

(vi) the 2010 Installment Sale Agreement, securing the District's Certificates of Participation, Irvine Ranch Water District Refunding Series 2010 currently outstanding in the aggregate principal amount of $61,280,000;

(vii) the District's Series 2010B Bonds currently outstanding in the aggregate principal amount of $175,000,000; and

(viii) the Series 2011A-2 Bonds currently outstanding in the aggregate principal amount of $35,400,000.

The agreements described in clauses (i) through (iv) above are collectively referred to as the "Prior Reimbursement Agreements."

There are currently no reimbursement obligations outstanding under the Prior Reimbursement Agreements, although the District may incur reimbursement obligations under the Prior Reimbursement Agreements as provided therein.

For a summary of the stated amount of each letter of credit associated with the Prior Reimbursement Agreements, see Appendix A—"IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Parity Obligations."

Limitations on Parity and Superior Obligations

Obligations Superior to Series 2011A-1 Bonds. The District has covenanted in the Indenture that it will not create any pledge of, lien on or charge upon the Revenues with a priority prior to or senior to the pledge of the Revenues securing the Series 2011A-1 Bonds and the Parity Obligations.

Obligations on a Parity with the Series 2011A-1 Bonds. Under the Indenture, the District may at any time issue additional Parity Obligations; provided:

(a) The Net Revenues, plus any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, for the Applicable Fiscal Year, as evidenced by both a calculation prepared by the District and a special report on such calculation prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on file with the District, are at least equal to 125% of the Aggregate Debt Service for the Applicable Fiscal Year; and

(b) Either of (1) or (2) below:

(1) The Net Revenues for the Applicable Fiscal Year, plus any adjustments to Net Revenues to give effect as of the first day of the Applicable Fiscal Year to increases or decreases in rates and charges of the District approved and in effect as of the date of calculation, plus any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, produce an amount at least equal to 125% of the sum of: (i) the Aggregate Debt Service for such Applicable Fiscal Year; plus (ii) the Debt Service which would have accrued on any Parity Obligations issued since the end of the Applicable Fiscal Year assuming such Parity Obligations had been issued at the beginning of the Applicable Fiscal Year; plus (iii) the Debt Service which would have accrued had the additional Parity Obligations to be issued been issued at the beginning of the Applicable Fiscal Year; or

(2) The estimated Net Revenues for each Fiscal Year in the Test Period, plus an allowance for the estimated Net Revenues for each Fiscal Year in the Test Period arising from the completion of any uncompleted projects during the Test Period, plus any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, plus any increase in the income, rents, fees, rates and charges estimated to be received by the District and which are economically feasible and reasonably considered necessary based on projected operations for the Test Period, produce an amount in each Fiscal Year in the Test Period which is at least equal to 125% of the sum of: (i) Aggregate Debt Service in each such Fiscal Year on all then Outstanding Parity Obligations; plus (ii) the Debt Service in each such Fiscal Year on the additional Parity Obligations to be issued; plus (iii) the Debt Service in each such Fiscal Year on any additional Parity Obligations estimated by the District to be required to complete all uncompleted projects for which Parity Obligations have been or are being issued, assuming that all such additional Parity Obligations to complete uncompleted projects (other than the Parity Obligations to be issued) have maturities, interest rates and proportionate principal repayment provisions similar to the Parity Obligations then being issued.

(c) Notwithstanding the provisions of clauses (a) and (b), the District may at any time issue additional Parity Obligations to refund Outstanding Parity Obligations without satisfying any of the conditions set forth in such subsections if Aggregate Debt Service after the issuance of such additional Parity Obligations in each Fiscal Year in the Refunding Test Period is not greater than the Aggregate Debt Service in each such Fiscal Year before the issuance of such additional Parity Obligations.

(d) Notwithstanding the provisions of clauses (a) and (b), the District may at any time issue a Parity Obligation constituting a Credit Support Agreement securing a Parity Obligation without satisfying any of the conditions set forth in such subsections if such Credit Support Agreement: (i) replaces a Prior Reimbursement Agreement (or a successor to a Prior Reimbursement Agreement) and does not increase the principal of bonds secured by the letter of credit relating to such Prior Reimbursement Agreement; or (ii) the Parity Obligations secured by the Credit Support Instrument relating to such Credit Support Agreement have been issued in accordance with clauses (a) and (b).

Notwithstanding the foregoing, so long as the 2010 Installment Sale Agreement remains outstanding, the District will need to comply with the requirements set therein for the issuance of Parity Obligations, which are identical to those set forth in clauses (a), (b) and (c) above except that the Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) which are applied as a credit to Debt Service in clauses (a) and (b) above are included as revenues for purposes of such calculation and the definition of Aggregate Debt Service in the 2010 Installment Sale Agreement does not provide an offset for debt service paid from Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) associated with Revenue Enhancement Agreements. In addition, certain of the Prior Reimbursement Agreements related to outstanding *ad valorem* assessment bonds of the District, and certain swap agreements entered into by the District, have conditions precedent to the issuance of Parity Obligations that are more stringent than those listed above.

Obligations Subordinate to the Series 2011A-1 Bonds. Nothing in the Indenture prevents the District from issuing Subordinate Obligations or granting a pledge of, lien on or charge upon the Revenues in all respects junior and subordinate to the payment of amounts due with respect to Parity Obligations to secure any such Subordinate Obligations. Nothing in the Indenture limits the District's payment of the Operation and Maintenance Expenses prior to the payment of the Parity Obligations as provided in the Indenture.

Investment of Monies in Funds and Accounts Under the Indenture

So long as the Series 2011A-1 Bonds are Outstanding and no Event of Default has occurred and is continuing, monies on deposit to the credit of the funds held by the Trustee under the Indenture (except for the Remarketing Proceeds Account in the Purchase Fund) will, at the written request of the District, be invested by the Trustee in Permitted Investments. In the absence of written instruction from the District, the Trustee is directed to hold available funds uninvested. The Trustee is entitled to rely conclusively on said instructions for purposes of the Indenture and will have no duty to monitor the compliance thereof with the restrictions set forth in the Indenture. Subject to the limitations contained in Government Code Section 53601, monies in the funds held by the District will be invested by the District in Permitted Investments. All such investments will have maturity dates, or will be subject to redemption, at the option of the holder, on or prior to the dates the monies invested therein will be needed for the purposes of such funds. See Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" under the caption "DEFINITIONS" for the definition of Permitted Investments under the Indenture.

The Trustee may commingle any of the moneys held by it under the Indenture. The Trustee may present for redemption or sell any such deposit or investment whenever necessary in order to provide money to meet any payment of the money so deposited or invested. Any interest or profits on deposits and investments in the Bond Payment Fund received by the Trustee will be deposited in the Interest Account as a credit against interest to come due on the Outstanding Series 2011A-1 Bonds.

See Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" under the caption "FUNDS AND ACCOUNTS—Investments."

THE IRVINE RANCH WATER DISTRICT

For a description of the District and each of the Improvement Districts see Appendix A—"IRVINE RANCH WATER DISTRICT."

CONTINUING DISCLOSURE

The District has covenanted in a Continuing Disclosure Certificate dated April 15, 2011 (the "Continuing Disclosure Certificate") for the benefit of the Owners and beneficial owners of the Series 2011A-1 Bonds to provide certain financial information and operating data relating to the District (each an "Annual Report") by not later than 270 days following the end of the District's fiscal year (which fiscal year ends on June 30), commencing with the Annual Report for Fiscal Year 2012, and to provide notices of the occurrence of certain enumerated events. The Annual Reports will be filed by the District with EMMA for the purpose of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The notices of enumerated events will be filed by the District with EMMA. The specific nature of the information to be made available and to be contained in the notices of enumerated events is contained in Appendix F—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Remarketing Agent, as Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) in complying with the Rule. For the last five years the District has complied in all material aspects with its filing obligations pursuant to undertakings entered into pursuant to the Rule.

See the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively. As a result of such consolidations, Improvement District Nos. 125 and 225 are the legal successors to Improvement District Nos. 105 and 250, respectively, and Improvement District Nos. 105 and 250 no longer exist. Accordingly, beginning in Fiscal Year 2014, the Annual Reports will contain information relating to Improvement District Nos. 125 and 225 rather than for Improvement District Nos. 105 and 250.

LITIGATION

There is no action, suit or proceeding known to be pending, or to the knowledge of the District, threatened, in any way contesting or affecting the validity of, the Series 2011A-1 Bonds or the Indenture. There is no litigation known to be pending, or to the knowledge of the District, threatened, questioning the existence of the District or the title of the officers of the District to their respective offices.

There exist lawsuits and claims against the District, which are incidental to the ordinary course of operations of the District's water and sewer systems and related activities. In the view of the District's management and General Counsel, there is no litigation, present or pending, or to the knowledge of the District, threatened, which will individually or in the aggregate materially impair the District's ability to service its indebtedness or which will have a material adverse effect on the business operations of the District.

RATINGS

On April 12, 2011, Standard & Poor's Ratings Group ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") assigned the Series 2011A-1 Bonds the short-term ratings of "A-1+", "VMIG 1" and "F1+", respectively, and Moody's and Fitch assigned the Series 2011A-1 Bonds the long-term ratings of "Aa1" and "AAA", respectively. S&P affirmed the short-term rating of the 2011A-1 Bonds of "A-1+" on December 18, 2014. Although S&P has not assigned a long-term rating to Series 2011A-1 Bonds, S&P affirmed the long-term rating of "AAA" on the District's Series 2010B Bonds, which are Parity Obligations, on December 18, 2014. Fitch affirmed the short-term rating of "F1+" and the long-term rating of "AAA" for the Series 2011A-1 Bonds on February 26, 2015. The District has made no attempt to seek an update to or affirmation of such ratings from the rating agencies in connection with the remarketing of the Series 2011A-1 Bonds on February 19, 2016. Generally, rating agencies base their ratings on information and material furnished directly to them (which may include information and material from the District which is not included in this Remarketing Statement) and on investigations, studies and assumptions made by them. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from the applicable rating agency. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2011A-1 Bonds.

TAX MATTERS

Original Opinions

On April 15, 2011, Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District ("Co-Bond Counsel"), in connection with the issuance of the Series 2011A-1 Bonds, delivered their respective opinions to the effect that, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. It was the further opinion of Co-Bond Counsel, as of April 15, 2011, that such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the opinions of Co-Bond Counsel delivered at the original issuance of the Series 2011A-1 Bonds is set forth in Appendix D hereto.

No Updated Co-Bond Counsel Opinions

Co-Bond Counsel have not taken, and do not intend to take, any action to update their respective original opinions or to determine if interest on the Series 2011A-1 Bonds is presently excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes.

General Considerations

Notwithstanding the foregoing, investors should be aware of the following information.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011A-1 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011A-1 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011A-1 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011A-1 Bonds. The opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-1 Bonds assumed the accuracy of these representations and compliance with these covenants. Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Co-Bond Counsel's attention after the date of issuance of the Series 2011A-1 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A-1 Bonds. Accordingly, the opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-1 Bonds are not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Co-Bond Counsel have rendered opinions that interest on the Series 2011A-1 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2011A-1 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011A-1 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on obligations like the Series 2011A-1 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2011A-1 Bonds. Prospective purchasers of the remarketed Series 2011A-1 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel express no opinion.

The opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-1 Bonds were based on legal authority existing as of April 15, 2011, covered certain matters not directly addressed by such authorities, and represented Co-Bond Counsel's judgment as to the proper treatment of the Series 2011A-1 Bonds for federal income tax purposes. They are not binding on the Internal Revenue Service (the "IRS") or the courts. Furthermore, Co-Bond Counsel cannot give and have not given any opinion or assurance about the past or future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Co-Bond Counsel's engagement with respect to the Series 2011A-1 Bonds ended on April 15, 2011 with the original issuance of the Series 2011A-1 Bonds. Unless separately engaged, Co-Bond Counsel are not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2011A-1 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A-1 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2011A-1 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

REMARKETING AGENT

Goldman, Sachs & Co. has been appointed to serve as Remarketing Agent for the Series 2011A-1 Bonds. The Remarketing Agent will carry out the duties and obligations provided for the Remarketing Agent under and in accordance with the provisions of the Indenture and the Remarketing Agreement, dated as of April 1, 2011, by and between the District and Goldman, Sachs & Co.

The Remarketing Agent and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Remarketing Agent and certain of its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Remarketing Agent and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

APPROVAL OF LEGAL MATTERS

Certain legal matters in connection with the reoffering of the Series 2011A-1 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District, and for the Remarketing Agent by Stradling Yocca Carlson & Rauth, a Professional Corporation.

INDEPENDENT ACCOUNTANTS

The financial statements of the District at June 30, 2015, included in Appendix B to this Remarketing Statement, have been audited by Davis Farr LLP, independent accountants (the "Auditor"), as set forth in their Independent Auditor's Report, which also appears in Appendix B. The Auditor has not reviewed the contents of this Remarketing Statement, and the District has not sought the Auditor's consent to the inclusion of the Auditor's audit letter attached to the District's financial statements in this Remarketing Statement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

Any statements in this Remarketing Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Statement is not to be construed as a contract or agreement between the District and registered owners or beneficial owners of any of the Series 2011A-1 Bonds. The delivery and distribution of this Remarketing Statement have been duly authorized by the District.

IRVINE RANCH WATER DISTRICT

By: /s/ Robert Jacobson
Treasurer

APPENDIX A

IRVINE RANCH WATER DISTRICT

APPENDIX B

AUDITED FINANCIAL STATEMENTS

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

[TO COME FROM BOND COUNSEL]

APPENDIX D

CO-BOND COUNSEL OPINIONS

Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District, rendered the following final approving opinions dated April 15, 2011 (the "2011 Opinions") in connection with the initial issuance of the Series 2011A-1 Bonds. Co-Bond Counsel have made no attempt to update or reaffirm the 2011 Opinions in connection with this Remarketing Statement or the remarketing of the Series 2011A-1 Bonds.

[SEE ATTACHED]

APPENDIX E

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2011A-1 Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to on the Series 2011A-1 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2011A-1 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, acts as securities depository for the Series 2011A-1 Bonds. The Series 2011A-1 Bonds are fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond was issued for each maturity of the Series 2011A-1 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2011A-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A-1 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A-1 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A-1 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in Series 2011A-1 Bonds, except in the event that use of the book-entry system for the Series 2011A-1 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A-1 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A-1 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A-1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A-1 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011A-1 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A-1 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011A-1 Bond documents. For example, Beneficial Owners of Series 2011A-1 Bonds may wish to ascertain that the nominee holding the Series 2011A-1 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A-1 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2011A-1 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2011A-1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments with respect to the Series 2011A-1 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2011A-1 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Series 2011A-1 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2011A-1 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series 2011A-1 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2011A-1 Bonds are transferred by Direct Participants or DTC's records and followed by book-entry credit of tendered Series 2011A-1 Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2011A-1 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2011A-1 Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2011A-1 Bonds will be printed and delivered.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

The District entered into a Continuing Disclosure Certificate in the following form in connection with the initial issuance of the Series 2011A-1 Bonds on April 15, 2011:

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Irvine Ranch Water District (the "District") in connection with the execution and delivery of $60,545,000 Bonds of Irvine Ranch Water District, Refunding Series 2011A-1 (the "Series 2011A-1 Bonds") and the $40,370,000 Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the "Series 2011A-2 Bonds," and together with the Series 2011A-1 Bonds, the "Series 2011A Bonds") constituting the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250 (collectively, the "Improvement Districts"). The Series 2011A-1 Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2011 (the "Series 2011A-1 Indenture of Trust"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, and the Series 2011A-2 Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2011 (the "Series 2011A-2 Indenture of Trust," and together with the Series 2011A-1 Indenture of Trust, the "Indentures of Trust"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee. The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Indentures of Trust, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term "Annual Report" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term "Beneficial Owner" means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term "EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/.

Fiscal Year. The term "Fiscal Year" means the one-year period ending on the last day of June of each year.

Holder. The term "Holder" means a registered owner of the Bonds.

Listed Events. The term "Listed Events" means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term "Official Statement" means the Official Statement of the District dated April 12, 2011 delivered in connection with the issuance of the Bonds.

Participating Underwriter. The term "Participating Underwriter" means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term "Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The District shall provide not later than 270 days following the end of its Fiscal Year (commencing with the Fiscal Year 2011) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in substantially the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information in the following tables and/or captions in Appendix A—"IRVINE RANCH WATER DISTRICT" in the Official Statement:

1. "Outstanding Indebtedness" on page A-7;
2. IRVINE RANCH WATER DISTRICT Historic Water Supply In Acre Feet Per Year" under the caption "WATER SUPPLY—Historic and Projected Water Supply" on page A-19;
3. "THE WATER SYSTEM—Historic Water Connections" on page A-21;
4. "THE WATER SYSTEM—Historic Water Deliveries" on page A-22;
5. "THE WATER SYSTEM—Water System Rates and Charges" on page A-24;
6. "THE SEWER SYSTEM—Historic Sewer and Recycled Water Connections" on page A-26;
7. "THE SEWER SYSTEM—Historic Sewer Daily Average Flow" on page A-27;
8. "THE SEWER SYSTEM—Sewer System Rates and Charges" on page A-30;
9. "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Historic Operating Results and Debt Service Coverage" on page A-33; and
10. An update of the following tables for each Improvement District:

    (i) Assessed Valuations (Land Only); provided that only the total assessed values shall be updated;

(ii) Assessed Valuation and Parcels by Land Use; and

(iii) Largest Local Secured Taxpayers.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;

6. defeasances;

7. tender offers;

8. ratings changes; and

9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

2. appointment of a successor or additional trustee or the change of the name of a trustee;

3. non-payment related defaults;

4. modifications to the rights of Bondholders;

5. notices of redemption; and

6. release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b), the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Cash and Investments. Upon request, the District shall provide on a quarterly basis to any person the most recently available Cash and Investment Summary as prepared for the Finance and Personnel Committee of the Board of Directors of the District.

7. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

8. Termination of Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indentures of Trust, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

12. <u>Beneficiaries</u>. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: April 15, 2011

IRVINE RANCH WATER DISTRICT

By: ______________________________
Its: Treasurer

APPENDIX A

IRVINE RANCH WATER DISTRICT

TABLE OF CONTENTS

INTRODUCTION

The following sets forth certain information relating to the Irvine Ranch Water District (the "District") and certain of its improvement districts.

The District's projections in Tables 12, 15, 17, 19, 23, 25, 27, 30 and 32 of this Appendix A (the "Projections") are derived from historic trends and experience and an internal financial model known as the "District Enterprise Model." The District Enterprise Model is a capital planning and budgeting tool used by the District to identify future infrastructure funding requirements, and to aid in setting water and sewer rates, charges and connection fees. Key inputs utilized in the District Enterprise Model include assumptions based on historical experience and other factors regarding the District's cost of borrowing, the rate of return on District investments, inflation, project costs, property tax receipts and the timing and amount of future bond sales, but the primary input is the pace and scope of real estate development activity within the District's service area. The District is in regular contact with major Orange County (the "County") real estate development companies to assess and update this information for use in the District Enterprise Model.

The Projections constitute forward-looking statements. No assurance can be given that the future results reflected in the Projections and otherwise discussed herein will be achieved, and actual results may differ materially from the Projections. As noted above, the Projections rely heavily on certain assumptions regarding the pace and scope of real estate development activity within the District's service area. Such activity may be affected by a variety of factors, such as tighter lending standards for real estate loans generally. Real estate development activity also may be affected by general economic conditions, which currently reflect higher energy and commodity costs and volatile financial markets. The District has attempted to reflect such conditions in the Projections, but is unable to predict with certainty the level of future real estate development activity or the other factors affecting the Projections.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California (the "State"). The various opinions of counsel that were delivered with respect to such documents, including the opinions of Co-Bond Counsel (the forms of which are attached to the Remarketing Statement as Appendix E), were similarly qualified.

Unless the context otherwise requires, all defined terms used herein shall have the same meanings set forth in the Remarketing Statement, except that the term "Improvement Districts" as used in this Appendix A refers to all seven water improvement districts and ten sewer improvement districts of the District.

THE IRVINE RANCH WATER DISTRICT

General

The District was established in 1961 as a California Water District under the provisions of Section 34000 *et seq*. of the California Water Code (the "Act"). As a special district, the District focuses on four primary services – providing potable water, collecting and treating wastewater, producing and distributing recycled and other non-potable water, and implementing urban runoff treatment programs.

The District serves a 181-square-mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of the County. Extending from the Pacific Coast to the foothills, the District's region is semi-arid with a mild climate and an average annual rainfall of approximately 12 inches. The District serves a total estimated population of approximately 370,000 through approximately 104,994 potable water, 84 non-potable water and

99,397 sewer service and recycled water connections. The number of service connections has increased by approximately 19% over the last decade.

The District builds and maintains significant capital infrastructure in order to serve its customers and is organized into Improvement Districts in order to allocate funding responsibility for capital facilities to the area which will benefit from such capital facilities and to separate areas on the basis of projected timing of development. This allows capital facilities construction to be matched to the development approval decisions of the respective local agencies that make them. Some of the Improvement Districts share in the funding of the District's regional facilities which such Improvement Districts use or will use in common, such as major water importation facilities and water and wastewater treatment plants. The District previously undertook a process to review its current capital funding plan, resulting in a master consolidation and combination of several Improvement Districts in November 2013. As a result of such consolidation, the District now has a total of seven water Improvement Districts and ten sewer Improvement Districts which cover specific areas within the District's boundaries, each of which is governed in accordance with the Act. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the effect on the Series 2011A-1 Bonds of the consolidation and combination of such Improvement Districts.

See Table 3 under the caption "—Outstanding Indebtedness—Improvement District Indebtedness" for information with respect to the amount of authorized and outstanding *ad valorem* assessment bonds for Improvement District Nos. 113, 125 and 213 and 225.

The principal office of the District is located at 15600 Sand Canyon Avenue, Irvine, California 92618.

Board of Directors and General Manager

The District's Board of Directors consists of five Directors elected by resident voters for staggered four-year terms. The policies of the Board of Directors are administered by the General Manager of the District.

Board of Directors. The present Directors are:

Mary Aileen Matheis. Ms. Matheis was initially appointed to the District's Board of Directors in 1988 to fill a vacancy and has since been elected to subsequent terms. Ms. Matheis currently serves as President and previously served as President in 2001 and 2012 and as Vice President in 2005, 2011 and 2014. She currently serves on the District's Finance and Personnel Committee. Ms. Matheis is a practicing lawyer and member of the California Bar and is also admitted to practice in the Supreme Court of the United States and the United States Tax Court. Ms. Matheis holds a bachelor's degree and master's degree in Communications and she received her Juris Doctorate from Western State University School of Law and was admitted to the California Bar in 1982. Ms. Matheis' activities in other water areas include service on the Legal Affairs Committee of the Association of California Water Agencies and as a member of Independent Special Districts of Orange County Executive Committee. Ms. Matheis is a member of the Colorado River Water Users Association and the Colorado River Foundation. Ms. Matheis is also the District representative to the Independent Special Districts of Orange County and a board member of the Water Education Foundation. Ms. Matheis is active in the Orange County Bar Association, a member of the Real Estate Section Executive Committee and the Probate and Estate Planning Section. Ms. Matheis is also on the Orange County Assessment Appeals Panel for Property Tax Appeals. Ms. Matheis' current term ends in November 2016.

Douglas J. Reinhart. Mr. Reinhart was appointed to the District's Board of Directors in 2004 to fill a vacancy and has since been elected to subsequent terms. Mr. Reinhart currently serves as Vice President and previously served as President in 2007, 2009, 2010 and 2013. He currently serves on the District's Engineering and Operations Committee. Mr. Reinhart is a registered civil engineer with over 40 years of experience in the private sector directing projects in water, wastewater and other infrastructure. Mr. Reinhart was the president and an owner of ASL Consulting Engineers before its acquisition by Tetra Tech in 1999. Mr. Reinhart then served as the Divisional Executive Vice President for Tetra Tech for the western United States before starting a consulting business in 2004. Mr. Reinhart holds a bachelor's degree in civil engineering from the Missouri School of Mines and Metallurgy. Mr. Reinhart has served on the Board of Trustees of the Southern California Water Committee, the American Water Works Association Desalination Committee and the Association of California Water Agencies Groundwater Committee and is a past member of the Board of Directors of the National WateReuse Association. In addition, Mr. Reinhart is a member of the American Society of Civil Engineers. Mr. Reinhart's current term ends in November 2018.

Steven E. LaMar. Mr. LaMar was appointed to the District's Board of Directors in 2009 and has been elected to two subsequent terms. Mr. LaMar previously served as President in 2011, 2014 and 2015. He is a water policy and planning expert with more than 25 years of experience on statewide business and industry committees and has directly participated in many major water policy forums. Mr. LaMar currently serves on the District's Engineering and Operations Committee and Water Resources Policy and Communications Committee. Mr. LaMar has served on statewide task forces and advisory committees on drought planning, desalination, the California Bay-Delta, the California Water Plan and on landscape water conservation issues. Mr. LaMar is president and owner of LegiSight, LLC, located in Tustin, California. He has served as a water policy leader in the California Building Industry Association for over 20 years. He represents the District on the boards of the National Water Research Institute and the Nature Reserve of Orange County. Mr. LaMar holds a bachelor's degree in political science from Pittsburg State University (Kansas) and a certificate from the Environmental Management Institute, a U.S. Environmental Protection Agency environmental training program administered by the University of Southern California. Mr. LaMar's current term ends in November 2018.

Peer Swan. Mr. Swan was elected to the District's Board of Directors in 1979 and has since been elected to subsequent terms. Mr. Swan currently serves on the District's Asset Management Committee and as chairman of the Finance and Personnel Committee. He previously served as President from December 1981 until December 1995 and again in 2006. Mr. Swan's community and professional involvement includes service as President of the Board of San Joaquin Wildlife Sanctuary and member of the Steering Committee of the Southern California Water Dialogue Committee. Mr. Swan is active in the Association of California Water Agencies, where he serves on the Board of Directors and on several committees. Mr. Swan has also been active in the California Association of Sanitation Agencies and the Newport Chamber of Commerce. Mr. Swan was the Treasurer of the Pacific Scientific Company prior to its acquisition in 1998 and a member of the Board of Directors of the Southern California Bank and its parent SC Bancorp until its acquisition in 1997. He has also served as a board member of the YMCA of Orange County and the Orange Coast College Foundation, where he was the founding Treasurer of the Board. He served as a Director of the Orange County Sanitation District for 15 years and was Vice Chairman for six years. Mr. Swan was also a Founding Director of the Board of the National Water Research Institute and was Chairman for four years. He is a longtime member of both the National Audubon Society and its local chapter (Sea & Sage). He was also the President of the Board of the Water Advisory Committee of Orange County in 2007 and 2008. Mr. Swan's current term ends in November 2018.

John B. Withers. Mr. Withers was initially appointed to the District's Board of Directors in 1989 to fill a vacancy and has since been elected to subsequent terms. Mr. Withers previously served as Vice President in 2012 and President in 2004. He also serves on the Asset Management Committee and the Water Resources Policy and Communications Committee. Mr. Withers is a partner with California Strategies, a strategic government relations firm in Irvine. In past positions, Mr. Withers has served as Vice President of Community Development for Lewis Operating Corporation and as Director of Water Resources for Psomas & Associates, a civil engineering and planning firm based in Costa Mesa. Mr. Withers has served as Director of Governmental Affairs for the Orange County Region of the Building Industry Association of Southern California and as a legislative advocate for Crocker Bank and a major trade association in Sacramento. Mr. Withers has served as Commissioner on the Orange County Local Agency Formation Commission since 1994. Mr. Withers also served as a member, including a term as chairman, of the Santa Ana Regional Water Quality Control Board, having been appointed by the Governor in 1992. Mr. Withers was a board member of the National Water Research Institute for six years and is the District's current representative. A native Southern Californian, Mr. Withers received his bachelor's degree from UCLA in economics with a specialization in urban studies in 1979 and received a master's degree in urban studies from Occidental College in 1988. Mr. Withers' current term ends in November 2016.

General Manager. Paul A. Cook, the General Manager of the District, heads a staff of approximately 350 employees. Mr. Cook was appointed General Manager in October 2011. Mr. Cook previously served as Interim General Manager from July to October 2011 and held the position of Assistant General Manager from 2004 to July 2011. Mr. Cook is a registered civil engineer with over 21 years of experience with water and wastewater systems in the public and private sectors. Prior to joining the District, he served as the Manager of Engineering for Central and West Basin Municipal Water Districts in Carson, California. He also served as the District Engineer for Los Alisos Water District in Lake Forest. In the private sector, Mr. Cook held engineering and project management positions with BFI Constructors and Turner Construction Company. He was elected to the Orange County Water District Board of Directors in 2002 and served for three years, representing communities in Irvine, Tustin and Newport Beach. Mr. Cook received his bachelor of science degree in Civil Engineering from the University of the Pacific, his master's of science degree in Civil Engineering from California State University of Long Beach and his master's in business administration from the University of California, Irvine.

Employees

The District currently employs approximately 350 persons, including full-time, part-time and temporary employees. On April 1, 2015, the current Memorandum of Understanding (the "MOU") between the District and the Irvine Ranch Water District Employee Association (the "Association") went into effect. The MOU expires on June 30, 2018. The Association currently represents 225 general employees of the District, of which 81 are voting members; supervisors and managers are unrepresented. The District has not experienced any strike or other labor actions.

Pension Benefits

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries. The District has not independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. Such information is not incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

CalPERS Plan. The District contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan for all of the District's full-time and certain of its temporary employees that have worked for the District for a total of over 1,000 hours. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the District.

CalPERS plan benefit provisions and all other requirements are established by State statute and the District's Board of Directors. Starting July 1, 2008, participants in the District's CalPERS plan have been required to contribute up to 8% of their annual covered salary. In the fiscal year of the District ended June 30 ("Fiscal Year"), 2015, District employees contributed the entire 8% of their CalPERS plan contributions.

The District is required to contribute at an actuarially determined rate applied to annual covered payroll. The District's contribution rates for Fiscal Year 2015 and 2016 were 17.737% and 18.331%, respectively. The District's contribution rate for Fiscal Year 2017 has been established at 19.302%.

For Fiscal Years 2015 and 2014, the District's annual pension contribution (the "ARC"), as determined by an actuarial valuation, was $4,524,000 and $4,785,000, respectively. The District currently expects its annual required contribution in Fiscal Years 2016 and 2017 to be approximately $4,900,000 and $5,450,000, respectively (assuming that the District elects the lump sum payment option in each of the respective years).

In June 2012, the Governmental Accounting Standards Board ("GASB") approved new standards (GASB Statement No. 68, or "GASB 68") with respect to pension accounting and financial reporting for state and local governments and pension plans. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (ii) more components of full pension costs will be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. The reporting requirements for pension plans for government employers took effect in Fiscal Year 2015. Based on the adoption of the new accounting standard, beginning with the Fiscal Year 2015 actuarial valuation, the ARC and the annual pension expense will be different. For additional information relating to the District's plan, see Note 13 to the District's audited financial statements for Fiscal Year 2015 attached to the Remarketing Statement as Appendix B.

Under GASB 68, which has been implemented beginning in Fiscal Year 2015, the District's pension plan was fully funded. The District had a net pension asset in the amount of $1.6 million as of June 30, 2015. The net pension asset is the difference between total pension liability and the fair market value of pension assets. The total pension liability for Fiscal Year 2015 has been determined by an actuarial valuation of the plan as of June 30, 2013.

A summary of principal assumptions and methods used to determine the total pension liability is shown below.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry age and service
Investment Rate of Return	7.50% Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table(1)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Source: The District.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study report can be obtained from CalPERS.

Pension Benefits Trust. The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue by establishing a Pension Benefits Trust in Fiscal Year 2013 to fund its CalPERS unfunded liability, providing the District with an alternative to CalPERS that allows for investment by a professional fund management team selected and monitored by the District. The Pension Benefits Trust holds the funding contributions from the District pending future remittance to the CalPERS pension trust fund, which will pay all retiree benefit payments to employees associated with the District's plan. Future contributions will be transferred to CalPERS at the District's discretion. The funds held in the Pension Benefits Trust are legally protected from the claims of the general creditors of the District. Contributions to the Pension Benefits Trust and earnings on those contributions are irrevocable.

In Fiscal Year 2013, the District made a $35.0 million contribution to the Pension Benefits Trust, bringing the District (as shown in the table below) to a 94.6% funded ratio (including the amounts in the Pension Benefits Trust and the District's CalPERS plan) as of June 30, 2013. In Fiscal Years 2014 and 2015, the District made additional contributions of $2.2 million and $2.1 million, respectively, to the Pension Benefits Trust. As of June 30, 2015, the fair market value of the assets in the Pension Benefits Trust was approximately $45.3 million, resulting in a net pension asset of approximately $1.6 million. The moneys in the Pension Benefits Trust were invested in the Vanguard Institutional Index Fund, Fidelity Concord Spartan International Fund, Metropolitan West Total Return Bond Fund and Federated Government Obligations Money Market Fund. The District made an additional contribution of $1.9 million to the Pension Benefits Trust in Fiscal Year 2016. Additional information on the Pension Benefits Trust's investments can be found in Note 2 to the District's audited financial statements for Fiscal Year 2015 attached to the Remarketing Statement as Appendix B.

Funding of CalPERS Plan. The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

TABLE 1
IRVINE RANCH WATER DISTRICT
Schedule of Funding Progress
(In Thousands)

Valuation Date	*Accrued Liability*	*Market Value of Assets*	*Unfunded Liability*	*Funded Ratio*	*Annual Covered Payroll*
06/30/10	$158,904	$100,063	$34,351	63.0%	$24,929
06/30/11	170,392	128,753	29,676	75.6	24,379
06/30/12	183,096	129,953	31,902	71.0	24,203
06/30/13[1]	197,685	186,955	10,730	94.6	25,499
06/30/14	219,940	220,687	(747)	100.3	26,792

(1) The Pension Benefits Trust was established in Fiscal Year 2013. Fiscal Year 2013 amount includes Pension Benefits Trust assets of $35.0 million, significantly reducing the District's unfunded liability to $10.7 million as of June 30, 2013. In Fiscal Years 2014 and 2015, the District made additional contributions of $2.2 million and $2.1 million to the Pension

Benefits Trust. As of June 30, 2015, the fair market value of the assets in the Pension Benefits Trust was approximately $45.3 million, resulting in a net pension asset of approximately $1.6 million. See the caption "—Pension Benefits Trust."
Source: Irvine Ranch Water District Fiscal Year 2015 Comprehensive Annual Financial Report.

In the Statement of Net Position as of June 30, 2015, the District has a net pension asset of $1.6 million, computed in accordance with GASB 68. The District's net pension asset, computed in accordance with GASB 68 (as further discussed below), for the year ended June 30, 2015, was as follows (in thousands):

Net Pension Liability (Beginning of Year)	$20,454
Increase (Decrease) in Net Pension Liability	(22,021)
Net Pension Liability (Asset) (End of Year)	1,567

Source: The District.

The following table summarizes the District's pension contributions for Fiscal Years 2011 through 2015:

TABLE 2
IRVINE RANCH WATER DISTRICT
Annual Pension Cost (Employer Contributions)
(In Thousands)

Fiscal Year	*Employer Contribution*	*District-Funded Employee Contribution*[(1)]	*Employee Contribution*	*Annual Pension Cost*	*Percentage of Annual Pension Cost Contributed*	*Net Pension Asset*
2011	$ 9,480	$1,728	$ 249	$3,012	314.7%	$11,283
2012	4,643	1,025	916	4,321	107.5	11,605
2013[(2)]	42,840	609	1,365	4,297	997.0	50,148
2014[(2)]	6,574	394	1,679	4,785	137.4	51,937
2015[(2)(3)]	6,638	206	1,901	N/A	N/A	N/A

(1) Beginning in the second half of Fiscal Year 2015, the District will no longer fund any portion of the employee contribution. See the caption "—CalPERS Plan."
(2) These figures include contributions of $35 million, $2.2 million and $2.1 million to the Pension Benefits Trust in Fiscal Years 2013, 2014 and 2015, respectively. See the caption "—Pension Benefits Trust."
(3) Differences from prior years reflect new GASB standards described above.
Source: The District.

Other Pension Benefits. The District enables all of its part-time and certain temporary employees to participate in a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For Fiscal Year 2015, the District's payroll covered by the plan was $139,220. The eligible employees contributed $10,442 (the required 7.5% of current covered payroll). The District made no contributions to the defined contribution plan during such Fiscal Year.

All regular, full-time District employees are eligible to participate in the District's deferred compensation program pursuant to Section 457 of the Internal Revenue Code whereby they can voluntarily contribute a portion of their earnings into a tax-deferred fund administered by the District and invested through a third party provider. Pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001, effective January 1, 2002, employees may contribute the lesser of 100% of includible compensation or the maximum dollar amount allowable under Internal Revenue Code Section 457 in effect for the year. The dollar amount currently in effect for calendar year 2016 is $18,000. Since 2008, the limit has been indexed to inflation in $500 increments.

Effective January 1, 2008, for employees with one year or more of service, the District provides 100% matching of employee Section 457 plan contributions up to an annual maximum of 3% of the employee's base salary. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During Fiscal Year 2015, the District contributed $659,093 to employee accounts under the 401(a) plan.

The assets in both plans are held in trust for the exclusive benefit of the participants and their beneficiaries, and are therefore not reported in the financial statements of the District.

Other Post-Employment Benefits

GASB has issued two related pronouncements, known as GASB 43 and GASB 45, related to funding and accounting for Other Post-Employment Benefits ("OPEB") liabilities. OPEB liabilities consist of health care, insurance and all other retiree benefits that are not part of a pension plan. Under GASB 45, costs of OPEB must be matched to the current period in which employees are performing services for the District. In effect, there is an exchange between the employee and the District in which the employee renders services to the District and in consideration therefor receives certain salaries and benefits, part of which are OPEB, which they will not actually use until some point in the future. GASB accounting standards require the District to recognize the cost of the benefits in the periods when the employees' services are received by the District. GASB 45 also requires the District to provide information about the accrued actuarial liabilities for the promised benefits for past services, to what extent those have been funded, and to what extent there will be demands from OPEB on the District's future cash flows.

The District currently has three OPEB programs: the California Public Employees Medical and Hospital Care Act ("PEMHCA") premiums, a retiree health costs reimbursement plan, and a retiree death benefit life insurance program. Under the first program, the District pays the required healthcare coverage under PEMHCA, commonly referred to as "PERS Health." To qualify, employees must retire from the District and begin drawing CalPERS retirement benefits. Participation in PEMHCA is financed in part by the District through a contribution of $122.00 per employee per month (at current rates). The contribution rate is scheduled to be indexed with medical inflation in future years, although contributions could increase in greater amounts at the direction of CalPERS Board. In addition, the District pays 0.34% of the PEMHCA premium to cover administrative fees. In Fiscal Year 2015, the District contributed $105,761 on behalf of retirees participating in the PEMHCA program.

As part of its retiree health costs reimbursement plan, the District provides retirees who have attained age 55 and have completed at least 10 years of service with the District with reimbursement of eligible healthcare costs of $300 per month for retirees with at least ten years of service up to a maximum of $600 per month for retirees with at least 25 years of service, in each case for up to five years. In Fiscal Year 2015, the District contributed $328,167 on behalf of retirees participating in the Retiree Health Costs Reimbursement Plan.

Finally, the retiree death benefit life insurance program provides retirees who were hired on or before December 31, 2008 with term life insurance benefits with a face amount equal to 100% of their annual salary in effect at the time of retirement. Insured group-term life benefits end for all participants at age 70. Thereafter, the District provides a self-insured $10,000 death benefit for all participants already retired as of December 31, 2008 and for currently active Board members. To qualify, a retiree must have retired from the District, be at least 55 years old, have completed at least ten continuous years of service with the District, and must be drawing retirement benefits from CalPERS. In Fiscal Year 2015, the District contributed $14,241 on behalf of retirees participating in this program.

OPEB costs have traditionally been accounted for and financed from the District's annual operating budget as part of its benefits expense on a pay-as-you-go basis. During Fiscal Year 2015, the District contributed $448,169 on behalf of retirees participating in the OPEB programs. The budgeted amount for the District's OPEB in Fiscal Year 2016 is approximately $471,000.

The District has been required to comply with the accounting and reporting requirements of GASB 45 since Fiscal Year 2008. According to an actuarial valuation prepared for the District by Demsey, Filliger & Associates, the unfunded liability for the District's OPEB as of July 1, 2014 was approximately $7.3 million. The Annual Required Contribution (the "OPEB ARC") was $726,031 in Fiscal Year 2015, of which the District contributed $448,169. The OPEB ARC is calculated assuming that the accrued, unfunded liability will be amortized over the next 30 years, benefits will remain constant, and funding in excess of actual benefit costs will be invested at a 4.00% annual return, and with other assumptions regarding medical cost inflation.

For additional information relating to the District's OPEB obligations, see Note 14 to the District's audited financial statements for Fiscal Year 2015 attached to the Remarketing Statement as Appendix B.

Budget Process

Prior to July 1 of each year, the General Manager prepares a budget for the Fiscal Year commencing July 1 and ending on the succeeding June 30. Following the adoption of the operating budget, the Board of Directors approves a schedule of water, sewer and recycled water rates for such Fiscal Year based on the budget approved by the Board of Directors. See the caption "CONSTITUTIONAL LIMITS AND APPROPRIATIONS AND CHARGES—Proposition 218." The budget for Fiscal Year 2016 was approved on May 26, 2015.

Water and Sewer System Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions and natural disasters. The District utilizes a combination of self-insurance and third-party liability insurance to minimize loss exposures from property, third-party liability claims and workers compensation claims. The District self-insures the first $25,000 per occurrence for property losses, $100,000 per occurrence for third-party liability claims and $125,000 per occurrence for workers compensation claims.

Property, boiler and machinery insurance is provided through participation in the California State Association of Counties Excess Insurance Authority ("CSAC-EIA"). Property insurance includes flood insurance but does not include earthquake insurance. General and excess liability coverage of $35,000,000 and workers compensation insurance is provided through participation in CSAC-EIA. Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Illinois Union Insurance Company. Settlements have not exceeded coverage for each of the past three Fiscal Years.

Collection Procedures

All charges for water and recycled water service and almost all charges for sewer service are billed monthly. If payment is not received 25 days after presentation, a one-time late charge of 10% of the unpaid balance plus 1.5% interest will be assessed for each month until the unpaid balance has been paid in full. A shut-off notice is mailed out in conjunction with an automated courtesy phone call when the unpaid balance exceeds $150. If payment is not received within 15 days of the mailed shut-off notice, service is shut off as of the date specified on the notice. Service is not restored until all charges, including a restoration charge, have been paid in full. The District sends closed accounts to outside collection agencies and does not currently transfer such accounts to the County tax roll. A small number of accounts located in Newport Beach for which the District provides sewer service only are billed on the County tax rolls.

Outstanding Indebtedness

Improvement District Indebtedness. As of December 31, 2015, the District had $494,800,000 aggregate principal amount of outstanding *ad valorem* assessment bonds (the "Ad Valorem Assessment Bonds") on behalf of the Improvement Districts. The Ad Valorem Assessment Bonds are secured by *ad valorem* assessments on land within the respective Improvement District, and are not by their terms payable from Revenues, except for the Series 2011A-1 Bonds, the Bonds of the Irvine Ranch Water District, Series 2010B (the "Series 2010B Bonds") and the Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the "Series 2011A-2 Bonds"), each of which is described below under the caption "—Parity Obligations." The District's practice has been to apply Net Revenues remaining after the payment of debt service on Parity Obligations and subordinate obligations to the principal and interest on the Ad Valorem Assessment Bonds. Pursuant to Section 35975 of the Act, the District also may levy certain rates and charges in lieu of *ad valorem* assessments to pay the Ad Valorem Assessment Bonds. The District does not currently levy in-lieu rates and charges. Any such in lieu rates and charges levied by the District in the future would not constitute Revenues. The following table illustrates a breakdown of outstanding Ad Valorem Assessment Bonds by Improvement District as of December 31, 2015.

TABLE 3
IRVINE RANCH WATER DISTRICT
Outstanding *Ad Valorem* Assessment Bonds By Improvement District

Improvement District	*Amount Authorized*	*Amount Issued*	*Remaining Unissued Bonds Authorized*	*Amount Outstanding as of December 31, 2015*
Waterworks Bonds				
112	$ 28,512,300	$ 5,740,000	$ 22,772,300	$ 5,379,000
113[(1)]	**25,769,500**	**14,800,000**	**10,969,500**	**13,637,500**
125[(1)(2)]	**735,246,000**	**413,156,400**	**322,089,600**	**184,154,205**
153	237,300,000	0	237,300,000	0
154	4,839,000	0	4,839,000	0
185[(3)]	13,500,000	0	13,500,000	0
188	8,174,000	4,437,000	3,737,000	1,456,000
Total Waterworks Bonds	$ 1,053,340,800	$ 438,133,400	$ 615,207,400	$ 204,626,705
Sewer Bonds				
1[(4)]	$ 2,000,000	$ 2,000,000	$ 0	$ 0
212	108,712,000	15,700,000	93,012,000	14,731,000
213[(1)]	**87,648,000**	**23,800,000**	**63,848,000**	**20,839,000**
225[(1)(5)]	**856,643,000**	**449,748,000**	**406,895,000**	**231,726,235**
240	117,273,000	48,476,500	68,796,500	22,617,060
252	0	0	0	0
253	122,283,000	0	122,283,000	0
256	0	0	0	0
285[(6)]	21,300,000	0	21,300,000	0
288	8,977,000	300,000	8,677,000	260,000
Total Sewer Bonds	$ 1,324,836,000	$ 540,024,500	$ 784,811,500	$ 290,173,295
Total District	$ 2,378,176,800	$ 978,157,900	$ 1,400,018,900	$ 494,800,000

(1) The Series 2011A-1 Bonds represent the consolidated, several general obligations of these Improvement Districts. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Assessment Proceeds and Pledge of Revenues."
(2) Improvement District No. 125 was created on November 11, 2013. Reflects the consolidation of portions of former Improvement District Nos. 105, 106, 102, 121, 130, 135, 140, 161, 182, 184 and 186.
(3) On March 4, 2014, *ad valorem* assessment bonds for Improvement District No. 185 in the maximum authorized principal amount of $13,500,000 were approved at a special election.
(4) Also referred to as Improvement District No. 210.
(5) Improvement District No. 225 was created on November 11, 2013. Reflects the consolidation of portions of former Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286.

(6) On March 4, 2014, *ad valorem* assessment bonds for Improvement District No. 285 in the maximum authorized principal amount of $21,300,000 were approved at a special election.
Source: The District.

Parity Obligations. In addition to the Series 2011A-1 Bonds, the District has the following Outstanding Parity Obligations:

- 1997 State Loan #3. In 1997, the District entered into a loan contract with the State of California (the "1997 State Loan") to fund recycled water projects. The 1997 State Loan was outstanding as of December 31, 2015 in an aggregate principal amount of $776,581 and matures in 2019. Pursuant to the terms of the 1997 State Loan, the District's obligation to pay debt service on the 1997 State Loan is payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations.

- Prior Reimbursement Agreements. In connection with the District's prior issuances of *ad valorem* assessment bonds, the District has entered into several reimbursement agreements (the "Prior Reimbursement Agreements") with various letter of credit banks (the "Prior Banks"). Pursuant to the terms of the Prior Reimbursement Agreements, the District's obligations to reimburse the Prior Banks will be payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations. There are currently no reimbursement obligations outstanding, although the District may incur reimbursement obligations under such Prior Reimbursement Agreements as provided therein. The following table summarizes the stated amount of each letter of credit associated with the Prior Reimbursement Agreements.

TABLE 4
IRVINE RANCH WATER DISTRICT
Summary of Prior Reimbursement Agreements
As of December 31, 2015

General Obligation Bonds	*Outstanding Principal*	*Letter of Credit Bank*	*Expiration Date*	*LOC Stated Amount*	*Reimbursement Obligations Outstanding*
Series 1993	$ 34,600,000	U.S. Bank National Association	11/07/18	$ 35,066,389	$ 0
Series 1995	14,200,000	Sumitomo Mitsui Banking Corp.	07/14/17	14,410,082	0
Series 2008A	52,500,000	Sumitomo Mitsui Banking Corp.	07/14/17	53,276,712	0
Series 2009A	65,000,000	U.S. Bank National Association	07/15/16	65,726,575	0
Series 2009B	65,000,000	Bank of America, N.A.	07/15/16	65,726,575	0
TOTAL	$ 231,300,000			$ 234,206,333	$ 0

Source: The District.

- 2010 Installment Sale Agreement. In 2010, the District entered into an Installment Sale Agreement (the "2010 Installment Sale Agreement") in connection with the execution and delivery of the District's $85,145,000 aggregate principal amount of Certificates of Participation Irvine Ranch Water District Refunding Series 2010. The 2010 Installment Sale Agreement was outstanding as of December 31, 2015 in the aggregate principal amount of $61,280,000 and matures in 2032. The District's obligation to make installment payments pursuant to the 2010 Installment Sale Agreement is on a parity with the Series 2011A-1 Bonds and other Parity Obligations.

- Series 2010B Bonds. In 2010, the District issued $175,000,000 aggregate principal amount of Series 2010B Bonds. The Series 2010B Bonds were outstanding as of December 31, 2015 in the aggregate principal amount of $175,000,000 and mature in 2040. In addition to Assessment Proceeds, the Series 2010B Bonds are payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations. See the caption "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Reduction in BAB Credits" for a discussion of the effect of the federal sequester on the receipt of interest subsidy payments relating to the Series 2010B Bonds.

- Series 2011A-2 Bonds. In 2011, the District issued $40,370,000 aggregate principal amount of Series 2011A-2 Bonds. The Series 2011A-2 Bonds were outstanding as of December 31, 2015 in the aggregate principal amount of $35,400,000 and mature in 2037. In addition to Assessment Proceeds, the Series 2011A-2 Bonds are payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations.

***Subordinate Debt*.**

- Interest Rate Swap Transactions. As of December 31, 2015, the District was also obligated under five interest rate swap transactions with a total notional amount of $130 million and termination dates ranging from June 2019 to March 2029, pursuant to which the District is entitled to receive variable rate payments based on a floating rate index in return for the District's obligation to make payments at a fixed interest rate (the "Swaps").

  The Swaps generally are evenly distributed, as to notional amount on a particular transaction date, between two swap counterparties – Merrill Lynch Capital Services, Inc. ("Merrill") and Citibank, N.A. ("Citibank") – except with respect to one Swap with a notional amount of $30 million and a termination date of June 17, 2019, which was entered into only with Citibank. For additional information with respect to the payment terms and other information relating to the Swaps, see Note 3 to the District's financial statements attached as Appendix B to the Remarketing Statement. Regularly-scheduled and early termination payments with respect to the Swaps constitute unsecured general obligations of the District payable from legally-available funds. The Swaps are payable from certain Revenues, but are subordinate to the District's obligation to pay debt service on the Series 2011A-1 Bonds and other Parity Obligations. Any amounts received by the District pursuant to the Swaps also constitute Revenues and, as such, are pledged for the payment of the Series 2011A-1 Bonds and other Parity Obligations. As of December 31, 2015, the mark-to-market value of the total interest rate swaps with Citibank and Merrill exceeded the threshold amount ($15,000,000) for each counterparty, requiring the District to post collateral in the amount of $9,200,226. The funds are held in a separate trust account and earn interest at the Federal Funds Effective Rate.

  All of the above-described interest rate swap transactions entail risk to the District. For example, the swap counterparties may fail or be unable to perform, interest rates may vary from assumptions, the District may be required to post collateral in certain circumstances, or the District may be required to make significant payments in the event of an early termination of one or more Swaps. The early termination of a Swap may not affect the obligations of the counterparties with respect to the other Swaps. The District cannot predict if any such event will occur with respect to one or more of the District's existing or future interest rate swap agreements. However, the District does not anticipate that any such event would have a material adverse effect on the District's ability to pay the debt service on the Series 2011A-1 Bonds.

- Santiago County Water District Consolidation. The District and Santiago County Water District ("SCWD") consolidated effective July 1, 2006. As successor to SCWD, the District is obligated to satisfy the following additional obligations: (i) a fiscal services agreement with the State of

California Department of Water Resources, with a loan balance of approximately $700,000 as of December 31, 2015 and final payment due in 2025; and (ii) a promissory note payable to Foothill/Eastern Transportation Corridor Agency with a remaining balance of approximately $545,000 and a final payment date in 2045.

Variable Rate Debt Management

The Board of Directors of the District has adopted a policy to maintain a target amount of investment assets equal to 75% or more of the District's outstanding unhedged variable rate indebtedness. No assurance can be made that the Board of Directors of the District will not modify such policy in the future.

Current Investments

As of December 31, 2015, the District had investments (excluding the real estate investments described below) of approximately $244.7 million as follows:

TABLE 5
IRVINE RANCH WATER DISTRICT
Summary of Investments

Investment Type	***Approximate Investment Amount in Millions***(1)	***Percentage of Total Investments***(1)
Federal Agency Securities	$ 177.0	72.34%
Local Agency Investment Fund	50.0	20.43
Treasury Equivalents(2)	9.2	3.76
Municipal Bonds – Installment Sale Agreement	8.5	3.47
Total	$ 244.7	100.00%

(1) As of December 31, 2015. Rounded. Excludes real estate investments described below.
(2) Includes collateral held with Citibank and Merrill pursuant to the Swaps. Although not held by the District, such collateral constitutes District moneys. See the caption "—Outstanding Indebtedness—Subordinate Debt—Interest Rate Swap Transactions."
Source: The District.

In addition to the moneys invested in local agency municipal bonds and the Local Agency Investment Fund, the District has invested approximately $72.6 million of its capital facilities replacement fund in real property. The District's real property investments include a limited partnership interest in a 230-unit apartment complex (the "Wood Canyon Villas Apartments"), ownership of a 450-unit apartment complex (the "Sycamore Canyon Apartments") and ownership of three commercial office buildings (the "Irvine Market Place," the "Waterworks Business Park" and the "Sand Canyon Professional Center"), with market values well in excess of the original investment. Wood Canyon Villas Apartments, Sycamore Canyon Apartments, the Irvine Market Place, the Waterworks Business Park and the Sand Canyon Professional Center are all income-producing properties, the earnings and projected earnings from which are reflected in Tables 6 and 7 below.

In February 2014, the District and El Toro Water District ("ETWD") entered into an Installment Sale Agreement (the "ISA") pursuant to which the District agreed to fund ETWD's share of the costs of construction of, and the acquisition of capacity rights in, the Baker Water Treatment Plant project (the "Baker WTP") in exchange for quarterly installment payments from ETWD. See the caption "THE WATER SYSTEM—General" for a description of the Baker WTP. ETWD's obligation to repay the District under the ISA is payable from net revenues of ETWD's water system over a period of twenty years. The principal amount of ETWD's obligations under the ISA will not exceed $12,500,000. The amount outstanding under the ISA as of December 31, 2015 was $8,496,575 and the applicable interest rate is 4.57%.

Historic Net Real Estate Income

The following table shows the net real estate income after expenses of the District for the five most recent Fiscal Years.

TABLE 6
IRVINE RANCH WATER DISTRICT
Historic Net Real Estate Income
(in Thousands)

Fiscal Year	***Net Income***
2011	$5,649
2012	6,736
2013	6,566
2014	7,760
2015	8,191

Source: The District.

Projected Net Real Estate Income

The following table projects the net real estate income after expenses of the District for the current and next four Fiscal Years.

TABLE 7
IRVINE RANCH WATER DISTRICT
Projected Net Real Estate Income
(in Thousands)

Fiscal Year	***Net Income***[(1)]
2016	$8,609
2017	8,770
2018	8,935
2019	9,103
2020	9,274

(1) Based on existing and expected leases. See the caption "—Current Investments."
Source: The District.

1% Property Tax Revenues

Pursuant to the Act, the Board of Supervisors of the County is required to levy a "general assessment" on assessable property within the boundaries of the District sufficient to raise the amounts determined each year by the District's Board of Directors to be necessary for the authorized purposes of the District. These provisions, however, have largely been superseded by the passage by the California electorate in June of 1978 of Article XIIIA of the California Constitution (commonly known as "Proposition 13"), and by the legislation subsequently enacted by the California Legislature to implement Article XIIIA. As a result of Article XIIIA and its implementing legislation, the District receives as proceeds of the "general assessment" a share of the one percent *ad valorem* property tax collected by the County from assessable property within the boundaries of the District (the "1% Property Tax Revenues").

From time to time legislation has been considered as part of the State budget to shift 1% Property Tax Revenues collected by each county from local agencies, including special districts such as the District, to school districts or other governmental entities. However, Proposition 1A ("Proposition 1A"), proposed by the California Legislature in connection with the 2004-05 State Budget Act and approved by the voters in November 2004, restricted State authority to reduce major local tax revenues such as the tax shifts permitted to take place in legislation enacted in connection with the 2004-05 and 2005-06 State budgets, which shifted approximately 35% of many special districts' shares of the countywide one percent *ad valorem* tax.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of 1% Property Tax Revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that, beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

A portion of the District's 1% Property Tax Revenues was previously subject to borrowing by the State under Proposition 1A and there can be no assurance that the 1% Property Tax Revenues that the District currently expects to receive will not be temporarily shifted from the District pursuant to Proposition 1A in future fiscal years or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of 1% Property Tax Revenues by the District. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—Pledge of Assessment Proceeds and Revenues" for a discussion of the extent to which 1% Property Tax Revenues are available to pay Debt Service on the Series 2011A-1 Bonds.

The table below sets forth the amount of 1% Property Tax Revenues received by the District for the five most recent Fiscal Years.

TABLE 8
IRVINE RANCH WATER DISTRICT
1% Property Tax Revenues
(in Thousands)

Fiscal Year	***1% Property Tax Revenues***
2011	$26,989
2012	26,478
2013[(1)]	29,265
2014[(2)]	31,545
2015	33,128

(1) Reflects shift of property tax revenues of approximately $2.1 million to Educational Revenue Augmentation Fund in Fiscal Year 2010 as described above. Such moneys were received, with interest, in Fiscal Year 2013.
(2) Beginning in Fiscal Year 2014, the District will receive 1% Property Tax Revenues from an area that was previously served by Orange County Sanitation District.
Source: The District.

Alternative Method of Tax Apportionment – "Teeter Plan"

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq*. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property assessments on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the assessment-levying or assessment-collecting agency.

The Teeter Plan for the County is applicable to all assessment levies for which the County acts as the assessment-levying or assessment-collecting agency, or for which the treasury of the County is the legal depository of assessment collections.

The *ad valorem* property assessments to be levied to pay the interest on and principal of the Series 2011A-1 Bonds will be subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property assessment levied on secured property to pay the Series 2011A-1 Bonds irrespective of actual delinquencies in the collection of the assessment by the County so long as the Teeter Plan remains in effect. The District's share of 1% Property Tax Revenues is also subject to the Teeter Plan.

The Teeter Plan is to remain in effect for the County unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event that the Board of Supervisors of the County discontinues the Teeter Plan for the County, only those secured property assessments that are actually collected would be allocated to political subdivisions (including the District) for which the County acts as the assessment-levying or assessment-collecting agency.

Governmental Regulations

The District's operations are subject to numerous environmental regulations enforced by multiple governmental entities. Programs are in place for compliance with drinking water regulations, water discharge regulations, underground and aboveground fuel storage tank regulations, hazardous materials management plans, hazardous waste regulations, air quality permitting requirements, wastewater discharge limitations, and employee safety issues relating to hazardous materials and other conditions. Also, the District aggressively pursues the investigation and, when appropriate, the implementation of alternative methods and technologies for meeting increasingly strict environmental regulations.

The District expects environmental regulation to increase, resulting in higher capital and operating costs in the future, which may have a material adverse effect on the finances of the District.

Although the District's Board of Directors establishes the schedules of water, sewer and reclaimed water rates for each Fiscal Year, such rates are subject to the requirements of Proposition 218, which are described further under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

WATER SUPPLY

The District was formed in 1961 for the purpose of obtaining a water supply for municipal and irrigation uses. For the twelve month period ended June 30, 2015, of the water supplied by the District, approximately 19% was imported water, approximately 58% was groundwater and native stream flows and approximately 23% was recycled water.

The District operates a number of wells and reservoirs that produce or store local water for both potable and non-potable uses. Surface storage includes Irvine Lake, a 25,000 acre feet reservoir that is jointly owned by the District and Serrano Water District. Irvine Lake receives stream flow (native water) coming from the Santiago Creek watershed and is also used to store imported untreated water. The District's share of such water is used by the District primarily for agricultural and other irrigation purposes, and supplements the recycled water system during peak demand periods. In addition, the District has approximately 5,400 acre feet of recycled water storage capacity in its Sand Canyon, Rattlesnake, San Joaquin and Syphon Reservoirs and is currently evaluating additional recycled water storage projects.

Imported Water

In Fiscal Year 2015, the District purchased 15,925 acre feet of water imported from the Colorado River and northern California by The Metropolitan Water District of Southern California ("MWD"). MWD supplies water through its member agencies, including the member agency in which the District is situated, Municipal Water District of Orange County ("MWDOC"). The current cost of treated imported water from MWDOC is $850.25 per acre foot. In addition, the District currently pays a fixed charge to MWDOC in the form of readiness to serve, capacity reservation and service connection charges. The readiness to serve and capacity reservation charges are paid monthly and currently total $111,309, while the service connection charge is paid annually and is currently $800,050.

MWD faces various challenges in the continued supply of imported water to MWDOC. A description of these challenges as well as a variety of other operating information with respect to MWD is included in certain disclosure documents prepared by MWD. MWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. MWD has also entered into certain continuing disclosure agreements pursuant to which MWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). Such official statements, other disclosure documents, annual reports and notices (collectively, the "MWD Information") are filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") at http://emma.msrb.org. The MWD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. MWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE MWD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.

MWD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO MWD. MWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Groundwater

General. The District's Water Resources Master Plan calls for a reliable water supply mix and includes developing sufficient groundwater production capacity to pump up to the District's basin production percentage (the "BPP") set by the Orange County Water District ("OCWD"), the agency responsible for managing the Orange County groundwater basin. District groundwater pumping is affected by policies of OCWD, including the setting of replenishment assessments, basin production percentages of total water demand by agencies pumping basin groundwater and basin equity assessments.

OCWD establishes and collects replenishment assessments as a means of purchasing water and funding projects for the purpose of replenishing the Orange County groundwater basin. The replenishment assessment is established annually by OCWD and applies to every acre foot of groundwater produced from the basin.

In addition, each year, OCWD sets the BPP for water to be extracted from the Orange County groundwater basin. The BPP is the amount of groundwater, as a percentage of the total water demands of the District, that can be pumped from the Orange County groundwater basin during the year by a groundwater pumping agency without incurring the additional assessment described in the following paragraph. The amount of groundwater that an agency can pump without incurring the additional assessment is calculated by multiplying the total water use of such agency by the BPP (the "BPP formula"). Between Fiscal Years 2012 and 2016, the BPP has varied from 62% to 72%. In connection with the annexation of certain land by OCWD (as discussed in detail below), the District has agreed to a maximum BPP of 70% through 2023.

The additional assessment incurred by an agency that pumps non-exempt groundwater above the limit established by the BPP formula is called the basin equity assessment (the "BEA"). The BEA is established annually by OCWD for every acre foot of groundwater produced from the Orange County groundwater basin above the BPP formula (with exemptions described further below for pumping determined by OCWD to benefit water quality and other purposes) and is intended to increase the cost of producing groundwater in amounts above the BPP formula so that it equals the cost of importing water, thereby encouraging groundwater pumping agencies to supplement their groundwater production with imported water for the portion of their water use that exceeds the BPP. The BEA is a surcharge to discourage, yet still allow for, the production of groundwater in excess of the BPP formula. One of the District's operating objectives is to produce the maximum amount of groundwater within the BPP formula and to avoid producing groundwater in excess of such maximum in order to avoid paying the BEA. In Fiscal Year 2015, the amount of groundwater that the District pumped from the Orange County groundwater basin exceeded its BPP for non-exempt water by approximately 300 acre feet and, accordingly, the District paid a BEA of approximately $182,000 to OCWD.

OCWD has sought to enable groundwater producers to derive a larger percentage of their water supplies from local sources in times of Statewide drought so that such producers can reduce purchases of imported water at increased rates. For these reasons, OCWD has gradually increased the BPP in recent years. For Fiscal Years 2011, 2012 and 2013 the BPP was 62%, 65% and 68%, respectively. As a result of continued recharge of the Orange County groundwater basin, the BPP for Fiscal Year 2014 was raised to 70%, which allowed the District to pump approximately 54,000 acre feet from the Orange County groundwater basin without incurring any BEA. The District has agreed to a maximum BPP of 70% through 2023. In accordance with its 70% BPP, the District pumped approximately 50,495 acre feet of water from the Orange County groundwater basin in Fiscal Year 2015. The District pays OCWD a replenishment assessment of $322 per acre foot for all groundwater pumped and a BEA equal to an additional $524 per acre foot for groundwater pumped in excess of the BPP formula.

For certain portions of the District's groundwater production, the application of OCWD's BPP and BEA varies from the above general description. The District's Dyer Road Well Field has a production amount established by contract with OCWD as described in the below paragraph. The District also has several projects through which groundwater is produced that are, by contract with OCWD, completely or partially exempt from the BEA. While this "BEA-exempt" groundwater typically requires treatment, the District's cost to produce and treat this groundwater is effectively capped at the cost for imported water. Additionally, as portions of the District currently lie outside of OCWD's jurisdictional boundary, water demands in those areas are not included by OCWD in the accounting of the basin production percentage for the District. In 2014, the Orange County Local Agency Formation Commission approved the annexation of approximately 6,482 acres of land within the District into OCWD. The majority of such land is open space and is not expected to be subject to additional water demand at this time. Currently, approximately 20% of the District's water demand is from outside the OCWD jurisdictional boundary.

The BPP formula for the District's Dyer Road Well Field is not adjusted annually by OCWD but is fixed by contract with OCWD at 28,000 acre feet per year of clear groundwater, subject to the requirement that the amount over 20,000 acre feet is matched by an equal amount of groundwater pumped from the District's Deep Aquifer Treatment System (the "DATS"), which treats water from a deep aquifer in order to remove organic color. Like OCWD's general BPP, the Dyer Road Well Field's contractually fixed BPP formula discourages, but does not prohibit, production over such amount through the application of the BEA to any excess amount.

As discussed above, effective October 2, 2013, the District entered into an agreement with OCWD pursuant to which approximately 6,482 acres of the District's territory was annexed to OCWD upon the Orange County Local Agency Formation Commission's approval in July 2014. Under the annexation agreement, the District agreed to a specified termination date for its BEA exemption on the DATS, represented that the DATS wells would be used to supply the groundwater used in the annexed territory, and agreed that for a period of ten years from the effective date of the annexation agreement, the District will be deemed subject to a BPP equal to the lesser of OCWD's actual BPP or 70%.

The District also produces groundwater from its Irvine Desalter Project, which is described in greater detail under the caption "—Irvine Desalter Project." In Fiscal Year 2015, the Irvine Desalter Project provided a combined total potable and non-potable water production of 8,100 acre feet per year that is exempt from the BPP. A combined additional 1,685 acre feet per year of production is available from three other wells, the Orange Park Acres well, Well 2 in Lake Forest and Well 115 in Irvine. Water from Well 115 is pumped and treated at the Irvine Desalter Project. However, such water is not accounted for as Irvine Desalter Project water because it was not part of the original Irvine Desalter Project. The Orange Park Acres well was taken out of service in Fiscal Year 2011 and returned to service in spring 2015. Well 115 was taken out of service in Fiscal Year 2011 and was returned to service in October 2014. Production from the Orange Park Acres well and Well 115 is subject to the BPP and the BEA, while production from Well 2 is exempt from the BPP and the BEA.

In addition, in April 2013, the District completed construction of the Wells 21 and 22 project, which is expected to add, on average, an additional 6,400 acre feet per year of groundwater. In Fiscal Years 2014 and 2015, the Wells 21 and 22 facility produced approximately 6,935 acre feet and 3,550 acre feet, respectively, of groundwater. These wells are exempt from the BPP and the BEA. The District plans to expand its groundwater production facilities further, and is currently evaluating potential well sites. The District also has rights to native water impounded in Irvine Lake and at the Harding Canyon Dam in the Santiago Canyon area. Such native water does not produce firm annual yields.

Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects. The Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects are groundwater development projects that were constructed by the District in cooperation with OCWD, the United States Departments of the Navy and Justice, MWD and MWDOC. The two projects commenced operations in early 2007.

The Irvine Desalter Potable Water Project consists of a potable water wellfield, pipelines and a purification plant. This project treats local groundwater to remove salts and nitrates caused by the natural geology and past agricultural use. The water is treated to drinking water standards through reverse osmosis and disinfection. The Irvine Desalter Potable Water Project was originally anticipated to pump approximately 5,100 acre feet of groundwater per year. However actual pumping may vary each year based on operational conditions. In Fiscal Years 2014 and 2015, the Irvine Desalter Potable Water Project produced 5,459 acre feet and 4,629 acre feet of groundwater, respectively.

The El Toro Groundwater Remediation Project is treating a plume of contaminated groundwater from the main aquifer of the Irvine sub-basin of the Orange County groundwater basin. The plume originated from the now-closed El Toro Marine Corps Air Station (the "MCAS"). The El Toro Groundwater Remediation Project consists of a treatment system that removes volatile organic compounds in the groundwater from solvent degreasers previously used at the MCAS. The treatment plant removes contaminants from the groundwater using an air stripper and granular activated carbon absorption units. The treated water is used in the District's recycled water system and is designed to supply a minimum of 3,400 acre feet of recycled water per year. In Fiscal Years 2014 and 2015, the El Toro Groundwater Remediation Project produced 3,885 acre feet and 2,885 acre feet, respectively, from non-potable wells. The United States Department of the Navy is compensating the District for this component of the project as part of the Settlement Agreement for Groundwater Remediation of the MCAS. The District expects that such compensation will cover the project costs until the plume of contaminated groundwater is cleaned up.

In addition to the two components described above, the Department of the Navy operates a number of wells on the former MCAS property. These wells pump contaminated groundwater from shallow basins located below the former base. Such water is treated by a treatment plant owned and operated by the District using an air stripper and granular activated carbon absorption units. These wells and the treatment plant, which are referred to as the Shallow Groundwater Unit (the "SGU"), are designed to treat approximately 640 acre feet per year of contaminated groundwater. The treated SGU water is disposed of via an existing ocean outfall. In Fiscal Years 2014 and 2015, the SGU treated approximately 630 acre feet and 600 acre feet, respectively, of water.

Historic Groundwater Supply. Set forth below is a summary of the District's sources of groundwater supply in acre feet per year for the last five Fiscal Years.

TABLE 9
IRVINE RANCH WATER DISTRICT
Historic Groundwater Supply In Acre Feet Per Year

Fiscal Year	***Dyer Road Well Field***	***Deep Aquifer Treatment System***	***Irvine Desalter Project***(2)	***Irvine Sub-basin***	***Other***(5)	***Total***
2011	22,488(1)	8,756	5,837	611	352	38,044
2012	19,917(1)	8,916	5,796	627	0	35,256
2013	27,763	8,858	7,123(3)	2,866(4)	281	46,891
2014	27,774	8,707	9,343	7,957	376	54,157
2015	28,304	8,600	8,661	4,731	536	50,832

(1) Excludes 5,512 acre feet of water and 8,083 acre feet of water purchased at OCWD's request in Fiscal Years 2011 and 2012, respectively, in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2013 or 2014.
(2) Excludes water pumped from the SGU, but includes non-potable water used in the District's recycled water system.
(3) Increase from Fiscal Year 2012 amount reflects the fact that a groundwater well was returned to service in October 2012. See the caption "—Irvine Desalter Project."
(4) Increase from Fiscal Year 2012 amount reflects completion of Wells 21 and 22. See the caption "—General."
(5) Includes Well 2 in Lake Forest. Also includes the Orange Park Acres well, which was returned to service in spring 2015. See the caption "—General."
Source: The District.

OCWD. OCWD faces various challenges in managing the Orange County groundwater basin. A description of these challenges, as well as a variety of other operating information with respect to OCWD, is included in certain disclosure documents prepared by OCWD. OCWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. OCWD has also entered into certain continuing disclosure agreements pursuant to which OCWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the "OCWD Information") are filed with EMMA at http://emma.msrb.org. The OCWD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. OCWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE OCWD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.

OCWD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO OCWD. OCWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Sustainable Groundwater Management Act. On September 16, 2014, the California Governor signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or "SGMA") into law. The SGMA constitutes a legislative effort to regulate groundwater on a Statewide basis. Pursuant to the SGMA, the California Department of Water Resources ("DWR") has designated the Orange County groundwater basin as a medium priority basin for purposes of groundwater management. By January 31, 2017, local groundwater producers must establish or designate an entity (referred to as a groundwater sustainability agency, or "GSA"), subject to DWR's approval, to manage each high and medium priority groundwater basin. Each GSA is tasked with submitting a groundwater sustainability plan for DWR's approval by January 31, 2020. Alternatively, groundwater producers can submit a groundwater management plan under Part 2.75 of the California Water Code or an analysis for DWR's review demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years. Such alternative plan must be submitted by January 31, 2017 and updated every five years thereafter.

If local groundwater producers do not create or nominate an entity to serve as a GSA, the SGMA authorizes DWR to assume management of a groundwater basin until such time as a GSA can perform such functions.

GSAs must consider the interests of all groundwater users in the basin and may require registration of groundwater users, the installation of flow meters to measure groundwater extractions and annual reporting of extractions. In addition, GSAs are authorized to impose spacing requirements on new wells, monitor, regulate and limit or condition groundwater production and establish production allocations among groundwater producers, among other powers. GSAs are authorized to impose fees to fund such activities and to fine or issue cease and desist orders against producers that violate the GSA's regulations. A local agency that manages groundwater pursuant to its principal act (such as OCWD) may not exercise such authority in a manner that is inconsistent with any prohibitions or limitations in its principal act unless the governing board of such local agency makes a finding that such local agency is unable to sustainably manage the groundwater basin without the prohibited authority. Groundwater sustainability plans must include sustainability goals and a plan to implement such goals within 20 years.

The District's wells in the Orange County groundwater basin are presently metered. The SGMA specifically calls for OCWD, which regulates the Orange County groundwater basin, to serve as the GSA for those portions of the basin that are within OCWD's boundaries. See the caption "—General." It has not yet been determined whether OCWD or another entity will serve as GSA for areas that are hydrologically part of the Orange County groundwater basin but located outside of OCWD's jurisdictional boundaries; some of such areas are within the District's boundaries. The District does not currently expect its groundwater extraction rights or costs in the Orange County groundwater basin to change significantly as a result of the enactment of the SGMA, nor does the District currently expect the enactment of the SGMA to have a material adverse effect on the District's ability to make payments of principal of and interest on the Series 2011A-1 Bonds from Net Revenues. The District notes that *ad valorem* property assessments constitute an additional source of moneys available to pay the interest on and principal of the Series 2011A-1 Bonds. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS."

Drought Proclamation

State Orders. Precipitation in the Santa Ana River Watershed and the State as a whole has been below average in recent years. On January 17, 2014, the California Governor declared a statewide drought state of emergency through Proclamation 1-17-2014 (the "Proclamation") with immediate effect. The Proclamation includes the following orders, among others: (a) local urban water suppliers, including the District, are encouraged to implement their local water shortage contingency plans; the District's plan is discussed under the caption "—District Response to Drought;" (b) local urban water suppliers, including the District, are encouraged to update their urban water management plans to prepare for extended drought conditions; (c) DWR and the State Water Resources Control Board (the "SWRCB") are directed to expedite the processing of water transfers; (d) the SWRCB is directed to put water rights holders on notice that they may be required to cease or reduce water diversions in the future; (e) the SWRCB is directed to consider modifying requirements for reservoir releases or diversion limitations; and (f) DWR is directed to take necessary actions to protect water quality and supply in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the "Bay-Delta"), including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species. In addition, on July 15, 2014, the SWRCB adopted emergency measures requiring water suppliers to implement mandatory Statewide water conservation actions.

On March 17, 2015, the SWRCB adopted additional emergency regulations limiting outdoor irrigation to two days per week, extending certain measures set forth in the July 15, 2014 action for an additional 270 days, prohibiting outdoor irrigation for 48 hours following rain and prohibiting restaurants from serving water to customers unless requested. It is anticipated that the District will comply with the new regulations through its water shortage contingency plan (the "WSCP"), as discussed under the caption "—District Response to Drought." MWD has also invoked its Water Supply Allocation Plan (the "WSAP") in response to the March 17, 2015 regulations. The WSAP provides for the equitable distribution of available water supplies in case of extreme water shortage within MWD's service area. On April 14, 2015, MWD approved implementation of WSAP Level 3 (Water Supply Allocation) effective July 1, 2015, which among other things will impose a surcharge of between $1,480 and $2,960 per acre foot of water usage above MWD members' water allocation. To date, no surcharges have been imposed on the District; any such surcharges would be passed through to customers.

On April 1, 2015, the California Governor issued an Executive Order extending the measures set forth in the Proclamation and adopting the following additional orders, among others: (i) the SWRCB is directed to impose restrictions to reduce potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, by 25% from 2013 amounts through February 28, 2016; portions of a water supplier's service area with higher per capita use must achieve proportionally greater reductions than areas with lower per capita use; (ii) DWR is directed to lead a statewide initiative to replace 50 million square feet of lawns with drought tolerant landscaping; (iii) the California Energy Commission is directed to implement a rebate program for replacement of inefficient appliances; (iv) urban water suppliers are required to provide monthly water usage, conservation and enforcement information; (v) service providers are required to monitor groundwater basin levels in accordance with California Water Code § 10933; (vi) permitting agencies are required to prioritize approval of water infrastructure and supply projects; and (vii) DWR is required to plan salinity barriers in the Bay-Delta. On May 6, 2015, the SWRCB adopted regulations in response to the Governor's executive order that require the District to effect a 16% reduction from 2013 water usage. On November 13, 2015, the Governor issued Executive Order B-36-15, which calls for an extension of urban water use restrictions until October 31, 2016 should drought conditions persist through January 2016.

District Response to Drought. Under the District's water shortage contingency plan (the "WSCP"), the District responds to a drought in stages based upon four levels of supply cutbacks: Level One (supply reductions of up to 10%), Level Two (supply reductions of between 10% and 25%), Level Three (supply reductions of between 25% and 40%) and Level Four (supply reductions of over 40%). Each shortage level triggers a District response that is intended to reduce demand to the amount of available supply. Responses include public outreach, education and awareness of water waste and water leaks, the implementation of an allocation-based tiered rate structure and mandatory restrictions on water use (beginning with irrigation and other outdoor uses), together with enforcement actions.

In response to the Proclamation and the SWRCB's emergency measures, the District has taken the following actions pursuant to the implementation of Level Two of the WSCP: (i) potable water irrigation of ornamental turf on public street medians and in non-circulating decorative water features is prohibited; (ii) outdoor irrigation during and 48 hours following measurable precipitation is prohibited; (iii) cars must be washed with hoses that have shutoff nozzles; (iv) commercial conveyor and in-bay car wash systems must reuse water if equipped to do so; (v) swimming pools must be filled to a lower level to minimize water loss from splashing; (vi) potable water irrigation runoff is prohibited; (vii) using potable water to wash paved areas is prohibited; (viii) potable water landscape irrigation must be reduced by up to 50%; (ix) recycled water is required to be used for construction activities and street sweeping; and (x) homeowners associations may not fine owners for reducing water usage. The District has also increased staff resources devoted to conservation and water use efficiency programs; such programs include a conservation hotline, online customer interaction forms, smart irrigation controller installations, a water-saving landscape contest, educational workshops, expanded home survey programs and other customer outreach and assistance efforts.

In addition, in 2014, the District adjusted its existing allocation-based tiered rate structure to encourage greater water conservation. Under the District's allocation-based tiered rate structure, customers are assigned a water allocation based on five residential tiers and four non-residential tiers. The water allocation for each customer is designed to allow a reasonable amount of water use for the customer's needs and provide an economic incentive not to exceed such allocation. Customers that exceed the water allocation within their tier are subject to progressively higher water rates. See the caption "THE WATER SYSTEM—Water System Rates and Charges." The District's allocation-based tiered rate structure constitutes an alternative plan to the mandatory actions adopted by the SWRCB on July 15, 2014. The District's alternative plan was approved by the SWRCB on August 29, 2014, making the District one of only two water agencies in the State that is permitted to deviate from the SWRCB-mandated emergency conservation measures. As part of the implementation of the WSCP, the District reduced the allocation for outdoor potable water use and reduced tier percentages, which causes customers to ascend through the tiers more rapidly, increasing customers' water costs.

In some cases, actions taken pursuant to the Proclamation could result in additional water being made available to the District, while in other cases, actions taken pursuant to the Proclamation could reduce water supplies. The District believes that implementation of Level Two of the WSCP is likely to be revenue neutral in Fiscal Year 2016 as users pay more for water in the first half of such Fiscal Year but reduce water consumption in the second half of such Fiscal Year. While implementation of the WSCP in future years may result in lower water sales revenues, it is also likely to result in lower operating costs, in particular water purchase costs and energy costs for water deliveries. As discussed under the caption "THE WATER SYSTEM—Water System Rates and Charges," the District's rate structure consists of variable and fixed rate components. Decreased water consumption is largely offset by a decrease in related variable costs, while fixed water charges largely cover the District's fixed operating and maintenance costs. As a result, the District does not currently anticipate a significant shortfall in Net Revenues of the water system as a result of the implementation of Level Two of the WSCP.

The projected operating results set forth under the caption "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results" reflect the implementation of Level Two of the WSCP. The District does not believe that the implementation of Level Two of the WSCP will have a material adverse effect on its ability to make payments of principal of and interest on the Series 2011A-1 Bonds from Net Revenues. The District notes that 1% Property Tax Revenues constitute an additional source of moneys available to pay the interest on and principal of the Series 2011A-1 Bonds. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS."

If the statewide water shortage should persist or worsen, legal issues exist as to whether different California Water Code provisions should be invoked to require reasonable regulations for the allocation of water in time of shortage. Any curtailment pursuant to State orders that is accompanied by an increase in MWD water charges (such as the surcharge under MWD's WSAP discussed under the caption "—State Orders") to its member agencies could necessitate an increase in the District's water rates to District customers. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for a discussion of certain restrictions on the District's ability to raise water rates.

Water Supply Reliability

Water Banking. In addition to developing its local groundwater and recycled water systems, the District is diversifying its water supply reliability by developing water banking projects in Kern County, California. These projects are known as the Strand Ranch Integrated Banking Project and the Stockdale Integrated Banking Project (collectively, the "Water Bank"). The District's Strand Ranch and Stockdale West properties are situated on groundwater recharge lands that overlie the regional Kern County groundwater basin. The purpose of developing the Water Bank is to improve the District's water supply reliability by capturing lower cost water available during wet hydrologic periods for use during dry periods. The Water Bank will enhance the District's ability to respond to drought conditions and potential water supply interruptions and will enable the District to reduce the cost of water delivered under such conditions.

In 2009, the District entered into a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District ("Rosedale") in Kern County. This agreement provides for Rosedale to operate the Strand Ranch portion of the Water Bank on behalf of the District and permits the District: (i) to store up to 50,000 acre feet of water in the aquifer; (ii) to recharge up to 17,500 acre feet of water in the aquifer; and (iii) to recover up to 17,500 acre feet of water per year from the aquifer. The District has priority rights to use the recharge ponds when Rosedale is not recharging Kern River floodwaters. All other uses of the recharge ponds by Rosedale are on a second priority basis to the District's use. The water that Rosedale stores on its own behalf does not count against the District's 50,000 acre feet storage rights.

The District's Strand Ranch property has a major canal running through it that allows the movement of water onto and off of the property. The District has completed construction of 502 acres of groundwater recharge ponds and the facilities necessary to divert water from the canal and into ponds on the Strand Ranch property. The recharge ponds allow available surface water to be infiltrated into the groundwater basin for later use. Seven groundwater wells that provide the ability to recover water have been constructed. Associated wellheads and pipelines have also been completed and the recovery facilities are available to recover banked water as necessary during drought conditions and potential water supply interruptions. The Strand Ranch Integrated Banking Project is now fully operational.

The District entered into an agreement in March 2015 with Rosedale and Castaic Lake Water Agency ("CLWA") that provides for cost-sharing among the participants in the construction of additional wells and conveyance capacity. The District's participation will consist of 50% of the recovery capacity of six wells and associated conveyance facilities constructed on Rosedale property adjacent to Strand Ranch for joint use by the District and CLWA. The 50% District share of the recovery capacity in the six offsite wells will fulfill the District's right under the 2009 agreement with Rosedale (discussed above) to construct up to three offsite recovery wells, supplementing the onsite Strand Ranch recovery wells. The additional recovery capacity will not increase the District's storage or annual recovery amounts under the 2009 agreement, but is expected by the District to allow increased peaking in its recoveries, thereby increasing flexibility in its delivery of recovered water.

Currently, the District is expanding the Water Bank onto the Stockdale West property, which is adjacent to the Strand Ranch. The Stockdale West property was purchased by the District in late 2010. These additional lands will allow the District to increase the District's water banking recharge, storage and recovery capabilities by approximately 50%. The expansion of the Water Bank to the Stockdale West property will further increase the District's dry year water supply reliability.

In 2011, the District implemented a pilot project on the Stockdale West property and constructed 238 acres of recharge basins on the property. In addition, the District constructed water conveyance facilities to deliver water to the property.

In 2015, the District executed an agreement with Rosedale for the operation of the joint banking project facilities which will comprise the Stockdale Integrated Banking Project (comprised of the District's Stockdale West Property and Rosedale's Stockdale East property). Both Rosedale and the District have approved a final environmental impact report for the project.

The District has secured water from a number of sources for recharge at the Water Bank. Pursuant to the District's agreement with Rosedale, Rosedale will divert a portion of its entitlement to floodwater flows on the Kern River to District-owned storage ponds for recovery in dry years. The District is entitled, at no cost, to 20% and 50% of all Kern River floodwaters recharged by the Strand Ranch and Stockdale West Property recharge ponds, respectively.

The District has also secured access to State Water Project water that is stored in the Water Bank. Such water is available as a result of the District's acquisition of approximately 883 acres (the "Jackson Ranch") located within the Dudley Ridge Water District ("Dudley Ridge"), together with rights to use approximately 1,749 acre feet of Table A State Water Project water allocated to Dudley Ridge. Under an existing agreement, the District can store up to 8,700 acre feet of such water in the Water Bank between 2014 and 2017. The District's ability to extract such water at any given time is dependent on annual State Water Project allocation decisions made by the State. Additionally, the Jackson Ranch land acquisition included certain participation rights in the Kern Water Bank to store approximately 9,495 acre feet of water.

In 2011, the District entered into a 28-year exchange program (the "BVWSD Exchange Program") with Buena Vista Water Storage District ("BVWSD") that allows BVWSD to store a portion of its high-flow Kern River water at the Strand Ranch Integrated Banking Project in exchange for allocating to the District 50% of such stored water. BVWSD holds both State Water Project Table A water rights and pre-1914 rights to Kern River water. The pre-1914 water rights give BVWSD an average annual entitlement of 158,000 acre feet of Kern River water. Pursuant to the BVWSD Exchange Program, BVWSD is entitled to deliver up to 17,500 acre feet of water to the Water Bank in any given year with a maximum cumulative capacity of 40,000 acre feet. The District and BVWSD are working together to expand the scope of the BVWSD Exchange Program to provide for additional deliveries to the Stockdale West property.

According to the schedule set forth in the BVWSD Exchange Program, the District is entitled to keep an additional 10% of the water stored by BVWSD each calendar year after the fourth calendar year following the year of the recharge event, which amount increases by 10% each calendar year until nine calendar years after the year of the recharge event, at which time the District is entitled to keep all water transferred by BVWSD to the Water Bank. Pursuant to the terms of the BVWSD Exchange Program, the District and BVWSD share equally in any water losses resulting from the exchange. BVWSD is responsible for all costs of delivering water to the Water Bank and the District is responsible for all costs of returning the water to BVWSD. The District is required to return water that BVWSD determines it will recover from the Water Bank at a maximum rate of 6,667 acre feet per year. The District is obligated to pay BVWSD for any water kept by the District in excess of 50% of the water transferred by BVWSD to the Water Bank at BVWSD's then current State Water Project Table A Variable Operations, Maintenance, Power and Replacement unit cost rate for water. The 28-year term of the BVWSD Exchange Program coincides with the District's agreements with Rosedale relating to the Water Bank.

In 2012, the District entered into separate Pilot Exchange Agreements with the Central Coast Water Authority and the Antelope Valley-East Kern Water Agency (the "Pilot Exchange Agreements") that provided for such agencies to store portions of their 2012 allocation of State Water Project water at the Water Bank in exchange for the District's receipt of half of such water for its own use. At the end of calendar year 2015, a total of 6,385 acre feet of water was stored at the Water Bank through the Pilot Exchange Agreements.

The District has entered into a Coordinated Operating, Water Storage, Exchange and Delivery Agreement with MWD which allows the District to cause State Water Project water that is recovered from the Water Bank to be delivered to the District's service area. Through this agreement, the District can cause the delivery of State Water Project water from the Water Bank to the District's service area at any time. The District has also developed an additional agreement with MWD to have other waters recovered and delivered into the District's service area. Such additional agreement is expected to be used on an on-call basis when the District desires to the move non-State Water Project water into southern California for use in the District's service area. The District recovered and delivered approximately 1,000 acre feet from the Strand Ranch Integrated Banking Project in 2015 pursuant to this additional agreement.

Since 2010, the District has delivered a total of approximately 37,000 acre feet of water to the Water Bank, including the Stockdale West property. The District returned 2,500 acre feet of water to BVWSD in 2012 from BVWSD's share of the water stored in the Water Bank pursuant to the BVWSD Exchange Program. In 2013, the District returned 281 acre feet of water to the Central Coast Water Authority in accordance with the applicable Pilot Exchange Agreement and 6,667 acre feet of water and to BVWSD in accordance with the BVWSD Exchange Program. In 2014, the District returned 208 acre feet of water to the Central Coast Water Authority and 2,229 acre-feet of water to the Antelope Valley-East Kern Water Agency in accordance with the Pilot Exchange Agreements. In 2014, the District also returned 1,000 acre feet of water to a local farming entity to which the District had an obligation arising from the purchase of the Stockdale West property. In 2015, the District returned 4,341 acre feet of water to BVWSD and 413 acre feet of water to the Central Coast Water Authority. To date, all of the water stored for others per these agreements has been returned to the respective banking partners.

The cost of the Strand Ranch water banking facilities (including the land acquisition costs) was approximately $21,820,000. Such facilities are now fully operational. The cost of expansion of the water banking facilities onto the Stockdale West property (including the costs of acquisition of these lands) is expected to be approximately $18,400,000, of which the District has spent approximately $9,700,000 as of December 2015.

The District is currently pursuing additional opportunities for water banking and contractual rights to other surface waters for diversion into the Water Bank for later use by the District. These other sources include long-term programs for the exchange of State Water Project water from MWD, the Central Coast Water Authority, the Antelope Valley-East Kern Water Agency, Dudley Ridge and CLWA.

A summary of water held in storage pursuant to the District's water banking program as of December 31, 2015 (after water losses) is set forth below.

TABLE 10
IRVINE RANCH WATER DISTRICT
Summary of Water Banking Programs
As of December 31, 2015 (Acre Feet)

Facility	*Total Capacity*	*Total Water in Storage*	*District Share of Total Water in Storage*
Strand Ranch Integrated Banking[(1)]	50,000	17,674	17,025
Stockdale West[(1)]	26,000	1,401	1,401
Kern Water Bank	9,495	4,188	4,188
Total	85,495	23,263	22,614

(1) The District's ability to extract water from Strand Ranch and the Stockdale West Property is subject to certain contractual and operational constraints as described above. Extractions from Strand Ranch are currently limited to approximately 17,500 acre feet per year.

Source: The District.

Other Water Supply Reliability Programs. In January 2016, the Board of Directors approved the purchase of approximately 616 acres of agricultural land (the "Eaton Property") in Riverside County, California. The Eaton Property is within the water service area of Palo Verde Irrigation District, which has first priority rights on the Colorado River. Approximately 248 acres of the land is subject to an MWD fallowing program under which MWD makes payments to landowners in exchange for letting land lie fallow. Water that is conserved through fallowing is available for use within MWD's service area (which includes the District's service area). In the near term, the District expects to lease the Eaton Property to tenant farmers for agricultural uses. The District plans to work with MWD and MWDOC in the future to develop mutually beneficial arrangements through which the District would receive increased water supply reliability during periods of drought or supply interruptions in consideration for the water conserved on the Eaton Property. [UPDATE] [The purchase is currently in escrow and expected to close in the first or second quarter of 2016.] There can be no assurance that the District will ultimately purchase the land. Additionally, due to the preliminary nature of its discussions with MWD and MWDOC, the District can make no assurance as to the amount of water, if any, it would receive from MWD through conservation of water on the Eaton Property. However, if the purchase is completed, the District expects to pay approximately $10,240,000 from District capital reserves for the Eaton Property.

Recycled Water

During Fiscal Year 2015, the District produced 22,866 acre feet of recycled water and supplied an additional 9,275 acre feet of non-potable water to District customers via the recycled water system. The District processes and treats secondary effluent from its customers to produce recycled water for sale to customers for non-potable utilization. Recycled water is currently sold to approximately 5,400 customers within the District. As of December 31, 2015, the District had approximately 509 miles of recycled water mains and recycled water storage capacity of approximately 5,400 acre feet. Revenues from the sale of recycled water are accounted for as part of the District's sewer system.

Historic and Projected Water Supply

Set forth below is a summary of the District's sources of total water supply in acre feet per year for the last five Fiscal Years.

TABLE 11
IRVINE RANCH WATER DISTRICT
Historic Water Supply In Acre Feet Per Year

Fiscal Year	*Local Water*[1]	*Imported Water*	*Recycled Water*	*Total*
2011	39,563	30,549[2][3]	20,284	90,396
2012	39,409	26,155[3]	20,602	86,166
2013[4]	49,967	20,151	22,983	93,101
2014[5]	55,015	22,508	21,038	98,561
2015	54,057	18,628	22,866	95,551

(1) Includes groundwater, native water in Irvine Lake and non-potable Irvine Desalter Project water used in the District's recycled water system. See the caption "—Groundwater—Irvine Desalter Project." Excludes water pumped from the SGU, which is disposed of via an existing ocean outfall following treatment.
(2) Imported water supply for Fiscal Year 2011 included approximately 5,900 acre feet of stored imported water spilled from Irvine Lake during a December 2010 rain event. Such water was replaced with new native water (storm flows) stored at Irvine Lake.
(3) Includes 5,512 acre feet of water and 8,083 acre feet of water purchased at OCWD's request in Fiscal Years 2011 and 2012, respectively, in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2013, 2014 or 2015.
(4) Increase from Fiscal Year 2012 reflects growth and the economic recovery within the District's service area as well as increased irrigation requirements. OCWD did not request that the District purchase in-lieu water in Fiscal Year 2013.
(5) Reflects completion of Wells 21 and 22. See the caption "—Groundwater—General." Also reflects expansion of Michelson Water Reclamation Plant ("MWRP"), increasing total recycled water production capacity from 18 million gallons per day ("mgd") to 28 mgd in Fiscal Year 2014. See the caption "THE SEWER SYSTEM—General."
Source: The District.

Set forth below is a summary of the District's projection of total water sources for the current and next four Fiscal Years.

TABLE 12
IRVINE RANCH WATER DISTRICT
Projected Water Supply In Acre Feet Per Year

Fiscal Year	*Local Water*[1]	*Imported Water*	*Recycled Water*[2]	*Total*	*Percentage Change*
2016	54,598	19,932	21,354	95,883	0.35%
2017	55,144	20,131	21,674	96,949	1.11
2018	55,695	20,333	21,999	98,027	1.11
2019	56,252	20,536	22,329	99,117	1.11
2020	56,814	20,741	22,664	100,220	1.11

(1) Includes groundwater, native water in Irvine Lake and non-potable Irvine Desalter Project water used in the District's recycled water system. See the caption "—Groundwater—Irvine Desalter Project." Excludes water pumped from the SGU, which is disposed of via an existing ocean outfall following treatment. Reflects completion of Wells 21 and 22. See the caption "—Groundwater—General."
(2) Recycled water production projected to increase approximately 1.5% per annum.
Source: The District.

Set forth below is a comparison of the District's sources of supply for Fiscal Year 2015 as compared to other neighboring agencies supplying water for Fiscal Year 2014.

TABLE 13
IRVINE RANCH WATER DISTRICT
Water Supply Comparison by Source

	Imported Water	***Groundwater***	***Surface Water***	***Recycled Water***
Irvine Ranch Water District[(1)]	**19%**	**55%**	**3%**	**23%**
City of Anaheim	46	54	0	0
South Coast Water District[(2)]	77	13	0	10
City of Orange	50	45	5	0
Santa Margarita Water District[(2)]	83	0	0	17
City of Tustin[(3)]	37	63	0	0

(1) Approximately 20% of the District's water demand is from areas outside of OCWD's jurisdictional boundaries.
(2) These agencies are not located within OCWD's jurisdictional boundaries.
(3) The City of Tustin owns several groundwater projects that are exempt from the BEA.
Source: Municipal Water District of Orange County Water System Operations and Financial Information (August 2013); the District.

THE WATER SYSTEM

General

Through the issuance of general obligation waterworks bonds and other indebtedness, the District has constructed, purchased or acquired capacity in, or connections to, various transmission, pumping, storage and distribution facilities to convey water into the District, including several major facilities built in cooperation with other water districts and cities.

The development of water supplies and the construction and acquisition of facilities are being carried out under a master plan formulated by the District in 1972 and most recently updated in 2009. Existing uses and planned development within the District will necessitate a projected combined total annual water supply of approximately 124,800 acre feet by 2035.

The District anticipates meeting all of its water supply needs using the above-mentioned water importation and storage facilities, groundwater production facilities and recycled water facilities. The combination of the District's facilities and sources of supply is expected to provide the District with a reliable water supply sufficient to permit the ultimate development as presently planned. Reliability of water supply is further enhanced by the District's storage facilities, which currently provide more than a seven-day supply.

At June 30, 2015, the District had approximately 2,131 miles of water mains in its potable and recycled water systems and storage capacity of approximately 30,200 acre feet, including the District's share of Irvine Lake, a 25,000 acre feet untreated water reservoir, and the District's Sand Canyon, Rattlesnake Canyon, Syphon and San Joaquin Reservoirs, which are recycled water reservoirs with capacities of 750 acre feet, 1,100 acre feet, 450 acre feet and 2,900 acre feet respectively. See the caption "WATER SUPPLY."

In 2013, the District completed a study of the feasibility of increasing storage capacity in Syphon Reservoir from 450 acre feet up to 5,000 acre feet. Additional storage capacity, if constructed, would allow the District to recycle 100% of the sewage flows tributary to MWRP and reduce the District's need to supplement the recycled water system with imported water in dry years. The District is currently evaluating funding alternatives for the Syphon Reservoir expansion. See the caption "FUTURE CAPITAL IMPROVEMENTS—Water Supply Reliability."

See the caption "WATER SUPPLY—Water Supply Reliability—Water Banking" for information with respect to the District's water banking programs, which constitute additional sources of water that are not reflected in the discussion of the District's storage facilities above.

In Fiscal Year 2009, the District commenced the engineering design for the Baker WTP. Construction began in January 2014 and is anticipated to be completed in July 2016.

When constructed, the Baker WTP is expected to treat to drinking water standards approximately 28 mgd of raw imported water purchased from MWD. During emergencies and planned raw imported water outages, water from Irvine Lake is expected to be supplied to the Baker WTP for treatment to drinking water standards. The Baker WTP will utilize microfiltration and ultraviolet disinfection as the primary treatment processes. Although the plant will be owned and operated by the District, approximately 76% of capacity in the Baker WTP is expected to be held by other participating water agencies located in southern Orange County. The facility will provide an operational source of supply to the District and participating agencies and, in the event of a short-term water shortage emergency, provide regional water reliability to other neighboring water agencies. The project construction cost is estimated at approximately $107.2 million, which is to be borne by the District and the other participating water agencies in proportion to their participation in the project. The District expects to finance its 24% share of the costs from the proceeds of bonds.

See the caption "THE IRVINE RANCH WATER DISTRICT—Current Investments" for a description of an investment made by the District relating to the Baker WTP.

Historic Water Connections

The following table shows the number of water connections in the District for the five most recent Fiscal Years.

TABLE 14
IRVINE RANCH WATER DISTRICT
Historic Water Connections[(1)]

Fiscal Year	*Connections*	*Percentage Change*
2011	98,637	1.66%
2012	99,465	0.84
2013	101,020	1.56
2014	102,990	1.95
2015	104,994	1.95

(1) Excludes recycled water and non-potable water connections.
Source: The District.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Projected Water Connections

The following table shows the number of water connections projected by the District for the current and next four Fiscal Years.

TABLE 15
IRVINE RANCH WATER DISTRICT
Projected Water Connections[(1)]

Fiscal Year	*Connections*	*Percentage Change*
2016	107,795	2.67%
2017	110,125	2.16
2018	113,676	3.22
2019	116,904	2.84
2020	120,387	2.98

(1) Excludes recycled water and non-potable water connections. Increases in connections reflect District estimates of increased development activity.
Source: The District.

Connection Fees

The District collects a water connection fee for each new connection to finance District facilities. Connection fees vary by Improvement District and range from $1,360 to $3,637 for each residential unit and $5,735 to $30,739 for each acre of commercial or industrial property. The connection fee is designed to recover the cost of each additional connection and allocate among all Improvement Districts the costs of master planned facilities such as water sources and production facilities, transmission mains, pumping stations, reservoirs and appurtenances and capacity necessary for each Improvement District.

Historic Water Deliveries

The following table presents a summary of historic water deliveries by the District in acre feet per year for the five most recent Fiscal Years. Historic water deliveries vary from historic water supply as a result of losses in the water system and the timing of billing. Revenues from the sale of recycled water are accounted for as part of the District's sewer system.

TABLE 16
IRVINE RANCH WATER DISTRICT
Historic Water Deliveries in Acre Feet Per Year

Fiscal Year	*Potable and Non-Potable*	*Recycled*	*Total*	*Percentage Change*
2011[(1)]	70,112	20,284	90,396	(0.61)%
2012[(1)]	65,564	20,602	86,166	(4.68)
2013[(2)]	70,118	22,983	93,101	8.05
2014	77,523	21,038	98,561	5.86
2015[(3)]	72,685	22,866	95,551	(3.05)

(1) Reduced deliveries resulted from customer conservation in response to drought conditions and economic factors affecting the District's service area.
(2) Increase in water deliveries reflects new development and the economic recovery within the District's service area.
(3) Reduced deliveries resulted from effects of Statewide drought and State orders with respect thereto. See the caption "WATER SUPPLY—Drought Proclamation."
Source: The District.

Projected Water Deliveries

The District estimates that water system deliveries for the current and next four Fiscal Years will be as set forth in the following table. The District currently projects that water deliveries will increase at a slower pace than the increase in connections, as set forth in the table under the caption "—Projected Water Connections," as a result of increased conservation efforts and a return to long-term historical average hydrological conditions in the State. The District notes that recycled water use is not subject to the mandatory conservation orders imposed by the State in connection with the Statewide drought. See the caption "WATER SUPPLY—Drought Proclamation." Revenues from the sale of recycled water are accounted for as part of the District's sewer system.

TABLE 17
IRVINE RANCH WATER DISTRICT
Projected Water Deliveries in Acre Feet Per Year

Fiscal Year	*Potable and Non-Potable*	*Recycled*	*Total*	*Percentage Change*
2016	74,530	21,354	95,883	0.35%
2017	75,275	21,674	96,949	1.11
2018	76,028	21,999	98,027	1.11
2019	76,788	22,329	99,117	1.11
2020	77,556	22,664	100,220	1.11

Source: The District.

Historic Water Sales and Service Charge Revenues

The following table shows annual water sales and service charge revenues for the five most recent Fiscal Years. The following table does not include revenues from the sale of recycled water, which is accounted for as part of the District's sewer system.

TABLE 18
IRVINE RANCH WATER DISTRICT
Historic Water Sales and Service Charge Revenues
(Dollars in Thousands)

Fiscal Year	*Sales and Service Charge Revenues*(1)	*Percentage Change*
2011	$54,796	6.88%
2012	57,558	5.04
2013	62,565	8.70
2014	66,321	6.00
2015	70,110	5.71

(1) Includes late payment charges and other penalty revenues.
Source: The District.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Projected Water Sales and Service Charge Revenues

The following table projects annual water sales and service charge revenues for the current and next four Fiscal Years.

TABLE 19
IRVINE RANCH WATER DISTRICT
Projected Water Sales and Service Charge Revenues
(Dollars in Thousands)

Fiscal Year	*Sales and Service Charge Revenues*[(1)]	*Percentage Change*
2016	$74,317	6.00%
2017	78,776	6.00
2018	81,139	3.00
2019	83,573	3.00
2020	86,080	3.00

(1) Reflects projected increases in water connections and deliveries described under the captions "—Projected Water Connections" and "—Projected Water Deliveries," respectively, as well as projected increases in rates described under the caption "—Water System Rates and Charges." Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that the Board of Directors will adopt such rate increases as currently projected. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

Source: The District.

Largest Water Customers

The following table sets forth the ten largest water customers of the District for Fiscal Year 2015, as determined by annual payments.

TABLE 20
IRVINE RANCH WATER DISTRICT
Ten Largest Water Customers
Fiscal Year 2015

	Customer	*Fiscal Year 2015 Payment*	*Percentage of Total Water Sales Revenues*
1.	The Irvine Company-Irvine Apartment Communities	$ 4,683,448	6.68%
2.	City of Irvine	1,926,487	2.75
3.	University of California, Irvine	1,644,733	2.35
4.	Jazz Semiconductor	728,473	1.04
5.	B. Braun Medical Inc.	596,032	0.85
6.	Woodbridge Village Association	584,581	0.83
7.	Irvine Unified School District	565,095	0.81
8.	Crystal Cove Community Association	299,655	0.43
9.	California Department of Transportation, District 12	296,579	0.42
10.	Los Olivos Apartments	296,165	0.42
	TOTAL	$ 11,621,248	16.58%

Source: The District.

These ten largest customers accounted for approximately 16.58% of water sales revenues in Fiscal Year 2015.

Water System Rates and Charges

Water system rates and charges (other than connection fees) are generally uniform throughout the District. Pumping surcharges apply in higher elevations, and different rates and charges apply in certain areas added to the District by consolidation and annexation. The average monthly service charge for residential water meters is $10.30. The monthly service charges for commercial and industrial water meters range from $10.30 to $2,935.50 based on meter size. Quantity charges are set according to a water conservation oriented allocation-based ascending block rate structure with rates ranging from $1.11 to $14.53 per 100 cubic feet ("ccf"). See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218—Article XIIID" for a discussion of a 2015 California Court of Appeal decision with respect to allocation-based rates similar to those of the District. Recycled water rates for irrigation are set at 90% of the potable rate. Set forth below is a comparison of the District's water bill for a typical residential customer as compared to neighboring communities. Since Fiscal Year 2006, the District has increased its water system rates and charges by an average of approximately 6.5% each year for an average residential customer using approximately 11 ccf of water per month.

The projected water system revenues set forth under the captions "—Projected Water Sales and Service Charge Revenues" and "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" reflect the implementation of Level Two of the District's WSCP (as discussed under the caption "WATER SUPPLY—Drought Proclamation"), as well as projected water rate increases of between 2% and 6% in Fiscal Years 2016 through 2020, including a projected rate increase of 3% beginning July 1, 2016 that is expected to be brought before the Board of Directors in spring 2016. Such water rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." There can be no assurance that the Board of Directors will adopt such rate increases as currently projected.

TABLE 21
IRVINE RANCH WATER DISTRICT
Typical Residential Customer Water Bills[(1)]

Water Service Provider	***Charge***[(2)]
City of Newport Beach	$72.71
City of Costa Mesa	67.33
City of Santa Ana	55.25
City of Huntington Beach	43.76
City of Tustin	43.76
City of Anaheim	44.62
City of Orange	40.71
District	**30.94**

(1) Based on the average residential usage for each water service provider in ccf. For the District, the first 5 ccf is billed at the low volume rate of $1.11 and next 6 ccf is billed at $1.62.
(2) As of July 1, 2015. Excludes *ad valorem* assessments levied by the District.
Source: The District.

THE SEWER SYSTEM

General

The District, following voter approval in 1965, is authorized by law to acquire, construct, operate and furnish facilities and services for the collection, treatment, reclamation and disposal of wastewater, and the District may contract with others for such purposes. The District has an extensive network of gravity sewers, force mains, wastewater lift stations and siphons that convey wastewater to two District-owned treatment plants. At June 30, 2015, the District had approximately 1,019 miles of sewer mains and treatment plant capacity of approximately 35.5 mgd at the MWRP and the Los Alisos Water Reclamation Plant ("LAWRP"). More than 10.4 billion gallons of sewage were treated by the District during Fiscal Year 2015.

During Fiscal Year 1986, the District cooperated with Orange County Sanitation District ("OCSD") to form Sanitation District 14 (functionally replaced by "Revenue Area 14" of OCSD, upon the consolidation of the several sanitation districts comprising OCSD's predecessor, the County Sanitation Districts of Orange County, in 1998), which overlays a substantial portion of the District's territory. Under an agreement entered into between the District and OCSD in connection with such formation, the District paid approximately $34 million for an approximately 6% interest in OCSD's sewage processing facilities (such percentage of interest will vary over time pursuant to a formula set forth in the agreement between OCSD and the District). This agreement currently provides treatment capacity (in addition to the capacity at District-owned facilities (the MWRP and the LAWRP)) of up to 15 mgd. The agreement also provides for the purchase by the District of certain additional capacity in OCSD sewage processing facilities determined from annual flows. In Fiscal Years 2014 and 2015, the District utilized approximately 2.1 billion gallons and 1.9 billion gallons, respectively, of capacity pursuant to its agreement with OCSD. Currently, approximately 81% of the District's wastewater is treated by the MWRP and LAWRP operated by the District, and approximately 19% is treated by OCSD. A small portion of the wastewater (less than 1%) from the District's service area that is adjacent to the Santa Margarita Water District is treated by the Santa Margarita Water District pursuant to contract.

Currently, approximately 71% of all wastewater collected by the District is treated by the District and recycled or stored in seasonal storage reservoirs for later treatment and recycling. The remainder of the wastewater collected by the District is diverted to OCSD for treatment and ultimate disposal into the Pacific Ocean through OCSD's two ocean outfall pipelines or recharge into the Orange County groundwater basin through OCWD's Groundwater Replenishment System.

Ultimately, the District plans to expand capacity for its treatment facilities to approximately 40.5 mgd in order to: (i) increase recycled water production and utilization; (ii) decrease exposure to external treatment costs and operational constraints; and (iii) decrease dependencies on imported water supplies. See the caption "FUTURE CAPITAL IMPROVEMENTS."

The District has evaluated alternative approaches to handling its wastewater solids. In May 2013, the District began construction of a facility for handling MWRP solids, which are currently conveyed to OCSD, as well as solids from the District's LAWRP and other potential participating agencies. New capital facilities constructed at the MWRP to dewater and dispose of solids from this facility are estimated to cost $210 million. Construction of the solids handling facility at the MWRP is anticipated to be completed in Fiscal Year 2018.

OCSD faces various challenges in the continued treatment of sewage. A description of these challenges, as well as a variety of other operating information with respect to OCSD, is included in certain disclosure documents prepared by OCSD. OCSD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. OCSD has also entered into certain continuing disclosure agreements pursuant to which OCSD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the "OCSD Information") are filed with EMMA at http://emma.msrb.org. The

OCSD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. OCSD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE OCSD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.

OCSD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO OCSD. OCSD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Historic Sewer System and Recycled Water Connections

The following table shows the number of sewer and recycled water connections in the District for the five most recent Fiscal Years.

TABLE 22
IRVINE RANCH WATER DISTRICT
Historic Sewer and Recycled Water Connections

Fiscal Year	***Connections***	***Percentage Change***
2011	93,992	1.72%
2012	94,983	1.05
2013	96,643	1.75
2014	97,482	0.87
2015	99,397	1.96

Source: The District.

Projected Sewer and Recycled Water Connections

The following table shows the projected number of sewer and recycled water connections for the current and next four Fiscal Years.

TABLE 23
IRVINE RANCH WATER DISTRICT
Projected Sewer and Recycled Water Connections

Fiscal Year	***Connections***	***Percentage Change***
2016	102,198	2.82%
2017	104,528	2.28
2018	108,079	3.40
2019	111,307	2.99
2020	114,790	3.13

(1) Increases in connections beginning in Fiscal Year 2016 reflect District estimates of increased development activity.
Source: The District.

Connection Fees

The District collects a sewer connection fee for each new connection to finance District sewer facilities. Connection fees vary by Improvement District and range from $2,215 to $25,427 for each residential unit and $5,765 to $63,147 for each acre of commercial or industrial property. The connection fee is designed to recover the cost of each additional connection and allocate among all Improvement Districts the costs of master planned facilities such as transmission mains, pumping stations, treatment facilities and appurtenances and capacity necessary to serve each Improvement District.

Historic Sewer Daily Average Flow

The following table shows the daily average sewer flow in millions of gallons per day for the five most recent Fiscal Years.

TABLE 24
IRVINE RANCH WATER DISTRICT
Historic Sewer Daily Average Flow

Fiscal Year	*Daily Average Flow (mgd)*[1]	*Percentage Change*
2011	27.8	0.36%
2012	28.3	1.80
2013	28.1	(0.71)[2]
2014	29.5	4.98[3]
2015	28.6	(3.05)[2]

(1) Includes District flow treated by OCSD.
(2) Reduction in flows reflects reduced water use, including as a result of conservation efforts.
(3) Increase in flows reflects changes to flows in the Irvine Business Complex in accordance with a flow study and an agreement with OCSD.
Source: The District.

Projected Sewer Daily Average Flow

The following table shows the projected daily average sewer flow in millions of gallons per day for the current and next four Fiscal Years.

TABLE 25
IRVINE RANCH WATER DISTRICT
Projected Sewer Daily Average Flow

Fiscal Year	*Daily Average Flow (mgd)*[1]	*Percentage Change*
2016	29.2	2.10%
2017	29.8	2.05
2018	30.4	2.01
2019	31.0	1.97
2020	31.6	1.94

(1) Includes flow treated by OCSD.
Source: The District.

Historic Recycled Water Sales and Sewer Service Charge Revenues

The following table shows the recycled water sales and sewer service charge revenues for the five most recent Fiscal Years. Increases reflect increases in connections as well as rate increases adopted by the Board of Directors.

TABLE 26
IRVINE RANCH WATER DISTRICT
Historic Recycled Water Sales and Sewer Service Charge Revenues
(Dollars in Thousands)

Fiscal Year	*Recycled Water Sales and Sewer Service Charge Revenues*	*Percentage Change*
2011	$45,375	0.07%
2012	49,234	8.50
2013	53,085	7.82
2014	58,109	9.46
2015	62,808	8.09

Source: The District.

Projected Recycled Water Sales and Sewer Service Charge Revenues

The following table shows the projected recycled water sales and sewer service charge revenues for the current and next four Fiscal Years.

TABLE 27
IRVINE RANCH WATER DISTRICT
Projected Recycled Water Sales and Sewer Service Charge Revenues
(Dollars in Thousands)

Fiscal Year	*Recycled Water Sales and Sewer Service Charge Revenues*(1)	*Percentage Change*
2016	$66,576	6.00%
2017	70,571	6.00
2018	72,688	3.00
2019	74,869	3.00
2020	77,115	3.00

(1) Reflects increases in projected sewer connections and daily average sewer flow described under the captions "—Projected Sewer and Recycled Water Connections" and "—Projected Sewer Daily Average Flow," respectively, as well as projected increases in recycled water and sewer rates described under the captions "THE WATER SYSTEM—Water System Rates and Charges" and "THE SEWER SYSTEM—Sewer System Rates and Charges." Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that the Board of Directors will adopt such rate increases as currently projected. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

Source: The District.

Largest Sewer Service Customers

The following table sets forth the ten largest sewer service customers of the District for Fiscal Year 2015, as determined by annual payments.

TABLE 28
IRVINE RANCH WATER DISTRICT
Ten Largest Sewer Service Customers
Fiscal Year 2015

	Customer	***Fiscal Year 2015 Payment***	***Percentage of Total Sewer Service Revenues***
1.	The Irvine Company-Irvine Apartment Communities	$ 3,210,461	5.11%
2.	City of Irvine	2,352,525	3.75
3.	University of California, Irvine	1,845,757	2.94
4.	Westpark Maintenance District	1,150,337	1.83
5.	California Department of Transportation, District 12	864,338	1.38
6.	B. Braun Medical Inc.	629,363	1.00
7.	Irvine Unified School District	556,324	0.89
8.	Heritage Fields	376,753	0.60
9.	Royal Carpet Mills	356,983	0.57
10.	Allergan Sales, LLC	292,679	0.47
	TOTAL	$ 11,635,520	18.54%

Source: The District.

These ten largest customers accounted for approximately 18.54% of total sewer service revenues in Fiscal Year 2015.

Sewer System Rates and Charges

Residential users pay a fixed monthly service charge which ranges from $18.55 to $24.05. Commercial and industrial users pay $24.05 for the first ten ccf of water use and from $2.56 to $2.685 per ccf thereafter. Set forth below is a comparison of the District's sewer bills for a typical residential customer as compared to other neighboring communities. Since Fiscal Year 2006, the District has increased its fixed monthly service charge by an average of approximately 10.0% each year.

The projected sewer system and recycled water sales revenues set forth under the captions "—Projected Recycled Water Sales and Sewer Service Charge Revenues" and "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" reflect projected sewer rate increases of between 3.5% to 6% in Fiscal Years 2016 through 2020 and projected recycled water rate increases of between 2% and 5% in Fiscal Years 2016 through 2020, including projected increases in sewer rates and recycled water rates effective July 1, 2016 that are expected to be brought before the Board of Directors in spring 2016. Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." There can be no assurance that the Board of Directors will adopt such rate increases as currently projected.

TABLE 29
IRVINE RANCH WATER DISTRICT
Typical Residential Customer Sewer Bill

Sewer Service Provider	*Charge*[1]
City of Tustin	$44.29
City of Newport Beach	37.49
City of Huntington Beach	37.38
City of Santa Ana	32.92
City of Orange	26.69
City of Costa Mesa	26.69
City of Anaheim	26.69
District	**18.55 – 24.05**

(1) As of July 1, 2015. Excludes *ad valorem* assessments levied by District.
Source: The District.

FUTURE CAPITAL IMPROVEMENTS

The District anticipates spending approximately $375,648,394 on future water, recycled water and sewer system improvements during the current and the next four Fiscal Years. The District anticipates financing such improvements through a combination of bonds, District revenues and fund balances in Fiscal Years 2016 through 2020. The District anticipates that approximately $300,000,000 of such improvements will be financed from proceeds of bonds, some of which have already been issued, and that approximately $75,648,394 of such improvements will be financed from funds on hand and District revenues. The following table sets forth the District's projected capital improvement projects for the current and next four Fiscal Years:

TABLE 30
IRVINE RANCH WATER DISTRICT
Projected Water, Recycled Water and Sewer Systems Capital Improvements
For Fiscal Years 2016 through 2020

Project	*2016*	*2017*	*2018*	*2019*	*2020*	*Total*
Solids Handling	$ 46,726,598	$ 49,117,009	$ 5,468,996	$ 845,059	$ 4,071,304	$106,228,966
OCSD / CORF	10,634,285	15,103,865	9,438,540	5,411,413	4,402,417	44,990,520
Water Supply Reliability	17,805,003	17,090,874	12,104,644	8,639,851	17,730,294	73,370,666
Development-Related Expansion	8,227,181	16,896,100	28,470,494	20,866,107	7,685,683	82,145,565
Replacement and Refurbishment	13,243,588	21,178,972	13,378,435	2,303,248	247,733	50,351,976
Operational Improvements	6,860,863	8,906,210	1,472,900	244,795	1,075,933	18,560,701
Total	$ 103,497,518	$ 128,293,030	$ 70,334,009	$38,310,473	$ 35,213,364	$375,648,394

Solids Handling

The solids handling capital project includes the design and construction of facilities for thickening, acid-phase anaerobic digestion, dewatering, drying and pelletization, energy generation, and use of pellets as a fertilizer or e-fuel. It also includes a solids receiving station to allow processing of dewatered sludge from the LAWRP for drying and pelletization. In addition, facilities for the receipt and transfer of fats, oil and grease to the digesters is being designed and will be constructed to increase methane and energy production capabilities. The solids handling capital project is anticipated to be completed in Fiscal Year 2018.

OCSD CORF

OCSD's Capital Outlay Revolving Fund ("CORF") funds OCSD projects such as plant upgrades for secondary treatment and the Groundwater Replenishment System. The District funds its share of the CORF based on the District's percentage share of OCSD's total wastewater flow. Wastewater flows from the District presently comprise approximately 2% – 3% of OCSD flows and are expected to comprise approximately 4% – 5% in future years. See the caption "THE SEWER SYSTEM—General—OCSD" above.

Water Supply Reliability

Water supply reliability projects include the acquisition and construction of water banking facilities in Kern County and the Baker WTP, expansion of Syphon Reservoir and other projects, including, but not limited to, booster pump stations and interagency pipeline construction. See the captions "WATER SUPPLY" and "THE WATER SYSTEM—General."

Development-Related Expansion

Development-related expansion improvements include construction of new water, recycled water and sewer improvements to serve new developments.

Replacement and Refurbishment

Replacement and refurbishment improvements consist of repairs and restoration to existing water, recycled water and sewer system facilities.

Operational Improvements

Operational improvements consist of optimizing District facilities and include improvements to the District's water and wastewater Operations Center, adding water quality mixing systems to existing reservoirs, expanding the reliability of the Supervisory Control and Data Acquisition system, and relocating District facilities as required by interagency projects.

WATER AND SEWER SYSTEM FINANCIAL INFORMATION

Financial Statements

A copy of the most recent financial statements of the District audited by Davis Farr LLP, Certified Public Accountants (the "Auditor"), are included as Appendix B (the "Financial Statements") and should be read in their entirety. The Auditor's letter concludes that the Financial Statements present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Auditor has not reviewed the contents of this Remarketing Statement, and the District has not sought the Auditor's consent to the inclusion of the Auditor's report in the Financial Statements in this Remarketing Statement.

Reduction in BAB Credits

On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, including reductions in Build America Bond ("BAB") interest subsidy payments ("BAB Credits"). The originally scheduled BAB Credit was reduced by 8.7% in federal fiscal year 2013 (which ended September 30, 2013) and by 7.2%, 7.3% and 6.8% in federal fiscal years 2014, 2015 and 2016. Under a federal budget bill enacted in December 2013, the reduction of BAB Credits will continue through federal fiscal year 2023.

The District's Series 2010B Bonds are BABs and the historic and projected operating results shown under the captions "—Historic Operating Results and Debt Service Coverage" and "—Projected Operating

Results and Debt Service Coverage" reflect the announced reduction in BAB Credits. While the District continues to monitor the effects of the reduction in BAB Credits on District finances, the District does not currently expect such reduction to have a material adverse effect on the ability of the District to make payments of principal of and interest on the Series 2010B Bonds or the Series 2011A-1 Bonds from Net Revenues.

Historic Operating Results and Debt Service Coverage

The following summary of operating results of the District for the last five Fiscal Years is derived from the Financial Statements and audited financial statements of the District for prior Fiscal Years and excludes certain non-cash items and includes certain other adjustments. Such summary operating results are qualified in their entirety by reference to such statements, including the notes thereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 31
IRVINE RANCH WATER DISTRICT
Historic Operating Results and Debt Service Coverage
Fiscal Years 2011 through 2015
(in Thousands)

	2011	*2012*	*2013*	*2014*	*2015*
REVENUES					
Water sales and service charges	$ 54,796	$ 57,558	$ 62,565	$ 66,321	$ 70,110
Recycled water sales and sewer service charges	45,375	49,234	53,085	58,109	62,808
Connection fees	10,572	9,030	17,314	22,429	29,183
Net real estate income	5,649	6,736	6,566	7,760	8,191
Interest income	2,599	1,738	1,549	1,671	1,515
Net earnings on JPA(1)	12,444(11)	11,927	20,294	12,356	-
Available 1% Property Tax Revenues(2)	22,396	25,858	25,719	26,432	29,770
Other(3)	7,987	6,141	8,323	10,974	7,899
Total Revenues	$ 161,818	$ 168,222	$ 195,415	$ 206,052	$ 209,476
OPERATION AND MAINTENANCE EXPENSES					
Water services	$ 42,383	$ 40,593	$ 48,911	$ 57,624	$ 57,978
Sewer services	30,787	26,817	36,688(14)	37,715	54,575(16)
Administrative and general	21,332	27,182(12)	22,667(14)	22,272	15,145(17)
Customer accounts(4)	3,737	3,737	3,753	0	0
Other	989	10,713(13)	6,110(15)	7,163	9,752
Total Operation & Maintenance Expenses	$ 99,228	$ 109,042	$ 118,129	$ 124,774	$ 137,450
NET REVENUES	$ 62,590	$ 59,180	$ 77,286	$ 81,278	$ 72,026
ASSESSMENT PROCEEDS(11)	$ 0	$ 5,816	$ 5,877	$ 8,509	$ 4,839
TOTAL NET REVENUES AND ASSESSMENT PROCEEDS	$ 62,590	$ 64,996	$ 83,163	$ 89,787	$ 76,865
PARITY OBLIGATION DEBT SERVICE					
Series 2011A-1/A-2 Bonds	$ 35	$ 2,284	$ 2,306	$ 2,360	$ 2,455
Series 2010B Bonds(5)	4,080	7,533	7,519	7,825	7,829
2010 Installment Sale Agreement(6)	7,680	7,977	8,300	8,665	9,098
1997 State Loan #3	226	226	226	227	227
Prior Reimbursement Agreements	0	0	0	0	0
Total Parity Obligation Debt Service	$ 12,021	$ 18,020	$ 18,351	$ 19,077	$ 19,609
PARITY OBLIGATION COVERAGE(7)	5.2x	3.6x	4.5x	4.7x	3.9x
Revenues Available For Subordinate Debt Service	$ 50,569	$ 46,976	$ 64,812	$ 70,710	$ 57,256
SUBORDINATE OBLIGATION DEBT SERVICE					
Swap Payments(8)	$ 7,734	$ 7,734	$ 7,452	$ 7,555	$ 7,734
State Loans and SCWD Debt(9)	308	308	308	308	308
Total Subordinate Obligation Debt Service	$ 8,042	$ 8,042	$ 7,760	$ 7,863	$ 8,042
Sources of Payment for *Ad Valorem* Assessment Bonds:					
Remaining Revenues	$ 42,527	$ 38,934	$ 57,052	$ 62,847	$ 49,214
1% Pledged Property Tax Revenues(10)	4,593	3,292	3,546	3,013	3,358
Ad valorem Assessments	11,875	6,060	5,940	4,797	4,463
Total Funds Available for *Ad Valorem* Assessment Bonds	$ 58,995	$ 48,286	$ 66,538	$ 70,657	$ 57,035
Ad Valorem Assessment Bond Debt Service	(16,899)	(16,899)	(17,129)	(10,501)	(12,840)
NET REVENUES AVAILABLE FOR OTHER PURPOSES	$ 42,096	$ 31,387	$ 49,409	$ 60,156	$ 44,195

(FOOTNOTES ON FOLLOWING PAGE)

(1) Reflects earnings from investment of proceeds of taxable bonds issued by Irvine Ranch Water District Joint Powers Agency in excess of payments of principal of and interest on such obligations. Such obligations matured in Fiscal Year 2014 and the Irvine Ranch Water District Joint Powers Agency was thereupon terminated in accordance with its joint powers agreement.

(2) Represents 1% Property Tax Revenues available to pay debt service on Parity Obligations after payment of debt service on bonds of the District secured by a pledge of the District's share of the Orange County 1% general *ad valorem* property tax pursuant to Resolution 2002-10, adopted by the Board of Directors of the District on April 8, 2002 (the "Secured Bonds") from 1% Property Tax Revenues and *ad valorem* assessments.

(3) Other Revenues includes golf course lease, cell site leases, conservation revenue, penalty revenue, grants and Allen-McColloch pipeline income.

(4) In Fiscal Year 2014, the District began recording Customer Accounts expenses in the Water Services and Sewer Services line items.

(5) Debt Service net of BAB Credit on Series 2010B Bonds. Reflects announced reductions in BAB Credits. See the caption "—Reduction in BAB Credits."

(6) Entered into in February 2010 in connection with the prepayment of the 2008 Certificates of Participation and the 1986 Certificates of Participation.

(7) Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.

(8) Net swap payments made.

(9) Santiago County Water District was consolidated into the District as of July 1, 2006.

(10) Represents District's share of 1% Property Tax Revenues which, together with the *ad valorem* assessments, is sufficient to pay debt service on the Secured Bonds. Decreases reflect scheduled mandatory sinking fund payments and redemption of approximately $3.1 million in Secured Bonds.

(11) Refunding of Irvine Ranch Water District Joint Powers Agency bonds described in Footnote 1 in Fiscal Year 2010 resulted in a savings of approximately $32.0 million, of which a portion was realized in each of Fiscal Years 2011, 2013 and 2014.

(12) Increase from Fiscal Year 2011 reflects expenses related to increased solids handling capacity at OCSD, which is expected to continue until December 2016, when the District expects to complete construction of its own facility to treat and dispose of solids. See the caption "THE SEWER SYSTEM—General."

(13) Increase from Fiscal Year 2011 reflects capital improvement project writeoffs in accordance with GASB Statement 51 (Accounting and Financial Reporting for Intangible Assets) in the total amount of approximately $10.3 million.

(14) Increase from Fiscal Year 2012 reflects recording of OCSD expenses, which were previously treated as an administrative and general line item, in the sewer services line item. See the caption "THE SEWER SYSTEM—General."

(15) Decrease from Fiscal Year 2012 reflects significant reduction in capital improvement project reclassifications and writeoffs. See Footnote 13.

(16) Increase from Fiscal Year 2014 reflects approximately $10 million in projects that were financed from capital funds but not capitalized for accounting purposes and approximately $7 million in OCSD-related expenses.

(17) Decrease from Fiscal Year 2014 reflects the effect of the new GASB 68 reporting standards. See the caption "THE IRVINE RANCH WATER DISTRICT—Pension Benefits."

Source: The District.

Projected Operating Results and Debt Service Coverage

The District's estimated projected operating results for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based on the District's assumptions, including the assumptions in the footnotes to the chart set forth below. Such assumptions are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 32
IRVINE RANCH WATER DISTRICT
Five-Year Debt Service Coverage Forecast
Fiscal Years 2016 through 2020
(in Thousands)

	2016	*2017*	*2018*	*2019*	*2020*
REVENUES					
Water sales and service charges[1]	$ 74,317	$ 78,776	$ 81,139	$ 83,573	$ 86,080
Recycled water sales and sewer service charges[2]	66,576	70,571	72,688	74,869	77,115
Connection fees[3]	22,000	20,000	20,000	19,500	18,500
Net real estate income[4]	8,609	8,770	8,935	9,103	9,274
Interest income[5]	1,788	3,782	5,054	7,189	6,333
Available 1% Property Tax Revenues[6]	31,555	32,885	34,069	35,273	36,505
Other[7]	5,915	5,974	6,034	6,094	6,155
Total Revenues	$ 210,760	$ 220,758	$ 227,919	$ 235,601	$ 239,962
OPERATION AND MAINTENANCE EXPENSES					
Water services[8]	$ 61,457	$ 65,144	$ 67,098	$ 69,111	$ 71,185
Sewer services[8]	57,850	61,320	63,160	65,055	67,007
Administrative and general[8]	16,054	17,017	17,527	18,053	18,595
Other[9]	5,761	5,876	5,994	6,114	6,236
Total Operation & Maintenance Expenses	$ 141,121	$ 149,358	$ 153,780	$ 158,333	$ 163,022
NET REVENUES	$ 69,639	$ 71,400	$ 74,139	$ 77,268	$ 76,940
ASSESSMENT PROCEEDS[10]	$ 3,865	$ 3,679	$ 3,895	$ 4,115	$ 4,340
TOTAL NET REVENUES AND ASSESSMENT PROCEEDS	$ 73,504	$ 75,079	$ 78,034	$ 81,383	$ 81,280
PARITY OBLIGATION DEBT SERVICE[11]					
Series 2011A-1/A-2 Bonds[12]	$ 3,292	$ 3,748	$ 4,219	$ 4,269	$ 4,152
Series 2010B Bonds[13]	7,808	7,808	7,808	7,808	7,808
2010 Installment Sale Agreement[14]	9,487	9,812	3,995	4,094	4,190
1997 State Loan #3[14]	227	227	227	227	227
Prior Reimbursement Agreements	0	0	0	0	0
Total Parity Obligation Debt Service	$ 20,814	$ 21,596	$ 16,250	$ 16,399	$ 16,377
PARITY OBLIGATION COVERAGE[15]	3.5x	3.5x	3.8x	5.0x	5.0x
Revenues Available For Subordinate Debt Service	$ 52,690	$ 53,484	$ 61,785	$ 64,985	$ 64,904
SUBORDINATE OBLIGATION DEBT SERVICE[11]					
Swap Payments[16]	$ 7,150	$ 6,435	$ 6,110	$ 5,395	$ 2,292
State Loans and SCWD Debt[14]	308	308	308	308	308
Total Subordinate Obligation Debt Service	$ 7,458	$ 6,743	$ 6,418	$ 5,703	$ 2,600
Sources of Payment for *Ad Valorem* Assessment Bonds:					
Remaining Revenues	$ 45,232	$ 46,741	$ 55,367	$ 59,282	$ 62,303
1% Pledged Property Tax Revenues[17]	2,545	2,215	2,131	2,027	1,895
Ad valorem Assessments[18]	5,635	6,321	6,605	6,885	7,160
Total Funds Available for *Ad Valorem* Assessment Bonds	$ 53,412	$ 55,277	$ 64,103	$ 68,193	$ 71,358
Ad Valorem Assessment Bond Debt Service[19]	(11,985)	(14,854)	(16,684)	(19,595)	(19,570)
NET REVENUES AVAILABLE FOR OTHER PURPOSES	$ 41,427	$ 40,422	$ 47,419	$ 48,599	$ 51,788

(FOOTNOTES ON FOLLOWING PAGE)

[(1)] Projected to increase approximately 6% from Fiscal Year 2015 amount in Fiscal Year 2016, 6% from Fiscal Year 2016 amount in Fiscal Year 2017 and 3% per annum thereafter. See the caption "THE WATER SYSTEM—Projected Water Sales and Service Charge Revenues."

[(2)] Projected to increase approximately 6% from Fiscal Year 2015 amount in Fiscal Year 2016, 6% from Fiscal Year 2016 amount in Fiscal Year 2017 and 3% per annum thereafter. See the caption "THE SEWER SYSTEM—Projected Recycled Water Sales and Sewer Service Charge Revenues."

[(3)] Based on District projections of development.

[(4)] Based on existing and expected leases. See the captions "THE IRVINE RANCH WATER DISTRICT—Current Investments" and "THE IRVINE RANCH WATER DISTRICT—Projected Net Real Estate Income."

[(5)] Assumes interest rates increasing from 0.75% in Fiscal Year 2015 to 2.00% in Fiscal Year 2020.

[(6)] Represents 1% Property Tax Revenues available to pay Debt Service on Parity Obligations after payment of debt service on Secured Bonds from 1% Property Tax Revenues and applicable *ad valorem* assessments. Projected fluctuation in 1% Property Tax Revenues is a result of uneven debt service on Secured Bonds. See the caption "THE IRVINE RANCH WATER DISTRICT—1% Property Tax Revenues."

[(7)] Includes, golf course lease, cell site leases, conservation revenue, penalty revenue, grants and Allen-McColloch pipeline income. Projected to increase 1% per annum from Fiscal Year 2014 amount.

[(8)] Projected to increase approximately 6% from Fiscal Year 2015 amount in Fiscal Year 2016, 6% from Fiscal Year 2016 amount in Fiscal Year 2017 and 3% per annum thereafter.

[(9)] Projected to increase 2% from Fiscal Year 2016 budgeted amount.

[(10)] Pro rata share of *ad valorem* assessments based on outstanding par amount of all *Ad Valorem* Assessment Bonds. Assessment Proceeds are only available to pay debt service on Series 2010B Bonds, Series 2011A-1 Bonds and Series 2011A-2 Bonds and are not available to pay other Parity Obligations which are not general obligation bonds secured by *ad valorem* assessments.

[(11)] Does not reflect the issuance of additional debt to finance future capital improvements. See the caption "FUTURE CAPITAL IMPROVEMENTS."

[(12)] Projected at SIFMA rates increasing from 0.45% in Fiscal Year 2016 to 1.75% in Fiscal Year 2020. Assumes that the purchase price of Series 2011A-1 Bonds and Series 2011A-2 Bonds is paid from remarketing proceeds.

[(13)] Debt Service net of BAB Credit on Series 2010B Bonds. Reflects announced reductions in BAB Credits. See the caption "—Reduction in BAB Credits."

[(14)] Reflects scheduled Debt Service, including scheduled reductions in principal payments on 2010 Installment Sale Agreement beginning in Fiscal Year 2018.

[(15)] Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.

[(16)] Net swap payments. Assumes 5-year average of LIBOR rate with respect to swaps of 1.33%, increasing from 0.45% in Fiscal Year 2016 to 2.15% in Fiscal Year 2020. See the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Subordinate Debt—Interest Rate Swap Transactions."

[(17)] Represents District's share of 1% Property Tax Revenues which, together with the applicable *ad valorem* assessments, is sufficient to pay debt service on the Secured Bonds.

[(18)] Pro rata share of *ad valorem* assessments based on outstanding par amount of all *ad valorem* assessment bonds and Series 2010B Bonds, Series 2011A-1 Bonds and Series 2011A-2 Bonds.

[(19)] *Ad Valorem* Assessment Bonds debt projection assumes annual sinking fund payments, SIFMA rates ranging from 0.45% in Fiscal Year 2016 to 1.75% in Fiscal Year 2020 and letter of credit fees equal to 0.36% of principal. Does not include Series 2010B Bonds, Series 2011A-1 Bonds or Series 2011A-2 Bonds, which are Parity Obligations. Assumes $225 million of new variable rate *ad valorem* assessment bonds issued in Fiscal Years 2017 and 2019.

Source: The District.

THE IMPROVEMENT DISTRICTS

General

The District contains seven water Improvement Districts and ten sewer Improvement Districts covering specific areas within the District's boundaries, some of them overlapping and each of which is governed by the Act. The District formed the Improvement Districts in order to allocate funding responsibility for capital facilities to the areas that will benefit from such capital facilities and to separate areas on the basis of projected timing of development so that capital facilities construction can be matched to the development approval decisions of the respective local agency that makes them. Some of the Improvement Districts share in the funding of the District's regional facilities which the Improvement Districts will use in common, such as major water importation facilities or sewer treatment plants.

Each Improvement District has a respective plan of works and a certain amount of authorized general obligation bonded indebtedness. See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness." The *Ad Valorem* Assessment Bonds issued pursuant to such authorization are sold in each instance by the District on the respective

Improvement District's behalf. The obligation to repay bonds issued on behalf of an Improvement District is secured in each instance by the power of the District to levy and collect within such Improvement District *ad valorem* assessments without limitation as to rate or amount on land only (enforceable by customary rights to foreclose and sell property for delinquent assessments) or, in lieu of assessments, in the District's discretion, charges for water or sewer service, as applicable, all within the subject Improvement District. These powers and functions are exercised for each Improvement District by the Board of Directors of the District. Although the respective funding obligations of each Improvement District are separate and independent, the Improvement Districts are not operated as separate or independent governmental entities, nor do they have governing boards or any staff. The Improvement Districts are geographical subdivisions of the District through which the District funds capital improvements.

As a result of the District's discretionary election to use other sources of payment for debt service on *ad valorem* assessment bonds, the annual tax rates set by the District vary from year to year and generally do not result in revenues that correspond with debt service requirements on the *Ad Valorem* Assessment Bonds. The annual tax rates set by the District may vary from year to year for other reasons as well. The District has covenanted under the Indenture that, to the extent necessary to pay debt service on the Series 2011A-1 Bonds, it will impose and collect Bond Assessments and Charges. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Covenant to Collect Bond Assessments and Charges" in the forepart of this Remarketing Statement.

The California Water Code allows the Board of Directors, in a noticed hearing process, to reorganize its improvement district boundaries and to consolidate coterminous improvement districts. As development progresses to completion in improvement districts and the need for having separate improvement districts to match capital facilities construction timing for different geographic areas diminishes, consolidation of various improvement districts can produce efficiencies for the District. Under the California Water Code provisions, certain improvement districts of the District are the consolidated successors to previously separate water improvement districts or previously separate sewer improvement districts, respectively. In 2013, following studies carried out by the District to identify further opportunities to implement such consolidations and reorganizations of its improvement districts, the District implemented improvement district consolidation that reduced the number of its improvement districts from 33 to 17. The statutory provisions for the consolidation of improvement districts specify that a consolidated improvement district may levy and collect the assessments and charges necessary to satisfy the obligations of its predecessor improvement districts, and that the authorized and unissued bonds of the predecessor improvement districts may be issued and sold as the bonds of the consolidated improvement district. The District believes that its actions to reorganize and/or consolidate improvement districts will not impair the District's obligation to pay debt service on the outstanding bonds of such improvement districts or the security therefor. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively.

The following is a general description of each of the Improvement Districts as to which the Series 2011A-1 Bonds constitute consolidated, several general obligations:

Improvement District Nos. 125 and 225

General. At the time of their initial issuance on April 15, 2011, the Series 2011A-1 Bonds constituted the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250. Improvement District Nos. 125 and 225 are the legal successors to Improvement District Nos. 105 and 250, respectively. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively.

Improvement District No. 125 (water) covers approximately 35,438 acres of the District, including several contiguous and non-contiguous areas in the central and coastal parts of the District. Improvement District No. 225 (sewer) covers approximately 32,862 acres of the District, including several contiguous and non-contiguous areas in the central part of the District. Currently, the majority of the land within Improvement District Nos. 125 and 225 consists of developed residential and commercial properties. The District expects certain areas within Improvement District Nos. 125 and 225 to be subject to infill development and redevelopment in the future. The District expects such additional development in Improvement District Nos. 125 and 225 to continue through at least 2020. The Fiscal Year 2016 assessed value of the land in Improvement District No. 125 is $32,752,414,757, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 105 before its consolidation into Improvement District No. 125 was $7,099,866,552. The Fiscal Year 2016 assessed value of the land in Improvement District No. 225 is $27,557,606,802, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 250 before its consolidation into Improvement District No. 225 was $6,776,400,622.

Set forth below is information with respect to Improvement District Nos. 125 and 225 for Fiscal Years 2014 through 2016 and their respective predecessor Improvement Districts for prior Fiscal Years.

The *ad valorem* assessments levied by the District in Improvement District Nos. 125 and 225 to pay such Improvement Districts' respective Included Amounts of debt service on the Series 2011A-1 Bonds will be levied on land only. See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness" for a description of the authorized, issued, authorized and unissued, and the amount of outstanding Improvement District Nos. 125 and 225 Ad Valorem Assessment Bonds.

The following table presents the assessed valuations of land in Improvement District No. 105 for the Fiscal Years ended June 30, 2012 and 2013 and the assessed valuations of land in Improvement District No. 125 for the Fiscal Years ended June 30, 2014 and 2015 and the Fiscal Year ending June 30, 2016. Assessed valuations of land in Improvement District No. 125 are not available for Fiscal Years prior to Fiscal Year 2014 because Improvement District No. 125 did not exist prior to November 11, 2013.

TABLE 33
IRVINE RANCH WATER DISTRICT
Improvement District No. 105/125
Assessed Valuations (Land Only)

Fiscal Year	***Local Secured***	***Unsecured***[(1)]	***Total***
2012[(2)]	$ 6,309,579,342	$ 6,491,171	$ 6,316,070,513
2013[(2)]	6,602,927,949	5,728,927	6,608,656,876
2014[(3)]	27,277,013,090	404,065[(4)]	27,277,417,155
2015[(3)]	29,578,234,550	404,065[(4)]	29,578,638,615
2016[(3)]	32,702,471,690	49,943,067	32,752,414,757

(1) Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.
(2) Reflects assessed valuations for Improvement District No. 105. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 105 into Improvement District No. 125.
(3) Reflects assessed valuations for Improvement District No. 125. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 105 into Improvement District No. 125.
(4) Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Years 2014 and 2015 have been omitted from the table.
Source: California Municipal Statistics, Inc.

The following table presents the assessed valuations of land in Improvement District No. 250 for the Fiscal Years ended June 30, 2012 and 2013 and the assessed valuations of land in Improvement District No. 225 for the Fiscal Years ended June 30, 2014 and 2015 and the Fiscal Year ending June 30, 2016. Assessed valuations of land in Improvement District No. 225 are not available for Fiscal Years prior to Fiscal Year 2014 because Improvement District No. 225 did not exist prior to November 11, 2013.

TABLE 34
IRVINE RANCH WATER DISTRICT
Improvement District No. 250/225
Assessed Valuations (Land Only)

Fiscal Year	*Local Secured*	*Unsecured*[1]	*Total*
2012[2]	$ 5,997,217,214	$ 6,210,415	$ 6,003,427,629
2013[2]	6,288,670,201	5,529,610	6,294,199,811
2014[3]	22,829,136,845	404,065[4]	22,829,540,910
2015[3]	24,757,084,884	404,065[4]	24,757,488,949
2016[3]	27,510,931,539	46,675,263	27,557,606,802

(1) Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.
(2) Reflects assessed valuations for Improvement District No. 250. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 250 into Improvement District No. 225.
(3) Reflects assessed valuations for Improvement District No. 225. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 250 into Improvement District No. 225.
(4) Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Years 2014 and 2015 have been omitted from the table.

Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 125 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2016:

TABLE 35
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Assessed Valuation and Parcels by Land Use

	Fiscal Year 2016 Assessed Valuation[(1)]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Rural/Undeveloped	$ 173,490,512	0.53%	187	0.18%
Commercial/Office	3,008,781,732	9.20	1,437	1.36
Industrial	1,605,919,061	4.91	1,129	1.07
Government/Social/Institutional	7,742,093	0.02	297	0.28
Miscellaneous	15,562,383	0.05	10	0.01
Subtotal Non-Residential	$ 4,811,495,781	14.71%	3,060	2.89%
Residential:				
Single Family Residence	$18,994,890,422	58.08%	35,870	33.88%
Condominium	8,294,685,868	25.36	28,869	27.27
2+ Residential Units/Apartments	521,541,832	1.59	225	0.21
Timeshare Interests	79,857,787	0.24	37,847	35.75
Subtotal Residential	$27,890,975,909	85.29%	102,811	97.11%
Total	$32,702,471,690	100.00%	105,871	100.00%

(1) Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (possessory interests in tax exempt utility property and gas and oil leases).
Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 225 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2016:

TABLE 36
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Assessed Valuation and Parcels by Land Use

	Fiscal Year 2016 Assessed Valuation[1]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Rural/Undeveloped	$ 152,285,830	0.55%	165	0.25%
Commercial/Office	2,938,679,309	10.68	1,389	2.08
Industrial	1,593,696,108	5.79	1,106	1.65
Government/Social/Institutional	7,397,890	0.03	284	0.42
Miscellaneous	15,319,968	0.06	10	0.01
Subtotal Non-Residential	$ 4,707,379,105	17.11%	2,954	4.41%
Residential:				
Single Family Residence	$ 14,390,372,044	52.31%	35,125	52.48%
Condominium	7,855,847,728	28.56	28,626	42.77
2+ Residential Units/Apartments	557,332,662	2.03	229	0.34
Subtotal Residential	$ 22,803,552,434	82.89%	63,980	95.59%
Total	$ 27,510,931,539	100.00%	66,934	100.00%

(1) Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (possessory interests in tax exempt utility property and gas and oil leases).
Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Principal Taxpayers. The following table lists the major taxpayers in Improvement District No. 125 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2016:

TABLE 37
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Largest Local Secured Taxpayers

	Property Owner	***Primary Land Use***	***Fiscal Year 2016 Assessed Valuation***	***% of Total***[(1)]
1.	The Irvine Company	Commercial	$ 966,865,770	2.96%
2.	Irvine Apartment Communities LP	Apartments	121,562,365	0.37
3.	Heritage Fields El Toro LLC	Commercial	105,243,885	0.32
4.	Olen Property Corp.	Industrial	66,289,205	0.20
5.	ABS CA-O DCI LLC	Commercial	57,398,636	0.18
6.	PPC Irvine Center Investment LLC	Commercial	33,579,157	0.10
7.	Kia Motors America Inc.	Commercial	33,514,293	0.10
8.	Avalon Baker Ranch LP	Undeveloped	32,589,871	0.10
9.	Oakley Inc.	Industrial	31,866,025	0.10
10.	52 Discovery LLC	Commercial	30,599,400	0.09
	TOTAL		$ 1,479,508,607	4.52%

(1) Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): $32,702,471,690.
Source: California Municipal Statistics, Inc.

The following table lists the major taxpayers in Improvement District No. 225 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2016:

TABLE 38
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Largest Local Secured Taxpayers

	Property Owner	***Primary Land Use***	***Fiscal Year 2016 Assessed Valuation***	***% of Total***[(1)]
1.	The Irvine Company	Commercial	$ 918,972,451	3.34%
2.	Irvine Apartment Communities LP	Apartments	129,502,530	0.47
3.	Heritage Fields El Toro LLC	Commercial	105,243,885	0.38
4.	Olen Property Corp.	Industrial	66,289,205	0.24
5.	ABS CA-O DCI LLC	Commercial	52,579,741	0.19
6.	PPC Irvine Center Investment LLC	Commercial	33,579,157	0.12
7.	Kia Motors America Inc.	Commercial	33,514,293	0.12
8.	Avalon Baker Ranch LP	Undeveloped	32,589,871	0.12
9.	Oakley Inc.	Industrial	31,866,025	0.12
10.	52 Discovery LLC	Commercial	30,599,400	0.01
	TOTAL		$ 1,434,736,558	5.11%

(1) Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): $27,510,931,539.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt. Set forth in the table below is a direct and overlapping debt report (the "Debt Reports–I.D. 125/225") for Improvement District Nos. 125 and 225, respectively, prepared by California Municipal Statistics, Inc. and effective December 31, 2015. The Debt Reports–I.D.

125/225 were prepared by California Municipal Statistics, Inc., and the District expresses no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Reports–I.D. 125/225 generally include long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement District No. 125 and No. 225 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or Improvement District No. 125 and No. 225 (except as indicated) nor are they necessarily obligations secured by land within Improvement District No. 125 and No. 225. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 39
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Direct and Overlapping Debt Statement

Fiscal Year 2016 Land Only Assessed Valuation: $32,752,414,757

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 12/31/15
Metropolitan Water District	2.549%	$ 2,814,145
Coast Community College District	5.088	25,382,262
Rancho Santiago Community College District	0.976	2,616,196
Laguna Beach Unified School District	14.910	3,890,019
Newport Mesa Unified School District	14.210	31,952,485
Saddleback Valley Unified School District	33.855	39,701,759
Tustin Unified School District School Facilities Improvement District No. 2002-1	4.087	2,002,590
Tustin Unified School District School Facilities Improvement District No. 2008-1	4.221	2,930,851
Tustin Unified School District School Facilities Improvement District No. 2012-1	33.194	9,901,770
Irvine Ranch Water District Improvement District No. 125	**100.000**	**184,154,205**[2]
Irvine Ranch Water District Improvement District No. 225	95.804	222,003,002
Irvine Ranch Water District Improvement District No. 240	99.995	22,615,929
Community Facilities Districts	0.737-100.000	842,015,915
County 1915 Act Bonds	100.000	68,430,000
City 1915 Act Bonds	Various	636,522,829
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$2,096,933,957

OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	12.518%	$ 9,653,381
Orange County Pension Obligations	12.518	31,766,660
Orange County Board of Education Certificates of Participation	12.518	1,901,484
Orange Unified School District Certificates of Participation and Benefit Obligations	2.039	2,328,352
City of Lake Forest Certificates of Participation	83.336	7,112,728
City of Newport Beach Certificates of Participation	23.199	26,366,823
Municipal Water District of Orange County Water Facilities Corporation	14.826	410,680
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$ 79,540,108
Less: MWDOC Water Facilities Corporation (100% supported)		410,680
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$ 79,129,428
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)		$ 6,138,884
GROSS COMBINED TOTAL DEBT		$2,182,612,949[3]
NET COMBINED TOTAL DEBT		$2,182,202,269

Ratios to Fiscal Year 2016 Land Only Assessed Valuation:
Direct Debt ($184,154,205) 0.56%
Total Direct and Overlapping Tax and Assessment Debt........6.40%

Ratios to Adjusted All Property Assessed Valuation:
Gross Combined Total Debt..3.49%
Net Combined Total Debt 3.49%

Ratios to Redevelopment Incremental Valuation $(357,495,447):
Total Overlapping Tax Increment Debt..................................1.72%

(1) Based on all property assessed valuation of $62,465,858,066.
(2) Improvement District No. 125 was formed by consolidating former Improvement District Nos. 105, 106, 102, 121, 130, 135, 140, 161, 182, 184 and 186.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TABLE 40
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Direct and Overlapping Debt Statement

Fiscal Year 2016 Land Only Assessed Valuation: $27,557,606,802

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 12/31/15
Metropolitan Water District	2.207%	$ 2,436,637
Coast Community College District	0.311	1,552,842
Rancho Santiago Community College District	0.020	53,611
Newport Mesa Unified School District	3.200	7,195,493
Saddleback Valley Unified School District	33.167	38,894,941
Tustin Unified School District School Facilities Improvement District No. 2002-1	5.813	2,848,313
Tustin Unified School District School Facilities Improvement District No. 2008-1	6.004	4,168,877
Tustin Unified School District School Facilities Improvement District No. 2012-1	34.386	10,257,344
Irvine Ranch Water District Improvement District No. 125	82.952	152,759,596
Irvine Ranch Water District Improvement District No. 225	**100.000**	**231,726,235**[2]
Community Facilities Districts	0.737-100.000	821,808,340
County 1915 Act Bonds	2.729	131,947
City 1915 Act Bonds	Various	629,615,293
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,903,449,469
OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	10.838%	$ 8,357,832
Orange County Pension Obligations	10.838	27,503,360
Orange County Board of Education Certificates of Participation	10.838	1,646,292
Orange Unified School District Certificates of Participation and Benefit Obligations	0.041	46,819
City of Lake Forest Certificates of Participation	81.455	6,952,184
City of Newport Beach Certificates of Participation	3.986	4,530,288
Municipal Water District of Orange County Water Facilities Corporation	12.938	358,383
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$ 49,395,158
Less: MWDOC Water Facilities Corporation (100% supported)		358,383
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$ 49,036,775
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)		$ 6,138,884
GROSS COMBINED TOTAL DEBT		$1,958,983,511[3]
NET COMBINED TOTAL DEBT		$1,958,625,128

Ratios to Fiscal Year 2016 Land Only Assessed Valuation:
Direct Debt ($231,726,235) 0.84%
Total Direct and Overlapping Tax and Assessment Debt........6.91%

Ratios to Adjusted All Property Assessed Valuation:
Gross Combined Total Debt...3.62%
Net Combined Total Debt 3.62%

Ratios to Redevelopment Incremental Valuation $(357,495,447):
Total Overlapping Tax Increment Debt..................................1.72%

(1) Based on all property assessed valuation of $54,086,274,785.
(2) Improvement District No. 225 was formed by consolidating former Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Improvement District Nos. 113 and 213

General. Improvement District No. 113 (water) and Improvement District No. 213 (sewer) are coterminous and are located in portions of the Cities of Tustin and Irvine, California. Improvement District No. 113 and Improvement District No. 213 are comprised of approximately 1,629 acres of the land formerly known as Marine Corps Air Station Tustin. The boundaries of Improvement District No. 113 and Improvement District No. 213 are Harvard Avenue on the southeast, Barranca Parkway on the southwest, Red Hill Avenue on the northwest and Edinger Avenue on the northeast. The former helicopter base, now known as Tustin Legacy, is currently being redeveloped with residential, commercial, institutional and recreational uses. The District expects development in Improvement District No. 113 and Improvement District No. 213 to continue through at least approximately 2020. [UPDATES?] [The District expects that future development will consist of approximately 4,800 dwelling units and approximately 12,100,000 square feet of commercial, institutional and recreational uses.]

Set forth below is information with respect to Improvement District No. 113 and Improvement District No. 213.

The *ad valorem* assessments levied by the District in Improvement District Nos. 113 and 213 to pay such Improvement Districts' respective Included Amounts of debt service on the Series 2011A-1 Bonds will be levied on land only. See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness" for a description of the authorized, issued, authorized and unissued, and the amount of outstanding Improvement District Nos. 113 and 213 Ad Valorem Assessment Bonds.

The following table presents the assessed valuations of land in Improvement District No. 113 and Improvement District No. 213 for the Fiscal Years ended June 30, 2012 through June 30, 2016.

TABLE 41
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Assessed Valuations (Land Only)

Fiscal Year	***Local Secured***	***Unsecured***[(1)]	***Total***
2012	$552,924,477	$533,680	$553,458,157
2013	535,648,801	720,289	536,369,090
2014	561,601,211	637,882	562,239,093
2015	673,958,777	637,562	674,596,339
2016	826,913,605	610,480	827,524,085

(1) Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.
Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 113 and Improvement District No. 213 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2016:

TABLE 42
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Assessed Valuation and Parcels by Land Use

	Fiscal Year 2016 Assessed Valuation[1]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Commercial	$ 103,451,311	12.51%	19	0.59%
Government/Social/Institutional	0	0.00	166	5.18
Subtotal Non-Residential	$ 103,451,311	12.51%	185	5.77%
Residential:				
Single Family Residence	$ 355,937,927	43.04%	1,283	40.04%
Condominium/Townhouse	313,782,563	37.95	1,357	42.35
Apartments	16,095,478	1.95	3	0.09
Vacant Residential	37,646,326	4.55	376	11.74
Subtotal Residential	$ 723,462,294	87.49%	3,019	94.22%
Total	$ 826,913,605	100.00%	3,204	100.00%

[1] Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (possessory interests in tax exempt utility property and gas and oil leases).
Source: California Municipal Statistics, Inc.

The following table lists the major taxpayers in Improvement District No. 113 and Improvement District No. 213 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2016:

TABLE 43
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Largest Local Secured Taxpayers

	Property Owner	*Primary Land Use*	*Fiscal Year 2016 Assessed Valuation*	*% of Total*[1]
1.	Vestar/Kimco Tustin LP	Commercial	$ 77,474,447	9.37%
2.	Standard Pacific Corp.	Residential Development	57,118,625	6.91
3.	Legacy Villas LLC	Apartments	16,095,478	1.95
4.	Costco Wholesale Corporation	Commercial	14,806,548	1.79
5.	Lowes HIW Inc.	Commercial	10,984,016	1.33
6.	Liang Inc.	Residential	995,412	0.12
7.	Sanh Hoa Truong	Residential	784,198	0.09
8.	Robert Choy, Trust	Residential	738,000	0.09
9.	Xuefeng Huang	Residential	733,477	0.09
10.	Kevin Kenny	Residential	725,000	0.09
	TOTAL		$ 180,455,201	21.83%

[1] Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): $826,913,605.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt. Set forth in the table below is a direct and overlapping debt report (the "Debt Report–I.D. 113/213") for Improvement District No. 113 and Improvement District No. 213 prepared by California Municipal Statistics, Inc. and effective December 31, 2015. The Debt Report–I.D. 113/213 was prepared by California Municipal Statistics, Inc., and the District expresses no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–I.D. 113/213 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement District No. 113 and Improvement District No. 213 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or Improvement District No. 113 and Improvement District No. 213 (except as indicated) nor are they necessarily obligations secured by land within Improvement District No. 113 and Improvement District No. 213. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 44
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Direct and Overlapping Debt Statement

Fiscal Year 2016 Land Only Assessed Valuation: $827,524,085

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 12/31/15
Metropolitan Water District	0.072%	$ 79,728
Rancho Santiago Community College District	0.099	265,372
Rancho Santiago Community College District School Facilities Improvement District No. 1	0.192	123,341
Santa Ana Unified School District	0.236	646,644
Tustin Unified School District School Facilities Improvement District No. 2002-1	5.546	2,717,486
Tustin Unified School District School Facilities Improvement District No. 2008-1	2.521	1,750,456
Tustin Unified School District School Facilities Improvement District No. 2012-1	1.685	502,636
Tustin Unified School District Community Facilities District No. 06-1	100.000	13,395,000
City of Irvine Community Facilities District No. 2005-2	99.263	16,001,196
Irvine Ranch Water District Improvement District No. 113	**100.000**	**13,637,500**
Irvine Ranch Water District Improvement District No. 213	**100.000**	**20,839,000**
City of Tustin Community Facilities District Nos. 04-1, 06-1 and 07-1	60.350-100.000	71,477,783
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$141,436,142
OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	0.355%	$ 273,762
Orange County Pension Obligation Bonds	0.355	900,876
Orange County Board of Education Certificates of Participation	0.355	53,925
Santa Ana Unified School District Certificates of Participation	0.236	170,881
Municipal Water District of Orange County Water Facilities Corporation	0.423	11,717
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$ 1,411,161
Less: MWDOC Water Facilities Corporation (100% supported)		11,717
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$ 1,399,444
OVERLAPPING TAX INCREMENT DEBT		
Tustin Redevelopment Agency Housing Bonds	49.971%	$10,606,345
Tustin Redevelopment Agency Marine Corps Air Station Project	89.866	36,090,186
TOTAL OVERLAPPING TAX INCREMENT DEBT		$46,696,531
GROSS COMBINED TOTAL DEBT		$189,543,834[2]
NET COMBINED TOTAL DEBT		$189,532,117

Ratios to Fiscal Year 2016 Land Only Assessed Valuation:
Direct Debt ($34,476,500)..4.17%
Total Direct and Overlapping Tax and Assessment Debt........17.09%

Ratios to Adjusted All Property Assessed Valuation:
Gross Combined Total Debt 10.71%
Net Combined Total Debt..10.71%

Ratios to Redevelopment Incremental Valuation ($558,329,713):
Overlapping Tax Increment Debt 8.36%

(1) Based on all property assessed valuation of $1,769,721,506.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Proposition 218

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

Article XIIID. Article XIIID defines the terms "fee" and "charge" to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it.

In July 2006, the California Supreme Court held, in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) ("*Bighorn*"), that the initiative power described in Article XIIIC applies to any local taxes, assessments, fees and charges as defined in Articles XIIIC and XIIID. Article XIIID defines "fee" or "charge" to mean a levy (other than *ad valorem* or special taxes or assessments) imposed by a local government "upon a parcel or upon a person as an incident of property ownership," including a user fee for a "property related service." The Court also found that charges for water delivery are charges for a property-related service and, therefore, constitute "fees" or "charges" within the meaning of both Article XIIID and section 3 of Article XIIIC. In accordance with Article XIIID and the decision in *Bighorn*, the District has conducted notice and hearing proceedings to comply with requirements of Article XIIID with respect to proposed increases of rates and charges since Fiscal Year 2007. See the captions "THE WATER SYSTEM—Water System Rates and Charges" and "THE SEWER SYSTEM—Sewer System Rates and Charges."

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) ("*SJC*") upholding tiered water rates under Proposition 218 provided that the rates correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District's tiered water rates are described under the caption "THE WATER SYSTEM—Water System Rates and Charges." The District does not currently expect the *SJC* ruling to affect its water rate structure or have a material adverse effect on its financial condition.

Article XIIIC. Article XIIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIIC does not define the terms "local tax," "assessment," "fee" or "charge." In light of *Bighorn* and as discussed above under the caption "—Article XIIID," the terms "fee" and "charge" as used in Article XIIIC include, at a minimum, all of the fees and charges within the "property related" qualification set forth in Article XIIID. Moreover, the provisions of Article XIIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. Therefore, in the absence of other limitations, provisions of Article XIIIC could be applicable to the water and sewer rates charged by the District. The District and its general counsel do not believe that Article XIIIC grants to the voters within the District the power to repeal or reduce rates and charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Series 2011A-1 Bonds. Remedies available to beneficial owners of the Series 2011A-1 Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 has affected its ability to levy rates and charges for water, recycled water or sewer service.

Article XIIIA

General. On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the California Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIIIA approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by the voters voting on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by each California county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon the location of reappraised property and the value of property within each taxing agency. Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIIIB

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations" was approved on November 6, 1979 thereby adding Article XIIIB to the California Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District is of the opinion that its rates and charges for water, sewer and recycled water services do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIIIB, and that tax revenues and other revenues received by the District which may constitute the "proceeds of taxes" are appropriated for debt service or qualified capital outlay projects and are not subject to the limits of Article XIIIB.

Proposition 1A

Proposition 1A, which was approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in fiscal years 2004-05 and 2005-06. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two thirds of both houses and certain other conditions are met. See the caption "THE IRVINE RANCH WATER DISTRICT—1% Property Tax Revenues" above.

Future Initiatives

Article XIIIA, Article XIIIB, Proposition 218, Proposition 1A and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting ability of the District to collect or expend Revenues.

Stradling Yocca Carlson & Rauth
Draft of 1/28/16

REOFFERING – NOT A NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: See the caption "RATINGS"**

On April 15, 2011, Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District, delivered their respective opinions in connection with the issuance of the Series 2011A-2 Bonds. Such opinions stated that, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A-2 Bonds was excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and was exempt from State of California personal income taxes. Further, the opinions of Co-Bond Counsel stated that interest on the Series 2011A-2 Bonds was not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observed that such interest was included in adjusted current earnings when calculating corporate alternative minimum taxable income. Co-Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A-2 Bonds. Co-Bond Counsel have not taken and do not intend to take any action to update such opinions or to determine if interest on the Series 2011A-2 Bonds is presently excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes. See the caption "TAX MATTERS" herein.

[IRWD LOGO]

$35,400,000
BONDS OF IRVINE RANCH WATER DISTRICT
REFUNDING SERIES 2011A-2
CUSIP[†]: 4636324R7

Date of Initial Delivery: April 15, 2011 **Scheduled Mandatory Tender Date: March 17, 2017** **Due: October 1, 2037**
Price: 100% **Call Protection Date: September 17, 2016**

This Remarketing Statement replaces the Remarketing Statement dated February 11, 2015, as supplemented on February 18, 2015, in its entirety.

Pursuant to the provisions of the Indenture of Trust, dated as of April 1, 2011, by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Series 2011A-2 Bonds, as amended, the District has exercised its option to effect an Unscheduled Mandatory Tender of the Series 2011A-2 Bonds on February 19, 2016.

Upon the purchase of the Series 2011A-2 Bonds pursuant to such Unscheduled Mandatory Tender, the Series 2011A-2 Bonds: (i) will be remarketed in the Index Mode for a Tender Period commencing on February 19, 2016 with the Scheduled Mandatory Tender Date on March 17, 2017; and (ii) will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period). Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 19, 2016, the District will publish it by supplementing this Remarketing Statement and posting the supplement on the EMMA system.

The Purchase Price of the tendered Series 2011A-2 Bonds will be paid on February 19, 2016 from moneys held by the Trustee, consisting of immediately available funds on deposit in the Remarketing Proceeds Account, as more fully described herein.

The Series 2011A-2 Bonds were issued by the Irvine Ranch Water District and constitute the consolidated, several general obligations of Improvement District Nos. 113, 125, 213 and 225, which are geographical subdivisions of the District through which the District funds capital improvements. The Series 2011A-2 Bonds are payable from the following sources: (i) Assessment Proceeds of each Improvement District, consisting of *ad valorem* assessments on taxable land, In Lieu Charges and proceeds from the sale of property for the enforcement of delinquent assessments collected from within each Improvement District and applied by the District to pay such Improvement District's Included Amount of the principal, Purchase Price and Redemption Price of, and interest on, all Outstanding Series 2011A-2 Bonds; (ii) Net Revenues of the District, consisting of water, sewer and reclaimed water rates and charges imposed by the District remaining after payment of Operation and Maintenance Expenses; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture. See the caption "SECURITY FOR THE SERIES 2011A-2 BONDS—Pledge of Assessment Proceeds and Revenues." The obligation of the District to pay the principal, Purchase Price upon the Scheduled Mandatory Tender and Redemption Price of, and interest on, the Series 2011A-2 Bonds from Net Revenues is payable on a parity with certain Parity Obligations described under the caption "SECURITY FOR THE SERIES 2011A-2 BONDS—Limitations on Parity and Superior Obligations—Obligations on a Parity with the Series 2011A-2 Bonds."

See the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" and Appendix A under the caption "THE IMPROVEMENT DISTRICTS—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250, the Assessment Proceeds of which were pledged to payment of the Series 2011A-2 Bonds at the time of their initial issuance, into Improvement District Nos. 125 and 225, respectively.

The Series 2011A-2 Bonds were issued pursuant to the Indenture for the purposes of: (i) providing a portion of the funds to refund the then-outstanding Bonds of Irvine Ranch Water District, Consolidated Refunding Series 2008B; and (ii) paying costs of issuance with respect to the Series 2011A-2 Bonds.

The Series 2011A-2 Bonds were issued in fully registered form and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the Series 2011A-2 Bonds will not receive physical certificates representing their beneficial ownership in the Series 2011A-2 Bonds purchased. The principal, Purchase Price and Redemption Price of, and interest on, the Series 2011A-2 Bonds are payable by the Trustee to Cede & Co. and such principal, Purchase Price, Redemption Price and interest payments are to be disbursed to the beneficial owners of the Series 2011A-2 Bonds through their nominees.

While the Series 2011A-2 Bonds are in the Index Mode, interest on the Series 2011A-2 Bonds will be payable on the first Business Day of each month. The Series 2011A-2 Bonds will be subject to a Scheduled Mandatory Tender on March 17, 2017. The failure of the District to pay the Purchase Price of the Series 2011A-2 Bonds upon any Scheduled Mandatory Tender would constitute an Event of Default under the Indenture. See the caption

---

[†] *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Remarketing Agent takes any responsibility for the accuracy of such numbers.*

"THE SERIES 2011A-2 BONDS—Mandatory Tender for Purchase—Scheduled Mandatory Tender for Purchase." The Series 2011A-2 Bonds are also subject to mandatory tender on an Unscheduled Mandatory Tender Date at the option of the District as described herein. The failure of the District to pay the Purchase Price of the Series 2011A-2 Bonds upon such Unscheduled Mandatory Tender would not constitute an Event of Default under the Indenture. See the caption "THE SERIES 2011A-2 BONDS—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase." While in the Index Mode, individual purchases of Series 2011A-2 Bonds will be made in principal amounts of $100,000 and integral multiples of $5,000 in excess thereof.

This Remarketing Statement describes the Series 2011A-2 Bonds while in the Index Mode and for the Tender Period commencing on February 19, 2016 and ending on the Scheduled Mandatory Tender Date set forth above. There are significant differences in the terms of the Series 2011A-2 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-2 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other Tender Period.

Concurrently with the reoffering of the Series 2011A-2 Bonds, the District anticipates reoffering its Series 2011A-1 Bonds. Owners or prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-1 Bonds but should look instead to the most current Remarketing Statement prepared by the District for the Series 2011A-1 Bonds.

The Series 2011A-2 Bonds are subject to optional and mandatory redemption prior to maturity as more fully described under the caption "THE SERIES 2011A-2 BONDS—Redemption of Series 2011A-2 Bonds."

THE SERIES 2011A-2 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2011A-2 Bonds. Investors are advised to read the entire Remarketing Statement to obtain information essential to the making of an informed investment decision. Capitalized terms have the meanings given such terms in this Remarketing Statement.

Certain legal matters in connection with the reoffering of the Series 2011A-2 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District, and for the Remarketing Agent by Stradling Yocca Carlson & Rauth, a Professional Corporation. The Series 2011A-2 Bonds are available through the facilities of The Depository Trust Company. Morgan Stanley & Co. LLC is serving as Remarketing Agent and will remarket the Series 2011A-2 Bonds on February 19, 2016 following their mandatory tender.

Morgan Stanley
Series 2011A-2 Bonds Remarketing Agent

Dated: February __, 2016

No dealer, broker, salesperson or other person has been authorized by the District or the Remarketing Agent to give any information or to make any representation other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Remarketing Agent. This Remarketing Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2011A-2 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Remarketing Statement is not to be construed as a contract with the purchasers of the Series 2011A-2 Bonds. Statements contained in this Remarketing Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Statement:

> The Remarketing Agent has reviewed the information in this Remarketing Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

The information set forth in this Remarketing Statement has been obtained from official sources and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Remarketing Agent. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Remarketing Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011A-2 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CERTAIN STATEMENTS CONTAINED IN THIS REMARKETING STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS REMARKETING STATEMENT. THE PROJECTIONS CONTAINED IN THIS REMARKETING STATEMENT WILL NOT BE UPDATED AS PART OF THE DISTRICT'S CONTINUING DISCLOSURE OBLIGATIONS FOR THE SERIES 2011A-2 BONDS.

THE SERIES 2011A-2 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES 2011A-2 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not part of this Remarketing Statement and should not be relied upon in making an investment decision with respect to the Series 2011A-2 Bonds.

IRVINE RANCH WATER DISTRICT
Orange County, California

Board of Directors

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

Management

Paul A. Cook, *General Manager*
Cheryl Clary, *Executive Director of Finance and Administration*
Robert Jacobson, *Treasurer*
Leslie Bonkowski, *Secretary*

District General Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Co-Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

[REGIONAL MAP]

[MAP OF WATER IMPROVEMENT DISTRICTS]

[MAP OF SEWER IMPROVEMENT DISTRICTS]

TABLE OF CONTENTS

Page

REMARKETING STATEMENT

$35,400,000
BONDS OF IRVINE RANCH WATER DISTRICT
REFUNDING SERIES 2011A-2

INTRODUCTION

This Remarketing Statement replaces the Remarketing Statement dated February 11, 2015, as supplemented on February 18, 2015, in its entirety.

Pursuant to the provisions of the Indenture of Trust, dated as of April 1, 2011 (the "Original Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as amended by the First Supplemental Indenture of Trust, dated as of February 1, 2014 (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture"), by and between the District and the Trustee, relating to the Bonds of Irvine Ranch Water District Refunding Series 2011A-2 (the "Series 2011A-2 Bonds"), the Irvine Ranch Water District (the "District") has exercised its option to effect an Unscheduled Mandatory Tender of the Series 2011A-2 Bonds on February 19, 2016.

Upon the purchase of the Series 2011A-2 Bonds pursuant to such Unscheduled Mandatory Tender, the Series 2011A-2 Bonds: (i) will be remarketed in the Index Mode for a Tender Period commencing on February 19, 2016 with the Scheduled Mandatory Tender Date of March 17, 2017; and (ii) will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period), all as more fully described herein.

Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 19, 2016, the District will publish it by supplementing this Remarketing Statement and posting the supplement with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System ("EMMA").

The Purchase Price of the tendered Series 2011A-2 Bonds will be paid on February 19, 2016 from moneys held by the Trustee, consisting of immediately available funds on deposit in the Remarketing Proceeds Account, as more fully described herein.

This Introduction is subject in all respects to the more complete information contained and referenced elsewhere in this Remarketing Statement. The remarketing of the Series 2011A-2 Bonds to potential investors is made only by means of the entire Remarketing Statement.

Purpose

The purpose of this Remarketing Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the District and Improvement District Nos. 113, 125, 213 and 225 (collectively, the "Improvement Districts" or individually, an "Improvement District") which are geographical subdivisions of the District through which the District funds capital improvements, in connection with the remarketing of $35,400,000 aggregate principal amount of the Series 2011A-2 Bonds, which Series 2011A-2 Bonds constitute the consolidated several general obligations of Improvement District Nos. 113, 125, 213 and 225. In addition, the District has pledged Revenues to the repayment of the Series 2011A-2 Bonds. See the caption "SECURITY FOR THE SERIES 2011A-2 BONDS—Pledge of Assessment Proceeds and Revenues."

The Series 2011A-2 Bonds were issued pursuant to the Indenture for the purposes of: (i) providing a portion of the funds to refund the then-outstanding Bonds of Irvine Ranch Water District, Consolidated

Refunding Series 2008B; and (ii) paying costs of issuance with respect to the Series 2011A-2 Bonds. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

This Remarketing Statement describes the Series 2011A-2 Bonds only while in the Index Mode and for the Tender Period commencing February 19, 2016. There are significant differences in the terms of the Series 2011A-2 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-2 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other Tender Period.

Concurrently with the reoffering of the Series 2011A-2 Bonds, the District anticipates reoffering its Bonds of Irvine Ranch Water District Refunding Series 2011A-1 (the "Series 2011A-1 Bonds"). Owners or prospective owners of the Series 2011A-1 Bonds should not rely on this Remarketing Statement for information relating to the Series 2011A-1 Bonds but should look instead to the most current Remarketing Statement prepared by the District for the Series 2011A-1 Bonds.

Although the District has the right under the Indenture to enter into a Liquidity Facility in connection with the Series 2011A-2 Bonds, the District has not elected to enter into a Liquidity Facility in connection with the remarketing of the Series 2011A-2 Bonds for the Tender Period commencing February 19, 2016. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-2 Bonds supported by a Liquidity Facility. Owners and prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information in connection with the Series 2011A-2 Bonds supported by a Liquidity Facility, but should look solely to the offering document to be used in connection with any future entry of the District into a Liquidity Facility with respect to the Series 2011A-2 Bonds.

The District

The District is a California water district, formed in 1961 under the authority of the California Water District Law, constituting Division 13 of the California Water Code (the "Act"). Currently there are seven water improvement districts and ten sewer improvement districts formed pursuant to the Act, which are geographical subdivisions of the District through which the District funds capital improvements. See Appendix A—"IRVINE RANCH WATER DISTRICT."

The Series 2011A-2 Bonds

The Series 2011A-2 Bonds are being remarketed in an Index Mode for a Tender Period commencing on February 19, 2016 with the Scheduled Mandatory Tender Date of March 17, 2017 and will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period, all as more fully described under the caption "THE SERIES 2011A-2 BONDS"). While in the Index Mode, interest on the 2011A-2 Bonds will be payable on the first Business Day of each month. The Series 2011A-2 Bonds will be subject to a Scheduled Mandatory Tender on March 17, 2017. The failure of the District to pay the Purchase Price of a Series 2011A-2 Bond upon any Scheduled Mandatory Tender would constitute an Event of Default under the Indenture. See the caption "THE SERIES 2011A-2 BONDS—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure." The Series 2011A-2 Bonds are also subject to mandatory tender on an Unscheduled Mandatory Tender Date established at the option of the District as described herein. See the caption "THE SERIES 2011A-2 BONDS—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase."

While in the Index Mode, individual purchases of Series 2011A-2 Bonds will be made in principal amounts of $100,000 and integral multiples of $5,000 in excess thereof.

Improvement Districts

Set forth below are brief descriptions of the Improvement Districts for which the Series 2011A-2 Bonds constitute the consolidated, several general obligations. For more complete information with respect to the Improvement Districts, see Appendix A—"IRVINE RANCH WATER DISTRICT" under the caption "THE IMPROVEMENT DISTRICTS."

Improvement District Nos. 125 and 225. At the time of their initial issuance on April 15, 2011, the Series 2011A-2 Bonds constituted the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250. Pursuant to the Indenture, the District covenanted to fix and collect *ad valorem* assessments on taxable land within such improvement districts in amounts sufficient to pay principal of and interest on the Series 2011A-2 Bonds. See the caption "—Security for the Series 2011A-2 Bonds—Assessment Proceeds."

Beginning in 2011, the District undertook a long-term review of its capital funding plan. As a result of such review, the Board of Directors of the District determined that it was in the District's best interest to consolidate certain improvement districts to support differing capital infrastructure needs within developed and undeveloped areas of the District. Accordingly, by resolutions adopted on October 14, 2013, October 28, 2013 and November 11, 2013, the Board of Directors of the District undertook the following actions:

- Certain lands were annexed into Improvement District Nos. 105 and 250 in accordance with Section 36428 *et seq*. of the Act. The annexed lands were declared to be liable for debt service on the outstanding bonds of Improvement District Nos. 105 and 250, including each such Improvement District's Included Amount (as such term is defined under the caption "—Security for the Series 2011A-2 Bonds—General") of the Series 2011A-2 Bonds.

- Certain lands generally constituting large permanent open space parcels were detached from Improvement District Nos. 105 and 250 in accordance with Section 36442 *et seq*. of the Act. The detached lands were declared to be relieved of liability for debt service on the outstanding bonds of Improvement District Nos. 105 and 250, including each such Improvement District's Included Amount of the Series 2011A-2 Bonds to the extent permitted by law.

- Improvement District No. 105 and ten other water improvement districts were consolidated into a new improvement district, Improvement District No. 125, in accordance with Section 36454 *et seq*. of the Act. Pursuant to Section 36454.1 of the Act, Improvement District No. 105's Included Amount of the Series 2011A-2 Bonds was assumed by and became the liability of Improvement District No. 125.

- Improvement District No. 250 and nine other sewer improvement districts were consolidated into a new improvement district, Improvement District No. 225, in accordance with Section 36454 *et seq*. of the Act. Pursuant to Section 36454.1 of the Act, Improvement District No. 250's Included Amount of the Series 2011A-2 Bonds was assumed by and became the liability of Improvement District No. 225.

As a result of the foregoing actions:

- The Series 2011A-2 Bonds currently constitute the consolidated, several general obligations of Improvement District Nos. 113, 125, 213 and 225. Pursuant to the Act, Improvement District Nos. 125 and 225 are authorized to levy and collect the assessments and charges necessary to satisfy the obligations of their predecessor improvement districts, including the assessments and charges necessary to satisfy payment of the Series 2011A-2 Bonds for Improvement District Nos. 105 and 250, respectively.

- As of December 31, 2015: (i) Improvement District No. 125 had $322,089,600 aggregate principal amount of authorized but unissued *ad valorem* assessment bonds and $184,154,205 aggregate principal amount of outstanding *ad valorem* assessment bonds, including the Series 2011A-2 Bonds; and (ii) Improvement District No. 225 had $406,895,000 aggregate principal amount of authorized but unissued *ad valorem* assessment bonds and $231,726,235 aggregate principal amount of outstanding *ad valorem* assessment bonds, including the Series 2011A-2 Bonds. See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness" in Appendix A.

Improvement District No. 125 (water) covers approximately 35,438 acres of the District, including several contiguous and non-contiguous areas in the central and coastal parts of the District. Improvement District No. 225 (sewer) covers approximately 32,862 acres of the District, including several contiguous and non-contiguous areas in the central part of the District. Currently, the majority of the land within Improvement District Nos. 125 and 225 consists of developed residential property. However, the District expects certain areas within Improvement District Nos. 125 and 225 to be subject to infill development and redevelopment in the future. The District expects such additional development in Improvement District Nos. 125 and 225 to continue through at least 2020. The Fiscal Year 2016 assessed value of the land in Improvement District No. 125 is $32,752,414,757, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 105 before its consolidation into Improvement District No. 125 was $7,099,866,552. The Fiscal Year 2016 assessed value of the land in Improvement District No. 225 is $27,557,606,802, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 250 before its consolidation into Improvement District No. 225 was $6,776,400,622.

See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness" in Appendix A for a description of the *ad valorem* assessment bonds, including the Series 2011A-2 Bonds, attributable to Improvement District Nos. 125 and 225, respectively.

Improvement District Nos. 113 and 213. Improvement District No. 113 (water) and Improvement District No. 213 (sewer) are coterminous and are located in portions of the Cities of Tustin and Irvine. Improvement District Nos. 113 and 213 are comprised of approximately 1,629 acres of the land formerly known as Marine Corps Air Station Tustin. The boundaries of Improvement District Nos. 113 and 213 are Harvard Avenue on the southeast, Barranca Parkway on the southwest, Red Hill Avenue on the northwest and Edinger Avenue on the northeast. The former helicopter base, now known as Tustin Legacy, is currently being redeveloped with residential, commercial, institutional and recreational uses. The District expects development in Improvement District Nos. 113 and 213 to continue through at least 2020. The District expects that the total existing and future development will consist of 4,800 dwelling units and 12,100,000 square feet of commercial, institutional and recreational uses. The Fiscal Year 2016 assessed value of the land in coterminous Improvement District Nos. 113 and 213 is $827,524,085.

Security for the Series 2011A-2 Bonds

General. The Series 2011A-2 Bonds constitute the consolidated, several general obligations of the Improvement Districts payable from the following sources, each as further described under the caption "SECURITY FOR THE SERIES 2011A-2 BONDS": (i) Assessment Proceeds collected from within each Improvement District and applied by the District to pay such Improvement District's Included Amount (as defined below) of the principal, Purchase Price and Redemption Price of, and interest on, all Outstanding Series 2011A-2 Bonds; (ii) Net Revenues of the District; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture.

The principal amount of the Series 2011A-2 Bonds allocated to an Improvement District is referred to as such Improvement District's "Included Amount" and an Improvement District's Included Amount divided by the total principal amount of the Series 2011A-2 Bonds is referred to as such Improvement District's "Included Percentage."

Assessment Proceeds. The District has covenanted in the Indenture that, to the extent necessary to provide Assessment Proceeds sufficient to pay when due, together with the other funds available for such payment, the principal of and interest on the Included Amount for each respective Improvement District, the District will: (a) fix and collect, or cause the fixing and collection of, *ad valorem* assessments on taxable land within the applicable Improvement District; (b) pursue any remedy available to collect, or cause the collection of, delinquent *ad valorem* assessments and apply amounts realized from the sale of any property for the enforcement of delinquent *ad valorem* assessments to the payment of principal of and interest on the Included Amount of the Series 2011A-2 Bonds of the applicable Improvement District; or (c) in its discretion, impose and collect, or cause the imposition and collection of, In Lieu Charges (which constitute charges for water or sewer service, as applicable, in the applicable Improvement District in lieu of *ad valorem* assessments). See the caption "SECURITY FOR THE SERIES 2011A-2 BONDS—General—Covenant to Collect Assessment Proceeds."

As among the Improvement Districts, Assessment Proceeds collected in any Improvement District will not be available to pay any other Improvement District's share of debt service of the Series 2011A-2 Bonds. Each Improvement District's Included Amount and Included Percentage will be as set forth below:

SERIES 2011A-2 BONDS

Improvement District No.	***Included Amount***	***Included Percentage***
113	$ 1,770,000	5.00%
125	16,531,800	46.70
213	2,230,200	6.30
225	14,868,000	42.00
Total	$ 35,400,000	100.00%

The Included Amount for each Improvement District with respect to the Series 2011A-2 Bonds and any other outstanding or future District general obligation bonds issued for such Improvement District are equally secured by the *ad valorem* assessments and any charges for water or sewer service, as applicable, imposed and collected in lieu of *ad valorem* assessments, collected within such Improvement District. The *ad valorem* assessments are levied only on land and are based on the land value of parcels in the Improvement District without regard to the value of any improvements thereon. See Appendix A—"IRVINE RANCH WATER DISTRICT" under the captions "THE IMPROVEMENT DISTRICTS—Improvement District Nos. 125 and 225" and "THE IMPROVEMENT DISTRICTS—Improvement District Nos. 113 and 213."

During the term of the Series 2011A-2 Bonds, the Included Amounts and Included Percentages for any Improvement District may be adjusted as a result of the purchase or redemption of Series 2011A-2 Bonds allocated to one or more Improvement Districts, pursuant to calculations made by the District and delivered to the Trustee pursuant to the Indenture, without need for any amendment of or supplement to the Indenture.

Net Revenues. The Series 2011A-2 Bonds are also payable from the Net Revenues of the District and are secured by a pledge of the Revenues of the District, subject to the application of the Revenues as provided in the Indenture. Net Revenues for any period consist of the Revenues of the District less the Operation and Maintenance Expenses of the District for such period, as such terms are defined under the caption "SECURITY FOR THE SERIES 2011A-2 BONDS—Pledge of Assessment Proceeds and Revenues—Net Revenues."

Net Revenues collected within any improvement district of the District, including the Improvement Districts, are available to make debt service payments on the Series 2011A-2 Bonds.

The obligation of the District to pay the principal, Redemption Price and Purchase Price (other than the Purchase Price due on an Unscheduled Mandatory Tender) of, and interest on, the Series 2011A-2 Bonds from Net Revenues is payable on a parity with the District's obligations under certain Parity Obligations. See the caption "SECURITY FOR THE SERIES 2011A-2 BONDS—Existing Parity Obligations." The District may enter into additional Parity Obligations in accordance with the terms of the Indenture. See the caption "SECURITY FOR THE SERIES 2011A-2 BONDS—Limitations on Parity and Superior Obligations—Obligations on a Parity with the Series 2011A-2 Bonds."

The District has covenanted in the Indenture, to the fullest extent permitted by law, to fix, prescribe and collect Revenues which, together with any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, will be at least sufficient to yield during each Fiscal Year Net Revenues which are at least equal to 125% of Aggregate Debt Service payable during such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the rate covenant with respect to all outstanding Parity Obligations. See the caption "SECURITY FOR THE SERIES 2011A-2 BONDS—General—Revenue Rate Covenant."

Limited Obligations. **THE SERIES 2011A-2 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS.**

Professionals Involved in the Remarketing

The Bank of New York Mellon Trust Company, N.A. serves as Trustee under the Indenture. Certain legal matters in connection with the reoffering of the Series 2011A-2 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District ("General Counsel"), and for Morgan Stanley & Co. LLC (the "Remarketing Agent") by Stradling Yocca Carlson & Rauth, a Professional Corporation.

Summaries Not Definitive

The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to each such document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning given to it in the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

All references to and summaries of the Indenture, documents, statutes, reports and other instruments referred to herein are qualified in their entirety by reference to the full Indenture, and each such document, statute, report or instrument, respectively. Forward looking statements in this Remarketing Statement are subject to risks and uncertainties. Actual results may vary from forecasts or projections contained herein because events and circumstances do not occur as expected, and such variances may be material. The projections contained in this Remarketing Statement will not be updated as part of the District's continuing disclosure obligations for the Series 2011A-2 Bonds.

Additional Information

Copies of the Indenture and audited financial statements of the District are available for inspection at the offices of the District in Irvine, California, and will be available from the Trustee upon request and payment of costs. Additional information regarding this Remarketing Statement may be obtained by contacting the District, at the following address:

Treasurer
Irvine Ranch Water District
15600 Sand Canyon Avenue
Irvine, California 92618
(949) 453-5300

THE SERIES 2011A-2 BONDS

This Remarketing Statement describes the Series 2011A-2 Bonds while in the Index Mode and for the Tender Period described herein only. There are significant differences in the terms of the Series 2011A-2 Bonds while they bear interest in a Mode other than an Index Mode. This Remarketing Statement is not intended to provide information with respect to the Series 2011A-2 Bonds bearing interest in a Mode other than the Index Mode or in another Tender Period. Owners and prospective owners of the Series 2011A-2 Bonds should not rely on this Remarketing Statement for information in connection with any Change in Mode or any other Tender Period, but should look solely to the offering document to be used in connection with any such Change in Mode or other Tender Period.

General

The Series 2011A-2 Bonds mature on October 1, 2037. The Series 2011A-2 Bonds are being remarketed in an Index Mode for a Tender Period commencing on February 19, 2016 with the Scheduled Mandatory Tender Date set forth on the front cover page hereof and will bear interest at an Index Tender Rate (which is equal to the sum of: (a) the SIFMA Average Index Rate calculated for each Index Rate Accrual Period; and (b) the applicable Index Spread for such Tender Period). Notice of the Index Spread for the Tender Period commencing on February 19, 2016 will be given as described under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Index Spread; Adjustment of Index Spread." All Outstanding Series 2011A-2 Bonds will be in the same Mode. Any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner provided in the Indenture.

While in the Index Mode, the Series 2011A-2 Bonds will be subject to all of the terms of the Indenture relating to the Series 2011A-2 Bonds in the Index Mode, including provisions that require the Owners to tender their Series 2011A-2 Bonds for purchase on the Scheduled Mandatory Tender Date and on other dates as described in this Remarketing Statement, and provisions that permit the District to effect an Unscheduled Mandatory Tender (which Unscheduled Mandatory Tender is subject to rescission and successful remarketing as described under the caption "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Rescission"). See the captions "—Mandatory Tender for Purchase" and "—Purchase of Series 2011A-2 Bonds."

While in the Index Mode, the Series 2011A-2 Bonds are not subject to tender for purchase at the option of the Owners.

The Series 2011A-2 Bonds are in the form of fully registered bonds and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2011A-2 Bonds. While the Series 2011A-2 Bonds are in the Index Mode, individual purchases of Series 2011A-2 Bonds will be made in principal amounts of $100,000 and integral multiples of $5,000 in excess thereof. See the caption "—Book-Entry Only System" and Appendix E hereto.

Payment of Interest

Interest on the Series 2011A-2 Bonds in an Index Mode will be calculated on the basis of a 365/366-day year for the actual number of days elapsed. Interest on the Series 2011A-2 Bonds in an Index Mode and for the Tender Period commencing February 19, 2016 is payable on the first Business Day of each calendar month, commencing March 1, 2016, and on each Mandatory Purchase Date, Scheduled Mandatory Tender Date and Unscheduled Mandatory Tender Date on which all outstanding Series 2011A-2 Bonds are purchased (each, an "Interest Payment Date").

During the Index Mode, payment will be made on each Interest Payment Date for unpaid interest accrued from and including each Interest Accrual Date, which is the first day of each Tender Period and each Interest Payment Date thereafter. The amount of interest payable on each such Interest Payment Date will be determined in accordance with the provisions described under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Duration of Tender Period") and, thereafter, the first Business Day of each month during such Tender Period (each, an "Interest Accrual Date") to but excluding such Interest Payment Date. Notwithstanding any provision of the Indenture, at no time may the rate of interest on any Series 2011A-2 Bond exceed the Maximum Rate.

Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode

Determination of SIFMA Average Index Rate and Index Tender Rate. During each Tender Period, no later than 11:00 a.m.* on the Business Day immediately preceding each Interest Payment Date while the Series 2011A-2 Bonds bear interest in the Index Mode, the Trustee will deliver written notice to the District and the Remarketing Agent specifying the SIFMA Average Index Rate and the Index Tender Rate for, and the aggregate amount of interest that accrued during, the Index Rate Accrual Period ending on the day preceding such Interest Payment Date together with a detailed calculation of the foregoing. All percentages resulting from the calculation of the SIFMA Average Index Rate will be rounded, if necessary, to the nearest ten-thousandth of a percentage point with five hundred thousandths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation of interest on the Series 2011A-2 Bonds while bearing interest in an Index Mode will be rounded to the nearest cent (with one-half cent being rounded upward).

Index Spread; Adjustment of Index Spread. Promptly after the Remarketing Agent determines the Index Spread for the Tender Period commencing on February 19, 2016, the District will publish it by supplementing this Remarketing Statement and posting the supplement with EMMA. With respect to subsequent Tender Periods, the Index Spread will be determined by the Remarketing Agent and adjusted as described under the captions "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender" and "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender." During each Tender Period, the Index Spread with respect to such Tender Period will apply to all Series 2011A-2 Bonds.

Duration of Tender Period. A Tender Period will commence on February 19, 2016 and will have a Scheduled Mandatory Tender Date of March 17, 2017. Thereafter, each Tender Period will commence on the first to occur of: (i) the Scheduled Mandatory Tender Date of the immediately preceding Tender Period; (ii) an

* *Unless otherwise expressly stated, all times referred to in this Remarketing Statement are New York City time.*

Unscheduled Mandatory Tender Date in connection with any Unscheduled Mandatory Tender if all Series 2011A-2 Bonds are actually purchased as described under the caption "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds;" and (iii) the effective date of a Change in Mode to an Index Mode. Each Tender Period will terminate on the first to occur of: (a) the Scheduled Mandatory Tender Date; (b) an Unscheduled Mandatory Tender Date in connection with any Unscheduled Mandatory Tender if all Series 2011A-2 Bonds are actually purchased as described under the caption "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds;" (c) the first date on which the Series 2011A-2 Bonds bear interest in a Mode other than the Index Mode; or (d) the date on which all Series 2011A-2 Bonds are redeemed in accordance with the terms of the Indenture or all principal and accrued interest on all Series 2011A-2 Bonds are otherwise paid in full.

Mandatory Tender for Purchase

Scheduled Mandatory Tender for Purchase. Unless the Series 2011A-2 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, the Owners of all of the Series 2011A-2 Bonds will tender for purchase, and the District will purchase, all of the Series 2011A-2 Bonds on the Scheduled Mandatory Tender Date for such Tender Period. The Trustee will give notice of each Scheduled Mandatory Tender to the Owners of the Series 2011A-2 Bonds as provided in the Indenture not less than seven days prior to the Scheduled Mandatory Tender Date. With respect to the Tender Period commencing on February 19, 2016, the Scheduled Mandatory Tender Date is March 17, 2017 and, with respect to each subsequent Tender Period, the Scheduled Mandatory Tender Date will be determined as described under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Duration of Tender Period." Failure of the District to pay the Purchase Price for the Series 2011A-2 Bonds on a Scheduled Mandatory Tender Date constitutes an Event of Default under the Indenture. See the caption "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure" below.

Unscheduled Mandatory Tender for Purchase. While the Series 2011A-2 Bonds bear interest in an Index Mode, at its option, the District may require, during each Tender Period, the Owners of all (but not less than all) of the Series 2011A-2 Bonds to tender their Series 2011A-2 Bonds to the District for purchase, from the source of funds described under the caption "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds" on any Business Day from and after the Call Protection Date for such Tender Period. The Call Protection Date for the Tender Period commencing February 19, 2016 is set forth on the front cover page hereof. To exercise such option, the District will deliver to the Trustee at its Corporate Trust Office and the Remarketing Agent, no later than 10 days before the Unscheduled Mandatory Tender Date, the written notice of Unscheduled Mandatory Tender described under the caption "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Effect of a Successful Remarketing." The Trustee will give notice of each Unscheduled Mandatory Tender to the Owners of the Series 2011A-2 Bonds as provided in the Indenture not less than seven days prior to the Unscheduled Mandatory Tender Date. Except as provided under the captions "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Rescission" and "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions," the Trustee will pay to the Owners of the Series 2011A-2 Bonds 100% of the principal amount of the Series 2011A-2 Bonds from the proceeds of the remarketing of such Series 2011A-2 Bonds as described under the caption "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds." If all outstanding Series 2011A-2 Bonds are purchased, the Unscheduled Mandatory Tender Date is also an Interest Payment Date for the Series 2011A-2 Bonds and the District will pay the unpaid accrued interest on the Series 2011A-2 Bonds on such date. The failure to pay the purchase price of Series 2011A-2 Bonds in connection with an Unscheduled Mandatory Tender does not constitute an Event of Default under the

Indenture and the purchase of the Series 2011A-2 Bonds subject to mandatory tender will be cancelled and the Index Mode Tender Period will continue. See the caption "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions."

Purchase of Series 2011A-2 Bonds

The Remarketing Agent has agreed to use its best efforts to remarket the Series 2011A-2 Bonds pursuant to the Indenture at the minimum interest rate available in the marketplace to permit the Remarketing Agent to remarket the Series 2011A-2 Bonds on the Purchase Date, Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, at the principal amount thereof; provided that the remarketing of the Series 2011A-2 Bonds in connection with a Scheduled Mandatory Tender or an Unscheduled Mandatory Tender will be as provided under the captions "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender" and "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender," respectively. Series 2011A-2 Bonds subject to purchase on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date will be purchased from the Owners thereof at the Purchase Price which will be payable solely from the following sources in the order listed, except that the Purchase Price in connection with an Unscheduled Mandatory Tender is payable solely from the source described in clause (i) below:

(i) Immediately available funds on deposit in the Remarketing Proceeds Account; and

(ii) Immediately available funds on deposit in the District Purchase Account.

See Appendix C under the caption "DEFINITIONS" for a description of the Remarketing Proceeds Account and District Purchase Account.

At or before 3:00 p.m. on the Business Day immediately preceding each Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, the Remarketing Agent: (i) unless otherwise provided in a Representation Letter, is to deliver to the Trustee instructions for registration of Series 2011A-2 Bonds remarketed in accordance with the Indenture; and (ii) is to give Electronic Notice to the Trustee and the District, specifying the aggregate principal amount of Series 2011A-2 Bonds not remarketed, if any. If the Series 2011A-2 Bonds are registered in the name of a Bond Depository or its nominee, and if the amount of such remarketing proceeds is sufficient to pay the Purchase Price of all Series 2011A-2 Bonds to be purchased on the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, the Remarketing Agent may apply such remarketing proceeds to the appropriate accounts of such Bond Depository to effect payment of the Purchase Price of Series 2011A-2 Bonds in accordance with the procedures established by such Bond Depository.

If the amount of proceeds from the remarketing delivered to the Trustee indicates that Series 2011A-2 Bonds are required to be purchased from moneys provided by the District, the Trustee will give Electronic Notice to the District at or prior to 11:30 a.m. on such date specifying the information set forth in the Indenture. Upon receipt of such notice, on each Mandatory Purchase Date and Scheduled Mandatory Tender Date, the District is to deposit with the Trustee in the District Purchase Account, by 2:00 p.m. on such date, immediately available funds in an amount together with the remarketing proceeds, to enable the Trustee to pay the Purchase Price of the tendered Series 2011A-2 Bonds. Unless otherwise provided in a Representation Letter, on each Mandatory Purchase Date, Scheduled Mandatory Tender Date and, if all Series 2011A-2 Bonds are purchased, each Unscheduled Mandatory Tender Date, all Series 2011A-2 Bonds which have been remarketed will be registered as directed by the Remarketing Agent.

The Trustee will pay from the funds specified in the Indenture, the Purchase Price for each tendered Series 2011A-2 Bond at or prior to 3:00 p.m. on the Mandatory Purchase Date, Scheduled Mandatory Tender Date or, if all Series 2011A-2 Bonds are purchased, the Unscheduled Mandatory Tender Date, as the case may be; provided that the Purchase Price of Series 2011A-2 Bonds in connection with an Unscheduled Mandatory Tender will be payable only from amounts in the Remarketing Proceeds Account. The Purchase Price of any Series 2011A-2 Bond so tendered is payable only upon surrender of such Series 2011A-2 Bond to the Trustee at its Corporate Trust Office for delivery of such Series 2011A-2 Bond, except that payment of the Purchase Price of any Series 2011A-2 Bond tendered for purchase or otherwise purchased pursuant to a Representation Letter will be made in immediately available funds and in such manner as the Bond Depository and the Trustee agree.

Notwithstanding any provision to the contrary contained in the Indenture, all tenders for purchase in connection with an Unscheduled Mandatory Tender are payable only from immediately available funds on deposit in the Remarketing Proceeds Account.

Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender

Remarketing of Series 2011A-2 Bonds. During each Tender Period in the Index Mode, upon establishing the Index Spread for the next succeeding Tender Period (as described below under the caption "—Determination of Index Spread"), the Remarketing Agent will offer for sale and use its best efforts to sell in accordance with the Remarketing Agreement all Series 2011A-2 Bonds at a price equal to the principal amount thereof, such that the Index Spread for the next Tender Period will be adjusted as described below under the caption "—Determination of Index Spread." The Remarketing Agent will sell any Series 2011A-2 Bonds tendered pursuant to a Scheduled Mandatory Tender at the principal amount thereof; provided that if the District delivers a Favorable Opinion of Bond Counsel, the District has the right to direct the Remarketing Agent to sell any Series 2011A-2 Bonds tendered pursuant to a Scheduled Mandatory Tender at a discount or at a premium.

Determination of Scheduled Mandatory Tender Date. Unless the Series 2011A-2 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, the District, by direction to the other Notice Parties by Electronic Notice or telecopy not later than 10 days before the Scheduled Mandatory Tender Date for each Tender Period, is to determine the Scheduled Mandatory Tender Date for all Series 2011A-2 Bonds for the Tender Period immediately following the purchase of Series 2011A-2 Bonds pursuant to a Scheduled Mandatory Tender as provided in the Indenture. Such Scheduled Mandatory Tender Date may be any Business Day during the next Tender Period except that the Scheduled Mandatory Tender Date will not be a date that is earlier than three months after the commencement of the Tender Period. If the District is required to deliver a written direction as provided above but fails to do so, then the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of Series 2011A-2 Bonds will be the date that is one year after the commencement of the Tender Period (unless such date is not a Business Day, in which case the Scheduled Mandatory Tender Date will be the first Business Day following such date).

Establishment of Call Protection Date. With respect to any Tender Period commencing on a Scheduled Mandatory Tender Date that the Series 2011A-2 Bonds are purchased pursuant to a Scheduled Mandatory Tender, the Call Protection Date will be the Tender Period Standard Date; provided that if the District delivers to the Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction as to the Scheduled Mandatory Tender Date, the District may determine that the Call Protection Date for such Tender Period will be any Business Day during the Tender Period. The Call Protection Date with respect to the Tender Period commencing on February 19, 2016 is September 17, 2016.

Determination of Index Spread. Unless the Series 2011A-2 Bonds subject to a Tender Period have been purchased (including in connection with a Change in Mode or an Unscheduled Mandatory Tender) or redeemed prior to the Scheduled Mandatory Tender Date for such Tender Period, no later than 5:00 p.m. on the day that is two Business Days before the Scheduled Mandatory Tender Date for such Tender Period, the Remarketing Agent is to determine the Index Spread with respect to the Tender Period immediately following such Scheduled Mandatory Tender Date. The Index Spread determined by the Remarketing Agent is to be equal to the minimum fixed spread to SIFMA which, if borne by the Series 2011A-2 Bonds, would enable the Remarketing Agent to sell all Series 2011A-2 Bonds tendered or deemed tendered pursuant to the Scheduled Mandatory Tender on the Scheduled Mandatory Tender Date at a price equal to the principal amount thereof. With respect to all Series 2011A-2 Bonds sold with an Index Tender Rate based on an Index Spread determined by the Remarketing Agent pursuant to the Indenture, the determination of the Index Spread so determined by the Remarketing Agent will be conclusive and binding on the Notice Parties and the Owners of the Series 2011A-2 Bonds.

Purchase of Series 2011A-2 Bonds. Series 2011A-2 Bonds required to be purchased as described under caption "—Remarketing of Series 2011A-2 Bonds" will be purchased from the Owners thereof, on the Scheduled Mandatory Tender Date at the Purchase Price from the sources and in the order of priority described under the caption "—Mandatory Tender for Purchase—Scheduled Mandatory Tender for Purchase."

The District is irrevocably obligated to pay the Purchase Price of all Series 2011A-2 Bonds on each Scheduled Mandatory Tender Date.

Consequences of a Scheduled Mandatory Tender Failure. Upon the occurrence of a Scheduled Mandatory Tender Failure on any Scheduled Mandatory Tender Date, the following will occur:

(i) The Trustee will promptly return all Series 2011A-2 Bonds to the Owners thereof together with notice of such failure and the Trustee and the Remarketing Agent will promptly return all remarketing proceeds to the persons providing such moneys without interest;

(ii) The Tender Period then in effect will terminate on such Scheduled Mandatory Tender Date and the Series 2011A-2 Bonds will bear interest at the last Index Tender Rate for the Tender Period so terminated from the applicable Scheduled Mandatory Tender Date to the earliest to occur of the purchase of the Series 2011A-2 Bonds by or on behalf of the District or the payment of the principal of the Series 2011A-2 Bonds; and

(iii) An Event of Default under the Indenture will occur.

Effect of a Successful Remarketing. If moneys on deposit with the Trustee are sufficient to pay the Purchase Price of Series 2011A-2 Bonds to be purchased as described under caption "—Remarketing of Series 2011A-2 Bonds" on a Scheduled Mandatory Tender Date, the following will occur:

(i) The Tender Period in effect immediately before such purchase will terminate on the Scheduled Mandatory Tender Date and a new Tender Period will commence on such date; and

(ii) The Index Spread with respect to the Series 2011A-2 Bonds for the new Tender Period will be the Index Spread determined as described above under the caption "—Determination of Index Spread."

Notification of Scheduled Mandatory Tender Failure. On the date of a Scheduled Mandatory Tender Failure, the Trustee will deliver a notice by mail to: (i) the District; (ii) the respective Owners of any Series 2011A-2 Bonds at their addresses appearing on the Bond Register; (iii) the Remarketing Agent; and (iv) one or more Information Services, which will state: (A) that a Scheduled Mandatory Tender Failure occurred; (B) the Trustee will return all Series 2011A-2 Bonds tendered on the Scheduled Mandatory Tender Date to the Owners thereof; and (C) an Event of Default has occurred under the Indenture.

Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender

Remarketing of Series 2011A-2 Bonds. Upon receipt of notice of an Unscheduled Mandatory Tender from the District as described under the caption "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase," the Remarketing Agent will offer for sale and use its best efforts to sell in accordance with the Remarketing Agreement all Series 2011A-2 Bonds at a price equal to the principal amount thereof, such that the Index Spread for the next Tender Period will be adjusted as described below under the caption "—Determination of Index Spread." The Remarketing Agent will sell any Series 2011A-2 Bonds tendered pursuant to an Unscheduled Mandatory Tender at the principal amount thereof; provided that if the District delivers a Favorable Opinion of Bond Counsel, the District has the right to direct the Remarketing Agent to sell any Series 2011A-2 Bonds tendered pursuant to an Unscheduled Mandatory Tender at a discount or at a premium.

Determination of Scheduled Mandatory Tender Date. The District, by direction to the other Notice Parties by Electronic Notice or telecopy not later than ten days before each Unscheduled Mandatory Tender Date, will determine the Scheduled Mandatory Tender Date for the Tender Period immediately following the purchase of Series 2011A-2 Bonds pursuant to an Unscheduled Mandatory Tender, as provided in the Indenture. Such Scheduled Mandatory Tender Date may be any Business Day, except that the Scheduled Mandatory Tender Date may not be a date that is earlier than three months after the commencement of the Tender Period.

Establishment of Call Protection Date. With respect to any Tender Period commencing on an Unscheduled Mandatory Tender Date that all Series 2011A-2 Bonds are purchased pursuant to an Unscheduled Mandatory Tender, the Call Protection Date will be the Tender Period Standard Date; provided that if the District delivers to the Trustee a Favorable Opinion of Bond Counsel and specifies such Call Protection Date in the direction as to the Scheduled Mandatory Tender Date, the District may determine that the Call Protection Date for such Tender Period will be any Business Day during such Tender Period. The Call Protection Date with respect to the Tender Period commencing on February 19, 2016 is September 17, 2016.

Determination of Index Spread. No later than 5:00 p.m. on the day that is two Business Days before each Unscheduled Mandatory Tender Date, the Remarketing Agent will determine the Index Spread with respect to the Tender Period immediately following such Unscheduled Mandatory Tender Date. The Remarketing Agent will determine the Index Spread which will be equal to the minimum spread to SIFMA which, if borne by the Series 2011A-2 Bonds, would enable the Remarketing Agent to sell all Series 2011A-2 Bonds tendered pursuant to the Unscheduled Mandatory Tender on the Unscheduled Mandatory Tender Date at a price equal to the principal amount thereof. With respect to all Series 2011A-2 Bonds sold with an Index Tender Rate based on an Index Spread determined by the Remarketing Agent pursuant to the Indenture, the determination of the Index Spread so determined by the Remarketing Agent will be conclusive and binding on the Notice Parties and the Owners of the Series 2011A-2 Bonds.

Purchase of Series 2011A-2 Bonds. Subject to the provisions described under the caption "—Rescission" and "—Failure to Meet Conditions," the District will cause Series 2011A-2 Bonds required to be purchased in an Unscheduled Mandatory Tender to be purchased on each Unscheduled Mandatory Tender Date from the Owners thereof at the Purchase Price from the source indicated under the caption "—Purchase of Series 2011A-2 Bonds."

Consequences of an Unscheduled Mandatory Tender Failure or a Rescission. If the District rescinds any Unscheduled Mandatory Tender as described under the caption "—Rescission" or if any of the conditions of any Unscheduled Mandatory Tender are not satisfied as described under the captions "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase" and "—Failure to Meet Conditions," then the District will not have any obligation to purchase any Series 2011A-2 Bonds and no purchase of Series 2011A-2 Bonds will occur. In such event, the following will occur:

(i) The Trustee will return all Series 2011A-2 Bonds to the Owners thereof together with notice of the basis for such return and the Trustee and the Remarketing Agent will return all remarketing proceeds to the persons providing such moneys without interest;

(ii) The Series 2011A-2 Bonds will continue to bear interest at the Index Tender Rate in effect during such Tender Period without change or modification and the Tender Period then in effect will continue until terminated in accordance with the provisions set forth under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Duration of Tender Period"; and

(iii) No Event of Default under the Indenture will have occurred.

Rescission. The District has the option to deliver to the Trustee at its Corporate Trust Office and the Remarketing Agent, on or prior to 5:00 p.m. on the Business Day immediately preceding the Unscheduled Mandatory Tender Date for an Unscheduled Mandatory Tender, a notice to the effect that the District elects to rescind such Unscheduled Mandatory Tender. If the District so rescinds an Unscheduled Mandatory Tender, then no purchase will occur, the Series 2011A-2 Bonds will continue to bear interest at the Index Tender Rate in effect during the Tender Period then in effect without change or modification and the Tender Period then in effect will continue until terminated as described under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Duration of Tender Period."

Failure to Meet Conditions. Any Unscheduled Mandatory Tender, if not rescinded, will be conditioned upon: (a) amounts sufficient to pay the Purchase Price of such mandatory tender being on deposit from remarketing proceeds, as described under the caption "—Purchase of Series 2011A-2 Bonds," with the Trustee on the Unscheduled Mandatory Tender Date; and (b) in connection with any change in the Call Protection Date for the next succeeding Tender Period from the Tender Period Standard Date, the delivery by the District of the Favorable Opinion of Bond Counsel described under the caption "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Establishment of Call Protection Date." If on an Unscheduled Mandatory Tender Date the conditions described in the immediately preceding sentence are not satisfied, then no purchase of Series 2011A-2 Bonds will occur, the Series 2011A-2 Bonds will continue to bear interest at the Index Tender Rate in effect during the Tender Period then in effect without change or modification and the Tender Period then in effect will continue until terminated as described under the caption "—Determination of Index Tender Rates and Index Rate Accrual Periods for Series 2011A-2 Bonds in Index Mode—Duration of Tender Period."

Failure by the District to pay or cause to be paid the Purchase Price of Series 2011A-2 Bonds tendered under the Unscheduled Mandatory Tender provisions of the Indenture for any reason does not constitute an Event of Default by the District under the Indenture. No such failure affects the District's right to require Owners of Series 2011A-2 Bonds to tender their Series 2011A-2 Bonds as described under the caption "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase" during the remainder of the Tender Period then in effect or during any subsequent Tender Period.

Effect of a Successful Remarketing. If moneys on deposit with the Trustee are sufficient to pay the Purchase Price of Series 2011A-2 Bonds to be purchased as described under the caption "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase" and all other conditions are satisfied, the following will occur:

(i) The Tender Period in effect immediately before such tender will terminate on such Unscheduled Mandatory Tender Date and a new Tender Period will commence on such date; and

(ii) The Index Spread with respect to the Series 2011A-2 Bonds for the new Tender Period will be the Index Spread determined as described above under the caption "—Determination of Index Spread."

Changes in Mode

Subject to the provisions of the Indenture, the District may effect a Change in Mode with respect to the Series 2011A-2 Bonds by delivering to the Trustee, with copies to the other Notice Parties, a Notice of Change in Mode stating: (A) the election to change the Mode to which the Series 2011A-2 Bonds are then subject (the "Current Mode") to a different Mode (the "New Mode"), the type of which will be specified; (B) the date on which the Series 2011A-2 Bonds are required to be purchased pursuant to the provisions described below under the caption "—Mandatory Purchase of Series 2011A-2 Bonds," which will be the date as of which the New Mode takes effect and a Business Day immediately following the end of an Adjustment Period or the last day of a Tender Period, or a Business Day on which the Series 2011A-2 Bonds would be subject to redemption at the option of the District; and (C) a form of notice of mandatory tender for purchase satisfying the requirements described below under the caption "—Mandatory Purchase of Series 2011A-2 Bonds." In no event will a Change in Mode occur prior to the Call Protection Date set forth on the front cover page hereof.

Not less than seven days prior to a proposed Change in Mode, and in reliance upon a Notice of Change in Mode, the Trustee will give written notice, in the form prepared by the District and delivered to the Trustee pursuant to the immediately preceding paragraph, to the Owners of the mandatory tender for purchase of all Outstanding Series 2011A-2 Bonds as described below under the caption "—Mandatory Purchase of Series 2011A-2 Bonds" in connection with the Change in Mode.

The New Mode will take effect only if the following conditions are satisfied: (i) by 9:00 a.m. on the date of the proposed Change in Mode: (A) if a Liquidity Facility is to be in effect during the New Mode, the interest portion of the Liquidity Facility is in an amount equal to or greater than the Liquidity Facility Interest Amount for the applicable Mode; and (B) if the New Mode is the Fixed Rate Mode, the Trustee and the Remarketing Agent have received a Fixed Rate Terms Certificate; and (ii) the Trustee has received sufficient remarketing proceeds of the Series 2011A-2 Bonds in the New Mode to pay the Purchase Price of the Bonds subject to mandatory tender for purchase in connection with the Change in Mode. If such conditions are satisfied, then the New Mode will take effect on the date of the proposed Change in Mode. If such conditions are not satisfied, then: (a) all Outstanding Series 2011A-2 Bonds will be purchased on the Mandatory Purchase Date described below under the caption "—Mandatory Purchase of Series 2011A-2 Bonds;" (b) all Outstanding Series 2011A-2 Bonds will continue to be subject to the Index Mode; (c) the Tender Period for all Outstanding Series 2011A-2 Bonds will extend from and including the date on which the New Mode was to take effect to and including the date which is three months after such date (and if such date is not a Business Day, the next day which is followed by a Business Day); (d) the interest on the Series 2011A-2 Bonds for the Index Rate Accrual Period will be the last Index Tender Rate in effect during the immediately preceding Tender Period; and (e) the Trustee will, within five Business Days after the date of the proposed Change in Mode, send notice to the Notice Parties stating that the conditions to the Change in Mode have not all been satisfied and informing them of the consequences thereof, as described in the Indenture.

Mandatory Purchase of Series 2011A-2 Bonds

Except as otherwise provided under the captions "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Rescission" and "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Failure to Meet Conditions" with respect to an Unscheduled Mandatory Tender, each Series 2011A-2 Bond which is subject to mandatory tender for purchase on a Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date as a result of a Change in Mode or as otherwise provided in the Indenture will be purchased on such date at the applicable Purchase Price but solely from the sources of payment described under the captions "—Purchase of Series 2011A-2 Bonds," "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds" or "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds," as applicable. Subject to the provisions of the Indenture and unless otherwise provided in a Representation Letter, all Series 2011A-2 Bonds required to be purchased on a

Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date will be tendered for purchase by delivery to the Trustee at its Corporate Trust Office on or prior to the Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, and, except as otherwise provided under the caption "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase" with respect to an Unscheduled Mandatory Tender, will be purchased, but solely from the sources of payment described under the captions "—Purchase of Series 2011A-2 Bonds," "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds" or "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Purchase of Series 2011A-2 Bonds," as applicable.

Undelivered Bonds

Any Series 2011A-2 Bond which is subject to mandatory tender for purchase in accordance with the provisions described under the caption "—Mandatory Tender for Purchase" which is not tendered for purchase as required by the Indenture, will constitute an Undelivered Bond and will nonetheless be deemed to have been so tendered and, upon provision for payment of the Purchase Price thereof from the applicable funds specified under the caption "—Purchase of Series 2011A-2 Bonds," will be deemed to have been purchased on the Mandatory Purchase Date, the Scheduled Mandatory Tender Date or the Unscheduled Mandatory Tender Date, as applicable, after which no interest will accrue on such Series 2011A-2 Bond for the benefit of the Owner required to tender such Series 2011A-2 Bond from and after such Mandatory Purchase Date, Scheduled Mandatory Tender Date or Unscheduled Mandatory Tender Date, as applicable, and such Owner will have no rights under the Indenture as the Owner of such Series 2011A-2 Bond except the right to receive the Purchase Price thereof from the funds available therefor, as described under the caption "—Purchase of Series 2011A-2 Bonds."

Refinancing and Related Risks

No assurance can be given that the District will have sufficient remarketing proceeds or funds on hand on March 17, 2017 or any other Scheduled Mandatory Tender Date to pay the Purchase Price of the Series 2011A-2 Bonds upon the mandatory tender thereof on such date. The District has not currently provided for any Liquidity Facility to support the payment of the Purchase Price upon mandatory tender of the Series 2011A-2 Bonds. In the event that the District does not have sufficient funds to pay the Purchase Price of the Series 2011A-2 Bonds on such date from remarketing proceeds or other funds on hand, the District's ability to pay such Purchase Price is dependent on the District's ability: (i) to issue and sell refunding obligations to refund Series 2011A-2 Bonds prior to such date; or (ii) to provide for the conversion of such Series 2011A-2 Bonds to another Mode on or prior to such date and to receive sufficient remarketing proceeds upon such conversion to provide for payment of the Purchase Price of the Series 2011A-2 Bonds upon the mandatory tender thereof.

A variety of events could prevent access to the municipal securities market, prohibit the District from issuing such refunding obligations or remarketing such Series 2011A-2 Bonds or make the issuance of refunding obligations or the remarketing of such Series 2011A-2 Bonds prohibitively expensive. No assurance can be given that the District will be able to effect such a refinancing or remarketing on sufficiently favorable terms. Failure of the District to provide sufficient funds to pay the Purchase Price on the Scheduled Mandatory Tender Date constitutes an Event of Default under the Indenture. See the caption "THE SERIES 2011A-2 BONDS—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Consequences of a Scheduled Mandatory Tender Failure."

The Series 2011A-1 Bonds are also subject to risks described in the preceding two paragraphs.

Redemption of Series 2011A-2 Bonds

Optional Redemption. The Series 2011A-2 Bonds in the Index Mode are subject to redemption at the option of the District in whole or in part, in Authorized Denominations, during any Tender Period, on any Business Day on or after the Call Protection Date for such Tender Period, at a Redemption Price equal to 100% of the principal amount of the Series 2011A-2 Bonds being redeemed plus unpaid accrued interest, if any, to such Redemption Date, without premium. See the captions "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Scheduled Mandatory Tender—Establishment of Call Protection Date" and "—Remarketing and Purchase of Series 2011A-2 Bonds in Connection with Unscheduled Mandatory Tender—Establishment of Call Protection Date." The Call Protection Date for the Tender Period commencing on February 19, 2016 is September 17, 2016.

Mandatory Redemption. The Series 2011A-2 Bonds are subject to mandatory redemption in part on October 1, 2016 and on each October 1 thereafter, upon notice as described under the caption "—Notice of Redemption," at a Redemption Price equal to 100% of the principal amount of the Series 2011A-2 Bonds to be redeemed, without premium, in the years and principal amounts as follows:

SERIES 2011A-2 BONDS DUE OCTOBER 1, 2037

Mandatory Redemption Dates (October 1)	***Principal Amount of Series 2011A-2 Bonds to be Redeemed***
2016	$1,040,000
2017	1,080,000
2018	1,120,000
2019	1,160,000
2020	1,200,000
2021	1,280,000
2022	1,320,000
2023	1,360,000
2024	1,400,000
2025	1,480,000
2026	1,520,000
2027	1,600,000
2028	1,640,000
2029	1,720,000
2030	1,800,000
2031	1,880,000
2032	1,920,000
2033	2,000,000
2034	2,080,000
2035	2,160,000
2036	2,280,000
2037 (maturity)	2,360,000

Upon any purchase and cancellation of Series 2011A-2 Bonds by the District or any redemption of Series 2011A-2 Bonds pursuant to the optional redemption provisions of the Indenture described under the caption "—Optional Redemption," an amount equal to the aggregate principal amount of Series 2011A-2 Bonds so purchased or redeemed will be credited toward a part or all of any one or more yearly mandatory redemptions required by the Indenture, as directed in writing by the District, provided that such direction is received by the Trustee at least 45 days before the date of such mandatory redemption. Any such direction will state the years in which and the amounts by which such mandatory redemptions are to be reduced. The portion of any such mandatory redemption remaining after the deduction of any such amounts credited toward the same (or the original amount of any such mandatory redemption if no such amounts have been credited toward the same) constitutes the unsatisfied balance of such mandatory redemption for the purpose of the calculation of payments due on October 1 in any future year.

Selection of Series 2011A-2 Bonds for Redemption

If not otherwise provided in the Indenture, whenever less than all Outstanding Series 2011A-2 Bonds of a maturity are to be redeemed on any one date, the Trustee will select the Series 2011A-2 Bonds of such maturity to be redeemed from the Outstanding Series 2011A-2 Bonds of such maturity by lot, or in such other manner as the Trustee deems fair.

Notice of Redemption

Notice of redemption will be given by Mail by the Trustee to the Remarketing Agent and the Owners of any Series 2011A-2 Bonds designated for redemption in whole or in part no less than 30 days nor more than 60 days prior to the Redemption Date. So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2011A-2 Bonds, notices of redemption will be given to DTC. See the caption "—Book-Entry Only System" below.

Each notice of redemption will state the Redemption Date, the redemption place and the Redemption Price, the maturity dates of the Series 2011A-2 Bonds to be redeemed and designate the numbers of the Series 2011A-2 Bonds to be redeemed if less than all of the Outstanding Series 2011A-2 Bonds of a maturity are to be redeemed, will (in the case of any Series 2011A-2 Bond called for redemption in part only) state the portion of the principal amount thereof which is to be redeemed, and state that, if the Trustee holds sufficient available funds to pay the Redemption Price of the Series 2011A-2 Bonds to be redeemed on the Redemption Date, the interest thereon or portions thereof designated for redemption will cease to accrue from and after such Redemption Date and that on such Redemption Date there will become due and payable on the Series 2011A-2 Bonds or portions thereof designated for redemption the Redemption Price thereof. The failure of any Owner to receive such notice will not affect the validity of the redemption of any Series 2011A-2 Bonds.

With respect to any notice of any optional redemption of Series 2011A-2 Bonds, unless at the time such notice is given the Trustee holds sufficient available funds to pay the Redemption Price of the Series 2011A-2 Bonds to be redeemed, such notice will state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the Redemption Price of the Series 2011A-2 Bonds to be redeemed, and that if such moneys have not been so received said notice will be of no force and effect and the District will not be required to redeem such Series 2011A-2 Bonds. In the event that a notice of redemption of Series 2011A-2 Bonds contains such a condition and such moneys are not so received, the redemption of such Series 2011A-2 Bonds as described in the conditional notice of redemption will not be made and the Trustee will, within a reasonable time after the date on which such redemption was to occur, give notice to the persons who received such notice of redemption and in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of Series 2011A-2 Bonds pursuant to such notice of redemption.

Any notice of redemption mailed as provided in the Indenture will be conclusively presumed to have been given, whether or not actually received by any Owner.

See the caption "—Mandatory Tender for Purchase—Unscheduled Mandatory Tender for Purchase" for information with respect to notice of Unscheduled Mandatory Tenders.

Allocation of Credits for Purchased or Redeemed Series 2011A-2 Bonds

Except as otherwise provided in the Indenture, the principal amount of any Series 2011A-2 Bonds purchased and cancelled by the District, or redeemed by the District, will be credited proportionally to all Improvement Districts and the Included Amount for each Improvement District will be reduced by such Improvement District's Included Percentage (calculated immediately before such purchase or redemption) of the purchased or redeemed Series 2011A-2 Bonds.

In the event that Series 2011A-2 Bonds are purchased for cancellation or redeemed with funds provided by one or more Improvement Districts other than funds provided proportionately with all other Improvement Districts, the principal amount of any Series 2011A-2 Bonds purchased and cancelled by the District, or redeemed by the District, will be credited proportionally to all such contributing Improvement Districts and the Included Amount for each such Improvement District will be reduced by such Improvement District's proportional contribution to the purchase price of such purchased Series 2011A-2 Bonds and the Redemption Price of such redeemed Series 2011A-2 Bonds and the Included Percentage (calculated immediately before such purchase or redemption) of the purchased or redeemed Series 2011A-2 Bonds.

Immediately following each purchase of Series 2011A-2 Bonds by the District for cancellation and each redemption of Series 2011A-2 Bonds and the allocation of credits in connection with such purchase and redemption in accordance with the provisions of the Indenture, as applicable, the Included Percentages for all Improvement Districts will be recomputed for all purposes after such redemption in the following manner:

$$\frac{\textit{Improvement District's Included Amount after purchase or redemption}}{\textit{Total Amount of Outstanding Series 2011A-2 Bonds after purchase or redemption}} = \textit{Included Percentage, as adjusted}$$

Book-Entry Only System

One fully-registered Series 2011A-2 Bond has been issued in the outstanding principal amount of the Series 2011A-2 Bonds. The Series 2011A-2 Bonds are registered in the name of Cede & Co. and have been deposited with DTC. So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2011A-2 Bonds, all payments of principal, Purchase Price and Redemption Price of and interest on the Series 2011A-2 Bonds will be made directly to DTC. Disbursement of such payments to the DTC Participants will be the responsibility of DTC. Disbursement of such payments to the Beneficial Owners of the Series 2011A-2 Bonds will be the responsibility of the DTC Participants as more fully described herein. See Appendix E—"BOOK-ENTRY SYSTEM."

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for the Series 2011A-2 Bonds. In that event, the Series 2011A-2 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal, Purchase Price, Redemption Price and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC Participants or others will distribute payments with respect to the Series 2011A-2 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Remarketing Statement. See Appendix E hereto for additional information concerning DTC.

SECURITY FOR THE SERIES 2011A-2 BONDS

General

Sources of Payment. The Series 2011A-2 Bonds constitute the consolidated, several general obligations of the Improvement Districts payable from: (i) Assessment Proceeds collected from within each Improvement District and applied by the District to pay such Improvement District's Included Amount of the principal, Purchase Price and Redemption Price of, and interest on, Outstanding Series 2011A-2 Bonds; (ii) Net Revenues of the District; and (iii) certain monies and investment earnings in certain funds and accounts created under the Indenture. See the caption "—Pledge of Assessment Proceeds and Revenues." The District currently expects to pay a portion of scheduled debt service on the Series 2011A-2 Bonds from a combination of Assessment Proceeds and Net Revenues and, to the extent that remarketing proceeds are insufficient, to pay the Purchase Price of the Series 2011A-2 Bonds from Net Revenues.

Authority for Issuance. Elections were held in Improvement District Nos. 105, 113, 213 and 250 at which the qualified voters within each such improvement district authorized the District to incur an indebtedness and issue general obligation bonds for each respective improvement district. See Appendix A—"IRVINE RANCH WATER DISTRICT" for a discussion of the bond authorization, amount of outstanding bonds and remaining bond authorization for each of the Improvement Districts. The Series 2011A-2 Bonds are authorized for issuance pursuant to the Act and all laws of the State amendatory thereof or supplemental thereto.

Covenant to Collect Assessment Proceeds. The District has covenanted in the Indenture that, to the extent necessary to provide Assessment Proceeds sufficient to pay when due, together with the other funds available for such payment, the principal of and interest on the Included Amount for each respective Improvement District, the District will: (a) fix and collect, or cause the fixing and collection of, *ad valorem* assessments on taxable land within the applicable Improvement District; (b) pursue any remedy available to collect, or cause the collection of, delinquent *ad valorem* assessments and apply amounts realized from the sale of any property for the enforcement of delinquent *ad valorem* assessments to the payment of principal of and interest on the Included Amount of Series 2011A-2 Bonds of the applicable Improvement District; or (c) in its discretion, impose and collect, or cause the imposition and collection of In Lieu Charges for water or sewer service, as applicable, in the applicable Improvement District in lieu of *ad valorem* assessments.

Revenue Rate Covenant. The District has also covenanted in the Indenture, to the fullest extent permitted by law, to fix, prescribe and collect Revenues which, together with any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, will be at least sufficient to yield during each Fiscal Year Net Revenues which are at least equal to 125% of Aggregate Debt Service payable during such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements.

Notwithstanding the foregoing, so long as the Installment Sale Agreement, dated as of February 1, 2010 (the "2010 Installment Sale Agreement"), by and between the District and the Irvine Ranch Water District Water Service Corporation remains in effect, the District will need to comply with the requirements set therein regarding the rate covenant, which are identical to those set forth in the prior paragraph except that the Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) which are applied as a credit to Debt Service above are included as revenues for purposes of such calculation and the definition of Aggregate Debt Service in the 2010 Installment Sale Agreement does not provide an offset for debt service paid from Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) associated with Revenue Enhancement Agreements. In addition, certain of the Prior Reimbursement Agreements described under the caption "—Existing Parity Obligations" related to outstanding *ad valorem* assessment bonds of the District, and certain swap agreements entered into by the District, have covenants related to the setting of rates and charges with which the District is contractually obligated to comply.

Additional Covenants. See Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" under the caption "CERTAIN COVENANTS" for a summary of additional covenants of the District under the Indenture.

Pledge of Trust Estate. Pursuant to the Indenture, the District has pledged the Trust Estate thereunder to secure the payment of the Series 2011A-2 Bonds issued thereunder. The "Trust Estate" under the Indenture consists of the following:

(A) The Bond Payment Fund (defined below) established under the Indenture, including all accounts in such fund, and all of the monies in such fund and accounts and the investments, if any, thereof, and all income and proceeds derived from such investments; and

(B) Subject to the application on the terms and conditions contained in the Indenture, Revenues of the District.

Pledge of Assessment Proceeds and Revenues

Subject to the application of the Revenues on the terms and conditions provided in the Indenture, Revenues have been irrevocably pledged to the payment when due of the principal, Purchase Price and Redemption Price of, and interest on, the Outstanding Series 2011A-2 Bonds, which pledge will be on a parity with any pledge of Revenues securing other Parity Obligations. Such pledge constitutes a pledge of and charge and lien upon the Revenues for the payment of the principal, Purchase Price upon the Scheduled Mandatory Tender and Redemption Price of, and interest on, the Outstanding Series 2011A-2 Bonds and all other Parity Obligations in accordance with the terms of the Indenture and the Series 2011A-2 Bonds after payment from the Revenues of the Operation and Maintenance Expenses, and the funding of contingency reserves therefor, as provided in the Indenture.

THE SERIES 2011A-2 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE DISTRICT AND THE IMPROVEMENT DISTRICTS AS PROVIDED IN THE INDENTURE. NO FUNDS OF THE DISTRICT OR THE IMPROVEMENT DISTRICTS, OTHER THAN THE FUNDS INCLUDED IN THE TRUST ESTATE, ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS. EXCEPT AS PROVIDED IN THE INDENTURE WITH RESPECT TO THE TRUST ESTATE, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS LIABLE FOR OR PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON, THE SERIES 2011A-2 BONDS.

Assessment Proceeds. Assessment Proceeds means, with respect to any Improvement District: (i) *ad valorem* assessments on taxable land in such Improvement District levied pursuant to the Act; (ii) In Lieu Charges, consisting of water or sewer charges, as applicable, which in the discretion of the Board of Directors of the District are fixed and collected in an Improvement District in lieu of *ad valorem* assessments pursuant to the Act; and (iii) proceeds from the sale of property in such Improvement District for the enforcement of delinquent assessments pursuant to the Act.

The Included Amount for each Improvement District with respect to the Series 2011A-2 Bonds and any other outstanding or future District general obligation bonds issued for such Improvement District are equally secured by the *ad valorem* assessments and any charges for water or sewer service, as applicable, imposed and collected in lieu of *ad valorem* assessments, collected within such Improvement District. The *ad valorem* assessments are levied only on land and are based on the land value of parcels in the Improvement District without regard to the value of any improvements thereon. See Appendix A—"IRVINE RANCH WATER DISTRICT" under the captions "THE IMPROVEMENT DISTRICTS—Improvement District Nos. 125 and 225" and "THE IMPROVEMENT DISTRICTS—Improvement District Nos. 113 and 213."

Net Revenues. Net Revenues for any period consist of the Revenues of the District less the Operation and Maintenance Expenses of the District for such period. "Revenues" means:

(1) The water, sewer and reclaimed water rates and charges imposed by the District in connection with providing water, sewer and reclaimed water services to retail customers through the Operating Systems (as such term is defined in the Indenture), including commodity, service, standby, material treatment and connection charges, except: (i) such water, sewer and reclaimed water rates and charges levied in lieu of *ad valorem* assessments pursuant to Sections 36425 and 35975 of the Act; and (ii) customer deposits (together, the "Utility Rates and Charges"); and

(2) Other revenues of the District, including, without limiting the generality of the foregoing, the proceeds of any stand-by or natural treatment, connection and water availability charges; together with the District's share of the Orange County, California 1% *ad valorem* property tax (to the extent not applied by the District to pay principal of and interest on Secured Bonds) and Investment Income;

but excluding in all cases: (i) customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; (ii) any proceeds of taxes or *ad valorem* assessments restricted by law to be used by the District to pay bonds issued by the District, and the proceeds of any actions to enforce delinquent *ad valorem* assessments so restricted; and (iii) water, sewer and reclaimed water rates and charges levied in lieu of *ad valorem* assessments pursuant to Sections 36425 and 35975 of the Act.

"Operation and Maintenance Expenses" consist of the costs and expenses paid or incurred by the District for operating and maintaining the Operating Systems (as such term is defined in the Indenture) including, but not limited to: (a) all costs of water generated or purchased by the District for resale; (b) all costs and expenses of providing services and commodities through or with the Operating Systems; (c) all costs and expenses of management of the Operating Systems; (d) all costs and expenses of maintenance and repair of, and other expenses necessary or appropriate in the judgment of the District to maintain and preserve, any of the Operating Systems in good repair and working order; (e) all administrative and general expenses, such as salaries and wages of employees, overhead, taxes (if any), insurance premiums, retirement benefits and health care benefits; (f) all deposits to be made to a contingency reserve for Operation and Maintenance Expenses; (g) all deposits to be made to a rebate fund established with respect to Parity Obligations to provide for any rebate to the United States required to maintain the tax-exempt status of interest on such Parity Obligations; (h) any cost or expense paid or incurred by the District to comply with requirements of law applicable to any of the Operating Systems or the ownership or operation thereof or any activity in connection therewith; and (i) any other cost or expense which, in accordance with Generally Accepted Accounting Principles, is to be treated as an expense of operating or maintaining any of the Operating Systems; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, and amortization of intangibles.

Net Revenues collected within any improvement district of the District, including the Improvement Districts, are available to make debt service payments on the Series 2011A-2 Bonds. See the caption "SECURITY FOR THE SERIES 2011A-2 BONDS."

Allocation of Monies Under the Indenture

Allocation of Revenues. In order to carry out and effectuate the pledge and lien on the Revenues contained in the Indenture, the District has agreed and covenanted in the Indenture that all Revenues received by it will be deposited when and as received in the Revenue Fund, which fund has been previously established by the District and which fund the District has agreed and covenanted to maintain as a special fund, separate and apart from other moneys of the District so long as any Series 2011A-2 Bond remains Outstanding. All Revenues will be applied in the following order of priority:

First: to the payment of Operation and Maintenance Expenses (other than the funding of contingency reserves for Operation and Maintenance Expenses) as they become due and payable.

Second: to the funding of contingency reserves for Operation and Maintenance Expenses.

Third: (i) two Business Days before each Interest Payment Date, to a deposit to the Bond Payment Fund in an amount equal to the transfer to the Interest Account and Principal Account to be made on such Interest Payment Date; and (ii) on each date, other than an Interest Payment Date, on which the principal of an Outstanding Series 2011A-2 Bond becomes due, whether by mandatory redemption, acceleration, or otherwise, to a deposit to the Bond Payment Fund in an amount equal to the principal and Redemption Price of, and interest on, the Outstanding Series 2011A-2 Bonds coming due on such date. Notwithstanding the provisions of the immediately preceding sentence, no such deposit to the Bond Payment Fund need be made by the District to the extent that the Trustee then holds, or is concurrently receiving from the District from Assessment Proceeds or other sources that do not constitute Revenues, moneys for such purpose in the Bond Payment Fund, or being deposited in the Bond Payment Fund, available to pay the principal and Redemption Price of, and interest on, the Outstanding Series 2011A-2 Bonds to be paid with such deposit. The District will also pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Parity Obligations (other than the principal and Redemption Price of, and interest on, the Outstanding Series 2011A-2 Bonds), without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, on the dates specified in the proceedings relating to such Parity Obligations, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest (including purchase price) on Parity Obligations (other than the principal and Redemption Price of, and interest on, the Outstanding Series 2011A-2 Bonds) in accordance with the terms of such Parity Obligations.

Fourth: the District will transfer or cause to be transferred to any applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein in accordance with the terms of such Parity Obligations.

Fifth: to any lawful purpose of the District, including the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations, which application will be free and clear of the pledge and lien on Revenues created by the Indenture.

Bond Payment Fund. There has been established and created a fund with the Trustee under the Indenture designated the "Bonds of Irvine Ranch Water District, Series 2011A-2 Bond Payment Fund" (the "Bond Payment Fund"). The Trustee will transfer money contained in the Bond Payment Fund to the accounts described below at the following times in the manner provided in the Indenture, which accounts the Trustee has agreed to establish and maintain so long as the Indenture is not discharged in accordance with the provisions thereof, and each such account constitutes a trust fund for the benefit of the Owners of the Series 2011A-2 Bonds, and the money in each such account will be disbursed only for the purposes and uses authorized in the Indenture.

Interest Account. The Trustee, on each Interest Payment Date, will deposit in the Interest Account from money in the Bond Payment Fund an amount which, together with amounts already on deposit in the Interest Account, will be sufficient to pay interest on the Outstanding Series 2011A-2 Bonds due on such Interest Payment Date. Money in the Interest Account will be used and withdrawn by the Trustee on each Interest Payment Date solely for the payment of interest on the Outstanding Series 2011A-2 Bonds then due.

Principal Account. The Trustee, on each Principal Payment Date, will deposit in the Principal Account from money in the Bond Payment Fund such amount as is sufficient to pay the principal of the Outstanding Series 2011A-2 Bonds due on such Principal Payment Date. Money in the Principal Account will be used and withdrawn by the Trustee on each Principal Payment Date solely for the payment of the principal of Outstanding Series 2011A-2 Bonds then due.

Redemption Account. The Trustee will deposit in the Redemption Account amounts received from the District to pay the Redemption Price of Series 2011A-2 Bonds to be redeemed. Money in such Redemption Account will be used and withdrawn by the Trustee on each Redemption Date solely for the payment of the Redemption Price of Outstanding Series 2011A-2 Bonds upon the redemption thereof.

Existing Parity Obligations

The District has entered into certain Parity Obligations described below. The reimbursement agreements described below relate to outstanding *ad valorem* assessment bonds:

(i) the Fifth Amended and Restated Reimbursement Agreement, dated as of April 1, 2011, by and between the District and Bank of America, N.A.;

(ii) the Reimbursement Agreement, dated May 7, 2015, by and between the District and U.S. Bank National Association;

(iii) the two Reimbursement Agreements, each dated as of April 1, 2011, by and between the District and Sumitomo Mitsui Banking Corporation;

(iv) the Amended and Restated Reimbursement Agreement, dated as of April 1, 2011, by and between the District and U.S. Bank National Association;

(v) the State Revolving Loan Contract No. 6-817-550-0, dated June 26, 1997, by and between the District and the State Water Resources Control Board, as amended and supplemented, currently outstanding in the aggregate principal amount of $776,581;

(vi) the 2010 Installment Sale Agreement, securing the District's Certificates of Participation, Irvine Ranch Water District Refunding Series 2010 currently outstanding in the aggregate principal amount of $61,280,000;

(vii) the District's Series 2010B Bonds currently outstanding in the aggregate principal amount of $175,000,000; and

(viii) the Series 2011A-1 Bonds currently outstanding in the aggregate principal amount of $53,100,000.

The agreements described in clauses (i) through (iv) above are collectively referred to as the "Prior Reimbursement Agreements."

There are currently no reimbursement obligations outstanding under the Prior Reimbursement Agreements, although the District may incur reimbursement obligations under the Prior Reimbursement Agreements as provided therein.

For a summary of the stated amount of each letter of credit associated with the Prior Reimbursement Agreements, see Appendix A—"IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Parity Obligations."

Limitations on Parity and Superior Obligations

Obligations Superior to Series 2011A-2 Bonds. The District has covenanted in the Indenture that it will not create any pledge of, lien on or charge upon the Revenues with a priority prior to or senior to the pledge of the Revenues securing the Series 2011A-2 Bonds and the Parity Obligations.

Obligations on a Parity with the Series 2011A-2 Bonds. Under the Indenture, the District may at any time issue additional Parity Obligations; provided:

(a) The Net Revenues, plus any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, for the Applicable Fiscal Year, as evidenced by both a calculation prepared by the District and a special report on such calculation prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on file with the District, are at least equal to 125% of the Aggregate Debt Service for the Applicable Fiscal Year; and

(b) Either of (1) or (2) below:

(1) The Net Revenues for the Applicable Fiscal Year, plus any adjustments to Net Revenues to give effect as of the first day of the Applicable Fiscal Year to increases or decreases in rates and charges of the District approved and in effect as of the date of calculation, plus any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, produce an amount at least equal to 125% of the sum of: (i) the Aggregate Debt Service for such Applicable Fiscal Year; plus (ii) the Debt Service which would have accrued on any Parity Obligations issued since the end of the Applicable Fiscal Year assuming such Parity Obligations had been issued at the beginning of the Applicable Fiscal Year; plus (iii) the Debt Service which would have accrued had the additional Parity Obligations to be issued been issued at the beginning of the Applicable Fiscal Year; or

(2) The estimated Net Revenues for each Fiscal Year in the Test Period, plus an allowance for the estimated Net Revenues for each Fiscal Year in the Test Period arising from the completion of any uncompleted projects during the Test Period, plus any *ad valorem* assessments available to pay Debt Service on Parity Obligations which are not applied as a credit against Debt Service, plus any increase in the income, rents, fees, rates and charges estimated to be received by the District and which are economically feasible and reasonably considered necessary based on projected operations for the Test Period, produce an amount in each Fiscal Year in the Test Period which is at least equal to 125% of the sum of: (i) Aggregate Debt Service in each such Fiscal Year on all then Outstanding Parity Obligations; plus (ii) the Debt Service in each such Fiscal Year on the additional Parity Obligations to be issued; plus (iii) the Debt Service in each such Fiscal Year on any additional Parity Obligations estimated by the District to be required to complete all uncompleted projects for which Parity Obligations have been or are being issued, assuming that all such additional Parity Obligations to complete uncompleted projects (other than the Parity Obligations to be issued) have maturities, interest rates and proportionate principal repayment provisions similar to the Parity Obligations then being issued.

(c) Notwithstanding the provisions of clauses (a) and (b), the District may at any time issue additional Parity Obligations to refund Outstanding Parity Obligations without satisfying any of the conditions set forth in such subsections if Aggregate Debt Service after the issuance of such additional Parity Obligations in each Fiscal Year in the Refunding Test Period is not greater than the Aggregate Debt Service in each such Fiscal Year before the issuance of such additional Parity Obligations.

(d) Notwithstanding the provisions of clauses (a) and (b), the District may at any time issue a Parity Obligation constituting a Credit Support Agreement securing a Parity Obligation without satisfying any of the conditions set forth in such subsections if such Credit Support Agreement: (i) replaces a Prior Reimbursement Agreement (or a successor to a Prior Reimbursement Agreement) and does not increase the principal of bonds secured by the letter of credit relating to such Prior Reimbursement Agreement; or (ii) the Parity Obligations secured by the Credit Support Instrument relating to such Credit Support Agreement have been issued in accordance with clauses (a) and (b).

Notwithstanding the foregoing, so long as the 2010 Installment Sale Agreement remains outstanding, the District will need to comply with the requirements set therein for the issuance of Parity Obligations, which are identical to those set forth in clauses (a), (b) and (c) above except that the Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) which are applied as a credit to Debt Service in clauses (a) and (b) above are included as revenues for purposes of such calculation and the definition of Aggregate Debt Service in the 2010 Installment Sale Agreement does not provide an offset for debt service paid from Assessment Proceeds (and any assessment proceeds related to other Parity Obligations) associated with Revenue Enhancement Agreements. In addition, certain of the Prior Reimbursement Agreements related to outstanding *ad valorem* assessment bonds of the District, and certain swap agreements entered into by the District, have conditions precedent to the issuance of Parity Obligations that are more stringent than those listed above.

Obligations Subordinate to the Series 2011A-2 Bonds. Nothing in the Indenture prevents the District from issuing Subordinate Obligations or granting a pledge of, lien on or charge upon the Revenues in all respects junior and subordinate to the payment of amounts due with respect to Parity Obligations to secure any such Subordinate Obligations. Nothing in the Indenture limits the District's payment of the Operation and Maintenance Expenses prior to the payment of the Parity Obligations as provided in the Indenture.

Investment of Monies in Funds and Accounts Under the Indenture

So long as the Series 2011A-2 Bonds are Outstanding and no Event of Default has occurred and is continuing, monies on deposit to the credit of the funds held by the Trustee under the Indenture (except for the Remarketing Proceeds Account in the Purchase Fund) will, at the written request of the District, be invested by the Trustee in Permitted Investments. In the absence of written instruction from the District, the Trustee is directed to hold available funds uninvested. The Trustee is entitled to rely conclusively on said instructions for purposes of the Indenture and will have no duty to monitor the compliance thereof with the restrictions set forth in the Indenture. Subject to the limitations contained in Government Code Section 53601, monies in the funds held by the District will be invested by the District in Permitted Investments. All such investments will have maturity dates, or will be subject to redemption, at the option of the holder, on or prior to the dates the monies invested therein will be needed for the purposes of such funds. See Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" under the caption "DEFINITIONS" for the definition of Permitted Investments under the Indenture.

The Trustee may commingle any of the moneys held by it under the Indenture. The Trustee may present for redemption or sell any such deposit or investment whenever necessary in order to provide money to meet any payment of the money so deposited or invested. Any interest or profits on deposits and investments in the Bond Payment Fund received by the Trustee will be deposited in the Interest Account as a credit against interest to come due on the Outstanding Series 2011A-2 Bonds.

See Appendix C—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" under the caption "FUNDS AND ACCOUNTS—Investments."

THE IRVINE RANCH WATER DISTRICT

For a description of the District and each of the Improvement Districts see Appendix A—"IRVINE RANCH WATER DISTRICT."

CONTINUING DISCLOSURE

The District has covenanted in a Continuing Disclosure Certificate dated April 15, 2011 (the "Continuing Disclosure Certificate") for the benefit of the Owners and beneficial owners of the Series 2011A-2 Bonds to provide certain financial information and operating data relating to the District (each an "Annual Report") by not later than 270 days following the end of the District's fiscal year (which fiscal year ends on June 30), commencing with the Annual Report for Fiscal Year 2012, and to provide notices of the occurrence of certain enumerated events. The Annual Reports will be filed by the District with EMMA for the purpose of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The notices of enumerated events will be filed by the District with EMMA. The specific nature of the information to be made available and to be contained in the notices of enumerated events is contained in Appendix F—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Remarketing Agent, as Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) in complying with the Rule. For the last five years the District has complied in all material aspects with its filing obligations pursuant to undertakings entered into pursuant to the Rule.

See the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively. As a result of such consolidations, Improvement District Nos. 125 and 225 are the legal successors to Improvement District Nos. 105 and 250, respectively, and Improvement District Nos. 105 and 250 no longer exist. Accordingly, beginning in Fiscal Year 2014, the Annual Reports will contain information relating to Improvement District Nos. 125 and 225 rather than for Improvement District Nos. 105 and 250.

LITIGATION

There is no action, suit or proceeding known to be pending, or to the knowledge of the District, threatened, in any way contesting or affecting the validity of, the Series 2011A-2 Bonds or the Indenture. There is no litigation known to be pending, or to the knowledge of the District, threatened, questioning the existence of the District or the title of the officers of the District to their respective offices.

There exist lawsuits and claims against the District, which are incidental to the ordinary course of operations of the District's water and sewer systems and related activities. In the view of the District's management and General Counsel, there is no litigation, present or pending, or to the knowledge of the District, threatened, which will individually or in the aggregate materially impair the District's ability to service its indebtedness or which will have a material adverse effect on the business operations of the District.

RATINGS

On April 12, 2011, Standard & Poor's Ratings Group ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") assigned the Series 2011A-2 Bonds the short-term ratings of "A-1+", "VMIG 1" and "F1+", respectively, and Moody's and Fitch assigned the Series 2011A-2 Bonds the long-term ratings of "Aa1" and "AAA", respectively. S&P affirmed the short-term rating of the 2011A-2 Bonds of "A-1+" on December 18, 2014. Although S&P has not assigned a long-term rating to Series 2011A-2 Bonds, S&P affirmed the long-term rating of "AAA" on the District's Series 2010B Bonds, which are Parity Obligations, on December 18, 2014. Fitch affirmed the short-term rating of "F1+" and the long-term rating of "AAA" for the Series 2011A-2 Bonds on February 26, 2015. The District has made no attempt to seek an update to or affirmation of such ratings from the rating agencies in connection with the remarketing of the Series 2011A-2 Bonds on February 19, 2016. Generally, rating agencies base their ratings on information and material furnished directly to them (which may include information and material from the District which is not included in this Remarketing Statement) and on investigations, studies and assumptions made by them. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from the applicable rating agency. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2011A-2 Bonds.

TAX MATTERS

Original Opinions

On April 15, 2011, Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District ("Co-Bond Counsel"), in connection with the issuance of the Series 2011A-2 Bonds, delivered their respective opinions to the effect that, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011A-2 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. It was the further opinion of Co-Bond Counsel, as of April 15, 2011, that such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the opinions of Co-Bond Counsel delivered at the original issuance of the Series 2011A-2 Bonds is set forth in Appendix D hereto.

No Updated Co-Bond Counsel Opinions

Co-Bond Counsel have not taken, and do not intend to take, any action to update their respective original opinions or to determine if interest on the Series 2011A-2 Bonds is presently excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes.

General Considerations

Notwithstanding the foregoing, investors should be aware of the following information.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011A-2 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011A-2 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011A-2 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011A-2 Bonds. The opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-2 Bonds assumed the accuracy of these representations and compliance with these covenants. Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Co-Bond Counsel's attention after the date of issuance of the Series 2011A-2 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A-2 Bonds. Accordingly, the opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-2 Bonds are not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Co-Bond Counsel have rendered opinions that interest on the Series 2011A-2 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2011A-2 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011A-2 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on obligations like the Series 2011A-2 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2011A-2 Bonds. Prospective purchasers of the remarketed Series 2011A-2 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel express no opinion.

The opinions of Co-Bond Counsel delivered in connection with the initial issuance of the Series 2011A-2 Bonds were based on legal authority existing as of April 15, 2011, covered certain matters not directly addressed by such authorities, and represented Co-Bond Counsel's judgment as to the proper treatment of the Series 2011A-2 Bonds for federal income tax purposes. They are not binding on the Internal Revenue Service (the "IRS") or the courts. Furthermore, Co-Bond Counsel cannot give and have not given any opinion or assurance about the past or future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Co-Bond Counsel's engagement with respect to the Series 2011A-2 Bonds ended on April 15, 2011 with the original issuance of the Series 2011A-2 Bonds. Unless separately engaged, Co-Bond Counsel are not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2011A-2 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A-2 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2011A-2 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

REMARKETING AGENT

Morgan Stanley & Co. LLC has been appointed to serve as Remarketing Agent for the Series 2011A-2 Bonds. The Remarketing Agent will carry out the duties and obligations provided for the Remarketing Agent under and in accordance with the provisions of the Indenture and the Remarketing Agreement, dated as of April 1, 2011, by and between the District and Morgan Stanley & Co. LLC.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the Remarketing Agent for the Series 2011A-2 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2011A-2 Bonds.

The Remarketing Agent and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Remarketing Agent and certain of its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Remarketing Agent and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

APPROVAL OF LEGAL MATTERS

Certain legal matters in connection with the reoffering of the Series 2011A-2 Bonds will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Co-Bond Counsel to the District, by Bowie, Arneson, Wiles & Giannone, as Co-Bond Counsel to the District and general counsel to the District, and for the Remarketing Agent by Stradling Yocca Carlson & Rauth, a Professional Corporation.

INDEPENDENT ACCOUNTANTS

The financial statements of the District at June 30, 2015, included in Appendix B to this Remarketing Statement, have been audited by Davis Farr LLP, independent accountants (the "Auditor"), as set forth in their Independent Auditor's Report, which also appears in Appendix B. The Auditor has not reviewed the contents of this Remarketing Statement, and the District has not sought the Auditor's consent to the inclusion of the Auditor's audit letter attached to the District's financial statements in this Remarketing Statement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

Any statements in this Remarketing Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Statement is not to be construed as a contract or agreement between the District and registered owners or beneficial owners of any of the Series 2011A-2 Bonds. The delivery and distribution of this Remarketing Statement have been duly authorized by the District.

IRVINE RANCH WATER DISTRICT

By: /s/ Robert Jacobson
Treasurer

APPENDIX A

IRVINE RANCH WATER DISTRICT

APPENDIX B

AUDITED FINANCIAL STATEMENTS

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

[TO COME FROM BOND COUNSEL]

APPENDIX D

CO-BOND COUNSEL OPINIONS

Orrick, Herrington & Sutcliffe LLP and Bowie, Arneson, Wiles & Giannone, Co-Bond Counsel to the District, rendered the following final approving opinions dated April 15, 2011 (the "2011 Opinions") in connection with the initial issuance of the Series 2011A-2 Bonds. Co-Bond Counsel have made no attempt to update or reaffirm the 2011 Opinions in connection with this Remarketing Statement or the remarketing of the Series 2011A-2 Bonds.

[SEE ATTACHED]

APPENDIX E

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2011A-2 Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to on the Series 2011A-2 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2011A-2 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, acts as securities depository for the Series 2011A-2 Bonds. The Series 2011A-2 Bonds are fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond was issued for each maturity of the Series 2011A-2 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2011A-2 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A-2 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A-2 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A-2 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in Series 2011A-2 Bonds, except in the event that use of the book-entry system for the Series 2011A-2 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A-2 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A-2 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A-2 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A-2 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011A-2 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A-2 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011A-2 Bond documents. For example, Beneficial Owners of Series 2011A-2 Bonds may wish to ascertain that the nominee holding the Series 2011A-2 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A-2 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2011A-2 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2011A-2 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments with respect to the Series 2011A-2 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2011A-2 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Series 2011A-2 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2011A-2 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series 2011A-2 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2011A-2 Bonds are transferred by Direct Participants or DTC's records and followed by book-entry credit of tendered Series 2011A-2 Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2011A-2 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2011A-2 Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2011A-2 Bonds will be printed and delivered.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

The District entered into a Continuing Disclosure Certificate in the following form in connection with the initial issuance of the Series 2011A-2 Bonds on April 15, 2011:

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Irvine Ranch Water District (the "District") in connection with the execution and delivery of $60,545,000 Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the "Series 2011A-2 Bonds") and the $40,370,000 Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the "Series 2011A-2 Bonds," and together with the Series 2011A-2 Bonds, the "Series 2011A Bonds") constituting the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250 (collectively, the "Improvement Districts"). The Series 2011A-2 Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2011 (the "Series 2011A-2 Indenture of Trust"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, and the Series 2011A-2 Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2011 (the "Series 2011A-2 Indenture of Trust," and together with the Series 2011A-2 Indenture of Trust, the "Indentures of Trust"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee. The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Indentures of Trust, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term "Annual Report" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term "Beneficial Owner" means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term "EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/.

Fiscal Year. The term "Fiscal Year" means the one-year period ending on the last day of June of each year.

Holder. The term "Holder" means a registered owner of the Bonds.

Listed Events. The term "Listed Events" means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term "Official Statement" means the Official Statement of the District dated April 12, 2011 delivered in connection with the issuance of the Bonds.

Participating Underwriter. The term "Participating Underwriter" means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term "Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The District shall provide not later than 270 days following the end of its Fiscal Year (commencing with the Fiscal Year 2011) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in substantially the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information in the following tables and/or captions in Appendix A—"IRVINE RANCH WATER DISTRICT" in the Official Statement:

1. "Outstanding Indebtedness" on page A-7;

2. IRVINE RANCH WATER DISTRICT Historic Water Supply In Acre Feet Per Year" under the caption "WATER SUPPLY—Historic and Projected Water Supply" on page A-19;

3. "THE WATER SYSTEM—Historic Water Connections" on page A-21;

4. "THE WATER SYSTEM—Historic Water Deliveries" on page A-22;

5. "THE WATER SYSTEM—Water System Rates and Charges" on page A-24;

6. "THE SEWER SYSTEM—Historic Sewer and Recycled Water Connections" on page A-26;

7. "THE SEWER SYSTEM—Historic Sewer Daily Average Flow" on page A-27;

8. "THE SEWER SYSTEM—Sewer System Rates and Charges" on page A-30;

9. "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Historic Operating Results and Debt Service Coverage" on page A-33; and

10. An update of the following tables for each Improvement District:

    (i) Assessed Valuations (Land Only); provided that only the total assessed values shall be updated;

(ii) Assessed Valuation and Parcels by Land Use; and

(iii) Largest Local Secured Taxpayers.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;

6. defeasances;

7. tender offers;

8. ratings changes; and

9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

2. appointment of a successor or additional trustee or the change of the name of a trustee;

3. non-payment related defaults;

4. modifications to the rights of Bondholders;

5. notices of redemption; and

6. release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b), the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Cash and Investments. Upon request, the District shall provide on a quarterly basis to any person the most recently available Cash and Investment Summary as prepared for the Finance and Personnel Committee of the Board of Directors of the District.

7. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

8. Termination of Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indentures of Trust, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: April 15, 2011

IRVINE RANCH WATER DISTRICT

By: ______________________________
Its: Treasurer

APPENDIX A

IRVINE RANCH WATER DISTRICT

TABLE OF CONTENTS

INTRODUCTION

The following sets forth certain information relating to the Irvine Ranch Water District (the "District") and certain of its improvement districts.

The District's projections in Tables 12, 15, 17, 19, 23, 25, 27, 30 and 32 of this Appendix A (the "Projections") are derived from historic trends and experience and an internal financial model known as the "District Enterprise Model." The District Enterprise Model is a capital planning and budgeting tool used by the District to identify future infrastructure funding requirements, and to aid in setting water and sewer rates, charges and connection fees. Key inputs utilized in the District Enterprise Model include assumptions based on historical experience and other factors regarding the District's cost of borrowing, the rate of return on District investments, inflation, project costs, property tax receipts and the timing and amount of future bond sales, but the primary input is the pace and scope of real estate development activity within the District's service area. The District is in regular contact with major Orange County (the "County") real estate development companies to assess and update this information for use in the District Enterprise Model.

The Projections constitute forward-looking statements. No assurance can be given that the future results reflected in the Projections and otherwise discussed herein will be achieved, and actual results may differ materially from the Projections. As noted above, the Projections rely heavily on certain assumptions regarding the pace and scope of real estate development activity within the District's service area. Such activity may be affected by a variety of factors, such as tighter lending standards for real estate loans generally. Real estate development activity also may be affected by general economic conditions, which currently reflect higher energy and commodity costs and volatile financial markets. The District has attempted to reflect such conditions in the Projections, but is unable to predict with certainty the level of future real estate development activity or the other factors affecting the Projections.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California (the "State"). The various opinions of counsel that were delivered with respect to such documents, including the opinions of Co-Bond Counsel (the forms of which are attached to the Remarketing Statement as Appendix E), were similarly qualified.

Unless the context otherwise requires, all defined terms used herein shall have the same meanings set forth in the Remarketing Statement, except that the term "Improvement Districts" as used in this Appendix A refers to all seven water improvement districts and ten sewer improvement districts of the District.

THE IRVINE RANCH WATER DISTRICT

General

The District was established in 1961 as a California Water District under the provisions of Section 34000 *et seq*. of the California Water Code (the "Act"). As a special district, the District focuses on four primary services – providing potable water, collecting and treating wastewater, producing and distributing recycled and other non-potable water, and implementing urban runoff treatment programs.

The District serves a 181-square-mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of the County. Extending from the Pacific Coast to the foothills, the District's region is semi-arid with a mild climate and an average annual rainfall of approximately 12 inches. The District serves a total estimated population of approximately 370,000 through approximately 104,994 potable water, 84 non-potable water and

99,397 sewer service and recycled water connections. The number of service connections has increased by approximately 19% over the last decade.

The District builds and maintains significant capital infrastructure in order to serve its customers and is organized into Improvement Districts in order to allocate funding responsibility for capital facilities to the area which will benefit from such capital facilities and to separate areas on the basis of projected timing of development. This allows capital facilities construction to be matched to the development approval decisions of the respective local agencies that make them. Some of the Improvement Districts share in the funding of the District's regional facilities which such Improvement Districts use or will use in common, such as major water importation facilities and water and wastewater treatment plants. The District previously undertook a process to review its current capital funding plan, resulting in a master consolidation and combination of several Improvement Districts in November 2013. As a result of such consolidation, the District now has a total of seven water Improvement Districts and ten sewer Improvement Districts which cover specific areas within the District's boundaries, each of which is governed in accordance with the Act. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the effect on the Series 2011A-1 Bonds of the consolidation and combination of such Improvement Districts.

See Table 3 under the caption "—Outstanding Indebtedness—Improvement District Indebtedness" for information with respect to the amount of authorized and outstanding *ad valorem* assessment bonds for Improvement District Nos. 113, 125 and 213 and 225.

The principal office of the District is located at 15600 Sand Canyon Avenue, Irvine, California 92618.

Board of Directors and General Manager

The District's Board of Directors consists of five Directors elected by resident voters for staggered four-year terms. The policies of the Board of Directors are administered by the General Manager of the District.

Board of Directors. The present Directors are:

Mary Aileen Matheis. Ms. Matheis was initially appointed to the District's Board of Directors in 1988 to fill a vacancy and has since been elected to subsequent terms. Ms. Matheis currently serves as President and previously served as President in 2001 and 2012 and as Vice President in 2005, 2011 and 2014. She currently serves on the District's Finance and Personnel Committee. Ms. Matheis is a practicing lawyer and member of the California Bar and is also admitted to practice in the Supreme Court of the United States and the United States Tax Court. Ms. Matheis holds a bachelor's degree and master's degree in Communications and she received her Juris Doctorate from Western State University School of Law and was admitted to the California Bar in 1982. Ms. Matheis' activities in other water areas include service on the Legal Affairs Committee of the Association of California Water Agencies and as a member of Independent Special Districts of Orange County Executive Committee. Ms. Matheis is a member of the Colorado River Water Users Association and the Colorado River Foundation. Ms. Matheis is also the District representative to the Independent Special Districts of Orange County and a board member of the Water Education Foundation. Ms. Matheis is active in the Orange County Bar Association, a member of the Real Estate Section Executive Committee and the Probate and Estate Planning Section. Ms. Matheis is also on the Orange County Assessment Appeals Panel for Property Tax Appeals. Ms. Matheis' current term ends in November 2016.

Douglas J. Reinhart. Mr. Reinhart was appointed to the District's Board of Directors in 2004 to fill a vacancy and has since been elected to subsequent terms. Mr. Reinhart currently serves as Vice President and previously served as President in 2007, 2009, 2010 and 2013. He currently serves on the District's Engineering and Operations Committee. Mr. Reinhart is a registered civil engineer with over 40 years of experience in the private sector directing projects in water, wastewater and other infrastructure. Mr. Reinhart was the president and an owner of ASL Consulting Engineers before its acquisition by Tetra Tech in 1999. Mr. Reinhart then served as the Divisional Executive Vice President for Tetra Tech for the western United States before starting a consulting business in 2004. Mr. Reinhart holds a bachelor's degree in civil engineering from the Missouri School of Mines and Metallurgy. Mr. Reinhart has served on the Board of Trustees of the Southern California Water Committee, the American Water Works Association Desalination Committee and the Association of California Water Agencies Groundwater Committee and is a past member of the Board of Directors of the National WateReuse Association. In addition, Mr. Reinhart is a member of the American Society of Civil Engineers. Mr. Reinhart's current term ends in November 2018.

Steven E. LaMar. Mr. LaMar was appointed to the District's Board of Directors in 2009 and has been elected to two subsequent terms. Mr. LaMar previously served as President in 2011, 2014 and 2015. He is a water policy and planning expert with more than 25 years of experience on statewide business and industry committees and has directly participated in many major water policy forums. Mr. LaMar currently serves on the District's Engineering and Operations Committee and Water Resources Policy and Communications Committee. Mr. LaMar has served on statewide task forces and advisory committees on drought planning, desalination, the California Bay-Delta, the California Water Plan and on landscape water conservation issues. Mr. LaMar is president and owner of LegiSight, LLC, located in Tustin, California. He has served as a water policy leader in the California Building Industry Association for over 20 years. He represents the District on the boards of the National Water Research Institute and the Nature Reserve of Orange County. Mr. LaMar holds a bachelor's degree in political science from Pittsburg State University (Kansas) and a certificate from the Environmental Management Institute, a U.S. Environmental Protection Agency environmental training program administered by the University of Southern California. Mr. LaMar's current term ends in November 2018.

Peer Swan. Mr. Swan was elected to the District's Board of Directors in 1979 and has since been elected to subsequent terms. Mr. Swan currently serves on the District's Asset Management Committee and as chairman of the Finance and Personnel Committee. He previously served as President from December 1981 until December 1995 and again in 2006. Mr. Swan's community and professional involvement includes service as President of the Board of San Joaquin Wildlife Sanctuary and member of the Steering Committee of the Southern California Water Dialogue Committee. Mr. Swan is active in the Association of California Water Agencies, where he serves on the Board of Directors and on several committees. Mr. Swan has also been active in the California Association of Sanitation Agencies and the Newport Chamber of Commerce. Mr. Swan was the Treasurer of the Pacific Scientific Company prior to its acquisition in 1998 and a member of the Board of Directors of the Southern California Bank and its parent SC Bancorp until its acquisition in 1997. He has also served as a board member of the YMCA of Orange County and the Orange Coast College Foundation, where he was the founding Treasurer of the Board. He served as a Director of the Orange County Sanitation District for 15 years and was Vice Chairman for six years. Mr. Swan was also a Founding Director of the Board of the National Water Research Institute and was Chairman for four years. He is a longtime member of both the National Audubon Society and its local chapter (Sea & Sage). He was also the President of the Board of the Water Advisory Committee of Orange County in 2007 and 2008. Mr. Swan's current term ends in November 2018.

John B. Withers. Mr. Withers was initially appointed to the District's Board of Directors in 1989 to fill a vacancy and has since been elected to subsequent terms. Mr. Withers previously served as Vice President in 2012 and President in 2004. He also serves on the Asset Management Committee and the Water Resources Policy and Communications Committee. Mr. Withers is a partner with California Strategies, a strategic government relations firm in Irvine. In past positions, Mr. Withers has served as Vice President of Community Development for Lewis Operating Corporation and as Director of Water Resources for Psomas & Associates, a civil engineering and planning firm based in Costa Mesa. Mr. Withers has served as Director of Governmental Affairs for the Orange County Region of the Building Industry Association of Southern California and as a legislative advocate for Crocker Bank and a major trade association in Sacramento. Mr. Withers has served as Commissioner on the Orange County Local Agency Formation Commission since 1994. Mr. Withers also served as a member, including a term as chairman, of the Santa Ana Regional Water Quality Control Board, having been appointed by the Governor in 1992. Mr. Withers was a board member of the National Water Research Institute for six years and is the District's current representative. A native Southern Californian, Mr. Withers received his bachelor's degree from UCLA in economics with a specialization in urban studies in 1979 and received a master's degree in urban studies from Occidental College in 1988. Mr. Withers' current term ends in November 2016.

General Manager. Paul A. Cook, the General Manager of the District, heads a staff of approximately 350 employees. Mr. Cook was appointed General Manager in October 2011. Mr. Cook previously served as Interim General Manager from July to October 2011 and held the position of Assistant General Manager from 2004 to July 2011. Mr. Cook is a registered civil engineer with over 21 years of experience with water and wastewater systems in the public and private sectors. Prior to joining the District, he served as the Manager of Engineering for Central and West Basin Municipal Water Districts in Carson, California. He also served as the District Engineer for Los Alisos Water District in Lake Forest. In the private sector, Mr. Cook held engineering and project management positions with BFI Constructors and Turner Construction Company. He was elected to the Orange County Water District Board of Directors in 2002 and served for three years, representing communities in Irvine, Tustin and Newport Beach. Mr. Cook received his bachelor of science degree in Civil Engineering from the University of the Pacific, his master's of science degree in Civil Engineering from California State University of Long Beach and his master's in business administration from the University of California, Irvine.

Employees

The District currently employs approximately 350 persons, including full-time, part-time and temporary employees. On April 1, 2015, the current Memorandum of Understanding (the "MOU") between the District and the Irvine Ranch Water District Employee Association (the "Association") went into effect. The MOU expires on June 30, 2018. The Association currently represents 225 general employees of the District, of which 81 are voting members; supervisors and managers are unrepresented. The District has not experienced any strike or other labor actions.

Pension Benefits

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries. The District has not independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. Such information is not incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

CalPERS Plan. The District contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan for all of the District's full-time and certain of its temporary employees that have worked for the District for a total of over 1,000 hours. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the District.

CalPERS plan benefit provisions and all other requirements are established by State statute and the District's Board of Directors. Starting July 1, 2008, participants in the District's CalPERS plan have been required to contribute up to 8% of their annual covered salary. In the fiscal year of the District ended June 30 ("Fiscal Year"), 2015, District employees contributed the entire 8% of their CalPERS plan contributions.

The District is required to contribute at an actuarially determined rate applied to annual covered payroll. The District's contribution rates for Fiscal Year 2015 and 2016 were 17.737% and 18.331%, respectively. The District's contribution rate for Fiscal Year 2017 has been established at 19.302%.

For Fiscal Years 2015 and 2014, the District's annual pension contribution (the "ARC"), as determined by an actuarial valuation, was $4,524,000 and $4,785,000, respectively. The District currently expects its annual required contribution in Fiscal Years 2016 and 2017 to be approximately $4,900,000 and $5,450,000, respectively (assuming that the District elects the lump sum payment option in each of the respective years).

In June 2012, the Governmental Accounting Standards Board ("GASB") approved new standards (GASB Statement No. 68, or "GASB 68") with respect to pension accounting and financial reporting for state and local governments and pension plans. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (ii) more components of full pension costs will be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. The reporting requirements for pension plans for government employers took effect in Fiscal Year 2015. Based on the adoption of the new accounting standard, beginning with the Fiscal Year 2015 actuarial valuation, the ARC and the annual pension expense will be different. For additional information relating to the District's plan, see Note 13 to the District's audited financial statements for Fiscal Year 2015 attached to the Remarketing Statement as Appendix B.

Under GASB 68, which has been implemented beginning in Fiscal Year 2015, the District's pension plan was fully funded. The District had a net pension asset in the amount of $1.6 million as of June 30, 2015. The net pension asset is the difference between total pension liability and the fair market value of pension assets. The total pension liability for Fiscal Year 2015 has been determined by an actuarial valuation of the plan as of June 30, 2013.

A summary of principal assumptions and methods used to determine the total pension liability is shown below.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry age and service
Investment Rate of Return	7.50% Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table[(1)]	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Source: The District.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study report can be obtained from CalPERS.

Pension Benefits Trust. The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue by establishing a Pension Benefits Trust in Fiscal Year 2013 to fund its CalPERS unfunded liability, providing the District with an alternative to CalPERS that allows for investment by a professional fund management team selected and monitored by the District. The Pension Benefits Trust holds the funding contributions from the District pending future remittance to the CalPERS pension trust fund, which will pay all retiree benefit payments to employees associated with the District's plan. Future contributions will be transferred to CalPERS at the District's discretion. The funds held in the Pension Benefits Trust are legally protected from the claims of the general creditors of the District. Contributions to the Pension Benefits Trust and earnings on those contributions are irrevocable.

In Fiscal Year 2013, the District made a $35.0 million contribution to the Pension Benefits Trust, bringing the District (as shown in the table below) to a 94.6% funded ratio (including the amounts in the Pension Benefits Trust and the District's CalPERS plan) as of June 30, 2013. In Fiscal Years 2014 and 2015, the District made additional contributions of $2.2 million and $2.1 million, respectively, to the Pension Benefits Trust. As of June 30, 2015, the fair market value of the assets in the Pension Benefits Trust was approximately $45.3 million, resulting in a net pension asset of approximately $1.6 million. The moneys in the Pension Benefits Trust were invested in the Vanguard Institutional Index Fund, Fidelity Concord Spartan International Fund, Metropolitan West Total Return Bond Fund and Federated Government Obligations Money Market Fund. The District made an additional contribution of $1.9 million to the Pension Benefits Trust in Fiscal Year 2016. Additional information on the Pension Benefits Trust's investments can be found in Note 2 to the District's audited financial statements for Fiscal Year 2015 attached to the Remarketing Statement as Appendix B.

Funding of CalPERS Plan. The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

TABLE 1
IRVINE RANCH WATER DISTRICT
Schedule of Funding Progress
(In Thousands)

Valuation Date	***Accrued Liability***	***Market Value of Assets***	***Unfunded Liability***	***Funded Ratio***	***Annual Covered Payroll***
06/30/10	$158,904	$100,063	$34,351	63.0%	$24,929
06/30/11	170,392	128,753	29,676	75.6	24,379
06/30/12	183,096	129,953	31,902	71.0	24,203
06/30/13[1]	197,685	186,955	10,730	94.6	25,499
06/30/14	219,940	220,687	(747)	100.3	26,792

(1) The Pension Benefits Trust was established in Fiscal Year 2013. Fiscal Year 2013 amount includes Pension Benefits Trust assets of $35.0 million, significantly reducing the District's unfunded liability to $10.7 million as of June 30, 2013. In Fiscal Years 2014 and 2015, the District made additional contributions of $2.2 million and $2.1 million to the Pension

Benefits Trust. As of June 30, 2015, the fair market value of the assets in the Pension Benefits Trust was approximately $45.3 million, resulting in a net pension asset of approximately $1.6 million. See the caption "—Pension Benefits Trust."
Source: Irvine Ranch Water District Fiscal Year 2015 Comprehensive Annual Financial Report.

In the Statement of Net Position as of June 30, 2015, the District has a net pension asset of $1.6 million, computed in accordance with GASB 68. The District's net pension asset, computed in accordance with GASB 68 (as further discussed below), for the year ended June 30, 2015, was as follows (in thousands):

Net Pension Liability (Beginning of Year)	$20,454
Increase (Decrease) in Net Pension Liability	(22,021)
Net Pension Liability (Asset) (End of Year)	1,567

Source: The District.

The following table summarizes the District's pension contributions for Fiscal Years 2011 through 2015:

TABLE 2
IRVINE RANCH WATER DISTRICT
Annual Pension Cost (Employer Contributions)
(In Thousands)

Fiscal Year	*Employer Contribution*	*District-Funded Employee Contribution*[1]	*Employee Contribution*	*Annual Pension Cost*	*Percentage of Annual Pension Cost Contributed*	*Net Pension Asset*
2011	$ 9,480	$1,728	$ 249	$3,012	314.7%	$11,283
2012	4,643	1,025	916	4,321	107.5	11,605
2013[2]	42,840	609	1,365	4,297	997.0	50,148
2014[2]	6,574	394	1,679	4,785	137.4	51,937
2015[2][3]	6,638	206	1,901	N/A	N/A	N/A

(1) Beginning in the second half of Fiscal Year 2015, the District will no longer fund any portion of the employee contribution. See the caption "—CalPERS Plan."
(2) These figures include contributions of $35 million, $2.2 million and $2.1 million to the Pension Benefits Trust in Fiscal Years 2013, 2014 and 2015, respectively. See the caption "—Pension Benefits Trust."
(3) Differences from prior years reflect new GASB standards described above.
Source: The District.

Other Pension Benefits. The District enables all of its part-time and certain temporary employees to participate in a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For Fiscal Year 2015, the District's payroll covered by the plan was $139,220. The eligible employees contributed $10,442 (the required 7.5% of current covered payroll). The District made no contributions to the defined contribution plan during such Fiscal Year.

All regular, full-time District employees are eligible to participate in the District's deferred compensation program pursuant to Section 457 of the Internal Revenue Code whereby they can voluntarily contribute a portion of their earnings into a tax-deferred fund administered by the District and invested through a third party provider. Pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001, effective January 1, 2002, employees may contribute the lesser of 100% of includible compensation or the maximum dollar amount allowable under Internal Revenue Code Section 457 in effect for the year. The dollar amount currently in effect for calendar year 2016 is $18,000. Since 2008, the limit has been indexed to inflation in $500 increments.

Effective January 1, 2008, for employees with one year or more of service, the District provides 100% matching of employee Section 457 plan contributions up to an annual maximum of 3% of the employee's base salary. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During Fiscal Year 2015, the District contributed $659,093 to employee accounts under the 401(a) plan.

The assets in both plans are held in trust for the exclusive benefit of the participants and their beneficiaries, and are therefore not reported in the financial statements of the District.

Other Post-Employment Benefits

GASB has issued two related pronouncements, known as GASB 43 and GASB 45, related to funding and accounting for Other Post-Employment Benefits ("OPEB") liabilities. OPEB liabilities consist of health care, insurance and all other retiree benefits that are not part of a pension plan. Under GASB 45, costs of OPEB must be matched to the current period in which employees are performing services for the District. In effect, there is an exchange between the employee and the District in which the employee renders services to the District and in consideration therefor receives certain salaries and benefits, part of which are OPEB, which they will not actually use until some point in the future. GASB accounting standards require the District to recognize the cost of the benefits in the periods when the employees' services are received by the District. GASB 45 also requires the District to provide information about the accrued actuarial liabilities for the promised benefits for past services, to what extent those have been funded, and to what extent there will be demands from OPEB on the District's future cash flows.

The District currently has three OPEB programs: the California Public Employees Medical and Hospital Care Act ("PEMHCA") premiums, a retiree health costs reimbursement plan, and a retiree death benefit life insurance program. Under the first program, the District pays the required healthcare coverage under PEMHCA, commonly referred to as "PERS Health." To qualify, employees must retire from the District and begin drawing CalPERS retirement benefits. Participation in PEMHCA is financed in part by the District through a contribution of $122.00 per employee per month (at current rates). The contribution rate is scheduled to be indexed with medical inflation in future years, although contributions could increase in greater amounts at the direction of CalPERS Board. In addition, the District pays 0.34% of the PEMHCA premium to cover administrative fees. In Fiscal Year 2015, the District contributed $105,761 on behalf of retirees participating in the PEMHCA program.

As part of its retiree health costs reimbursement plan, the District provides retirees who have attained age 55 and have completed at least 10 years of service with the District with reimbursement of eligible healthcare costs of $300 per month for retirees with at least ten years of service up to a maximum of $600 per month for retirees with at least 25 years of service, in each case for up to five years. In Fiscal Year 2015, the District contributed $328,167 on behalf of retirees participating in the Retiree Health Costs Reimbursement Plan.

Finally, the retiree death benefit life insurance program provides retirees who were hired on or before December 31, 2008 with term life insurance benefits with a face amount equal to 100% of their annual salary in effect at the time of retirement. Insured group-term life benefits end for all participants at age 70. Thereafter, the District provides a self-insured $10,000 death benefit for all participants already retired as of December 31, 2008 and for currently active Board members. To qualify, a retiree must have retired from the District, be at least 55 years old, have completed at least ten continuous years of service with the District, and must be drawing retirement benefits from CalPERS. In Fiscal Year 2015, the District contributed $14,241 on behalf of retirees participating in this program.

OPEB costs have traditionally been accounted for and financed from the District's annual operating budget as part of its benefits expense on a pay-as-you-go basis. During Fiscal Year 2015, the District contributed $448,169 on behalf of retirees participating in the OPEB programs. The budgeted amount for the District's OPEB in Fiscal Year 2016 is approximately $471,000.

The District has been required to comply with the accounting and reporting requirements of GASB 45 since Fiscal Year 2008. According to an actuarial valuation prepared for the District by Demsey, Filliger & Associates, the unfunded liability for the District's OPEB as of July 1, 2014 was approximately $7.3 million. The Annual Required Contribution (the "OPEB ARC") was $726,031 in Fiscal Year 2015, of which the District contributed $448,169. The OPEB ARC is calculated assuming that the accrued, unfunded liability will be amortized over the next 30 years, benefits will remain constant, and funding in excess of actual benefit costs will be invested at a 4.00% annual return, and with other assumptions regarding medical cost inflation.

For additional information relating to the District's OPEB obligations, see Note 14 to the District's audited financial statements for Fiscal Year 2015 attached to the Remarketing Statement as Appendix B.

Budget Process

Prior to July 1 of each year, the General Manager prepares a budget for the Fiscal Year commencing July 1 and ending on the succeeding June 30. Following the adoption of the operating budget, the Board of Directors approves a schedule of water, sewer and recycled water rates for such Fiscal Year based on the budget approved by the Board of Directors. See the caption "CONSTITUTIONAL LIMITS AND APPROPRIATIONS AND CHARGES—Proposition 218." The budget for Fiscal Year 2016 was approved on May 26, 2015.

Water and Sewer System Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions and natural disasters. The District utilizes a combination of self-insurance and third-party liability insurance to minimize loss exposures from property, third-party liability claims and workers compensation claims. The District self-insures the first $25,000 per occurrence for property losses, $100,000 per occurrence for third-party liability claims and $125,000 per occurrence for workers compensation claims.

Property, boiler and machinery insurance is provided through participation in the California State Association of Counties Excess Insurance Authority ("CSAC-EIA"). Property insurance includes flood insurance but does not include earthquake insurance. General and excess liability coverage of $35,000,000 and workers compensation insurance is provided through participation in CSAC-EIA. Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Illinois Union Insurance Company. Settlements have not exceeded coverage for each of the past three Fiscal Years.

Collection Procedures

All charges for water and recycled water service and almost all charges for sewer service are billed monthly. If payment is not received 25 days after presentation, a one-time late charge of 10% of the unpaid balance plus 1.5% interest will be assessed for each month until the unpaid balance has been paid in full. A shut-off notice is mailed out in conjunction with an automated courtesy phone call when the unpaid balance exceeds $150. If payment is not received within 15 days of the mailed shut-off notice, service is shut off as of the date specified on the notice. Service is not restored until all charges, including a restoration charge, have been paid in full. The District sends closed accounts to outside collection agencies and does not currently transfer such accounts to the County tax roll. A small number of accounts located in Newport Beach for which the District provides sewer service only are billed on the County tax rolls.

Outstanding Indebtedness

Improvement District Indebtedness. As of December 31, 2015, the District had $494,800,000 aggregate principal amount of outstanding *ad valorem* assessment bonds (the "Ad Valorem Assessment Bonds") on behalf of the Improvement Districts. The Ad Valorem Assessment Bonds are secured by *ad valorem* assessments on land within the respective Improvement District, and are not by their terms payable from Revenues, except for the Series 2011A-1 Bonds, the Bonds of the Irvine Ranch Water District, Series 2010B (the "Series 2010B Bonds") and the Bonds of Irvine Ranch Water District, Refunding Series 2011A-2 (the "Series 2011A-2 Bonds"), each of which is described below under the caption "—Parity Obligations." The District's practice has been to apply Net Revenues remaining after the payment of debt service on Parity Obligations and subordinate obligations to the principal and interest on the Ad Valorem Assessment Bonds. Pursuant to Section 35975 of the Act, the District also may levy certain rates and charges in lieu of *ad valorem* assessments to pay the Ad Valorem Assessment Bonds. The District does not currently levy in-lieu rates and charges. Any such in lieu rates and charges levied by the District in the future would not constitute Revenues. The following table illustrates a breakdown of outstanding Ad Valorem Assessment Bonds by Improvement District as of December 31, 2015.

TABLE 3
IRVINE RANCH WATER DISTRICT
Outstanding *Ad Valorem* Assessment Bonds By Improvement District

Improvement District	*Amount Authorized*	*Amount Issued*	*Remaining Unissued Bonds Authorized*	*Amount Outstanding as of December 31, 2015*
Waterworks Bonds				
112	$ 28,512,300	$ 5,740,000	$ 22,772,300	$ 5,379,000
113[(1)]	**25,769,500**	**14,800,000**	**10,969,500**	**13,637,500**
125[(1)(2)]	**735,246,000**	**413,156,400**	**322,089,600**	**184,154,205**
153	237,300,000	0	237,300,000	0
154	4,839,000	0	4,839,000	0
185[(3)]	13,500,000	0	13,500,000	0
188	8,174,000	4,437,000	3,737,000	1,456,000
Total Waterworks Bonds	$ 1,053,340,800	$ 438,133,400	$ 615,207,400	$ 204,626,705
Sewer Bonds				
1[(4)]	$ 2,000,000	$ 2,000,000	$ 0	$ 0
212	108,712,000	15,700,000	93,012,000	14,731,000
213[(1)]	**87,648,000**	**23,800,000**	**63,848,000**	**20,839,000**
225[(1)(5)]	**856,643,000**	**449,748,000**	**406,895,000**	**231,726,235**
240	117,273,000	48,476,500	68,796,500	22,617,060
252	0	0	0	0
253	122,283,000	0	122,283,000	0
256	0	0	0	0
285[(6)]	21,300,000	0	21,300,000	0
288	8,977,000	300,000	8,677,000	260,000
Total Sewer Bonds	$ 1,324,836,000	$ 540,024,500	$ 784,811,500	$ 290,173,295
Total District	$ 2,378,176,800	$ 978,157,900	$ 1,400,018,900	$ 494,800,000

(1) The Series 2011A-1 Bonds represent the consolidated, several general obligations of these Improvement Districts. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Assessment Proceeds and Pledge of Revenues."

(2) Improvement District No. 125 was created on November 11, 2013. Reflects the consolidation of portions of former Improvement District Nos. 105, 106, 102, 121, 130, 135, 140, 161, 182, 184 and 186.

(3) On March 4, 2014, *ad valorem* assessment bonds for Improvement District No. 185 in the maximum authorized principal amount of $13,500,000 were approved at a special election.

(4) Also referred to as Improvement District No. 210.

(5) Improvement District No. 225 was created on November 11, 2013. Reflects the consolidation of portions of former Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286.

(6) On March 4, 2014, *ad valorem* assessment bonds for Improvement District No. 285 in the maximum authorized principal amount of $21,300,000 were approved at a special election.
Source: The District.

Parity Obligations. In addition to the Series 2011A-1 Bonds, the District has the following Outstanding Parity Obligations:

- 1997 State Loan #3. In 1997, the District entered into a loan contract with the State of California (the "1997 State Loan") to fund recycled water projects. The 1997 State Loan was outstanding as of December 31, 2015 in an aggregate principal amount of $776,581 and matures in 2019. Pursuant to the terms of the 1997 State Loan, the District's obligation to pay debt service on the 1997 State Loan is payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations.

- Prior Reimbursement Agreements. In connection with the District's prior issuances of *ad valorem* assessment bonds, the District has entered into several reimbursement agreements (the "Prior Reimbursement Agreements") with various letter of credit banks (the "Prior Banks"). Pursuant to the terms of the Prior Reimbursement Agreements, the District's obligations to reimburse the Prior Banks will be payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations. There are currently no reimbursement obligations outstanding, although the District may incur reimbursement obligations under such Prior Reimbursement Agreements as provided therein. The following table summarizes the stated amount of each letter of credit associated with the Prior Reimbursement Agreements.

TABLE 4
IRVINE RANCH WATER DISTRICT
Summary of Prior Reimbursement Agreements
As of December 31, 2015

General Obligation Bonds	*Outstanding Principal*	*Letter of Credit Bank*	*Expiration Date*	*LOC Stated Amount*	*Reimbursement Obligations Outstanding*
Series 1993	$ 34,600,000	U.S. Bank National Association	11/07/18	$ 35,066,389	$ 0
Series 1995	14,200,000	Sumitomo Mitsui Banking Corp.	07/14/17	14,410,082	0
Series 2008A	52,500,000	Sumitomo Mitsui Banking Corp.	07/14/17	53,276,712	0
Series 2009A	65,000,000	U.S. Bank National Association	07/15/16	65,726,575	0
Series 2009B	65,000,000	Bank of America, N.A.	07/15/16	65,726,575	0
TOTAL	$ 231,300,000			$ 234,206,333	$ 0

Source: The District.

- 2010 Installment Sale Agreement. In 2010, the District entered into an Installment Sale Agreement (the "2010 Installment Sale Agreement") in connection with the execution and delivery of the District's $85,145,000 aggregate principal amount of Certificates of Participation Irvine Ranch Water District Refunding Series 2010. The 2010 Installment Sale Agreement was outstanding as of December 31, 2015 in the aggregate principal amount of $61,280,000 and matures in 2032. The District's obligation to make installment payments pursuant to the 2010 Installment Sale Agreement is on a parity with the Series 2011A-1 Bonds and other Parity Obligations.

- Series 2010B Bonds. In 2010, the District issued $175,000,000 aggregate principal amount of Series 2010B Bonds. The Series 2010B Bonds were outstanding as of December 31, 2015 in the aggregate principal amount of $175,000,000 and mature in 2040. In addition to Assessment Proceeds, the Series 2010B Bonds are payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations. See the caption "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Reduction in BAB Credits" for a discussion of the effect of the federal sequester on the receipt of interest subsidy payments relating to the Series 2010B Bonds.

- Series 2011A-2 Bonds. In 2011, the District issued $40,370,000 aggregate principal amount of Series 2011A-2 Bonds. The Series 2011A-2 Bonds were outstanding as of December 31, 2015 in the aggregate principal amount of $35,400,000 and mature in 2037. In addition to Assessment Proceeds, the Series 2011A-2 Bonds are payable from Net Revenues on a parity with the Series 2011A-1 Bonds and other Parity Obligations.

***Subordinate Debt*.**

- Interest Rate Swap Transactions. As of December 31, 2015, the District was also obligated under five interest rate swap transactions with a total notional amount of $130 million and termination dates ranging from June 2019 to March 2029, pursuant to which the District is entitled to receive variable rate payments based on a floating rate index in return for the District's obligation to make payments at a fixed interest rate (the "Swaps").

  The Swaps generally are evenly distributed, as to notional amount on a particular transaction date, between two swap counterparties – Merrill Lynch Capital Services, Inc. ("Merrill") and Citibank, N.A. ("Citibank") – except with respect to one Swap with a notional amount of $30 million and a termination date of June 17, 2019, which was entered into only with Citibank. For additional information with respect to the payment terms and other information relating to the Swaps, see Note 3 to the District's financial statements attached as Appendix B to the Remarketing Statement. Regularly-scheduled and early termination payments with respect to the Swaps constitute unsecured general obligations of the District payable from legally-available funds. The Swaps are payable from certain Revenues, but are subordinate to the District's obligation to pay debt service on the Series 2011A-1 Bonds and other Parity Obligations. Any amounts received by the District pursuant to the Swaps also constitute Revenues and, as such, are pledged for the payment of the Series 2011A-1 Bonds and other Parity Obligations. As of December 31, 2015, the mark-to-market value of the total interest rate swaps with Citibank and Merrill exceeded the threshold amount ($15,000,000) for each counterparty, requiring the District to post collateral in the amount of $9,200,226. The funds are held in a separate trust account and earn interest at the Federal Funds Effective Rate.

  All of the above-described interest rate swap transactions entail risk to the District. For example, the swap counterparties may fail or be unable to perform, interest rates may vary from assumptions, the District may be required to post collateral in certain circumstances, or the District may be required to make significant payments in the event of an early termination of one or more Swaps. The early termination of a Swap may not affect the obligations of the counterparties with respect to the other Swaps. The District cannot predict if any such event will occur with respect to one or more of the District's existing or future interest rate swap agreements. However, the District does not anticipate that any such event would have a material adverse effect on the District's ability to pay the debt service on the Series 2011A-1 Bonds.

- Santiago County Water District Consolidation. The District and Santiago County Water District ("SCWD") consolidated effective July 1, 2006. As successor to SCWD, the District is obligated to satisfy the following additional obligations: (i) a fiscal services agreement with the State of

California Department of Water Resources, with a loan balance of approximately $700,000 as of December 31, 2015 and final payment due in 2025; and (ii) a promissory note payable to Foothill/Eastern Transportation Corridor Agency with a remaining balance of approximately $545,000 and a final payment date in 2045.

Variable Rate Debt Management

The Board of Directors of the District has adopted a policy to maintain a target amount of investment assets equal to 75% or more of the District's outstanding unhedged variable rate indebtedness. No assurance can be made that the Board of Directors of the District will not modify such policy in the future.

Current Investments

As of December 31, 2015, the District had investments (excluding the real estate investments described below) of approximately $244.7 million as follows:

TABLE 5
IRVINE RANCH WATER DISTRICT
Summary of Investments

Investment Type	***Approximate Investment Amount in Millions***[1]	***Percentage of Total Investments***[1]
Federal Agency Securities	$ 177.0	72.34%
Local Agency Investment Fund	50.0	20.43
Treasury Equivalents[2]	9.2	3.76
Municipal Bonds – Installment Sale Agreement	8.5	3.47
Total	$ 244.7	100.00%

(1) As of December 31, 2015. Rounded. Excludes real estate investments described below.
(2) Includes collateral held with Citibank and Merrill pursuant to the Swaps. Although not held by the District, such collateral constitutes District moneys. See the caption "—Outstanding Indebtedness—Subordinate Debt—Interest Rate Swap Transactions."
Source: The District.

In addition to the moneys invested in local agency municipal bonds and the Local Agency Investment Fund, the District has invested approximately $72.6 million of its capital facilities replacement fund in real property. The District's real property investments include a limited partnership interest in a 230-unit apartment complex (the "Wood Canyon Villas Apartments"), ownership of a 450-unit apartment complex (the "Sycamore Canyon Apartments") and ownership of three commercial office buildings (the "Irvine Market Place," the "Waterworks Business Park" and the "Sand Canyon Professional Center"), with market values well in excess of the original investment. Wood Canyon Villas Apartments, Sycamore Canyon Apartments, the Irvine Market Place, the Waterworks Business Park and the Sand Canyon Professional Center are all income-producing properties, the earnings and projected earnings from which are reflected in Tables 6 and 7 below.

In February 2014, the District and El Toro Water District ("ETWD") entered into an Installment Sale Agreement (the "ISA") pursuant to which the District agreed to fund ETWD's share of the costs of construction of, and the acquisition of capacity rights in, the Baker Water Treatment Plant project (the "Baker WTP") in exchange for quarterly installment payments from ETWD. See the caption "THE WATER SYSTEM—General" for a description of the Baker WTP. ETWD's obligation to repay the District under the ISA is payable from net revenues of ETWD's water system over a period of twenty years. The principal amount of ETWD's obligations under the ISA will not exceed $12,500,000. The amount outstanding under the ISA as of December 31, 2015 was $8,496,575 and the applicable interest rate is 4.57%.

Historic Net Real Estate Income

The following table shows the net real estate income after expenses of the District for the five most recent Fiscal Years.

TABLE 6
IRVINE RANCH WATER DISTRICT
Historic Net Real Estate Income
(in Thousands)

Fiscal Year	***Net Income***
2011	$5,649
2012	6,736
2013	6,566
2014	7,760
2015	8,191

Source: The District.

Projected Net Real Estate Income

The following table projects the net real estate income after expenses of the District for the current and next four Fiscal Years.

TABLE 7
IRVINE RANCH WATER DISTRICT
Projected Net Real Estate Income
(in Thousands)

Fiscal Year	***Net Income***(1)
2016	$8,609
2017	8,770
2018	8,935
2019	9,103
2020	9,274

(1) Based on existing and expected leases. See the caption "—Current Investments."
Source: The District.

1% Property Tax Revenues

Pursuant to the Act, the Board of Supervisors of the County is required to levy a "general assessment" on assessable property within the boundaries of the District sufficient to raise the amounts determined each year by the District's Board of Directors to be necessary for the authorized purposes of the District. These provisions, however, have largely been superseded by the passage by the California electorate in June of 1978 of Article XIIIA of the California Constitution (commonly known as "Proposition 13"), and by the legislation subsequently enacted by the California Legislature to implement Article XIIIA. As a result of Article XIIIA and its implementing legislation, the District receives as proceeds of the "general assessment" a share of the one percent *ad valorem* property tax collected by the County from assessable property within the boundaries of the District (the "1% Property Tax Revenues").

From time to time legislation has been considered as part of the State budget to shift 1% Property Tax Revenues collected by each county from local agencies, including special districts such as the District, to school districts or other governmental entities. However, Proposition 1A ("Proposition 1A"), proposed by the California Legislature in connection with the 2004-05 State Budget Act and approved by the voters in November 2004, restricted State authority to reduce major local tax revenues such as the tax shifts permitted to take place in legislation enacted in connection with the 2004-05 and 2005-06 State budgets, which shifted approximately 35% of many special districts' shares of the countywide one percent *ad valorem* tax.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of 1% Property Tax Revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that, beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

A portion of the District's 1% Property Tax Revenues was previously subject to borrowing by the State under Proposition 1A and there can be no assurance that the 1% Property Tax Revenues that the District currently expects to receive will not be temporarily shifted from the District pursuant to Proposition 1A in future fiscal years or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of 1% Property Tax Revenues by the District. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—Pledge of Assessment Proceeds and Revenues" for a discussion of the extent to which 1% Property Tax Revenues are available to pay Debt Service on the Series 2011A-1 Bonds.

The table below sets forth the amount of 1% Property Tax Revenues received by the District for the five most recent Fiscal Years.

TABLE 8
IRVINE RANCH WATER DISTRICT
1% Property Tax Revenues
(in Thousands)

Fiscal Year	*1% Property Tax Revenues*
2011	$26,989
2012	26,478
2013[1]	29,265
2014[2]	31,545
2015	33,128

(1) Reflects shift of property tax revenues of approximately $2.1 million to Educational Revenue Augmentation Fund in Fiscal Year 2010 as described above. Such moneys were received, with interest, in Fiscal Year 2013.
(2) Beginning in Fiscal Year 2014, the District will receive 1% Property Tax Revenues from an area that was previously served by Orange County Sanitation District.
Source: The District.

Alternative Method of Tax Apportionment – "Teeter Plan"

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property assessments on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the assessment-levying or assessment-collecting agency.

The Teeter Plan for the County is applicable to all assessment levies for which the County acts as the assessment-levying or assessment-collecting agency, or for which the treasury of the County is the legal depository of assessment collections.

The *ad valorem* property assessments to be levied to pay the interest on and principal of the Series 2011A-1 Bonds will be subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property assessment levied on secured property to pay the Series 2011A-1 Bonds irrespective of actual delinquencies in the collection of the assessment by the County so long as the Teeter Plan remains in effect. The District's share of 1% Property Tax Revenues is also subject to the Teeter Plan.

The Teeter Plan is to remain in effect for the County unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event that the Board of Supervisors of the County discontinues the Teeter Plan for the County, only those secured property assessments that are actually collected would be allocated to political subdivisions (including the District) for which the County acts as the assessment-levying or assessment-collecting agency.

Governmental Regulations

The District's operations are subject to numerous environmental regulations enforced by multiple governmental entities. Programs are in place for compliance with drinking water regulations, water discharge regulations, underground and aboveground fuel storage tank regulations, hazardous materials management plans, hazardous waste regulations, air quality permitting requirements, wastewater discharge limitations, and employee safety issues relating to hazardous materials and other conditions. Also, the District aggressively pursues the investigation and, when appropriate, the implementation of alternative methods and technologies for meeting increasingly strict environmental regulations.

The District expects environmental regulation to increase, resulting in higher capital and operating costs in the future, which may have a material adverse effect on the finances of the District.

Although the District's Board of Directors establishes the schedules of water, sewer and reclaimed water rates for each Fiscal Year, such rates are subject to the requirements of Proposition 218, which are described further under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

WATER SUPPLY

The District was formed in 1961 for the purpose of obtaining a water supply for municipal and irrigation uses. For the twelve month period ended June 30, 2015, of the water supplied by the District, approximately 19% was imported water, approximately 58% was groundwater and native stream flows and approximately 23% was recycled water.

The District operates a number of wells and reservoirs that produce or store local water for both potable and non-potable uses. Surface storage includes Irvine Lake, a 25,000 acre feet reservoir that is jointly owned by the District and Serrano Water District. Irvine Lake receives stream flow (native water) coming from the Santiago Creek watershed and is also used to store imported untreated water. The District's share of such water is used by the District primarily for agricultural and other irrigation purposes, and supplements the recycled water system during peak demand periods. In addition, the District has approximately 5,400 acre feet of recycled water storage capacity in its Sand Canyon, Rattlesnake, San Joaquin and Syphon Reservoirs and is currently evaluating additional recycled water storage projects.

Imported Water

In Fiscal Year 2015, the District purchased 15,925 acre feet of water imported from the Colorado River and northern California by The Metropolitan Water District of Southern California ("MWD"). MWD supplies water through its member agencies, including the member agency in which the District is situated, Municipal Water District of Orange County ("MWDOC"). The current cost of treated imported water from MWDOC is $850.25 per acre foot. In addition, the District currently pays a fixed charge to MWDOC in the form of readiness to serve, capacity reservation and service connection charges. The readiness to serve and capacity reservation charges are paid monthly and currently total $111,309, while the service connection charge is paid annually and is currently $800,050.

MWD faces various challenges in the continued supply of imported water to MWDOC. A description of these challenges as well as a variety of other operating information with respect to MWD is included in certain disclosure documents prepared by MWD. MWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. MWD has also entered into certain continuing disclosure agreements pursuant to which MWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). Such official statements, other disclosure documents, annual reports and notices (collectively, the "MWD Information") are filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") at http://emma.msrb.org. The MWD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. MWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE MWD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.

MWD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO MWD. MWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Groundwater

General. The District's Water Resources Master Plan calls for a reliable water supply mix and includes developing sufficient groundwater production capacity to pump up to the District's basin production percentage (the "BPP") set by the Orange County Water District ("OCWD"), the agency responsible for managing the Orange County groundwater basin. District groundwater pumping is affected by policies of OCWD, including the setting of replenishment assessments, basin production percentages of total water demand by agencies pumping basin groundwater and basin equity assessments.

OCWD establishes and collects replenishment assessments as a means of purchasing water and funding projects for the purpose of replenishing the Orange County groundwater basin. The replenishment assessment is established annually by OCWD and applies to every acre foot of groundwater produced from the basin.

In addition, each year, OCWD sets the BPP for water to be extracted from the Orange County groundwater basin. The BPP is the amount of groundwater, as a percentage of the total water demands of the District, that can be pumped from the Orange County groundwater basin during the year by a groundwater pumping agency without incurring the additional assessment described in the following paragraph. The amount of groundwater that an agency can pump without incurring the additional assessment is calculated by multiplying the total water use of such agency by the BPP (the "BPP formula"). Between Fiscal Years 2012 and 2016, the BPP has varied from 62% to 72%. In connection with the annexation of certain land by OCWD (as discussed in detail below), the District has agreed to a maximum BPP of 70% through 2023.

The additional assessment incurred by an agency that pumps non-exempt groundwater above the limit established by the BPP formula is called the basin equity assessment (the "BEA"). The BEA is established annually by OCWD for every acre foot of groundwater produced from the Orange County groundwater basin above the BPP formula (with exemptions described further below for pumping determined by OCWD to benefit water quality and other purposes) and is intended to increase the cost of producing groundwater in amounts above the BPP formula so that it equals the cost of importing water, thereby encouraging groundwater pumping agencies to supplement their groundwater production with imported water for the portion of their water use that exceeds the BPP. The BEA is a surcharge to discourage, yet still allow for, the production of groundwater in excess of the BPP formula. One of the District's operating objectives is to produce the maximum amount of groundwater within the BPP formula and to avoid producing groundwater in excess of such maximum in order to avoid paying the BEA. In Fiscal Year 2015, the amount of groundwater that the District pumped from the Orange County groundwater basin exceeded its BPP for non-exempt water by approximately 300 acre feet and, accordingly, the District paid a BEA of approximately $182,000 to OCWD.

OCWD has sought to enable groundwater producers to derive a larger percentage of their water supplies from local sources in times of Statewide drought so that such producers can reduce purchases of imported water at increased rates. For these reasons, OCWD has gradually increased the BPP in recent years. For Fiscal Years 2011, 2012 and 2013 the BPP was 62%, 65% and 68%, respectively. As a result of continued recharge of the Orange County groundwater basin, the BPP for Fiscal Year 2014 was raised to 70%, which allowed the District to pump approximately 54,000 acre feet from the Orange County groundwater basin without incurring any BEA. The District has agreed to a maximum BPP of 70% through 2023. In accordance with its 70% BPP, the District pumped approximately 50,495 acre feet of water from the Orange County groundwater basin in Fiscal Year 2015. The District pays OCWD a replenishment assessment of $322 per acre foot for all groundwater pumped and a BEA equal to an additional $524 per acre foot for groundwater pumped in excess of the BPP formula.

For certain portions of the District's groundwater production, the application of OCWD's BPP and BEA varies from the above general description. The District's Dyer Road Well Field has a production amount established by contract with OCWD as described in the below paragraph. The District also has several projects through which groundwater is produced that are, by contract with OCWD, completely or partially exempt from the BEA. While this "BEA-exempt" groundwater typically requires treatment, the District's cost to produce and treat this groundwater is effectively capped at the cost for imported water. Additionally, as portions of the District currently lie outside of OCWD's jurisdictional boundary, water demands in those areas are not included by OCWD in the accounting of the basin production percentage for the District. In 2014, the Orange County Local Agency Formation Commission approved the annexation of approximately 6,482 acres of land within the District into OCWD. The majority of such land is open space and is not expected to be subject to additional water demand at this time. Currently, approximately 20% of the District's water demand is from outside the OCWD jurisdictional boundary.

The BPP formula for the District's Dyer Road Well Field is not adjusted annually by OCWD but is fixed by contract with OCWD at 28,000 acre feet per year of clear groundwater, subject to the requirement that the amount over 20,000 acre feet is matched by an equal amount of groundwater pumped from the District's Deep Aquifer Treatment System (the "DATS"), which treats water from a deep aquifer in order to remove organic color. Like OCWD's general BPP, the Dyer Road Well Field's contractually fixed BPP formula discourages, but does not prohibit, production over such amount through the application of the BEA to any excess amount.

As discussed above, effective October 2, 2013, the District entered into an agreement with OCWD pursuant to which approximately 6,482 acres of the District's territory was annexed to OCWD upon the Orange County Local Agency Formation Commission's approval in July 2014. Under the annexation agreement, the District agreed to a specified termination date for its BEA exemption on the DATS, represented that the DATS wells would be used to supply the groundwater used in the annexed territory, and agreed that for a period of ten years from the effective date of the annexation agreement, the District will be deemed subject to a BPP equal to the lesser of OCWD's actual BPP or 70%.

The District also produces groundwater from its Irvine Desalter Project, which is described in greater detail under the caption "—Irvine Desalter Project." In Fiscal Year 2015, the Irvine Desalter Project provided a combined total potable and non-potable water production of 8,100 acre feet per year that is exempt from the BPP. A combined additional 1,685 acre feet per year of production is available from three other wells, the Orange Park Acres well, Well 2 in Lake Forest and Well 115 in Irvine. Water from Well 115 is pumped and treated at the Irvine Desalter Project. However, such water is not accounted for as Irvine Desalter Project water because it was not part of the original Irvine Desalter Project. The Orange Park Acres well was taken out of service in Fiscal Year 2011 and returned to service in spring 2015. Well 115 was taken out of service in Fiscal Year 2011 and was returned to service in October 2014. Production from the Orange Park Acres well and Well 115 is subject to the BPP and the BEA, while production from Well 2 is exempt from the BPP and the BEA.

In addition, in April 2013, the District completed construction of the Wells 21 and 22 project, which is expected to add, on average, an additional 6,400 acre feet per year of groundwater. In Fiscal Years 2014 and 2015, the Wells 21 and 22 facility produced approximately 6,935 acre feet and 3,550 acre feet, respectively, of groundwater. These wells are exempt from the BPP and the BEA. The District plans to expand its groundwater production facilities further, and is currently evaluating potential well sites. The District also has rights to native water impounded in Irvine Lake and at the Harding Canyon Dam in the Santiago Canyon area. Such native water does not produce firm annual yields.

Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects. The Irvine Desalter Potable Water and El Toro Groundwater Remediation Projects are groundwater development projects that were constructed by the District in cooperation with OCWD, the United States Departments of the Navy and Justice, MWD and MWDOC. The two projects commenced operations in early 2007.

The Irvine Desalter Potable Water Project consists of a potable water wellfield, pipelines and a purification plant. This project treats local groundwater to remove salts and nitrates caused by the natural geology and past agricultural use. The water is treated to drinking water standards through reverse osmosis and disinfection. The Irvine Desalter Potable Water Project was originally anticipated to pump approximately 5,100 acre feet of groundwater per year. However actual pumping may vary each year based on operational conditions. In Fiscal Years 2014 and 2015, the Irvine Desalter Potable Water Project produced 5,459 acre feet and 4,629 acre feet of groundwater, respectively.

The El Toro Groundwater Remediation Project is treating a plume of contaminated groundwater from the main aquifer of the Irvine sub-basin of the Orange County groundwater basin. The plume originated from the now-closed El Toro Marine Corps Air Station (the "MCAS"). The El Toro Groundwater Remediation Project consists of a treatment system that removes volatile organic compounds in the groundwater from solvent degreasers previously used at the MCAS. The treatment plant removes contaminants from the groundwater using an air stripper and granular activated carbon absorption units. The treated water is used in the District's recycled water system and is designed to supply a minimum of 3,400 acre feet of recycled water per year. In Fiscal Years 2014 and 2015, the El Toro Groundwater Remediation Project produced 3,885 acre feet and 2,885 acre feet, respectively, from non-potable wells. The United States Department of the Navy is compensating the District for this component of the project as part of the Settlement Agreement for Groundwater Remediation of the MCAS. The District expects that such compensation will cover the project costs until the plume of contaminated groundwater is cleaned up.

In addition to the two components described above, the Department of the Navy operates a number of wells on the former MCAS property. These wells pump contaminated groundwater from shallow basins located below the former base. Such water is treated by a treatment plant owned and operated by the District using an air stripper and granular activated carbon absorption units. These wells and the treatment plant, which are referred to as the Shallow Groundwater Unit (the "SGU"), are designed to treat approximately 640 acre feet per year of contaminated groundwater. The treated SGU water is disposed of via an existing ocean outfall. In Fiscal Years 2014 and 2015, the SGU treated approximately 630 acre feet and 600 acre feet, respectively, of water.

Historic Groundwater Supply. Set forth below is a summary of the District's sources of groundwater supply in acre feet per year for the last five Fiscal Years.

TABLE 9
IRVINE RANCH WATER DISTRICT
Historic Groundwater Supply In Acre Feet Per Year

Fiscal Year	***Dyer Road Well Field***	***Deep Aquifer Treatment System***	***Irvine Desalter Project***[2]	***Irvine Sub-basin***	***Other***[5]	***Total***
2011	22,488[1]	8,756	5,837	611	352	38,044
2012	19,917[1]	8,916	5,796	627	0	35,256
2013	27,763	8,858	7,123[3]	2,866[4]	281	46,891
2014	27,774	8,707	9,343	7,957	376	54,157
2015	28,304	8,600	8,661	4,731	536	50,832

(1) Excludes 5,512 acre feet of water and 8,083 acre feet of water purchased at OCWD's request in Fiscal Years 2011 and 2012, respectively, in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2013 or 2014.
(2) Excludes water pumped from the SGU, but includes non-potable water used in the District's recycled water system.
(3) Increase from Fiscal Year 2012 amount reflects the fact that a groundwater well was returned to service in October 2012. See the caption "—Irvine Desalter Project."
(4) Increase from Fiscal Year 2012 amount reflects completion of Wells 21 and 22. See the caption "—General."
(5) Includes Well 2 in Lake Forest. Also includes the Orange Park Acres well, which was returned to service in spring 2015. See the caption "—General."
Source: The District.

OCWD. OCWD faces various challenges in managing the Orange County groundwater basin. A description of these challenges, as well as a variety of other operating information with respect to OCWD, is included in certain disclosure documents prepared by OCWD. OCWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. OCWD has also entered into certain continuing disclosure agreements pursuant to which OCWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the "OCWD Information") are filed with EMMA at http://emma.msrb.org. The OCWD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. OCWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE OCWD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.

OCWD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO OCWD. OCWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Sustainable Groundwater Management Act. On September 16, 2014, the California Governor signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or "SGMA") into law. The SGMA constitutes a legislative effort to regulate groundwater on a Statewide basis. Pursuant to the SGMA, the California Department of Water Resources ("DWR") has designated the Orange County groundwater basin as a medium priority basin for purposes of groundwater management. By January 31, 2017, local groundwater producers must establish or designate an entity (referred to as a groundwater sustainability agency, or "GSA"), subject to DWR's approval, to manage each high and medium priority groundwater basin. Each GSA is tasked with submitting a groundwater sustainability plan for DWR's approval by January 31, 2020. Alternatively, groundwater producers can submit a groundwater management plan under Part 2.75 of the California Water Code or an analysis for DWR's review demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years. Such alternative plan must be submitted by January 31, 2017 and updated every five years thereafter.

If local groundwater producers do not create or nominate an entity to serve as a GSA, the SGMA authorizes DWR to assume management of a groundwater basin until such time as a GSA can perform such functions.

GSAs must consider the interests of all groundwater users in the basin and may require registration of groundwater users, the installation of flow meters to measure groundwater extractions and annual reporting of extractions. In addition, GSAs are authorized to impose spacing requirements on new wells, monitor, regulate and limit or condition groundwater production and establish production allocations among groundwater producers, among other powers. GSAs are authorized to impose fees to fund such activities and to fine or issue cease and desist orders against producers that violate the GSA's regulations. A local agency that manages groundwater pursuant to its principal act (such as OCWD) may not exercise such authority in a manner that is inconsistent with any prohibitions or limitations in its principal act unless the governing board of such local agency makes a finding that such local agency is unable to sustainably manage the groundwater basin without the prohibited authority. Groundwater sustainability plans must include sustainability goals and a plan to implement such goals within 20 years.

The District's wells in the Orange County groundwater basin are presently metered. The SGMA specifically calls for OCWD, which regulates the Orange County groundwater basin, to serve as the GSA for those portions of the basin that are within OCWD's boundaries. See the caption "—General." It has not yet been determined whether OCWD or another entity will serve as GSA for areas that are hydrologically part of the Orange County groundwater basin but located outside of OCWD's jurisdictional boundaries; some of such areas are within the District's boundaries. The District does not currently expect its groundwater extraction rights or costs in the Orange County groundwater basin to change significantly as a result of the enactment of the SGMA, nor does the District currently expect the enactment of the SGMA to have a material adverse effect on the District's ability to make payments of principal of and interest on the Series 2011A-1 Bonds from Net Revenues. The District notes that *ad valorem* property assessments constitute an additional source of moneys available to pay the interest on and principal of the Series 2011A-1 Bonds. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS."

Drought Proclamation

State Orders. Precipitation in the Santa Ana River Watershed and the State as a whole has been below average in recent years. On January 17, 2014, the California Governor declared a statewide drought state of emergency through Proclamation 1-17-2014 (the "Proclamation") with immediate effect. The Proclamation includes the following orders, among others: (a) local urban water suppliers, including the District, are encouraged to implement their local water shortage contingency plans; the District's plan is discussed under the caption "—District Response to Drought;" (b) local urban water suppliers, including the District, are encouraged to update their urban water management plans to prepare for extended drought conditions; (c) DWR and the State Water Resources Control Board (the "SWRCB") are directed to expedite the processing of water transfers; (d) the SWRCB is directed to put water rights holders on notice that they may be required to cease or reduce water diversions in the future; (e) the SWRCB is directed to consider modifying requirements for reservoir releases or diversion limitations; and (f) DWR is directed to take necessary actions to protect water quality and supply in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the "Bay-Delta"), including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species. In addition, on July 15, 2014, the SWRCB adopted emergency measures requiring water suppliers to implement mandatory Statewide water conservation actions.

On March 17, 2015, the SWRCB adopted additional emergency regulations limiting outdoor irrigation to two days per week, extending certain measures set forth in the July 15, 2014 action for an additional 270 days, prohibiting outdoor irrigation for 48 hours following rain and prohibiting restaurants from serving water to customers unless requested. It is anticipated that the District will comply with the new regulations through its water shortage contingency plan (the "WSCP"), as discussed under the caption "—District Response to Drought." MWD has also invoked its Water Supply Allocation Plan (the "WSAP") in response to the March 17, 2015 regulations. The WSAP provides for the equitable distribution of available water supplies in case of extreme water shortage within MWD's service area. On April 14, 2015, MWD approved implementation of WSAP Level 3 (Water Supply Allocation) effective July 1, 2015, which among other things will impose a surcharge of between $1,480 and $2,960 per acre foot of water usage above MWD members' water allocation. To date, no surcharges have been imposed on the District; any such surcharges would be passed through to customers.

On April 1, 2015, the California Governor issued an Executive Order extending the measures set forth in the Proclamation and adopting the following additional orders, among others: (i) the SWRCB is directed to impose restrictions to reduce potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, by 25% from 2013 amounts through February 28, 2016; portions of a water supplier's service area with higher per capita use must achieve proportionally greater reductions than areas with lower per capita use; (ii) DWR is directed to lead a statewide initiative to replace 50 million square feet of lawns with drought tolerant landscaping; (iii) the California Energy Commission is directed to implement a rebate program for replacement of inefficient appliances; (iv) urban water suppliers are required to provide monthly water usage, conservation and enforcement information; (v) service providers are required to monitor groundwater basin levels in accordance with California Water Code § 10933; (vi) permitting agencies are required to prioritize approval of water infrastructure and supply projects; and (vii) DWR is required to plan salinity barriers in the Bay-Delta. On May 6, 2015, the SWRCB adopted regulations in response to the Governor's executive order that require the District to effect a 16% reduction from 2013 water usage. On November 13, 2015, the Governor issued Executive Order B-36-15, which calls for an extension of urban water use restrictions until October 31, 2016 should drought conditions persist through January 2016.

District Response to Drought. Under the District's water shortage contingency plan (the "WSCP"), the District responds to a drought in stages based upon four levels of supply cutbacks: Level One (supply reductions of up to 10%), Level Two (supply reductions of between 10% and 25%), Level Three (supply reductions of between 25% and 40%) and Level Four (supply reductions of over 40%). Each shortage level triggers a District response that is intended to reduce demand to the amount of available supply. Responses include public outreach, education and awareness of water waste and water leaks, the implementation of an allocation-based tiered rate structure and mandatory restrictions on water use (beginning with irrigation and other outdoor uses), together with enforcement actions.

In response to the Proclamation and the SWRCB's emergency measures, the District has taken the following actions pursuant to the implementation of Level Two of the WSCP: (i) potable water irrigation of ornamental turf on public street medians and in non-circulating decorative water features is prohibited; (ii) outdoor irrigation during and 48 hours following measurable precipitation is prohibited; (iii) cars must be washed with hoses that have shutoff nozzles; (iv) commercial conveyor and in-bay car wash systems must reuse water if equipped to do so; (v) swimming pools must be filled to a lower level to minimize water loss from splashing; (vi) potable water irrigation runoff is prohibited; (vii) using potable water to wash paved areas is prohibited; (viii) potable water landscape irrigation must be reduced by up to 50%; (ix) recycled water is required to be used for construction activities and street sweeping; and (x) homeowners associations may not fine owners for reducing water usage. The District has also increased staff resources devoted to conservation and water use efficiency programs; such programs include a conservation hotline, online customer interaction forms, smart irrigation controller installations, a water-saving landscape contest, educational workshops, expanded home survey programs and other customer outreach and assistance efforts.

In addition, in 2014, the District adjusted its existing allocation-based tiered rate structure to encourage greater water conservation. Under the District's allocation-based tiered rate structure, customers are assigned a water allocation based on five residential tiers and four non-residential tiers. The water allocation for each customer is designed to allow a reasonable amount of water use for the customer's needs and provide an economic incentive not to exceed such allocation. Customers that exceed the water allocation within their tier are subject to progressively higher water rates. See the caption "THE WATER SYSTEM—Water System Rates and Charges." The District's allocation-based tiered rate structure constitutes an alternative plan to the mandatory actions adopted by the SWRCB on July 15, 2014. The District's alternative plan was approved by the SWRCB on August 29, 2014, making the District one of only two water agencies in the State that is permitted to deviate from the SWRCB-mandated emergency conservation measures. As part of the implementation of the WSCP, the District reduced the allocation for outdoor potable water use and reduced tier percentages, which causes customers to ascend through the tiers more rapidly, increasing customers' water costs.

In some cases, actions taken pursuant to the Proclamation could result in additional water being made available to the District, while in other cases, actions taken pursuant to the Proclamation could reduce water supplies. The District believes that implementation of Level Two of the WSCP is likely to be revenue neutral in Fiscal Year 2016 as users pay more for water in the first half of such Fiscal Year but reduce water consumption in the second half of such Fiscal Year. While implementation of the WSCP in future years may result in lower water sales revenues, it is also likely to result in lower operating costs, in particular water purchase costs and energy costs for water deliveries. As discussed under the caption "THE WATER SYSTEM—Water System Rates and Charges," the District's rate structure consists of variable and fixed rate components. Decreased water consumption is largely offset by a decrease in related variable costs, while fixed water charges largely cover the District's fixed operating and maintenance costs. As a result, the District does not currently anticipate a significant shortfall in Net Revenues of the water system as a result of the implementation of Level Two of the WSCP.

The projected operating results set forth under the caption "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results" reflect the implementation of Level Two of the WSCP. The District does not believe that the implementation of Level Two of the WSCP will have a material adverse effect on its ability to make payments of principal of and interest on the Series 2011A-1 Bonds from Net Revenues. The District notes that 1% Property Tax Revenues constitute an additional source of moneys available to pay the interest on and principal of the Series 2011A-1 Bonds. See the Remarketing Statement under the caption "SECURITY FOR THE SERIES 2011A-1 BONDS."

If the statewide water shortage should persist or worsen, legal issues exist as to whether different California Water Code provisions should be invoked to require reasonable regulations for the allocation of water in time of shortage. Any curtailment pursuant to State orders that is accompanied by an increase in MWD water charges (such as the surcharge under MWD's WSAP discussed under the caption "—State Orders") to its member agencies could necessitate an increase in the District's water rates to District customers. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for a discussion of certain restrictions on the District's ability to raise water rates.

Water Supply Reliability

Water Banking. In addition to developing its local groundwater and recycled water systems, the District is diversifying its water supply reliability by developing water banking projects in Kern County, California. These projects are known as the Strand Ranch Integrated Banking Project and the Stockdale Integrated Banking Project (collectively, the "Water Bank"). The District's Strand Ranch and Stockdale West properties are situated on groundwater recharge lands that overlie the regional Kern County groundwater basin. The purpose of developing the Water Bank is to improve the District's water supply reliability by capturing lower cost water available during wet hydrologic periods for use during dry periods. The Water Bank will enhance the District's ability to respond to drought conditions and potential water supply interruptions and will enable the District to reduce the cost of water delivered under such conditions.

In 2009, the District entered into a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District ("Rosedale") in Kern County. This agreement provides for Rosedale to operate the Strand Ranch portion of the Water Bank on behalf of the District and permits the District: (i) to store up to 50,000 acre feet of water in the aquifer; (ii) to recharge up to 17,500 acre feet of water in the aquifer; and (iii) to recover up to 17,500 acre feet of water per year from the aquifer. The District has priority rights to use the recharge ponds when Rosedale is not recharging Kern River floodwaters. All other uses of the recharge ponds by Rosedale are on a second priority basis to the District's use. The water that Rosedale stores on its own behalf does not count against the District's 50,000 acre feet storage rights.

The District's Strand Ranch property has a major canal running through it that allows the movement of water onto and off of the property. The District has completed construction of 502 acres of groundwater recharge ponds and the facilities necessary to divert water from the canal and into ponds on the Strand Ranch property. The recharge ponds allow available surface water to be infiltrated into the groundwater basin for later use. Seven groundwater wells that provide the ability to recover water have been constructed. Associated wellheads and pipelines have also been completed and the recovery facilities are available to recover banked water as necessary during drought conditions and potential water supply interruptions. The Strand Ranch Integrated Banking Project is now fully operational.

The District entered into an agreement in March 2015 with Rosedale and Castaic Lake Water Agency ("CLWA") that provides for cost-sharing among the participants in the construction of additional wells and conveyance capacity. The District's participation will consist of 50% of the recovery capacity of six wells and associated conveyance facilities constructed on Rosedale property adjacent to Strand Ranch for joint use by the District and CLWA. The 50% District share of the recovery capacity in the six offsite wells will fulfill the District's right under the 2009 agreement with Rosedale (discussed above) to construct up to three offsite recovery wells, supplementing the onsite Strand Ranch recovery wells. The additional recovery capacity will not increase the District's storage or annual recovery amounts under the 2009 agreement, but is expected by the District to allow increased peaking in its recoveries, thereby increasing flexibility in its delivery of recovered water.

Currently, the District is expanding the Water Bank onto the Stockdale West property, which is adjacent to the Strand Ranch. The Stockdale West property was purchased by the District in late 2010. These additional lands will allow the District to increase the District's water banking recharge, storage and recovery capabilities by approximately 50%. The expansion of the Water Bank to the Stockdale West property will further increase the District's dry year water supply reliability.

In 2011, the District implemented a pilot project on the Stockdale West property and constructed 238 acres of recharge basins on the property. In addition, the District constructed water conveyance facilities to deliver water to the property.

In 2015, the District executed an agreement with Rosedale for the operation of the joint banking project facilities which will comprise the Stockdale Integrated Banking Project (comprised of the District's Stockdale West Property and Rosedale's Stockdale East property). Both Rosedale and the District have approved a final environmental impact report for the project.

The District has secured water from a number of sources for recharge at the Water Bank. Pursuant to the District's agreement with Rosedale, Rosedale will divert a portion of its entitlement to floodwater flows on the Kern River to District-owned storage ponds for recovery in dry years. The District is entitled, at no cost, to 20% and 50% of all Kern River floodwaters recharged by the Strand Ranch and Stockdale West Property recharge ponds, respectively.

The District has also secured access to State Water Project water that is stored in the Water Bank. Such water is available as a result of the District's acquisition of approximately 883 acres (the "Jackson Ranch") located within the Dudley Ridge Water District ("Dudley Ridge"), together with rights to use approximately 1,749 acre feet of Table A State Water Project water allocated to Dudley Ridge. Under an existing agreement, the District can store up to 8,700 acre feet of such water in the Water Bank between 2014 and 2017. The District's ability to extract such water at any given time is dependent on annual State Water Project allocation decisions made by the State. Additionally, the Jackson Ranch land acquisition included certain participation rights in the Kern Water Bank to store approximately 9,495 acre feet of water.

In 2011, the District entered into a 28-year exchange program (the "BVWSD Exchange Program") with Buena Vista Water Storage District ("BVWSD") that allows BVWSD to store a portion of its high-flow Kern River water at the Strand Ranch Integrated Banking Project in exchange for allocating to the District 50% of such stored water. BVWSD holds both State Water Project Table A water rights and pre-1914 rights to Kern River water. The pre-1914 water rights give BVWSD an average annual entitlement of 158,000 acre feet of Kern River water. Pursuant to the BVWSD Exchange Program, BVWSD is entitled to deliver up to 17,500 acre feet of water to the Water Bank in any given year with a maximum cumulative capacity of 40,000 acre feet. The District and BVWSD are working together to expand the scope of the BVWSD Exchange Program to provide for additional deliveries to the Stockdale West property.

According to the schedule set forth in the BVWSD Exchange Program, the District is entitled to keep an additional 10% of the water stored by BVWSD each calendar year after the fourth calendar year following the year of the recharge event, which amount increases by 10% each calendar year until nine calendar years after the year of the recharge event, at which time the District is entitled to keep all water transferred by BVWSD to the Water Bank. Pursuant to the terms of the BVWSD Exchange Program, the District and BVWSD share equally in any water losses resulting from the exchange. BVWSD is responsible for all costs of delivering water to the Water Bank and the District is responsible for all costs of returning the water to BVWSD. The District is required to return water that BVWSD determines it will recover from the Water Bank at a maximum rate of 6,667 acre feet per year. The District is obligated to pay BVWSD for any water kept by the District in excess of 50% of the water transferred by BVWSD to the Water Bank at BVWSD's then current State Water Project Table A Variable Operations, Maintenance, Power and Replacement unit cost rate for water. The 28-year term of the BVWSD Exchange Program coincides with the District's agreements with Rosedale relating to the Water Bank.

In 2012, the District entered into separate Pilot Exchange Agreements with the Central Coast Water Authority and the Antelope Valley-East Kern Water Agency (the "Pilot Exchange Agreements") that provided for such agencies to store portions of their 2012 allocation of State Water Project water at the Water Bank in exchange for the District's receipt of half of such water for its own use. At the end of calendar year 2015, a total of 6,385 acre feet of water was stored at the Water Bank through the Pilot Exchange Agreements.

The District has entered into a Coordinated Operating, Water Storage, Exchange and Delivery Agreement with MWD which allows the District to cause State Water Project water that is recovered from the Water Bank to be delivered to the District's service area. Through this agreement, the District can cause the delivery of State Water Project water from the Water Bank to the District's service area at any time. The District has also developed an additional agreement with MWD to have other waters recovered and delivered into the District's service area. Such additional agreement is expected to be used on an on-call basis when the District desires to the move non-State Water Project water into southern California for use in the District's service area. The District recovered and delivered approximately 1,000 acre feet from the Strand Ranch Integrated Banking Project in 2015 pursuant to this additional agreement.

Since 2010, the District has delivered a total of approximately 37,000 acre feet of water to the Water Bank, including the Stockdale West property. The District returned 2,500 acre feet of water to BVWSD in 2012 from BVWSD's share of the water stored in the Water Bank pursuant to the BVWSD Exchange Program. In 2013, the District returned 281 acre feet of water to the Central Coast Water Authority in accordance with the applicable Pilot Exchange Agreement and 6,667 acre feet of water and to BVWSD in accordance with the BVWSD Exchange Program. In 2014, the District returned 208 acre feet of water to the Central Coast Water Authority and 2,229 acre-feet of water to the Antelope Valley-East Kern Water Agency in accordance with the Pilot Exchange Agreements. In 2014, the District also returned 1,000 acre feet of water to a local farming entity to which the District had an obligation arising from the purchase of the Stockdale West property. In 2015, the District returned 4,341 acre feet of water to BVWSD and 413 acre feet of water to the Central Coast Water Authority. To date, all of the water stored for others per these agreements has been returned to the respective banking partners.

The cost of the Strand Ranch water banking facilities (including the land acquisition costs) was approximately $21,820,000. Such facilities are now fully operational. The cost of expansion of the water banking facilities onto the Stockdale West property (including the costs of acquisition of these lands) is expected to be approximately $18,400,000, of which the District has spent approximately $9,700,000 as of December 2015.

The District is currently pursuing additional opportunities for water banking and contractual rights to other surface waters for diversion into the Water Bank for later use by the District. These other sources include long-term programs for the exchange of State Water Project water from MWD, the Central Coast Water Authority, the Antelope Valley-East Kern Water Agency, Dudley Ridge and CLWA.

A summary of water held in storage pursuant to the District's water banking program as of December 31, 2015 (after water losses) is set forth below.

TABLE 10
IRVINE RANCH WATER DISTRICT
Summary of Water Banking Programs
As of December 31, 2015 (Acre Feet)

Facility	***Total Capacity***	***Total Water in Storage***	***District Share of Total Water in Storage***
Strand Ranch Integrated Banking[(1)]	50,000	17,674	17,025
Stockdale West[(1)]	26,000	1,401	1,401
Kern Water Bank	9,495	4,188	4,188
Total	85,495	23,263	22,614

(1) The District's ability to extract water from Strand Ranch and the Stockdale West Property is subject to certain contractual and operational constraints as described above. Extractions from Strand Ranch are currently limited to approximately 17,500 acre feet per year.
Source: The District.

Other Water Supply Reliability Programs. In January 2016, the Board of Directors approved the purchase of approximately 616 acres of agricultural land (the "Eaton Property") in Riverside County, California. The Eaton Property is within the water service area of Palo Verde Irrigation District, which has first priority rights on the Colorado River. Approximately 248 acres of the land is subject to an MWD fallowing program under which MWD makes payments to landowners in exchange for letting land lie fallow. Water that is conserved through fallowing is available for use within MWD's service area (which includes the District's service area). In the near term, the District expects to lease the Eaton Property to tenant farmers for agricultural uses. The District plans to work with MWD and MWDOC in the future to develop mutually beneficial arrangements through which the District would receive increased water supply reliability during periods of drought or supply interruptions in consideration for the water conserved on the Eaton Property. [UPDATE] [The purchase is currently in escrow and expected to close in the first or second quarter of 2016.] There can be no assurance that the District will ultimately purchase the land. Additionally, due to the preliminary nature of its discussions with MWD and MWDOC, the District can make no assurance as to the amount of water, if any, it would receive from MWD through conservation of water on the Eaton Property. However, if the purchase is completed, the District expects to pay approximately $10,240,000 from District capital reserves for the Eaton Property.

Recycled Water

During Fiscal Year 2015, the District produced 22,866 acre feet of recycled water and supplied an additional 9,275 acre feet of non-potable water to District customers via the recycled water system. The District processes and treats secondary effluent from its customers to produce recycled water for sale to customers for non-potable utilization. Recycled water is currently sold to approximately 5,400 customers within the District. As of December 31, 2015, the District had approximately 509 miles of recycled water mains and recycled water storage capacity of approximately 5,400 acre feet. Revenues from the sale of recycled water are accounted for as part of the District's sewer system.

Historic and Projected Water Supply

Set forth below is a summary of the District's sources of total water supply in acre feet per year for the last five Fiscal Years.

TABLE 11
IRVINE RANCH WATER DISTRICT
Historic Water Supply In Acre Feet Per Year

Fiscal Year	***Local Water***(1)	***Imported Water***	***Recycled Water***	***Total***
2011	39,563	30,549(2)(3)	20,284	90,396
2012	39,409	26,155(3)	20,602	86,166
2013(4)	49,967	20,151	22,983	93,101
2014(5)	55,015	22,508	21,038	98,561
2015	54,057	18,628	22,866	95,551

(1) Includes groundwater, native water in Irvine Lake and non-potable Irvine Desalter Project water used in the District's recycled water system. See the caption "—Groundwater—Irvine Desalter Project." Excludes water pumped from the SGU, which is disposed of via an existing ocean outfall following treatment.

(2) Imported water supply for Fiscal Year 2011 included approximately 5,900 acre feet of stored imported water spilled from Irvine Lake during a December 2010 rain event. Such water was replaced with new native water (storm flows) stored at Irvine Lake.

(3) Includes 5,512 acre feet of water and 8,083 acre feet of water purchased at OCWD's request in Fiscal Years 2011 and 2012, respectively, in lieu of pumping groundwater. In-lieu water was not purchased in Fiscal Years 2013, 2014 or 2015.

(4) Increase from Fiscal Year 2012 reflects growth and the economic recovery within the District's service area as well as increased irrigation requirements. OCWD did not request that the District purchase in-lieu water in Fiscal Year 2013.

(5) Reflects completion of Wells 21 and 22. See the caption "—Groundwater—General." Also reflects expansion of Michelson Water Reclamation Plant ("MWRP"), increasing total recycled water production capacity from 18 million gallons per day ("mgd") to 28 mgd in Fiscal Year 2014. See the caption "THE SEWER SYSTEM—General."

Source: The District.

Set forth below is a summary of the District's projection of total water sources for the current and next four Fiscal Years.

TABLE 12
IRVINE RANCH WATER DISTRICT
Projected Water Supply In Acre Feet Per Year

Fiscal Year	***Local Water***(1)	***Imported Water***	***Recycled Water***(2)	***Total***	***Percentage Change***
2016	54,598	19,932	21,354	95,883	0.35%
2017	55,144	20,131	21,674	96,949	1.11
2018	55,695	20,333	21,999	98,027	1.11
2019	56,252	20,536	22,329	99,117	1.11
2020	56,814	20,741	22,664	100,220	1.11

(1) Includes groundwater, native water in Irvine Lake and non-potable Irvine Desalter Project water used in the District's recycled water system. See the caption "—Groundwater—Irvine Desalter Project." Excludes water pumped from the SGU, which is disposed of via an existing ocean outfall following treatment. Reflects completion of Wells 21 and 22. See the caption "—Groundwater—General."

(2) Recycled water production projected to increase approximately 1.5% per annum.

Source: The District.

Set forth below is a comparison of the District's sources of supply for Fiscal Year 2015 as compared to other neighboring agencies supplying water for Fiscal Year 2014.

TABLE 13
IRVINE RANCH WATER DISTRICT
Water Supply Comparison by Source

	Imported Water	*Groundwater*	*Surface Water*	*Recycled Water*
Irvine Ranch Water District[1]	**19%**	**55%**	**3%**	**23%**
City of Anaheim	46	54	0	0
South Coast Water District[2]	77	13	0	10
City of Orange	50	45	5	0
Santa Margarita Water District[2]	83	0	0	17
City of Tustin[3]	37	63	0	0

(1) Approximately 20% of the District's water demand is from areas outside of OCWD's jurisdictional boundaries.
(2) These agencies are not located within OCWD's jurisdictional boundaries.
(3) The City of Tustin owns several groundwater projects that are exempt from the BEA.
Source: Municipal Water District of Orange County Water System Operations and Financial Information (August 2013); the District.

THE WATER SYSTEM

General

Through the issuance of general obligation waterworks bonds and other indebtedness, the District has constructed, purchased or acquired capacity in, or connections to, various transmission, pumping, storage and distribution facilities to convey water into the District, including several major facilities built in cooperation with other water districts and cities.

The development of water supplies and the construction and acquisition of facilities are being carried out under a master plan formulated by the District in 1972 and most recently updated in 2009. Existing uses and planned development within the District will necessitate a projected combined total annual water supply of approximately 124,800 acre feet by 2035.

The District anticipates meeting all of its water supply needs using the above-mentioned water importation and storage facilities, groundwater production facilities and recycled water facilities. The combination of the District's facilities and sources of supply is expected to provide the District with a reliable water supply sufficient to permit the ultimate development as presently planned. Reliability of water supply is further enhanced by the District's storage facilities, which currently provide more than a seven-day supply.

At June 30, 2015, the District had approximately 2,131 miles of water mains in its potable and recycled water systems and storage capacity of approximately 30,200 acre feet, including the District's share of Irvine Lake, a 25,000 acre feet untreated water reservoir, and the District's Sand Canyon, Rattlesnake Canyon, Syphon and San Joaquin Reservoirs, which are recycled water reservoirs with capacities of 750 acre feet, 1,100 acre feet, 450 acre feet and 2,900 acre feet respectively. See the caption "WATER SUPPLY."

In 2013, the District completed a study of the feasibility of increasing storage capacity in Syphon Reservoir from 450 acre feet up to 5,000 acre feet. Additional storage capacity, if constructed, would allow the District to recycle 100% of the sewage flows tributary to MWRP and reduce the District's need to supplement the recycled water system with imported water in dry years. The District is currently evaluating funding alternatives for the Syphon Reservoir expansion. See the caption "FUTURE CAPITAL IMPROVEMENTS—Water Supply Reliability."

See the caption "WATER SUPPLY—Water Supply Reliability—Water Banking" for information with respect to the District's water banking programs, which constitute additional sources of water that are not reflected in the discussion of the District's storage facilities above.

In Fiscal Year 2009, the District commenced the engineering design for the Baker WTP. Construction began in January 2014 and is anticipated to be completed in July 2016.

When constructed, the Baker WTP is expected to treat to drinking water standards approximately 28 mgd of raw imported water purchased from MWD. During emergencies and planned raw imported water outages, water from Irvine Lake is expected to be supplied to the Baker WTP for treatment to drinking water standards. The Baker WTP will utilize microfiltration and ultraviolet disinfection as the primary treatment processes. Although the plant will be owned and operated by the District, approximately 76% of capacity in the Baker WTP is expected to be held by other participating water agencies located in southern Orange County. The facility will provide an operational source of supply to the District and participating agencies and, in the event of a short-term water shortage emergency, provide regional water reliability to other neighboring water agencies. The project construction cost is estimated at approximately $107.2 million, which is to be borne by the District and the other participating water agencies in proportion to their participation in the project. The District expects to finance its 24% share of the costs from the proceeds of bonds.

See the caption "THE IRVINE RANCH WATER DISTRICT—Current Investments" for a description of an investment made by the District relating to the Baker WTP.

Historic Water Connections

The following table shows the number of water connections in the District for the five most recent Fiscal Years.

TABLE 14
IRVINE RANCH WATER DISTRICT
Historic Water Connections[1]

Fiscal Year	*Connections*	*Percentage Change*
2011	98,637	1.66%
2012	99,465	0.84
2013	101,020	1.56
2014	102,990	1.95
2015	104,994	1.95

[1] Excludes recycled water and non-potable water connections.
Source: The District.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Projected Water Connections

The following table shows the number of water connections projected by the District for the current and next four Fiscal Years.

TABLE 15
IRVINE RANCH WATER DISTRICT
Projected Water Connections[(1)]

Fiscal Year	*Connections*	*Percentage Change*
2016	107,795	2.67%
2017	110,125	2.16
2018	113,676	3.22
2019	116,904	2.84
2020	120,387	2.98

(1) Excludes recycled water and non-potable water connections. Increases in connections reflect District estimates of increased development activity.
Source: The District.

Connection Fees

The District collects a water connection fee for each new connection to finance District facilities. Connection fees vary by Improvement District and range from $1,360 to $3,637 for each residential unit and $5,735 to $30,739 for each acre of commercial or industrial property. The connection fee is designed to recover the cost of each additional connection and allocate among all Improvement Districts the costs of master planned facilities such as water sources and production facilities, transmission mains, pumping stations, reservoirs and appurtenances and capacity necessary for each Improvement District.

Historic Water Deliveries

The following table presents a summary of historic water deliveries by the District in acre feet per year for the five most recent Fiscal Years. Historic water deliveries vary from historic water supply as a result of losses in the water system and the timing of billing. Revenues from the sale of recycled water are accounted for as part of the District's sewer system.

TABLE 16
IRVINE RANCH WATER DISTRICT
Historic Water Deliveries in Acre Feet Per Year

Fiscal Year	*Potable and Non-Potable*	*Recycled*	*Total*	*Percentage Change*
2011[(1)]	70,112	20,284	90,396	(0.61)%
2012[(1)]	65,564	20,602	86,166	(4.68)
2013[(2)]	70,118	22,983	93,101	8.05
2014	77,523	21,038	98,561	5.86
2015[(3)]	72,685	22,866	95,551	(3.05)

(1) Reduced deliveries resulted from customer conservation in response to drought conditions and economic factors affecting the District's service area.
(2) Increase in water deliveries reflects new development and the economic recovery within the District's service area.
(3) Reduced deliveries resulted from effects of Statewide drought and State orders with respect thereto. See the caption "WATER SUPPLY—Drought Proclamation."
Source: The District.

Projected Water Deliveries

The District estimates that water system deliveries for the current and next four Fiscal Years will be as set forth in the following table. The District currently projects that water deliveries will increase at a slower pace than the increase in connections, as set forth in the table under the caption "—Projected Water Connections," as a result of increased conservation efforts and a return to long-term historical average hydrological conditions in the State. The District notes that recycled water use is not subject to the mandatory conservation orders imposed by the State in connection with the Statewide drought. See the caption "WATER SUPPLY—Drought Proclamation." Revenues from the sale of recycled water are accounted for as part of the District's sewer system.

TABLE 17
IRVINE RANCH WATER DISTRICT
Projected Water Deliveries in Acre Feet Per Year

Fiscal Year	*Potable and Non-Potable*	*Recycled*	*Total*	*Percentage Change*
2016	74,530	21,354	95,883	0.35%
2017	75,275	21,674	96,949	1.11
2018	76,028	21,999	98,027	1.11
2019	76,788	22,329	99,117	1.11
2020	77,556	22,664	100,220	1.11

Source: The District.

Historic Water Sales and Service Charge Revenues

The following table shows annual water sales and service charge revenues for the five most recent Fiscal Years. The following table does not include revenues from the sale of recycled water, which is accounted for as part of the District's sewer system.

TABLE 18
IRVINE RANCH WATER DISTRICT
Historic Water Sales and Service Charge Revenues
(Dollars in Thousands)

Fiscal Year	*Sales and Service Charge Revenues*[1]	*Percentage Change*
2011	$54,796	6.88%
2012	57,558	5.04
2013	62,565	8.70
2014	66,321	6.00
2015	70,110	5.71

(1) Includes late payment charges and other penalty revenues.
Source: The District.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Projected Water Sales and Service Charge Revenues

The following table projects annual water sales and service charge revenues for the current and next four Fiscal Years.

TABLE 19
IRVINE RANCH WATER DISTRICT
Projected Water Sales and Service Charge Revenues
(Dollars in Thousands)

Fiscal Year	*Sales and Service Charge Revenues*[(1)]	*Percentage Change*
2016	$74,317	6.00%
2017	78,776	6.00
2018	81,139	3.00
2019	83,573	3.00
2020	86,080	3.00

(1) Reflects projected increases in water connections and deliveries described under the captions "—Projected Water Connections" and "—Projected Water Deliveries," respectively, as well as projected increases in rates described under the caption "—Water System Rates and Charges." Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that the Board of Directors will adopt such rate increases as currently projected. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

Source: The District.

Largest Water Customers

The following table sets forth the ten largest water customers of the District for Fiscal Year 2015, as determined by annual payments.

TABLE 20
IRVINE RANCH WATER DISTRICT
Ten Largest Water Customers
Fiscal Year 2015

	Customer	*Fiscal Year 2015 Payment*	*Percentage of Total Water Sales Revenues*
1.	The Irvine Company-Irvine Apartment Communities	$ 4,683,448	6.68%
2.	City of Irvine	1,926,487	2.75
3.	University of California, Irvine	1,644,733	2.35
4.	Jazz Semiconductor	728,473	1.04
5.	B. Braun Medical Inc.	596,032	0.85
6.	Woodbridge Village Association	584,581	0.83
7.	Irvine Unified School District	565,095	0.81
8.	Crystal Cove Community Association	299,655	0.43
9.	California Department of Transportation, District 12	296,579	0.42
10.	Los Olivos Apartments	296,165	0.42
	TOTAL	$ 11,621,248	16.58%

Source: The District.

These ten largest customers accounted for approximately 16.58% of water sales revenues in Fiscal Year 2015.

Water System Rates and Charges

Water system rates and charges (other than connection fees) are generally uniform throughout the District. Pumping surcharges apply in higher elevations, and different rates and charges apply in certain areas added to the District by consolidation and annexation. The average monthly service charge for residential water meters is $10.30. The monthly service charges for commercial and industrial water meters range from $10.30 to $2,935.50 based on meter size. Quantity charges are set according to a water conservation oriented allocation-based ascending block rate structure with rates ranging from $1.11 to $14.53 per 100 cubic feet ("ccf"). See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218—Article XIIID" for a discussion of a 2015 California Court of Appeal decision with respect to allocation-based rates similar to those of the District. Recycled water rates for irrigation are set at 90% of the potable rate. Set forth below is a comparison of the District's water bill for a typical residential customer as compared to neighboring communities. Since Fiscal Year 2006, the District has increased its water system rates and charges by an average of approximately 6.5% each year for an average residential customer using approximately 11 ccf of water per month.

The projected water system revenues set forth under the captions "—Projected Water Sales and Service Charge Revenues" and "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" reflect the implementation of Level Two of the District's WSCP (as discussed under the caption "WATER SUPPLY—Drought Proclamation"), as well as projected water rate increases of between 2% and 6% in Fiscal Years 2016 through 2020, including a projected rate increase of 3% beginning July 1, 2016 that is expected to be brought before the Board of Directors in spring 2016. Such water rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." There can be no assurance that the Board of Directors will adopt such rate increases as currently projected.

TABLE 21
IRVINE RANCH WATER DISTRICT
Typical Residential Customer Water Bills[(1)]

Water Service Provider	***Charge***[(2)]
City of Newport Beach	$72.71
City of Costa Mesa	67.33
City of Santa Ana	55.25
City of Huntington Beach	43.76
City of Tustin	43.76
City of Anaheim	44.62
City of Orange	40.71
District	**30.94**

(1) Based on the average residential usage for each water service provider in ccf. For the District, the first 5 ccf is billed at the low volume rate of $1.11 and next 6 ccf is billed at $1.62.
(2) As of July 1, 2015. Excludes *ad valorem* assessments levied by the District.
Source: The District.

THE SEWER SYSTEM

General

The District, following voter approval in 1965, is authorized by law to acquire, construct, operate and furnish facilities and services for the collection, treatment, reclamation and disposal of wastewater, and the District may contract with others for such purposes. The District has an extensive network of gravity sewers, force mains, wastewater lift stations and siphons that convey wastewater to two District-owned treatment plants. At June 30, 2015, the District had approximately 1,019 miles of sewer mains and treatment plant capacity of approximately 35.5 mgd at the MWRP and the Los Alisos Water Reclamation Plant ("LAWRP"). More than 10.4 billion gallons of sewage were treated by the District during Fiscal Year 2015.

During Fiscal Year 1986, the District cooperated with Orange County Sanitation District ("OCSD") to form Sanitation District 14 (functionally replaced by "Revenue Area 14" of OCSD, upon the consolidation of the several sanitation districts comprising OCSD's predecessor, the County Sanitation Districts of Orange County, in 1998), which overlays a substantial portion of the District's territory. Under an agreement entered into between the District and OCSD in connection with such formation, the District paid approximately $34 million for an approximately 6% interest in OCSD's sewage processing facilities (such percentage of interest will vary over time pursuant to a formula set forth in the agreement between OCSD and the District). This agreement currently provides treatment capacity (in addition to the capacity at District-owned facilities (the MWRP and the LAWRP)) of up to 15 mgd. The agreement also provides for the purchase by the District of certain additional capacity in OCSD sewage processing facilities determined from annual flows. In Fiscal Years 2014 and 2015, the District utilized approximately 2.1 billion gallons and 1.9 billion gallons, respectively, of capacity pursuant to its agreement with OCSD. Currently, approximately 81% of the District's wastewater is treated by the MWRP and LAWRP operated by the District, and approximately 19% is treated by OCSD. A small portion of the wastewater (less than 1%) from the District's service area that is adjacent to the Santa Margarita Water District is treated by the Santa Margarita Water District pursuant to contract.

Currently, approximately 71% of all wastewater collected by the District is treated by the District and recycled or stored in seasonal storage reservoirs for later treatment and recycling. The remainder of the wastewater collected by the District is diverted to OCSD for treatment and ultimate disposal into the Pacific Ocean through OCSD's two ocean outfall pipelines or recharge into the Orange County groundwater basin through OCWD's Groundwater Replenishment System.

Ultimately, the District plans to expand capacity for its treatment facilities to approximately 40.5 mgd in order to: (i) increase recycled water production and utilization; (ii) decrease exposure to external treatment costs and operational constraints; and (iii) decrease dependencies on imported water supplies. See the caption "FUTURE CAPITAL IMPROVEMENTS."

The District has evaluated alternative approaches to handling its wastewater solids. In May 2013, the District began construction of a facility for handling MWRP solids, which are currently conveyed to OCSD, as well as solids from the District's LAWRP and other potential participating agencies. New capital facilities constructed at the MWRP to dewater and dispose of solids from this facility are estimated to cost $210 million. Construction of the solids handling facility at the MWRP is anticipated to be completed in Fiscal Year 2018.

OCSD faces various challenges in the continued treatment of sewage. A description of these challenges, as well as a variety of other operating information with respect to OCSD, is included in certain disclosure documents prepared by OCSD. OCSD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. OCSD has also entered into certain continuing disclosure agreements pursuant to which OCSD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, including audited financial statements and notice of certain events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the "OCSD Information") are filed with EMMA at http://emma.msrb.org. The

OCSD Information is not incorporated herein by reference thereto, and the District makes no representation as to the accuracy or completeness of such information. OCSD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE SERIES 2011A-1 BONDS TO PROVIDE OCSD INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS.

OCSD HAS NOT REVIEWED THIS REMARKETING STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO OCSD. OCSD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE SERIES 2011A-1 BONDS UNDER RULE 15c2-12.

Historic Sewer System and Recycled Water Connections

The following table shows the number of sewer and recycled water connections in the District for the five most recent Fiscal Years.

TABLE 22
IRVINE RANCH WATER DISTRICT
Historic Sewer and Recycled Water Connections

Fiscal Year	*Connections*	*Percentage Change*
2011	93,992	1.72%
2012	94,983	1.05
2013	96,643	1.75
2014	97,482	0.87
2015	99,397	1.96

Source: The District.

Projected Sewer and Recycled Water Connections

The following table shows the projected number of sewer and recycled water connections for the current and next four Fiscal Years.

TABLE 23
IRVINE RANCH WATER DISTRICT
Projected Sewer and Recycled Water Connections

Fiscal Year	*Connections*	*Percentage Change*
2016	102,198	2.82%
2017	104,528	2.28
2018	108,079	3.40
2019	111,307	2.99
2020	114,790	3.13

(1) Increases in connections beginning in Fiscal Year 2016 reflect District estimates of increased development activity.
Source: The District.

Connection Fees

The District collects a sewer connection fee for each new connection to finance District sewer facilities. Connection fees vary by Improvement District and range from $2,215 to $25,427 for each residential unit and $5,765 to $63,147 for each acre of commercial or industrial property. The connection fee is designed to recover the cost of each additional connection and allocate among all Improvement Districts the costs of master planned facilities such as transmission mains, pumping stations, treatment facilities and appurtenances and capacity necessary to serve each Improvement District.

Historic Sewer Daily Average Flow

The following table shows the daily average sewer flow in millions of gallons per day for the five most recent Fiscal Years.

TABLE 24
IRVINE RANCH WATER DISTRICT
Historic Sewer Daily Average Flow

Fiscal Year	*Daily Average Flow (mgd)*[1]	*Percentage Change*
2011	27.8	0.36%
2012	28.3	1.80
2013	28.1	(0.71)[2]
2014	29.5	4.98[3]
2015	28.6	(3.05)[2]

(1) Includes District flow treated by OCSD.
(2) Reduction in flows reflects reduced water use, including as a result of conservation efforts.
(3) Increase in flows reflects changes to flows in the Irvine Business Complex in accordance with a flow study and an agreement with OCSD.
Source: The District.

Projected Sewer Daily Average Flow

The following table shows the projected daily average sewer flow in millions of gallons per day for the current and next four Fiscal Years.

TABLE 25
IRVINE RANCH WATER DISTRICT
Projected Sewer Daily Average Flow

Fiscal Year	*Daily Average Flow (mgd)*[1]	*Percentage Change*
2016	29.2	2.10%
2017	29.8	2.05
2018	30.4	2.01
2019	31.0	1.97
2020	31.6	1.94

(1) Includes flow treated by OCSD.
Source: The District.

Historic Recycled Water Sales and Sewer Service Charge Revenues

The following table shows the recycled water sales and sewer service charge revenues for the five most recent Fiscal Years. Increases reflect increases in connections as well as rate increases adopted by the Board of Directors.

TABLE 26
IRVINE RANCH WATER DISTRICT
Historic Recycled Water Sales and Sewer Service Charge Revenues
(Dollars in Thousands)

Fiscal Year	*Recycled Water Sales and Sewer Service Charge Revenues*	*Percentage Change*
2011	$45,375	0.07%
2012	49,234	8.50
2013	53,085	7.82
2014	58,109	9.46
2015	62,808	8.09

Source: The District.

Projected Recycled Water Sales and Sewer Service Charge Revenues

The following table shows the projected recycled water sales and sewer service charge revenues for the current and next four Fiscal Years.

TABLE 27
IRVINE RANCH WATER DISTRICT
Projected Recycled Water Sales and Sewer Service Charge Revenues
(Dollars in Thousands)

Fiscal Year	*Recycled Water Sales and Sewer Service Charge Revenues*[(1)]	*Percentage Change*
2016	$66,576	6.00%
2017	70,571	6.00
2018	72,688	3.00
2019	74,869	3.00
2020	77,115	3.00

(1) Reflects increases in projected sewer connections and daily average sewer flow described under the captions "—Projected Sewer and Recycled Water Connections" and "—Projected Sewer Daily Average Flow," respectively, as well as projected increases in recycled water and sewer rates described under the captions "THE WATER SYSTEM—Water System Rates and Charges" and "THE SEWER SYSTEM—Sewer System Rates and Charges." Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that the Board of Directors will adopt such rate increases as currently projected. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

Source: The District.

Largest Sewer Service Customers

The following table sets forth the ten largest sewer service customers of the District for Fiscal Year 2015, as determined by annual payments.

TABLE 28
IRVINE RANCH WATER DISTRICT
Ten Largest Sewer Service Customers
Fiscal Year 2015

	Customer	*Fiscal Year 2015 Payment*	*Percentage of Total Sewer Service Revenues*
1.	The Irvine Company-Irvine Apartment Communities	$ 3,210,461	5.11%
2.	City of Irvine	2,352,525	3.75
3.	University of California, Irvine	1,845,757	2.94
4.	Westpark Maintenance District	1,150,337	1.83
5.	California Department of Transportation, District 12	864,338	1.38
6.	B. Braun Medical Inc.	629,363	1.00
7.	Irvine Unified School District	556,324	0.89
8.	Heritage Fields	376,753	0.60
9.	Royal Carpet Mills	356,983	0.57
10.	Allergan Sales, LLC	292,679	0.47
	TOTAL	$ 11,635,520	18.54%

Source: The District.

These ten largest customers accounted for approximately 18.54% of total sewer service revenues in Fiscal Year 2015.

Sewer System Rates and Charges

Residential users pay a fixed monthly service charge which ranges from $18.55 to $24.05. Commercial and industrial users pay $24.05 for the first ten ccf of water use and from $2.56 to $2.685 per ccf thereafter. Set forth below is a comparison of the District's sewer bills for a typical residential customer as compared to other neighboring communities. Since Fiscal Year 2006, the District has increased its fixed monthly service charge by an average of approximately 10.0% each year.

The projected sewer system and recycled water sales revenues set forth under the captions "—Projected Recycled Water Sales and Sewer Service Charge Revenues" and "WATER AND SEWER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" reflect projected sewer rate increases of between 3.5% to 6% in Fiscal Years 2016 through 2020 and projected recycled water rate increases of between 2% and 5% in Fiscal Years 2016 through 2020, including projected increases in sewer rates and recycled water rates effective July 1, 2016 that are expected to be brought before the Board of Directors in spring 2016. Such rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." There can be no assurance that the Board of Directors will adopt such rate increases as currently projected.

TABLE 29
IRVINE RANCH WATER DISTRICT
Typical Residential Customer Sewer Bill

Sewer Service Provider	***Charge***(1)
City of Tustin	$44.29
City of Newport Beach	37.49
City of Huntington Beach	37.38
City of Santa Ana	32.92
City of Orange	26.69
City of Costa Mesa	26.69
City of Anaheim	26.69
District	**18.55 – 24.05**

(1) As of July 1, 2015. Excludes *ad valorem* assessments levied by District.
Source: The District.

FUTURE CAPITAL IMPROVEMENTS

The District anticipates spending approximately $375,648,394 on future water, recycled water and sewer system improvements during the current and the next four Fiscal Years. The District anticipates financing such improvements through a combination of bonds, District revenues and fund balances in Fiscal Years 2016 through 2020. The District anticipates that approximately $300,000,000 of such improvements will be financed from proceeds of bonds, some of which have already been issued, and that approximately $75,648,394 of such improvements will be financed from funds on hand and District revenues. The following table sets forth the District's projected capital improvement projects for the current and next four Fiscal Years:

TABLE 30
IRVINE RANCH WATER DISTRICT
Projected Water, Recycled Water and Sewer Systems Capital Improvements
For Fiscal Years 2016 through 2020

Project	***2016***	***2017***	***2018***	***2019***	***2020***	***Total***
Solids Handling	$ 46,726,598	$ 49,117,009	$ 5,468,996	$ 845,059	$ 4,071,304	$106,228,966
OCSD / CORF	10,634,285	15,103,865	9,438,540	5,411,413	4,402,417	44,990,520
Water Supply Reliability	17,805,003	17,090,874	12,104,644	8,639,851	17,730,294	73,370,666
Development-Related Expansion	8,227,181	16,896,100	28,470,494	20,866,107	7,685,683	82,145,565
Replacement and Refurbishment	13,243,588	21,178,972	13,378,435	2,303,248	247,733	50,351,976
Operational Improvements	6,860,863	8,906,210	1,472,900	244,795	1,075,933	18,560,701
Total	$ 103,497,518	$ 128,293,030	$ 70,334,009	$38,310,473	$ 35,213,364	$375,648,394

Solids Handling

The solids handling capital project includes the design and construction of facilities for thickening, acid-phase anaerobic digestion, dewatering, drying and pelletization, energy generation, and use of pellets as a fertilizer or e-fuel. It also includes a solids receiving station to allow processing of dewatered sludge from the LAWRP for drying and pelletization. In addition, facilities for the receipt and transfer of fats, oil and grease to the digesters is being designed and will be constructed to increase methane and energy production capabilities. The solids handling capital project is anticipated to be completed in Fiscal Year 2018.

OCSD CORF

OCSD's Capital Outlay Revolving Fund ("CORF") funds OCSD projects such as plant upgrades for secondary treatment and the Groundwater Replenishment System. The District funds its share of the CORF based on the District's percentage share of OCSD's total wastewater flow. Wastewater flows from the District presently comprise approximately 2% – 3% of OCSD flows and are expected to comprise approximately 4% – 5% in future years. See the caption "THE SEWER SYSTEM—General—OCSD" above.

Water Supply Reliability

Water supply reliability projects include the acquisition and construction of water banking facilities in Kern County and the Baker WTP, expansion of Syphon Reservoir and other projects, including, but not limited to, booster pump stations and interagency pipeline construction. See the captions "WATER SUPPLY" and "THE WATER SYSTEM—General."

Development-Related Expansion

Development-related expansion improvements include construction of new water, recycled water and sewer improvements to serve new developments.

Replacement and Refurbishment

Replacement and refurbishment improvements consist of repairs and restoration to existing water, recycled water and sewer system facilities.

Operational Improvements

Operational improvements consist of optimizing District facilities and include improvements to the District's water and wastewater Operations Center, adding water quality mixing systems to existing reservoirs, expanding the reliability of the Supervisory Control and Data Acquisition system, and relocating District facilities as required by interagency projects.

WATER AND SEWER SYSTEM FINANCIAL INFORMATION

Financial Statements

A copy of the most recent financial statements of the District audited by Davis Farr LLP, Certified Public Accountants (the "Auditor"), are included as Appendix B (the "Financial Statements") and should be read in their entirety. The Auditor's letter concludes that the Financial Statements present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Auditor has not reviewed the contents of this Remarketing Statement, and the District has not sought the Auditor's consent to the inclusion of the Auditor's report in the Financial Statements in this Remarketing Statement.

Reduction in BAB Credits

On March 1, 2013, the federal government announced the implementation of certain automatic budget cuts known as the sequester, including reductions in Build America Bond ("BAB") interest subsidy payments ("BAB Credits"). The originally scheduled BAB Credit was reduced by 8.7% in federal fiscal year 2013 (which ended September 30, 2013) and by 7.2%, 7.3% and 6.8% in federal fiscal years 2014, 2015 and 2016. Under a federal budget bill enacted in December 2013, the reduction of BAB Credits will continue through federal fiscal year 2023.

The District's Series 2010B Bonds are BABs and the historic and projected operating results shown under the captions "—Historic Operating Results and Debt Service Coverage" and "—Projected Operating

Results and Debt Service Coverage" reflect the announced reduction in BAB Credits. While the District continues to monitor the effects of the reduction in BAB Credits on District finances, the District does not currently expect such reduction to have a material adverse effect on the ability of the District to make payments of principal of and interest on the Series 2010B Bonds or the Series 2011A-1 Bonds from Net Revenues.

Historic Operating Results and Debt Service Coverage

The following summary of operating results of the District for the last five Fiscal Years is derived from the Financial Statements and audited financial statements of the District for prior Fiscal Years and excludes certain non-cash items and includes certain other adjustments. Such summary operating results are qualified in their entirety by reference to such statements, including the notes thereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 31
IRVINE RANCH WATER DISTRICT
Historic Operating Results and Debt Service Coverage
Fiscal Years 2011 through 2015
(in Thousands)

	2011	*2012*	*2013*	*2014*	*2015*
REVENUES					
Water sales and service charges	$ 54,796	$ 57,558	$ 62,565	$ 66,321	$ 70,110
Recycled water sales and sewer service charges	45,375	49,234	53,085	58,109	62,808
Connection fees	10,572	9,030	17,314	22,429	29,183
Net real estate income	5,649	6,736	6,566	7,760	8,191
Interest income	2,599	1,738	1,549	1,671	1,515
Net earnings on JPA(1)	12,444(11)	11,927	20,294	12,356	-
Available 1% Property Tax Revenues(2)	22,396	25,858	25,719	26,432	29,770
Other(3)	7,987	6,141	8,323	10,974	7,899
Total Revenues	$ 161,818	$ 168,222	$ 195,415	$ 206,052	$ 209,476
OPERATION AND MAINTENANCE EXPENSES					
Water services	$ 42,383	$ 40,593	$ 48,911	$ 57,624	$ 57,978
Sewer services	30,787	26,817	36,688(14)	37,715	54,575(16)
Administrative and general	21,332	27,182(12)	22,667(14)	22,272	15,145(17)
Customer accounts(4)	3,737	3,737	3,753	0	0
Other	989	10,713(13)	6,110(15)	7,163	9,752
Total Operation & Maintenance Expenses	$ 99,228	$ 109,042	$ 118,129	$ 124,774	$ 137,450
NET REVENUES	$ 62,590	$ 59,180	$ 77,286	$ 81,278	$ 72,026
ASSESSMENT PROCEEDS(11)	$ 0	$ 5,816	$ 5,877	$ 8,509	$ 4,839
TOTAL NET REVENUES AND ASSESSMENT PROCEEDS	$ 62,590	$ 64,996	$ 83,163	$ 89,787	$ 76,865
PARITY OBLIGATION DEBT SERVICE					
Series 2011A-1/A-2 Bonds	$ 35	$ 2,284	$ 2,306	$ 2,360	$ 2,455
Series 2010B Bonds(5)	4,080	7,533	7,519	7,825	7,829
2010 Installment Sale Agreement(6)	7,680	7,977	8,300	8,665	9,098
1997 State Loan #3	226	226	226	227	227
Prior Reimbursement Agreements	0	0	0	0	0
Total Parity Obligation Debt Service	$ 12,021	$ 18,020	$ 18,351	$ 19,077	$ 19,609
PARITY OBLIGATION COVERAGE(7)	5.2x	3.6x	4.5x	4.7x	3.9x
Revenues Available For Subordinate Debt Service	$ 50,569	$ 46,976	$ 64,812	$ 70,710	$ 57,256
SUBORDINATE OBLIGATION DEBT SERVICE					
Swap Payments(8)	$ 7,734	$ 7,734	$ 7,452	$ 7,555	$ 7,734
State Loans and SCWD Debt(9)	308	308	308	308	308
Total Subordinate Obligation Debt Service	$ 8,042	$ 8,042	$ 7,760	$ 7,863	$ 8,042
Sources of Payment for *Ad Valorem* Assessment Bonds:					
Remaining Revenues	$ 42,527	$ 38,934	$ 57,052	$ 62,847	$ 49,214
1% Pledged Property Tax Revenues(10)	4,593	3,292	3,546	3,013	3,358
Ad valorem Assessments	11,875	6,060	5,940	4,797	4,463
Total Funds Available for *Ad Valorem* Assessment Bonds	$ 58,995	$ 48,286	$ 66,538	$ 70,657	$ 57,035
Ad Valorem Assessment Bond Debt Service	(16,899)	(16,899)	(17,129)	(10,501)	(12,840)
NET REVENUES AVAILABLE FOR OTHER PURPOSES	$ 42,096	$ 31,387	$ 49,409	$ 60,156	$ 44,195

(FOOTNOTES ON FOLLOWING PAGE)

[1] Reflects earnings from investment of proceeds of taxable bonds issued by Irvine Ranch Water District Joint Powers Agency in excess of payments of principal of and interest on such obligations. Such obligations matured in Fiscal Year 2014 and the Irvine Ranch Water District Joint Powers Agency was thereupon terminated in accordance with its joint powers agreement.

[2] Represents 1% Property Tax Revenues available to pay debt service on Parity Obligations after payment of debt service on bonds of the District secured by a pledge of the District's share of the Orange County 1% general *ad valorem* property tax pursuant to Resolution 2002-10, adopted by the Board of Directors of the District on April 8, 2002 (the "Secured Bonds") from 1% Property Tax Revenues and *ad valorem* assessments.

[3] Other Revenues includes golf course lease, cell site leases, conservation revenue, penalty revenue, grants and Allen-McColloch pipeline income.

[4] In Fiscal Year 2014, the District began recording Customer Accounts expenses in the Water Services and Sewer Services line items.

[5] Debt Service net of BAB Credit on Series 2010B Bonds. Reflects announced reductions in BAB Credits. See the caption "—Reduction in BAB Credits."

[6] Entered into in February 2010 in connection with the prepayment of the 2008 Certificates of Participation and the 1986 Certificates of Participation.

[7] Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.

[8] Net swap payments made.

[9] Santiago County Water District was consolidated into the District as of July 1, 2006.

[10] Represents District's share of 1% Property Tax Revenues which, together with the *ad valorem* assessments, is sufficient to pay debt service on the Secured Bonds. Decreases reflect scheduled mandatory sinking fund payments and redemption of approximately $3.1 million in Secured Bonds.

[11] Refunding of Irvine Ranch Water District Joint Powers Agency bonds described in Footnote 1 in Fiscal Year 2010 resulted in a savings of approximately $32.0 million, of which a portion was realized in each of Fiscal Years 2011, 2013 and 2014.

[12] Increase from Fiscal Year 2011 reflects expenses related to increased solids handling capacity at OCSD, which is expected to continue until December 2016, when the District expects to complete construction of its own facility to treat and dispose of solids. See the caption "THE SEWER SYSTEM—General."

[13] Increase from Fiscal Year 2011 reflects capital improvement project writeoffs in accordance with GASB Statement 51 (Accounting and Financial Reporting for Intangible Assets) in the total amount of approximately $10.3 million.

[14] Increase from Fiscal Year 2012 reflects recording of OCSD expenses, which were previously treated as an administrative and general line item, in the sewer services line item. See the caption "THE SEWER SYSTEM—General."

[15] Decrease from Fiscal Year 2012 reflects significant reduction in capital improvement project reclassifications and writeoffs. See Footnote 13.

[16] Increase from Fiscal Year 2014 reflects approximately $10 million in projects that were financed from capital funds but not capitalized for accounting purposes and approximately $7 million in OCSD-related expenses.

[17] Decrease from Fiscal Year 2014 reflects the effect of the new GASB 68 reporting standards. See the caption "THE IRVINE RANCH WATER DISTRICT—Pension Benefits."

Source: The District.

Projected Operating Results and Debt Service Coverage

The District's estimated projected operating results for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based on the District's assumptions, including the assumptions in the footnotes to the chart set forth below. Such assumptions are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 32
IRVINE RANCH WATER DISTRICT
Five-Year Debt Service Coverage Forecast
Fiscal Years 2016 through 2020
(in Thousands)

	2016	*2017*	*2018*	*2019*	*2020*
REVENUES					
Water sales and service charges[1]	$ 74,317	$ 78,776	$ 81,139	$ 83,573	$ 86,080
Recycled water sales and sewer service charges[2]	66,576	70,571	72,688	74,869	77,115
Connection fees[3]	22,000	20,000	20,000	19,500	18,500
Net real estate income[4]	8,609	8,770	8,935	9,103	9,274
Interest income[5]	1,788	3,782	5,054	7,189	6,333
Available 1% Property Tax Revenues[6]	31,555	32,885	34,069	35,273	36,505
Other[7]	5,915	5,974	6,034	6,094	6,155
Total Revenues	$ 210,760	$ 220,758	$ 227,919	$ 235,601	$ 239,962
OPERATION AND MAINTENANCE EXPENSES					
Water services[8]	$ 61,457	$ 65,144	$ 67,098	$ 69,111	$ 71,185
Sewer services[8]	57,850	61,320	63,160	65,055	67,007
Administrative and general[8]	16,054	17,017	17,527	18,053	18,595
Other[9]	5,761	5,876	5,994	6,114	6,236
Total Operation & Maintenance Expenses	$ 141,121	$ 149,358	$ 153,780	$ 158,333	$ 163,022
NET REVENUES	$ 69,639	$ 71,400	$ 74,139	$ 77,268	$ 76,940
ASSESSMENT PROCEEDS[10]	$ 3,865	$ 3,679	$ 3,895	$ 4,115	$ 4,340
TOTAL NET REVENUES AND ASSESSMENT PROCEEDS	$ 73,504	$ 75,079	$ 78,034	$ 81,383	$ 81,280
PARITY OBLIGATION DEBT SERVICE[11]					
Series 2011A-1/A-2 Bonds[12]	$ 3,292	$ 3,748	$ 4,219	$ 4,269	$ 4,152
Series 2010B Bonds[13]	7,808	7,808	7,808	7,808	7,808
2010 Installment Sale Agreement[14]	9,487	9,812	3,995	4,094	4,190
1997 State Loan #3[14]	227	227	227	227	227
Prior Reimbursement Agreements	0	0	0	0	0
Total Parity Obligation Debt Service	$ 20,814	$ 21,596	$ 16,250	$ 16,399	$ 16,377
PARITY OBLIGATION COVERAGE[15]	3.5x	3.5x	3.8x	5.0x	5.0x
Revenues Available For Subordinate Debt Service	$ 52,690	$ 53,484	$ 61,785	$ 64,985	$ 64,904
SUBORDINATE OBLIGATION DEBT SERVICE[11]					
Swap Payments[16]	$ 7,150	$ 6,435	$ 6,110	$ 5,395	$ 2,292
State Loans and SCWD Debt[14]	308	308	308	308	308
Total Subordinate Obligation Debt Service	$ 7,458	$ 6,743	$ 6,418	$ 5,703	$ 2,600
Sources of Payment for *Ad Valorem* Assessment Bonds:					
Remaining Revenues	$ 45,232	$ 46,741	$ 55,367	$ 59,282	$ 62,303
1% Pledged Property Tax Revenues[17]	2,545	2,215	2,131	2,027	1,895
Ad valorem Assessments[18]	5,635	6,321	6,605	6,885	7,160
Total Funds Available for *Ad Valorem* Assessment Bonds	$ 53,412	$ 55,277	$ 64,103	$ 68,193	$ 71,358
Ad Valorem Assessment Bond Debt Service[19]	(11,985)	(14,854)	(16,684)	(19,595)	(19,570)
NET REVENUES AVAILABLE FOR OTHER PURPOSES	$ 41,427	$ 40,422	$ 47,419	$ 48,599	$ 51,788

(FOOTNOTES ON FOLLOWING PAGE)

(1) Projected to increase approximately 6% from Fiscal Year 2015 amount in Fiscal Year 2016, 6% from Fiscal Year 2016 amount in Fiscal Year 2017 and 3% per annum thereafter. See the caption "THE WATER SYSTEM—Projected Water Sales and Service Charge Revenues."
(2) Projected to increase approximately 6% from Fiscal Year 2015 amount in Fiscal Year 2016, 6% from Fiscal Year 2016 amount in Fiscal Year 2017 and 3% per annum thereafter. See the caption "THE SEWER SYSTEM—Projected Recycled Water Sales and Sewer Service Charge Revenues."
(3) Based on District projections of development.
(4) Based on existing and expected leases. See the captions "THE IRVINE RANCH WATER DISTRICT—Current Investments" and "THE IRVINE RANCH WATER DISTRICT—Projected Net Real Estate Income."
(5) Assumes interest rates increasing from 0.75% in Fiscal Year 2015 to 2.00% in Fiscal Year 2020.
(6) Represents 1% Property Tax Revenues available to pay Debt Service on Parity Obligations after payment of debt service on Secured Bonds from 1% Property Tax Revenues and applicable *ad valorem* assessments. Projected fluctuation in 1% Property Tax Revenues is a result of uneven debt service on Secured Bonds. See the caption "THE IRVINE RANCH WATER DISTRICT—1% Property Tax Revenues."
(7) Includes, golf course lease, cell site leases, conservation revenue, penalty revenue, grants and Allen-McColloch pipeline income. Projected to increase 1% per annum from Fiscal Year 2014 amount.
(8) Projected to increase approximately 6% from Fiscal Year 2015 amount in Fiscal Year 2016, 6% from Fiscal Year 2016 amount in Fiscal Year 2017 and 3% per annum thereafter.
(9) Projected to increase 2% from Fiscal Year 2016 budgeted amount.
(10) Pro rata share of *ad valorem* assessments based on outstanding par amount of all *Ad Valorem* Assessment Bonds. Assessment Proceeds are only available to pay debt service on Series 2010B Bonds, Series 2011A-1 Bonds and Series 2011A-2 Bonds and are not available to pay other Parity Obligations which are not general obligation bonds secured by *ad valorem* assessments.
(11) Does not reflect the issuance of additional debt to finance future capital improvements. See the caption "FUTURE CAPITAL IMPROVEMENTS."
(12) Projected at SIFMA rates increasing from 0.45% in Fiscal Year 2016 to 1.75% in Fiscal Year 2020. Assumes that the purchase price of Series 2011A-1 Bonds and Series 2011A-2 Bonds is paid from remarketing proceeds.
(13) Debt Service net of BAB Credit on Series 2010B Bonds. Reflects announced reductions in BAB Credits. See the caption "—Reduction in BAB Credits."
(14) Reflects scheduled Debt Service, including scheduled reductions in principal payments on 2010 Installment Sale Agreement beginning in Fiscal Year 2018.
(15) Total Net Revenues and Assessment Proceeds divided by Total Parity Debt Service.
(16) Net swap payments. Assumes 5-year average of LIBOR rate with respect to swaps of 1.33%, increasing from 0.45% in Fiscal Year 2016 to 2.15% in Fiscal Year 2020. See the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Subordinate Debt—Interest Rate Swap Transactions."
(17) Represents District's share of 1% Property Tax Revenues which, together with the applicable *ad valorem* assessments, is sufficient to pay debt service on the Secured Bonds.
(18) Pro rata share of *ad valorem* assessments based on outstanding par amount of all *ad valorem* assessment bonds and Series 2010B Bonds, Series 2011A-1 Bonds and Series 2011A-2 Bonds.
(19) *Ad Valorem* Assessment Bonds debt projection assumes annual sinking fund payments, SIFMA rates ranging from 0.45% in Fiscal Year 2016 to 1.75% in Fiscal Year 2020 and letter of credit fees equal to 0.36% of principal. Does not include Series 2010B Bonds, Series 2011A-1 Bonds or Series 2011A-2 Bonds, which are Parity Obligations. Assumes $225 million of new variable rate *ad valorem* assessment bonds issued in Fiscal Years 2017 and 2019.

Source: The District.

THE IMPROVEMENT DISTRICTS

General

The District contains seven water Improvement Districts and ten sewer Improvement Districts covering specific areas within the District's boundaries, some of them overlapping and each of which is governed by the Act. The District formed the Improvement Districts in order to allocate funding responsibility for capital facilities to the areas that will benefit from such capital facilities and to separate areas on the basis of projected timing of development so that capital facilities construction can be matched to the development approval decisions of the respective local agency that makes them. Some of the Improvement Districts share in the funding of the District's regional facilities which the Improvement Districts will use in common, such as major water importation facilities or sewer treatment plants.

Each Improvement District has a respective plan of works and a certain amount of authorized general obligation bonded indebtedness. See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness." The *Ad Valorem* Assessment Bonds issued pursuant to such authorization are sold in each instance by the District on the respective

Improvement District's behalf. The obligation to repay bonds issued on behalf of an Improvement District is secured in each instance by the power of the District to levy and collect within such Improvement District *ad valorem* assessments without limitation as to rate or amount on land only (enforceable by customary rights to foreclose and sell property for delinquent assessments) or, in lieu of assessments, in the District's discretion, charges for water or sewer service, as applicable, all within the subject Improvement District. These powers and functions are exercised for each Improvement District by the Board of Directors of the District. Although the respective funding obligations of each Improvement District are separate and independent, the Improvement Districts are not operated as separate or independent governmental entities, nor do they have governing boards or any staff. The Improvement Districts are geographical subdivisions of the District through which the District funds capital improvements.

As a result of the District's discretionary election to use other sources of payment for debt service on *ad valorem* assessment bonds, the annual tax rates set by the District vary from year to year and generally do not result in revenues that correspond with debt service requirements on the *Ad Valorem* Assessment Bonds. The annual tax rates set by the District may vary from year to year for other reasons as well. The District has covenanted under the Indenture that, to the extent necessary to pay debt service on the Series 2011A-1 Bonds, it will impose and collect Bond Assessments and Charges. See the caption "SECURITY FOR THE SERIES 2011A-1 BONDS—General—Covenant to Collect Bond Assessments and Charges" in the forepart of this Remarketing Statement.

The California Water Code allows the Board of Directors, in a noticed hearing process, to reorganize its improvement district boundaries and to consolidate coterminous improvement districts. As development progresses to completion in improvement districts and the need for having separate improvement districts to match capital facilities construction timing for different geographic areas diminishes, consolidation of various improvement districts can produce efficiencies for the District. Under the California Water Code provisions, certain improvement districts of the District are the consolidated successors to previously separate water improvement districts or previously separate sewer improvement districts, respectively. In 2013, following studies carried out by the District to identify further opportunities to implement such consolidations and reorganizations of its improvement districts, the District implemented improvement district consolidation that reduced the number of its improvement districts from 33 to 17. The statutory provisions for the consolidation of improvement districts specify that a consolidated improvement district may levy and collect the assessments and charges necessary to satisfy the obligations of its predecessor improvement districts, and that the authorized and unissued bonds of the predecessor improvement districts may be issued and sold as the bonds of the consolidated improvement district. The District believes that its actions to reorganize and/or consolidate improvement districts will not impair the District's obligation to pay debt service on the outstanding bonds of such improvement districts or the security therefor. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively.

The following is a general description of each of the Improvement Districts as to which the Series 2011A-1 Bonds constitute consolidated, several general obligations:

Improvement District Nos. 125 and 225

General. At the time of their initial issuance on April 15, 2011, the Series 2011A-1 Bonds constituted the consolidated, several general obligations of Improvement District Nos. 105, 113, 213 and 250. Improvement District Nos. 125 and 225 are the legal successors to Improvement District Nos. 105 and 250, respectively. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District Nos. 105 and 250 into Improvement District Nos. 125 and 225, respectively.

Improvement District No. 125 (water) covers approximately 35,438 acres of the District, including several contiguous and non-contiguous areas in the central and coastal parts of the District. Improvement District No. 225 (sewer) covers approximately 32,862 acres of the District, including several contiguous and non-contiguous areas in the central part of the District. Currently, the majority of the land within Improvement District Nos. 125 and 225 consists of developed residential and commercial properties. The District expects certain areas within Improvement District Nos. 125 and 225 to be subject to infill development and redevelopment in the future. The District expects such additional development in Improvement District Nos. 125 and 225 to continue through at least 2020. The Fiscal Year 2016 assessed value of the land in Improvement District No. 125 is $32,752,414,757, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 105 before its consolidation into Improvement District No. 125 was $7,099,866,552. The Fiscal Year 2016 assessed value of the land in Improvement District No. 225 is $27,557,606,802, while the Fiscal Year 2014 assessed value of the land in Improvement District No. 250 before its consolidation into Improvement District No. 225 was $6,776,400,622.

Set forth below is information with respect to Improvement District Nos. 125 and 225 for Fiscal Years 2014 through 2016 and their respective predecessor Improvement Districts for prior Fiscal Years.

The *ad valorem* assessments levied by the District in Improvement District Nos. 125 and 225 to pay such Improvement Districts' respective Included Amounts of debt service on the Series 2011A-1 Bonds will be levied on land only. See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness" for a description of the authorized, issued, authorized and unissued, and the amount of outstanding Improvement District Nos. 125 and 225 Ad Valorem Assessment Bonds.

The following table presents the assessed valuations of land in Improvement District No. 105 for the Fiscal Years ended June 30, 2012 and 2013 and the assessed valuations of land in Improvement District No. 125 for the Fiscal Years ended June 30, 2014 and 2015 and the Fiscal Year ending June 30, 2016. Assessed valuations of land in Improvement District No. 125 are not available for Fiscal Years prior to Fiscal Year 2014 because Improvement District No. 125 did not exist prior to November 11, 2013.

TABLE 33
IRVINE RANCH WATER DISTRICT
Improvement District No. 105/125
Assessed Valuations (Land Only)

Fiscal Year	***Local Secured***	***Unsecured***[(1)]	***Total***
2012[(2)]	$ 6,309,579,342	$ 6,491,171	$ 6,316,070,513
2013[(2)]	6,602,927,949	5,728,927	6,608,656,876
2014[(3)]	27,277,013,090	404,065[(4)]	27,277,417,155
2015[(3)]	29,578,234,550	404,065[(4)]	29,578,638,615
2016[(3)]	32,702,471,690	49,943,067	32,752,414,757

(1) Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.
(2) Reflects assessed valuations for Improvement District No. 105. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 105 into Improvement District No. 125.
(3) Reflects assessed valuations for Improvement District No. 125. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 105 into Improvement District No. 125.
(4) Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Years 2014 and 2015 have been omitted from the table.

Source: California Municipal Statistics, Inc.

The following table presents the assessed valuations of land in Improvement District No. 250 for the Fiscal Years ended June 30, 2012 and 2013 and the assessed valuations of land in Improvement District No. 225 for the Fiscal Years ended June 30, 2014 and 2015 and the Fiscal Year ending June 30, 2016. Assessed valuations of land in Improvement District No. 225 are not available for Fiscal Years prior to Fiscal Year 2014 because Improvement District No. 225 did not exist prior to November 11, 2013.

TABLE 34
IRVINE RANCH WATER DISTRICT
Improvement District No. 250/225
Assessed Valuations (Land Only)

Fiscal Year	*Local Secured*	*Unsecured*[(1)]	*Total*
2012[(2)]	$ 5,997,217,214	$ 6,210,415	$ 6,003,427,629
2013[(2)]	6,288,670,201	5,529,610	6,294,199,811
2014[(3)]	22,829,136,845	404,065[(4)]	22,829,540,910
2015[(3)]	24,757,084,884	404,065[(4)]	24,757,488,949
2016[(3)]	27,510,931,539	46,675,263	27,557,606,802

(1) Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.
(2) Reflects assessed valuations for Improvement District No. 250. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 250 into Improvement District No. 225.
(3) Reflects assessed valuations for Improvement District No. 225. See the Remarketing Statement under the caption "INTRODUCTION—Improvement Districts—Improvement District Nos. 125 and 225" for a discussion of the consolidation of Improvement District No. 250 into Improvement District No. 225.
(4) Certain secured values that were omitted from the secured tax roll and allocated to the unsecured tax roll by the County Assessor in Fiscal Years 2014 and 2015 have been omitted from the table.

Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 125 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2016:

TABLE 35
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Assessed Valuation and Parcels by Land Use

	Fiscal Year 2016 Assessed Valuation[1]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Rural/Undeveloped	$ 173,490,512	0.53%	187	0.18%
Commercial/Office	3,008,781,732	9.20	1,437	1.36
Industrial	1,605,919,061	4.91	1,129	1.07
Government/Social/Institutional	7,742,093	0.02	297	0.28
Miscellaneous	15,562,383	0.05	10	0.01
Subtotal Non-Residential	$ 4,811,495,781	14.71%	3,060	2.89%
Residential:				
Single Family Residence	$18,994,890,422	58.08%	35,870	33.88%
Condominium	8,294,685,868	25.36	28,869	27.27
2+ Residential Units/Apartments	521,541,832	1.59	225	0.21
Timeshare Interests	79,857,787	0.24	37,847	35.75
Subtotal Residential	$27,890,975,909	85.29%	102,811	97.11%
Total	$32,702,471,690	100.00%	105,871	100.00%

(1) Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (possessory interests in tax exempt utility property and gas and oil leases).
Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 225 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2016:

TABLE 36
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Assessed Valuation and Parcels by Land Use

	Fiscal Year 2016 Assessed Valuation[1]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Rural/Undeveloped	$ 152,285,830	0.55%	165	0.25%
Commercial/Office	2,938,679,309	10.68	1,389	2.08
Industrial	1,593,696,108	5.79	1,106	1.65
Government/Social/Institutional	7,397,890	0.03	284	0.42
Miscellaneous	15,319,968	0.06	10	0.01
Subtotal Non-Residential	$ 4,707,379,105	17.11%	2,954	4.41%
Residential:				
Single Family Residence	$ 14,390,372,044	52.31%	35,125	52.48%
Condominium	7,855,847,728	28.56	28,626	42.77
2+ Residential Units/Apartments	557,332,662	2.03	229	0.34
Subtotal Residential	$ 22,803,552,434	82.89%	63,980	95.59%
Total	$ 27,510,931,539	100.00%	66,934	100.00%

(1) Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (possessory interests in tax exempt utility property and gas and oil leases).
Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Principal Taxpayers. The following table lists the major taxpayers in Improvement District No. 125 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2016:

TABLE 37
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Largest Local Secured Taxpayers

	Property Owner	***Primary Land Use***	***Fiscal Year 2016 Assessed Valuation***	***% of Total***[(1)]
1.	The Irvine Company	Commercial	$ 966,865,770	2.96%
2.	Irvine Apartment Communities LP	Apartments	121,562,365	0.37
3.	Heritage Fields El Toro LLC	Commercial	105,243,885	0.32
4.	Olen Property Corp.	Industrial	66,289,205	0.20
5.	ABS CA-O DCI LLC	Commercial	57,398,636	0.18
6.	PPC Irvine Center Investment LLC	Commercial	33,579,157	0.10
7.	Kia Motors America Inc.	Commercial	33,514,293	0.10
8.	Avalon Baker Ranch LP	Undeveloped	32,589,871	0.10
9.	Oakley Inc.	Industrial	31,866,025	0.10
10.	52 Discovery LLC	Commercial	30,599,400	0.09
	TOTAL		$ 1,479,508,607	4.52%

(1) Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): $32,702,471,690.
Source: California Municipal Statistics, Inc.

The following table lists the major taxpayers in Improvement District No. 225 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2016:

TABLE 38
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Largest Local Secured Taxpayers

	Property Owner	***Primary Land Use***	***Fiscal Year 2016 Assessed Valuation***	***% of Total***[(1)]
1.	The Irvine Company	Commercial	$ 918,972,451	3.34%
2.	Irvine Apartment Communities LP	Apartments	129,502,530	0.47
3.	Heritage Fields El Toro LLC	Commercial	105,243,885	0.38
4.	Olen Property Corp.	Industrial	66,289,205	0.24
5.	ABS CA-O DCI LLC	Commercial	52,579,741	0.19
6.	PPC Irvine Center Investment LLC	Commercial	33,579,157	0.12
7.	Kia Motors America Inc.	Commercial	33,514,293	0.12
8.	Avalon Baker Ranch LP	Undeveloped	32,589,871	0.12
9.	Oakley Inc.	Industrial	31,866,025	0.12
10.	52 Discovery LLC	Commercial	30,599,400	0.01
	TOTAL		$ 1,434,736,558	5.11%

(1) Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): $27,510,931,539.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt. Set forth in the table below is a direct and overlapping debt report (the "Debt Reports–I.D. 125/225") for Improvement District Nos. 125 and 225, respectively, prepared by California Municipal Statistics, Inc. and effective December 31, 2015. The Debt Reports–I.D.

125/225 were prepared by California Municipal Statistics, Inc., and the District expresses no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Reports–I.D. 125/225 generally include long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement District No. 125 and No. 225 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or Improvement District No. 125 and No. 225 (except as indicated) nor are they necessarily obligations secured by land within Improvement District No. 125 and No. 225. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 39
IRVINE RANCH WATER DISTRICT
Improvement District No. 125
Direct and Overlapping Debt Statement

Fiscal Year 2016 Land Only Assessed Valuation: $32,752,414,757

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 12/31/15
Metropolitan Water District	2.549%	$ 2,814,145
Coast Community College District	5.088	25,382,262
Rancho Santiago Community College District	0.976	2,616,196
Laguna Beach Unified School District	14.910	3,890,019
Newport Mesa Unified School District	14.210	31,952,485
Saddleback Valley Unified School District	33.855	39,701,759
Tustin Unified School District School Facilities Improvement District No. 2002-1	4.087	2,002,590
Tustin Unified School District School Facilities Improvement District No. 2008-1	4.221	2,930,851
Tustin Unified School District School Facilities Improvement District No. 2012-1	33.194	9,901,770
Irvine Ranch Water District Improvement District No. 125	**100.000**	**184,154,205**[2]
Irvine Ranch Water District Improvement District No. 225	95.804	222,003,002
Irvine Ranch Water District Improvement District No. 240	99.995	22,615,929
Community Facilities Districts	0.737-100.000	842,015,915
County 1915 Act Bonds	100.000	68,430,000
City 1915 Act Bonds	Various	636,522,829
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$2,096,933,957
OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	12.518%	$ 9,653,381
Orange County Pension Obligations	12.518	31,766,660
Orange County Board of Education Certificates of Participation	12.518	1,901,484
Orange Unified School District Certificates of Participation and Benefit Obligations	2.039	2,328,352
City of Lake Forest Certificates of Participation	83.336	7,112,728
City of Newport Beach Certificates of Participation	23.199	26,366,823
Municipal Water District of Orange County Water Facilities Corporation	14.826	410,680
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$ 79,540,108
Less: MWDOC Water Facilities Corporation (100% supported)		410,680
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$ 79,129,428
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)		$ 6,138,884
GROSS COMBINED TOTAL DEBT		$2,182,612,949[3]
NET COMBINED TOTAL DEBT		$2,182,202,269

Ratios to Fiscal Year 2016 Land Only Assessed Valuation:
Direct Debt ($184,154,205) 0.56%
Total Direct and Overlapping Tax and Assessment Debt........6.40%

Ratios to Adjusted All Property Assessed Valuation:
Gross Combined Total Debt..3.49%
Net Combined Total Debt 3.49%

Ratios to Redevelopment Incremental Valuation $(357,495,447):
Total Overlapping Tax Increment Debt..................................1.72%

(1) Based on all property assessed valuation of $62,465,858,066.
(2) Improvement District No. 125 was formed by consolidating former Improvement District Nos. 105, 106, 102, 121, 130, 135, 140, 161, 182, 184 and 186.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TABLE 40
IRVINE RANCH WATER DISTRICT
Improvement District No. 225
Direct and Overlapping Debt Statement

Fiscal Year 2016 Land Only Assessed Valuation: $27,557,606,802

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 12/31/15
Metropolitan Water District	2.207%	$ 2,436,637
Coast Community College District	0.311	1,552,842
Rancho Santiago Community College District	0.020	53,611
Newport Mesa Unified School District	3.200	7,195,493
Saddleback Valley Unified School District	33.167	38,894,941
Tustin Unified School District School Facilities Improvement District No. 2002-1	5.813	2,848,313
Tustin Unified School District School Facilities Improvement District No. 2008-1	6.004	4,168,877
Tustin Unified School District School Facilities Improvement District No. 2012-1	34.386	10,257,344
Irvine Ranch Water District Improvement District No. 125	82.952	152,759,596
Irvine Ranch Water District Improvement District No. 225	**100.000**	**231,726,235**[2]
Community Facilities Districts	0.737-100.000	821,808,340
County 1915 Act Bonds	2.729	131,947
City 1915 Act Bonds	Various	629,615,293
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,903,449,469
OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	10.838%	$ 8,357,832
Orange County Pension Obligations	10.838	27,503,360
Orange County Board of Education Certificates of Participation	10.838	1,646,292
Orange Unified School District Certificates of Participation and Benefit Obligations	0.041	46,819
City of Lake Forest Certificates of Participation	81.455	6,952,184
City of Newport Beach Certificates of Participation	3.986	4,530,288
Municipal Water District of Orange County Water Facilities Corporation	12.938	358,383
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$ 49,395,158
Less: MWDOC Water Facilities Corporation (100% supported)		358,383
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$ 49,036,775
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)		$ 6,138,884
GROSS COMBINED TOTAL DEBT		$1,958,983,511[3]
NET COMBINED TOTAL DEBT		$1,958,625,128

Ratios to Fiscal Year 2016 Land Only Assessed Valuation:
Direct Debt ($231,726,235) 0.84%
Total Direct and Overlapping Tax and Assessment Debt........6.91%

Ratios to Adjusted All Property Assessed Valuation:
Gross Combined Total Debt..3.62%
Net Combined Total Debt 3.62%

Ratios to Redevelopment Incremental Valuation $(357,495,447):
Total Overlapping Tax Increment Debt..................................1.72%

(1) Based on all property assessed valuation of $54,086,274,785.
(2) Improvement District No. 225 was formed by consolidating former Improvement District Nos. 2(202), 206, 221, 230, 235, 250, 261, 282, 284 and 286.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Improvement District Nos. 113 and 213

General. Improvement District No. 113 (water) and Improvement District No. 213 (sewer) are coterminous and are located in portions of the Cities of Tustin and Irvine, California. Improvement District No. 113 and Improvement District No. 213 are comprised of approximately 1,629 acres of the land formerly known as Marine Corps Air Station Tustin. The boundaries of Improvement District No. 113 and Improvement District No. 213 are Harvard Avenue on the southeast, Barranca Parkway on the southwest, Red Hill Avenue on the northwest and Edinger Avenue on the northeast. The former helicopter base, now known as Tustin Legacy, is currently being redeveloped with residential, commercial, institutional and recreational uses. The District expects development in Improvement District No. 113 and Improvement District No. 213 to continue through at least approximately 2020. [UPDATES?] [The District expects that future development will consist of approximately 4,800 dwelling units and approximately 12,100,000 square feet of commercial, institutional and recreational uses.]

Set forth below is information with respect to Improvement District No. 113 and Improvement District No. 213.

The *ad valorem* assessments levied by the District in Improvement District Nos. 113 and 213 to pay such Improvement Districts' respective Included Amounts of debt service on the Series 2011A-1 Bonds will be levied on land only. See Table 3 under the caption "THE IRVINE RANCH WATER DISTRICT—Outstanding Indebtedness—Improvement District Indebtedness" for a description of the authorized, issued, authorized and unissued, and the amount of outstanding Improvement District Nos. 113 and 213 Ad Valorem Assessment Bonds.

The following table presents the assessed valuations of land in Improvement District No. 113 and Improvement District No. 213 for the Fiscal Years ended June 30, 2012 through June 30, 2016.

TABLE 41
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Assessed Valuations (Land Only)

Fiscal Year	***Local Secured***	***Unsecured***[(1)]	***Total***
2012	$552,924,477	$533,680	$553,458,157
2013	535,648,801	720,289	536,369,090
2014	561,601,211	637,882	562,239,093
2015	673,958,777	637,562	674,596,339
2016	826,913,605	610,480	827,524,085

(1) Assessed value of unsecured land only, reflecting possessory interests in tax exempt utility property and gas and oil leases.
Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The following table sets forth information with respect to land only local secured assessed valuation in Improvement District No. 113 and Improvement District No. 213 (excluding tax exempt utility property and gas and oil leases) by land use for the Fiscal Year ending June 30, 2016:

TABLE 42
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Assessed Valuation and Parcels by Land Use

	Fiscal Year 2016 Assessed Valuation[1]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Commercial	$ 103,451,311	12.51%	19	0.59%
Government/Social/Institutional	0	0.00	166	5.18
Subtotal Non-Residential	$ 103,451,311	12.51%	185	5.77%
Residential:				
Single Family Residence	$ 355,937,927	43.04%	1,283	40.04%
Condominium/Townhouse	313,782,563	37.95	1,357	42.35
Apartments	16,095,478	1.95	3	0.09
Vacant Residential	37,646,326	4.55	376	11.74
Subtotal Residential	$ 723,462,294	87.49%	3,019	94.22%
Total	$ 826,913,605	100.00%	3,204	100.00%

(1) Land Only Local Secured Assessed Valuation; excludes assessed value of unsecured land (possessory interests in tax exempt utility property and gas and oil leases).
Source: California Municipal Statistics, Inc.

The following table lists the major taxpayers in Improvement District No. 113 and Improvement District No. 213 based on land only local secured assessed valuations for the Fiscal Year ending June 30, 2016:

TABLE 43
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Largest Local Secured Taxpayers

	Property Owner	*Primary Land Use*	*Fiscal Year 2016 Assessed Valuation*	*% of Total*[1]
1.	Vestar/Kimco Tustin LP	Commercial	$ 77,474,447	9.37%
2.	Standard Pacific Corp.	Residential Development	57,118,625	6.91
3.	Legacy Villas LLC	Apartments	16,095,478	1.95
4.	Costco Wholesale Corporation	Commercial	14,806,548	1.79
5.	Lowes HIW Inc.	Commercial	10,984,016	1.33
6.	Liang Inc.	Residential	995,412	0.12
7.	Sanh Hoa Truong	Residential	784,198	0.09
8.	Robert Choy, Trust	Residential	738,000	0.09
9.	Xuefeng Huang	Residential	733,477	0.09
10.	Kevin Kenny	Residential	725,000	0.09
	TOTAL		$ 180,455,201	21.83%

(1) Fiscal Year 2016 Local Secured Assessed Valuation (Land Only): $826,913,605.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt. Set forth in the table below is a direct and overlapping debt report (the "Debt Report–I.D. 113/213") for Improvement District No. 113 and Improvement District No. 213 prepared by California Municipal Statistics, Inc. and effective December 31, 2015. The Debt Report–I.D. 113/213 was prepared by California Municipal Statistics, Inc., and the District expresses no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–I.D. 113/213 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement District No. 113 and Improvement District No. 213 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or Improvement District No. 113 and Improvement District No. 213 (except as indicated) nor are they necessarily obligations secured by land within Improvement District No. 113 and Improvement District No. 213. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 44
IRVINE RANCH WATER DISTRICT
Improvement District Nos. 113 and 213
Direct and Overlapping Debt Statement

Fiscal Year 2016 Land Only Assessed Valuation: $827,524,085

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 12/31/15
Metropolitan Water District	0.072%	$ 79,728
Rancho Santiago Community College District	0.099	265,372
Rancho Santiago Community College District School Facilities Improvement District No. 1	0.192	123,341
Santa Ana Unified School District	0.236	646,644
Tustin Unified School District School Facilities Improvement District No. 2002-1	5.546	2,717,486
Tustin Unified School District School Facilities Improvement District No. 2008-1	2.521	1,750,456
Tustin Unified School District School Facilities Improvement District No. 2012-1	1.685	502,636
Tustin Unified School District Community Facilities District No. 06-1	100.000	13,395,000
City of Irvine Community Facilities District No. 2005-2	99.263	16,001,196
Irvine Ranch Water District Improvement District No. 113	**100.000**	**13,637,500**
Irvine Ranch Water District Improvement District No. 213	**100.000**	**20,839,000**
City of Tustin Community Facilities District Nos. 04-1, 06-1 and 07-1	60.350-100.000	71,477,783
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$141,436,142
OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	0.355%	$ 273,762
Orange County Pension Obligation Bonds	0.355	900,876
Orange County Board of Education Certificates of Participation	0.355	53,925
Santa Ana Unified School District Certificates of Participation	0.236	170,881
Municipal Water District of Orange County Water Facilities Corporation	0.423	11,717
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$ 1,411,161
Less: MWDOC Water Facilities Corporation (100% supported)		11,717
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$ 1,399,444
OVERLAPPING TAX INCREMENT DEBT		
Tustin Redevelopment Agency Housing Bonds	49.971%	$10,606,345
Tustin Redevelopment Agency Marine Corps Air Station Project	89.866	36,090,186
TOTAL OVERLAPPING TAX INCREMENT DEBT		$46,696,531
GROSS COMBINED TOTAL DEBT		$189,543,834[2]
NET COMBINED TOTAL DEBT		$189,532,117

Ratios to Fiscal Year 2016 Land Only Assessed Valuation:
Direct Debt ($34,476,500)..4.17%
Total Direct and Overlapping Tax and Assessment Debt........17.09%

Ratios to Adjusted All Property Assessed Valuation:
Gross Combined Total Debt 10.71%
Net Combined Total Debt...10.71%

Ratios to Redevelopment Incremental Valuation ($558,329,713):
Overlapping Tax Increment Debt 8.36%

(1) Based on all property assessed valuation of $1,769,721,506.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Proposition 218

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

Article XIIID. Article XIIID defines the terms "fee" and "charge" to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it.

In July 2006, the California Supreme Court held, in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) ("*Bighorn*"), that the initiative power described in Article XIIIC applies to any local taxes, assessments, fees and charges as defined in Articles XIIIC and XIIID. Article XIIID defines "fee" or "charge" to mean a levy (other than *ad valorem* or special taxes or assessments) imposed by a local government "upon a parcel or upon a person as an incident of property ownership," including a user fee for a "property related service." The Court also found that charges for water delivery are charges for a property-related service and, therefore, constitute "fees" or "charges" within the meaning of both Article XIIID and section 3 of Article XIIIC. In accordance with Article XIIID and the decision in *Bighorn*, the District has conducted notice and hearing proceedings to comply with requirements of Article XIIID with respect to proposed increases of rates and charges since Fiscal Year 2007. See the captions "THE WATER SYSTEM—Water System Rates and Charges" and "THE SEWER SYSTEM—Sewer System Rates and Charges."

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) ("*SJC*") upholding tiered water rates under Proposition 218 provided that the rates correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District's tiered water rates are described under the caption "THE WATER SYSTEM—Water System Rates and Charges." The District does not currently expect the *SJC* ruling to affect its water rate structure or have a material adverse effect on its financial condition.

Article XIIIC. Article XIIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIIC does not define the terms "local tax," "assessment," "fee" or "charge." In light of *Bighorn* and as discussed above under the caption "—Article XIIID," the terms "fee" and "charge" as used in Article XIIIC include, at a minimum, all of the fees and charges within the "property related" qualification set forth in Article XIIID. Moreover, the provisions of Article XIIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. Therefore, in the absence of other limitations, provisions of Article XIIIC could be applicable to the water and sewer rates charged by the District. The District and its general counsel do not believe that Article XIIIC grants to the voters within the District the power to repeal or reduce rates and charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Series 2011A-1 Bonds. Remedies available to beneficial owners of the Series 2011A-1 Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 has affected its ability to levy rates and charges for water, recycled water or sewer service.

Article XIIIA

General. On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the California Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIIIA approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by the voters voting on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by each California county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon the location of reappraised property and the value of property within each taxing agency. Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIIIB

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations" was approved on November 6, 1979 thereby adding Article XIIIB to the California Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District is of the opinion that its rates and charges for water, sewer and recycled water services do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIIIB, and that tax revenues and other revenues received by the District which may constitute the "proceeds of taxes" are appropriated for debt service or qualified capital outlay projects and are not subject to the limits of Article XIIIB.

Proposition 1A

Proposition 1A, which was approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in fiscal years 2004-05 and 2005-06. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two thirds of both houses and certain other conditions are met. See the caption "THE IRVINE RANCH WATER DISTRICT—1% Property Tax Revenues" above.

Future Initiatives

Article XIIIA, Article XIIIB, Proposition 218, Proposition 1A and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting ability of the District to collect or expend Revenues.

Exhibit "C"

RESOLUTION NO. 2016-

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT APPROVING REMARKETING STATEMENTS RELATING TO UNSCHEDULED MANDATORY TENDERS (REFUNDING SERIES 2011A-1 AND REFUNDING SERIES 2011A-2)

WHEREAS, the Irvine Ranch Water District ("IRWD") has issued the "Bonds of Irvine Ranch Water District, Refunding Series 2011A-1" (the "Series A-1 Bonds") and "Bonds of Irvine Ranch Water District, Refunding Series 2011A-2" (the "Series A-2 Bonds" and, together with the Series A-1 Bonds, the "Bonds"); and

WHEREAS, in the resolution adopted by this Board of Directors authorizing and providing for the issuance of the Bonds, the Treasurer of the District was authorized, when the Bonds of either or both series shall be in an index tender mode, for all tender periods, to do or cause to be done any and all of the following, if and to the extent required or permitted by the applicable Indenture: to require an unscheduled mandatory tender and establish the date thereof, to rescind an unscheduled mandatory tender, to determine the scheduled mandatory tender date and call protection date for each ensuing tender period, and on behalf of the District in connection with all of the foregoing to give, exercise, make and deliver any notices, directions, elections and requests required or permitted in the applicable Indenture or remarketing agreement to be given, exercised, made or delivered by the District; and

WHEREAS, pursuant to such authority, the Treasurer has determined that an unscheduled mandatory tender shall be effected for each series of the Bonds on or about February 19, 2016 or such other date as may be determined by the Treasurer (the "Unscheduled Mandatory Tenders"); and

WHEREAS, this Board desires to approve the forms of the remarketing statements to be used in connection with the remarketing of the respective series of the Bonds upon the purchase thereof pursuant to the Unscheduled Mandatory Tenders.

NOW, THEREFORE, the Board of Directors of IRWD DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. The remarketing statements relating to the Unscheduled Mandatory Tenders of the respective series of the Bonds (collectively, the "Remarketing Statements"), to be dated the date(s) determined by the Treasurer and in substantially the forms presented to the Board at this meeting, are hereby approved with such changes thereto as the Treasurer with the concurrence of the President shall approve (such approval and concurrence to be conclusively evidenced by execution and delivery thereof). The Board hereby approves the use of the Remarketing Statements by the remarketing agents for the respective series, including delivery of the Remarketing Statements in electronic form, in connection with the remarketing of the Bonds pursuant to the Unscheduled Mandatory Tenders, and the Board hereby further approves the use by the remarketing agents of any supplements or amendments to each of the Remarketing Statements, including delivery of any such supplements or amendments in electronic form, which the Treasurer shall determine are necessary so that such Remarketing Statement does not which the Treasurer shall determine are necessary so that such Remarketing Statement does not include any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein not misleading. The Treasurer of IRWD is hereby authorized and directed to execute the Remarketing Statements and any amendments or supplements thereto, in the name and on behalf of IRWD and thereupon to cause the Remarketing Statements and any such amendments or supplements to be delivered to the respective remarketing agents.

Section 2. The distribution of the Remarketing Statements, inclusive of the above-authorized changes, is hereby authorized in connection with the remarketing of the Bonds pursuant to the Unscheduled Mandatory Tenders.

Section 3. The President, the Treasurer, the Secretary and each other officer of IRWD, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this resolution.

Section 4. This resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED AND APPROVED this 8th day of February, 2016.

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

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

APPROVED AS TO FORM:

BOWIE, ARNESON, WILES & GIANNONE
Legal Counsel - IRWD

By__________________________________

BAWG/ 00187578/ 012516

February 8, 2016
Prepared by: C. Spangenberg/M. Cortez
Submitted by: K. Burton KLB
Approved by: Paul Cook P. Cook

CONSENT CALENDAR

RANCHO PARKWAY ZONE C RECYCLED WATER PIPELINE CONSTRUCTION AWARD

SUMMARY:

This project will remove an interim domestic water supply interconnection to the recycled water system and construct pipelines and appurtenances to convert the irrigation supply to recycled water for a portion of the Baker Ranch Development, saving approximately 68 acre-feet per year of domestic water. The pipelines are located within Rancho Parkway in the City of Lake Forest. Staff recommends that the Board authorize the General Manager to execute a construction contract with Paulus Engineering, Inc. in the amount of $413,125 for the Rancho Parkway Zone C Recycled Water Pipeline, Project 6470.

BACKGROUND:

The District's Zone C recycled water system in Rancho Parkway, south of Alton Parkway in the City of Lake Forest, is currently supplied by the Lake Forest Zone 3R domestic water system through an interim interconnection. This project will remove the interim domestic water interconnection and construct pipeline and appurtenances to supply the recycled water system from the Zone C pressure zone. The improvements include piping modifications to disconnect the domestic water interconnection, 1,670 feet of 12-inch recycled water pipeline in Rancho Parkway, and 20 feet of 6-inch recycled water pipeline to connect two existing separate recycled water pipelines in Rancho Parkway near Hermana Circle. These improvements will provide recycled water for the irrigation of a portion of the Lake Forest Baker Ranch development, which is currently under construction. A location map is attached as Exhibit "A".

Construction Award:

The project was advertised on December 17, 2015 to a select list of 19 contractors. The bid opening was held on January 26, 2016 with bids received from GCI Construction, Kennedy Pipeline Company, L&S Construction, Paulus Engineering and TE Roberts. The bids ranged from $413,125 to $1,205,001. Paulus Engineering is the apparent low bidder with a bid amount of $413,125. The District's engineering consultant, MBF Consulting, Inc., prepared the engineer's estimate of $397,740. Staff reviewed Paulus Engineering's bid and determined it to be responsive. Staff recommends awarding the construction contract to Paulus Engineering in the amount of $413,125. A bid summary is attached as Exhibit "B".

FISCAL IMPACTS:

Project 6470 is included in the FY 2015-16 Capital Budget in the amount of $997,800; the budget is sufficient to complete the project.

ENVIRONMENTAL COMPLIANCE:

This project is categorically exempt from the California Environmental Quality Act (CEQA) as authorized under the California Code of Regulations, Title 14, Chapter 3, Statutory Exemption 15282, which provides for the installation of a new pipeline that does not exceed one mile (more than 5,210 feet) in length. A Notice of Exemption was filed with the County of Orange on August 25, 2015.

COMMITTEE STATUS:

Construction awards are not routinely taken to Committee prior to submittal to the Board.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH PAULUS ENGINEERING, INC., IN THE AMOUNT OF $413,125 FOR THE RANCHO PARKWAY ZONE C RECYCLED WATER PIPELINE, PROJECT 6470.

LIST OF EXHIBITS:

Exhibit "A" – Location Map
Exhibit "B" – Bid Summary

EXHIBIT "A"

Rancho Parkway Zone C RW Pipeline
Vicinity Map

EXHIBIT "B"

Bid Openeing: Tuesday, January 26, 2016 at 2:00 p.m

Irvine Ranch Water District Bid Summary For
Rancho Parkway Zone C Recyled Water Pipeline
PR 30573 (6470) - Code 6602

Entered By: N. Castaneda

						1		2		3		4		5	
				Engineer's Estimate		Paulus Engineering, Inc.		TE Roberts, Inc.		L&S Construction, Inc.		GCI Construction, Inc.		Kennedy Pipeline Company	
						2871 E. Coronado St.		306 W. Katella Ave, Unit B		674 N. Batavia St.		1031 Calle Recodo, Ste. D		61 Argonaut	
						Anaheim, CA 92806		Orange, CA 92867		Orange, CA 92868		San Clemente, CA 92673		Aliso Viejo, CA 92656	
Item No.	Description	Unit	Qty.	Unit Price	Total Bid Amount	Unit Price	Total Bid Amount	Unit Price	Total Bid Amount	Unit Price	Total Bid Amount	Unit Price	Total Bid Amount	Unit Price	Total Bid Amount
1	Mobilization, and demobilization, temporary water, bonding, potholing; document preparation, coordination, incidental work and site clean-up.	LS	1	$17,000.00	$17,000.00	$ 14,213.00	$ 14,213.00	$39,542.00	$39,542.00	$40,000.00	$40,000.00	$26,000.00	$26,000.00	20000	$20,000.00
2	Furnish and install 12-inch C-900 DR 14 Purple PVC Pipe, and all appurtencances and connections as shown and specified on plans from Sta. 9+67.83 to Sta. 26+37.42	LF	1670	$158.00	$263,860.00	$ 132.00	$ 220,440.00	$91.00	$151,970.00	$180.00	$300,600.00	$194.00	$323,980.00	224	$374,080.00
3	Furnish and Install connection at Sta. 9+67.89 per Connection Detail "A".	LS	1	$10,000.00	$10,000.00	$ 15,000.00	$ 15,000.00	$35,275.00	$35,275.00	$21,000.00	$21,000.00	$25,000.00	$25,000.00	31600	$31,600.00
4	Furnish and Install connection at Sta. 26+37.42 per Connection Detail "B"	LS	1	$8,000.00	$8,000.00	$ 10,000.00	$ 10,000.00	$19,290.00	$19,290.00	$7,800.00	$7,800.00	$19,000.00	$19,000.00	30000	$30,000.00
5	Remove existing backflow preventer assembly and appurtenant piping per Detail "B". Place new landscaping and replace any damaged curb, gutter and sidewalk to match existing, as necessary to complete construction.	LS	1	$6,000.00	$6,000.00	$ 3,600.00	$ 3,600.00	$13,042.00	$13,042.00	$7,400.00	$7,400.00	$19,000.00	$19,000.00	5000	$5,000.00
6	Furnish and Install 1-inch Blow off assembly per IRWD Std. DWG. W-14.	EA	1	$3,500.00	$3,500.00	$ 3,800.00	$ 3,800.00	$5,322.00	$5,322.00	$5,300.00	$5,300.00	$9,000.00	$9,000.00	7121	$7,121.00
7	Furnish and Install 4-inch Blow off assembly per IRWD Std. DWG. W-14.	EA	1	$4,500.00	$4,500.00	$ 5,550.00	$ 5,550.00	$10,093.00	$10,093.00	$8,500.00	$8,500.00	$20,000.00	$20,000.00	11500	$11,500.00
8	Furnish and install connection per Detail "C" on plans	LS	1	$5,000.00	$5,000.00	$ 8,100.00	$ 8,100.00	$16,522.00	$16,522.00	$16,400.00	$16,400.00	$14,000.00	$14,000.00	25200	$25,200.00
9	Relocate/modify existing 4-inch reclaimed water service lateral per "Relocation Detail" on plans	LS	1	$1,000.00	$1,000.00	$ 5,500.00	$ 5,500.00	$5,429.00	$5,429.00	$2,800.00	$2,800.00	$13,000.00	$13,000.00	23000	$23,000.00
10	Grind and overlay 1" thick ARHM asphalt (Type PG64-16) as shown on plans per City Standards.	S.F.	6600	$3.00	$19,800.00	$ 2.67	$ 17,622.00	$3.60	$23,760.00	$5.00	$33,000.00	$3.40	$22,440.00	20	$132,000.00
11	Remove existing rubberized pavement section of 6" Asphalt/18" Base (trench sections in shaded areas on sheets 4, 5 and 6)and install 7" of rubberized asphalt per plans and in accordance to City of Lake Forest Trench Backfill and Roadway Repair requirements.	LF	200	$5.00	$1,000.00	$ 24.00	$ 4,800.00	$64.00	$12,800.00	$47.00	$9,400.00	$56.00	$11,200.00	20	$4,000.00
12	Remove existing pavement section of 10" asphalt (trench section from Sta. 9+67.83 to Sta. 25+13) and install 11" of asphalt per plans and in accordance with the City of Lake Forest Trench Backfill and Roadway Repair requirements.	LF	1600	$4.30	$6,880.00	$ 40.00	$ 64,000.00	$36.50	$58,400.00	$46.00	$73,600.00	$51.00	$81,600.00	20	$32,000.00
13	Place Type II slurry seal in accordance with City of Lake Forest requrements.	SF	24000	$0.30	$7,200.00	$ 0.60	$ 14,400.00	$0.90	$21,600.00	$0.35	$8,400.00	$0.88	$21,120.00	20	$480,000.00

Bid Openeing: Tuesday, January 26, 2016 at 2:00 p.m.

Irvine Ranch Water District Bid Summary For
Rancho Parkway Zone C Recyled Water Pipeline
PR 30573 (6470) - Code 6602

Entered By: N. Castaneda

						1		2		3		4		5	
				Engineer's Estimate		Paulus Engineering, Inc.		TE Roberts, Inc.		L&S Construction, Inc.		GCI Construction, Inc.		Kennedy Pipeline Company	
						2871 E. Coronado St.		306 W. Katella Ave, Unit B		674 N. Batavia St		1031 Calle Recodo, Ste. D		61 Argonaut	
						Anaheim, CA 92806		Orange, CA 92867		Orange, CA 92868		San Clemente, CA 92673		Aliso Viejo, CA 92656	
Item No.	Description	Unit	Qty.	Unit Price	Total Bid Amount	Unit Price	Total Bid Amount	Unit Price	Total Bid Amount	Unit Price	Total Bid Amount	Unit Price	Total Bid Amount	Unit Price	Total Bid Amount
14	Trench Safety Measures	LS	1	$5,000.00	$5,000.00	$ 1,100.00	$ 1,100.00	$24,442.00	$24,442.00	$18,500.00	$18,500.00	$5,500.00	$5,500.00	11000	$11,000.00
15	Traffic Control	LS	1	$10,000.00	$10,000.00	$ 3,000.00	$ 3,000.00	$17,805.00	$17,805.00	$18,000.00	$18,000.00	$6,500.00	$6,500.00	6500	$6,500.00
16	Record Drawings	LS	1	$2,000.00	$2,000.00	$ 2,000.00	$ 2,000.00	$2,000.00	$2,000.00	$2,000.00	$2,000.00	$2,000.00	$2,000.00	2000	$2,000.00
17	City of Lake Forest Permit Fee	LS	1	$5,000.00	$5,000.00	$ 5,000.00	$ 5,000.00	$1,200.00	$1,200.00	$3,750.00	$3,750.00	$6,000.00	$6,000.00	3000	$3,000.00
18	Furnish and install 12-inch Butterfly valve and all appurtenances on Lake Forest Drive per specifications as shown on sheet 6 of plans.	LS	1	$12,000.00	$12,000.00	$ 10,000.00	$ 10,000.00	$24,286.00	$24,286.00	$14,700.00	$14,700.00	$8,000.00	$8,000.00	3500	$3,500.00
19	Furnish and install Permanenet Road Striping and Pavement Marking per City of Lake Forest requirements	LS	1	$10,000.00	$10,000.00	$ 5,000.00	$ 5,000.00	$10,330.00	$10,330.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	3500	$3,500.00
	Subtotal				$397,740.00		$413,125.00		$493,108.00		$596,150.00		$638,340.00		$1,205,001.00
	Addition (+) or Deduction (-)				$0.00		$0.00		$0.00		$0.00		0		$0.00
	TOTAL AMOUNT OF BID				**$397,740.00**		**$413,125.00**		**$493,108.00**		**$596,150.00**		**$638,340.00**		**$1,205,001.00**
						Manufacturers:		**Manufacturers:**		**Manufacturers:**		**Manufacturers:**		**Manufacturers:**	
						12-inch C-900 DR 14 Purple PVC pipe: Vinyl Tech		12-inch C-900 DR 14 Purple PVC pipe: Vinyl Tech		12-inch C-900 DR 14 Purple PVC pipe: Vinyl Tech		12-inch C-900 DR 14 Purple PVC pipe: Vinyl Tech		12-inch C-900 DR 14 Purple PVC pipe: Vinyl Tech	
						Butterfly Valves: Pratt Mfg		Butterfly Valves: Pratt Mfg.		Butterfly Valves: Mueller		Butterfly Valves: Crispin K.		Butterfly Valves: Mueller	
						Fittings/Bends/Flanges: Star/Sigma		Fittings/Bends/Flanges: Star/Sigma		Fittings/Bends/Flanges: Star		Fittings/Bends/Flanges: Sigma		Fittings/Bends/Flanges: Sigma	
						Subcontractors:		**Subcontractors:**		**Subcontractors:**		**Subcontractors:**		**Subcontractors:**	
						All American Asphalt (267073): Grind & Cap, Slurry Seal		Orange County Striping Service Inc. (346095): Striping		All American Asphalt (267073): Slurry Seal, Paving		Hardy & Harper, Inc. (215952): Asphalt/Slurry		Hardy & Harper, Inc. (215952): Paving	
								Mission Paving & Sealing Inc. (624257): Slurry Seal		Orange County Striping Service Inc. (346095): Striping		Orange County Striping Service Inc. (346095): Striping			

February 8, 2016
Prepared by: Tony Mossbarger
Submitted by: Cheryl Clary
Approved by: Paul Cook

CONSENT CALENDAR

ON-CALL PROFESSIONAL PROGRAMMING AND NETWORKING CONSULTANT SERVICES VARIANCE APPROVAL

SUMMARY:

The District is utilizing the On-Call Programming and Networking Professional Services Agreements to fill vacant full-time positions in the Information Services Department while recruiting is in progress. Variances are needed to the Professional Services Agreements to retain three resources providing programming support services for IRWD's Oracle applications. Staff recommends the Board authorize the General Manager to execute Variance No. 2 to the On-Call Programming and Network Services agreement with Outsource Technical in the amount of $260,000.

BACKGROUND:

In May 2015, the Board authorized the General Manager to execute a Professional Services Agreement in the amount of $400,000 with Outsource Technical for On-Call Programming and Network Support Services. Staff utilizes the contract to fill vacant full-time budgeted positions. Recruiting is in progress for the full-time regular resources, but contract resources are needed to continue until positions are filled. The following is a summary of the variances for this Professional Services Agreement:

> Variance No. 1 in the amount of $99,900 for additional hours to fill vacant positions was approved under the General Manager's signature authority on November 17, 2015, and
>
> Variance No. 2 in the amount of $260,000 for additional hours to fill vacant positions is attached as Exhibit "A".

FISCAL IMPACTS:

The staff positions are included in the current fiscal year's budget. The requested professional service variances exceed the amount budgeted by approximately $360,000. These professional services will be charged to the appropriate project or expense account.

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.

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on February 2, 2016.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2 TO THE ON-CALL PROGRAMMING AND NETWORK SERVICES AGREEMENT WITH OUTSOURCE TECHNICAL IN THE AMOUNT OF $260,000.

LIST OF EXHIBITS:

Exhibit "A" – Variance No. 2 for On-Call Programming and Network Services

IRVINE RANCH WATER DISTRICT
PROFESSIONAL SERVICES VARIANCE

Project Title: On-Call Information Services Professional Programming & Network Consultant Services

Project No.: Date: 1-28-2016
Purchase Order No.: Variance No.: 2

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

Description of Variance (*attach any back-up material*):
Additional hours needed for Krishna Chilukuri, Daniel Vo and Raghu Shamji to provide contract Programming Services filling in for vacant positions in Information Services Department.

Engineering & Management Cost Impact:

Classification	Manhours	Billing Rate	Labor $	Direct Costs	Subcon. $	Total $
Additional On-Call Services – Krishna Chilukuri		124	70,000			70,000
Additional On-Call Services – Daniel Vo		124	70,000			70,000
Additional On-Call Services – Raghu Shamji		122	120,000			120,000
					Total $ =	260,000

Schedule Impact:

Task No.	Task Description	Original Schedule	Schedule Variance	New Schedule

Required Approval Determination:

Total Original Contract $ 400,000	[ ] Director: Cumulative total of Variances less than or equal to $50,000.
Previous Variances $ 99,900 This Variance $ 260,000	[ ] Executive Director: Cumulative total of Variances less than or equal to $75,000.
Total Sum of Variances $ 359,900 New Contract Amount $ 759,900	[ ] General Manager: Cumulative total of Variances less than or equal to $100,000.
Percentage of Total Variances to Original Contract 25 %	[X] Board: Cumulative total of Variances greater than $100,000.

ENGINEER/CONSULTANT:
Outsource Technical

IRVINE RANCH WATER DISTRICT

Project Engineer/Manager — Date

Department Director — 1-28-2016 Date

Steve Shwam
Engineer's/Consultant's Management — 1-25-2016 Date

General Manager/Board — Date

IRVINE RANCH WATER DISTRICT

PROFESSIONAL SERVICES VARIANCE REGISTER

Project Title: On-Call Programming & Network Services

Project No.: ______________ Project Manager: Tony Mossbarger

Variance No.	Description	Dates Initiated	Dates Approved	Variance Amount
1	Additional On-Call Services – Krishna Chilukuri, Daniel Vo, and Raghu Shamji	11/10/15	11/17/15	$99,900
2	Additional On-Call Services – Krishna Chilukuri, Daniel Vo, and Raghu Shamji	1/25/2016		$260,000

February 8, 2016
Prepared by: B. Beeman
Submitted by: P. Weghorst
Approved by: Paul Cook

ACTION CALENDAR

DROUGHT OUTREACH PROGRAM UPDATE AND BUDGET REQUEST

SUMMARY:

Staff has implemented a comprehensive drought outreach plan in response to the statewide drought and the Governor's mandate for IRWD to reduce potable water use by 16% by February 2016. On November 13, 2015, Governor Brown issued an Executive Order that extended the mandate until October 31, 2016 and called upon the State Water Resources Control Board to implement his order with consideration of adjustments. As a result of this extension, staff continues to develop and implement the drought outreach plan. The Fiscal Year 2015-16 budget included $355,500 in over-allocation funding for drought-related outreach. On September 9, 2015, the Board approved additional over-allocation funding of $355,000. To continue implementation of the drought outreach plan, staff recommends that the Board approve $500,000 in additional over-allocation funding for FY 2015-16.

BACKGROUND:

A comprehensive IRWD customer drought outreach plan was developed and implemented in response to the Governor's mandate for IRWD to reduce potable water use by 16% by February 2016. This mandate was extended to October 31, 2016 by the Governor's November 13, 2015 Executive Order. Regulations are currently being developed by the State Board to implement the extension with consideration of various equity adjustments. The goal of the outreach plan was to reduce outdoor water use. Major components of the program are described below.

- "*Brown is the New Green*" advertising campaign that consisted of:
  - Irvine Spectrum and Marketplace advertising;
  - Public service announcements in movie theaters, City of Irvine television channel and local Cox cable channel;
  - Lawn and magnetic vehicle signs;
  - IRWD website promotion and Facebook advertising;
  - Landscape Makeover Contest outreach;
  - New home water checkup collateral materials;
  - Customer baseline survey and focus groups to test materials and messaging; and
  - Monthly customer postcard campaign.

- "*Still Seeing Green? We're using Recycled Water*" advertising campaign that includes:
  - Signs for lawns, street medians, development common areas and parks;
  - IRWD website promotion and Facebook advertising; and
  - Promotion with cities for websites and lobbies.

- Drought and water use efficiency outreach to customers that has to date included:
  - IRWD website and customer newsletter articles;
  - Updates on Facebook and Twitter;

- "Ask for Help" letter to customers;
- Drought survival guides I and II and customer outreach letters;
- Irvine Company Magazine and City of Irvine Magazine articles;
- Drought Street Team outreach in restaurants, fitness centers and hotels;
- Monthly targeted outreach postcards to customer groups;
- Homeowners Association (HOA) outreach in Irvine and Lake Forest;
- RightScape landscape customer workshop outreach for Orange Park Acres (OPA) and HOAs;
- Drought Survival Expo collateral materials, event development, and implementation and outreach;
- Rebate "help" cards for IRWD's lobby;
- "Ask Juan" landscape question column in billing insert;
- Home Depot Niagara Stealth Toilet and Rain Barrel Rebate events ;
- New series of winter/spring RightScape workshops;
- Drought-tolerant plant booklet development and printing;
- Video on "How to Check for Outdoor Leaks";
- New RightScape outreach folders for home water checkups;
- Refined social media advertising program; and
- OCTA drought outreach program sponsorship.

- Restaurant, Fitness Center and Hotel Outreach Program that has provided:
  - IRWD "Street Team" visits to local businesses;
  - Collateral material that included window stickers, posters and table tents; and
  - Letters to local businesses announcing available resources.

- Coordination with cities in IRWD's service area that includes:
  - Information for cities of Lake Forest, Tustin, and Newport Beach and OPA websites;
  - Drought Survival Expo outreach/planning/partnership with the City of Irvine;
  - Collateral material for websites, events and lobbies; and
  - Presentations to Irvine City Council and Committee meetings.

- Recycled water fill station outreach involving the following:
  - Signs for fill station facility and IRWD's lobby;
  - Outreach materials for city websites and City of Irvine television channel;
  - Promotion on IRWD's website and social media channels;
  - Postcard mailing to customers and monthly billing insert article;
  - Promotion using on-hold telephone messages; and
  - Promotional fliers for water use efficiency and drought outreach events.

- The Drought Survival Expo Customer Outreach event that helped customers learn:
  - How to install drought-tolerant gardens and to garden with native plants;
  - How to reduce water use and reduce their water bills;
  - How to convert from sprinkler to drip; and
  - How to check and repair leaks.

- RightScape Water Use Efficiency Micro Website that provides:
    - Customer training portal;
    - Rebate information;
    - Events and workshop promotion and sign-up;
    - Promotion of RightScape program; and
    - Introduction of "RightScapeNow.com" logo.

- "*Color Your World with a Drought Efficient Landscape*" advertising campaign that consists of:
    - Irvine Spectrum and Marketplace advertising;
    - Public service announcements in movie theaters, City of Irvine television channel and local Cox cable channel;
    - Magnetic vehicle signs;
    - RightScape website promotion and social media advertising;
    - Second Landscape Makeover Contest outreach; and
    - Monthly customer postcard campaign.

- El Niño Outreach Website Portal includes:
    - "One El Niño Won't End Four Years of Drought" outreach campaign;
    - "Rain On. Sprinklers Off" outreach campaign;
    - "It's Raining. Turn Off Your Sprinklers" social media outreach; and
    - Emergency resources and water saving tips.

To implement these additional efforts, staff recommends that the Board approve an additional $500,000 in over-allocation funding for new drought outreach programs, water saving messages, collateral materials and promotions to be implemented in the remainder of FY 2015-16.

FISCAL IMPACTS:

The programs and actions take to date, as described above, have been funded with $710,000 in over-allocation funding that was previously approved by the Board. Total expenditures to date by each program element are provided in Exhibit "A". The additional budget request of $500,000 for FY 2015-16 will be funded from over-allocation revenues. The following table presents the current FY 2015-16 budget for the drought outreach program along with the additional budget requirements.

Initial FY 2015-16 Budget Funding		$355,500
Additional FY 2015-16 Budget Funding Approved 9/9/2015		$355,000
	Subtotal:	*$710,500*
Proposed Additional FY 2015-16 Budget Funding		$500,000
	Total:	*$1,210,500*

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

That the Board approve an additional $500,000 in FY 2015-16 over-allocation funding for customer drought outreach programs.

LIST OF EXHIBITS:

Exhibit "A" – Drought Outreach Program Expenditures

EXHIBIT “A”

CUSTOMER DROUGHT OUTREACH PROGRAM EXPENDITURES
July 1, 2015 – January 15, 2016

Brown is the New Green Advertising Campaign	$211,728.10
Color Your World Advertising Campaign	76,703,23
Social Media Advertising	4,507.04
Customer Letters & Drought Survival Guides (I & II)	72,101.36
El Niño Outreach and Web Portal	25,869.08
Printing, Postcards, Graphics	18,431.44
Home Depot Rebate Events & Workshops Outreach	13,247.34
Focus Groups & Surveys	29,098.48
Misc. Outreach (Team shirts, table clothes, visors, etc)	4,413.86
Drought Survival Expo & Customer Outreach Event	40,974.60
Drought Survival Expo Advertising & OCTA Sponsorship	9,875.25
Pipelines: Customer Billing Insert	20,003.75
Recycled Water Outreach (signs, water bottle stickers)	29,128.28
RightScape MicroSite (website)	21,600.00
Crocker & Crocker RightScape Outreach Consultant	107,127.56
RightScape resident tours	3,486.96
RightScape workshops	2,021.09
TOTAL	$690.307.42

February 8, 2016
Prepared by: A. McNulty
Submitted by: F. Sanchez/P. Weghorst
Approved by: Paul Cook

ACTION CALENDAR

WATERWISE CONSULTING AGREEMENT VARIANCE NO. 1 FOR
TURNKEY TURF REMOVAL PROGRAM

SUMMARY:

IRWD's long-term water efficiency strategy includes the transformation of water intensive landscapes to drought-tolerant landscapes. The turf removal rebate and incentive program has been a key component of the District's drought response. To increase participation in the turf removal rebate program IRWD entered into an agreement with WaterWise Consulting, Inc. to implement a Turnkey Turf Removal Program. The initial budget for the program in the amount of $75,000 has been fully committed. Staff recommends that the Board authorize the General Manager to execute Variance No. 1 to IRWD's Non-Consultant Services Agreement with WaterWise to increase program funding in the amount of $305,000. The increase will expand the residential program as well as include multi-family customers who participate in the Water-Energy Residential Resource Program grant funded by the California Department of Water Resources (DWR).

BACKGROUND:

Turf removal is one of the key components of IRWD's Water Efficiency Business Plan, which identified reductions in potable outdoor use as a key focus for water conservation programs. Customers currently have the option to participate in the Do-It-Yourself Regional Turf Removal Rebate Program or in the Turnkey Turf Removal Program.

Participation in the Do-It-Yourself Program has steadily increased from 19 participants in 2011, to 443 in 2015. Customer interest in installing drought-tolerant landscapes has dramatically increased. A barrier to expanding program participation in the rebate program has emerged. Findings from the October Water Conservation Study, which included a survey 600 IRWD customers, indicated that not knowing the steps to take to replace landscaping and/or having difficulty locating a landscaper presented challenges to customers considering turf removal.

Staff developed the Turnkey program to help eliminate the barriers to participation by providing professional design and labor at a fixed cost of $5 per square foot. WaterWise was selected through a Request for Quotation process to implement the Turnkey program, which was launched in December 2015. The program offers single-family customers the same regional rebate of $2 per square foot as in the Do-It-Yourself program with the incentive paid directly by IRWD to the contractor. IRWD's payment is subtracted from the customer's total project cost of $5 per square foot. The net out-of-pocket expense paid by customers is the remaining $3 per square foot. For this cost, customers receive a one-on-one consultation with a professional landscape designer, labor service to kill and remove the existing turf, new plant installation, conversion from spray to drip irrigation and two follow-up visits post-project completion to provide assistance with irrigation scheduling.

The program announcement debuted in the December *Pipelines*. The initial funding of $75,000 has already been committed to the first interested customers and to the winners of the District's Landscape Makeover Contest. To maintain consistency with the regional turf rebate program, many of the same terms and conditions apply and funding is capped at $6,000 per single-family residential site.

Variance No 1:

Continuation of the Turnkey program will help IRWD meet its state-mandated potable use reduction target and will also support the District's long-term goal of reduction in outdoor potable use through landscape transformation. Variance No. 1, which is provided as Exhibit "A", would amend IRWD's Non-Consultant Services Agreement with WaterWise as follows:

- Increase the program funding by $305,000;
- Allow participation by multi-family customers in the DWR grant-funded Water-Energy Residential Resource Program;
- Provide the same level of funding per square foot for multi-family participants as provided to single family participants, with a per site funding cap of $25,000 for multi-family, consistent with the regional rebate program; and
- Incorporate changes to meet DWR requirements that include extending liability coverage to the state, certification of a drug-free workplace, and granting the state the right to inspect customer sites that will receive grant funds. These requirements will apply only to the multi-family sites.

Variance No. 1 would provide funding for up to 30 new single-family sites and five multi-family sites with funding caps of $6,000 and $25,000, respectively. All IRWD expenditures for the multi-family Turnkey program would be reimbursable from the DWR grant.

FISCAL IMPACTS:

Funding for this program is included in the Board-approved $3.5 million funding for the rebate program operated by the Municipal Water District of Orange County (MWDOC). The remaining IRWD funding for the rebate program is approximately $1.7 million, and is unlikely to be fully expended in FY 2015-16. IRWD's rebate funding agreement with MWDOC can be modified through a letter from IRWD's General Manager to reallocate the proposed $305,000 from the rebate program to the Turnkey program.

ENVIRONMENTAL COMPLIANCE:

This program is exempt from CEQA.

RECOMMENDATION:

That the Board authorize the General Manager to execute Variance No. 1 to the Non-Consultant Services Agreement between IRWD and WaterWise Consulting, Inc. in the amount of $305,000.

LIST OF EXHIBITS:

Exhibit "A" – Variance No. 1 to IRWD's Non-Consultant Services Agreement with WaterWise Consulting, Inc.

Exhibit "A"

IRVINE RANCH WATER DISTRICT
NON-CONSULANT SERVICES VARIANCE

Project Title: Turnkey Turf Removal Program
File No.:
Date: January 27, 2016
Variance No.: 1
Project No.: 6703 (DWR Grant)
Project No.
Purchase Order No.: 528119

Originator: [x] IRWD [ ] ENGINEER/CONTRACTOR [ ] Other (Explain)

Description of Variance (*attach any back-up material*):
$305,000 increase to original contract amount of $75,000, addition of state DWR requirements to the contract to extend liability coverage to the state, certify contractor has a drug free workplace policy in place and authorize the state to inspect sites that receive grant funds. Exhibits 1, 2, 3, and 4 are replaced with the attached exhibits. Omissions are identified with bold strikethrough text. Added language is identified by bold and underlined text.

Engineering & Management Cost Impact:

Classification	Manhours	Billing Rate	Labor $	Direct Costs	Subcon. $	Total $
Contract changes to comply with DWR grant terms.	0	0	0	0	0	0
Contract increase to add multi-family and increase number of single-family sites						$305,000
					Total $ =	$305,000

Schedule Impact:

Task No.	Task Description	Original Schedule	Schedule Variance	New Schedule

Required Approval Determination:

Total Original Contract $ 75,000 Previous Variances $0 This Variance $305,000 Total Sum of Variances $305,000 New Contract Amount $380,000 Percentage of Total Variances to Original Contract 406 %	[ ] General Manager: Single Variance less than or equal to $30,000. [ ] Committee: Single Variance greater than $30,000, and less than or equal to $60,000. [x] Board: Single Variance greater than $60,000. [ ] Board: Cumulative total of Variances greater than $60,000, or 30% of the original contract, whichever is higher.

ENGINEER/CONTRACTOR:
Company Name

IRVINE RANCH WATER DISTRICT

Project Engineer/Manager Date

Department Director Date

Engineer's/Contractor's Management Date

General Manager/Comm./Board Date

IRVINE RANCH WATER DISTRICT
NON-CONSULTANT SERVICES VARIANCE REGISTER

Project Title: Turnkey Turf Removal Program

Project No.: 6703 Project Manager: Amy McNulty

Variance No.	Description	Dates		Variance Amount
		Initiated	Approved	
1	Contract increase			$305,000; add multi-family and more single-family customers to scope
1	Changes to Exhibit 1, Section 2			$0; conform not-to-exceed reference in scope to contract increase amount
1	Changes to Exhibit 2, Section 1			$0; conform not-to-exceed reference in fee schedule to increase amount
1	Changes to Exhibit 3, Section 9.C and 10.B			$0; extend liability insurance coverage to State and make conforming change to auto liability coverage requirements
1	Changes to Exhibit 4, Section 8.06			$0; add drug-free workplace certification
1	Changes to Exhibit 4, Section 8.07			$0; add State right of inspection

EXHIBIT 1
SCOPE OF SERVICES

1. Representatives.

a. The District Representative for this Agreement is:

Amy McNulty, Water Efficiency Manager
15600 Sand Canyon Avenue
Irvine, CA 92618
(949) 453-5634
mcnulty@irwd.com

All Contractor questions pertaining to this Agreement must be referred to the District Representative or the District Representative's designee. Unless otherwise provided in this Agreement, all correspondence to the District must be addressed to the District Representative.

b. The Contractor Representative for this Agreement is:

Ajay Dhawan, President
1147 S. Grand Ave.
Glendora, CA 91740
(626) 335-7888
adhawan@waterwise-consulting.com

All District questions pertaining to this Agreement must be referred to the Contractor Representative. All correspondence to Contractor must be addressed to the address set forth on page one of this Agreement.

2. Scope of Services.

The scope of services for the Customer Landscape Design and Renovation Program will provide turf removal and drought tolerant landscape installation services for approved participating IRWD customers. The contract shall have a not-to-exceed amount of ~~$75,000~~*$380,000*. Each customer site will be evaluated by IRWD prior to implementation. IRWD will notify the Contractor of the site's approval in writing. IRWD will provide $2.00 per square foot in funding for customer site turf removal and the customer will pay the balance. Each site will have a fixed cost of $5.00 per square foot to cover, at a minimum, the removal of existing turf, conversion to drip irrigation and the installation of new drought tolerant plants. The customer will pay the remaining $3 per square foot after the IRWD $2 per square foot funding has been applied.

WaterWise will have customer service representatives available during normal business hours and will maintain a polite and professional demeanor. WaterWise will follow the process below to successfully replace turf areas to low water use gardens:

1. Once WaterWise receives approval of a customer site from IRWD, a participation agreement will be signed by the customer, retaining WaterWise to perform the turf removal and drought tolerant landscape installation and agreeing to the pay the remaining $3 per square foot after the IRWD $2 per square foot funding has been applied. WaterWise will then contact the customer to schedule an on-site consultation.
2. During the consultation, the landscape designer will take pictures and measure the areas of the turf that will be removed. Copies of this information will be provided to IRWD.
3. The staff landscape designer will go over design ideas and receive input from the customer to create the ideal new landscape.
4. While on site, the landscape designer will show customer the options that fit within the fixed cost of $5/square foot for materials such as plants, mulch, pea gravel, pathways, etc., while following any requirements for this project set by IRWD.
5. Once the landscape designer and customer agree on a conceptual plan of the new landscape, the landscape designer will create a 3D design for the customer to receive via email. At that point, the landscape designer will provide up to 3 revisions for each customer.
6. All projects will require approval from IRWD of the final design, which will include the cost and design to complete the project.
7. After agreeing on a design, WaterWise will begin the process of removing the Turf. WaterWise staff will set a date and time to begin the process. Each site can be treated differently based on the type of turf being removed and the process of removing the turf (roundup, organic roundup, sheet mulching, sod cutters, rototill, etc.) It can take 2-4 weeks to properly remove the existing turf.
8. Once the landscape is ready to begin construction, WaterWise staff will secure the supplies necessary for the project and begin converting the existing landscape in to a low water use design.
9. Some items such as large trash bins, city ordinance applicable fees, and city permits may be necessary and it will be up to the customer to procure and pay for those items.
10. Once the final design is complete, WaterWise will test the irrigation and properly reset the controllers or go over a recommended watering schedule for their new design.
11. Pictures will be taken for marketing purposes and a completion certification on the customer agreement will be signed by the customer showing that the job has been complete.
12. WaterWise staff members will include a 30 day and 3 month inspection to verify the landscape conditions and pictures will also be taken to show the progress of the customers new design.

The detailed Scope of Services is included in the Contractor's response to IRWD's Request for Qualifications for On Call Consultant Services.

Invoices will be submitted routinely to IRWD and the customer and include information on the customer name, address, square feet of turf removed, project start and end dates, customer water account number, and the signed customer participation agreement.

3. Time of Performance.
The time from the onset of program marketing to complete installation varies depending on customer participation. Payments are made for completed installations only.

4. Additional Services. If the District requests Contractor to provide services in addition to those specified above, Contractor shall develop a scope of work detailing the specific tasks to be completed and the estimated costs to complete those tasks. Contractor shall not perform any additional services unless authorized to provide those additional services are specified in a variance to this Agreement signed by both parties.

EXHIBIT 2

FEE SCHEDULE

1. Contractor's Compensation. The parties agree that the total of all fees paid to the Contractor for the performance of all services set forth in Exhibit 1, including normal revisions (hereafter the "Services"), and for all authorized reimbursable expenses, must not exceed the total sum of ~~**$75,000**~~ ***$380,000.***

2. Billable Rates. Contractor must be paid for the performance of Services on an hourly rate, daily rate, flat fee, lump sum or other basis, as set forth in the Schedule of Charges for Services, attached hereto and incorporated by this reference.

3. Contractor's Reimbursable Expenses. Reimbursable expenses are limited to actual expenditures of Contractor for expenses that are necessary for the proper completion of the Services and are only be payable if specifically authorized in writing in advance by District.

4. Payments to Contractor.

a. Undisputed invoices must be paid by the District within 30 days after receipt of such invoices. Contractor must be responsible for the cost of supplying all documentation necessary to verify the invoiced amounts to the satisfaction of District.

b. All invoices submitted by Contractor must contain the following information:

i. Date of Invoice Issuance

ii. Sequential Invoice Number

iii. Purchase Order Number

iv. Total Agreement Not-to-Exceed Amount

v. Amount of this Invoice (Itemize all reimbursable expenses, if any)

vi. Database with customer address, name, water account number, square feet of turf removed, and the installation date and total project cost.

c. Billings that do not conform to the format outlined above must be returned to Contractor for correction. District must not be responsible for delays in payment to Contractor resulting from Contractor's failure to comply with the invoice format described below.

d. Requests for payment must be sent to the District Representative.

5. Contractor's Accounting Records. During performance of this Agreement and for a period of three (3) years after completing all Services and Additional Services hereunder, Contractor must maintain all accounting and financial records related to this Agreement, including, but not limited to, records of Contractor's costs for all Services and Additional Services performed under this Agreement and records of Contractor's Reimbursable Expenses, in accordance with generally accepted accounting practices, and must keep and make such records available for inspection and audit by representatives of the District upon reasonable written notice.

SCHEDULE AND CHARGES FOR SERVICES FOR IRVINE RANCH WATER DISTRICT

Retrofit Service	Fee	IRWD Payment
Turf Replacement Includes: New landscape design, removal of turf, new plant material, new irrigation equipment, installation, and taxes.	$5 per square foot	$2/square foot

EXHIBIT 3

INSURANCE REQUIREMENTS

1. **General.** CONTRACTOR shall not commence or continue to perform any Services unless they, at their own expense, have in full force and effect all required insurance. CONTRACTOR shall not permit any Subcontractor to perform Services on this project until the same insurance requirements have been complied with by such Subcontractor.

2. **Types of Insurance.** CONTRACTOR shall obtain and maintain for the full period of the Agreement are Worker's compensation insurance, commercial general liability insurance, and business automobile liability insurance.

3. **Insurer Rating.** Insurers shall have financial and size ratings of at least an "A", VIII in accordance with the most current Best's Key Rating Guide, Property Casualty.

4. **Evidence of Insurance.** As evidence that specified insurance coverage has been obtained for the period of the Agreement, the CONTRACTOR shall provide, on forms satisfactory to District, including endorsements providing that policies cannot be canceled or reduced except on thirty (30) calendar days written notice by the insurance carrier of cancellation or non-renewal (ten (10) calendar days notice for non-payment of premium). Industry standard forms for "certificate on insurance" from ACORD are accepted, provided that appropriate language regarding notice of non-renewal or cancellation is provided on the form. Contractor shall provide proof that policies of insurance required herein expiring or terminated during the term of this Agreement have been renewed or replaced with other policies providing coverage meeting the requirements hereof. Such proof will be furnished at least fourteen (14) calendar days prior to the expiration of termination of the coverages. No alteration or substitution of said forms will be allowed. Certified copies of insurance policies from the insurance company affording coverage shall be provided by CONTRACTOR upon request.

5. **Noncompliance.** DISTRICT reserves the right to withhold payments to CONTRACTOR in the event of material noncompliance with insurance requirements.

6. **Limitation of Contractor liability.** The requirements set forth herein as to the types and limits of insurance coverage to be maintained by the CONTRACTOR and any approval of said insurance by the DISTRICT or its insurance consultant(s) is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the CONTRACTOR pursuant to the Agreement, including but not limited to the provisions concerning indemnification.

7. **Worker's Compensation Insurance.** CONTRACTOR shall provide worker's compensation insurance coverage for no less than the statutory limits and employer's liability insurance coverage, with limits not less than those listed in 7.A, for all persons whom CONTRACTOR employs or may employ in carrying out the Services. This insurance shall be in strict accordance

with the requirements of the most current and applicable state worker's compensation insurance laws.

A. Employer's Liability Insurance shall be for not less than:
$1,000,000 Each Accident
$1,000,000 Each Disease – Policy Limit
$1,000,000 Each Disease – Each Employee

B. Notwithstanding the requirements of Section 3, above, DISTRICT will accept Workers Compensation Insurance from the State Compensation Fund (State Fund) that is not rated and that is evidenced on the State Fund's certificate form. Except as provided above with respect to State Fund, all other insurance shall comply with all requirements of this Exhibit.

8. Waiver of right of subrogation. The worker's compensation insurance shall include a waiver of right of subrogation against the DISTRICT, the District Board of Directors, DISTRICT's Representative, the Engineer/Architect, owners of record of all private properties on which entry will be made, and their consultants, and each of their officers, agents, and employees but only while acting in their capacity as such and only in respect to operations of the original named insured, their Subcontractors, agents, officers, and employees in the performance of the Services.

9. Commercial General Liability Insurance. CONTRACTOR shall provide commercial general liability insurance coverage equivalent to Insurance Services Office Form CG 00 01, with limits not less than those specified in 9.A.

A. Commercial General Liability Insurance shall be for not less than:

Bodily Injury	Products/Completed
Property Damage	Completed
Personal Injury	Operations
(Occur/Aggr)	(Occur/Aggr)
$1M/$2M	$1M/$2M

B. Included in such insurance shall be blanket contractual liability coverage and severability of interests (no cross suits exclusion).

C. The commercial general liability insurance shall be primary and non-contributory and include as additional insureds: DISTRICT, the District Board of Directors, DISTRICT's Representative, ***the State of California, its officers, agents, and employees,*** the Engineer/Architect, owners of record of all private properties on which entry will be made, and their consultants, and ~~each of their~~ *the* officers, agents, and employees ***of each of the foregoing***, but only while acting in their capacity as such and only in respect to operations of the original named insured, their Subcontractors, agents, officers, and employees in the performance of the Services and shall be evidenced by ISO CG 20 33 07 04 endorsement form or equivalent.

D. Such insurance shall have a deductible or self insured retention not to exceed $25,000.

10. Automobile Liability Insurance. CONTRACTOR shall provide business automobile liability insurance coverage equivalent to Insurance Services Office Form CA 00 01, with limits not less than those specified in 10 A. Business automobile liability insurance coverage shall be provided for all owned, non-owned and hired vehicles.

A. Automobile liability insurance shall be for not less than:

$2,000,000 Bodily injury and property damage each occurrence.

B. The same requirements stated in 9.C shall apply to the automobile liability insurance.

11. CONTRACTOR's Responsibility Not Limited by Insurance. Nothing contained in these insurance requirements is to be construed as limiting the extent of the liability of CONTRACTOR or CONTRACTOR's sureties.

12. Maintaining Insurance. The maintenance of proper insurance in conformity with the Contract Documents is a material element of this Agreement. If at any time during the life of the Agreement, including the guarantee period, or any extension, CONTRACTOR fails to maintain the required insurance in full force and effect, the Services shall be discontinued immediately and all payments due or that become due to CONTRACTOR shall be withheld until notice is received by DISTRICT that the required insurance has been restored to full force and effect and that the premiums have been paid for a period satisfactory to DISTRICT. Failure to maintain or renew coverage or to provide evidence of renewal upon request of DISTRICT may be treated by DISTRICT as a material breach of contract.

EXHIBIT 4

SUPPLEMENTARY CALIFORNIA PUBLIC WORKS REQUIREMENTS

If the Scope of Work includes construction work to be performed during the construction phase or design and preconstruction phases of construction, including, but not limited to, inspection and land surveying work, or work to be performed during the post-construction phases of construction, including, but not limited to, all cleanup work at the jobsite, or any other work that has been determined by the California Director of Industrial Relations to constitute "public work," that portion of the Scope of Work is subject to the following provisions which amend and supplement the contract, or to the extent of any inconsistency supersede and take precedence over the contract.

SECTION 1. Bidding Requirements. The requirements of this Section apply to the public work portion of the Scope of Work if the contract is to be obtained by competitive bidding.

1.01 *Additive and Deductive Bid Items.* (applicable if a bid contains additive or deductive items – Public Contract Code 20103.8)

If a schedule of work items includes bid items or schedule(s) of bid items that may be added to ("Additive Items") or deducted from ("Deductive Items") the bids, the lowest responsible bidder will be determined by adding all Additive Items to, and deducting all Deductive Items from, the total of the base bid, unless another method is provided in the bid documents. IRWD reserves the right to award the Work to the lowest responsible bidder based on any single schedule or combination of schedules of bid items deemed by IRWD, in its sole discretion, to be in IRWD's best interest.

1.02 *Listing of Subcontractors.* (applicable if bids are taken – Public Contract Code 4104)

The name, State of California license number, and location of place of business of each subcontractor who will perform work or labor or render service to the bidder in or about the construction of the Work, or improvements, in an amount in excess of 1/2 of 1 percent (0.5%) of the bidder's total Bid, and the portion of the Work which will be done by each subcontractor shall be set forth in the bid. CONTRACTOR agrees that except to the extent that subcontractors were set forth in its bid, that all work in excess of one-half of one percent shall be performed by CONTRACTOR. It is agreed and acknowledged that should CONTRACTOR fail to conform hereto or with any of the requirements of Section 4100 through and inclusive of Section 4114 of the Public Contract Code, Contractor shall be subject to the requirements and penalties of Section 4106 of the Public Contract Code.

1.03 *Registration.* (applicable if bids are taken – Labor Code 1725.5)

Qualification to bid on this project or to be listed as a subcontractor (if required by Section 1.02), or to engage in the performance of any of the work requires proof of the contractor's or subcontractor's current registration and qualification to perform public work pursuant to Labor Code Section 1725.5. A bid shall not be accepted nor any contract or subcontract entered into without proof of the contractor's or subcontractor's current registration.

1.04 *Non-Collusion Affidavit.* (applicable if bids are taken – Public Contract Code 4104)

SECTION 2. Bonding. This Section applies to the direct contractor awarded a public works contract exceeding $25,000. This requirement does not apply to a design professional.

2.01 *Payment and Performance Bond.* Before commencing performance of the work, CONTRACTOR shall furnish a payment bond and a faithful performance bond approved by IRWD, each in an amount not less than one hundred (100%) percent of the Contract Price, from a surety company satisfactory to IRWD and who is authorized to transact business in California. CONTRACTOR shall use the bond forms provided by IRWD. A certified copy of power of attorney must be attached to each bond.

SECTION 3. Labor. The requirements of this Section apply to the public work portion of the Scope of Work, if more than $1,000 (Labor Code 1771).

3.01 *Compliance Monitoring; Registration; Notices.* The project is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

Qualification to engage in the performance of any of the work requires that CONTRACTOR and subcontractors maintain their current registration to perform public work pursuant to Labor Code Section 1725.5.

CONTRACTOR shall post on the jobsite all notices as prescribed by law or regulation.

3.02 *Prevailing Wage Requirements.* Under the provisions of the California Labor Code, the Director of the Department of Industrial Relations has determined the prevailing rate of wages for the locality in which the Work is to be performed and IRWD has adopted said prevailing rate of wages. A copy of these prevailing rates is on file at the office of IRWD and shall be made available to any interested party on request. A copy of such prevailing wage rates shall be posted on the jobsite by CONTRACTOR.

CONTRACTOR shall comply with Labor Code Section 1775. In accordance with said Section 1775, CONTRACTOR shall forfeit as a penalty to IRWD, up to two hundred dollars ($200), as determined by the Labor Commissioner, for each calendar day or portion of a day for each worker paid less than the stipulated prevailing rates for such work or craft in which such worker is employed for any work done under the contract by them or, except as provided by the Labor Code, by any Subcontractor under them in violation of the provisions of the Labor Code, and in particular, Labor Code Sections 1770 to 1780, inclusive. In addition to said penalty and pursuant to Section 1775, the difference between the stipulated prevailing wage rates and the amount paid to each worker for each calendar day or portion of a day for which each worker was paid less than the stipulated prevailing wage rate shall be paid to each worker by CONTRACTOR.

CONTRACTOR shall forfeit as a penalty to IRWD $25 for each worker employed in the execution of the Work by CONTRACTOR or any Subcontractor under them for each calendar day during which such worker is required or permitted to work more than eight (8) hours in any one (1) calendar day and forty (40) hours in any one calendar week in violation of the provisions of the Labor Code, in particular, Section 1810 to Section 1815 thereof, inclusive, except that work performed by employees of CONTRACTOR in excess of eight (8) hours per day and forty (40) hours during any one (1) week shall be permitted upon compensation for all hours worked in excess of eight (8) hours per day at not less than one and one half (1 1/2) times the basic rate of pay as provided in said Section 1815.

3.03 *Payroll Records.* CONTRACTOR and each of their Subcontractors shall keep an accurate payroll record, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by them in connection with the Work. The records shall be in a format prescribed by the Labor Commissioner. The records may consist of printouts of payroll data maintained as computer records, if the printouts are in a format prescribed by the Labor Commissioner and are verified as required under this paragraph. Each payroll record shall contain or be verified by a written declaration that it is made under penalty of perjury, stating that (1) the information contained in the payroll record is true and correct, and (2) CONTRACTOR (or the Subcontractor, as the case may be) has complied with the requirements of Sections 1771, 1811 and 1815 of the Labor Code for any of the work performed by their employees. The payroll records shall be submitted monthly to IRWD and directly to the Labor Commissioner and shall be available for inspection at all reasonable hours at the principal office of CONTRACTOR (or the Subcontractor, as the case may be) to the employee or their authorized representative on request, to the Division of Labor Standards Enforcement on request, and the public, provided that requests by the public must be made through IRWD or the Division of Labor Standards Enforcement in accordance with the requirements of Labor Code Section 1776. Copies shall be provided to the requesting entity within ten (10) days after receipt of a written request. Any copy of a payroll record made available to the public or any public agency by IRWD shall be marked or obliterated to prevent disclosure of individual workers' names, addresses and social security numbers. CONTRACTOR shall inform IRWD of the location address of payroll records of CONTRACTOR and each Subcontractor and notify IRWD of a change in any such location within five (5) working days. In the event CONTRACTOR or a subcontractor fails to comply with the above-specified 10-day period, CONTRACTOR or the subcontractor shall forfeit as a penalty to IRWD one hundred dollars ($100) for each calendar day or portion of a day for each worker until strict compliance is effectuated. CONTRACTOR is not subject to a penalty under this paragraph due to the failure of a subcontractor to comply with this paragraph.

3.04 *Apprentices.* (applicable if contract is $30,000 or more) CONTRACTOR and any Subcontractor under them shall comply with the requirements of Sections 1777.5 and 1777.6 of the Labor Code in the employment of apprentices. Information relative to apprenticeship standards, wage schedules, and other requirements may be obtained from the Department of Industrial Relations. Willful violations of Section 1777.5 will result in forfeiture of one hundred dollars ($100) for each calendar day of noncompliance, or up to three hundred dollars ($300) for each calendar day of noncompliance for second and subsequent violations within a three-year period that result in apprenticeship training not being provided as required by the Labor Code, and may also result in debarment sanctions in the case of violations, as determined by the Labor Commissioner pursuant to Section 1777.7. Section 1777.7 also imposes requirements that, if not observed by CONTRACTOR, will result in CONTRACTOR's liability for Subcontractor violations of Section 1777.5.

3.05 *Subcontracting.* CONTRACTOR is prohibited from performing any of the work with a subcontractor who is ineligible to perform such Work pursuant to Section 1777.1 or 1777.7 of the Labor Code. CONTRACTOR agrees that in accordance with Public Contract Code Section 6109, a subcontract with an ineligible subcontractor is void as a matter of law, amounts paid to the subcontractor shall be returned to IRWD, and CONTRACTOR is responsible for paying wages of the subcontractor's employees if the subcontractor is allowed to perform any part of the work.

3.06 *CONTRACTOR'S Certificate Regarding Workers' Compensation* (Labor Code Section 1861): I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code, and I will comply with such provisions before commencing the performance of the work of this Contract.

SECTION 4. Site Conditions. The requirements of this Section apply to the public work portion of the Scope of Work, subject to the applicability further specified below.

4.01 *Utilities* (applicable if the contract with IRWD is made pursuant to an invitation for bids and includes removal, relocation or protection of main or trunkline utility facilities – Government Code Section 4215)

CONTRACTOR shall be compensated by IRWD for the costs of locating, repairing damage not due to the failure of CONTRACTOR to exercise reasonable care, and removing, relocating, protecting, or temporarily maintaining main or trunk line utility facilities not indicated with reasonable accuracy in the plans and specifications, and for equipment in the project necessarily idled during such work. Alternatively IRWD may change the project grade or alignment to avoid such removal, relocation or protection or make arrangements with the owner of the utility for such work to be done at no cost to CONTRACTOR. No forfeiture due to delay shall be made because of any delays in the completion of the Work due to the failure of IRWD or the owner of a utility to provide for removal or relocation of main or trunk line facilities not indicated in the plans or specifications with reasonable accuracy.

IRWD is not responsible for removal, relocation or temporary maintenance of (i) main or trunk line utilities or other structures which are in the position shown on the plans, or (ii) service connections, and CONTRACTOR shall bear all expenses incidental thereto. Such work shall be done in a manner satisfactory to the owner of the utility or service connection, it being understood that the owner has the option of doing such work with their own forces or permitting the work to be done by CONTRACTOR. It shall be the responsibility of CONTRACTOR to investigate to find out whether or not this cost is required to be borne by the owner of the utility.

4.02 *Excavation Plans for Worker Protection* (applicable if the public work portion is over $25,000, and involves excavation of any trench five (5) feet or more in depth – Labor Code Section 6705)

CONTRACTOR shall submit to IRWD for acceptance, in advance of excavation, a detailed plan showing the design of shoring, bracing, sloping, or other provisions to be made for worker protection from the hazard of caving ground during the excavation of any trench or trenches five (5) feet or more in depth. The plan shall be prepared specifically for the work by a registered civil or structural engineer who is licensed by the State of California. The plan shall be in an original format, not a reproduced copy, and shall include the engineer's original signature and seal. As a part of the plan, a note shall be included stating that the registered civil or structural engineer certifies that the plan complies with the CAL OSHA Construction Safety Orders, or stating that the registered civil or structural engineer certifies that the plan is not less effective than the shoring, bracing, sloping, or other provisions of the safety orders.

All shoring submittals shall include surcharge loads from adjacent embankments, construction loads and spoil bank. The submittal shall indicate the minimum horizontal distance from the top of trench to the edge of all surcharge loads for all cases of shoring and side slopes.

The detailed plan showing the design of shoring, etc., which CONTRACTOR is required to submit to IRWD for acceptance in advance of excavation, will not be accepted if the plan is based on subsurface conditions which are more favorable than those revealed by the investigations made by IRWD or the Engineer/Architect or their consultants; nor will the plan be accepted if it is based on soils related design criteria that are less restrictive than the criteria set forth in the report on the investigations of subsurface conditions.

Nothing contained in this paragraph shall be construed as relieving CONTRACTOR of the full responsibility for providing shoring, bracing, sloping, or other provisions which are adequate for worker protection.

4.03 *Differing Physical Conditions.* (applicable if the public work portion involves excavation more than four (4) feet in depth – Public Contract Code Section 7104)

CONTRACTOR shall promptly notify IRWD of the following work site conditions (hereinafter called differing physical conditions), in writing, upon their discovery and before they are disturbed: (1) any material that CONTRACTOR believes may be material that is a hazardous waste, as defined in Section 25117 of the Health and Safety Code, that is required to be removed to a Class I, Class II, or Class III disposal site in accordance with provisions of existing law; (2) subsurface or latent physical conditions differing from those indicated by information about the site made available to bidders prior to the deadline for submitting bids; (3) unknown physical conditions of any unusual nature, differing materially from those ordinarily encountered and generally recognized as inherent in work of the character being performed.

IRWD will promptly investigate the conditions, and if it finds that the conditions do materially so differ, or do involve hazardous waste, and cause a decrease or increase in CONTRACTOR's cost of, or the time required for, performance of any part of the work, shall issue a change order under the procedures described in the Contract.

In the event that a dispute arises between IRWD and CONTRACTOR whether the conditions materially differ, or involve hazardous waste, or cause a decrease or increase in CONTRACTOR's cost of, or time required for, performance of any part of the work, CONTRACTOR shall not be excused from any scheduled completion date provided for by the Contract, but shall proceed with all work to be performed under the Contract. CONTRACTOR shall retain any and all rights provided either by the Contract or by law which pertain to the resolution of disputes and protests between the contracting parties.

CONTRACTOR shall not be required to resume work in connection with a condition involving hazardous waste until after IRWD has obtained any required permits related thereto and delivered to CONTRACTOR written notice specifying any special conditions under which such work may be resumed safely.

SECTION 5. Materials. The requirements of this Section apply to the public work portion of the Contract, pursuant to Public Contract Code §3400.

5.01 *Substitutions*. Whenever materials or equipment are specified or described in the Plans or specifications by using the name of a proprietary item or the name of a particular supplier, the naming of the item is intended to establish the type, function and quality required. Unless the name is followed by words indicating that no substitution is permitted, the name shall be deemed to be followed by the words "or approved equivalent" and materials or equipment of other suppliers may be accepted by IRWD if sufficient information is submitted by CONTRACTOR to allow IRWD to determine that the material or equipment proposed is equivalent to that named. Approval of proposed equivalent materials or equipment is at the sole discretion of IRWD. No substitute shall be ordered or installed without IRWD's prior written acceptance.

CONTRACTOR assumes sole responsibility for verifying the proposed substitute items are in accordance with the requirements of the contract documents, and that the dimensions, arrangement, design and construction details and all other features of substitute items are suitable for their intended purpose.

In the event that a substitute item, and said difference was not expressly identified in CONTRACTOR's request for the substitution, or the incorporation of the substitute into the work results in a change(s) to the work or in the function or general design of the project, which was not expressly identified in CONTRACTOR's request for the substitution, IRWD may require the removal and replacement of the substitute at CONTRACTOR's sole expense.

CONTRACTOR may submit data substantiating requests for substitutions of equivalent items at any time after notice of award. Under no circumstances shall CONTRACTOR be entitled to an increase in Contract Time as a result of the submission or review of a substitution request.

SECTION 6. Claims. The requirements of this Section apply to the public work portion of the Contract, pursuant to Public Contract Code §20104.

6.01 *Resolution of Construction Claims.* (applicable to a claim meeting the below-described criteria – Public Contract Code Section 20104)

This Section is intended as a summary of the provisions of Article 1.5 (commencing with Section 20104) of Chapter 1 of Part 3 of Division 2 of the Public Contract Code ("Claims Resolution Statute") and is subject to the actual provisions of the Claims Resolution Statute. This Section shall govern the resolution of any claim of $375,000 or less which may be made by CONTRACTOR.

"Claim" is defined as CONTRACTOR's demand for (i) a time extension, (ii) money or damages arising from the work, payment for which is not otherwise expressly provided for or CONTRACTOR is not otherwise entitled to, or (iii) an amount disputed by IRWD.

CONTRACTOR shall make all claims in writing and include the necessary substantiating documents. Any claim which is intended to invoke the procedures under the Claims Resolution Statute shall specify that the claim is being made pursuant to the Claims Resolution Statute. All claims by CONTRACTOR must be filed on or before the date of final payment.

IRWD shall respond in writing, within forty-five (45) days of receipt of a claim less than $50,000 and within sixty (60) days of receipt of a claim over $50,000 and less than $375,000, or IRWD may request, in writing, within thirty (30) days of receipt of the claim, any additional documentation supporting the claim or relating to defenses or claims IRWD may have against CONTRACTOR. If additional information is thereafter required, it shall be requested and provided upon mutual agreement of IRWD and CONTRACTOR. If IRWD requests additional documentation, IRWD's written response to the claim shall be submitted to CONTRACTOR, (i) within fifteen (15) days after receipt of the additional documentation for a claim less than $50,000 and within thirty (30) days after receipt of the additional documentation for a claim over $50,000 and less than $375,000, or (ii) within the same time period as used by CONTRACTOR in producing the additional documentation, whichever is greater.

If CONTRACTOR disputes IRWD's written response, or IRWD fails to respond within the time prescribed, CONTRACTOR may, by giving written notice to IRWD within fifteen (15) days of receipt of IRWD's response (or within fifteen (15) days of IRWD's failure to respond), demand an informal conference to meet and confer for settlement of the issues in dispute. Upon such demand, IRWD shall schedule a "meet and confer" conference within thirty (30) days.

If after the "meet and confer" conference, any portion of the claim remains in dispute, CONTRACTOR may file a claim pursuant to Government Code Section 900 et seq. If a court action is thereafter filed to resolve the claim, the court must, within the time specified by law, submit the matter to nonbinding mediation unless waived by mutual stipulation of IRWD and CONTRACTOR. If after the mediation process, the matter remains in dispute, the case must then be submitted to judicial arbitration pursuant to the applicable law.

6.02 *Third Party Claims.* In accordance with Public Contract Code Section 9201, IRWD shall timely notify CONTRACTOR if IRWD receives any third-party claim relating to the Work. IRWD shall be entitled to recover from CONTRACTOR the reasonable costs incurred by IRWD in providing such notification.

SECTION 7. Payment and Retention. The requirements of this Section apply to construction contracts.

7.01 *Progress Payments.*

The following is a summary of the provisions of Article 1.7 of Chapter 1 of Part 3 of Division 2 (commencing with Section 20104.50) of the Public Contract Code, regarding progress payments, and is subject to the actual provisions of that statute. For purposes of this Section, a "progress payment" includes all payments due CONTRACTOR, except that portion of the final payment designated under this Agreement as retention.

If IRWD fails to make any progress payment within thirty (30) days after receipt of an undisputed and properly submitted progress payment request from CONTRACTOR, IRWD shall pay interest to CONTRACTOR equivalent to the legal rate set forth in subdivision (a) of Section 685.010 of the Civil Code of Procedure.

Upon receipt of a progress payment request, IRWD shall (i) review each payment request as soon as practicable after receipt for the purpose of determining that the payment request is a proper payment request, and (ii) return to CONTRACTOR, as soon as practicable but not later than seven (7) days after receipt, any payment request determined not to be a proper payment request suitable for payment. A request returned pursuant to this paragraph shall be accompanied by a document setting forth in writing why the payment request is not proper. The number of days available to IRWD to make a payment without incurring interest shall be reduced by the number of days by which IRWD exceeds the seven (7) day return requirement.

7.02 *Progress Payment Retention.* (Applies if performance retention will apply.) IRWD shall retain five (5) percent of such estimated value as part security for fulfillment of the Contract by CONTRACTOR and shall pay to CONTRACTOR the balance of such estimated value after deducting all previous payments and all sums to be kept or retained under the terms of the Contract. Nothing herein shall require payment of a disputed amount or limit IRWD's ability to withhold an amount in respect of a disputed amount as provided for in Section 7107 of the Public Contract Code. The retention payment shall not be due and payable until the expiration of thirty-five (35) days from the date of IRWD's recording of a notice of completion of the work in the office of the County Recorder.

7.03 *Substitution of Securities for Amounts Withheld.* Pursuant to Section 22300 of the Public Contract Code, CONTRACTOR may substitute securities for any monies withheld by IRWD to ensure performance of the Work. At the request and expense of CONTRACTOR, securities equivalent to the amount withheld shall be deposited with IRWD or with a state or federally chartered bank in California as the escrow agent. Such securities shall be released to CONTRACTOR at the same time as amounts retained would be released upon satisfactory completion of the work, to the extent such securities have not previously been utilized or are not then being held by IRWD or the escrow agent for purposes as provided in this Contract. Alternately, CONTRACTOR may request, and IRWD shall make, payment of retention earned directly to the escrow agent at the expense of CONTRACTOR.

If the securities are deposited with IRWD, IRWD shall determine their value. IRWD shall also be entitled in their discretion to sell, redeem, or otherwise convert them or portions thereof to cash in order to apply them to any of the purposes set forth in the Contract for which amounts may be withheld from CONTRACTOR and used. CONTRACTOR shall furnish such documents as are deemed necessary by IRWD to enable IRWD to make such sales, redemptions, or conversions. If the securities are deposited with an escrow agent, CONTRACTOR, escrow agent and IRWD shall execute IRWD's form entitled "Escrow Agreement for Security Deposits in Lieu of Retention."

SECTION 8. Miscellaneous. The requirements of this Section apply as specified.

8.01 *Audit.* (applicable if the contract exceeds $10,000 – Government Code 8546.7)

Pursuant to Government Code Section 8546.7, this contract, and CONTRACTOR and IRWD as the contracting parties, are subject to the examination and audit of the California State Auditor, at the request of IRWD or as part of any audit of IRWD, for a period of three years after the final payment under the contract.

8.02 *Notice of Taxable Possessory Interest.*

The terms of this contract may result in the creation of a possessory interest. If such a possessory interest is vested in CONTRACTOR, CONTRACTOR may be subjected to the payment of property taxes levied on such interest.

8.03 *Antitrust Claims Assignment.* (applicable if contract is awarded by competitive bidding)

In entering into a public works contract or subcontract to supply goods, services, or materials pursuant to a public works contract, CONTRACTOR or subcontractor offers and agrees to assign to the awarding body all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Section 15) or under the Cartwright Act (Chapter 2, commencing with Section 16700, of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, services, or materials pursuant to the public works contract or the subcontract. This assignment shall be made and become effective at the time the awarding body tenders final payment to CONTRACTOR, without further acknowledgment by the parties.

8.04 *License.*

CONTRACTOR shall possess a State of California license for the contracting class(es) applicable to the work.

8.05 *Delays.* (Applies if contract documents specify damages for failure to complete work by applicable contract times.)

No forfeiture due to delay shall be made because of any delays in the completion of the work due to unforeseeable causes beyond the control and without the fault or negligence of CONTRACTOR (including but not restricted to acts of God or of the public enemy, acts of the government, acts of IRWD, or acts of another contractor in the performance of a contract with IRWD, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather or delays caused by the failure of IRWD, or the owner of a utility to provide for removal or relocation of main or trunk line facilities not indicated in the plans or specifications with reasonable accuracy). Any such delays shall not entitle CONTRACTOR to any additional compensation, and the sole remedy of CONTRACTOR shall be an extension of time obtained in accordance with the contract; the only exception shall be if the delay has been caused solely by acts for which IRWD is responsible and which delay is unreasonable under the circumstances involved, is not within the contemplation of the parties, and continues after CONTRACTOR's notice to IRWD of such acts.

8.06 DRUG-FREE WORKPLACE CERTIFICATION

Certification of Compliance: By signing this Agreement, Contractor, its contractors or subcontractors hereby certify, under penalty of perjury under the laws of State of California, compliance with the requirements of the Drug-Free Workplace Act of 1990 (Government Code 8350 et seq.) and have or will provide a drug-free workplace by taking the following actions:

a) Publish a statement notifying employees, contractors, and subcontractors that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees, contractors, or subcontractors for violations, as required by Government Code Section 8355(a)(1).

b) Establish a Drug-Free Awareness Program, as required by Government Code Section 8355(a)(2) to inform employees, contractors, or subcontractors about all of the following:

i) The dangers of drug abuse in the workplace,
ii) Contractor's policy of maintaining a drug-free workplace,
iii) Any available counseling, rehabilitation, and employee assistance programs, and
iv) Penalties that may be imposed upon employees, contractors, and subcontractors for drug abuse violations.

c) Provide, as required by Government Code Sections 8355(a)(3), that every employee, contractor, and/or subcontractor who works under this Agreement:

i) Will receive a copy of Contractor's drug-free policy statement, and
ii) Will agree to abide by terms of Contractor's condition of employment, contract or subcontract.

8.07 Right to Inspection

The State of California shall have the right to inspect the work being performed under this Agreement and any subcontracts at any and all reasonable times during the term of the District's agreement with the State to obtain grant funding for the Services. This right shall extend to any subcontracts, and Contractor shall include provisions ensuring such access in all its contracts or subcontracts entered into pursuant to this Agreement.

February 8, 2016
Prepared by: Tony Mossbarger
Submitted by: Cheryl Clary
Approved by: Paul Cook

ACTION CALENDAR

FINANCIAL SYSTEM UPGRADE AND PROJECT MANAGEMENT IMPLEMENTATION CONSULTANT SELECTION

SUMMARY:

The District's Oracle Financial software was implemented in October of 2011 and now is in need of an upgrade to support changes. Changes include the District's Improvement District (ID) consolidation, implementation of the Project Management module, and the need to simplify the processing of project-related transactions. After conducting a Request for Proposal (RFP) process for consulting services to assist with these changes, staff recommends KPMG as the most qualified systems implementation consultant. Staff conducted negotiations to further refine the scope and duration of the project to best assure a successful implementation. The total implementation cost for this project is $4.2 million. The project is expected to be completed in 11 months, including three months of supported operations subsequent to the "go-live" date. Staff recommends that the Board approve the following:

- Retain KPMG as the Oracle Financial Systems Upgrade System Implementation consultant at a cost not to exceed $2,544,000;
- Authorize an increase to the FY 2015-16 Capital Budget for projects 4394 and 4395 in the amount of $838,800 each for a total budget increase of $1,677,600;
- Purchase of additional hardware at a cost not to exceed $152,000; and
- Authorize the utilization of professional services contract labor for internal project management, backfill resources and technical support at a cost not to exceed $450,000.

BACKGROUND:

Financial System Upgrade, Remediation, and Project Management Module Implementation:

In October 2011, IRWD implemented the Oracle eBusiness Suite (EBS) Financial applications software. Implementation of the Project Management module, designed to manage the District's Capital Projects, was considered at that time, but was not included in the implementation. The District continued to use the Engineering Project Management System (EPMS), which runs on the legacy IBM AS/400 system. In addition to staff's increasing efforts to keep this outdated system functioning, use of the system also requires project information to be maintained on both the EPMS and Oracle EBS systems.

In November 2013, the Board approved the consolidation of Water and Sewer IDs. The IDs were a key part of the system configuration in the implementation of the District's Oracle Financial System in 2011 along with many other significant customizations. Staff requested two consulting firms with Oracle Financial Systems experience, KPMG and Project Partners, to review the current system configurations and make recommendations. The consultants spent time with staff reviewing and discussing the requirements, including requirements for transitioning projects from the legacy system onto Oracle. The result was a detailed analysis and report containing the requirements for implementing the Project Management module, remediating the changes necessary to implement the District's ID Consolidation configuration, and simplifying the system to utilize more standard out-of-the-box functionality. Utilization of out-of-the-box functionality will eliminate the need for several customizations made during the original implementation which requires significant staff time to support.

The detailed analysis and report also recommended upgrading to the later version of the Oracle EBS Financial system (from EBS 12.1 to EBS 12.2) as Oracle support ends on the current version on December 31, 2016. The detailed analysis and requirements from the report were used to issue an RFP for a system integrator.

Consultant Selection:

An RFP was issued on August 5, 2015 to six consultants with experience performing Oracle EBS Financial systems software upgrades and implementations: Ciber, Emtec, KPMG/Project Partners, IBM, and Infosys Ltd. Three of the consultants submitted proposals with costs as follow:

Consultant	Proposal Amount
Emtec	$2,363,299
Infosys	$1,971,496
KPMG/Project Partners	$2,262,378

The proposals were reviewed by a cross-functional evaluation team listed in Exhibit "A". After completing a thorough evaluation of the firms based on their written proposals, KPMG (utilizing Project Partners as a strong subcontractor) was the evaluation team's top selection with Infosys as second choice. A summary of the Evaluation Team's rankings of the proposals is attached as Exhibit "B". Based upon a review of the proposals, the top two firms were selected to participate in an extensive interview process. Each firm was required to have its key staff participate in the interviews so that staff could evaluate its implementation approach, team dynamics and strategic fit with District staff. Interviews were conducted in a half-day session to provide its responses as well as address additional questions from the evaluation team.

Based on evaluation criteria in the proposals, on site interviews and extensive reference checking, staff recommends KPMG be retained by IRWD to provide implementation services as the system integrator. Key factors in the recommendation of KPMG include:

- KPMG's proposed partnership with Project Partners (as a subconsultant KPMG) for the implementation of the Project Management module. Project Partners is recognized as industry experts in EBS Project Management module implementations. Staff is very confident with the proposed solution and the ability of Project Partners to deliver;
- Company profile, health, and experience. KPMG has global IT professionals with an experienced Oracle EBS Financial systems practice. It has successfully completed many Oracle EBS upgrades and implementations, including several in the utility and public sector space;

- KPMG/Project Partners proposed an eight-month implementation plan plus three months of post go-live warranty support. KPMG/Project Partners is able to commit to this plan because a significant portion of the work will be performed offshore and with the utilization of a 24-hour day, KPMG/ Project Partners is able to significantly improve the implementation time;
- KPMG/Project Partner key team members. Staff met the key people proposed for the engagement and found them qualified to provide the required services;
- The KPMG/Project Partner team's client references repeatedly commented on the professional staff that brought the projects in on time and within budget; and
- References from Hillsborough County Aviation Authority, AECOM, Midwest Independent System Operator, Atkins Global, Burns and McDonnel, and Rogers Group. All previous and current KPMG and Project Partners customers indicate a very high level of satisfaction with the services performed. KPMG/Project Partners provides excellent services and honors their contracts. The references stated they were very familiar and comfortable with the on-site team and off-shore model employed by KPMG/Project Partners.

Upon selection of KPMG as the finalist, the evaluation team performed further due diligence through a one and a half day solutions confirmation workshop. The solutions confirmation workshop focused on due diligence activities to further investigate KPMG/Project Partners' proposed solutions and confirm the solution scope. The solutions confirmation workshop resulted in a few changes to the original KPMG proposal. The most significant changes were:

- Change the fee structure from time and material with a maximum plus billable expenses to a fixed fee contract including expenses +$79,722;
- Add an additional procurement resource in lieu of utilizing the project manager for this function +$108,800;
- Add additional hours for Training Development for Project Costing and Project Management +$69,479; and
- Add additional hours for Technical Document Development +$23,600.

The result of the changes was a net increase of $281,601.

The KPMG proposal, which includes a detailed scope of work, project plan, and related fees and costs, is provided as Exhibit "C".

Staff recommends awarding a Professional Services Agreement to KPMG for a total cost of $2,544,000. This is a fixed price contract with payments made based on key milestone completion requirements.

Hardware:

The Oracle EBS Financial software upgrade requires upgrades to existing equipment. The upgraded hardware includes servers to host the EBS production environments, testing environments, as well as an upgrade to the Storage Area Network to house additional data. The additional hardware costs required for the upgrade and implementation total $152,000.

Additional Consulting Services for Implementation:

Outsource Technical has worked with the District since 2012, providing Oracle technical and project management contract resources. Staff has identified gaps in internal resources required for a successful implementation. Outsource Technical will provide the District with contract resources for staff augmentation to supplement District staff with the following during implementation:

- Project Manager (full-time) - $130 per hour, and
- Technical/Functional Developer (full-time) - $130 per hour.

Staff recommends retaining Outsource Technical to provide staff augmentation services listed above for the upgrade of Oracle EBS and implementation of the Project Management modules. Fees for staff augmentation services are $450,000, billed at the hourly rate, as listed above.

Internal Labor:

Internal staff labor is expected to add approximately $659,000 to the project cost. This will include working with the system implementer to:

- Establish functional requirements;
- Establish data interfaces and data migration;
- Provide reporting requirements and strategy;
- Testing and training; and
- Place the upgraded Oracle EBS system into production.

In addition to internal labor, temporary labor will be included in the FY 2016/17 operating budget to provide for resources to "backfill" for IRWD employees who will be dedicated to the project.

Capital Budget Increase:

The original budget for this capital project was $2,508,000, based on the best information available before issuing the RFP. The request for a $1,677,600 capital project budget increase consists of the following:

System Implementation Fee	$ 864,000
Hardware	152,000
Additional Consulting Services For Staff Augmentation	450,000
Internal Labor	59,000
Increase in Contingency (10% of Total Project)	152,600
Total Increase	$1,677,600

FISCAL IMPACTS:

The Oracle Business Intelligence Software Upgrade was included in the approved FY 2015-16 capital budget. A budget increase is requested for projects 4394 and 4395 as listed below:

Project No.	Current Budget	Addition <Reduction>	Total Budget
4394	$1,254,000	$ 838,800	$2,092,800
4395	$1,254,000	$ 838,800	$2,092,800
Total	$2,508,000	$1,677,600	$4,185,600

ENVIRONMENTAL COMPLIANCE:

This activity is exempt from the California Environmental Quality Act (CEQA) as authorized under the California Code of Regulations, Title 14, Chapter 3, Section 15268, Ministerial Projects.

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on February 2, 2016.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH KPMG LLP FOR A NOT-TO-EXCEED COST OF $2,544,000; APPROVE A CAPITAL BUDGET INCREASE OF $838,800 EACH FOR PROJECTS 4394 AND 4395, FOR A TOTAL BUDGET INCREASE OF $1,677,600; APPROVE THE PROCUREMENT OF HARDWARE FOR A NOT-TO-EXCEED COST OF $152,000; AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH OUTSOURCE TECHNICAL FOR A NOT-TO-EXCEED COST OF $450,000.

LIST OF EXHIBITS:

Exhibit “A” – Evaluation Team Members
Exhibit “B” – Consultant Selection Summary
Exhibit “C” – KPMG Scope of Work and Fee Proposal

EXHIBIT A

Evaluation Team Members

Employee Name	Department
Kevin Burton	Engineering
Eric Akiyoshi	Engineering
Cheryl Clary	Finance
Eileen Lin	Finance
Jenny Pan	Finance
Tony Mossbarger	Information Services
Mohit Saini	Information Services

EXHIBIT "B"

CONSULTANT EVALUATION MATRIX

UPGRADE ORACLE EBS REMEDIATE CONFIGURATION AND IMPLEMENT PROJECT MANAGEMENT								
Item	Description	Weights	Emtec		Infosys		KPMG	
A	TECHNICAL APPROACH	**40%**						
1	Overall Project Understanding / Approach	40%	3.0		2.0		1.0	
2	Scope of Proposal	60%	3.0		2.0		1.0	
	Weighted Score (Technical Approach)		3.0		2.0		1.0	
B	QUALIFICATION AND EXPERIENCE	**60%**						
1	Project Manager	40%	2.5		2.0		1.5	
2	Project Team	20%	3.0		2.0		1.5	
3	Sub Consultants	20%	0.0		0.0		1.5	
4	Firm's Experience	20%	3.0		2.0		1.0	
	Weighted Score (Experience)		2.2		1.6		1.4	
	COMBINED WEIGHTED SCORE		2.5		1.8		1.2	
	Ranking of Consultants							
C	SCOPE OF WORK							
TASK			Task Hours	FEE	Task Hours	FEE	Task Hours	FEE
1	Perform Technical Discovery		1,000	$169,000	1,572	$131,388	932	$159,724
2	Upgrade IRWD's EBS Environment		4,900	$685,500	5,689	$259,131	2,682	$215,375
3	Configuration changes to IRWD's Chart of Accounts		1,500	$252,500	7,800	$361,912	2,643	$287,158
4	Removal of Grants Accounting and Implementation of Oracle Project Costing and Project Management		1,500	$254,500	10,657	$691,875	5,212	$779,476
5	Remediation and development of reports leveraging OBIEE		2,436	$319,700	6,732	$233,288	1,925	$293,555
6	Remediation of deficiencies listed in Appendix F not previously addressed (optional)							
7	Training and post production support		1,330	$156,750	4,514	$266,902	1,996	$263,026
	Travel Expense			$198,245		$27,000		$264,064
	Contingency (!5% Risk Factor)			$327,104				
	TOTAL HOURS AND FEE		12,666	**$2,363,299**	36,964	**$1,971,496**	15,390	**$2,262,378**
D	OTHER							
	Joint Venture		None		None		Yes	
	Sub Consultants						Project Partners, LLC	
	Exceptions taken to IRWD Std. Contract		None		None		Yes	
	Insurance (Professional & General Liability)		Yes		Yes		Yes	
	RANKINGS:							
	1 - Best							
	2 - 2nd Best							
	3 - 3rd Best							
	4 - 4th Best							

Exhibit "C"

KPMG

cutting through complexity

ADVISORY

BEST and FINAL OFFER

Irvine Ranch Water District

January 27, 2016

kpmg.com

KPMG LLP
Suite 1100
Independent Square
One Independent Drive
Jacksonville, FL 32202

Telephone +1 904 354 5671
Fax +1 904 350 1260
Internet www.us.kpmg.com

January 27, 2016

Mr. Tony Mossbarger
Director of Administrative Services
Irvine Ranch Water District
15600 Sand Canyon Ave.
Irvine, CA 92618

Dear Tony,

On behalf of KPMG LLP (KPMG), we are pleased to provide to the Irvine Ranch Water District (IRWD, or the District) our Best and Final Offer (BAFO) for Request for Proposal (RFP) for Consulting Services to Upgrade Oracle E-Business Suite, Remediate Configuration and Implement Oracle Project Management. The opportunity to continue to work with IRWD is extremely important to our practice, to our firm, and to our team, and we appreciate your continuing interest in our professional services.

We understand the critical nature of this project to you, and recognize your overall objective is to reduce system complexity, improve system usability and streamline business processes. We will perform the upgrade to E-Business Suite from 12.1.3 to the most current version, perform configuration changes to simplify use, implement the Project Management module, remove the Grants Accounting module, perform remediation of BI reports, training and post production support. We have a clear sense of the significance of this project and the challenges and opportunities it will present to the District.

Our proposal will demonstrate that KPMG is committed to bringing you a team with the experience that matters to deliver an approach and capabilities aligned with IRWD's priorities to help you achieve efficient, effective, and sustainable value.

- **Experience that matters** – Members of your KPMG engagement team have the experience and qualifications in the skill sets that are important to IRWD and crucial to the success of this engagement. Our team members have deep experience in helping clients successfully manage the challenges faced when developing and deploying a Project Management solution. In addition to a comprehensive understanding of the utilities industry, public sector operations, the associated accounting policies, and reporting processes, your engagement team members maintain a deep well of Oracle experience. Our business and technology advisers help clients translate strategies into viable technology-enabled outcomes through time-tested methodologies, distinct insights, and vast experience with Oracle solutions. By incorporating our public sector and business information knowledge with our product-specific insight when addressing project requirements, we can yield relevant and insightful recommendations throughout the project.

  This project represents an opportunity for the District to improve the business value that your technology solution delivers to your users and management. KPMG works with clients in building an "intelligent enterprise" by transforming available information to deliver intelligent business models around people, process, and technology. Business Intelligence (BI) empowers the right people to receive the right information, at the right time, allowing them to make informed decisions. Our analytical approach assists our clients, in an iterative, collaborative effort to transform data (internal, external, structured, and unstructured) into actionable intelligence that can improve their ability to make better, forward-looking, and strategic business decisions, aligned to their overall corporate goals and objectives. As an Oracle Platinum Partner with OBIEE and Analytic Applications specialization certifications, KPMG's Business Intelligence team can help drive an analytics and decision support strategy to fully leverage Oracle's BI and Analytics solutions and realize the potential of your information assets. Few other consulting firms can provide this depth and breadth of services to the District, all of which will be required to successfully accomplish this project.

- **Approach and capabilities aligned with IRWD's priorities** – We know you and understand your business. We know the issues you face and understand that efficient and effective engagement delivery is about aligning our approach with your circumstances and delivering on our commitments. Our work with IRWD will be founded on a thorough understanding of your operations. We have been working with you since April, 2014, and during that time we've had the pleasure to get to know your culture, your people, and your operations across the Finance, Engineering and IT functions. Our industry focus provides an informed perspective on the key issues and challenges you face. Our holistic approach addresses the people, process, structure and technology involved. We will leverage this knowledge, and experience, to hit the ground running on this project, alleviating ramp-up delays and mitigating challenges throughout the project.

- **Value for your investment** – We are confident that the skill and experience of our selected team members, and KPMG's tested approach, methodologies, and tools are well aligned with your requirements. We believe our fees are competitive for the value IRWD will receive. We are committed to working with IRWD every step of the way as we help you drive value in your implementation project.

We appreciate the opportunity to participate in this important initiative for IRWD and look forward to discussing it further with you. We stand ready to serve you and we are excited about working together. We are energetic, experienced, and will be responsive to your needs. We are fully prepared to begin work upon contract award.

Please feel free to contact me at 904-219-7241 or johnvaughan@kpmg.com should you have any questions regarding our response.

Very truly yours,

KPMG LLP

John H. Vaughan IV
Managing Director, Advisory

Contents

Executive summary

KPMG LLP (KPMG) is pleased to submit our BAFO to the Irvine Ranch Water District (IRWD or the District) to accomplish the necessary upgrade/implementation services, report development, training and post-production support you require. Working with the right professional services firm – one that understands your business, issues, and challenges, and that can provide you with the experience, insight and perspective you need – is absolutely critical. We know you. We understand the environment in which you work, know your industry, and have experienced people to address the issues you may face. We balance a wealth of knowledge and experience, and the extensive network of resources of a Big Four firm, with a flexible cost structure and fee sensitive touch.

Our knowledge of the District, our understanding of the scope of services presented in your Request for Proposal (RFP) and our extensive knowledge and experience relevant to your request has formed the foundation around which we developed our proposal. As such, we present the following features of our service and the resulting benefits for your consideration:

Experience that matters—KPMG is committed to providing IRWD with experienced professionals, a time-tested approach, our understanding of IRWD's business operations, processes and requirements, and the diverse set of capabilities necessary to support your organization and assist in successfully achieving your objectives.

Our unique qualifications to serve IRWD include experience in: the utilities industry and the public sector, implementations of Oracle E-Business Suite and associated applications, Oracle Business Intelligence Enterprise Edition (OBIEE) and applications, Business Intelligence (BI) and data analytics, finance and accounting business processes, reporting expertise, procurement business process expertise, and organizational change management/training/communications all enabled through our approach, methodology and toolkits.

- **KPMG was the first multidisciplinary professional service firm to reorganize along industry specific lines of business** – We took this step to help ensure our clients receive assurance and advisory services and strategies tailored to the unique environment in which they operate. This market-based structure provides dedicated resources for each line of business which includes utilities and state and local governments, and allows our client service professionals to focus on industry-specific issues. Our focus runs across audit and advisory services, tax, legal and financial advisory services, and is underpinned by geographic strength.

- **KPMG has been involved in the Oracle implementation business dating back to the earliest releases of both EBS and PeopleSoft in the early 1990s** – While our focus has shifted over the years in terms of applications and solutions, our current implementation leading practices and approaches are rooted in time-tested fundamentals that are two decades in the making. We have approximately 500 successful implementations where we served as the system integrator for our clients. Nearly all of these implementations have had finance, accounting, and procurement as key process scope components. Many of these implementations have been in the utilities industry and the public sector arena. Our knowledge and expertise of having successfully done this before will help in reducing IRWD's risk on this project.

- **Business Intelligence empowers the right people to receive the right information, at the right time, allowing them to make informed decisions** – Business Intelligence services help an organization shift the focus away from just the efficient delivery of information (a technology-centric tactical approach) to accuracy, and insight—a strategic approach that recognizes, filters, and extracts value from financial and operational information to make better business decisions. We expand the focus of business intelligence beyond reporting and dashboards to a broader capability that allows organizations to capitalize on their information, apply insight to respond to marketplace pressures, and identify competitive advantages.

- **We will execute and accomplish the project in accordance with your expectations – we know you.** The leaders and team members of KPMG hold our relationship with IRWD in the highest regard. We have had the privilege of working with you and have built valued and trust-based relationships across the business. You have expected and experienced nothing less than our best during our service in support of the recent projects and you can expect the same degree of excellence from the KPMG team that will serve you as the system implementer. We have spent the time to understand and evaluate the facts, and are prepared to provide a pragmatic approach to address potential issues and meet your expectations and objectives.

- **We focus early on change management** – magnitude and readiness for change should be assessed early in the project so that a customized change management and communication strategy can be developed and executed throughout the project lifecycle. Thorough change management is critical to the success of the project. We work with you to identify the key components for a robust Change Management plan to include organizational alignment, communications planning and deployment, multi-modal training development and delivery, stakeholder analysis, organizational structure and, perhaps most importantly, identification of change champions, thought leaders and change agents.

  A Change Management specialist as part of our PMO team will work closely with IRWD's project team to help ensure that the change management strategy in place meets the project objectives and drives adoption. By understanding specific change impacts, challenges, opportunities, and required actions, as well as coordinating change management efforts, we will help prepare IRWD with a strategically focused change approach.

  Change management support at IRWD will

  - Drive IRWD towards more quickly attaining the desired objectives
  - Reduce depth and duration of productivity decline and business disruption
  - Accelerate IRWD learning, acceptance and adoption of the new way of working
  - Identify and manage organizational risks, areas of resistance, acknowledge wins and reward desired behavior
  - Move IRWD employees along the adoption curve; from awareness to adoption

- **We know how to execute successful projects** – we know what it takes to successfully deliver projects at organizations such as IRWD – clear understanding of objectives, focused work efforts, resolution of project issues on a timely basis, ongoing communications and concise deliverables. We believe our project management approach is one of the ways that we are truly able to help our clients make the most of their budgets by eliminating redundant and/or duplicated effort.

Few other consulting firms can provide this depth and breadth of experience that matters to IRWD, all of which will be required to successfully accomplish this project.

Approach and capabilities aligned with IRWD's priorities— Our distinction and market leadership position across the breadth of Oracle applications is realized through the use of our award-winning delivery methodology that includes proprietary processes, templates, and scripts that accelerate and simplify project activities with the highest level of reliability and quality. Our Oracle implementations are based on an integrated transformation methodology where success is gauged in terms of specific needs and objectives. Helping to create a bridge from client issues to measurable outcomes, this tested approach enhances visibility, reduces redundant efforts, improves collaboration, and facilitates content sharing among project teams at every stage of the implementation process.

Based on our insights and knowledge of IRWD, we have tailored our approach for this implementation.

- Our approach and methodology includes not only mitigation strategies for issues that are typically encountered in ERP implementations, but addresses IRWD's long term requirements. KPMG has already spent significant time and effort during our prior projects evaluating and providing guidance for a realistic strategy for IRWD.
- Based on our understanding of the project scope in the RFP, our experience with similar ERP implementations and working closely with IRWD executives, we have refined our perspective on an implementation approach that can help expedite the implementation timeline, while decreasing the implementation risk.

Value for your investment— Our focus is on enabling organizations to realize the return on their Oracle investment. KPMG has built a reputation on providing quality services at reasonable fees. We are providing what we believe to be a very competitive cost proposal considering the depth, breadth, and experience of the team members that we have selected to serve the District.

We fully believe we will bring you a level of service and a qualified team that no other competitor can offer. From a technology perspective; KPMG has global practices devoted to ERP transformations with a long, successful history leading extensive, multitasked, organizational transformative implementation projects. From an industry perspective; we maintain a leading presence in the utilities and public sector segments and we are excited to share with you our informed perspectives and distinguished service.

Experience

As a leading professional services provider, KPMG works with preeminent clients around the world as they manage their businesses in today's dynamic environment. We understand the challenges you face while providing your stakeholders with improved risk coverage, enhanced quality, strategic flexibility, and greater cost efficiency. To meet these challenges, you need a well-established advisor, one that has worked with you before and understands your expectations, possesses clear and effective methodologies and tools, and demonstrates experience with similar projects. Your advisor must bring a committed team that can meet your standards for performance, and is efficient and prudent in their approach to help ensure proper return on your investment. KPMG can deliver on all counts

Firm overview

KPMG International Cooperative (KPMG International) is a Swiss entity. Member firms of the KPMG network are affiliated with KPMG International and operate in 155 countries with more than 155,000 people, including more than 8,600 partners. KPMG International does not provide client services.

KPMG LLP is a private limited liability partnership. It is the U.S. member firm of KPMG International, traces its origins back to 1897, and since 1994, has been a limited liability partnership registered in the state of Delaware. With more than 27,000 professionals in close to 90 offices, including more than 1,900 partners, KPMG is a leader among professional services firms. With a strong growth record over the past decade, KPMG member firms offer their clients the scale, global reach, industry insight, and multidisciplinary range of services they require. In the United States, KPMG partners and professionals provide a wide range of audit, tax, and advisory services, working from offices serving clients in all 50 states.

We are a firm that understands the utilities industry and public sector operations, and the associated accounting policies, and reporting processes.

Relevant experience

We have extensive experience participating in numerous Oracle system design, implementation and upgrade engagements that include: Project Costing and Project Management, performing configuration changes to Charts of Accounts, remediation of BI reports resulting from the various configuration changes, and performing remediation of EBS to improve overall use of the solution. A significant number of these engagements were accomplished for Public Sector clients including public utilities.

ORACLE Platinum Partner

Specialized
Oracle E-Business Suite
Financial Management

- **Our experience conducting upgrades to Oracle E-Business Suite 12.2.X** – KPMG is an Oracle Platinum Partner and is actively sought out by Oracle for guidance and insights around implementation and upgrade approach and methodology. Our global interdependence and close working relationship has led to KPMG having direct insights into Oracle's products and future strategies. KPMG actively participates in Oracle focus groups within product strategy and often will serve as beta-testers for upcoming releases of Oracle applications and technology. In addition to the education and training we participate in with Oracle, we also utilize an internal "training sandbox" where we evaluate application functionality and architecture integration with current and new releases of Oracle products. With many highly-experienced professionals in the United States, our Oracle practitioners have rich backgrounds as Business Process Managers, System Administrators, Audit and Accounting Managers, Implementation/Systems Integration, and Program and Deployment Management, among other roles. Drawing from an array of background experience, KPMG's Oracle practitioners are skilled at helping clients effectively manage the inputs, outputs, activities and tradeoffs critical to a quality Oracle-enabled transformation. Our methodologies and tools are built from implementation knowledge enhanced with our risk management and process knowledge. We manage business risk by helping clients execute well-planned and well-managed projects and assist in objectively identifying their current and future needs from a process, technology and risk standpoint. In addition, we focus on key client needs such as Business Transformation, Governance Risks and Compliance (GRC), Business Intelligence (BI)/Enterprise Performance Management (EPM), Security, Upgrade and Consolidation Planning, and Implementation Quality Assurance and Readiness.

As a testament to our experience, provided in Appendix A is a representative list of KPMG's Oracle E-Business Suite projects similar to size and scope of the Authority and within the public sector. We have also included additional project credentials that help demonstrate the depth of our experience implementing, upgrading, and/or supporting customers utilizing Oracle EBS applications.

- **Our experience performing configuration changes to the Chart of Accounts** – A high percentage of our clients R12 clients have chosen to take advantage of their upgrade execution activities to undergo business transformation activities, and changing the chart of accounts is one of the most common. Some of our projects have incorporated this change into the R11 to R12 project itself as a pre-upgrade activity while others have chosen to execute the COA change as a follow up phase (2) to the upgrade.

Three of our most recent project involving a Chart of Accounts change are listed below. Additional details about these efforts are detailed in the appendix.

  - TTI Floorcare North America – major Chart of Accounts change as part of upgrade to 12.2.4
  - Midcontinent Independent System Operator – minor COA change after R12 upgrade
  - WP Glimcher – medium-level COA change after R12 upgrade

- **Our experience implementing Project Costing and Project Management** – KPMG will leverage the synergies developed during the assessment by once again working with Project Partners who will be assisting us and IRWD on this project. Project Partners has completed numerous Oracle EBS Project Suite implementations and upgrades over their 18 year history. Oftentimes, customers leverage the synergies of a dedicated upgrade team to also enhance and optimize business processes as part of the upgrade process. One recent example is the R12.2 upgrade with Rogers Group. Rogers Group engaged Project Partners to deploy an applications infrastructure optimized to support their company focus and commitment to quality. The upgrade with implementation of new modules/features yielded enhanced and optimized business processes as follows:
  - Design, implementation and deployment of Oracle EBS Project Management, to deliver:
    - Workplan, deliverables and billing automation
    - Budgeting, forecasting, issue and change management (included Project Performance Reporting)
  - Design, implementation and deployment of Oracle Time and Labor (for replacement of an existing extension) in conjunction with Oracle Projects, to deliver:
    - Labor costing based on Payroll actuals
    - Labor cost accruals using HR rates (rate by criteria)
    - Adjustment of accruals using payroll actuals
    - Total time costing for exempt employees
  - Design, implementation and deployment of Subcontractor Management in EBS Purchasing and Projects, to deliver:
    - Project, Task, Expenditure Organization and Owning Organization for procurement providing committed costs by project
    - Subcontractor retention and deductions
    - Subcontractor payment management (pay when paid)
- **Our experience remediating BI reports resulting from the various configuration changes** – Irvine Ranch Water District (IRWD) requires a BI team experienced with OBIA as well as Oracle E-Business Suite. In response, KPMG has fielded a tightly integrated team with broad and deep experience aligned with IRWDs needs. Our team will collaborate with you to deliver HR Analytics and remediate any reports needed as a result of source system configuration changes.

We believe that we are well positioned to serve you because of our:

- ***Depth of Oracle BI Applications experience*** – KPMG's OBIA practice began almost 10 years ago when Oracle purchased Siebel and OBIA was born. Since that time the practice has grown to over 100 professionals with experience installing, configuring, customizing, and deploying Oracle BI Applications. We have performed installations, upgrades, and customizations with scores of clients over the years, most recently of note are: The Government of Newfoundland and Labrador, Enbridge, State of Hawaii, ResCare, Johnson Controls, Northern Trust, Gemological Institute of America (GIA), Alliance Data Systems and Quintiles Transnational.
- ***Depth of Oracle E-Business Suite experience*** – We pride ourselves on delivering teams with the precise skill sets required for each engagement. For IRWD we have assembled a BI team with professionals who began their careers working with E-Business Suite. They understand how specific configurations can impact reporting in Oracle BI Applications. Having a BI expert with EBS roots provides the following advantages:
  - **We get it right the first time.** There is no knowledge gap between how EBS works and how it impacts OBIA resulting in a better remediation of reports without rework because the BI team does not fully understand EBS.
  - **Reduces resource contention.** On a project of this magnitude there is always resource contention. By having resources that understand EBS on the BI team, there is no pull on the EBS resources on the project for assistance in understanding configuration changes.
  - **Better knowledge transfer.** BI Resources with an EBS foundation can better educate IRWD personnel on Oracle BI in the context of EBS.
- ***Functional experience*** – Our team is comprised of professionals that have deep experience in each of the key business areas and processes (e.g., Financials, Projects, HR, etc.), as well as extensive experience in applying this knowledge to achieve the benefits from implementing Oracle Analytics in each of these subject areas. This functional expertise reduces risks to schedule as well as resource contention.

  Given these attributes, our team is well-positioned to know what works, and equally important, what does not work. Our people average over 15 years of experience, and are business professionals that understand the intricacies of designing, implementing and remediating an Analytic solution utilizing Oracle. Most importantly, our interest and commitment is based on aspiring to trusted advisor status with the IRWD for the long-term.

- **Our experience performing remediation of EBS to improve overall use of the solution –** Remediation of inefficient business processes are part of every one of our upgrade projects. New functionality is generally provided by Oracle to remove customizations no longer necessary and tweaks made to existing configuration are identified to improve the users experience with the solution. Provided are examples where remediation was an integral part of the upgrade project:

- ***Alabama State Port Authority (ASPA)*** selected KPMG (Zanett) to assist the Port in upgrading their EBS 11.5 environment to the latest release of R12 along with the implementation of Enterprise Asset Management, Grants Accounting and Projects. ASPA has been on EBS since the early 2000 and selected EBS to solve their Y2K problems. Although ASPA has been a long term user of EBS it has not been without their own challenges and work-a-rounds over the years. KPMG (Zanett) through the upgrade project worked with ASPA to improve processes, take advantage of new functionality, and increase efficiencies within their organization.

  KPMG's (Zanett's) Director, Gary Lyons, worked closely with Alabama State Port Authority (6+ years) prior to joining KPMG (Zanett) during his tenure at Oracle. Mr. Lyons provided guidance and remediation support over the years to ASPA and as a result improved the usability of and end user acceptance of their EBS solution. Mr. Lyons served as KPMG's (Zanett's) Quality Assurance for Alabama State Port Authority and would serve QA for IRWD given the opportunity to earn its' business.

- ***RGIS*** needed to upgrade to R12 and ensure their single global instance was still operational across all of their 20+ locations with only a weekend of outage. With Financials, Procurement, Intercompany, HR, and Payroll functionality in use across various locations and leveraging built-in localizations, including Brazil, multiple test sessions and multiple testing teams needed to be coordinated. They also chose to replace a 3rd party system used predominantly for AP check printing and AR invoice printing with Oracle's BI Publisher and the more tightly integrated functionality with R12. This helped to eliminate customizations and standardize on the Oracle solution stack.

- ***Midcontinent Independent System Operator (MISO)*** needed to not only execute an R12 upgrade but they needed to do a chart of accounts change. Their two options were do the chart of accounts change at the time of the upgrade or execute the project in 2 phases. Due to an extremely tight upgrade window, they chose the phased approach. The upgrade of Financials, Procurement, and Projects was executed in 7 ½ months followed quickly by the chart of accounts change project, which went live before the end of the calendar year. MISO also added some electronic AP invoicing from a primary vendor and new custom purchase order layouts using BI publisher to the chart of accounts change project in order to add on additional process improvements.

Team

Our team members' knowledge and network of contacts provide an unmatched ability to deliver insightful, relevant commentary on your business and processes, as well as your tactical and strategic initiatives. KPMG's breadth and depth of resources provides our clients with the quality, experience, and responsiveness you expect from your professional services provider. We listen. We ask the right questions. Our insights and recommendations are straightforward, clear and add value. Our client focus, our commitment to excellence, and consistent delivery build trusted relationships, which are at the core of our business and reputation.

As a leading implementer of Oracle E-Business Suite solutions, our multi-disciplinary teams bring industry-leading knowledge and insights, and have an extensive track record of successful global, multi-phased implementations and upgrades. We have approximately 500 successful implementations where we served as the system integrator for our clients.

Our extensive experience with implementations of similar size and complexity clearly demonstrates that the success of the project is directly correlated to having the right amount of consulting resources closely aligned with IRWD's staff throughout the project lifecycle. We also know how important it is to have resources present and available and we present a proposed staffing model that will not only execute the implementation, but will help ensure significant knowledge transfer throughout the project. This continuous knowledge transfer approach will better position IRWD to own the application post go-live, and be in a position to leverage your ERP investment for years to come.

We work closely with our clients to assemble the right skills and take on the roles that complement the level of involvement their internal resources plan to provide.

As needed, the KPMG team will utilize subject matter professionals (SMPs) that are critical to help ensure IRWD leverages leading practices and achieves business value beyond a standard technology implementation. Specialization includes relevant financial management, project management and business intelligence resources. We have included representative resumes of candidate engagement team members in Appendix B.

Jeff Francis will serve as the lead engagement manager and primary point of contact throughout the proposal process and engagement. John Vaughan will serve as the lead engagement principal providing oversight and executive support. Jeff can be contacted by phone at 904 219 4616, or by e-mail at: jefferyfrancis@kpmg.com. Pam Follett will serve as the project manager.

Our project roles vary from solution architects, technical infrastructure architects, functional designers, technical designers, to technical developers. Additionally, we have a long history of partnering with other providers where we are able to subcontract, partner, or prime with the other organizations to deliver an overall solution that best fits our client's needs. To continue the synergies developed during the assessment we again partner with Project Partners who will be assisting us and IRWD as you replace the current installation of EBS Grants Accounting with Oracle Project Foundation and Costing, as well as implementing EBS Project Management to replace a current legacy, in house developed Engineering Project Management System (EPMS).

Our proposed engagement team has worked together before on multiple engagements, operate with a proactive, involved service style and have earned a reputation for responsive, high quality service and industry leadership. The team structure is designed to balance the needs of the project while lessening costs and providing the blend of skills needed to make this project a success. The following table outlines the proposed team structure, their roles and responsibilities on the team, and anticipated involvement.

Project leadership	Role and responsibility
 **John H. Vaughan IV** *Engagement Principal*	As engagement Principal, John, will be responsible for the overall quality and execution of the project. John is a managing director in KPMG's Jacksonville office. He is highly motivated, results-focused leader with more than 24 years of global professional service experience supporting a variety of industries including utilities, state, and local government, aerospace and defense, healthcare, high-tech, and manufacturing. John is focused on business development, quality delivery, and continuous improvement and has a track record of increasing service offerings, profitability, consistently exceeding objectives, and developing progressive approaches to business problems.
 **Jeff Francis** *Engagement Manager*	Jeff will serve as the Engagement Manager and will play a key Quality/Assurance role. Jeff is a director in KPMG's Jacksonville office and will leverage his more than 25 years of experience within the professional services, operations and consulting delivery surrounding Oracle EBS applications and technology. In addition to business development, client partnering, account management, business process reengineering, project management, consultant management, and providing functional and industry experience, Jeff has focused recently on QA and oversight related to implementations, upgrades, and methodology around the Oracle Accelerators and leveraging reuse in our rapid delivery process for midsize, large corporations, and public sector clients.

Project leadership	Role and responsibility
 **Pam Follett** *Project Manager*	Pam will serve as the Project Manager and is responsible for creating and maintaining the project plan, controlling the day-to-day aspects of the KPMG project team, helping to resolve issues and manage change requests, tracking KPMG services budget, and coordinating any and all actions required of KPMG teams. Pam is a manager in the technology services group, based in KPMG's Rochester office. She has more than 18 years of experience in both technical and functional components of Oracle EBS. Working in industries from discrete manufacturing, higher Ed, public sector health care, and others, she focuses on implementing functionality and technical processes within the Oracle E-Business Suite (EBS) of applications, primarily in the Financial, Manufacturing, Human Resources / Payroll, Projects, and Service modules. She has integrated EBS as a backbone for business processes to meet client needs, and has also managed upgrades and implementations, aligning resources to project needs, architecting solutions, budgeting and forecasting.
 **Arjun Krishnamurthy** *BI Solution Lead*	Arjun is a Business Intelligence & Data warehousing (BIDW) Consultant with over seven years of experience specializing in building Oracle BI solutions for industry horizontals such as Finance, Human Resources and Supply Chain. He has extensive experience working with OBIEE, Informatica and DAC and have successfully led teams on several engagements under aggressive timelines. With an increased focus on Analytics Arjun has had opportunities to work at major Healthcare institutions building analytics platforms.
 Avinash Bawachkar *Financials Lead*	Avinash is in the Management Consulting practice. He is a seasoned professional with more than 20 years practical domestic and international experience in Accounting and Reporting, Financial Management, Distribution, Manufacturing, Project Management, and business transformation including thirteen years of Oracle Applications implementation and support. He is expert in Oracle Applications (ERP) Implementation, System Design Architecture, Integrations, development, testing and post implementation Support, and defect resolutions. His experience includes over ten years business experience in Finance domain encompassing Accounting, Finance, Costing, Audits, and Project management.
 **Wendy Lamar** *Project Suite Team Lead*	Wendy will return to IRWD to serve as the Projects Team Lead. Wendy is a Managing Principal with Project Partners LLC with over 15 years of experience around management and delivery of software implementation solutions. Wendy has a strong background implementing, upgrading, and supporting the E-Business Suite. Wendy's 15+ years of Oracle implementation experience includes various roles as functional application lead, functional analyst, project manager and solution design architect. She has lead several Oracle Project implementations and is hands on in analyzing business requirements, application configuration, testing, defining & documenting business processes, data conversions and troubleshooting/resolving production issues.

Project leadership	Role and responsibility
 **Rajeev Sinha** *Projects Suite Team Member*	Rajeev will serve as a Projects Suite team member working with Wendy. Rajeev is an Associate Practice Director in Project Partner's EBS Service Practice. He has 11+ years of experience in developing and implementing Oracle E-Business Suite modules. Rajeev worked for Oracle Corporation on the Project development team for over two years where he built some of the core functionality which is now part of Oracle Projects Family Pack M. For the past 7 years Rajeev has been doing consulting in Oracle E-Business suite implementations and has been responsible for several successful implementations of multi-national roll out of Oracle Applications E-Business suite of products.
 **Neeraj Garg** *Projects Suite Oversight*	Neeraj will provide remote support and oversight for the Projects implementation. Neeraj is a Vice President – Products, Project Partners, LLC, and previously worked at Oracle Corporation developing Oracle Projects for twelve years. He was the key architect for all the Project Applications, including Project Costing, Project Billing, Project Management and Project Portfolio Analysis. Neeraj has extensive experience working with different industries such as commercial (Engineering & Construction, Professional Services, Telecom), Government (Dept. of Transportation, DoD) and Government Contracting (A&D).
 **Arindam Mukherjee** *Projects Tech Lead*	Arindam will serve as Projects technical team lead. Arindam is a Director Development, Project Partners and has over 20 years of Oracle Application Product Development experience, with a special focus on the Oracle Projects suite including over eight years in the Oracle Projects development team and over 9+ years of custom application development using Oracle tools and technologies in Project Partners for Oracle Application Customers.

Sub-consultants profile and responsibilities – KPMG intends to once again leverage a successful partnership and utilize our resources along with Oracle Project Management subject matter professionals from Project Partners.

Project Partners, LLC is a privately held firm headquartered in Half Moon Bay, California, offering consulting services and software solutions. Their global team of professionals designed and delivered the Oracle E-Business Suite Projects Applications. They've developed integrated products that extend the Oracle Projects solutions.

ORACLE Gold Partner
Specialized
Oracle E-Business Suite R12.1 Projects
Specialized
Primavera P6 Enterprise Project Portfolio Management

Project Partners is an Oracle Gold Partner and Oracle Certified Education provider. Project Partners is proud to be widely recognized as The Experts in Enterprise Project Portfolio Management™.

Project Partners' team of consultants offers products and services exclusively to project-centric organizations leveraging Oracle Technology. Traditionally our core expertise is focused on project centric industries such as Architecture, Engineering and Construction, Professional and Business Services, Oil and Gas, Aerospace and Defense, and Life Sciences. The founder of our firm, Randy Egger, was the original architect of the Oracle Project suite of Applications. There is not a team of consultants that knows more about how to use, implement, remediate, extend, and support the Oracle EBS Project Suite of applications than the Project Partners team. What sets us apart is the in-depth knowledge of the industry and the products, the high quality of our work, the extreme skills of our consultants, and the project/event centric focus of our customers.

Engagement team staffing – We consider engagement team continuity to be a top priority and recognize that it is an important factor for IRWD as it improves the efficiency of the engagement and reduces disruptions to your personnel and operations. Our goal is to maintain the same key members of your engagement team, assuming their continued employment with us and your satisfaction with their performance. We will openly discuss any key personnel transitions with your management team before they become effective. We believe that we are only as strong as our professionals, so we strive to attract and retain the best talent— because people who believe their career development is on the right path have a spirit of energy and enthusiasm that can make a real difference for our clients.

Center of Excellence (COE) – KPMG's "Leading Practice" methodology for Oracle EBS upgrades and implementations –Accelerate – leverages our Center of Excellence (COE) team of consultants. Depending on your organizational needs, KPMG's "Center of Excellence" provides services on a 24-hour basis. This capability accelerates the pace of issue resolution with a daily hand-off to our remote Technical and Functional Staff experts who in turn pick up where our day shift leaves off. Our COE includes our R12 upgrade and development expert resources dedicated solely to executing on the repetitive project management, technical and functional tasks required as part of R12 upgrades and development for new implementations. By nature of their dedication solely to EBS projects, it allows them to be extremely efficient working both on-site and off-site for IRWD. These are the principles behind this repeatable process:

- Developed based on learning from previous clients' Oracle EBS R12 projects.
- Provides a mix of project management, functional and technical talent working together with our clients.
- Uses templates from already live projects based on standard Oracle EBS functionality.
- Through our optimized delivery model and consultant team, we are able to provide a complete solution that is cost effective, risk mitigated, and delivered in the shortest amount of time.

Project approach and timeline

In today's environment, our clients need to maintain strong strategic, financial, operational, technology, and regulatory control environments within the context of focusing on areas critical to meeting business objectives. Our service approach and methodologies are designed to help the Authority accomplish each of these goals. We know the issues you face and understand that efficient and effective engagement delivery is about aligning our approach with your circumstances and delivering on our commitments.

Project scope and approach

KPMG will perform the following scope of work with the approach and methodology provided in the following tasks. Project Governance process will be followed and details are provided in Appendix C. Many of the tasks will be performed in parallel in order to be as efficient as possible.

Task 1: Perform technical discovery:

a. Conduct a kick-off meeting to review the scope of work, project goals, schedule, stakeholders, assigned resources and responsibilities to accomplish the executed agreement.
b. Review existing assessments and validate with IRWD
c. Conduct interviews with appropriate IRWD staff.
d. Review current Architecture components, tools and functionality.
e. Review findings with IRWD staff.
f. Present upgrade and implementation options and recommend path.
g. Finalize upgrade and implementation path with IRWD Staff.

Task 2: Upgrade IRWD's EBS environment:

a. Upgrade the current Oracle Application Release 12.1.3 to the latest stable version of Oracle Applications Release 12.2 or later, including the upgrade to system setups, profile settings, custom responsibilities, menus and request groups.
b. Review and remediate issues with third party and in-house developed software that interface to Oracle Applications
c. Review and remediate issues with CEMLI objects
d. Deliver a fully upgraded, stable, operational solution which has been fully unit tested and integration tested, including test scripts.

Task 3: Configuration changes to IRWD's chart of accounts:

a. Address General Ledger/chart of account issues
    1. End date Account Code Combination IDs due to the sunset of multiple ID values
    2. The "Process" segment (segment 3 of chart of account structure) currently has multiple uses and requires simplification. Enable an existing and currently unused "Future" segment to track Funding Sources and break out of tracking within segment 3.
    3. Reconfigure General Ledger as necessary in order to accommodate the removal of Encumbrance Accounting
b. Perform necessary data conversions to new ledger/operating unit
    1. Convert Customer and Supplier addresses
    2. Open AR/AP transaction conversion
    3. Open Requisitions and Purchase Orders that are not Projects/Grants related
    4. GL Beginning balances and 1 year of history for reporting purposes
    5. Adjust FA book configurations for COA changes
    6. Adjust HR/Payroll configurations for COA changes

Task 4: Removal of grants accounting and implementation of oracle project costing and project management:

a. Review/validate assessment document provided in Appendix F of the RFP with IRWD
b. Conduct design sessions for the implementation of Oracle Project Costing and Project Management and decommissioning of Grants Accounting
c. Document design and review with IRWD for sign-off
d. Perform necessary data conversions to new implementation

1. Create new projects that are in legacy EPMS (in-house built Project Management system) and not yet in Oracle
2. Create new Projects (to replace the Grants)
3. Transfer captured costs to the new projects (+/-)
4. Open Requisition/PO cleanup

e. Provide necessary configuration and customization documentation.

Task 5: Remediation of existing CEMLI objects to work with the upgraded version as well as remediation and development of reports leveraging OBIEE to be compatible with the project costing and project management solution:

a. Assess impact of configuration changes to existing developed BI reports and resolve issues for the out-of-the-box OBIA reporting for Financials, Projects and Procure to Spend.
b. Configure HR Analytics utilizing out-of-the-box dashboards.
c. Develop necessary ETL's and related reports to satisfy Long Term Capital Planning; Review Appendix F of the RFP and supplemental reports for details
d. Provide documentation of custom development for technical and functional designs.

Task 6 (Optional): Remediation of deficiencies listed in Appendix F, of the RFP, not previously addressed

a. Section 5.2 of Appendix F of the RFP has a number of miscellaneous deficiencies IRWD has identified as optional additional scope and should be priced out separately or bundled at application level if appropriate.

Task 7: Training and post production support

1 Training should be provided using both a train the trainer approach and through the completion of UPK training materials, including standard operating procedures.

2 IRWD requires education in the following reporting related areas:
   1. Core functionality of OBIEE 11g for Oracle Answers, Dashboards and BI Publisher.
   2. Dashboards and reports delivered by Oracle as well as custom development.
   3. BI Publisher as part of Oracle R12.2.

3 Post production support to be provided for 3 months following go-live. First two months on-site support and third month provided remotely.

A List of deliverables is Available in Appendix F

Project Implementation and Upgrade Methodology

Our approach for the upgrade of R12.2, remediation and implementation of Project Management at IRWD is to utilize KPMG's Methodology, which is called ***Real Enterprise Value (REV™).*** Our unique combination of business expertise and deep technology acumen along with our Oracle E-Business Suite application and technology expertise ensures our customers achieve sustainable value from their Oracle investments. We focus on delivering Real Enterprise Value (REV) as an integral part of our solution approach and delivery methodology.

Leading Practices

KPMG team addresses leading practices to take advantage of the ones built into the standard Oracle EBS R12 software at the outset of the project. This is combined with upgrade and implementation analysis and best practice integration which continues throughout solution design and build of the R12.2 upgrade environment.

KPMG takes a focused look at IRWD's current business practices and adjusts them where necessary to take full advantage of the capabilities and opportunities provided by the newly configured and upgraded Oracle EBS R12.2 solution, depicted in the diagram. We first will confirm the requirements, then conduct fit/gap analysis and ongoing, monitor customizations throughout the project with keeping customizations down to an absolute minimum.

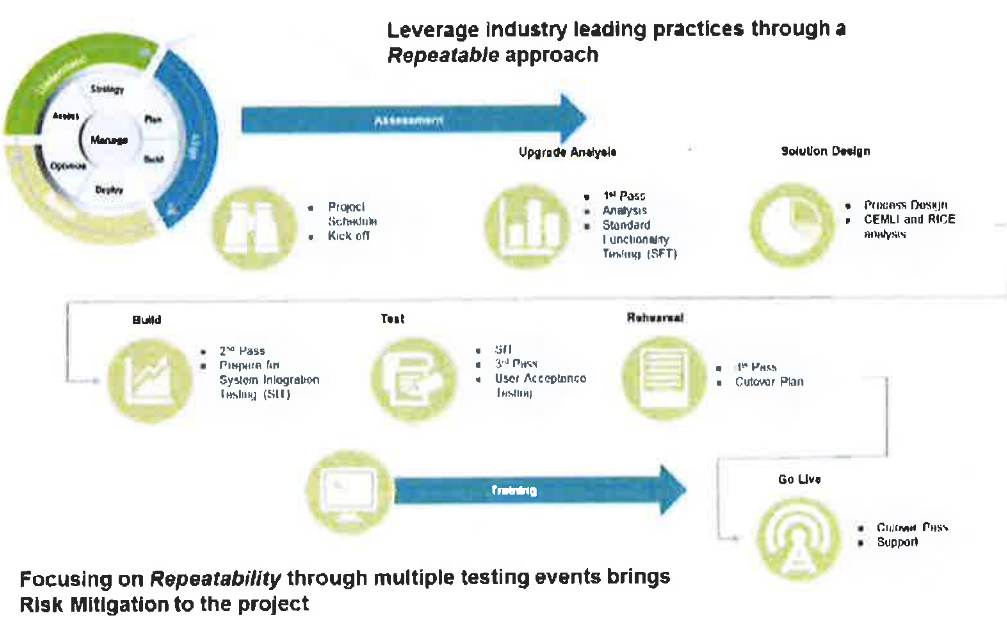
Delivery Model

KPMG's expertise has enabled us to develop a "Leading Practice" delivery model for Oracle EBS upgrades and implementations – ***Accelerate***. KPMG's Accelerate Methodology is a delivery model extracted from our ***REV™ Methodology,*** and based on iterative design/build/test/remediate flow to incorporate hands-on application usage and testing for the project team members.

As shown in the diagram below, our delivery model proposes a flow which includes performing an upgrade to a copy of the production environment, thoroughly exercising this environment against not only IRWD's specific test scripts but also the Oracle EBS standard functionality, processes and workflows, and remediating the list of custom objects against this upgraded environment. This process leads to the ultimate determination of which, if any, custom objects need to be modified as a result of the upgrade or which can be replaced by standard functionality.

Once through this testing/remediation process, the team will replicate this process to optimize the upgrade steps, modify business processes where required as part of the upgrade and identify training areas to focus on.

Accelerate Methodology for Oracle EBS Projects



Tactically, KPMG's ***Accelerate Model*** is divided into eight (8) distinct phases described as follows.

PHASE 1 – BUSINESS DISCOVERY

This phase is used to work with key business stakeholders to define the project's success criteria and objectives of the organization. Through facilitated meetings/workshops, key business metrics are identified for the team and will be leveraged for measurement and for ongoing use to evaluate functionality, changes, etc.

The key activities are:

- Project management documentation
  - Project goals, schedule and stakeholders identified
  - Finalize resource assignments
- Identify current state technical assessment
- Identify current state functionality
- Identify current hardware software and upgrade requirements
- Review/ validate assessment document (Appendix F) with IRWD

PHASE 2 – UPGRADE ANALYSIS

This critical phase establishes the baseline for the remaining activities. It is in this phase that the KPMG team engages with the business stakeholders to evaluate new/changed functionality of the applications and determines the viability and approach to leveraging these new features. Based on the principals and metrics established in Phase 1, the new and/or changed features will be listed, evaluated and prioritized accordingly.

The key activities are:

- KPMG reviews/confirms IRWD's upgrade requirements
- KPMG addresses best practices inherent in out-of-the-box Oracle EBS R12
- 1st Upgrade Iteration Execution
- Review CEMLI objects
- Standard Functionality Testing (SFT)

PHASE 3 – SOLUTION DESIGN

In the Solution Design phase, the project team works to revise and build out new business processes as required – and to test and validate the current processes for opportunities for optimization. Also, another key activity undertaken by the project team during this phase is "CEMLI" (Reports, Interfaces, Customizations, and Extensions) analysis. The goal of this task is to determine what amount – if any – of the existing CEMLI elements can be replaced by standard functionality – or are no longer in use by the application business users. Additionally, the project team will identify of those remaining or new CEMLI elements – the amount of rework/redesign that may be needed to migrate them to the new Oracle EBS R12 application.

The key activities are:

- KPMG Team assess requirements "fit" to meet Oracle EBS R12 leading practices to:
  - Identify and review required new functionality
  - Identify and review required changes of CEMLI elements
  - Identify and review required Test Scripts
  - Identify and review Training and Change Management Activities

- KPMG Team documents where current business processes can be refined to:
  - Replace customizations and use inherent Oracle EBS R12 functionality
  - Identify those customizations, if any, which require further justification
- KPMG Team assess General Ledger and Chart of Account adjustment requirements
  - Review and finalize Process segment requirements
  - Review and finalize Encumbrance accounting changes
  - Develop required Data conversion plan
- KPMG Team assess Project Management Implementation requirements
  - Conduct design review sessions
  - Document design and review with IRWD for sign-off
  - Develop required Data conversion plan
- KPMG Team conduct detailed impact analysis of configuration changes to existing developed BI reports

PHASE 4 – BUILD

In this phase, the approach for upgrade and implementation of software applications and deployment comes into play. The project team builds the foundation for the newly upgrade R12 environment for System Integration Testing (SIT).

The key activities are:

- 2nd Upgrade Iteration Executed
- Configure the testing environment (SIT), as documented from the design phase, to build this environment and subsequent ones
- Add any CEMLI elements requiring remediation and/or migration to the R12 environment
- Manage the scope and any changes through our customization management process throughout the project, kicked-off with the confirmation
- Perform necessary data conversions
- Configure HR Analytics and remediate existing Financial Analytics
- Develop necessary ETL's and related reports

PHASE 5 – TEST

It is during this phase that the new business processes and configurations are vetted through a series of test events. The functional team works through detailed test plans while the technical team is refining and practicing the technical upgrade steps. In this phase, KPMG incorporates two formal testing events into our standard upgrade approach. System Integration Testing and User Acceptance Testing are completed. All test results are documented and all issues are submitted through Issue Management for approval and resolution.

Key activities include:

- SIT execution
- Upgrade pass #3
- UAT execution

The following types of testing are conducted throughout the project:

- **Standard Functionality Testing (SFT):** Two rounds of testing are performed during this first round. The first round consists of Unit Testing, which will be performed by KPMG. The system will then be turned over to IRWD for testing. These occur during the Upgrade Analysis/Solution Design phases to ensure the system is functioning and meets all functional and technical requirements.
- **System Integration Testing:** Integration Testing is performed by the District following the successful completion of SFT and the 2nd upgrade execution pass. During this testing phase, business processes are used to test an end-to-end business flow. A good example is sub-ledger accounting. The test insures all accounting transactions from all modules where accounting is generated are transferred and posted properly in the general ledger. During this test, interfaces and customizations are tested as well to ensure they meet documented requirements.
- **User Acceptance Testing:** Acceptance Testing is part of the final test phase and verifies that the integrated system is ready for production rollout. The high-level process tracks the following disciplines including the execution of all standard business processes, following the workflow across the functional areas. Business processes will be tested from beginning to end, ensuring that the entire process works as anticipated.
  - Incorporates the execution of interface processes that either receive data from external systems or send data to external systems. Additionally, data conversions and all screens, reports, forms and processes are error-free.
  - Intended to give end users, not yet familiar with the system, an opportunity to work with the system prior to rollout and give their feedback. It is also an opportunity to discover and resolve any outstanding system issues before formal end-user training.
  - During UAT the use of automated testing tools can be incorporated for testing performance. As stated earlier, KPMG resources are familiar with a number of toolsets, including the HP UFT solution employed by IRWD.

PHASE 6 – TRAINING

IRWD's R12.2 Upgrade, Remediate and Project Management Implementation provides opportunities not only for training on revised business processes – but also a chance to establish an ongoing training platform for the end users for the life-cycle of your Oracle EBS utilization. During this phase, the training strategy that was developed in the Upgrade Analysis phase is executed.

Training Types: There are two levels of training provided, which are explained below.

- **Level 1: The District Functional Lead Education Plan that prepares them for SFT, SIT and UAT.** This knowledge transfer is performed in either an R12 Vision instance or the SFT instance to familiarize the Functional leads with all new and changed R12 features. The purpose is to prepare the Function Leads for each of the testing events.
- **Level 2: End User Training.** Once system integration testing is complete and all business/system processes are finalized, the teams will begin developing training materials. These training materials may yet go through some final adjustments based on UAT acceptance testing results. End user training is typically scheduled to begin a month before "go live."

There are several approaches KPMG takes to train the project team members, the "super users" and the end-users, described below.

- Technical Knowledge & Skills Transfer (project team members) – A core element of KPMG's methodology is knowledge transfer. Our methodology is very collaborative in-nature, designed to provide knowledge transfer as KPMG's consultants work side-by-side with IRWD project team, passing along how-to suggestions, lessons learned, and tips and techniques. To accomplish this, it is important that IRWD's team is involved in all phases of the project and provides input into the creation of the deliverables. KPMG will work closely with IRWD's team members on a daily basis to ensure collaborative discussions, efforts, and deliverable creation.

- End User Training or Vendor-Led Training (end-users) – We encourage IRWD core team members and SMEs to lead the education of the end users, but our team leads will be available to provide your trainers assistance (through train-the-trainer education as well as as-needed assistance to your trainers during end user training sessions). The End User training typically occurs between the execution of UAT and the cutover/go-live date.

PHASE 7 – GO LIVE REHEARSAL

In this phase the entire upgrade process is once again tested and timed to ensure limited business or end user disruption by the eventual production upgrade. The technical team works to refine processes and timing while the functional team readies their respective areas for the upcoming business process changes.

- 4th Upgrade Iteration Executed – ***Perfect Practice makes Perfect Execution***
- Cutover Planning

PHASE 8 – GO LIVE AND POST PRODUCTION SUPPORT

The Production environment is upgraded and the team is available during a predefined timeframe for post-production support.

The key **Go-Live** activities are:

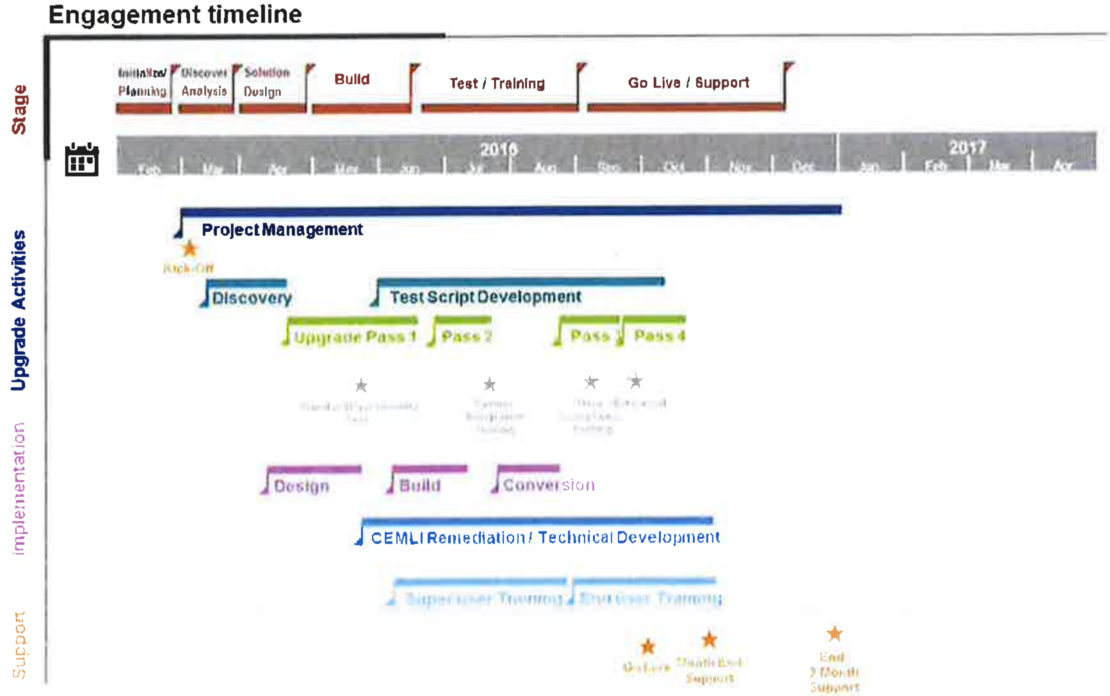
- KPMG delivers Production Run upgrade to R12
- Validation of Environment
- Turn over System to Users

The key **Post-Production Support** activities are:

- Analyze/Resolve functionality and technical issues – full production support
- 3 months of extended Post Go-Live support

Project Timeline

Proposed high-level engagement timeline is provided but a more detailed project plan is provided in the next section. KPMG will work with IRWD within the initial phase of the project to finalize a project schedule based on resource availability.



Roles key to the success of the project are provided for both KPMG team and IRWD

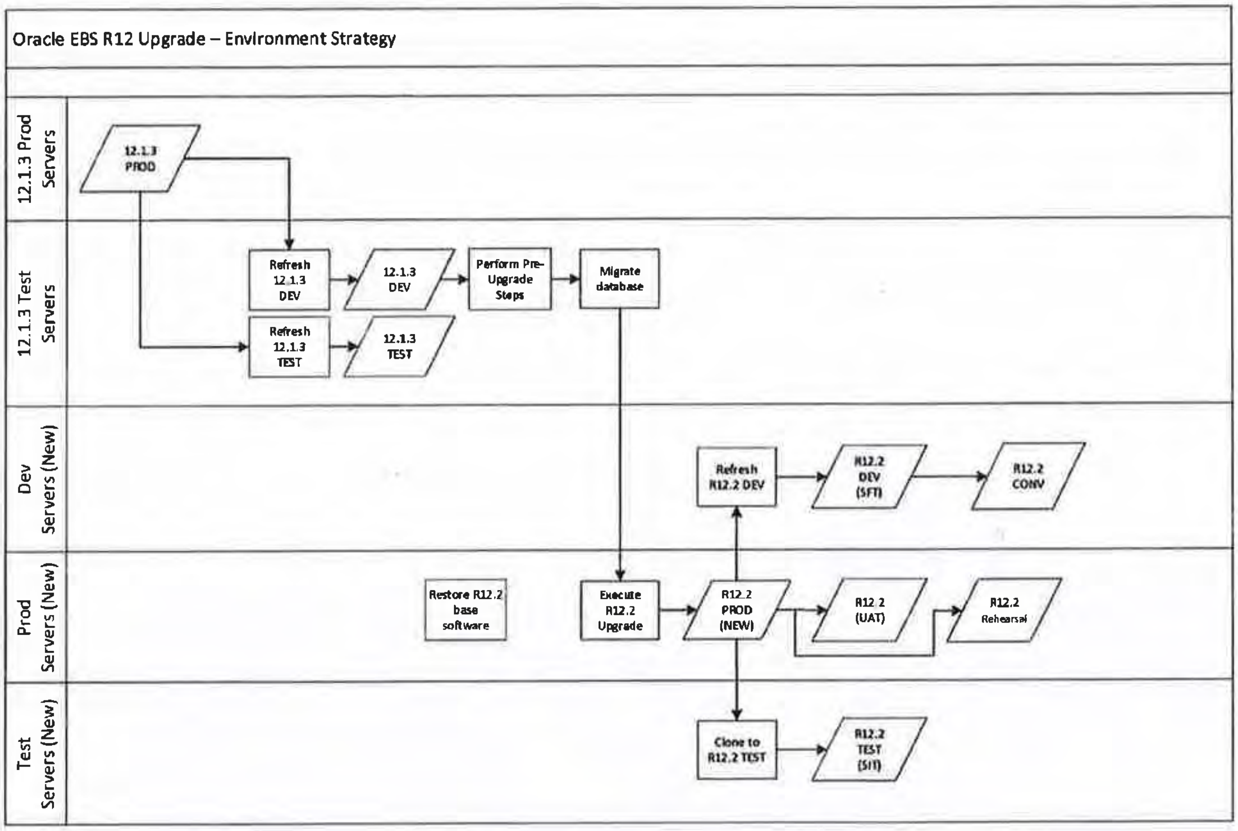
Roles	Description
Steering Committee and Executive Sponsor IRWD Executive(s) KPMG Partner	▪ Ensures overall direction of project is consistent with IRWD initiatives ▪ Approves any major scope changes with financial and resource impact to the project ▪ Provides overall authority for successful completion of the project

Roles	Description
IRWD Project Manager	▪ Project Manager will guide the overall project for IRWD and act as the single point of contact for KPMG resources. This individual will participate in key initiatives and milestone reviews throughout the project. Specific duties include, but are not limited to: – Facilitating communication through the IRWD organization – Assisting in the scheduling of facilitated sessions – Providing technical and business documentation as needed – Facilitating access to IRWD systems – Leading all project status meetings – Managing issue tracking and resolution – Preparing and Maintaining Project Status communications in association with KPMG Project Manager – Communicating project progress to the Steering Committee – Managing the deliverable approval and acceptance process – Providing input in project planning and maintaining project plan on an ongoing basis
KPMG Program Manager/QA	▪ Provides quality assurance to overall project ▪ Provide communication and updates for Steering Committee Meetings and be available to participate as needed. ▪ Works with IRWD so that expectations are met ▪ Provides guidance to IRWD and KPMG project managers
KPMG Project Manager	▪ Controls the day-to-day aspects of the KPMG project team ▪ Works with IRWD project manager to create Project Planning documents ▪ Helps resolve issues and manage Change Requests ▪ Tracks KPMG services activities and schedules ▪ Advises project team leads on all upgrade activities where KPMG has responsibility ▪ Coordinates and maintains the project knowledge base of electronic and hard copy files for the project ▪ Reviews all deliverable documents
KPMG/Project Partners Functional Consultants	▪ Educates IRWD functional subject matter professionals on the new implemented functionality and business processes ▪ Configure new functionality in Project Foundation and Project Management ▪ Remediate system configuration to resolve functionality issues ▪ Perform unit test of basic functionality after first upgrade pass ▪ Guides IRWD through the organized testing events ▪ Participates in issue resolution

Roles	Description
IRWD Leads and Subject Matter Experts GL Lead PO Lead AP Lead Projects Lead Assets Lead HR Lead OTL/Payroll Lead	▪ Participates in knowledge transfer activities for modules associated with their project role ▪ Provides business expertise for specific discipline ▪ Provides internal (departmental) expert knowledge ▪ Participates in process analysis ▪ Leads test script development ▪ Performs System Integration Testing activities ▪ Conducts User Acceptance Testing ▪ Participates in issue resolution ▪ Assists with updates to end user documentation ▪ Participates in end user training sessions
KPMG/Project Partners Technical Consultants	▪ Participates in knowledge transfer activities for modules associated with their project role ▪ Perform RICE/CEMLI remediation ▪ Develop required new CEMLI items per scope ▪ Participates in issue resolution
IRWD Technical Developers	▪ Provided knowledge transfer of IRWD technical components to KPMG leads ▪ Participates in system strategy for all RICE/CEMLI adjustments ▪ Participates in issue resolution ▪ Responsible for remediation and testing of any assigned customizations/extensions, interfaces, and reports ▪ Responsible for printer configurations or coordination of printer configuration with IRWD network/DBA resources ▪ Assists with all testing events ▪ Participates in execution of "go-live" activities to support an effective cutover
KPMG DBA	▪ Leads technical upgrade activities ▪ Provides DBA support for R12.2 environments ▪ Responsible for patching R12.2 environments
IRWD DBAs	▪ Clone production 12.1.3 environment to non-production environment ▪ Provide DBA support for current 12.1.3 environments ▪ Coordinates integration of software components for interfaces ▪ Printer configuration coordination with IRWD Technical lead/developers ▪ R12 Instance Cloning ▪ Leads Performance and Stress Testing with KPMG guidance and support.
IRWD Network/System Admin.	▪ Has a complete understanding of IRWD's current network, and system architecture ▪ Provides support for operating system, desktop, and network administration ▪ Printer configuration coordination with IRWD Technical lead/developers ▪ Responsible for backups of R12.2 ▪ Responsible for storage, network, and server tuning

Environment strategy

Below is a sample of Environment Strategy for successful R12 upgrades. The exact strategy for IRWD will be collaboratively determined and documented during the planning phase of the project (typically within the first two weeks).



Business Intelligence Environment Requirements

- **One dedicated BI environment to support development for the project**
  (can re-purpose existing hardware)
- **One dedicated BI environment to support testing for the project**
  (can re-purpose existing hardware)
- **Flexibility to deploy a new production instance if required**
  (Re-purposing existing hardware works if we can sacrifice current prod up-time)
- **Data sources will change as the project progresses**
- **Create Windows terminal server "tools" server to support all environments**
  (recommended, not required)

Testing services

KPMG will work with IRWD's Super Users to develop a Test Plan that will validate the functions of each system component through a rigorous testing program to measure system operational readiness and adherence to specifications. IRWD's personnel will be responsible to develop detailed test scripts for each of the business functions. KPMG will provide access to its library of extensive standard R12 scripts, along with guidance and direction over the testing process to ensure success.

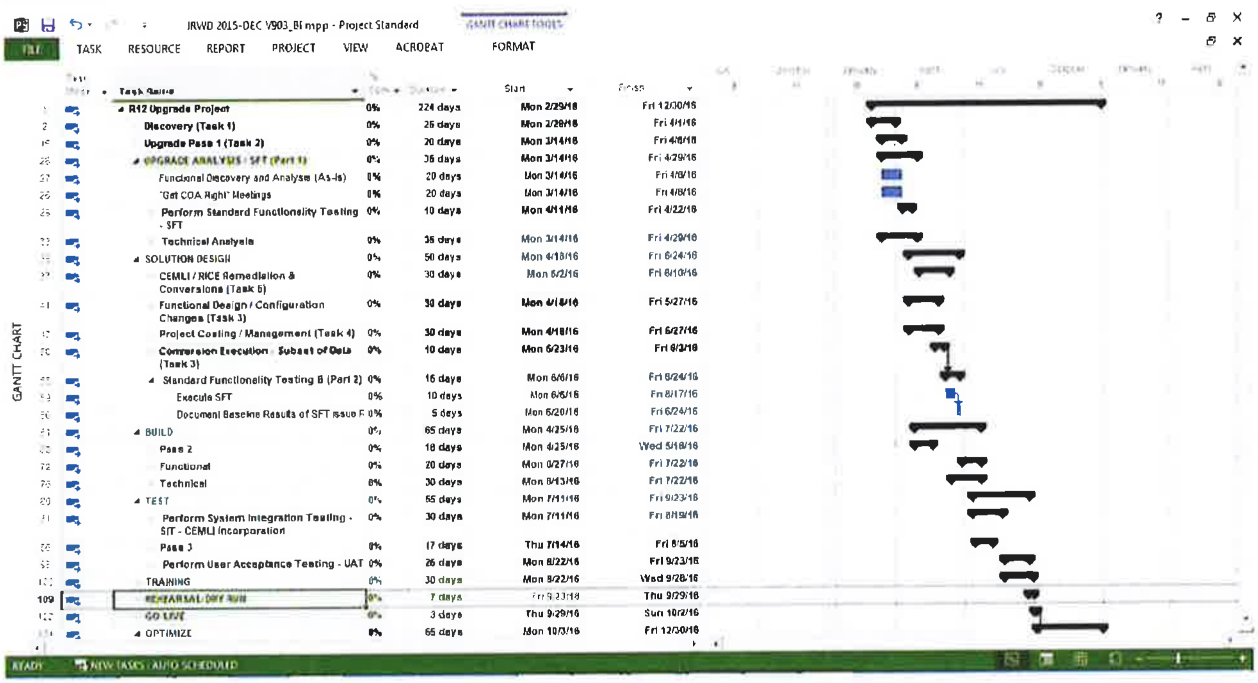
The System Integration and Acceptance Tests will include comprehensive testing that proves the EBS system meets the following:

- Functional requirements
- Reporting functions
- System requirements
- Software requirements
- Interfaces to external system

Schedule

With this response, KPMG is confident in completing all work per the project schedule, with the assumption that IRWD will provide the required input in a timely and effective manner.

The timeline below represents the overall project timeline assuming a February 29, 2016 start date. KPMG, partnered with Project Partners, has the sufficient resources necessary to successfully staff this project. We will work with IRWD in finalizing the project plan to work in District resource availability for a mutually agreed schedule.



References

Perhaps the best indicator of our success as a professional services provider is the clients we serve, and how these clients feel about their experience with us.

We have provided client references who can speak to their experience with KPMG overall, including their experience with the implementation of each of the applications in the E-Business Suite and Business Intelligence solutions, as well as a discussion of such factors as control of costs, quality of work and ability to meet schedules. We encourage you to contact each reference to obtain his or her thoughts on our industry knowledge, collaborative approach, and overall level of professionalism.

KPMG will work with the District to schedule discussions with our references at a mutually convenient time for both the District and the individual. Case Studies are also included with additional details in Appendix B.

Organization /client		Contact person	Project details	Role of project team members
KPMG	Hillsborough County Aviation Authority	Allison Jurey-Smith Manager of Enterprise Business Applications 813-870-7884	(1) Replace Inventory bar code scanners and printers. KPMG was responsible for recommending new scanners and configuring the new bar code scanners and printers, but not for the purchase of the scanners and printers. (2) KPMG was responsible for recommending the number and type of Oracle licenses required for existing and new Oracle applications. (3) Migrated Oracle Applications from version 11.5.10.2 to R12. (4) Upgraded Oracle database, Oracle management systems and Oracle technology stack to most current versions. (5) Implemented security best practices including auditing, disaster recovery, proper security of sensitive information, and documentation. Ensured full use of role based security, multi-organizational access control and all the advanced security features R12 offers. (6) Updated any customizations to be compatible with the upgraded Oracle Applications (i.e., interface to PropWorks, custom MSCA workflow). (7) Evaluated and updated custom reports. (8) Conducted Integration and Regression Testing for upgraded Oracle Applications. (9) Implemented and configured Oracle Application Test Suite, iProcurement, iExpenses, Cash Management, Web ADI, Procurement Contracts, Service Procurements, Sourcing, and User Productivity Kit. (10) Provided training for applications, application administration, functionality, data security, logging, and database administration. (11) Provided detailed written documentation that went through a quality acceptance	KPMG lead upgrade project plus implementation of additional Oracle modules

Organization /client	Contact person	Project details	Role of project team members
		process, i.e., BR-100, technical design document, and work instructions. (12) Post implementation support through one month end close. (13) Provided financial audit support. Separate project but currently implementing the HCM Application Suite	
Midwest Independent System Operator (MISO)	Mark Howard, Finance Manager Executive Sponsor 317-249-7968	■ The goal for this project was to upgrade MISO's Oracle EBS application from version 11.5.10.2 to R12.1.3. ■ MISO required a "like-for-like migration", in performance, Oracle functionality and acceptance of services. ■ The MISO upgrade project had a medium-sized footprint of Oracle EBS application modules. – Financials – Procurement – Projects ■ Updated the Chart of Accounts with a new Location segment ■ E-Business Tax module implemented	KPMG lead upgrade project plus implementation of additional Oracle module
Enbridge	Paul Russell, Director of Enterprise Systems 403-663-6621 Brenda Karran Manager of Analytics 780-420-8221	■ Highly manual reporting process to combine data from several sources. ■ Inability to drill-down into the details of reporting results.	KPMG Net-new implementation of R12 to replace antiquated R11 environment as well as Oracle's Business Intelligence solution (OBIEE) to report on EBS, Hyperion, and Khalix data sources.
Dow Chemical	Don Gaertner Global Human Resource Systems Director	Implementation of Oracle HR Analytics	KPMG lead the implementation of Oracle HR Analytics

	Organization /client	Contact person	Project details	Role of project team members
Project Partners	Atkins Global	Randy Martin 303-209-2322 X4984006	Implemented Oracle EBS Projects and proprietary Project Partners products	Implemented Oracle EBS Projects (Costing, Billing, and Project Management). Additionally, implemented proprietary products from Project Partners that extend and enhance the Projects modules.
	Burns & McDonnell	Scott Herold 816-349-6699	Oracle R11 to R12 upgrade combined with the implementation of UI-Apps and Project Management.	Upgrade to R12.1.3 and the implementation of Project Partner's UI-Apps as well as Oracle Project Management and additional Project Costing improvements.
	AECOM	Ben Heys 213-593-8761	AECOM needed a single Project Management methodology implemented in order to standardize on process and reporting.	Project Partners implemented Oracle Project Management and the UI-Apps suite.

Cost proposal

Our tested delivery of high-quality services helps us to identify and address our clients' most significant implementation issues, and then advise on designing the appropriate response to the challenge. Providing the right combination of advisory support, we combine relevant insights and proactive thinking in our implementation services with a proud tradition of dependability and client satisfaction. Our fee reflects this value for money with no compromise on quality of client service.

KPMG has a sincere desire to continue working with the District and feels it is important that you consider our services to be of the highest value to your business and believe our fees are fair. In the years we have served you, we have made every effort to maintain fees that are competitive and consistent with providing quality professional services. We know what it takes to deliver quality implementation services and the proposed fees do not compromise on quality

We recognize that in a competitive bidding situation, fees are an important element for consideration, and we would not want fees to become an obstacle for our appointment. Should you have any questions about our fees, please do not hesitate to discuss them with us.

We believe our pricing is competitive and consistent with the high-quality service you would expect from your trusted partner. Further, we believe long-term business associations are based upon strong personal associations, mutual professional respect, and reasonable fees for professional services. Below is our all-inclusive, not-to-exceed quote for the services requested and in the desired format.

Task	Estimated Hours by Classification		Cost By Classification	Expenses Allocated by Task	Total Cost by Task
Task 1 – Technical discovery.	Program Sponsor	8	$ 3,000	**$ 34,367**	**$ 206,181**
	Program Director	32	$ 8,320		
	Program Manager	144	$ 24,480		
	Financials Architect	72	$ 18,720		
	Procuremnt Architect	40	$ 6,600		
	HCM Architect	16	$ 2,640		
	Technical Architect	32	$ 5,280		
	Senior DBA	32	$ 5,280		
	DBA	72	$ 3,240		
	Technical QA	8	$ 520		
	Technical Developer	72	$ 4,680		
	Project Costing Architect	144	$ 29,676		
	Project Management Architect	72	$ 14,838		
	BI Sponsor	4	$ 1,500		
	BI Director	64	$ 16,640		
	BI Architect / OBIA	160	$ 26,400		
Task 2 – Upgrade IRWD's EBS Environment	Program Sponsor	13	$ 4,875	**$ 28,058**	**$ 243,583**
	Program Director	52	$ 13,520		
	Program Manager	228	$ 38,760		
	Technical Architect	168	$ 27,720		
	Senior DBA	122	$ 20,130		
	DBA	752	$ 33,840		
	Technical QA	108	$ 7,020		
	Financials Analyst	468	$ 21,060		
	HCM Analyst	378	$ 17,010		
	Technical Developer	486	$ 31,590		
Task 3 – Configuration changes to IRWD's chart of accounts.	Program Sponsor	13	$ 4,875	**$ 51,142**	**$ 443,990**
	Program Director	52	$ 13,520		
	Program Manager	228	$ 38,760		
	Financials Architect	216	$ 56,160		
	Procurement Architect	564	$ 93,060		
	HCM Architect	114	$ 18,810		

C-33

C-34

	Technical Architect	168	$ 27,720		
	Financials Analyst	468	$ 21,060		
	HCM Analyst	378	$ 17,010		
	Technical Developer	486	$ 31,590		
	Change Management Sponsor	5.5	$ 2,063		
	Change Management Lead	248	$ 40,920		
	Change Management Analyst	128	$ 19,200		
	Change Management Admin	180	$ 8,100		
Task 4 – Removal of Grants Accounting and implementation of Oracle Project Costing and Project Management	Program Sponsor	13	$ 4,875	$ 108,999	$ 946,280
	Program Director	52	$ 13,520		
	Program Manager	228	$ 38,760		
	Project Costing Architect	792	$ 163,215		
	Project Management Architect	720	$ 148,378		
	OTL/Payroll Architect	440	$ 85,008		
	Projects Technical Lead	480	$ 92,736		
	Projects Developer	920	$ 130,346		
	Projects Developer	400	$ 36,064		
	Project Conversions	600	$ 54,096		
	Change Management Sponsor	5.5	$ 2,063		
	Change Management Lead	248	$ 40,920		
	Change Management Analyst	128	$ 19,200		
	Change Management Admin	180	$ 8,100		
Task 5 – Remediation and development of reports leveraging OBIEE	Program Sponsor	13	$ 4,875	$ 38,235	$ 331,940
	Program Director	52	$ 13,520		
	Program Manager	228	$ 38,760		
	BI Sponsor	26	$ 9,750		
	BI Director	240	$ 62,400		
	BI Architect / OBIA	600	$ 99,000		
	BI Developer / OBIEE	600	$ 39,000		
	BI Analyst	160	$ 26,400		
Task 7 – Training and post production support	Program Sponsor	18	$ 6,750	$ 29,670	$ 278,925
	Program Director	92	$ 23,920		
	Program Manager	176	$ 29,920		
	Procurement Architect	40	$ 6,600		
	Financials Analyst	404	$ 18,180		
	Project Costing Architect	364	$ 75,011		
	Project Management Architect				

	Projects Technical Lead	20	$ 3,864		
	BI Sponsor	6	$ 2,250		
	BI Director	56	$ 14,560		
	BI Architect / OBIA	240	$ 39,600		
	BI Developer / OBIEE	440	$ 28,600		
TOTAL				$ 290,471	$ 2,450,899

- Level of effort and related cost of services is based on a number of assumptions. List of our project assumptions is provided in Appendix E for IRWD's review and consideration.

Training Development Option for Project Costing and Project Management:

During the scope confirmation session conducted on December 21st IRWD requested optional pricing for training development assistance. The following is provided for IRWD's consideration.

- Project Costing and Oracle Time & Labor 120 hours $26,055
- Project Management 200 hours $43,424

Technical Document Development Option:

During the scope confirmation session conducted on December 21st IRWD requested optional pricing for Technical Document development assistance. The following bucket of hours are provided for IRWD's consideration.

- Tech Lead 80 hours $13,200
- Developer 160 hours $10,400

The table on the following page represents the items to be considered as part of Task 6 with rough cost and effort estimates.

The following estimates are for Task 6 related items and provided with a rough estimate. In many cases additional information is required. We look forward to working with IRWD to review these items in detail.

Task 6 – Remediation of deficiencies listed in Appendix F not previously					$ 268,040	ON PM	ON FUNC	OFF FUNC	ON TECH	OFF TECH	Assumptions
Payroll	System should accrue PTO only for	264	$	27,560		24	40	80	40	80	Up to 2 Fast Formulas could be required
Payroll	System should facilitate accrual of	396	$	45,340		36	80	80	80	120	Up to 2 Fast Formulas could be required
Payroll	Sick and Vacation standard accrual	176	$	21,040		16	40	40	40	40	
Payroll	The CalPers report that is generated by Payroll in missing 2	176	$	21,040		16	40	40	40	40	Modify existing report; all data available, just needs retrieved; no new configurations or Fast Formulas required
Payroll	The file that I upload to Great West is not reporting the new hires or the final day of employment for the employees. This information is	176	$	21,040		16	40	40	40	40	Modify existing report; all data available, just needs retrieved; no new configurations or Fast Formulas required
Payroll	New Dept #s are not shown on	132	$	13,780		12	16	40	24	40	
Payroll	Holiday pay for employees who didn't	264	$	27,560		24	40	80	40	80	Up to 2 Fast Formulas could be required
Receivables	Print customer Statement has not been completed.	176	$	21,040		16	40	40	40	40	Utilize existing format and modify program and copy output to new output with summary (balance) only; no other changes to be performed other than create second option for report format
Receivables	AR distribution on a transaction does not equal to the sub ledger	0	$	-		0					Need additional information. This does not seem feasible.
Receivables	System should have a way to automatically upload massive receipts instead of manual	176	$	21,040		16	40	40	40	40	AutoLock box interface can be leveraged even if coming from an internal source. Assumes no automatic application.
Cash Management	Bank Reconciliation	176	$	21,040		16	40	40	40	40	Assumes bank feed and layout is appropriate but additional configuration is needed to the system setups. Bank resource will need to be identified by IRWD prior to starting and test process in place with the bank.
Cash Management	Daily Cash Report	0	$	-		0					Need additional information in order to scope.
Payables	Critical Requirements - CRAP 3 - Retention fee % needs to be automatically calculated for capital project invoices	0	$	-		0					Services Procurement is licensed but need to review level of configuration before providing an estimate.
Payables	Gap Analysis - Ability to reimburse expense reports using direct deposits	264	$	27,560		24	40	80	40	80	Bank resource will need to be identified by IRWD prior to starting and test process in place with the bank. Upon go live, bank account information per employee will need to be manually entered by IRWD; programmatic conversion not estimated
Inventory	MOH (Material Overhead) cannot be changed on existing	0	$	-		0					Need additional information in order to scope.
Inventory	Inventory sub ledger does not be	0	$	-		0					Need additional information. This does not seem feasible.
Inventory	Min/Max report not including items ordered but not received in	0	$	-		0					Need to review configuration.
HRMS	OBIA for HR not configured		Included in		Task 4 Pricing	0					
SUBTOTAL											

Joint venture / Conflict of interest / Insurance

Joint Venture

KPMG will be subcontracting with Project Partners for this engagement. Our partnering model aligns the best personnel with the most appropriate skills and the ability to deliver the greatest value to IRWD.

Conflict of Interest

KPMG LLP uses comprehensive procedures and a suite of technology tools to help ensure that the firm and applicable personnel are independent of the firm's audit clients. John Vaughan is responsible for our continued independence from IRWD and will continually monitor our service and investment relationships by using the tools described below. In addition, the firm provides mandatory annual independence training for all professionals and holds them personally accountable for their independence. Our independence procedures meet or exceed standards set by the SEC, PCAOB, Government Accountability Office, and all other applicable regulatory bodies. We have substantially completed our independence due diligence and are confident that we can be independent upon appointment.

KPMG's Independence Technology Tools
Service Independence – Our automated services reporting system, Sentinel, helps make sure that KPMG does not perform any audit or non-audit services anywhere in the world that could jeopardize our independence or violate District's own policies. John will be notified through Sentinel whenever any KPMG partner anywhere attempts to begin a new engagement with District, and he must approve that engagement before the work can begin. John will obtain your requirements from your audit committee, and the information will be entered into this system. He will use District's guidelines to determine whether the services are consistent with professional standards and client guidelines and will not approve any service without the preapproval of your audit committee.

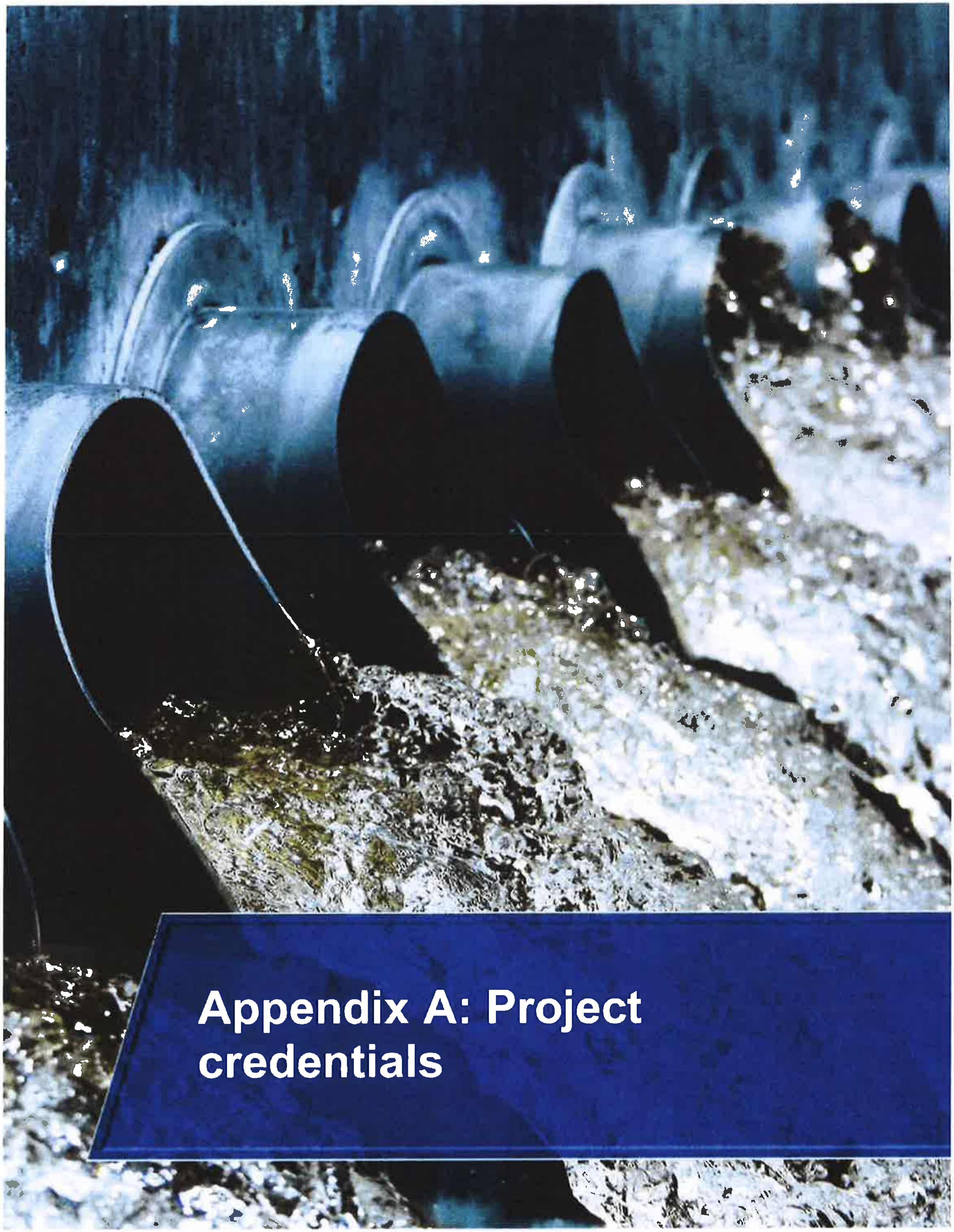
Investment Independence – The KPMG Independence Compliance System (KICS) is a Web-based tracking system to monitor investments and other financial interests of the firm and personal investments of partners and managers. Before buying stocks of public companies, KPMG professionals must access the system to determine if the investment is restricted. They must enter all new investments into KICS within 14 days. Individuals who have reported holdings of investments that later become restricted are automatically notified and must sell the investment within five business days.

Compliance with Rules – All KPMG professionals must use our electronic independence and code of conduct confirmation process at least once a year to confirm their understanding of and compliance with the firm's code of conduct and independence rules. As an extra safeguard, KPMG audits selected confirmations and information reported in KICS.

Business Relationship Independence – The Conflicts Check System uses a conflicts database that contains up-to-date information on business relationships, current and prohibited. At the request of the engagement team, a conflict report is generated from this database. John reviews the report and acts on its findings.

Insurance

Based on the sample agreement provided in the RFQ and prior negotiated terms, we have provided some suggested language changes in Appendix D. We look forward to working with IRWD at the appropriate time to develop mutually acceptable final insurance language.



Appendix A: Project credentials

Client name	Scope of engagement	Type
Jacksonville Transportation Authority	R12 Implementation of Financials, Adv. Procurement, Enterprise Asset Management, Projects/Grants, Human Resources and Payroll	Public Sector/ Transportation
Alabama State Port Authority	R12 Upgrade plus implementation of UPK, Projects/Grants Accounting and Enterprise Asset Management	Public Sector/Transportation
Arlington County	R12 Upgrade of Financials, Procurement, HRMS and Payroll	Public Sector/County Government
Hillsborough County Aviation Authority	R12 Upgrade plus implementation of Adv. Procurement, iSupplier, Assets, HRMS	Public Sector/Transportation
Louisville Regional Airport Authority	R12 Implementation of Financials, Adv. Procurement, Project Costing, Enterprise Asset Management and Property Management	Public Sector/Transportation
Port of Oakland	R12 Extension work between Oracle Grants Accounting and Project Management	Public Sector/Transportation
California Independent Service Operator	Upgrade EBS to 12.2	Public Sector/Utilities
Midwest Independent System Operator (MISO)	Upgrade EBS to 12.2	Public Sector/Utilities
Embry Riddle University	EBS Implementation of Financials with Encumbrance Accounting (GL, AP, Assets, PO, INV, HR, Payroll)	Public Sector/University
National Marrow Donor Program	R12 Implementation of Financials, Adv. Procurement, Projects/Grants Accounting	Public Sector/Gov't Funded
Los Angeles County Metropolitan Transportation Authority	R12 Implementation of Oracle Public Sector Contract Life Cycle Management Suite.	Public Sector/Transportation
Mid American Energy	R12 Upgrade of Financials and Supply Chain suites	Public Sector/Utility
City of Memphis	R12 Upgrade and Implementation of Hyperion Public Sector Planning and Budgeting.	Public Sector/City Government
Indianapolis Power and Light	R12 Upgrade of Financials, Procurement, HRMS and Payroll	Public Sector/Utility
Bettis Marine Propulsion	R12 Upgrade KPMG performed the original implementation and several upgrades over the last 10 years	Public Sector/Gov't Funded
Knolls Atomic Power Laboratory	R12 Upgrade Implement HRMS within an existing R12 instance	Public Sector/Gov't Funded

Client name	Scope of engagement	Type
Santee Cooper	R12 Upgrade Financials, Supply Chain Suite, Projects and Assets with Plant Accounting Extensions, Integration to Third-Party Fuel Management, Payroll, CMS, MMS, and Distribution Planning Systems.	Public Sector/Utility
NSF International	Oracle EBS implementation of Financials, Project Billing/Costing, Purchasing, HR, and OTL.	Not for Profit/Testing
Vectren	Implement HRMS	Public Sector/Utility
Louisville Metro	Oracle EBS implementation of Financials suite including Projects, Procurement suite, and EAM	Public Sector/City/City-Parish Government
Indiana Public Employee Retirement Fund/Teachers Retirement Fund	Oracle Procure to Pay implementation	Public Sector/Gov't

Engagement Credential

Manufacturer of power tools, outdoor power equipment, floor care appliances, solar powered lighting and electronic measuring products.

TTI

ORACLE
E-BUSINESS SUITE

R12 Upgrade

Large scale Program Mobilization	Program Governance	Global	IT/Oracle	Process Improvement
✓	✓		✓	✓

Our approach

- Oracle R12 delta review and education
- Current functionality and configuration review
- Technical Architecture change – Operating System, Hardware/Platform
- On Premise to Hosted Services migration
- Executed upgrade tools to review CEMLI components (zInsight, Panaya, etc.)

Business challenges

- To clearly understand the existing solution (systems, data and applications) in place
- Identify, analyze (and document the "undocumented"), and remediate existing customizations and any items that need special attention as part of the Upgrade Review with TTI the new R12 functionality relevant to current business processes
- Accommodate an upgrade, Chart of Accounts change, operating system change, and platform (and instance) location migration all as big-bang fashion
- Work around peak Fall sales timeframe and go live during optimal outage window

The results

- Chart of Account redesign based on previous pain points. Utilized ePrentise solution supported by Oracle as toolset for changing the COA key flexfield.
- E-Business Suite successfully upgraded to 12.2.3.
- Utilized an Accelerated Upgrade methodology and iterative project approach to lead execution of Like-for-Like Upgrade
- Capitalized on R12 enhancements and new capabilities
- Ensured subsequent client projects have a solid foundation for continued enhancements and process improvements
- Added on a new and refined ASN and label generation process to the Oracle Shipping process utilizing 3rd party Loftware for label printing
- Upgraded Discoverer to latest supported version with future plans around Discoverer replacement to be determined and executed during a later phase

Engagement Credential

Adoption of technology to adjust ERP system configurations and satisfy requirements of MISO's operations

MIS

Midcontinent Independent System Operator

ORACLE

E-BUSINESS SUITE

R12 Upgrade

Large scale Program Mobilization	Program Governance	Global	IT/Oracle	Process Improvement
	✓		✓	

Business challenges

- The goal for this project was to upgrade MISO's Oracle EBS application from version 11.5.10.2 to R12.1.3.
- MISO required a "like-for-like migration", in performance, Oracle functionality and acceptance of services.
- The MISO upgrade project had a medium-sized footprint of Oracle EBS application modules.
- Financials: General Ledger, Accounts Payables, Accounts Receivables, Cash Management, Fixed Assets.
- Procurement: Purchasing and IProcurement.
- Projects: Projects Billing, Projects Costing.

Our approach

- KPMG designed and executed a plan to staff and leverage an integrated Project Team comprised of representatives from MISO's IT Team, MISO's Business Managers and users, and KPMG's experienced consultants:
  - PMs collaborated to develop a unified Project Management Plan & Execution Schedule
  - Developed an integrated project plan/schedule which identified key tasks and responsibility centers
  - PM's identified and removed scheduling conflicts specific to partners and key stakeholders
  - Utilized "Center of Excellence" templates and customized Communications, Change Management, and Risk Management Plans in support of project execution
- KPMG lead R12 Familiarization Sessions for MISO's IT Team, Department Leads and End Users
- Provided EBS R12 Applications Knowledge Transfer during System Integration and Unit Acceptance Testing across the spectrum of upgraded applications
- Analyzed MISO's business processes and introduced R12 efficiencies and optimizations.
- Upgraded, retrofitted, remediated, and tested all impacted CEMLI objects

The results

- EBS modules successfully upgraded to 12.1.3, Go-Live August 11th, 2013.
- Lowered overall maintenance costs with Oracle Support by leveraging latest Oracle version
- Utilizing an Accelerated Upgrade methodology and iterative project approach led to execution of Project within agreed timeline and budgets.
- Enabled MISO to capitalize on R12.1.3 enhancements, new capabilities and business process efficiencies leading to reduction of existing application customizations and costs.
- Optimized support for Post-Upgrade transactions and Month-end Close

MIS

Midcontinent Independent System Operator

ORACLE

E-BUSINESS SUITE

R12 Upgrade

Large scale Program Mobilization	Program Governance	Global	IT/Oracle	Process Improvement
	✓		✓	✓

Business challenges

- The goal for this project was to provide business transformation solutions regarding their existing chart of accounts (COA) and their need to properly pay sales tax on purchases
- MISO required a new location segment within their COA in order to properly record sales tax, as well as other expenses based on the location of each facility
- Unable to expand use of e-commerce gateway to other vendors without it first working flawlessly for beta-site vendor (large office supplies provider)

Our approach

- Overall project consisted of updating the COA, implementing the new E-Business Tax module, as well as updating PO layout and the e-commerce gateway to handle the tax calculations properly.
- KPMG designed and executed a plan to staff and leverage an integrated Project Team comprised of representatives from MISO's IT Team, MISO's Business Managers and users, and KPMG's experienced consultants:
  - PMs collaborated to develop a unified Project Management Plan & Execution Schedule
  - Developed an integrated project plan/schedule which identified key tasks and responsibility centers
- KPMG led Tax sessions with the business users to determine options for calculating taxes properly while improving reporting on the taxes for use tax filings.
- Leveraged the ePrentise tool, "Flexfield", to update the Chart of Accounts with a new Location segment
- Leveraged Oracle's BI Publisher tool to make changes to the Purchase Order layout in order to identify taxable transactions for the supplier.

The results

- E-Business Tax module successfully implemented, Go-Live December 18th, 2014.
- Purchase Order layout updated to show final "Deliver to" location, which indicated taxable items to the supplier
- Updated the e-commerce gateway process to properly handle taxable and non-taxable transactions which will enable MISO to increase it's use of electronic communications
- Completed COA update allowing MISO the ability to expand its reporting capabilities and properly track revenue and expense by facility location.

JACKSONVILLE TRANSPORTATION AUTHORITY

Regional Transportation Solutions

ORACLE

E-BUSINESS SUITE

Oracle EBS R12 Implementation

Large scale Program Mobilization	Program Governance	Global	IT/Oracle	Process Improvement
	✓		✓	✓

Business challenges

- Implement a modern day ERP system to cover the entire gamut of business processes the authority operates in. Many hurdles stood in the way
  - 20 years of poorly managed data
  - Resources unwilling to embraces change and new processes
  - Multiple projects were on-going during the implementation
  - Numerous manual processes

Our approach

- KPMG chose to implement Oracle EBS Release 12 functionality to improve business processes and eliminate manual and costly electronic customizations via Oracle Business Accelerators for Public Sector
- Via Oracle Business Accelerator (OBA) the system was configured with best practices in mind. The frame of reference was tell me why the configured "out-of box" system won't work versus full blown Q&A sessions
- Built robust project plans to identify any slack available in the project. The team implemented phase I in less than 12 months
- Implement workflow to eliminate manual processes

The results

- Phased approach to implement EBS application suites:
  - Phase I
    - Financials (GL, AP, AR, FA, CM)
    - Procurement
    - Inventory
    - Enterprise Asset Management (eAM)
    - Business Intelligence (OBIEE HR, Financial, Spend Analysis)
    - HRMS
  - Phase II
    - Benefits
    - Payroll
    - Performance Management

Tampa International Airport

ORACLE

E-BUSINESS SUITE

Oracle EBS R12 Upgrade & Implementation

Large scale Program Mobilization	Program Governance	Global	IT/Oracle	Process Improvement
	✓		✓	✓

Business challenges

- Incorporate leading practice processes and functionality, using new functionality available in R12.
- Integrate R12 with other 3rd party systems
- Meet time constraints required to meet business needs for the upgrade

Our approach

- EBS modules upgraded
  - General Ledger,
  - Receivables,
  - A/P,
  - Purchasing,
  - Inventory,
  - Mobile Supply Chain
  - Cash Management
  - Fixed Assets
  - iSupplier
  - Oracle ApplicationTesting System
  - User Productivity Kit (UPK)
- EBS Additional Modules Implemented
  - iProcurement
  - Services Procurement
  - Procurement Contracts
- Ensure integration remains intact to 3rd Party Systems – EIS, Prop Works
- Provide training to bridge the gaps between Release 11.5 and Release 12 functionality.
- Provide Technical training to in house DBA

The results

- KPMG lead the R12 upgrade and implementation with
  - Project Management,
  - Functional Resources,
  - Technical Management,
  - Technical Development and
  - DBA Resources
- Leveraged Accelerate Methodology (upgrade methodology) with onsite and remote technical support model to rapidly execute upgrade activity.
- On time and on budget upgrade
- Under Multi-year contract for additional Oracle related project work

BI Business Intelligence ORACLE

ENBRIDGE

Oracle Financial, Project, Spend Analytics

Large scale Program Mobilization	Program Governance	Global	OBIEE / OBIA	Process Improvement

Our approach

- KPMG has partnered with Enbridge on a Finance Transformation Project that includes a new implementation of Oracle EBS R12 and Oracle Business Intelligence (OBIEE and BI Applications)
- Through a phased, iterative methodology KPMG is delivering enhanced analytics using the Oracle BI platform for both 11i and R12 as well as other data sources such as Khalix and Hyperion
- Using a combination of North American Business Intelligence professionals and KPMG Global Services (KGS), KPMG is designing and building a comprehensive data warehouse and analytical platform for Enbridge's business units.

Business challenges

- Highly manual reporting process to combine data from several sources.
- Overwhelming number of highly specific Oracle Discoverer reports co-located in the same environment as Oracle EBS
- Inflexible, static reporting environment.
- Inability to drill-down into the details of reporting results

Results Achieved

- KPMG has delivered phase 1 of the Business Intelligence implementation on EBS 11i and includes dashboards for Financial Analytics (GL, AP, and AR), Procurement and Spend Analytics, and Project Analytics Streamline dashboard and reports with the use of OBIEE filtering, prompt, drill down and navigation functionality to avoid redundant reports and reduce overall maintenance
- The Oracle BI platform is replacing current Oracle Discoverer reporting environment in a phased rollout.
- Provided a more robust, flexible and secure analytics and reporting architecture across multiple data sources

The following customers of Project Partners are where we have delivered services similar to those requested by IRWD. Project Partners typically coordinates all reference calls versus providing direct contact information to our reference base. As a result, we ask that IRWD contact Project Partners with requests to interview customers.

AECOM

AECOM is a global provider of professional technical and management support services to a broad range of markets, including transportation, facilities, environmental and energy. With more than 44,000 employees around the world, AECOM is a leader in all of the key markets that it serves. AECOM has been operating on the Oracle E-Business Suite applications platform since November 2000. Since then, there have been numerous acquisitions forcing many system conversions in the attempt to make operations across the company consistent.

AECOM needed a single standard Project Management methodology implemented via a single Platform based around its core Project Delivery System (PDS). In parallel, AECOM needed to decentralize their project maintenance functions and give the PMs easy accessibility so that no data was lost in translation, via email or other data channels. Project Partners was selected as the overall system Integrator to implement Oracle EBS Project Management as the single Project Management system to be used by AECOM as their PDS along with the delivery of Project Partners UI-Apps. The complete UI-Apps suite – Project Setup, Project Planning, Project Execution and Project Manager Reporting was delivered to AECOM as an MS-Excel based front to Oracle serving over 20,000 project managers worldwide. Additional worksheets, such as Project Close-Out, an Estimating Tool, and a Billing Workbench to integrate and automate the overall Receivables and Advanced Collections process have also been deployed.

Project Partners UI-Apps allowed AECOM to rollout a single project management process across divisions worldwide while enabling specific features for different. The deployed solution allows project information, such as forecasts and project status, to be available within hours of period close versus weeks prior to implementation. UI-Apps and Oracle Project Management has replaced over 50 third-party homegrown systems around the world, providing an estimated cost savings of upwards of 40 million U.S. dollars. In addition, AECOM believes UI-Apps makes them a differentiator and gives them a significant competitive edge.

Burns & McDonnell

Burns & McDonnell provides planning, design and construction expertise to a wide range of clients from airports to refineries, power plants to water treatment facilities, military bases to electrical distribution. Founded in 1898, Burns & McDonnell is a 100% employee-owned firms composed of more than 3,000 engineers, architects, construction experts, planners, estimators, economists, technicians and scientists representing virtually all design disciplines. Their experts work in offices nationwide and around the globe.

Burns & McDonnell has been using Oracle Applications since early 2000, using a full HR and core financial deployment and a highly customized version of the Oracle Project Costing and Billing modules. In 2011, the company planned to implement UI-Apps, Oracle Project Management and various costing improvements in their 11i environment then upgrade to R12. Due to customer delays, both projects were merged. The combined project objectives were:

- Upgrade Oracle E-Business to Release 12, implement new functionality and eliminate customizations
- Implement UI-Apps and Oracle Project Management
- Implement Canada Operating Unit and Multicurrency

The Project Partners consulting services organization provided the following solutions:

- Implementation of the Project Partners product, UI-Apps including customizations for existing worksheets, new worksheets and summarizations
- Implementation of Oracle Project Management including customizations for cost and revenue financial plan processing
- Implementation of Project Costing improvements
- Upgrade of Projects suite to R12.1.3. including configuration, verification, and conversions

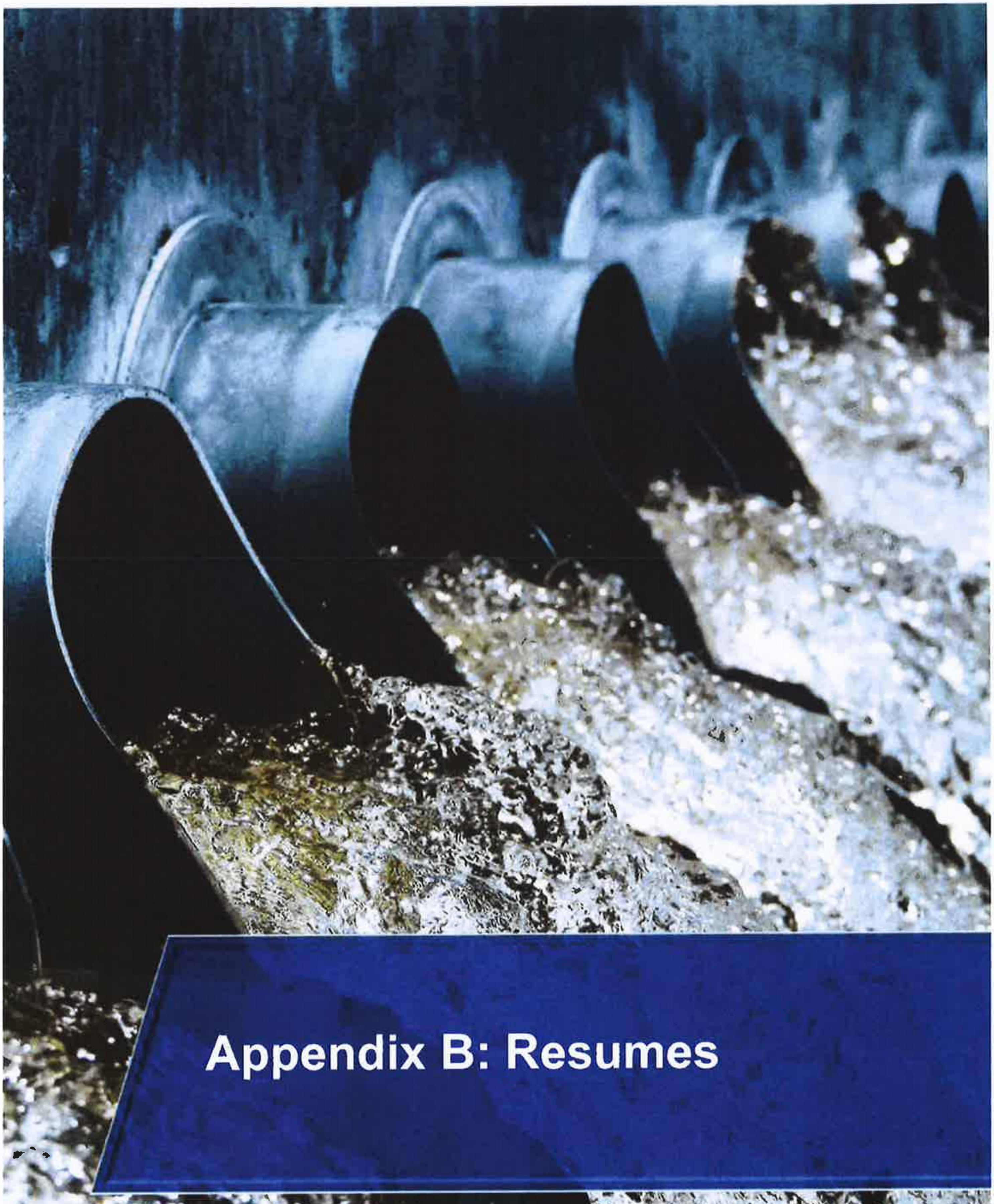
Burns and McDonnell moved from a custom user front end tool to a supported front end tool (UI-Apps) which is fully integrated with Oracle Applications. As a result, actuals, budgets and forecasts are aligned and all on Oracle Applications. Ownership of financial plans shifted from Accounting to the Project Teams as a result of the implementation of UI-Apps and Oracle Project Management allowing for Project Teams to have better visibility and control of their financial plans. Further, the change to time phased budgeting and forecasting allows the ability to status plans and produce earned value metrics. Additionally, Project Costing changes including project structure and expenditure configuration promote the use of Oracle Projects as a true sub ledger.

Atkins Global

Atkins (previously PBS&J) is the world's 14th largest global engineering and design firm, the largest global architecture firm and the 16th largest international design firm providing services across multiple industries such as aerospace, education, healthcare, power, rail, water, urban development, marine and coastal, environment, tourism etc. Atkins was established in 1938 and now employees 17,700 people worldwide with an annual revenue of £1.71 billion. Atkins is ranked one of the top 3 engineering and design firms in the United States.

Atkins was using a legacy third part Job Costing system to run their business with no integration or correlation between the Project Managers. As a result, the company sought to modernize business systems to result in a system that served both finance and operations. The objectives were to modernize accounting systems and project-centric processes, provide a simple user interface for operational end users to project information, and improve cash flow with timely invoicing and collections.

Project Partners implemented Oracle EBS Projects (Costing, Billing, and Project Management), OTL and iExpenses to achieve the stated objectives. Additionally, Project Partners provided a complete industry solution by including implementation of proprietary products from Project Partners that extend and enhance the Projects modules. Project Partners Invoicing was deployed to handle invoice consolidation and pro-forma invoice generation while User Interface Applications (UI-Apps) was deployed to provide project managers tools to setup projects (WBS, Budget), review actuals, maintain progress and enter forecasts. The combination of UI-Apps and Oracle EBS Projects provides more than 1,200 project managers complete visibility to all project costs (incurred and committed) at the detail level. As a result of the implementation, Atkins has realized the benefits of more accurately bidding new project opportunities due to the ease of costing labor in Oracle Projects while also more tightly controlling and accurately reported during the execution (post award) phase. Corporate cash flow was also improved by providing project managers the ability to easily create realistic forecasts by assessing estimate-to-complete amounts for each task on their projects.



Appendix B: Resumes

JOHN H. VAUGHAN IV
Managing Director

KPMG LLP
One Independent Drive
Independent Square
Suite 1100
Jacksonville, FL 32202

Tel 904-350-1233
Fax 904-485-8759
johnvaughan@kpmg.com

Function and specialization
John is a managing director in KPMG's Jacksonville office. He specializes in providing enterprise solutions to the companies in various industries

Representative clients
- Alabama State Port Authority
- Amerifit/DSM
- Arlington County
- CSX Transportation
- Embry Riddle Aeronautical University
- Forsythe Technologies
- GE Ocean & Radar
- General Electric Aviation
- General Electric Global Research
- Glimcher Realty Trust
- Indianapolis Power and Light
- Irvine Ranch Water District
- Jacksonville Electric Authority
- Lender Processing Services
- Mid American Energy
- Parson Consulting
- Port of Oakland
- Spanish Broadcasting Systems
- Virginia Mason Medical Center

Education, licenses & certifications
- BS degree, aeronautical engineering, Embry-Riddle Aeronautical University, Daytona Beach, FL

Engagement Principal

Background

John is a managing director in KPMG's Jacksonville office. He is highly motivated, results-focused leader with more than 24 years of global professional service experience supporting a variety of industries including utilities, state, and local government, aerospace and defense, healthcare, high-tech, and manufacturing. John is focused on business development, quality delivery, and continuous improvement and has a track record of increasing service offerings, profitability, consistently exceeding objectives, and developing progressive approaches to business problems.

Professional experience

With most of his professional services experience being as owner/cofounder, John has a wealth of experience in all facets of managing a professional services firm including business development, quality, and client service, leverage, growth, and profitability. His responsibilities have included business development, client partnering, account management, business process reengineering, project management, consultant management, and providing functional and industry know-how. He has performed as an executive sponsor and solution manager on high-profile projects working closely with team members to execute project deliverables.

In his current role, John has P&L responsibilities as well as helps ensure quality of delivery, services strategy, resource deployment, recruiting and contracting, presales support, and professional development of consultants across the Oracle E-Business Suite practice in the United States and in the center of excellence in Makati, Philippines. In addition to the practice management responsibilities, John continues to practice and employ common project management approach and methodology on a daily basis, primarily engaging as the quality assurance manager on the practices largest and/or most strategic projects

- Established and led growth of global center of excellence in Makati, Philippines. He oversaw all aspects from setup of legal entity, initial staffing, process and procedure development, integration with U.S.-based projects. Responsible for growth to over 70 offshore resources
- Designed and led creation of accelerate implementation and upgrade methodologies. These methodologies focus on use of global center of excellence to lower risk, increase quality, reduce cost, and increase profitability
- Contributed to organization's growth and development in a senior leadership role. Responsibilities included leadership of large-scale projects and teams; primary management of EBS practice, and driving organizational goals and objectives

- Tested excellence at meeting budgetary and departmental goals as well as fostering teams, driving structure, and established processes
- Significant consulting experience with ability to drive measurable results and apply tested methodologies to help maximize revenue and minimize risk
- Outstanding analytical/problem-solving skills resulting in optimal business solutions
- Skilled cultivator of personnel with a strong aptitude in developing team members for career advancement
- Developed partner relationships and strategies in order to help drive pipeline and revenue targets
- Demonstrated success in building consensus, embracing change, driving results, and thought leadership
- Responsible for strategic project planning, budget/resource management, and facilitation of monthly steering committee meetings
- Responsible for performance reviews and performance/career planning in a highly matrixed organization
- Executive sponsor - Alabama State Port Authority - public sector, Amerifit/DSM - health, Arlington County, Port of Oakland, Mid American Energy, CSX Transportation, Virginia Mason Medical Center and Forsythe Technologies - consulting
- Project manager - General Electric Global Research, General Electric Aviation and Embry Riddle Aeronautical University
- Executive sponsor - Indianapolis Power and Light (IPL)
- Quality assurance - Spanish Broadcasting Systems
- Oracle specialist - GE Ocean & Radar

JEFF FRANCIS
Director

Function and specialization

- Oracle Implementation/Upgrades
- Large Project Management

Representative organizations

- Hillsborough County Aviation Authority
- Jacksonville Transportation Authority
- Armor Holdings
- Bechtel Marine Propulsion Corporation
- CSX Transportation
- J&B Medical
- Embry Riddle Aeronautical University
- General Electric Aviation
- GolfPac
- Henderson Electric
- Homes & Land
- Indianapolis Power & Light
- International Brotherhood of Electrical Workers
- Jacksonville Electric Authority
- Lockheed Martin
- Parson Consulting
- Providence Water
- Santee Cooper
- Seacor
- Virginia Mason Medical Center
- World Wildlife Fund

Education, licenses and certifications

- Master of Business Administration (MBA)
- Nuclear Engineering (BS)

Project Director

Background

Jeff is a director with more than 25 years of experience within the professional services, operations and consulting delivery surrounding Oracle EBS applications and technology. His responsibilities include business development, client partnering, account management, business process reengineering, project management, consultant management, and providing functional and industry experience. In addition he has performed as an executive sponsor and solution manager on high profile projects working closely with team members to execute project deliverables. Recently Jeff had focused on QA and oversight related to implementations, upgrades, and methodology around the Oracle Accelerators and leveraging reuse in our rapid delivery process for midsize, large corporations, and public sector clients.

Professional and industry experience

Jeff's responsibilities include business development, client partnering, account management, business process reengineering, project management, consultant management, and providing functional and industry experience. In addition he has performed as an executive sponsor and solution manager on high profile projects working closely with team members to execute project deliverables.

- Implementation of EBS R 12.1.3 for Financials, Enterprise Asset Management, Projects/Grants, HR, Payroll, and Benefits.
- Upgrade from 11.5.10 to R12.1.3 and the implementation of Procurement Contracts, Sourcing and iExpense.
- Migration of IPL from 11.5.10.2 to R12.1.3 in a single set of books and single operating unit environment with numerous interfaces to/from external systems and includes many customizations within the Oracle instance. The customizations center around the client's usage of the software products: PowerPlant, Empac, and Work Management System. Modules include: General Ledger, Payables, Cash Management, Receivables, Projects, Purchasing, Inventory, iProcurement, iSupplier, HR and Payroll.
- Merging of multiple operating units into a single OU in R12 under the mandate from the Naval Reactors entity of the US government.
- Implementation of a customer data-hub.
- Implementation of Oracle Human Resource Management System (HRMS) Release 11.5.10 of the following modules: Human Resources, Human Resources Self Service, iRecruitment, Learning Management and HR Intelligence for a 3000-employee Department of Energy Contract Corporation.
- Implementation of Oracle Applications 10.7SC for General Ledger, Payables, Purchasing, Inventory, Project Costing, Human Resources and Payroll

- Design and development of a hotel, car and golf reservation system using Forms 4.0, Reports 2.0 and PL/SQL.

Engagement/Project Manager – Hillsborough County Aviation Authority

- Project Manager responsible for the implementation Oracle EBS R 12.1.3 HR, Payroll, Benefits, iRecruitment, Performance Management and Time and Labor. These module were implemented in a phased approach over 12 months into an existing EBS footprint. The project leveraged the Rapid Implementation Process for Public Sector. The integrations with Projects and the rewriting of the Requisition and Invoice approvals rules was also a key business process value add from this project.

Engagement/QA Manager – Jacksonville Transportation Authority

- Engagement Manager for a new implementation of EBS R 12.1.3 for Financials, Enterprise Asset Management, Projects/Grants, HR, Payroll, and Benefits. The project leveraged the Rapid Implementation Process for Public Sector
- Provided oversight, Quality Assurance, and overall client satisfaction. Ensure the "Center of Excellence" processes are followed.
- Participate in project status reports and internal assessment of the project.
- Participate in weekly executive meetings to achieve total communication throughout the early phases of the project.

Engagement/Project Manager – Hillsborough County Aviation Authority

- Engagement Manager for the upgrade from 11.5.10 to R12.1.3 and the implementation of Procurement Contracts, Sourcing and iExpense.
- Provided oversight, Quality Assurance, and overall client satisfaction. Ensure the "Upgrade Center of Excellence" processes are followed.
- Participate in project status reports and internal assessment of the project.

Engagement/QA Manager – Alabama State Port Authority

- Engagement Manager for the upgrade from 11.5.10 to R12.1.3 and the implementation of Enterprise Asset Management (eAM) and Projects/Grants.
- Provided oversight, Quality Assurance, and overall client satisfaction. Ensure the "Upgrade Center of Excellence" processes are followed.
- Participate in project status reports and internal assessment of the project.
- Provide functional and technical support around the integration of OTL and eAM.

Engagement/QA Manager – Indiana Power and Light (IPL)

- This upgrade project was the migration of IPL from 11.5.10.2 to R12.1.3 in a single set of books and single operating unit environment with numerous interfaces to/from external systems and includes many customizations within the Oracle instance. The customizations center around the client's usage of the software products: PowerPlant, Empac, and Work Management System.
- Modules included: General Ledger, Payables, Cash Management, Receivables, Projects, Purchasing, Inventory, iProcurement, iSupplier, HR and Payroll
- Provided oversight, Quality Assurance, and overall client satisfaction. Ensure the "Upgrade Center of Excellence" processes are followed.
- Participate in project status reports and internal assessment of the project.
- Provide functional support around fixed assets and financial closing process.
- Provide guidance around the OBIA implementation and dashboard validation.

Engagement/QA Manager – Santee Cooper

- This upgrade project is the migration of the client from 11.5.8 to R12.1.2 in a single set of books and single operating unit environment with numerous interfaces to/from external systems and includes many customizations within the Oracle instance. The interesting aspect to this project is the Asset Unitization processes, the introduction of the Capitalized Interest on CIP Costs in Oracle Projects and utilizing the Oracle's Cash Management / Cash Forecasting Functionality with External Incoming/Outgoing Sources.
- Provided oversight, Quality Assurance, and overall client satisfaction. Ensure the "Upgrade Center of Excellence" processes are followed.
- Participate in project status reports and internal assessment of the project.
- Provide guidance around the OBIA implementation and dashboard validation.

Solution Architect/Functional Architect – MSC Care Management, FL

- Implement Oracle R12.1.3 Advanced pricing for this leading workers compensation provider. Solution involved calculating pricing at request for service time and billing time in various units of measures based on complicated federal, state, and carrier pricing rules.
- Solution Architect for developing solution and functional lead for the Advanced Pricing module.
- Provide direction and planning of the solution and migration strategy.
- Provide project management, conducted steering committee reviews, and facilitated weekly status meetings.
- Participated in Conference Room Pilot and User Acceptance Testing
- Managed the solution for migration of state and federal insurance price list.
- Developed required custom modifiers and qualifiers to meet the overall solution.

Project Manager/Solution Architect – Bechtel Marine Propulsion Corp

- This initiative merged the client's multiple operating units into a single OU in R12 under the mandate from the Naval Reactors entity of the US government. In addition to the technical nature of the project, all business processes were reviewed to develop single business processes to meet the needs of the previously individual operating units. Our long-time business partner uses the following modules: Financial, Projects, Purchasing, Inventory and HRMS.
- Provide direction and planning of the solution and migration strategy.
- Provide project management, conducted steering committee reviews, and facilitated weekly status meetings.
- Participated in Conference Room Pilot and User Acceptance Testing

Project Manager/Solution Architect – Lender Processing Services, FL

- Solution Architect and Project Manager for the Implemented of Oracle R11.5.10 for this leading Mortgage provider services. This project was the implementation of a newly acquired business unit into the existing Oracle Financials suite.
- Provide direction and planning of the solution and migration strategy.
- Provide direction and planning of the month end closing process and integration strategy to external systems.
- Provide project management, conducted steering committee reviews, and facilitated weekly status meetings.
- Participated in Conference Room Pilot and User Acceptance Testing

Project Manager – CSX Transportation

- Project Manager for the implementation of a customer data-hub engagement.
- Responsibilities include risk and issue management, interacting with client, internal consultants, and third party resources as necessary to meet project deliverables
- Interaction with Client regarding project budget and scope control
- Work with client executive management to develop change management procedures to facilitate the successful implementation the project

Project Manager – Bettis Atomic Power Laboratory

- Project Lead for the implementation of Oracle Human Resource Management System (HRMS) Release 11.5.10 of the following modules: Human Resources, Human Resources Self Service, iRecruitment, Learning Management and HR Intelligence for a 3000-employee Department of Energy contract corporation.
- Interaction with Client regarding project budget and scope control Scope of Project

Project Manager – CSX Transportation

- Project Manager for the implementation of Oracle Treasury module in an inter-company environment
- Solution Manager, responsible for ensuring total client satisfaction.
- Develop design for a custom In-House Banking solution responsible for maintaining inter-company cash pools for over 60 subsidiaries
- Interacting with client, internal consultants, and third party resources as necessary for issue/risk management
- Interaction with Client regarding project budget and scope control
- Work with client executive management to develop change management procedures to facilitate the successful implementation of Oracle Applications
- Work with client, management and internal project team to ensure that business objectives are met.
- Directed the team who developed and documented the business requirements for integrating/interfacing custom BAI automation process to the Oracle Applications

Project Manager – DOE Atomic Power Laboratories

- Two prime DOE contractors were given a directive to combine financial systems into Oracle Applications. This project was an implementation of Oracle Applications 11i GL, AP, FA, INV, PO and Projects with interfaces to existing systems. A data conversion effort was also done to bring critical information forward.
- These Department of Energy Prime Contractors, each with an operating contract, commonly known as Government Owned Contractor Operated (GOCO) or Management and operating (M&O) contract, with Naval Reactors, which is a component of the Department of Energy. The two contractors mutually and solely support Naval Reactors. Each Contractor also receives funding from the Department of the Navy via separate contracts. They have 17 Oracle modules (version 11.5.9) in production using a multi-organization structure with a shared set of books. A third Contractor also utilizes Oracle Financial modules but is on a separate instance due to their corporate book structure.
- Project Manager for the implementation of Oracle Applications 11i GL, AP, FA, INV, PO and Projects with interfaces to existing systems. A data conversion effort was also done to bring critical information forward.

PAMELA S FOLLETT

Manager

KPMG LLP
265 Clinton Square
Rochester, NY 14604-1701

Tel 585-263-4055
Fax 585-486-1980
Cell 315-719-9505
pfollett@kpmg.com

Function and Specialization

Pamela is a manager in KPMG's Rochester office. She has a broad background in both technical and functional components of Oracle EBS.

Representative Clients

- Higher One
- Jacksonville Transit Authority
- Lender Processing Services
- Logical Operations / Element K
- McQuay International
- National Marrow Donor Program
- Paetec Communications
- RGIS Inventory Specialists
- Rochester Institute of Technology
- Saab Sensis
- Toshiba Global Commerce Solutions
- Vertex Pharmaceuticals
- WP Glimcher
- Xerox
- Xerox Engineering Systems

Professional Associations

- Oracle Applications User Group (OAUG)
- National Association of Professional Women (NAPW)

Languages

English

Education, Licenses & Certifications

- BA degree in computer science / mathematics, LeMoyne College, Syracuse, NY 1984
- AA degree in mathematics / computer science / women's studies,

Project Manager

Background

Pamela is a manager in the technology services group, based in KPMG's Rochester office. She has more than 19 years of experience in both technical and functional components of Oracle EBS. Working in industries from discrete manufacturing, higher Ed, health care, and others, she focuses on implementing functionality and technical processes within the Oracle E-Business Suite (EBS) of applications, primarily in the Financial, Manufacturing, Human Resources / Payroll, Projects, and Service modules. She has integrated EBS as a backbone for business processes to meet client needs, and has also managed upgrades and implementations, aligning resources to project needs, architecting solutions, budgeting and forecasting.

Professional and Industry Experience

Pamela has managed projects, directing a team of functional and technical resources for multiple clients, to implement and/or upgrade Oracle EBS applications across differing verticals, including financial services, life sciences, healthcare, manufacturing/engineering, and adult and higher education. Her primary application suite focus in Financial, Manufacturing, Human Resources, Projects, and Service modules. She has also recommended additional custom and 3rd party solutions and provisioning to clients, in order to enhance the client experience / relationship; consistently working with business owners, functional, and technical resources in discovery sessions to define business needs and agreed upon solutions. Pamela has worked with client stakeholders to develop process improvements and delivered solutions within projected budgets and timeframes, in order to keep project focus on track and identify items that required project change requests.

Experience Details

- Served as project manager and technical lead for a multi-phased REIT acquisition that also incorporated a change in the business' chart of accounts. The acquisition included a mid-month close and merging of the acquired business units into an Oracle EBS R12 instance, overseeing CEMLI changes, financial report development and GL reconciliation, data conversion, and implementing iProcurement to a composite of legacy and new user groups.
- Served as project manager for an upgrade of Oracle EBS Financials suite from 11i to R12 for a higher education financial services provider. The project included transferring a business unit from one company to another through sale of the business unit, resulting in a greater than usual level of training and support.
- Served as project manager for an Oracle EBS upgrade from 11i to R12 for a multi-national inventory service provider. The footprint included AR, AP, GL, HRMS, and payroll for 35 countries and 5 languages. In this role, worked with the client to develop the project charter and schedule, assign and manage team resources, assist the finance functional and technical leads with solution design and CEMLI remediation, and ensure the team stayed within the time line and project budget.
- Served as technical lead for a merger of two real estate investment trust companies, as well as assisted in project management tasks. The combined company is a retail real

Onondaga Community College, Syracuse, NY, 1981

estate owner, developer, and manager. The project included incorporating and modifying the financial reporting within a single Oracle EBS R12 instance, taking into account a mid-month close of the merger transaction. Additionally, due to the fourfold increase in fixed assets, the project included developing an automated process to update fixed assets once they were copied into the tax books on a monthly basis.

- Oversaw the project management for a procure-to-pay implementation at a health insurance provider, coordinating with the client project sponsors to get the appropriate resources defined on the project team. This project entailed porting the client off of a de-supported legacy system and translating processes into EBS.
- Worked closely with the client project manager for the EMEA rollout of EBS for a pharmaceutical manufacturer that was converting its business model from R&D to revenue generation, to ensure deadlines were met, scope and was budget controlled, and risks mitigated for an on time and under budget implementation.
- Took on the dual role of technical lead and project manager for an integrated solution between EBS order management/receivables and 4 external systems to overhaul an antiquated clinical and billing system for an international health care provider. The system utilized web service messaging to communicate order status, external fulfillment, and billing information into order management and flowed into receivables, incorporating advanced pricing for multinational providers.
- Developed technical business process flow diagrams for future state of newly formed point-of-sale system company to assist in their divestiture from the parent company. Processes included the client's SDLC, managing enterprise information, which included governance and compliance of enterprise information architecture, managing information resources, and content and information development.
- Designed, developed, and oversaw other development resources for conversion of various business units and integration points between Oracle 11i AP/AR applications and a custom system for a mortgage services provider. Conversions included customers, suppliers, and open receivables and payables transactions. Additionally, implemented the iSupplier module for gathering supplier information, including bank accounts & W9s, and posting payment statuses.
- Assisted in the final stages of an EBS R12 implementation of the payroll module for a metropolitan transportation authority, to replace a legacy AS400 system. Primary duties included developing fast formulae for earnings calculations, developing the processes for creating positive pay and NACHA files to interface with the bank, and supporting changes required for affirmative action reporting.
- Designed, developed, and oversaw other development resources for an integration point between Oracle 11i field service and MetaSolv telephony provisioning system. The integration was bi-directional and incorporated the incoming MetaSolv reference information to the Oracle EBS trading community architecture for determining the proper party/customer and party address information needed to correctly assign field service technicians via the autonomous scheduler. Developed and oversaw the implementation plan for all components designed during the project for EBS and MetaSolv.
- Implemented functionality in Oracle EBS 11i Purchasing, Inventory, AP, and AR for the Mexico division of a global print manufacturer, working in both US dollars and Mexican pesos. Interfaced directly with clients in both the US and Mexico. Designed and developed custom processes and forms to interface with a 3rd party inventory planning system, converted legacy purchase orders and external payables invoicing process to account for item substitution and invoice variance, reporting for customer collection

balances, and return on receivables processing. Converted customers and install base, including warranty parts and service data. Designed and developed a process for generating automated preventative maintenance service requests for field service technicians.

- Implemented modules of Oracle EBS 11i for a defense and aeronautics company, including iExpense, iSupport, Cash Management, and Daily Business Intelligence for Service and Human Resources; expanded functionality used in HRMS and Oracle Time & Labor; developed XML reports for project contracts and inventory; generated forms personalizations for multiple applications; modified stock room pick release for discrete WIP jobs; built import/export utilities for 3rd party vendor interfaces. Developed an SDLC policy, and assisted the DBA with EBS patches.
- Designed extensions and interface components for an Oracle EBS 11i implementation of the Financial and Manufacturing suites for a specialty steel manufacturer. The extensions included forms personalizations for Purchasing, Quotes, and Order Management modules; forms and XML reports for a customized steel plate job schedule planning and reporting tool that integrated with discrete WIP jobs and Order Management; customization of customer consigned inventory interface, and commercial invoices for export control. Designed an interface for orders from the Order Management module to the legacy mill ordering and financial reporting systems.
- Implemented modules of Oracle EBS 11i for a higher education institution, focusing on HR/payroll, Purchasing, Accounts Payable, Fixed Assets, General Ledger, Workflow, and Alerts. As part of the implementation, developed the fixed asset mass allocation process, payroll paid time off fast formula, various alerts for HR audit changes and system profile options, direct deposit advice workflow, NYS state quarterly wage listing, developed an automated interface to the bursar system, and defined standard documentation policies and procedures. Coordinated upgrade testing and trained internal IT members on Oracle and Unix functionality and programming standards.
- Directed staff and implemented modules of Oracle EBS 10 and 11 for an adult computer training company. Managed a $500K annual budget, developed strategic plans, and administered personnel resources.

Technical Skills

- Programming Languages: PL/SQL, SQL, XML, KornShell, Bourneshell
- Operating Systems: Redhat Linux, UNIX (Solaris, HP, Digital, SCO)
- Oracle Applications Modules: Accounts Payable, Accounts Receivable, Alerts, Concurrent Manager, Daily Business Intelligence, Field Service, Fixed Assets, Forms Personalization, General Ledger, Human Resources, iExpense, Install Base, Inventory/MRP/WIP/BOM, iSupplier, iSupport, Order Management, Oracle Time & Labor, Payroll, Projects, Project Contracts, Purchasing, iProcurement, Quotes, Sales Compensation, Workflow, XML Publisher
- Tools: Oracle Developer, Workflow Builder, TOAD, SQL Developer, FNDLOAD, IBM Blueworks, Cognos Powerhouse, Robelle, MS Office, SCCS, Panaya, MS Visual SourceSafe

Publications and Speaking Engagements

- White paper, Business Management Asia, issue #15 "WWW.Self-Service – A Natural Evolution of Traditional Process"

- White paper and presentation, Oracle Applications Users Group Fall 1999, "Integrating e-commerce with Oracle Applications"

Other Activities

- Member of National Association of Professional Women (NAPW)
- Member of KPMG's Network of Women (KNOW)
- Board member, Boy Scouts of America, Seneca Waterways Council, Troop 59 & Cub Resident Camp Program Director
- Former President/Board Chairman, Phelps NY Chamber of Commerce

ARJUN KRISHNAMURTHY

Senior Associate

KPMG LLP
1801 K Street NW
Washington, Washington DC 20006

Tel 202-533-3547
Fax 202-380-0812
Cell 703-415-6525
karjun@kpmg.com

Function and Specialization
Business Intelligence & Data warehousing

Representative Clients
- Cedars Sinai Medical Center
- City of Hope (COH)
- Alliance Data Systems
- East Kentucky Power Cooperative
- Samaritan Health Services

Professional Associations
- TDWI
- Oracle

Languages
English, Hindi

Education, Licenses & Certifications
- Master of Science (MS)
- Oracle Business Intelligence Applications 7.9.6 for ERP Certified Implementation Specialist

BI Lead

Background
I am a Business Intelligence & Data warehousing (BIDW) Consultant with over seven years of experience specializing in building Oracle BI solutions for industry horizontals such as Finance, Human Resources and Supply Chain. I have extensive experience working with OBIEE, Informatica and DAC and have successfully led teams on several engagements under aggressive timelines. I have extensive experience in the complete lifecycle of a BIDW implementation from planning stages to deployment.

Professional and Industry Experience
I have had the opportunity to work in a variety of industries including Healthcare, Federal Government, Financial Institutions and Utilities, building a data consumption and decision support platform using Oracle's suite of BI Applications for ERP products like PeopleSoft (PSFT) and E-Business Suite (EBS). With an increased focus on Analytics over the past few years, I have had opportunities to work at major Healthcare institutions building analytics platforms.

My past engagements have included:

- A Major Healthcare Provider in Los Angeles County to build a Human Resource Analytics platform to provision analytics from PeopleSoft HCM.
- A Major Healthcare Provider in New York City to build a Project Analytics platform
- A Major Utilities Company in Kentucky to build a Financial Analytics platform sourcing data from PeopleSoft FSCM.
- An agency of the Federal Government to build an Enterprise Data Warehouse (EDW) to integrate Financials, Loan Processing and Project Oversight systems using E-Business Suite (EBS) and in-house developed OLTP systems.

Healthcare Workshop
Attended an Oracle Enterprise Healthcare Analytics (EHA) workshop focusing on Oracle's Healthcare solution offerings including Healthcare Data Warehouse Foundation (HDWF) and Oracle Health Analytics Data Integration (OHADI).

Technical Skills
BI & Data Warehousing
Oracle Business Intelligence Enterprise Edition (OBIEE), Data warehouse Administration Console (DAC), Informatica, Oracle Data Integrator (ODI), PeopleSoft, E-Business Suite (EBS), Oracle DB, SQL Server, DB2, SQL Scripting, SQL Server Integration Services (SSIS), SQL Server Reporting Services (SSRS), Microstrategy, QlikView Expressor

Healthcare Analytics
Oracle Data warehouse Analytics Data Integration (OHADI), Healthcare Data warehouse Foundation (HDWF)

AVINASH BAWACHKAR

Manager

KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Tel +1 214-840-2245
Cell +1 704-626-9706
abawachkar@kpmg.com

Function and Specialization

Avinash is experienced manager in specialized in Oracle Financial Management, Implementations, integrations of other applications and subsystem. He has extensive experience in System Architecture & Design, Planning, End-to-end implementation life cycle, change management, project management, and delivering innovative cost effective yet user friendly solutions.

Representative Clients

- American Express
- TIBCO Software Inc
- Enbridge

Professional Associations

- American Institute of Certified Public Accountants (AICPA)
- Project Management Institute (PMI)
- North Dakota State Board of Accountancy
- Taxes State Board of Accountancy

Languages

English, Hindi, Marathi

Education, Licenses & Certifications

- Masters in Management Science, emphasis on Financial Management, Accounting and Reporting, University of Pune, India
- Masters of Commerce, emphasis on Advanced Accounting, Advanced Costing, University of Pune, India
- Project Management Professional (**PMP**)
- Certified Public Accountant (**CPA**)
- Six Sigma Green Belt
- Oracle E-Business Suite 12 Financial Management Certified Implementation Specialist: Oracle General Ledger

Financials Lead

Background

Avinash is in the Management Consulting practice. He is a seasoned professional with more than 20 years practical domestic and international experience in Accounting and Reporting, Financial Management, Distribution, Manufacturing, Project Management, and business transformation including thirteen years of Oracle Applications implementation and support. He is expert in Oracle Applications (ERP) Implementation, System Design Architecture, Integrations, development, testing and post implementation Support, and defect resolutions. His experience includes over ten years business experience in Finance domain encompassing Accounting, Finance, Costing, Audits, and Project management.

Avinash has managed several full-life cycle Oracle Financial R12 and 11i implementation projects. Functional expertise in Oracle Financial 11i & R12 Modules GL, AP, AR, FA, CE, IBY, IEX, SLA, E-BTax, OCM, TM, OM, PO, INV, OKS, QP, internal controls, Segregation of Duties and MOAC.

Completed "Oracle Fusion Financial Cloud Implementation – Release 9" a 5 day training program.

Professional and Industry Experience

Avinash has managed several Oracle Financial full life cycle implementations, enhancements, support, testing and break-fix projects with onsite and offshore teams. In his over thirteen years of experience Oracle Applications handled various roles such as Project Manager, Finance Functional Lead, Solution Design Architect, Sr. Business Analyst, integrations lead. He has also provided subject matter knowledge and guidance to leading global organizations on system implementation, consolidations & reporting, controls, enhancements, testing for systems with respect to application and Oracle Financials and Distributions, change management, and segregation of duties.

Manufacturing, Distribution and Services

- Managed ERP Projects, Led onsite and offshore consultants team, supervised implementation process including understanding the client business processes, discussing with top management about organization's goals, finalizing requirements, GAP analysis, finalizing system requirements, consulting on improvements, designing the solution, demonstrate the solution, core user training, end user training, define the policy to migrate the data from once system to another, configure the application production instances, support the client on smooth transition. Manage the deliverables as per the contractual terms.
- Managed multiple Global implementations of Oracle 11i, 12.0.6, 12.1.3 implementation of Financials and Distribution suite. Fresh re-implementation from Oracle 11i to Oracle R12; global rollouts with complex organization and reporting structure including parent-subsidiary consolidation. Managed Conference Room Pilots (CRP), User Acceptance Training (UAT), testing and deployments.

ORACLE
Certified Specialist

- Conducted requirements analysis and post-implementation assessments in order to identify sources of risk and provide practical alternatives to mitigate and remediate risks. In addition, provided strategic planning for Go-live cutover activities, post-go-live monitoring, system testing, and production planning. System integrations, define the policy to migrate the data from once system to another, configure the application production instances, support the client on smooth transition.

Senior Project Accountant

- Oversaw projects financial operations for all local and international ongoing and completed projects. It also includes financial accounting requirements, financial reporting, financial health of the projects, audit and internal control requirements, budgets, costing and cost allocation, compilation of corporate MIS report, advising and directing accounts department, consulting on strategic planning and business performances.

Senior Project & Branch Accountant

- In-charge of the location; performed various levels of responsibilities in for Financial Accounting, Reporting, Audits and controls.
- Managed financial operations of the location including five-business division with primary responsibility for projects division. The major responsibilities includes Accounting, Costing, Auditing, advising, commercial operations, contracting, purchasing, inventory controls, budgets and various analysis, MIS reporting, coordinating with other branches and head office, closing of projects and annual closing of the accounts.

Technical Skills

- Oracle Applications R12, 11i, and 11, Multi-Org (MOAC), Multiple Reporting Currency, Workflow, Integrations, process automation.
- Oracle Applications Modules: Accounts Receivables, Accounts Payables, Payments, General Ledger, Cash Management, Fixed Assets, E-Business Tax, Adv Collections, Advanced Global Intercompany System, Advanced Global Consolidation System, Trade Management, Purchasing, Inventory, Order Management, WebADI, Report Manager
- Completed "Oracle Fusion Financial Cloud Implementation Training – Release 9" a 5 day training program for partners.
- Data Access Tools: SQL Developer, Toad
- Defects resolution tracking systems – JIRA, BMC, ServiceNow
- FRICEW items – Functional design to implementation of custom solution related to: - Forms, Reports, Interfaces, Conversions, Extensions and Workflows
-

WENDY LAMAR

Managing Principal Consultant

Project Partners LLC
520 Purissima Street
Half Moon Bay,
CA 94019-0373

Tel 650-712-6285
Fax XXX-XXX-XXXX
Cell XXX-XXX-XXXX
wlamar@projectp.com

Function and specialization

Wendy is a Managing Principal Consultant with Project Partners LLC. She specializes in EBS Project Suite, Business Process Improvements and ERP Systems Implementations.

Representative clients

- Abt Associates
- AT&T (Formerly SBC)
- AZZ Corporation
- Daimler Chrysler
- Fairbanks Morse
- FKG Oil
- KBR
- Kemper Insurance
- Louisville, KY Airport
- Parexel
- Pfizer Pharmaceuticals
- Rogers Construction

Education, licenses & certifications

- Bachelor of Science degree in accounting, Culver-Stockton College
- Oracle EBS R12 Project Certified Implementation Specialist

Project Suite Team Lead

Background

Wendy is a Managing Principal with Project Partners LLC. She has more than 15 years of experience around management and delivery of software implementation solutions. She has a strong background implementing, upgrading, and supporting the E-Business Suite. Wendy's 15+ years of Oracle implementation experience includes various roles as functional application lead, functional analyst, project manager and solution design architect. She has lead several Oracle Project implementations and is hands on in analyzing business requirements, application configuration, testing, defining & documenting business processes, data conversions and troubleshooting/resolving production issues. Her core skill set is the Oracle EBS Project Suite, including Project Foundation, Project Costing, Project Billing, and Project Management. Wendy is a cross functional resource with experience covering Oracle Financials, Oracle iExpense, Oracle Time and Labor, and Oracle Service Procurement including Contingent Worker Integration.

Professional and industry experience

Wendy has significant experience in handling the integration of the Oracle Project Suite with other Oracle modules such as HRMS, Time & Labor, iExpense, Accounts Payables, Accounts Receivables, General Ledger, Fixed Assets, and Service Procurement. She has led several implementations and upgrades. Recent project roles include the following:

- Solution Architect and Project Manager for EBS R12 implementation of the Project Suite, iExpense, Oracle Time and Labor, and Service Procurement including Contingent Worker integration for a professional services organization. Responsible for a rotating staff of 4-5 implementation consultants.
- Lead Project Functional Consultant for an EBS R12 implementation; responsible for the EBS R12 Project Suite Foundation, Costing, Billing and Project Management modules for an airport.
- Lead Project Functional Consultant for and EBS Upgrade to R12 from 11.5; responsible for the EBS R12 Project Suite Foundation, Costing, Billing, and Project Management modules for a professional services organization. Responsible for a team of 6 system analysts.

NEERAJ GARG
Vice President - Products

Project Partners LLC
520 Purissima Street
Half Moon Bay,
CA 94019-0373

Tel 650-712-6240
Cell 650-867-4729
ngarg@projectp.com

Function and specialization

- Solution Architect
- Project Management
- Assessments
- PMO
- Solution Design Architecture.

Representative clients

- AECOM
- Burns & McDonnell
- Diebold
- Dresser-Rand
- Emerson Canada
- Fair Isaac
- Iberdrola
- Lawrence Livermore Labs
- MasterCard
- Occidental Petroleum
- Parsons Brinckerhoff
- Powell Industries
- US DoD
- US DoT

Education, licenses & certifications

- MBA, IRMA, Anand, India
- BS, University of Bombay, Mumbai, India

Projects Suite Oversight

Background

Neeraj Garg previously worked at Oracle Corporation developing Oracle Projects for twelve years. He was the key architect for all the Project Applications, including Project Costing, Project Billing, Project Management and Project Portfolio Analysis. Neeraj has extensive experience working with different industries such as commercial (Engineering & Construction, Professional Services, Telecom), Government (Dept. of Transportation, DoD) and Government Contracting (A&D).

Professional and industry experience

Neeraj has utilized his experiences to design and build automation solutions for project centric industries in many business areas including pipeline management (using integration to Oracle Sales), delivery management and financial management. He was the key architect for Oracle Projects Family Pack M released mid-2005 with significant enhancements to Oracle Project Management. Neeraj worked closely with customers during his tenure at Oracle to define requirements and build solutions for these requirements. He led the Engineering and Construction Industry focus group within Oracle EBS in meeting with industry clients to define industry requirements and present Oracle designs for validation and implementation.

At Project Partners, Neeraj has assisted our project driven clients with assessments, implementations and upgrades of Oracle EBS. He currently leads the Oracle E-Business Suite Solutions Division at Project Partners .

Technical Skills

- Oracle Projects
- Oracle Project Costing/Billing
- Oracle Financials
- Project Management
- Strategic Consulting
- Assessments
- Advisory Services

RAJEEV SINHA

Associate Practice Director

Project Partners LLC
520 Purissima Street
Half Moon Bay,
CA 94019-0373

Tel 650-712-6200
Fax 650-726-7975
Cell 720-989-4262
ngarg@projectp.com

Function and specialization

- ERP Systems Implementations
- Oracle Financials and Project Accounting
- Program Management
- System Integrations.

Representative clients

- AICPA
- Burns & McDonnell
- Earth Tech
- Gartner Inc.
- Maritz
- Towers Perrin

Education, licenses & certifications

- MBA University of Chicago in Finance, Accounting and Business Strategy
- Bachelor of Engineering in Computer Science Bhopal Engineering College, India

Projects Suite Team Member

Background

Rajeev is an Associate Practice Director in Project Partner's EBS Service Practice. He has 11+ years of experience in developing and implementing Oracle E-Business Suite modules. Rajeev worked for Oracle Corporation on the Project development team for over two years where he built some of the core functionality which is now part of Oracle Projects Family Pack M. For the past 7 years Rajeev has been doing consulting in Oracle E-Business suite implementations and has been responsible for several successful implementations of multi-national roll out of Oracle Applications E-Business suite of products. Rajeev has deep understanding of Professional services and Engineering & Construction industry where he has been assisting clients with complex project planning, execution and reporting needs with Oracle Projects suite and other related modules.

Professional and industry experience

Rajeev has significant experience in software product development, design, and technology consulting. He has led several strategic business transformation initiatives by leveraging new technologies for global companies. Below are highlights of representative engagements where Rajeev has played a key role :

- Led a major Release 12 Upgrade of Oracle Projects Costing and Billing with new implementation of Oracle Projects Management for an E&C Company. As part of upgrade decommissioned custom home grown applications and replaced with Oracle standard functionalities and Project Partners Excel based UI-Apps project management tool.
- Multi-National rollout of Project Costing, Billing and Resource management – Subject matter expert on highly complex implementation of Oracle Projects in a concurrent roll-out in over 30 countries for a multi-national professional services company. Replaced the home grown legacy application which was getting increasingly costly to support by Oracle Projects module. This project resulted in significant cost saving for the client and mitigated significant risks associated with using a home grown legacy application.
- Turned around a very complex implementation of Oracle Projects Costing and Billing implementation which was running behind schedule and over budget by coming up with innovative design and solutions. Led the implementation team responsible for functional aspects of Oracle Projects module.
- Provided project leadership for a client struggling with many complex OA Framework customizations. The client spent considerable effort and money to meet a complex business requirement by customizing the Oracle Self-Service HTML interface. The project quickly came to a halt when they realized the proposed

solution was significantly more complex than earlier anticipated. As a last resort, client engaged Rajeev to guide their technical team in achieving this complex customization which he completed in record time.

- Designed and developed Budgeting and Forecasting, Change management and exception management functionalities among other which were released as part of Oracle Projects Family pack M during his stay in Oracle Corporation.

Technical Skills

- Oracle Project Suite (Costing, Billing, Project Management, Resource management)
- Oracle Time & Labor.

ARINDAM MUKHERJEE

Director Development – Technical Lead

Project Partners LLC
520 Purissima Street
Half Moon Bay,
CA 94019-0373

Tel 650-712-6200
Fax 650-726-7975

Function and specialization

- RDBMS ORACLE 7.x, 8i, 9i,11g
- LANGUAGE Java, XML,JSON, JSP, XML, HTML JavaScript, SQL, PL/SQL
- Tools J2EE, OC4J, Jdeveloper, Oracle Portal, Oracle
- Application Server (2.x, 3.x, 4.x, iAS, 9iAS R1/2,10g),

Education, licenses & certifications

- Bachelor of Engineering (Computer Sc.) from Jadavpur University, Calcutta. 1990-1994

Projects Tech Lead

Background

Arindam has over 20 years of Oracle Application Product Development experience , with a special focus on the Oracle Projects suite including over eight years in the Oracle Projects development team and over 9+ years of custom application development using Oracle tools and technologies in Project Partners LLC for Oracle Application Customers. In addition to his Project Execution, functional and Technical experience, Arindam's technical skills include expertise in SOA,REST, Java, XML,JSON, Salesforce, Netsuite, Oracle SQL, PL/SQL, DB design, BC4J. His can-do attitude and excellent interpersonal skills make him a welcome addition to any product development management. Arindam has a Bachelor's of engineering degree in computer science from Jadavpur University, Calcutta, India.

Professional and industry experience

Project Partners - Technical Director – Application Development

Worked with over 25 customers to deliver all CEMLIs and custom development based on Oracle EBusiness Suite.

Responsibilities:

- Work with customer and functional consultants to understand business requirements
- Translate business requirements to technical specifications
- Develop and deliver technical solutions
- Lead total virtual team to execute the development of the solution design and take customer to production
- Work with End customers to address their issues and manage go-live support

Technologies:

- All E-Business Suite related technologies: SQL, PLSQL, OA Framework, Forms, Reports, BIPublisher,
- Workflow, etc.
- SOA, REST, Java, XML,JSON Develop and deliver technical solutions
- Salesforce, Netsuite, MS-Sharepoint

Oracle - Engineering Manager/Architect, Oracle Healthcare Transaction Base (Dec '01 – Jul '05)

Oracle Healthcare Transaction Base is an application development platform for the healthcare industry based on the HL7 standard. It supports online APIs as well as XML message processing. Application Developer can write healthcare application on the top of business API.

Oracle HTB can also work as the hub in a network with inbound and outbound XML processing. Oracle HTB is developed using Java, PL/SQL and Oracle 9i. It can be deployed in EJB or web services. It supports HL7 message and object structure. Arindam was involved in this product from its inception and actively managed development of the platform for 4 years. Arindam managed Enterprise Master Person Index (EMPI) functionality and integration with Oracle TCA and Oracle HRMS. Enterprise Master Person Index (EMPI) is a core component of Oracle HTB platform. It supports fuzzy match and integration with third party search engines, linking and unlinking of person, merge and unmerge of person, duplicate handling, decision queue management, management of Enterprise person repository. This module is integrated with Oracle E-Business Suite (TCA and HR). EMPI business layer is built on HL7 RIM entity. It supports all HL7 RIM feature as well as EMPI business functionality and Oracle Ebusiness Suite Integration.

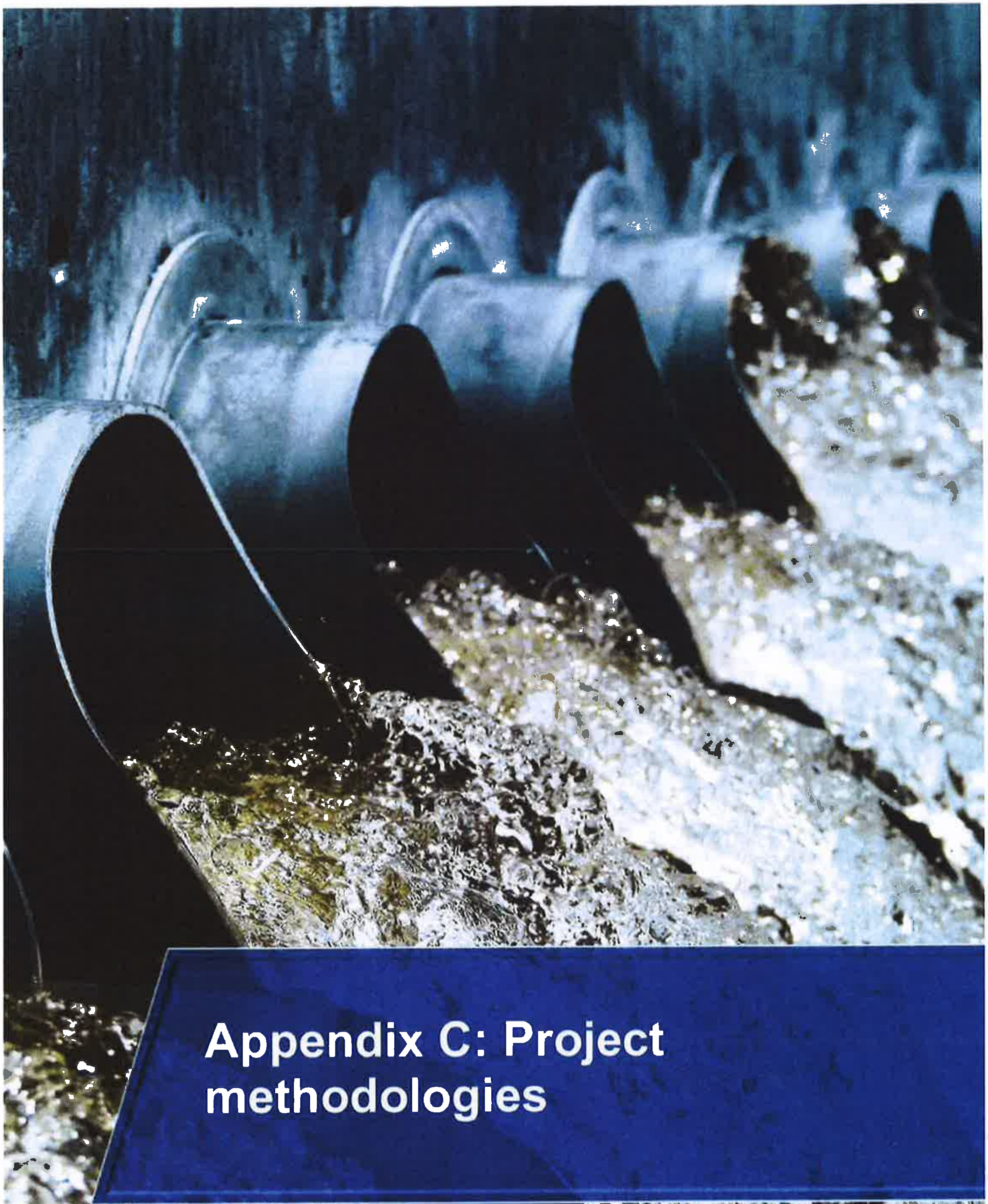
Architect, Oracle Projects Application Suite (Dec '97 – Dec '01)

Products: Oracle Product Exchange, Oracle Project Resource Management

Involved in design and development of Oracle Project Resource Management and integration with Microsoft Projects.

Product: Oracle Project Billing

Key designer of Oracle Project Billing.



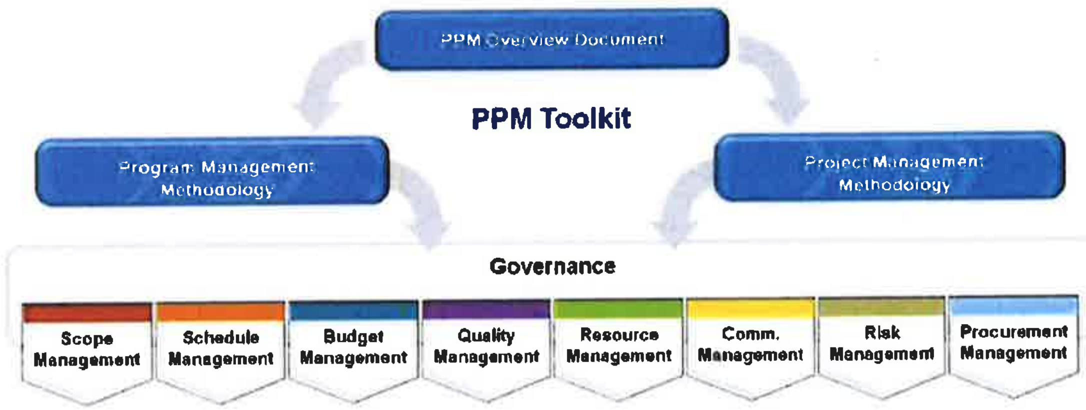
Appendix C: Project methodologies

KPMG IMPLEMENTATION AND UPGRADE METHODOLOGY

Project Approach

KPMG achieves quality consulting services and excellent client satisfaction through our effective project management, planning and governance inherent in KPMG's REVTM Methodology. By aligning the District's business objectives with the Oracle EBS Upgrade and Project Management implementation project objectives (during the initial planning and discovery phase of the project) and then, by continually monitoring the progress toward meeting these objectives throughout the project, KPMG and its project management team will maintain focus on ensuring a successful outcome.

KPMG's Project Management, Planning and Controls are described in detail below, starting with Project Governance as the overall "umbrella" and followed with our detailed project management activities.



Project Governance

Project governance and controls are put in place to ensure your project's success. Important components of project governance and controls include:

- Host a kickoff meeting between the District and KPMG and walk through the project plan and other project objectives/business
- Identify all project stakeholders and ensure communication of status, risks and issues to each as part of the communication plan; the communications vehicle is a weekly status report and review meeting
- Clear assignment of roles and responsibilities
- Utilize a mechanism for budget and time tracking ("KPMG Dashboard")
- Identify project risks at the beginning of the project (and throughout), provide a mitigation strategy for each, and monitor during the course of the project
- Define an issue management and escalation process
- Create a quality assurance plan that includes checkpoints for review, feedback and signoff

Project Management, Planning and Controls

KPMG brings structured project management techniques to all of our clients' Oracle projects. Key components of our project management include the following:

- Create and maintain the Master Project Schedule that identifies all major milestones (update on a routine basis)
- Create a weekly update status report/spreadsheet
- Provide weekly reports/updates/meetings (this includes status of the project as well as a look ahead report which includes:
  - An updated project schedule with explanations of all deviations from the approved schedule together with a plan to recover the schedule
  - An updated list of all correspondence transmitted and received
  - An updated documentation schedule highlighting the documents transmitted for the District's review
  - An updated list of project action items, their status and due dates
  - A summary of planned activities for the coming weeks
  - A summary of any change requests and contract questions
  - A summary of current and anticipated project problem areas
  - A summary of problems and resolutions
- Disciplined project management to maximize business value
- Control over project scope, risk, timeline, and costs
- The PM shall address problems and document issues. Timely resolution of issues is critical to a successful and on-time delivery.

Project Management Practices

The project management practices that KPMG encourages and utilizes for our clients' Oracle projects include:

KPMG REV™ Methodology Project Management Practices	
■ Change management	■ Risk management
■ Communications management	■ Stakeholder agreement management
■ Issues management	■ Cost and Budget Management
■ Resource and Task management	■ Tracking and control
■ Scope management	■ Technical environment management
■ Quality management	■ Workplan management

Some of the key project management practices, which we believe most appropriate for IRWD's Oracle E-Business Upgrade, Remediation and Project Management implementation, are described below.

Change Management:
The scope of this proposal includes providing change management activities to IRWD related to this upgrade and implementation project. Our change management team will work with the PMO team and the IRWD change team. To achieve this goal, KPMG proposes the following:

Coordination of the change management effort

Change strategy and plan provides a basis for strategic change management – a roadmap that integrates best practices into an action plan. The executable strategy and plan based on factual analysis that easily integrates into the overall project plan. The Plan includes assessment of current organizational state and the key change management components that need to be focused on to ensure a sustainable change over time.

- KPMG will provide a change management plan which will be used to develop communications and other change related activities.

Stakeholder analysis
Stakeholder analysis is a tool that identifies the groups impacted by the change. Once groups are identified, additional analysis is done to identify the roles impacted and finally the people (stakeholders). Locations, number by location and group are also identified. The Stakeholder Analysis is foundational to the Change Strategy and informs communications and training.

- KPMG change team working with the PMO will Identify IRWD stakeholder groups impacted by the change, based on roles, locations, and number (Across work streams)

- Identify activities to engage and inform IRWD stakeholders across work steams

Change Readiness Assessment– measurement
Readiness for Change is a formal process that evaluates an organization's current state of stakeholder readiness, support and capability to transition to IRWD's new "to be state". Early in the project a baseline is established and surveys or interviews are conducted to measure progress

- Evaluate IRWD stakeholder readiness and change acceptance proficiency. Create baseline, and administer through the project to assess progress

Communications Strategy and Plan
Communications Strategy and Plan defines the audience, delivery channels, key messages and cadence to communicate. It also defines the creation, approval and distribution process. Communications play an important role in driving the organizations transformation to the new To Be State. It also defines the roles, responsibilities and process for approval and distribution.

- Interviews and working sessions with IRWD's communications and work stream leads to identify the most effective channels, authors and delivery methods

- KPMG team working with the project team will create communications strategy & plan. IRWD will be responsible for maintaining this plan and producing communications, which will then be used to drive stakeholder engagement

Workplan Management: As we begin the *Phase 1 – Discovery*, covered in *Methodology Overview*, KPMG and the District's project managers prepare the necessary Project Kick-Off and Project Planning documents (Kick-Off Presentation, Project Management Plan, Project Workplan, etc.).

As we move into *Phase 2 – Upgrade Analysis*, KPMG functional and technical consultants lead IRWD's project team in working sessions. The first order of business is to clearly establish and document a set of high-level project objectives. This is followed by an effort to baseline IRWD's future environment from a technology infrastructure and business process standpoint.

Based upon a clear understanding of IRWD's objectives and existing environment, the project plan is documented and validated. It will outline the project's boundaries, critical success factors, timelines, and resource requirements with a focus on the blueprinting process.

Scope Management: Management of the development activities is an important component controlling the scope of the project. Both project management and functional and technical leads monitor the development effort, verify that the estimates are being met and determine an approach to handle any overruns.

Budget and Cost Management: KPMG has a proven track record for on-time, within-budget, successfully run projects due to our project management approach. Consistently, throughout all of our projects, KPMG has established a strong performance record leading successful, efficient and cost-effective projects. In addition to quality, experienced consultants, we have developed a reputation for well-run, methodology-based, projects that are led by senior project managers with real-life Oracle EBS experience.

This experience has allowed us to accurately estimate project effort based on the key elements. Bottom line, we are reliable and consistent – two important traits IRWD will want for its Oracle EBS Upgrade, Remediation and Project Management implementation project. KPMG's "Project Dashboard" provides a monthly tracking mechanism to allow IRWD's project management and governance to track budget to actual hours and dollars to make timely and effective budget and cost management decisions.

Communications Management: Communications throughout a project takes place at many levels, significant amount of both formal and informal communications. This natural process of working together forms the basis of the knowledge transfer that is a natural byproduct of the project and our project management methodology. Within the context of more formal communications, KPMG will work with IRWD's project management to design a communication program that is appropriate for the specific project at-hand, including the project team and executive sponsors. This program will serve as the critical linkage between the implementation process and the stakeholders. The following elements are among the deliverables and activities of the Communication Program:

- *Project Workplan* – A detailed project workplan will be developed as a result of the Discovery phase and it will be updated, throughout the project, based on the results of the various project tasks.
- *Weekly Status Report* – To ensure that the health and status of the project is highly visible at all times, IRWD and KPMG Project Managers will produce and distribute a weekly status report. The status report will discuss the general health of the project, highlight schedule vs. baseline, note accomplishments, deliverables and upcoming milestones, define risks and propose mitigation/escalation and note scope changes and any required escalations. Core team members will contribute status information directly to the project managers.
- *Weekly Status Meeting* – A weekly status meeting will be established with the purpose of reviewing the status report and appropriate sections of the project workplan and as an open forum to discuss project activities and progress. We will work with IRWD to determine the appropriate attendees for this meeting. However, the meetings are typically chaired by the project managers and the core team members involved in the project. At times it may be beneficial to invite other individuals to address specific project topics.

Quality Management: The purpose of a quality management plan is to provide management and customers with appropriate quality visibility into the delivery process and the associated products. Quality management activities are completed to independently assess procedures, instructions and practices and that they are properly implemented. The quality audits are conducted by a Quality Assurance consultant unassociated with the daily activities and whose sole purpose is to provide independent project reviews.

Quality management includes the processes required to ensure the project will satisfy the needs for which it was undertaken. It includes all activities of the overall management function that determine the quality policy, objectives, and responsibilities, and implements them by means of quality planning, quality control, quality assurance, and quality improvement.

This quality assurance manager must develop a project specific quality plan, ensure quality through audits, and improve quality by eliminating unsatisfactory performance based on the requirements defined by the overall quality management plan.

Resources and Task Management: KPMG project managers use several tools for the management of resources and tasks. One tool includes a detailed project plan that will be created as part of Phase *1 – Discovery*. Our managers generally use MS Project and update the plan on a weekly basis. Additionally, KPMG project managers will leverage the Resource and Responsibility Matrix, also referred to as a RACI matrix. This matrix identifies the activities and deliverables for the project and assigns the appropriate resources and their roles on the deliverable.

Below is an example RACI matrix.

Program Roles and Responsibilities Matrix

	Roles and Team Members														
	Executive Leadership	Business Stakeholders	IT Stakeholders	Business Project Owner / Coordinator	Business SMEs	Project Manager	Project Admin	BA/SA Lead	BA/SA	Application Lead	Developer	SIT Lead	SIT Testers	UAT Lead	UAT Testers
	Exec Sponsors & Stakeholders (ES&S)			Business Area		Project Mgmt		IT						Business Testing	
Activities & Deliverables	Staff Name(s)	Staff Name(s)	Staff Name(s)	Staff Name(s)	Staff Name(s)	Staff Name(s)	Staff Name(s)		Staff Name(s)	Staff Name(s)	Staff Name(s)	Staff Name(s)	Staff Name(s)	Staff Name(s)	Staff Name(s)
Executive Steering Committee															
Project Goal determination and communication to organization	A/R	C	I	I	I	I	I		I	I	I	I	I	I	I
Cost Benefit Analysis (CBA)	SO	A/R	I	R	C	I									
Business Requirements Prioritization	SO	A/R	I	R	C	I			I	I	I	I	I	I	I
Budget	SO	A/R	C	C		C									
Scope Change Request approval	SO	A/R	C	I		I			C	C		C			
Issue Mgmt > Across functional areas and projects	R	R	R	C		A/R									
Risk Mgmt - impacting budget	A/R	R	R	C		C			C	C		C			
Staff work prioritization (non 100% dedicated project staff)	R	A/R	A/R	C		C									
Project Management															
Run Steering Committee	C	C	C	C		A/R									
Communicate Status to ES&S	C	C	C	C	I	A	R								
Cross Team Issue Mgmt	I	I	I	C		A	R								
Cross Team Project Milestone Mgmt	I	I	I	C		A	R								
Cross Team Action Item Mgmt	I	I	I	C		A	R								

- Responsible ("R"): The individual(s) or group(s) who actually completes the task, the doer. This person is responsible for action/implementation.
- Accountable ("A"): The individual or group who is ultimately responsible and includes yes or no authority and veto power.

- Consult ("C"): The individual(s) or group(s) to be consulted prior to a final decision or action. This incorporates two-way communication.
- Inform ("I"): The individual(s) or group(s) who needs to be informed of the decision or action. This incorporates one-way communication.
- Sign Off ("SO"): The individual(s) who actually must give final approval.

Risk Management: While risk cannot be totally eliminated, it can be managed and reduced. Our project management approach includes effective risk management that encompasses the analysis, reduction, and/or elimination of risk situations.

The objective of a risk management process is to minimize the impact of unplanned incidents on the project by identifying and addressing potential risks before significant negative consequences occur. We provide a risk management approach that will be a continuous process throughout the life of the project.

Success Factors: Through our successful Oracle EBS Projects with public sector clients, we have found the following success factors to hold true:

- Risk Management is proactive, focusing on prevention rather than cure and should be facilitated through IRWD's Committee.
- Iterative risk assessments throughout the program lifecycle are established as part of the weekly review process as appropriate.
- A continuous process of risk identification, analysis, management and review is identified.

Risk Management Process: Risk issues/topics are commonly identified at the functional level. However, risk issues/topics should be identified at any layer of the project organization. Our project management approach focuses on *proactive prevention* rather than reactive cure. Proactive prevention requires periodic risk assessments throughout the project lifecycle.

The risk management process includes the following tasks:

- Identification of initial risk areas
- Documentation of the specific risks
- Development of risk mitigation actions
- Periodic monitoring and updating

Risk Assessment: As part of the planning phase of the project, IRWD and KPMG project management team executes a risk assessment to identify all risks and develop risk mitigations for all identified risks. Risks will be identified based on internal IRWD and KPMG resource knowledge, as follows:

- The internal IRWD resources can bring information regarding the availability of resources, amount of change the organization can absorb, external project dependencies, and the complexity of requirements.
- The KPMG resources can bring an understanding of the new version of the application, lessons learned, and best practices.

The joint project management team will have had discussions with all of the project key stakeholders to gain a full understanding of the business and technical risks. Once the risks are identified, each business/technical risk is categorized based on the likeliness it will occur and severity if it does occur, as part of the risk assessment.

While the elimination of all risk in a project of this size is nearly impossible, the project participants can strive to reduce any potential negative outcome. Below is a list of mitigating actions to be used:

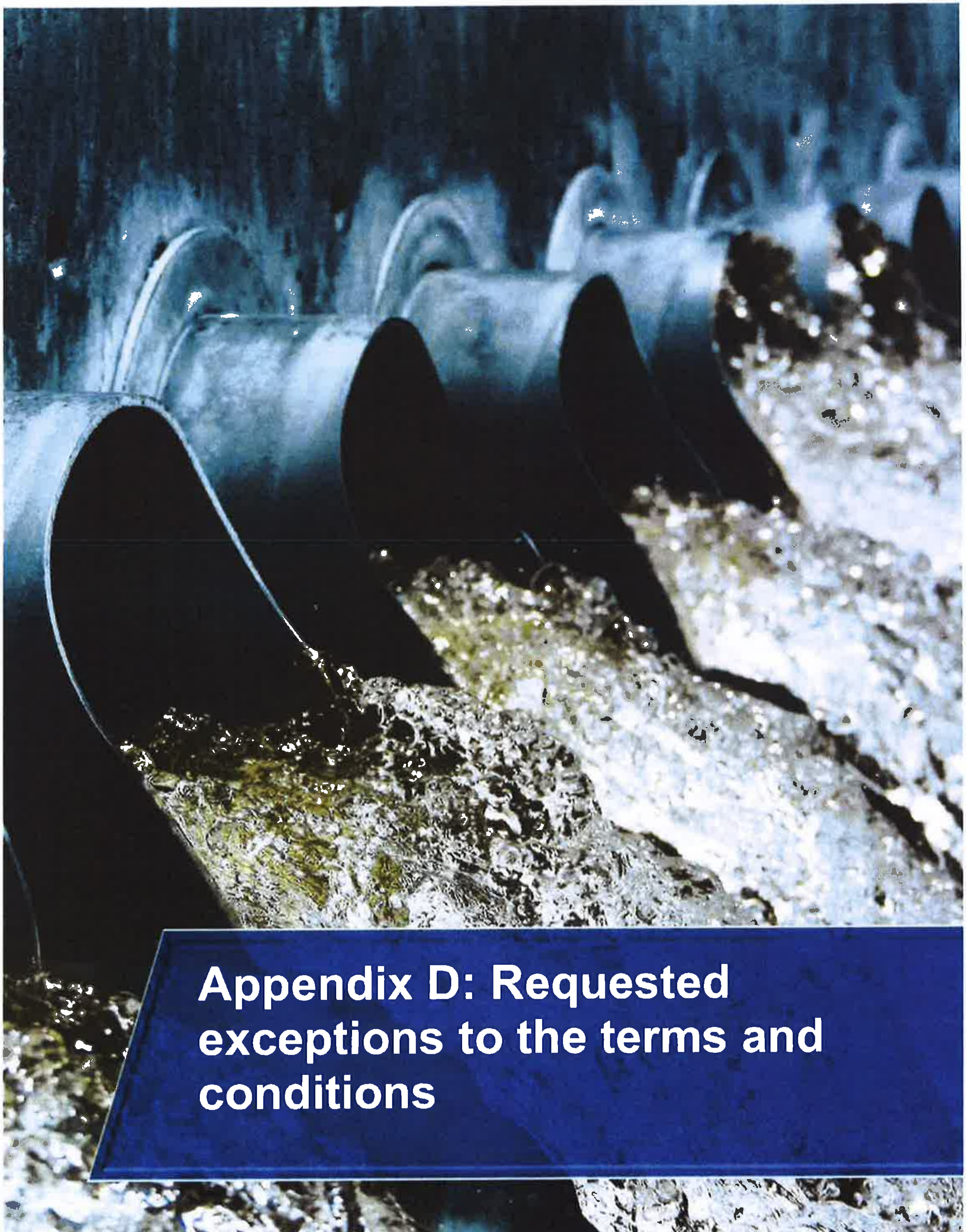
- Well-defined scope
- Knowledge transfer
- Manage expectation
- Contingency plans
- Consistent two-way communication
- Early test and detection
- Consistent documentation
- Flexible monitoring of budget
- Performance accountability
- Plan for changes in functional responsibilities
- Management and deployment of proper resources

Ongoing Risk Management: When risks are identified ongoing throughout the project, they are recorded as potential risks and analysis is conducted. The analysis results are discussed in the steering committee meeting for approval. Once approved, severity is assigned and the risk is recorded in the Risk Assessment document. The team identifies risk impacts, prevention, and potential budget impacts and takes prevention measures in reducing all risks. All recorded risks are reviewed in every steering committee meeting.

High severity risks which have tremendous impact on the project are reviewed and a plan of action is proposed for approval. Once approved the project plan, budget, and all project document impacted by the risk are updated to reflect the change.

Oracle standard documents and naming convention: KPMG uses Oracle standards and naming convention for configuration, functional and technical specifications, testing events, and training plans.

All project related documents will be stored in SharePoint on the IRWD server and will only be released by IRWD approval.



Appendix D: Requested exceptions to the terms and conditions

It is KPMG's desire to leverage the terms and conditions mutually agreed upon between IRWD and KPMG within the Professional Services Agreement dated April 8, 2015, for the EBS Project Management Implementation Assessment project with some requested revisions noted below. Due to some differences between this and the prior engagement, we look forward to negotiating the following four revisions:

Revision 1: Ownership of Deliverables

Remove XXIII. Ownership Edit VI Documents.

VI. Ownership and Use of Deliverables
Definitions. IRWD Materials shall mean (i) designs, methods, procedures, processes, models, templates, software, data, components, programs, systems, documentation, drawings and specifications created by or licensed to IRWD prior to or independently of this Agreement and any subsequent modifications, enhancements, improvements or derivative works of same. **CONSULTANT Property** shall mean materials, components, programs, systems, analysis frameworks, documentation, drawings, and specifications owned by or licensed to CONSULTANT prior to this Agreement; and any subsequent modifications, enhancements, improvements, or derivative works of any CONSULTANT Property. **Deliverable** shall mean a Deliverable that (i) is identified as a Deliverable in Exhibit A and (ii) is developed to meet IRWD's distinct business requirements.

Upon full and final payment of all amounts owed to CONSULTANT, IRWD shall own the intellectual property rights in the Deliverables, with the exception of any third-party software contained in or required to use such Deliverables. IRWD grants to CONSULTANT a non-exclusive, royalty-free, perpetual right to use, copy, adapt, modify, and sub-license Deliverables, subject to CONSULTANT's confidentiality obligations to IRWD under the Agreement.

To the extent that the Deliverables incorporate third-party software, IRWD shall be solely responsible for securing and maintaining any required licenses directly from the software provider or applicable software reseller, and CONSULTANT expressly disclaims any responsibility or liability for or associated with the IRWD's failure to do so. Such licenses shall expressly identify the CONSULTANT as a sublicensee to the extent necessary to permit the CONSULTANT to perform the services described in this Agreement, including any Work Order issued hereunder.

To the extent the Deliverables include CONSULTANT Property, then upon full and final payment of all amounts owed to CONSULTANT, IRWD will have a fully paid up, perpetual, non-exclusive, non-transferable, license to use, copy, make derivative works of, distribute, display, and sublicense such CONSULTANT Property for IRWD's own use in IRWD's business for the purposes for which they were delivered.

In regards to any IRWD Materials provided by IRWD to CONSULTANT in connection with provision of the services hereunder, IRWD grants to CONSULTANT, only to the extent necessary for CONSULTANT to provide the services to IRWD, a non-exclusive, royalty-free right and license to use, copy, modify, make derivative works of, distribute, display, sublicense, and transmit such IRWD Materials.

Upon delivery of a Deliverable to IRWD, IRWD shall review the Deliverable in accordance with the acceptance procedure and time frame specified in the applicable Statement of Work (SOW), or where no such procedure is specified, within ten (10) business days of delivery. IRWD may reject the Deliverable within such time frame by providing to CONSULTANT a written notice of rejection (Rejection Notice) including a list of material non-conformities with the specifications set forth in the SOW for such Deliverable. The Deliverable will be accepted when the acceptance period (if any) specified in the applicable SOW has expired without CONSULTANT receiving a Rejection Notice, or when IRWD makes productive use of such Deliverable (notwithstanding any rejection of such Deliverable), whichever occurs first.

IRWD represents and warrants to CONSULTANT that IRWD has obtained (i) all consents (if any) required to grant CONSULTANT the right to use and/or access any IRWD's infrastructure, IRWD Materials, and third party hardware and software, in connection with providing the services and the Deliverables under this Agreement and (ii) all other consents, permits, licenses and other approvals required to permit IRWD to perform its obligations under this Agreement and to permit CONSULTANT to provide the services and the Deliverables under this Agreement. IRWD understands that contractor is providing the services hereunder in relation to systems and data that have been produced by IRWD, or supplied to IRWD by third-parties, and for all of which contractor has no responsibility.

Reuse by IRWD of Work Product for any project or purpose other than the Project shall be at IRWD's sole risk. Nothing in this paragraph shall constitute or be construed to be any representation by the CONSULTANT that the Work Product is suitable in any way for any project other than the Project.

All data, documents, discussion, and other information received by CONSULTANT from IRWD or provided for performance of this Agreement by IRWD are deemed confidential and shall not be disclosed to any unauthorized third-party by CONSULTANT without IRWD's prior written consent, if prior notice to IRWD is legally permitted, except that CONSULTANT may disclose such information to the extent required by law or legal process, in accordance with applicable professional standards, and to CONSULTANT's subcontractors and vendors as necessary to comply with the Contract.

Revision 2: Insurance

IX. Insurance
Paragraph 2:

Comprehensive general liability insurance with coverage limits of not less than One Million Dollars ($1,000,000) per occurrence and aggregate, including products and operations hazard, contractual insurance, broad form property damage, ~~independent consultants ,~~ personal injury, underground hazard, and explosion and collapse hazard where applicable.

Paragraph 3:

Business automobile liability insurance for vehicles used in connection with the performance of this Agreement with minimum limits of One Million Dollars ($1,000,000) per claimant and One Million Dollars ($1,000,000) per ~~incident and~~ aggregate.

Paragraph 6:

If the Work includes design professional services, then in addition to the above-listed coverages, CONSULTANT shall carry, maintain and keep in full force professional liability insurance, with limits of not less than One Million Dollars ($1,000,000) per claim ~~or occurrence~~ and Two Million Dollars ($2,000,000) aggregate limits, throughout the term of this Agreement to cover claims caused by CONSULTANT's negligent acts, errors, or omissions of a professional nature.

Paragraph 7:

CONSULTANT shall provide evidence of insurance coverages on forms satisfactory to District, including ~~endorsements providing~~ undertakings that policies cannot be canceled or reduced except on thirty (30) calendar day's written notice ~~by the insurance carrier~~ of cancellation or non-renewal ~~(ten (10) calendar days' notice for non-payment of premium)~~. Industry standard forms for certificate of insurance from ACORD are accepted, provided that appropriate language regarding notice of non-renewal or cancellation is provided on the form. CONSULTANT shall provide proof that policies of insurance required herein expiring or terminated during the term of this Agreement have been renewed or replaced with other policies providing coverage meeting the requirements, hereof. Such proof will be furnished at least fourteen (14) calendar days prior to the expiration or termination of the coverages.

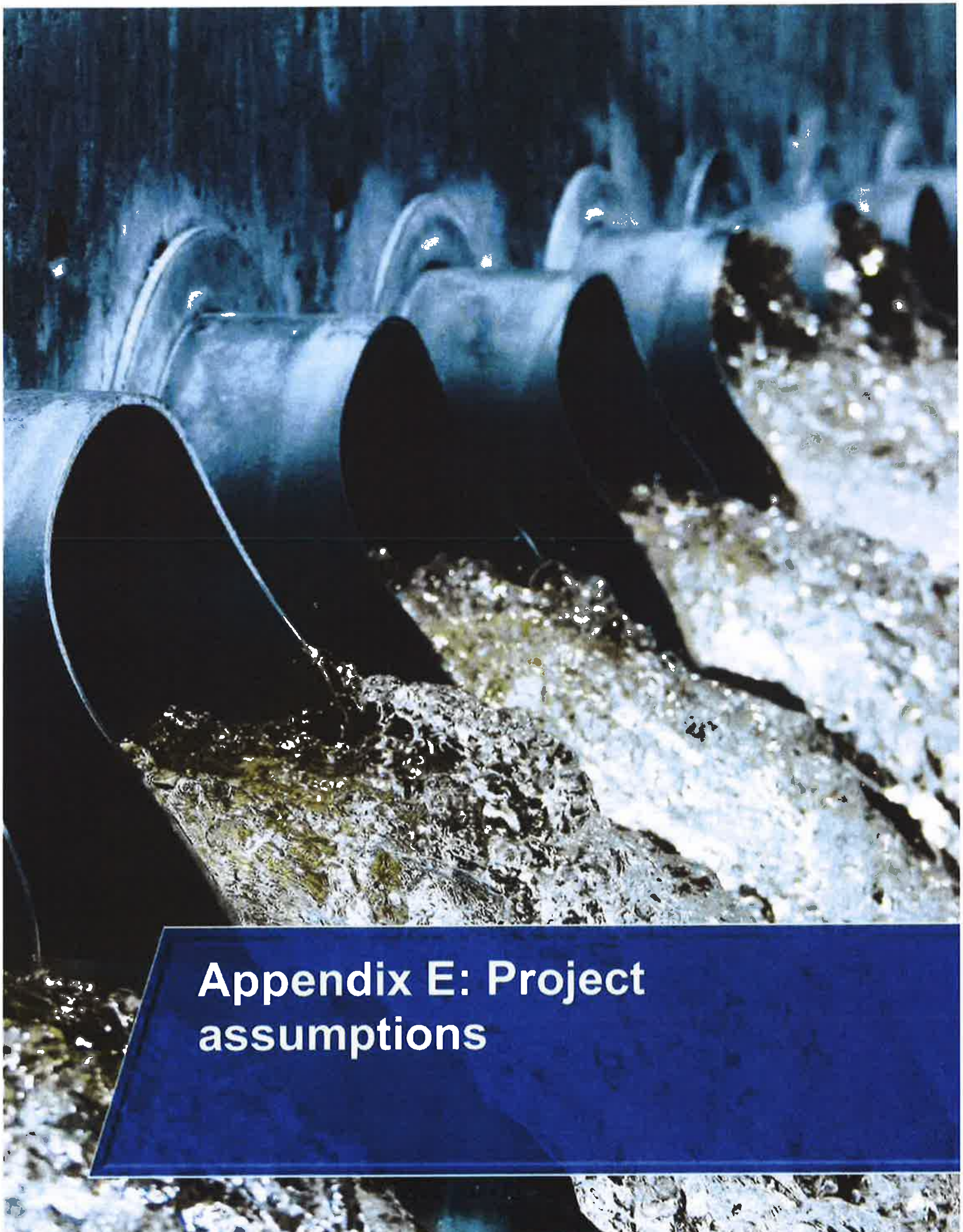
Paragraph 10:

Insurance coverage required herein shall not prohibit CONSULTANT from waiving the right of subrogation prior to a loss with the exception to Professional Liability. CONSULTANT hereby waives all rights of subrogation against IRWD with the exception to Professional Liability.

Revision 3: Other Additions

Add:

XXIV. Disputes – The parties agree that any dispute or claim arising out of or relating to the Agreement or the services provided thereunder which cannot be resolved via good faith discussions after 30 business days, shall first be submitted to non-binding mediation as a prerequisite to litigation. Mediation may take place at a location to be designated by the parties using the Mediation procedures of the International Institute for Conflict Prevention and Resolution, with the exception of paragraph 2 (Selecting the Mediator). If, after good faith efforts, the parties are unable to resolve their dispute through mediation within 90 days after the issuance by one of the parties of a request for mediation, then the parties are free to pursue all other legal and equitable remedies available to them. Nothing, herein, shall preclude CONSULTANT from filing a timely formal claim in accordance with applicable State law provided, however, that CONSULTANT shall, if permitted, seek a stay of said claim during the pendency of any mediation. Either party may seek to enforce any written agreement reached by the parties during mediation in any court of competent jurisdiction.



Appendix E: Project assumptions

A. Key Assumptions

KPMGs overall approach and pricing is based on building a detailed work plan, schedule, and assumptions for all identified scope items identified in this document. In all cases, if during the project an assumption proves to be substantially incorrect or cannot be met by the Client, KPMG shall submit a project change request to Client.

B. Schedule

1. All estimates and schedules are based on the following:
   a. Project duration of thirty-one (31) weeks
   b. Post production support for eight (8) weeks on-site and four(4) weeks off-site
   c. A bucket of 340 support hours has been allocated for the third month of support, which will be conducted off-site. Any support hours above this threshold will need to be addressed with a project change request.
   d. KPMG will provide DBA support for the upgrade from 12.1.3 to 12.2; IRWD will provide DBA support for instance cloning as well as routine patching needed for trouble shooting Project Costing / Project Management functionality issues that may arise
2. The timeline for this project is based on each party completing assigned work (which could be in the form of tasks, action items, risks, issues, or decisions) in a timely manner and according to the project schedule. Tasks will be assigned and monitored by the KPMG and Client project managers.

C. Application Upgrade & Implementation

1. Implementation of new or additional Oracle functionality which is not required by the upgrade or implementation of Oracle Project Costing and Project Management, or not specifically identified, is out-of-scope for this project.
2. Client will approve the remediation of KPMG-provided critical defect-patches and fixes within 5 business days of notification by KPMG; after this period the patch or fix will be considered accepted by the Client.
3. KPMG will manage and maintain four R12.2 environments (DEV, TEST, UAT, and PROD) that are required for the upgrade. Additional environments are the responsibility of Client to create and maintain, with mentoring from KPMG.
4. The Client will provide a clone of the current R12.1.3 production environment that will be used to apply the R12.2.x pre-patches and upgrade steps.
5. In addition to the 'clone' of the current production environment mentioned above, to support the project effort, the Client will also provide a 2nd clone of the current production environment as a "control" environment by which KPMG can validate issues arising in R12.2 to determine if they also occur in the control environment. If a bug or performance issue which occurs during R12 testing can also be reproduced in the control environment, the issue is considered pre-existing and therefore not within the scope of the upgrade.
6. Required infrastructure is defined as the set of hardware and software technology components required to have a Production-sized, single multi-user instance of Oracle available for use by the project team. Required infrastructure will be in place prior to project initiation.
7. After Upgrade Pass-1, KPMG will execute the Oracle EBS Patch Wizard to identify, download, and apply the latest Oracle-recommended patches for the in-scope modules. To reduce risk, KPMG will take the following actions:
   a) (a) apply these patches consistently during each subsequent upgrade pass
   b) (b) apply additional patches specifically required to resolve issues discovered during each testing phase

   Patches not meeting one of the two above criteria (such as critical patch updates, or CPUs) are out-of-scope and will not be applied.
8. KPMG does not warranty Oracle products. In the case that a defect in the Oracle product impacts an element of the project, KPMG will not be liable for project schedule delays, nor will the Client deny timely payment to KPMG for services rendered, irrespective of the Oracle defect.

9. IRWD is responsible for securing and maintaining all required licenses for Oracle E-Business Suit. It will be required for IRWD to acquire 5 end user licenses of Oracle Project Costing.
10. All Reporting from Oracle Projects will be addressed using Native Reports delivered with the product and OBIA based reporting only. No other custom reports are contemplated at this time.

D. Post Project-Start

1. Upon signoff of the baseline configuration, work will transition to a combination of KPMG staff consultants and Client staff to perform remaining build/development activities.
2. Client resources will be provided specific assignments to complete during the build/development activities -- it is assumed that work assignments will be completed per the agreed-to project schedule.
3. Events that result in significant scope, resource requirement, or schedule changes will result in a project change request.

E. Project Schedule and Management

1. The KPMG project schedule and project cost basis is developed on the presumed use of KPMG's Accelerate upgrade methodology process and support tools
2. Resource requirements and pricing are based on the usage of KPMG's *Center of Excellence* which consists of:
3. A delivery model that balances the assignment of resources for blended onsite and offsite activities and minimizes travel costs related to the project
4. Use of offsite resources for portion of technical development tasks
5. Client and KPMG mutually agree to proactively resolve project issues within three business days or less.
6. Client-supplied vendors and contractors, if applicable, will adhere to the specified schedules for such services provided. Changes to the schedule will be defined and agreed upon in advance to ensure project requirements and lead times are accounted for, and accomplished.
7. The Client's project sponsor is readily available to the project team and the steering committee in order to review project status and related information on a weekly basis, or more frequently, if requested by KPMG.
8. The Client will provide timely responses from its subject matter experts (SMEs) regarding standard Client business processes, tools, applications, operating systems, and networks, as well as decisions relating to in-scope items.

F. Upgrade Accelerators

1. KPMG will use its upgrade methodology and supporting pre-built requirements templates, business process maps, test scripts, configuration values, and other artifacts to reduce lead times for assessment, design, configuration, and testing activities.
2. The Oracle software is delivered with pre-built, pre-defined workflow routings and roles to be used for automating processes, where approvals are to be used. If Client requires customizations to the delivered workflow, or an entirely new workflow, these requests will be submitted to Client for review and prior written approval, which may result in a project change request.

G. Testing

1. KPMG will provide to Client a set of pre-built test scripts and will lead Client through the customization of these scripts (to reflect agreed upon requirements).
2. Client will update the scripts to meet Client's needs, build test data, and review the scripts with KPMG counterparts prior to commencement of a test cycle.
3. Client will provide sufficient resources to execute all testing based on the project schedule.
4. KPMG will provide testing assistance to Client but will not execute test scripts on behalf of Client.
5. Client resources will be available on-schedule to execute the all testing processes, avoiding schedule slippage.

H. Technical Development

1. All budgets have been made assuming that Client will provide technical resources for database administration, system and security administration, and development/retrofitting of existing interfaces, customizations, and reports.
2. The KPMG Technical Lead will be responsible for the technical plan, assignment of technical resources (both KPMG and Client resources), and management/status of the plan.
3. Client resources are responsible for printer configurations and adjustments.
4. Third-party interfaces
    a. In the event the Client utilizes add-ins from third-party products which must continue to be utilized after Go-Live, KPMG is responsible to upgrade
        i. the modules that feed these systems, and
        ii. the modules that consume data from these systems,

       but will not be responsible for upgrading the 3rd-party products, themselves.
    b. For outbound interfaces, Client is responsible to define all requirements and provide layouts to KPMG.
    c. For outbound interfaces, Client will coordinate all testing and validation activities with the third parties - both internal and external.
5. For Client acceptance of critical KPMG-provided defect patches and fixes, the client will approve the remediation within five business days of notification by KPMG; after this period the patch or fix will be considered accepted by the Client.
6. All technical elements within the project scope must conform to the Oracle standard. A cause of non-conformance to the Oracle standard may be any cause, including the cause that the CEMLI element was previously modified by the Client or other party. One example of this is the use of "direct inserts to tables instead of using APIs". In the case that any technical element is discovered not to conform to the Oracle standard, that element is not within the scope of this statement of work.
7. KPMG scoped the remediation of CEMLI based on information provided by IRWD in the RFP –" Consulting Services to Upgrade Oracle E-Business Suite, Remediate Configuration and Implement Oracle Project Management " In the case that additional CEMLI elements not present in the initial list are discovered, such additional elements are outside the scope of this proposal and will be remediated via a project change request, at standard rates on a T&M basis.

J. Client Resources

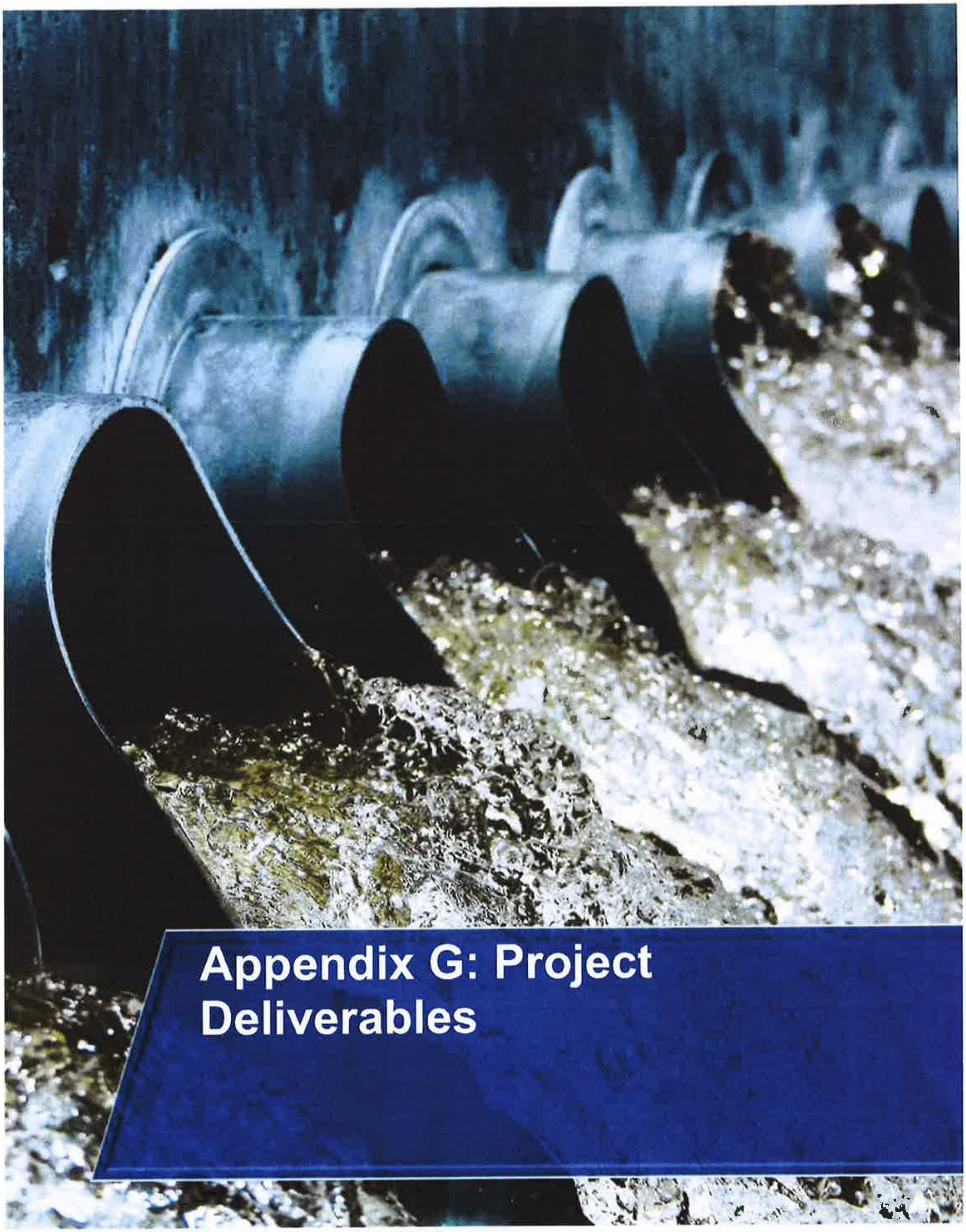
1. Client will assign the appropriate project resources to the roles. These roles will provide to the KPMG staff expertise and knowledge of the Client's existing business processes and current utilization of Oracle, and will be responsible to insure that decisions are made on a timely basis.
2. Client will have qualified staff in place by the time work is scheduled to start, per the Client-approved project schedule.
3. Once the Client provides formal acceptance of the project schedule, no delay or slippage of scheduled activities will occur due to lack of availability of Client resources.
4. The Client will define and configure the appropriate access to applications, based on roles and responsibilities of business users.

K. Business Intelligence

Business Intelligence related work effort has been scoped with the following parameters in mind.

Item	Maximum Quantity

BI Scoping	
Data Sources for OBIEE/Analytics	1
Custom Warehouse Tables (Fact or Dimension)	1
ETL Mapping Extensions	10
Custom Reports	40
New Subject Areas(Project Costing, Project Revenue, GL Recon,etc.)	8
Training Sessions (OBIEE, BI Reports, BI Publisher)	6 (two of each)


Appendix G: Project
Deliverables

A. Key Deliverables

- Project Start-up Checklist
- Methodology Training
- Project Management Plan
- Communications Strategy
- Testing Strategy
- Training Strategy
- EBS Environment Strategy
- Project Schedule / Plan
- Upgrade Execution Document
- CEMLI / RICE Catalog
- Test Scripts
- Cutover Plan
- Configuration Documentation
- Conversion Strategy / Design
- Project Suite and BI Train the Trainer
- BI Technical Environment Assessment
- BI Requirements Traceability Matrix
- BI Solution Gap Analysis Summary
- BI High-Level Solution Design Documents
- BI Detailed Solution Design Documents
- BI Dashboard and Report Design (Net-New Reports)
- BI Detailed Test Scripts
- BI Administration Guide

Contact us

John H. Vaughan IV
Managing Director, Advisory
904-219-7241
johnvaughan@kpmg.com

Jeff Francis
Director, Advisory
904-219-4616
jefferyfrancis@kpmg.com

February 8, 2016
Prepared and
submitted by C. Compton CC
Approved by: Paul Cook P.Cook.

ACTION CALENDAR

AB 1713 (EGGMAN, D-STOCKTON) – SACRAMENTO-SAN JOAQUIN DELTA

SUMMARY:

AB 1713 by Assemblymember Susan Eggman (D-Stockton) is a new measure introduced on January 26, 2016. The bill seeks to prohibit the construction of the California WaterFix, unless it is approved via initiative by California voters on or after January 1, 2017. Metropolitan Water District of Southern California (MWD) has asked its member agencies and retail agencies that rely on MWD supplies to sign a coalition letter opposing AB 1713. Staff recommends that the Board consider adopting an "oppose" position on AB 1713 (Eggman, D-Stockton) and authorize the District to work with its industry partners to communicate continued support for the 2009 Delta package and policies that further the co-equal goals of water supply reliability and the Delta ecosystem.

BACKGROUND:

On January 4, 2016, Assemblymember Susan Eggman (D, Stockton) introduced AB 1713. The bill would prohibit the construction of a peripheral canal in the Sacramento-San Joaquin Delta unless the construction is expressly authorized by the voters on or after January 1, 2017. The bill defines "peripheral canal" as a facility or structure that conveys water directly from a diversion point in the Sacramento River to pumping facilities of the State Water Project or the federal Central Valley Project south of the Delta. Additionally, the bill would require the Legislative Analyst's Office to complete an economic feasibility analysis prior to a vote detailing the total cost of the project and the expected impact on taxpayers, ratepayers and the General Fund.

MWD has asked its member agencies and retail agencies that rely on MWD supplies to sign a coalition letter opposing AB 1713. Given IRWD's adopted policy position supporting a fix in the Delta and its support for 2009 Delta package and the co-equal goals of water supply reliability and the Delta ecosystem, staff recommends that the Board adopt an "Oppose" position on AB 1713.

A copy of AB 1713 is attached as Exhibit "A". A copy of the draft coalition letter is attached as Exhibit "B".

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was not reviewed by a Committee.

RECOMMENDATION:

THAT THE BOARD ADOPT AN "OPPOSE" POSITION ON AB 1713 (EGGMAN, D-STOCKTON) AND AUTHORIZE IRWD TO WORK WITH ITS INDUSTRY PARTNERS TO COMMUNICATE CONTINUED SUPPORT FOR THE 2009 DELTA PACKAGE AND POLICIES THAT FURTHER THE CO-EQUAL GOALS OF WATER SUPPLY RELIABILITY AND THE DELTA ECOSYSTEM.

LIST OF EXHIBITS:

Exhibit "A" – AB 1713 (Eggman), as introduced
Exhibit "B" – Draft Coalition Letter on AB 1713

EXHIBIT "A"

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 1713

Introduced by Assembly Member Eggman
(Principal coauthors: Assembly Members Baker, Bonilla, Cooley, Cooper, Frazier, McCarty, and Olsen)
(Principal coauthor: Senator Wolk)

January 26, 2016

An act to add Chapter 1.5 (commencing with Section 115) to Division 1 of the Water Code, relating to the Sacramento-San Joaquin Delta.

LEGISLATIVE COUNSEL'S DIGEST

AB 1713, as introduced, Eggman. Sacramento-San Joaquin Delta: peripheral canal.

Existing law requires various state agencies to administer programs relating to water supply, water quality, and flood management in the Sacramento-San Joaquin Delta.

The bill would prohibit the construction of a peripheral canal, as defined, unless expressly authorized by an initiative voted on by the voters of California on or after January 1, 2017, and would require the Legislative Analyst's Office to complete a prescribed economic feasibility analysis prior to a vote authorizing the construction of a peripheral canal.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Chapter 1.5 (commencing with Section 115) is added to Division 1 of the Water Code, to read:

Chapter 1.5. Peripheral Canal

115. As used in this chapter, the following terms have the following meanings:

(a) "Delta" means the Sacramento-San Joaquin Delta, as defined in Section 12220.

(b) "Peripheral canal" means a facility or structure that conveys water directly from a diversion point in the Sacramento River to pumping facilities of the State Water Project or the federal Central Valley Project south of the Delta.

116. (a) Notwithstanding any other law, a peripheral canal shall not be constructed unless expressly authorized by an initiative voted on by the voters of California on or after January 1, 2017.

(b) If an initiative described in subdivision (a) is placed on the ballot, prior to the election, the Legislative Analyst's Office shall complete an economic feasibility analysis that includes both of the following:

(1) The total cost of the project.

(2) Expected impacts of the project on taxpayers, water ratepayers, and the General Fund.

117. Notwithstanding any other law, the construction and operation of a peripheral canal shall not diminish or otherwise negatively affect the water supply, water rights, or water quality for water users within the Delta watershed.

O

EXHIBIT "B"

DATE

Assembly Member Susan Talamantes Eggman
California State Assembly
State Capitol, Room 3173
Sacramento, CA 95814

Re: AB 1713 (Eggman): Peripheral Canal - **OPPOSE**

Dear Assembly Member Eggman:

On behalf of the public agencies and business organizations noted below, we regret to inform you of our **opposition** to your bill, AB 1713. We view your bill as a threat to achieving the statutory co-equal goals of ecosystem restoration and reliable water supplies in the Sacramento-San Joaquin Delta (Delta).

2016 will be a historic water year for California. Decisions that are made or not made this year will shape California water management for years to come and directly impact our ability to secure a more reliable water supply for our people, farms, businesses, environmental needs and quality of life. In light of the approaching changeover in the federal administration, it is imperative that decisions are made this fall to move forward with California WaterFix, the Delta solution proposed by the Brown Administration.

AB 1713 is a ballot box approach to solving problems in the Delta. Your bill creates a double standard for those that are willing to make critical improvements to the backbone water infrastructure that runs our statewide economy. We don't ask the voters on where and how to build new transmission lines. We don't ask voters when and how to rebuild bridges. We should stick to our tradition of seeking voters' direction when general obligation bonds are at stake but build infrastructure outside of the political process.

State and federal agencies have been working for ten years to move a solution forward to address the environmental deterioration in the Delta and the associated pumping restrictions imposed on the State Water Project (SWP) and federal Central Valley Project (CVP). This science-based effort has been one of the most exhaustive and rigorous public processes for any infrastructure project in the nation. Nearly a quarter billion dollars has been invested by the SWP and CVP public agencies for the planning process alone to ensure all issues and concerns have been thoroughly analyzed. Countless hours of analysis have been expended to find a solution that works for both the economy and the environment

The Delta is the hub of our statewide water infrastructure system. If we ignore it, new surface and groundwater storage simply can't work. If we don't fix the system, we cannot connect willing sellers of water with willing buyers. If we don't address the problems in the Delta, plans to store imported water in wet years for dry years won't work. If we don't fix it, this important estuary will continue to decline. The system only works if we fix the Delta.

In 2009 the Legislature made a key decision that it was <u>not</u> going to decide how best to design or operate new Delta conveyance improvements. Those are decisions best left to the state and federal water and wildlife agencies in collaboration from the science community and stakeholders. The direction provided by the Legislature back then is as important and relevant today and should guide the process now. What we need in the months ahead is to make key decisions so that we can continue on the path that the Legislature established back in 2009.

The undersigned are committed to meeting California's water management challenges in a manner consistent with achieving the co-equal goals established by the Legislature.
For all of these reasons, we must oppose AB 1713 and view your bill as a dangerous precedent for major infrastructure investments that are critical to supporting the state's economy.

Sincerely,

cc: Assembly Member Catharine Baker
Assembly Member Susan Bonilla
Assembly Member Ken Cooley
Assembly Member Jim Cooper
Assembly Member Jim Frazier
Assembly Member Kevin McCarthy
Assembly Member Kristin Olsen

Assembly Member Marc Levine, Chair, Assembly Water, Parks and Wildlife Committee
Members of the Assembly Water, Parks and Wildlife Committee
Diane Colborn, Chief Consultant, Assembly Water, Parks and Wildlife Committee
Robert Spiegel, Policy Consultant, Assembly Republican Caucus