

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 17, 2026**

**New Issue — BOOK-ENTRY ONLY**

**RATINGS:**  
**S&P Rating: “AAA”**  
**Fitch Rating: “AAA”**

*In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as described herein, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is excluded from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not an item of tax preference for purposes of the federal alternative minimum tax on individuals. Special Counsel is also of the opinion that, under existing law, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is exempt from personal income taxes of the State of California. See “TAX MATTERS.”*



**\$76,000,000\***

**MOULTON NIGUEL WATER DISTRICT  
2026 CERTIFICATES OF PARTICIPATION**

**Dated: Date of Delivery**

**Due: September 1, as shown below**

The captioned certificates (the “Certificates”) evidence direct, undivided and proportionate interests of the Owners thereof in certain installment payments (the “Installment Payments”) to be made by the Moulton Niguel Water District (the “District”) pursuant to an Installment Sale Agreement, dated as of July 1, 2026 (the “Installment Sale Agreement”), between the District and the Moulton Niguel Water District Public Facilities Corporation (the “Corporation”). The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The Certificates are being issued to: (i) finance the acquisition and construction of certain capital improvements as described herein, and (ii) pay the costs of executing and delivering the Certificates. See “FINANCING PLAN.”

The Certificates will be delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Certificates. Interest on the Certificates is payable on March 1 and September 1 of each year, commencing September 1, 2026, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Certificates.

***The Certificates are subject to redemption prior to maturity. See “THE CERTIFICATES – Prepayment.”***

*The District’s obligation to make Installment Payments is a special obligation of the District payable and secured exclusively from Net Revenues (as defined in this Official Statement) of the District under the Installment Sale Agreement and from amounts on deposit in certain funds and accounts established under the Installment Sale Agreement. The District has certain obligations that are payable on a parity basis with the Installment Payments. In addition, under the Installment Sale Agreement, the District may incur additional debt secured by Net Revenues on a parity with the Installment Payments, provided that the conditions set forth in the Installment Sale Agreement are met. See “RISK FACTORS” and “SECURITY FOR THE CERTIFICATES – Parity Obligations; Limitations on Additional Obligations and Superior Obligations.”*

**THE INSTALLMENT PAYMENTS ARE PAYABLE SOLELY FROM NET REVENUES PLEDGED BY THE DISTRICT AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE TRUST INDENTURE.** This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Certificates. Investors should review the entire Official Statement before making any investment decision.

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**MATURITY SCHEDULE**  
**(See inside cover)**

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*The Certificates will be sold and awarded pursuant to a competitive bidding process expected to be held on June 23, 2026, as set forth in the Official Notice of Sale. The Certificates are offered when, as and if executed and delivered, are subject to approval as to legality by Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel, and are subject to certain other conditions. Norton Rose Fulbright US LLP, is also acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District and the Corporation by Best Best & Krieger LLP, Irvine, California, as general counsel. It is anticipated that the Certificates will be available for delivery in book-entry form on or about July \_\_, 2026.*

The date of this Official Statement is \_\_\_\_\_, 2026.

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**MATURITY SCHEDULE\***

**\$76,000,000**

**MOULTON NIGUEL WATER DISTRICT  
2026 CERTIFICATES OF PARTICIPATION**

**BASE CUSIP†: \_\_\_\_\_**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u> \$	<u>Interest</u> <u>Rate</u> %	<u>Yield</u> %	<u>Price</u>	<u>CUSIP†</u> <u>Number</u>
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\$ \_\_\_\_\_ % Term Certificate Due September 1, 20\_\_; Yield: \_\_\_%; Price: \_\_\_\_; CUSIP†: \_\_\_\_\_

\$ \_\_\_\_\_ % Term Certificate Due September 1, 20\_\_; Yield: \_\_\_%; Price: \_\_\_\_; CUSIP†: \_\_\_\_\_

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\* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the holders of the Certificates. None of the District, its Municipal Advisor or the Purchaser is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the Certificates or as indicated above. The CUSIP number for a specific Certificate is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such Certificates.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

***No Offering May Be Made Except by this Official Statement.*** No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Certificates other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

***No Unlawful Offers or Solicitations.*** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

***Effective Date.*** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described in this Official Statement.

***Use of this Official Statement.*** This Official Statement is submitted in connection with the sale of the Certificates referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Certificates.

***Preparation of this Official Statement.*** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Purchaser (as defined herein) has provided the following sentence for inclusion in this Official Statement: The Purchaser has reviewed the information in this Official 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 Purchaser does not guarantee the accuracy or completeness of such information.

***Document References and Summaries.*** All references to and summaries of the Trust Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

***Certificates are Exempt from Securities Laws Registration.*** The execution and delivery of the Certificates has not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

***Stabilization of Prices.*** In connection with this offering, the Purchaser may overallocate or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Purchaser may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Purchaser.

***Estimates and Projections.*** Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS,

UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

*Website.* The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

# **MOULTON NIGUEL WATER DISTRICT**

## ***District and Corporation Board of Directors***

Brian S. Probolsky, *President*  
Diane Rifkin, *Vice-President*  
Richard “Dick” S. Fiore, *Vice-President*  
Donald R. Froelich, *Director*  
William “Bill” Moorhead, *Director*  
Brian Parker, *Director*  
Sherry Wanninger, *Director*

## ***District Staff***

Joone Kim-Lopez, *General Manager*  
Matt Collings, *Assistant General Manager*  
Johnathan Cruz, *Director of Financial Planning and Innovation*  
Kelsey DeCasas, *Controller*  
Ashley Goodin, *Financial Planning Manager*

## ***District and Corporation General Counsel***

Best Best & Krieger LLP  
Irvine, California

## ***Special Counsel and Disclosure Counsel***

Norton Rose Fulbright US LLP  
Los Angeles, California

## ***Municipal Advisor***

PFM Financial Advisors LLC  
Los Angeles, California

## ***Trustee***

U.S. Bank Trust Company, National Association  
Los Angeles, California

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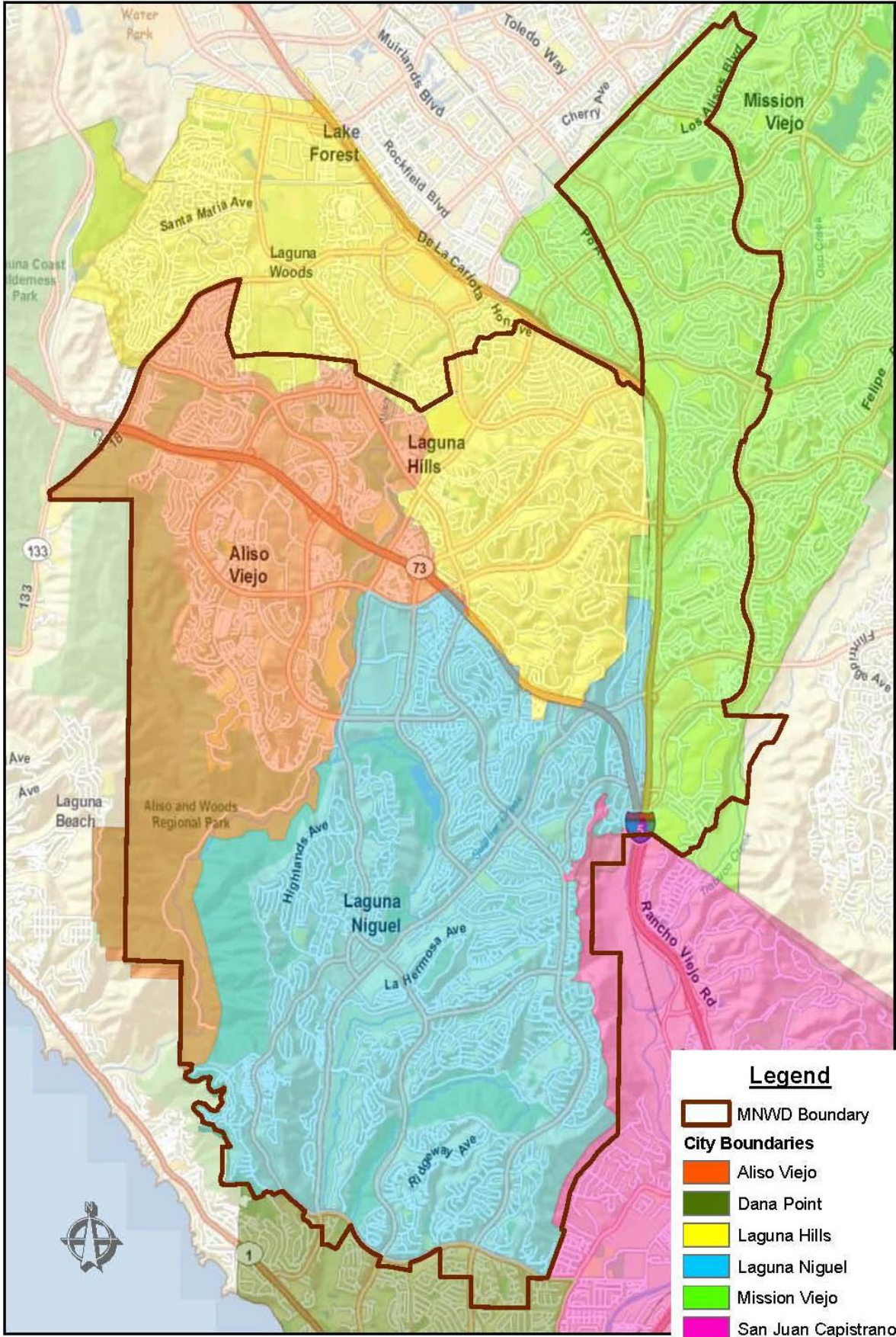
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**Legend**

-  MNWD Boundary
- City Boundaries**
-  Aliso Viejo
-  Dana Point
-  Laguna Hills
-  Laguna Niguel
-  Mission Viejo
-  San Juan Capistrano

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## OFFICIAL STATEMENT

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**\$76,000,000\***  
**MOULTON NIGUEL WATER DISTRICT**  
**2026 CERTIFICATES OF PARTICIPATION**

### INTRODUCTION

*This Official Statement, including the cover page and appendices, is provided to furnish information concerning the execution and delivery by the Moulton Niguel Water District (the “**District**”) of its 2026 Certificates of Participation (the “**Certificates**”). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the inside cover and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Certificates to potential investors is made only by means of the entire Official Statement.*

**The Certificates.** The Certificates are being executed and delivered pursuant to the provisions of a Trust Indenture, dated as of July 1, 2026 (the “**Trust Indenture**”), among the District, the Moulton Niguel Water District Public Facilities Corporation (the “**Corporation**”) and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”).

**Prepayment.** The Certificates are subject to prepayment prior to their scheduled payment dates as described in this Official Statement. See “THE CERTIFICATES – Prepayment.”

**Security for the Certificates.** The Certificates evidence direct, undivided and proportionate interests in certain installment payments (the “**Installment Payments**”), to be made by the District pursuant to an Installment Sale Agreement, dated as of July 1, 2026 (the “**Installment Sale Agreement**”), between the District and the Corporation. The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to the Trustee pursuant to an Assignment Agreement, dated as of July 1, 2026, by and between the Corporation and the Trustee (the “**Assignment Agreement**”). The payment of Installment Payments is secured by a pledge of and lien on the Net Revenues (as defined herein). See “SECURITY FOR THE CERTIFICATES – Security of Installment Payments.”

**No Reserve Fund.** A debt service reserve fund for the Certificates will not be established by the District in connection with the execution and delivery of the Certificates.

**Use of Proceeds.** The proceeds of the Certificates will be used to: (i) finance the acquisition and construction of certain water, wastewater, and recycled water facilities and

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\* Preliminary; subject to change.

improvements of the District, and (ii) pay the costs of executing and delivering the Certificates. See “FINANCING PLAN.”

**Rate Covenant.** Pursuant to the Installment Sale Agreement, the District has covenanted, to the maximum extent permitted by law, to fix, prescribe and collect certain rates and charges related to the District’s water, recycled water and wastewater systems (the “**Systems**”) in order to ensure the availability of Net Revenues to pay the Installment Payments and any Parity Obligations (as defined herein). See “SECURITY FOR THE CERTIFICATES – Rate Covenant.”

**Prior Parity Obligations.** The District’s pledge of Net Revenues to the Installment Payments is on a parity with the District’s pledge of Net Revenues to the following outstanding obligations (the “**Prior Parity Obligations**”):

- 2019 Revenue Refunding Bonds. The District’s 2019 Revenue Refunding Bonds issued in the original aggregate principal amount of \$48,605,000 (the “**2019 Bonds**”), pursuant to an Indenture of Trust dated as of March 1, 2019 (the “**2019 Indenture**”). The 2019 Bond proceeds were used to refinance an installment payment obligation of the District incurred in 2009. As of the date of this Official Statement, the 2019 Bonds are outstanding in the aggregate principal amount of \$44,395,000. The 2019 Bonds were previously also secured by a pledge and lien on amounts on deposit in a debt service reserve fund (the “**2019 Bonds Reserve Fund**”) established and held under the 2019 Indenture. In 2019, as a result of the prepayment by the District of certain prior obligations, all funds then on deposit in the 2019 Bonds Reserve Fund were used to pay scheduled debt service on the 2019 Bonds and the 2019 Bonds Reserve Fund was closed.
- 2019 Certificates of Participation. The District’s 2019 Certificates of Participation were executed and delivered in the original aggregate principal amount of \$64,570,000 (the “**2019 Certificates**”), pursuant to a Trust Indenture dated November 1, 2019. The 2019 Certificates evidence direct, undivided and proportionate interests in certain installment payments (the “**2019 Installment Payments**”), to be made by the District pursuant to an Installment Sale Agreement, dated as of November 1, 2019 (the “**2019 Installment Sale Agreement**”), between the District and the Corporation. The Corporation, for the benefit of the Owners of the 2019 Certificates, has assigned, among other things, its right to receive 2019 Installment Payments to U.S. Bank Trust Company, National Association, as trustee, pursuant to an Assignment Agreement, dated as of November 1, 2019, by and between the Corporation and U.S. Bank Trust Company, National Association, as trustee. The net proceeds of the 2019 Certificates were used to finance the acquisition and construction of certain capital improvements for the District. As of the date of this Official Statement, the 2019 Certificates are outstanding in the aggregate principal amount of \$56,950,000.
- 2021 Certificates of Participation. The District’s 2021 Certificates of Participation were executed and delivered in the original aggregate principal amount of \$56,495,000 (the “**2021 Certificates**”), pursuant to a Trust Indenture dated December 1, 2021. The 2021 Certificates evidence direct, undivided and

proportionate interests in certain installment payments (the “**2021 Installment Payments**”), to be made by the District pursuant to an Installment Sale Agreement, dated as of December 1, 2021 (the “**2021 Installment Sale Agreement**”), between the District and the Corporation. The Corporation, for the benefit of the Owners of the 2021 Certificates, has assigned, among other things, its right to receive 2021 Installment Payments to U.S. Bank Trust Company, National Association, as trustee, pursuant to an Assignment Agreement, dated as of December 1, 2021, by and between the Corporation and U.S. Bank Trust Company, National Association, as trustee. The net proceeds of the 2021 Certificates were used to finance the acquisition and construction of certain capital improvements for the District. As of the date of this Official Statement, the 2021 Certificates are outstanding in the aggregate principal amount of \$52,395,000.

- 2025 Certificates of Participation. The District’s 2025 Certificates of Participation were executed and delivered in the original aggregate principal amount of \$71,260,000 (the “**2025 Certificates**”), pursuant to a Trust Indenture dated March 1, 2025. The 2025 Certificates evidence direct, undivided and proportionate interests in certain installment payments (the “**2025 Installment Payments**”), to be made by the District pursuant to an Installment Sale Agreement, dated as of March 1, 2025 (the “**2025 Installment Sale Agreement**”), between the District and the Corporation. The Corporation, for the benefit of the Owners of the 2025 Certificates, has assigned, among other things, its right to receive 2025 Installment Payments to U.S. Bank Trust Company, National Association, as trustee, pursuant to an Assignment Agreement, dated as of March 1, 2025, by and between the Corporation and U.S. Bank Trust Company, National Association, as trustee. The net proceeds of the 2025 Certificates were used to finance the acquisition and construction of certain capital improvements for the District. As of the date of this Official Statement, the 2025 Certificates are outstanding in the aggregate principal amount of \$70,735,000.

See “SECURITY FOR THE CERTIFICATES – Prior Parity Obligations; Limitations on Additional Obligations and Superior Obligations” and “FINANCING PLAN – Debt Service Schedule” for information related to the Prior Parity Obligations.

***Additional Parity Obligations.*** The Installment Sale Agreement provides that the District may incur additional obligations, referred to as “**Additional Obligations**,” secured by a pledge of Net Revenues on a parity basis with the Prior Parity Obligations and the Installment Payments only upon the satisfaction of certain conditions. See “SECURITY FOR THE CERTIFICATES – Prior Parity Obligations; Limitations on Additional Obligations and Superior Obligations.”

***Governmental Loans.*** The Installment Sale Agreement provides that the District may incur additional loans, referred to as “**Governmental Loans**,” payable out of and/or secured by a pledge of Governmental Loans Pledged Revenues (as defined herein) on a parity basis with the Prior Parity Obligations and the Installment Payments only upon the satisfaction of certain conditions. As of the date hereof, no Governmental Loans are outstanding. See “SECURITY FOR THE CERTIFICATES – Limitations on Government Loans.”

**Assignment.** Pursuant to the Assignment Agreement, the Corporation has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of the Corporation's rights under the Installment Sale Agreement, including the right to receive Installment Payments from the District and the right to exercise any remedies provided therein in the event of a default by the District thereunder.

**Limited Obligation.** THE DISTRICT'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES AND OTHER FUNDS PROVIDED THEREFORE IN THE INSTALLMENT SALE AGREEMENT. ALTHOUGH THE DISTRICT HAS PLEDGED NET REVENUES WHICH CONSIST, IN PART, OF AD VALOREM PROPERTY TAX REVENUES, THE DISTRICT HAS NOT AGREED TO LEVY AND DOES NOT LEVY ANY FORM OF TAXATION TO PAY THE INSTALLMENT PAYMENTS.

**Risk Factors.** The purchase of the Certificates involves certain risks. For a description of some of these risks, see "RISK FACTORS."

**The District.** The District is located in southern Orange County, California (the "County"). The District's service area encompasses approximately 37 square miles and includes the cities of Aliso Viejo, Laguna Niguel, Laguna Hills, Mission Viejo, San Juan Capistrano, and Dana Point. See "THE DISTRICT."

**Summaries Not Definitive.** All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Copies of the documents described in this Official Statement are available from the District for a reasonable copying and mailing fee. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the meaning given them in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

## FINANCING PLAN

### The Project

The District plans to use proceeds of the Certificates to finance construction and other project costs related to the replacement and upgrade of the District's wastewater treatment facilities, pump stations, lift station enhancements, pipeline improvements, and other projects that have been identified as part of the District's adopted the 2026-2036 Capital Improvement Program (as hereinafter defined). See "THE SYSTEMS –Capital Improvement Program.

**Estimated Sources and Uses of Funds**

The anticipated sources and uses of funds relating to the Certificates are as follows:

**Sources:**

Principal Amount of the Certificates	\$
<i>Plus:</i> Original Issue Premium	_____
<i>Total Sources:</i>	\$

**Uses:**

Project Fund	\$
Delivery Costs <sup>(1)</sup>	_____
<i>Total Uses:</i>	\$

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(1) Includes Purchaser's discount, Trustee fees, Municipal Advisor fees, Special Counsel and Disclosure Counsel fees, District Counsel fees, printing costs, rating agency fees, and other related costs.

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## Debt Service Schedule

Scheduled debt service on the Prior Parity Obligations and the Certificates is shown in the following table, assuming no optional prepayments or redemptions thereof prior to maturity.

### MOULTON NIGUEL WATER DISTRICT 2026 CERTIFICATES OF PARTICIPATION Debt Service Schedule

Certificate Year Ending September 1	Prior Parity Obligations	2026 Certificates Principal Amount	2026 Certificates Interest Amount	2026 Certificates Total Debt Service	Total Parity Debt Service
2026	\$ 15,277,231.26	\$	\$	\$	\$
2027	15,277,981.26				
2028	15,283,231.26				
2029	15,276,981.26				
2030	15,283,981.26				
2031	15,277,731.26				
2032	15,272,731.26				
2033	15,277,681.26				
2034	15,274,912.50				
2035	15,278,962.50				
2036	15,278,562.50				
2037	15,277,587.50				
2038	15,279,687.50				
2039	15,278,887.50				
2040	10,787,600.00				
2041	10,792,850.00				
2042	10,794,200.00				
2043	10,791,350.00				
2044	10,791,362.50				
2045	10,793,512.50				
2046	10,789,987.50				
2047	10,790,675.00				
2048	10,789,925.00				
2049	10,792,237.50				
2050	7,442,100.00				
2051	7,444,475.00				
2052	4,671,250.00				
2053	4,674,500.00				
2054	4,672,500.00				
2055	-				
<b>Total</b>	<b>\$350,714,675.08</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

## THE CERTIFICATES

### Description

The Certificates will be dated as of the date of original delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1 (each, an “**Interest Payment Date**”), commencing September 1, 2026, and will mature on the dates and in the amounts set forth on the inside front cover. The Certificates will be executed and delivered in fully registered form without coupons. The Certificates are being executed and delivered in denominations of \$5,000 principal amount or any integral multiple thereof. The Certificates, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“**DTC**”). Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Trust Indenture. See the discussion under “– Transfer and Exchange” below.

Principal of and premium, if any, with respect to the Certificates is payable upon the surrender thereof at the corporate trust office of the Trustee. Interest with respect to the Certificates will be paid by check of the Trustee mailed by first class mail, to the registered owners as of the fifteenth day of the month preceding the Interest Payment Date (the “**Record Date**”). Notwithstanding the foregoing, while the Certificates are held in the book-entry only system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the Certificates, for subsequent disbursement to Participant and beneficial owners. See “APPENDIX F – BOOK ENTRY ONLY SYSTEM.”

Interest with respect to any Certificate shall be payable from and including the Interest Payment Date next preceding the date of execution thereof, unless:

- (a) such date of execution is an Interest Payment Date, in which event interest shall be payable from such date of execution;
- (b) the date of execution is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from such Interest Payment Date; or
- (c) the date of execution is prior to the close of business on the first Record Date, in which event interest will be payable from the Delivery Date;

provided, however, that if at the time of execution of a Certificate, interest is in default, interest with respect to that Certificate shall be payable from the last date to which the interest has been paid or made available for payment, or if no interest has been paid or made available for payment, interest shall be payable from the Delivery Date.

Payment of interest with respect to any Certificate shall be made to the person appearing on the Certificate Register as the owner thereof as of the Record Date prior to such Interest Payment Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to such Owner at its address as it appears on the Certificate Register; provided that, in the case of an Owner of \$1,000,000 or more in aggregate principal amount with respect to the Certificates, upon the Trustee’s receipt of written request of such Owner prior to the Record Date

accompanied by wire transfer instructions, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

**While the Certificates are held in the book-entry only system of DTC, all notice and payments will be made to Cede & Co., as the registered owner of the Certificates. See “APPENDIX F – BOOK ENTRY ONLY SYSTEM.”**

**Prepayment\***

**Optional Prepayment.** The Certificates maturing on or before September 1, 2036, shall not be subject to optional prepayment prior to maturity. The Certificates maturing on or after September 1, 2037, may be prepaid before maturity in whole or in part (but not in a total prepayment amount of less than \$5,000) on September 1, 2036, or on any date thereafter (the “**Prepayment Date**”) as a result of the prepayment of Installment Payments, at a price equal to the principal amount thereof together with accrued interest thereon to the Prepayment Date without premium.

If, on any Prepayment Date, fewer than all the Certificates are to be prepaid, the District will select the Certificates to be prepaid at its discretion, and in the case of any single maturity by lot within that maturity. The portion of any such Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat such Certificate as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate to be prepaid in part by \$5,000.

**Mandatory Sinking Account Prepayment.** The Certificates maturing on September 1, 20\_\_ are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 20\_\_ by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment date, as follows:

**Certificates Maturing September 1, 20\_\_**

Year ( <u>September 1</u> )	Principal Amount of Certificates to be <u>Prepaid</u> \$
(Maturity)	

In the event that the Trustee prepays the Certificates maturing on September 1, 20\_\_ in part but not in whole pursuant to a prepayment described in “– Optional Prepayment” above, the amount of the Certificates to be prepaid on each prepayment date identified above will be modified

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\* Preliminary; subject to change.

at the written direction of the District to correspond to the modified principal component of the Installment Payment due on such prepayment date.

The Certificates maturing on September 1, 20\_\_ are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 20\_\_ by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment date, as follows:

**Certificates Maturing September 1, 20\_\_**

Year (September 1)	Principal Amount of Certificates to be <u>Prepaid</u> \$
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(Maturity)

In the event that the Trustee prepays the Certificates maturing on September 1, 20\_\_ in part but not in whole pursuant to a prepayment described in “– Optional Prepayment” above, the amount of the Certificates to be prepaid on each prepayment date identified above will be modified at the written direction of the District to correspond to the modified principal component of the Installment Payment due on such prepayment date.

***Notice of Optional Prepayment.*** Unless waived by any Owner of Certificates to be prepaid, notice of any prepayment of Certificates shall be given, at the expense of the District, by the Trustee by mailing a copy of a prepayment notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for prepayment to the Owner of the Certificate or Certificates to be prepaid at the address shown on the Certificate Register; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the prepayment of the Certificates. Any such notice also shall be given to the Securities Depositories and posted on the Municipal Securities Rulemaking Board’s Electronic Municipal Marketplace Access website on the same date that it is given to the Owner of the Certificates.

All notices of prepayment shall be dated and shall state: (i) the CUSIP numbers of all Outstanding Certificates being prepaid; (ii) the stated interest rate with respect to each Certificate being prepaid; (iii) the maturity date of each Certificate being prepaid; (iv) the Prepayment Price; (v) that on the prepayment date the Prepayment Price will become due and payable with respect to each such Certificate or portion thereof called for prepayment, and that interest with respect thereto shall cease to accrue from and after said date; and (vi) the place or places where such Certificates are to be surrendered for payment of the Prepayment Price, which places of payment may include the Principal Corporate Trust Office of the Trustee.

***Conditional and Rescindable Prepayment Notices.*** The District may send a conditional notice of optional prepayment that notifies the Owners of the Certificates to be prepaid that the

prepayment is subject to the availability of funds. The District shall have the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any such notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Outstanding Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under this Trust Indenture. The District and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

*However, while the Certificates are subject to DTC's book-entry system, the Trustee will be required to give notice of prepayment only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayments or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment set forth in the Trust Indenture.*

**Partial Prepayment.** In the event only a portion of any Certificate is called for prepayment, then upon surrender of such Certificate prepaid in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the District, a new Certificate or Certificates, of the same maturity, of authorized denominations in aggregate principal amount equal to the unprepaid portion of the Certificate or Certificates.

**Manner of Prepayment.** Whenever any Certificates are to be selected for prepayment and unless otherwise provided herein, the District shall determine the Certificates or portions thereof to be prepaid among series and maturities within a series and notify the Trustee, and the Trustee shall select the Certificates or portions thereof to be prepaid by lot within a maturity and notify the District.

**Consequences of Notice.** Notice of prepayment having been given as described above, the Certificates or portions of Certificates so to be prepaid shall, on the prepayment date, become due and payable at the prepayment price of the Certificates to be prepaid therein specified, and from and after such date (unless the District shall default in the payment of the prepayment price of the Certificates to be prepaid) such Certificates or portions of Certificates shall cease to have interest accrue thereon. Upon surrender of such Certificates for prepayment in accordance with said notice, such Certificates shall be paid by the Trustee at the prepayment price of the Certificates to be prepaid. Installments of interest due on or prior to the prepayment date shall be payable as herein provided for payment of interest. Upon surrender for any partial prepayment of any Certificate, there shall be prepared for the Owner a new Certificate or Certificates of the same maturity in the amount of the unprepaid principal. All Certificates that have been prepaid shall be cancelled and destroyed by the Trustee and shall not be redelivered. Neither the failure of any Certificate Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for prepayment of any Certificates nor the cessation of accrual of interest thereon.

***Purchase In Lieu of Prepayment.*** In lieu of optional or mandatory prepayment as described above, moneys in the Debt Service Fund or other funds provided by the District may be used and withdrawn by the Trustee for purchase of Outstanding Certificates, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Certificate of the District may provide, but in no event may Certificates be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium that would otherwise be due if such Certificates were to be prepaid in accordance with the Trust Indenture.

### **Book-Entry System**

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co., as nominee of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX F – BOOK ENTRY ONLY SYSTEM.”

The District and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The District and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

### **Transfer and Exchange**

So long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges by beneficial owners of their interest in the Certificates will be made in accordance with DTC procedures and not as hereinafter described. See “APPENDIX F – BOOK ENTRY ONLY SYSTEM.”

The registration of any Certificate may, in accordance with its terms, be transferred upon the Certificate Register by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificate for cancellation at the principal corporate trust office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee and duly executed by the Certificate Owner or his or her duly authorized attorney.

Certificates may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount and maturity of Certificates of other authorized denominations. The Trustee may charge the Certificate Owner any tax or other governmental charge required with respect to such transfer or exchange.

Whenever any Certificate or Certificates shall be surrendered for registration of transfer or exchange, the Trustee shall execute and deliver a new Certificate or Certificates, for a like aggregate principal amount and maturity; provided, the Trustee shall not be required to register transfers or make exchanges of (i) Certificates for a period of 15 days next preceding the date

established by the Trustee for selection of the Certificates to be prepaid, or (ii) any Certificates chosen for prepayment.

## SECURITY FOR THE CERTIFICATES

### General

Each Certificate evidences and represents a direct, undivided proportionate interest of the Owner thereof in the Installment Payments to be made by the District under the Installment Sale Agreement. The Corporation, pursuant to the Assignment Agreement, has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners of the Certificates, substantially all of the Corporation's rights under the Installment Sale Agreement, including the right to receive Installment Payments from the District and the right to exercise any remedies in the event of a default by the District.

### Installment Payment Fund

The Trustee will establish a special fund designated as the "**Installment Payment Fund.**" The Installment Payments will be deposited by the Trustee in the Installment Payment Fund, which will be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates, and will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest and prepayment premiums, if any, with respect to the Certificates as the same becomes due and payable. All payments on the Certificates will be made from the Installment Payment Fund.

### Installment Payments

The Installment Sale Agreement requires the District to make semi-annual payments of Installment Payments at least five business days preceding each Interest Payment Date, and continuing thereafter during the term of the Certificates, in the amounts specified in the Installment Sale Agreement. As a result of the assignment by the Corporation to the Trustee, the District will pay the Installment Payments directly to the Trustee.

### Security for the Installment Payments

***Pledge of Net Revenues.*** Pursuant to the Installment Sale Agreement, the District agrees to pay to the Corporation and its successors and assigns (namely, the Trustee as a result of the Corporation's assignment pursuant to the Assignment Agreement) the Installment Payments consisting of principal, interest and premiums, if any, at the times and in the amounts specified in the Installment Sale Agreement, from Net Revenues.

Pursuant to the Installment Sale Agreement, the District covenants and agrees that the payment of the Installment Payments and Parity Debt Service is secured by a first pledge, charge and lien upon, the Net Revenues, and that Net Revenues sufficient to pay the Installment Payments and Parity Debt Service as they become due and payable are pledged by the District for the purpose of securing payment of the Installment Payments and Parity Debt Service. The Net Revenues constitute a trust fund for the security and payment of the Prior Parity Obligations, any Additional Obligations and the Installment Payments.

Pursuant to the Installment Sale Agreement, the District further covenants and agrees that the payment of any Governmental Loan Payments is secured by a first pledge, charge and lien upon the Governmental Loans Pledged Revenues, and that Governmental Loans Pledged Revenues sufficient to pay any Governmental Loan Payments as they become due and payable are pledged, charged, assigned, transferred and set over by the District for the purpose of securing payment of any Governmental Loan Payments. The Governmental Loans Pledged Revenues constitute a trust fund for the security and payment of Governmental Loans.

***The obligation of the District to pay Installment Payments and Parity Debt Service does not constitute an obligation of the District for which the District is obligated to levy any form of taxation.***

***Definitions.*** Set forth in the following paragraphs are some of the terms defined in the Installment Sale Agreement that are most relevant to understanding the pledge of Net Revenues to the Installment Payments.

**“Additional Obligations”** means all bonds, certificates of participation, notes or other obligations hereafter issued or entered into by District, payable out of the Net Revenues and which, as provided in the Installment Sale Agreement, the Trust Indenture, a Parity Obligation Instrument, or any subsequent indenture or similar instrument or document of District, rank on a parity with the Parity Obligations.

**“Parity Debt Service”** means, for any Fiscal Year, the sum of (i) the interest due and payable during such Fiscal Year for all outstanding Parity Obligations, assuming that principal (including any mandatory sinking fund payments) thereof is paid as scheduled, (ii) that portion of the principal amount due on all outstanding Parity Obligations maturing during such Fiscal Year, (iii) that portion of the principal amount of all such outstanding Parity Obligations required to be redeemed or paid (together with the redemption or prepayment premiums, if any, thereof) during such Fiscal Year, and (iv) any fees payable during such Fiscal Year under the Parity Obligation Instruments.

**“Parity Obligations”** means (i) the Installment Payments, (ii) the 2019 Certificates, (iii) the 2019 Bonds; (iv) the 2021 Certificates, (v) the 2025 Certificates and (vi) any Additional Obligations.

**“Parity Obligation Instruments”** means the Installment Sale Agreement, the 2019 Installment Sale Agreement, the 2019 Indenture, the 2021 Installment Sale Agreement, the 2025 Installment Sale Agreement, and any other resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement or other instrument under which any Additional Obligation is issued or incurred under the Installment Sale Agreement.

**“Governmental Loans”** means all loans hereafter issued or entered into by District, payable out of the Governmental Loans Pledged Revenues and which, as provided in the Installment Sale Agreement, a Governmental Loan Instrument, or any subsequent loan agreement, indenture or similar instrument or document of District, rank on a parity with the Parity Obligations with respect to Net Revenues consisting of Governmental Loan Pledged Revenues.

**“Governmental Loan Instruments”** means any resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement, loan agreement or other instrument under which any future Governmental Loans are issued or incurred.

**“Governmental Loan Payments”** means, for any period, the sum of all of the payments due under Governmental Loans in such period.

**“Governmental Loans Pledged Revenues”** means: Property Tax Revenues (as defined below) and those Revenues consisting of revenues received by the District from sales of recycled water, rebate payments received by the District from Metropolitan Water District pursuant to Metropolitan Water District Local Projects Program and revenues received by the District from wastewater service charges.

The obligation of the District to pay the Installment Payments from Net Revenues is on a parity with the District’s obligation to pay debt service on the Prior Parity Obligations, and the District’s obligation to pay Installment Payments from the portion of the Net Revenues constituting Governmental Loans Pledged Revenues would be on a parity with the District’s obligation to pay any Governmental Loan Payments.

**Definition of Net Revenues.** The Installment Sale Agreement defines Net Revenues and related terms as follows:

**“Net Revenues”** means Revenues less Maintenance and Operation Expenses.

**“Revenues”** means (i) Operating Revenues, (ii) Non-Operating Revenues, and (iii) the earnings on, and income derived from, the investment of Operating Revenues and Non-Operating Revenues.

**“Operating Revenues”** means revenues received by the District from the levy and collection of Charges.

**“Charges”** means all rates, fees (including capital facility connection and capacity fees, to the extent permitted by and in accordance with law), charges, standby charges (other than those standby charges levied pursuant to California Water Code Sections 36425 and 35506 and pledged to debt service on the District’s outstanding general obligation bonds and any additional general obligation bonds to be issued in the future), assessments and other moneys derived by the District from the sale, furnishing and supplying of water, recycled water and wastewater or other services furnished or supplied through the facilities of, or in the conduct or operation of, the water, recycled water and wastewater systems of the District.

**“Non-Operating Revenues”** means (A) rents, insurance and condemnation proceeds, (B) amounts appropriated from the Rate Stabilization Fund, (C) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of any part of, or rights, in the District’s water, recycled water and wastewater systems, (D) the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California (the “State”)) apportioned, allocated and paid by the County Tax Collector to District pursuant to Section 75.70 and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State, as amended from time to time) (such property tax

revenues hereinafter referred to as, “**Property Tax Revenues**”) and (E) other moneys (other than Operating Revenues) received by the District in connection with the water, recycled water and wastewater systems.

“**Maintenance and Operation Expenses**” means the reasonable and necessary costs spent or incurred by District for maintaining and operating water, recycled water and wastewater systems, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such systems in good repair and working order, and including but not limited to administrative costs of the District, salaries and wages of employees, payments to any employee retirement plan, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers, and necessary costs of or charges required to be paid by it to comply with the terms of the Certificates or of the Installment Sale Agreement, including any amounts required to be paid to the United States of America pursuant to the Trust Indenture; but excluding in all cases (i) depreciation, replacements and obsolescence charges or reserves therefor; (ii) amortization of intangibles or other bookkeeping entries of a similar nature; (iii) costs of capital additions, replacements, betterments, extensions or improvements to the District water, recycled water and wastewater systems, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation; and (iv) charges or assessments for the payment of principal, premium, if any, and interest on any general obligation bonds heretofore or hereafter issued for the water, recycled water and/or wastewater system purposes.

### **Installment Payments; Flow of Funds**

Under the Installment Sale Agreement, the District will agree to pay the Installment Payments consisting of principal and interest when due from Net Revenues.

In order to provide for the payment of Installment Payments when due, the District shall, at least five Business Days prior to each Installment Payment Date, transfer to the Trustee for deposit into the Installment Payment Fund, an amount equal to the amount of the principal and interest components thereon for the next succeeding Installment Payment Date, less any funds then on hand in the Installment Payment Fund.

The Trustee will deposit the moneys received from District to be applied to Installment Payments, upon receipt thereof, into the Interest Account and Principal Account within the Installment Payment Fund. Funds will be deposited so that the respective amounts in such accounts will be equal to the principal and interest due with respect to the Certificates on the ensuing Interest Payment Date, less amounts on hand in such accounts available to pay such principal and/or interest.

Interest or other income earned on moneys or investments in the Installment Payment Fund shall be retained in such fund (and the respective accounts therein) and used for the purposes authorized in the Installment Sale Agreement.

### **Rate Stabilization Fund**

**General.** The District has established a rate stabilization fund (the “**Rate Stabilization Fund**”). Under the Installment Sale Agreement, the District covenants to maintain the Rate

Stabilization Fund separate and apart in its treasury from other funds for the Installment Sale Term or for so long as any Installment Payments remain unpaid. In accordance with the District's Rate Stabilization Reserve Policy (as defined below), as of June 30, 2025, the Rate Stabilization Fund had a balance of approximately \$19 million. See "– District Rate Stabilization Reserve Policy" below for a description of the District's Rate Stabilization Reserve Policy, which is separate and apart from the District's covenant in the Installment Sale Agreement regarding the Rate Stabilization Fund.

**Deposits.** From time to time and at the discretion of the District, the District may deposit amounts in the Rate Stabilization Fund from Unrestricted Fund Balances and/or Surplus Revenues.

**Permitted Uses.** Pursuant to the Installment Sale Agreement, the District may use amounts on deposit in the Rate Stabilization Fund to pay Maintenance and Operation Expenses; provided, the District maintains amounts in the Rate Stabilization Fund as described below under "Rate Covenant."

***Pursuant to the Installment Sale Agreement, moneys on deposit in the Rate Stabilization Fund may not be used to make Installment Payments, pay Parity Debt Service or to make deposits to Parity Reserves, if any.***

***Maintenance of Rate Stabilization Fund at Minimum Balance.*** Except as provided below, the District covenants in the Installment Sale Agreement to maintain the Rate Stabilization Fund in an amount of not less than 50% of Maximum Annual Debt Service (the "**Rate Stabilization Fund Minimum Balance**" or "**Minimum Balance**").

The District may allow the balance on hand in the Rate Stabilization Fund to fall below the Rate Stabilization Fund Minimum Balance if the District collects Net Revenues in an amount equal to 125% of Annual Debt Service for each of two consecutive Fiscal Years.

If: (1) the District has been permitted to allow funds in the Rate Stabilization Fund to fall below the Rate Stabilization Fund Minimum Balance, as provided above; and (2) the District does not in any Fiscal Year thereafter collect Charges at least equal to 125% of Debt Service due in that year; then the covenant set forth in the previous paragraph to maintain the Rate Stabilization Fund Minimum Balance shall again become effective on the first day of the next succeeding Fiscal Year (the "**Restoration Date**"). The District covenants in the Installment Sale Agreement that during the Fiscal Year beginning on any Restoration Date, it will budget for and appropriate amounts sufficient to, and will cause the balance in the Rate Stabilization Fund to be restored to an amount equal to the Rate Stabilization Fund Minimum Balance. If the Rate Stabilization Fund Minimum Balance is so restored during such Fiscal Year, then the District will not be deemed to be in default with respect to its rate covenant for such preceding Fiscal Year.

***District Rate Stabilization Reserve Policy.*** In addition to the foregoing, the District has adopted a policy (the "**Rate Stabilization Reserve Policy**") to maintain a minimum balance in the Rate Stabilization Fund equal to 50% of the District's budgeted 1% of ad valorem property revenues for each Fiscal Year (such minimum balance, the "**Rate Stabilization Reserve Policy Minimum Balance**"). The Rate Stabilization Reserve Policy established by the District is subject to change at the discretion of the District's Board of Directors and nothing in the Installment Sale

Agreement requires that the District maintain a balance in the Rate Stabilization Fund except the District's covenant in the Installment Sale Agreement as described above under the caption "– Maintenance of Rate Stabilization Fund at Minimum Balance." The District cannot provide any assurance that the District's Board of Directors will not in the future amend its Rate Stabilization Reserve Policy so as to reduce or eliminate the Rate Stabilization Reserve Policy Minimum Balance. See "THE DISTRICT – Financial Reserve Policies" for a discussion regarding the District's policy for maintaining certain other reserves.

### **Prior Parity Obligations; Limitations on Additional Obligations and Superior Obligations**

**General.** Under the Installment Sale Agreement, the District may issue Additional Obligations of the District payable from and secured by a pledge of and lien upon Net Revenues only in compliance with the conditions described below.

**Prior Parity Obligations.** Debt service on the Prior Parity Obligations is payable from Net Revenues on a parity with the payment of the Installment Payments. See "INTRODUCTION – Prior Parity Obligations."

**Additional Obligations.** The District covenants in the Installment Sale Agreement that, except for obligations issued or incurred to prepay the Installment Payments, or to otherwise prepay or refund Parity Obligations which are presently outstanding, the District will not issue or incur any Additional Obligations unless the following conditions are satisfied:

(1) The District is not in default under the terms of the Installment Sale Agreement or outstanding Parity Obligation Instruments; and

(2) Either (i) the Net Revenues, as shown by the books and records of District for the latest Fiscal Year or for any 12 consecutive month period within the last complete 18-month period ended not more than one month before the issuance of or incurrence of such Additional Obligations, as set forth in a certificate of an Independent Consultant, or (ii) the estimated Net Revenues for the first complete Fiscal Year when the improvements to the water, recycled water or wastewater system financed with the proceeds of the Additional Obligations will be in operation, as estimated by and set forth in a certificate of an Independent Consultant, plus, at the option of District, any or all of the items set forth below, will have amounted to not less than 1.10 times Maximum Annual Debt Service (as defined below) in any Fiscal Year thereafter; provided, that in calculating Maximum Annual Debt Service, the District shall exclude (x) amounts on deposit in the Installment Payment Fund under the Trust Indenture and debt service funds created under Parity Debt Instruments for the Parity Obligations, and (y) amounts on deposit in any debt service funds created under Governmental Loan Instruments for Governmental Loans.

For purposes of the calculations required in paragraph (2) above, Net Revenues may be adjusted to include: (1) the estimated annual amount expected to be received from any increase in District rates or charges, calculated on the basis of any percentage or dollar increase authorized by the Board of Directors either during or subsequent to the reporting period, but in no event later than the date of the Parity Obligation Instrument authorizing the Additional Obligations for which the calculation is made; and (2) to the extent not included in the previous paragraph, an amount equal to 75% of the anticipated Net Revenues expected to be derived from each addition,

betterment, extension or improvement to the water, recycled water or wastewater system which may be acquired or constructed from proceeds of the Additional Obligations for which the calculation is made. Such estimates are required to be based upon rates and charges which are in effect on or prior to the date of the Parity Obligation Instrument authorizing the Additional Obligations for which the calculation is made.

The Installment Sale Agreement defines “**Maximum Annual Debt Service**” as follows: as of the date of calculation, the maximum amount of Installment Payments, Governmental Loan Payments, and Parity Debt Service due in any Certificate Year prior to the final maturity of the Certificates, and for purposes of: (a) the issuance of Additional Obligations, includes the maximum amount of Debt Service due on any Additional Obligations subsequent to the issuance of such Additional Obligations; and (b) the issuance of Governmental Loans, includes the maximum amount of Governmental Loan Payments due on any Governmental Loans subsequent to the issuance of such Governmental Loans.

***Superior Obligations.*** To further protect the availability of Net Revenues and the security for the Installment Payments and Parity Obligations, the District agrees in the Installment Sale Agreement that it will not, so long as any Certificates or Parity Obligations are outstanding, issue or incur any obligations payable from Net Revenues which are superior to the Installment Payments or the Parity Obligations.

#### **Prior Governmental Loans; Limitations on Future Government Loans**

***No Prior Governmental Loans.*** As of the date hereof, no Governmental Loans are outstanding.

***Future Governmental Loans.*** The District covenants in the Installment Sale Agreement that, except for obligations issued or incurred to prepay or refund Governmental Loans which are presently outstanding, the District will not issue or incur any Governmental Loans unless: (1) the District is not in default under the terms of the Installment Sale Agreement or outstanding Governmental Loan Instruments; and (2) either: (a) the Governmental Loans Pledged Revenues, as shown by the books and records of the District for the latest Fiscal Year or for any 12 consecutive month period within the last complete 18-month period ended not more than 1 month before the issuance of or incurrence of such Governmental Loan, as set forth in a certificate of an Independent Consultant; or (b) the estimated Governmental Loans Pledged Revenues for the first complete Fiscal Year when the improvements to the water, recycled water or wastewater system financed with the proceeds of the Governmental Loan shall be in operation, as estimated by and set forth in a certificate of an Independent Consultant, plus, at the option of the District, any or all of the items set forth hereinafter in this covenant designated under “– Adjustments to Governmental Loan Pledged Revenues” below, will have amounted to not less than 1.10 times Maximum Annual Debt Service in any Fiscal Year thereafter (for this purpose, Maximum Annual Debt Service may exclude (i) amounts on deposit in any debt service funds created under Governmental Loan Instruments for Governmental Loans and (ii) amounts on deposit in the Installment Payment Fund under the Trust Indenture and debt service funds created under Parity Debt Instruments for Parity Obligations).

***Adjustments to Governmental Loan Pledged Revenues.*** For purposes of the calculations described in paragraph (2) under “– Governmental Loans” above, Governmental Loan Pledged Revenues may be adjusted to include:

(1) the estimated annual amount expected to be received from any increase in District rates or charges, calculated on the basis of any percentage or dollar increase authorized by the Board of Directors either during or subsequent to the reporting period, but in no event later than the date of the Governmental Loan Instrument authorizing the Governmental Loan for which the calculation is made; and

(2) to the extent not included in the previous paragraph, an amount equal to 75% of the anticipated Governmental Loan Pledged Revenues expected to be derived from each addition, betterment, extension or improvement to the water, recycled water or wastewater system which may be acquired or constructed from proceeds of the Governmental Loan for which the calculation is made. Such estimates are required to be based upon rates and charges which are in effect on or prior to the date of the Governmental Loan Instrument authorizing the Governmental Loan for which the calculation is made.

### **Rate Covenant**

The District covenants in the Installment Sale Agreement that in each Fiscal Year it will, to the maximum extent permitted by law, annually fix and collect Charges for water, recycled water and wastewater services which, after allowance for contingencies and error in estimates, will be at least sufficient to provide Net Revenues that will equal at least the Rate Covenant Percentage (as defined herein) of the sum of (1) Debt Service (i.e., the Installment Payments plus Parity Debt Service) and Governmental Loan Payments due in the Fiscal Year during which such Net Revenues will be collected; and (2) any required deposits to any Parity Reserves.

The term “**Rate Covenant Percentage**” is defined in the Installment Sale Agreement to mean: (1) 100%, so long as the amounts on hand in the Rate Stabilization Fund are at least equal to the Rate Stabilization Fund Minimum Balance (see “– Rate Stabilization Fund” above); and (2) 125%, if funds on hand in the Rate Stabilization Fund do not equal or exceed the Rate Stabilization Fund Minimum Balance.

### **No Reserve Fund**

A debt service reserve fund for the Certificates will not be established by the District in connection with the execution and delivery of the Certificates.

### **Additional Covenants**

The District makes certain additional covenants in the Installment Sale Agreement and the Trust Indenture, including a covenant to maintain the Systems and a covenant to maintain insurance. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

## Limited Obligation

The District's obligation to pay the Installment Payments is a special obligation, limited solely to the Net Revenues and other funds provided for in the Installment Sale Agreement. Under no circumstances will the District be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments, or to levy any form of taxation. No other funds or property of the District will be liable for the payment of the Installment Payments.

## THE DISTRICT

### General Description; Service Area

**Formation.** The District was established in November 1960 under provisions of the California Water District Law, Division 13 of the Water Code. The District was formed for the purpose of providing a water supply to communities within its service area. In 1963, the California Water District Act was amended, allowing California water districts to provide wastewater and water reclamation services. On July 1, 1964 the District began operation and management of wastewater services previously provided by Orange County Sanitation District No. 12. Most of the existing components of the Systems were built between 1980 and the early 2000s. The District had 197 full-time employees as of July 1, 2025. See "THE SYSTEM – Wastewater System – Treatment Plants" herein.

**Service Area.** The District's service area encompasses approximately 37 square miles in Orange County, California, serving over 170,000 residents and 6,000 businesses and institutions within the cities of Aliso Viejo, Laguna Niguel, Laguna Hills, Mission Viejo, San Juan Capistrano, and Dana Point. Elevation within the District ranges from 230 to 904 feet above sea level. Climate is typical of the coastal plains of Southern California, with temperatures mild and relatively uniform. The District provides water and collects, treats and recycles wastewater in its service area. By agreement, the District also serves additional customers outside its boundaries. The District's system for providing potable water within its service area is sometimes referred to in this Official Statement as the "Water System." The District's system for collecting, treating and recycling wastewater within its service area is sometimes referred to in this Official Statement as the "Wastewater System."

**Sources of Water.** The District's current water needs are met by a combination of imported potable water and recycled water. The District's potable demands are supplied from imported sources via The Metropolitan Water District of Southern California ("MWD") through its member agency, the Municipal Water District of Orange County ("MWDOC"), a wholesale importer of water from MWD. The District's recycled water supply is locally sourced and accounts for approximately 20% of the overall water supply in the District. See "THE SYSTEMS – Sources of Water."

**Service Area Connections and Population.** The following table highlights the District's growth in estimated population and water and wastewater service connections over the past 10 Fiscal Years. Estimated population figures were developed by the Center for Demographic Research at Cal State Fullerton as part of the District's Urban Water Management Plan.

**Table 1**  
**MOULTON NIGUEL WATER DISTRICT**  
**Service Connections and Estimated Population**  
**Fiscal Years 2015-16 through 2024-25**

<u>Fiscal Year</u>	Water and <u>Wastewater Service Connections</u>	<u>Estimated Population</u>
2015-16	54,849	170,610
2016-17	55,030	171,178
2017-18	55,067	171,661
2018-19	55,108	171,746
2019-20	55,135	170,236
2020-21	55,142	170,616
2021-22	55,139	170,996
2022-23	55,144	171,376
2023-24	55,146	171,580
2024-25	55,176	170,801

Source: Moulton Niguel Water District.

### Board of Directors

The District is governed by a seven-member Board of Directors elected by registered voters in the District to serve staggered four-year terms. Each Director is elected through an at-large voting process. The following table lists the current directors, noting the initial year of election or appointment to office and the final date of the current term of office.

<u>Board of Directors</u>	<u>First Elected/ Appointed</u>	<u>End of Current Term</u>
Brian S. Probolsky, <i>President</i>	2008	12/2028
Diane Rifkin, <i>Vice-President</i>	2021	12/2026
Richard “Dick” S. Fiore, <i>Vice-President</i>	1977	12/2028
Donald R. Froelich, <i>Director</i>	2008	12/2026
William “Bill” Moorhead, <i>Director</i>	2018	12/2026
Brian Parker, <i>Director</i>	2025	12/2026
Sherry Wanninger, <i>Director</i>	2020	12/2028

### Management

**Joone Kim-Lopez, General Manager & CEO.** Joone Kim-Lopez is the General Manager & CEO of the District. Before joining Moulton Niguel, Ms. Kim-Lopez served as the General Manager of Calaveras County Water District located in Northern California. Ms. Kim-Lopez’s prior experience includes working for Apple Valley Ranchos Water Company as its Assistant General Manager and serving as the Deputy General Manager of Central Basin Municipal Water District.

Ms. Kim-Lopez is a Board Member for California Water Data Consortium, Southern California Water Coalition and WaterNow Alliance. Ms. Lopez is also a founding member of The California Data Collaborative, a non-profit representing 21 million Californians, focused on leveraging data and technology to enhance statewide water management policies. Preceding her career in the water industry, Ms. Kim-Lopez was a Police Officer for the City of Pasadena, where she received the Silver Medal of Courage for valor under fire. Ms. Kim-Lopez holds a Master's Degree in Public Administration from California State University, Northridge and a Bachelor's Degree in Communications from University of California, San Diego.

***Matt Collings, Assistant General Manager.*** Matt Collings is the Assistant General Manager of the District. During his tenure at the District, Mr. Collings held positions in the Engineering Department before being promoted to the Director of Engineering and Operations, where he successfully integrated the two divisions. Prior to joining the District, Mr. Collings worked as an engineer in the private sector designing water and wastewater systems for various public agencies. Mr. Collings is a registered professional engineer in the State and holds a Bachelor's Degree in Civil Engineering from Loyola Marymount University.

***Johnathan Cruz, Director of Financial Planning and Innovation.*** Johnathan Cruz is the Director of Financial Planning and Innovation at the District overseeing the financial planning, customer engagement, and data science functions. Prior to serving as the Director of Financial Planning and Innovation, Mr. Cruz served as the Financial Planning Manager at the District. Prior to joining the District, Mr. Cruz worked extensively as a rate consultant and has served as lead consultant on numerous financial planning and rate studies for agencies throughout California and Nevada. Mr. Cruz holds a Bachelor of Arts in Economics & Administrative Studies with an emphasis in finance and a Master of Arts in Economics both from the University of California, Riverside.

***Kelsey DeCasas, Controller.*** Kelsey DeCasas is the Controller of the District, overseeing the accounting, financial reporting, purchasing and warehouse functions. Prior to joining the District, Ms. DeCasas worked as an Assistant Controller/Financial Reporting Manager at The Metropolitan Water District of Southern California and as an Audit Manager at an accounting firm. Ms. DeCasas holds a Bachelor's Degree in Accounting from Seattle University, a Master's Degree in Accounting from University of Iowa and is a licensed certified public accountant.

***Ashley Goodin, Financial Planning Manager.*** Ashley Goodin is the Financial Planning Manager at the District, where she oversees financial planning activities including short- and long-term financial forecasting, cash flow management, and evaluation of projects and their impacts on the District's financial position. Prior to joining the District, Ms. Goodin held various financial planning and analysis roles at large publicly traded companies, including Taco Bell and H&M, where she supported financial planning across multiple divisions in both domestic and international markets. Ms. Goodin holds a Bachelor's degree in Marketing from Pepperdine University and a Master of Business Administration from the University of Southern California.

## **Retirement Benefits**

***Deferred Compensation Plan.*** The District provides its employees and the members of its Board of Directors with a Section 457 Deferred Compensation Plan (the “**Deferred**

**Compensation Plan**”). Participants may defer receipt of a portion of their salary until future years. The Deferred Compensation Plan is available to all full-time employees and members of its Board of Directors. The employees are not liable for income taxes on amounts deferred until the funds are withdrawn. Participants invest their funds with a third-party administrator, Lincoln Financial.

**Defined Contribution Plan.** The District also sponsors the Moulton Niguel Water District Money 401(a) Plan and Trust (the “**401(a) Plan**”), a single-employer defined contribution pension plan. The District’s Board of Directors established the 401(a) Plan and is authorized to amend the 401(a) Plan and to name its trustees. All employees participating in the Deferred Compensation Plan and all members of executive management are eligible to participate in the 401(a) Plan. 401(a) Plan investments are held in trust by Lincoln Financial. The District matches up to 2% of an employee’s salary to the 401(a) Plan if the employee elects to participate in the Deferred Compensation Plan. Employer contributions were \$375,844 for Fiscal Year 2024-25. All contributions are fully vested. The trustee maintains individual accounts for each participant. Each participant provides direction for investment of its account balance. Contributions, plus investment returns, are distributed to participants upon separation from employment.

**Pension Plans.** *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 actuaries. None of the District, the Municipal Advisor or the Purchaser has independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS. The annual comprehensive financial reports of CalPERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. None of the District, the Municipal Advisor or the Purchaser can 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 may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.*

**Plan Description.** All qualified regular and probationary employees of the District are eligible to participate in pension plans provided by CalPERS, an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State. The District’s Board of Directors are not eligible for participation in CalPERS. The CalPERS plans consists of a miscellaneous pool and a safety pool (referred to as “risk pools”), which are comprised of individual employers miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees’ Retirement Fund C (“**PERF C**”). CalPERS acts as a common investment and administrative agent for participating public agencies within the State. Benefit provisions and all other requirements are established by State statute and the District. The District’s Board of Directors has authority over the District’s participation in CalPERS, plan amendments and the choice of plan options within CalPERS.

The District's pension plans (collectively, the "**Pension Plans**") consist of the following: (i) a plan for employees employed prior to July 28, 2009 (the "**First Tier Miscellaneous Plan**"), (ii) a plan for employees employed on or after July 28, 2009, but before January 1, 2013 (the "**Second Tier Miscellaneous Plan**"), and (iii) a plan for employees employed on or after January 1, 2013 (the "**PEPRA Miscellaneous Plan**"). As of June 30, 2025, there were 24 employees in the First Tier Miscellaneous Plan, 29 employees in the Second Tier Miscellaneous Plan, and 133 in the PEPRA Miscellaneous Plan. The District does not have a safety pool plan.

*Benefits Provided.* CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. Each plan has a 3% annual cost-of-living allowance increase benefit.

Employees hired prior to January 1, 2013 and have remained under continuous employment with a CalPERS agency are considered "Classic" employees. California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which was signed by the State Governor on September 12, 2012, established a new pension benefit tier for employees who were hired on and after January 1, 2013, who were not previously CalPERS members or have left employment with a CalPERS agency for more than 6 months.

The District has three different tiers that employees participate in: First Tier Miscellaneous Plan (hired by the District prior to July 28, 2009), Second Tier Miscellaneous Plan (hired by the District after July 28, 2009, or enrolled in CalPERS or reciprocal plan by January 1, 2013), and PEPRA Miscellaneous Plan (enrolled in CalPERS on or after January 1, 2013). The District's current plans are referred to as the 2% at 55, which is closed to new CalPERS members as of January 1, 2013, and 2% at 62 defined benefit plans, where a qualified employee may receive an annual retirement benefit equal to service credits earned, multiplied by the retirement benefit factor by tier, multiplied by the final compensation factor. First Tier and Second Tier plans have a highest 12 consecutive months' compensation period and the PEPRA plan has a highest 36 consecutive months' compensation period. Employees are required to pay at least 50% of the total (annual) normal cost rate, and are required to make the full amount of required employee contributions themselves under PEPRA. Under PEPRA, retroactive benefits increases are also prohibited, as are contribution holidays, and purchases of additional non-qualified service credit. PEPRA also capped pensionable income as noted below. Maximum amounts are set annually, subject to adjustment in accord with the Consumer Price Index.

**CalPERS Pension Compensation Limits for  
Calendar Year 2026 (Classic and PEPRA members)**

	<b><i>Classic</i></b>	<b><i>PEPRA</i></b>
Maximum Pensionable Income	\$360,000	\$191,679 <sup>(1)</sup>

(1) The Maximum Pensionable income for PEPRA members employed at agencies that participate in Social Security is \$159,733.

Source: CalPERS Payroll Circular Letter dated January 2, 2026.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of PEPRA are expected to reduce the District’s unfunded pension liability and potentially reduce District contribution levels in the long term.

*Contributions and Funding Policy.* The California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Pension Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to pay the Pension Plans’ allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

CalPERS collects employer contributions for each plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the unfunded accrued liability (the “UAL”). The dollar amounts are billed on an annual basis. The actuarially determined normal cost rates for each Pension Plan for Fiscal Years 2024-25 through 2026-27, are as follows:

**CalPERS Employer Normal Cost Contributions  
Fiscal Years 2024-25 through 2026-27  
By Pension Plan**

	<b>Fiscal Year 2024-25</b>	<b>Fiscal Year 2025-26</b>	<b>Fiscal Year 2026-27</b>
Miscellaneous Tier 1	14.20%	14.26%	14.14%
Miscellaneous Tier 2	13.05	13.11	13.00
Miscellaneous PEPRA	8.07	8.16	7.91

Sources: Fiscal Year 2024-25: Moulton Niguel Water District; Fiscal Years 2025-26 and 2026-27: CalPERS Annual Valuation Actuarial Report as of June 30, 2024.

The actuarially determined total UAL contribution amounts for all Pension Plans for Fiscal Years 2024-25 through 2026-27, are as follows:

**CalPERS Employer UAL Contributions<sup>(1)</sup>**  
**Fiscal Years 2024-25 through 2026-27**

<b><u>Fiscal Year 2024-25</u></b>	<b><u>Fiscal Year 2025-26</u></b>	<b><u>Fiscal Year 2026-27</u></b>
\$2,372,211	\$2,893,486	\$3,246,306

Sources: Fiscal Year 2024-25: Moulton Niguel Water District; Fiscal Years 2025-26 and 2026-27: CalPERS Annual Valuation Actuarial Report as of June 30, 2024.

(1) UAL contributions reflect total required payment of UAL as 12 monthly payments. In fiscal years 2024-25 and 2025-26, the District exercised its option to instead prepay the annual employer payment in July at a lower total payment amount.

The District’s estimated total contribution amounts (including the required normal cost and UAL contributions) and as a percentage of estimated covered payroll for the Pension Plans in Fiscal Years 2024-25 through 2026-27 are as follows:

<b><u>Fiscal Year 2024-25</u></b>		<b><u>Fiscal Year 2025-26</u></b>		<b><u>Fiscal Year 2026-27</u></b>	
<b><u>Total</u></b>	<b><u>% of</u></b>	<b><u>Total</u></b>	<b><u>% of</u></b>	<b><u>Total</u></b>	<b><u>% of</u></b>
<b><u>Employer</u></b>	<b><u>Covered</u></b>	<b><u>Employer</u></b>	<b><u>Covered</u></b>	<b><u>Employer</u></b>	<b><u>Covered</u></b>
<b><u>Contribution</u></b>	<b><u>Payroll</u></b>	<b><u>Contribution</u></b>	<b><u>Payroll</u></b>	<b><u>Contribution</u></b>	<b><u>Payroll</u></b>
\$3,998,680	19.55%	\$4,670,644	20.39%	\$5,276,590	26.85%

Source: Fiscal Years 2024-25 and 2025-26: Moulton Niguel Water District; Fiscal Year 2026-27: CalPERS Annual Valuation Actuarial Report as of June 30, 2024.

*Projected Annual Contributions.* The following tables show the District’s actuarially-determined required employer contribution for Fiscal Year 2026-27, projected employer contributions (before cost sharing) for Fiscal Years 2027-28 through 2031-32 for each Pension Plan by normal cost (expressed as a percentage of total active payroll) and amortization of the total unfunded accrued liability (expressed as a dollar amount). The projections assume a 6.80% annual rate of return for Fiscal Year 2026-27 and beyond but do not include any reductions in the normal cost that will occur over time as new employees are hired into PEPRAs or other lower cost benefit tiers.

Fiscal Year	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2026-27 and Beyond)				
	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Normal Cost %						
First Tier Plan	14.24%	14.2%	14.2%	14.2%	14.2%	14.2%
Second Tier Plan	13.09%	13.1%	13.1%	13.1%	13.1%	13.1%
PEPRA Plan	8.13%	8.1%	8.1%	8.1%	8.1%	8.1%
UAL Payment	\$3,243,306	\$3,386,000	\$3,714,000	\$3,734,000	\$3,742,000	\$3,813,000

Source: CalPERS Actuarial Valuation Reports as of June 30, 2024.

*Funded Status.* The following tables set forth the schedule of funding for all of the Pension Plans for the valuation dates of June 30 of the years 2020 through 2024.

**CalPERS Funded Status  
All Pension Plans**

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Share of Pool's Market Value of Assets	Share of Unfunded Accrued Liability	Funded Ratio <sup>(1)</sup>	Annual Covered Payroll	Unfunded Accrued Liability as % of Payroll
2020	\$101,541,865	\$74,363,999	\$27,177,866	73.2%	\$14,243,069	191%
2021	106,890,710	88,465,713	18,424,997	82.8%	15,076,014	122
2022	114,412,210	81,920,659	32,491,551	71.6%	16,221,595	200
2023	123,742,367	88,519,846	35,222,521	71.5%	17,403,788	202
2024	134,529,025	99,789,019	34,740,006	74.2%	19,651,236	177

(1) Based on the market value of assets.

Source: CalPERS Actuarial Valuation Reports as of June 30, 2024.

There is a two-year lag between the valuation date and the start of the contribution Fiscal Year. The UAL was determined in the June 30, 2024 actuarial valuation, but the corresponding UAL payments commence two years after the valuation date in Fiscal Year 2026-27. This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the Fiscal Year.

**Net Pension Liability.** The District's net pension liability at June 30, 2025 for the plan was measured as the proportionate share of the collective cost-sharing plan. The District's net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard actuarial update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the actuarially determined projected contributions of all participating employers. The District's proportion of the collective net pension liability as of June 30, 2024 and June 30, 2025 was 0.63836% and 0.65678%, respectively. These figures are preliminary, and subject to change.

**Sensitivity to Changes in Discount Rate.** The accounting discount rate used to measure the total pension liability at June 30, 2025 with respect to the Pension Plans was 6.90%. The following tables present the District's proportionate share of the net pension liability for the Pension Plans as of the June 30, 2024 measurement date, calculated using the discount rate for the Pension Plans, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% higher or 1% lower than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Net Pension Liability*	\$48,984,209	\$31,765,715	\$17,592,359

\* Preliminary, subject to change.

Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

Potential Impacts on Future Required Contributions. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the District's required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

*Change in Assumptions/Discount Rate.* Since 2011, CalPERS has incrementally reduced the assumed rate of return used to calculate their respective unfunded liabilities, from 7.75% to 6.8%. Lowering the CalPERS discount rate means member employers like the District will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the PEPRA will also see their contribution rates rise. There can be no assurance as to whether or when the CalPERS Board of Administration will consider changing the discount rate.

*Investment Performance.* In fiscal years ended June 30, 2025, 2024, and 2023, CalPERS reported an actual net return on investments of 11.6, 9.3% and 5.8%, respectively. Total fund annualized returns for the five-year period ending June 30, 2025, were reported at 8%; the 10-year period at 7.1%; and the 20-year period at 6.7%. The CalPERS investment performance after June 30, 2024 is not included as an amortization base in the most recent CalPERS valuation report and is not reflected in the numbers included herein. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District.

*The CalPERS website contains the most recent actuarial valuation reports for the Pension Plans and other information that concerns benefits and other matters. The annual comprehensive financial reports of CalPERS are also available on CalPERS' Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). 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. Neither the District nor the Purchaser can guarantee the accuracy of such information. See "APPENDIX A – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025, NOTES TO BASIC FINANCIAL STATEMENTS, Note 10, Pension Plans" for additional information about the District's retirement plans.*

***Other Post-Employment Benefits (OPEB).*** The District provides other post-employment benefits ("OPEBs") to certain former employees and board members as described below.

*Plan Description.* Under the authority of the District's Board of Directors, the District has established a Retiree Healthcare Plan (the "**HC Plan**") and participates in an agent multiple-employer defined benefit retiree healthcare plan. These benefits may be amended at the discretion of the Board of Directors.

To mitigate the costs of increasing healthcare, the District has imposed a three-tier structure for its employees. Employees hired prior to July 1, 2008, who are at least 55 years old with a minimum of ten continuous years of service, and who are employed by the District at the time of retirement will receive post-retirement health benefits for themselves and their dependents.

Employees hired after July 1, 2008, but before July 1, 2017, who are at least 60 years old with a minimum of fifteen years of continuous service and who are employed by the District at the time of retirement, will receive postretirement health benefits for themselves and their dependents. Members of the Board of Directors elected after January 1, 1995, are not eligible for retiree health coverage, regardless of age and years of service at retirement. After age 65, the District provides a monthly cash allotment of \$235 per month to the retiree hired prior to July 1, 2017 or former Board Member for use towards a Medicare supplement policy. Dependent coverage ceases when the retiree or former Board Member reaches age 65.

Employees who are actively employed with the District at the time of retirement, who retire from CalPERS, and who elect CalPERS retiree medical coverage within the prescribed time period as required by CalPERS, shall receive the District’s statutorily required minimum contribution, as defined by CalPERS and State law, towards retiree medical coverage.

As of the January 1, 2023 actuarial valuation, there were 49 retirees and dependents receiving benefits and 91 active plan members.

The District makes annual payments to the California Employer’s Retiree Benefit Trust (“**CERB Trust**”) to prefund health benefits and reduce outstanding liabilities.

Contributions. The HC Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. The following table shows District contributions to the HC Plan for Fiscal Years 2022-23 through 2024-25.

**Schedule of OPEB Contributions  
Fiscal Years 2022-23 through 2024-25**

	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Actuarially Determined Contribution (ADC)	\$359,943	\$386,991	\$364,621
Contribution in relation to ADC	(412,601)	(436,565)	(485,634)
Contribution deficiency (excess)	(52,658)	(49,574)	(121,013)
Covered employee payroll	\$10,257,551	\$10,790,737	\$11,191,872
Contributions as percentage of covered-employee payroll	4.0%	4.0%	4.3%
Estimated Implied Subsidy	\$126,263	\$135,605	\$180,348

Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2023, 2024 and 2025.

Net OPEB Liability. The District’s net OPEB liability for the fiscal year ended June 30, 2025 was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability for such measurement period was determined by an actuarial valuation dated January 1, 2023, that was rolled forward to determine the June 30, 2025 total OPEB liability, based on certain actuarial methods and assumptions. As of June 30, 2025, the District’s net OPEB liability and the total OPEB liability was \$553,084 and \$5,301,322, respectively. The following

presents the net unaudited OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024:

	Discount Rate – 1% 5.50%	Current Discount Rate 6.50%	Discount Rate + 1% 7.50%
<b>Net OPEB Liability*</b>	<b>\$976,967</b>	<b>\$553,084</b>	<b>\$212,927</b>

\* Preliminary, subject to change.

Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual requires contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. See “APPENDIX A – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025, NOTES TO BASIC FINANCIAL STATEMENTS, Note 11, Other Post-Employment Benefits (OPEB)” for a description of the actuarial methods and assumptions used to measure the District’s net OPEB liability as of June 30, 2024.

OPEB Funded Status. The status of the HC Plan as of the June 30, 2024 and June 30, 2025 measurement dates is as follows:

	June 30, 2024	June 30, 2025
Total OPEB Liability – Beginning	\$5,028,773	\$5,301,127
Total OPEB Liability – Ending (a)	5,301,127	5,301,322
Plan Fiduciary Net Position – Beginning	4,239,721	4,389,503
Plan Fiduciary Net Position – Ending (b)	4,389,503	4,748,238
Net OPEB Liability (a) – (b)	911,624	553,084
Plan Fiduciary Net Position as a percentage of the total OPEB liability	82.8%	89.6%
Covered employee payroll	\$10,257,551	\$10,790,737
Net OPEB Liability as a percentage of covered-employee payroll	8.9%	5.1%

Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

See “APPENDIX A – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025, NOTES TO BASIC FINANCIAL STATEMENTS, Note 11, Other Post-Employment Benefits (OPEB)” and “Schedule of Changes in the Net OPEB Liability and Related Ratios” therein for additional information regarding the District’s OPEB costs.

## **Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (“**JPIA**”), which offers risk management and self-insurance and insurance programs. The program provides workers’ compensation, property, and employment liability and general liability coverage for the District. The membership includes 460 public water agencies within the State. A Board of Directors consisting of representatives from member agencies governs the JPIA. The general Board of Directors elects Executive Board members to provide oversight of the operations of the JPIA, including selection of management and approval of the operating budget.

The District maintains \$55,000,000 in commercial general liability insurance, auto liability, employment practices liability coverage and public official’s error & omissions. The District also has a cyber liability commercial insurance policy through ACWA JPIA which, is not a risk-sharing program. The property damage insurance program provides for up to \$500,000,000 in limits, per occurrence, on structures and contents with a \$25,000 deductible per loss, and underground storage tank coverage of \$3,000,000.

The District has a \$50,000 retrospective allocation point (self-insured retention) per claim for general and automobile liability for the year. Workers’ compensation coverage provides statutory limits for bodily injury by each accident and bodily injury per occurrence, and employer’s liability is \$2,000,000 per occurrence. If the District’s deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference can take place. The District promotes safety in the workplace through an extensive safety program. As a result of the program, the District has received retrospective refunds from the JPIA Rate Stabilization Fund. The District also maintains a self-insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000. Settlements have not exceeded insured limits in the past three fiscal years.

The District also holds additional insurance policies amounting to \$2,000,000 commercial blanket bond for employee dishonesty, forgery and alteration and computer fraud, and a \$30,000 bond for Notary Errors and Omissions that covers four notaries.

## **Litigation**

There is no litigation pending for which the District has been served or, to the District’s knowledge, threatened in any way to restrain or enjoin the execution or delivery of the Certificates, to contest the validity of the Certificates or the Trust Indenture, or any proceedings of the District with respect thereto. In the opinion of the District and its counsel, there are no lawsuits or claims pending against the District which will materially adversely affect the District’s ability to pay the Installment Payments when due.

## **Financial Reserve Policies**

***Operating Reserves.*** In June 2025, the District adopted its “Maintaining Water District Cash Reserve Funds” policy (the “**Reserve Policy**”). Under the Reserve Policy, the District

maintains the following three operating reserves: (i) General Operating Reserve; (ii) Self-Insurance Reserve; and (iii) Rate Stabilization Reserve. The Reserve Policy established by the District is subject to change at the discretion of the District's Board of Directors and may be revised to reduce or eliminate these reserves. Nothing in the Installment Sale Agreement requires that the District maintain reserves except the District's covenant in the Installment Sale Agreement in respect of the Rate Stabilization Fund as described above under the caption "SECURITY FOR THE CERTIFICATES – Maintenance of Rate Stabilization Fund at Minimum Balance."

*General Operating Reserve.* The General Operating Reserve is used to fund daily operating expenses and support the District's cash flow. The target balance of the General Operating Reserve is three months of operating expenses. Funding for the General Operating Reserve is identified at the start of each Fiscal Year and maintained within the District's General Fund. As of June 30, 2025, the balance in the General Operating Reserve was approximately \$48,448,983, or three months of operating expenses.

*Self-Insurance Reserve* The Self-Insurance Reserve is used to fund property and liability insurance deductibles, losses exceeding insurance limits, and unemployment benefit payments in case a claim is made. The target amount of the Self-Insurance Reserve is five times the then current JPIA property insurance deductible (currently up to \$50,000). The District funds and maintains the Self Insurance Reserve at the start of each Fiscal Year through budget transfers to the Self-Insurance Fund. As of June 30, 2025, the balance in the Self-Insurance Reserve was approximately \$353,123, or seven times the current JPIA property insurance deductible.

*Rate Stabilization Reserve.* The Rate Stabilization Reserve is maintained within the Rate Stabilization Fund and used to provide for revenue losses, significant increases in water purchase costs, and other extraordinary financial impacts to revenues and expenses. As previously described, it is the District's policy to maintain a minimum balance in the Rate Stabilization Fund equal to 50% of the District's budgeted 1% of ad valorem property revenues for each Fiscal Year. As of June 30, 2025, the balance in the Rate Stabilization Reserve was approximately \$19,072,797, or 50% of the District's budgeted 1% of ad valorem property revenues for Fiscal Year 2024-25.

*Capital Improvement Reserves.* In addition, the Reserve Policy provides for certain amounts to be designated by the Board of Directors toward future capital improvements and set aside in the following reserves. These reserves are funded at the beginning of each fiscal year as part of the budget adoption, and then spent down throughout the fiscal year as the District executes the capital improvement program. These capital improvement reserves do not have a target balance.

*Replacement and Refurbishment Reserve.* The Replacement and Refurbishment Reserve Fund funds ongoing costs for the replacement and refurbishment of existing assets in conjunction with the District's Capital Improvement Plan. All amounts are maintained in a separate Replacement and Refurbishment Reserve Fund. Funding for the Replacement and Refurbishment Reserve is derived from new debt issuances or fund transfers as part of the budget process. As of June 30, 2025, the balance in the Replacement and Refurbishment Reserve Fund was approximately \$2,470,003.

*Emergency Reserve.* The Emergency Reserve provides funds to enable the District to quickly repair critical assets in the event of a natural disaster or facility failure. The target balance of the Emergency Reserve is 2% of the replacement costs of the District’s assets, as outlined in current guidelines from the Federal Emergency Management Agency. As of June 30, 2025, the balance in the Emergency Reserve was approximately \$35,300,000 or 2% of the replacement costs of the District’s assets.

*Water Supply Reliability Reserve.* The Water Supply Reliability Reserve funds the development of new water or recycled water supplies as identified in the District Capital Improvement Plan. All amounts are maintained in a separate Water Supply Reliability Fund. Funding for the Water Supply Reliability Reserve is derived from new debt issuances or fund transfers as part of the budget process. As of June 30, 2025, the balance in the Water Supply Reliability Reserve was approximately \$0.

*Planning and Construction Reserve.* The Planning and Construction Reserve funds the development of new capital facilities that do not result in new water or recycled water supplies as identified in the District Capital Improvement Plan. All amounts are maintained in a separate Planning and Construction Fund. Funding for the Planning and Construction Reserve is derived from new debt issuances or fund transfers as part of the budget process. As of June 30, 2025, the balance in the Planning and Construction Reserve was approximately \$4,677,038.

*Capital Facilities Restricted Reserve.* The Capital Facilities Restricted Reserve funds the development of new district-wide capital facilities or replacement or refurbishment. All amounts are maintained in a separate Capital Facilities Restricted Reserve Fund and transferred to certain other District funds as part of the annual budget process. Funding for the Capital Facilities Restricted Reserve is derived from capacity fees charged to new developments to buy into existing assets. As of June 30, 2025, the balance in the Capital Facilities Restricted Reserve was approximately \$80,700.

See “THE SYSTEMS – Capital Improvement Program” for a description of the District’s most recent ten-year Capital Improvement Plan and the Asset Management Plan for the District’s facilities and equipment.

## **Investment Policy and Controls**

Funds of the District are invested in accordance with the California Government Code and the District’s investment policy. See “APPENDIX A – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025, NOTES TO BASIC FINANCIAL STATEMENTS, Note 2, Cash and Investments” for additional information.

## **Long-Term Obligations**

Following delivery of the Certificates, the District’s only outstanding obligations payable from Net Revenues will be the Prior Parity Obligations and the Installment Payments.

## **Audited Financial Statements**

The District’s Annual Comprehensive Financial Report for Fiscal Year 2024-25, attached to this Official Statement as Appendix A, contains the District’s audited financial statements audited by Vasquez & Company LLP (the “**Auditor**”). The Auditor has not been asked to consent to the inclusion of its report in this Official Statement and has not reviewed this Official Statement.

## **Demographic Information**

See “APPENDIX C – ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE SERVICE AREA OF THE DISTRICT” for additional information regarding the District.

## **Joint Power Authorities**

***Prior Membership in South Orange County Wastewater Authority.*** In December 2024, the District ended its membership in the South Orange County Wastewater Authority (“**SOCWA**”), which treats, and disposes of a portion of the wastewater in South Orange County. At that time, the District acquired certain SOCWA facilities including the Regional Treatment Plant and contracted for services with SOCWA members in connection with the District’s ongoing use of the J.B. Latham Treatment Plant and two ocean outfalls (Aliso Creek and San Juan Creek) as described under “THE SYSTEM – Wastewater System” below.

For the periods before December 2024, the District deposited money with SOCWA to cover its share of operation and capital costs in the SOCWA project committees in which the District participated. At the end of each Fiscal Year, SOCWA analyzed its actual costs and refunds or collects additional money from its members as appropriate. These costs constituted Maintenance and Operation Expenses as defined in the Installment Sale Agreement.

***Joint Regional Water Supply System.*** The District is one of six members who participate in the Joint Regional Water Supply System (“**JRWSS**”). JRWSS owns and operates several pipelines and reservoirs, including the Joint Transmission Main that serves the District. The pipelines deliver drinking water to the six member agencies. South Coast Water District serves as the operator of JRWSS. As operator, South Coast Water District maintains the infrastructure, collects money to cover expenses from the member agencies and keeps records for JRWSS. See “THE SYSTEMS – Water System in General.” The District has a 46.03% ownership interest in the Joint Transmission Main.

The District deposits money with JRWSS to cover its share of operation and capital costs. At Fiscal Year-end, JRWSS analyzes its actual costs and refunds or collects additional money from its members as appropriate. The District remitted approximately \$1,515,340 million to JRWSS for the Fiscal Year 2025-25, consisting of approximately \$808,435 for capital projects and approximately \$706,905 for Maintenance and Operation Expenses.

***Santiago Aqueduct Commission.*** The District is a member of the Santiago Aqueduct Commission (“**SAC**”). SAC operates and maintains the Baker Pipeline, which conveys untreated water from MWD to South Orange County retail water agencies. The District has 13 cubic feet per second of capacity rights in the Baker Pipeline to supply the Baker Water Treatment Plant, and the District is responsible for the proportional costs to operate and maintain the Baker Pipeline,

including administrative costs. SAC has six members, including the District. A Board of Directors consisting of representatives of the six agencies governs the SAC. Irvine Ranch Water District maintains the infrastructure, collects money to cover expenses from the members, and maintains the records for SAC. The District remitted \$30,022 to SAC in Fiscal Year 2024-25. See “THE SYSTEMS – Treatment” for additional information regarding the Baker Water Treatment Plant.

***Prior Membership in San Juan Basin Authority.*** The District withdrew from the San Juan Basin Authority in 2022. The objective of the District’s membership was to diversify and increase its water sources in the future. The District withdrew because the District’s direct involvement was not required due to the limited groundwater available in the San Juan Basin. In addition, a cooperative agreement allows for the District to contribute to the monitoring services provided by San Juan Basin Authority without the need to be a member of the San Juan Basin Authority. These services help the District comply with its salt and nutrient management plan required by an applicable master recycled water permit held by the South Orange County Wastewater Authority on behalf of its member agencies and the District.

## THE SYSTEMS

### General

The following table lists the District’s major facilities as of January 1, 2026:

**Table 2**  
**MOULTON NIGUEL WATER DISTRICT**  
**Major Facilities**

<u>Facility</u>	<u>Number</u>
Takeout Structures	12
Potable Water Reservoirs	28
Potable Water Pump Stations	25
Pressure Reducing & Flow Control Facilities	22
Wastewater Lift Stations	17
Wastewater Treatment Plants	3
Water Reclamation (AWT) Facilities	2
Recycled Water Reservoirs	11
Recycled Water Pump Stations	10

Source: Moulton Niguel Water District.

### Service Connections and Operating Indicators

***Service Connections and Operating Indicators.*** The following table sets forth the number of service connections and operating indicators for the District for the past ten Fiscal Years.

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**Table 3**  
**MOULTON NIGUEL WATER DISTRICT**  
**Service Connections and Operating Indicators**  
**Fiscal Years 2015-16 to 2024-25**

<b>Fiscal Year</b>	<b>Service Connections</b>	<b>Month of Peak Consumption</b>	<b>Peak Monthly Consumption (mgd)<sup>(1)</sup></b>	<b>Average Daily Consumption (mgd)<sup>(1)</sup></b>	<b>Daily Wastewater (mgd)<sup>(1)</sup></b>	<b>Takeouts</b>
2015-16	54,849	June	31.66	24.75	11.2	13
2016-17	55,030	September	37.32	24.28	10.9	9
2017-18	55,067	September	35.44	26.28	10.8	9
2018-19	55,108	August	38.34	23.69	10.6	9
2019-20	55,135	August	35.85	22.67	10.7	11
2020-21	55,142	July	34.21	26.01	10.6	11
2021-22	55,139	July	37.61	26.50	10.3	11
2022-23	55,144	September	37.55	21.71	10.8	12
2023-24	55,146	September	29.40	20.40	10.5	12
2024-25	55,176	August	35.69	24.39	10.2	12

(1) mgd = millions of gallons per day.

Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

## **Water System**

**Potable Water Source.** The District imports all of its potable water from MWD through MWDOC, its member agency and wholesale importer of water from MWD. The District is a customer agency of MWDOC and, as such, is entitled to receive water from available sources of MWD. MWD’s sources of potable water primarily include water imported from the Colorado River and from the State Water Project.

All the District’s potable water is treated at the Robert B. Diemer Water Treatment Plant (“**Diemer Plant**”) in Yorba Linda, California, or the Baker Water Treatment Plant (“**Baker Plant**”) in Lake Forest, California. The Diemer Plant is owned and operated by MWD and supplies approximately two-thirds of the District’s treated potable water. The Baker Plant was completed in October 2016 and provides approximately one-third of the treated potable water to the District. The Baker Plant, which is owned by the District in partnership with four other water agencies and operated by Irvine Ranch Water District, provides a secondary treatment plant that treats imported MWD untreated water and improves local water reliability. All potable water is delivered through three major transmission facilities: the South County Pipeline, East Orange County Feeder No. 2, and the Allen-McColloch Pipeline (“**AMP Pipeline**”). See “Treatment” below for additional information regarding the Robert B. Diemer Filtration Plant and the Baker Water Treatment Plant.

**Transmission.** The AMP Pipeline is a 27 mile, 416 cubic feet per second (“**cfs**”) pipeline constructed by MWDOC for the 11 original participants (including the District), which became operational in July 1981. Under a 1994 agreement among MWD, MWDOC and the participants, MWD agreed to purchase the AMP Pipeline. Since March 27, 1995, MWD has been responsible for the operation, improvement, repair, replacement and maintenance of the AMP Pipeline. MWD operates the AMP Pipeline on a “utility basis,” meaning that MWD is not obligated to observe

original capacity allocations among the participating agencies, but may use the available capacity to deliver water to any service connections in amounts demanded, provided that MWD meets the participating agencies' requests for deliveries and certain minimal hydraulic grade line and other requirements of the 1994 sales agreement, all subject to the availability of water. MWD is obligated to monitor supply demands of the participants on the AMP Pipeline, and as necessary, augment capacity to meet those needs at MWD's expense.

The District's Central Intertie Pipeline, a 46 cfs pipeline, delivers additional water from the AMP Pipeline to other areas of the District through a connection to the South County Pipeline. MWD and the Santa Margarita Water District each own 50% of the South County Pipeline. The Santa Margarita Water District operates and maintains the South County Pipeline.

The District also receives imported water from the East Orange County Feeder No. 2 through the Joint Transmission Main, which is operated by the JRWSS.

Currently, the District operates and maintains over 650 miles of domestic water transmission and distribution pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a total potable water storage capacity within the District of approximately 70 million gallons. The District also operates 25 pump stations to pump water from lower pressure zones to the higher pressure zones and 21 pressure reducing stations and flow control facilities to convey water from high to low zones.

The District has also participated in several projects to provide water service reliability to the local system in the event of an interruption in imported water deliveries. These projects have been implemented jointly with other water providers in South Orange County, and include capacity in the El Toro Water District R-6 reservoir, the Santa Margarita Water District Upper Chiquita Reservoir, and the Irvine Ranch Water District Interconnection Facilities. In addition, the District is one of five participants in the Baker Water Treatment Plant, which provides additional local water system reliability. See "Treatment" below.

## **Treatment**

The District receives imported water treated from MWD's Robert B. Diemer Filtration Plant and the Baker Water Treatment Plant, which is operated by Irvine Ranch Water District. The only treatment that is performed by the District is supplemental chloramination at the reservoir sites to maintain the chloramine residual throughout its distribution system.

The Robert B. Diemer Treatment Plant is located on a hilltop in Yorba Linda. The plant distributes water via gravity-flow to areas of Los Angeles and Orange counties. The Robert B. Diemer Treatment Plant treats water from both the Colorado River Aqueduct and the State Water Project. The Robert B. Diemer Treatment Plant has a treatment capacity of 520 million gallons per day ("mgd").

The Baker Water Treatment Plant is a 28.1 mgd potable water treatment facility that receives untreated water via the Baker pipeline. The Baker Water Treatment Plant came online in January 2017 and provides a reliable local potable water supply in the event of emergency conditions or scheduled maintenance on the MWD treated water delivery system (the Robert B. Diemer Treatment Plant, Lower Feeder Pipeline, or AMP Pipeline). In the Fiscal Years ending

June 30, 2024 and 2025, the Baker Water Treatment Plant provided approximately 38% and 36%, respectively, of the treated potable water to the District. The Baker Water Treatment Plant is located in Lake Forest and allows South Orange County to treat its own water when the Robert B. Diemer Treatment Plant is shut down for maintenance or due to unforeseen circumstances. See “Transmission” above.

**Sources of Water**

*General.* The following table shows the District’s water supply by source for Fiscal Years 2015-16 through 2024-25.

**Table 4a  
MOULTON NIGUEL WATER DISTRICT  
Historical Water Supply By Source  
In Acre Feet  
Fiscal Years 2015-16 through 2024-25**

<b>Fiscal Year</b>	<b>Recycled Water</b>	<b>Recycled Water as % of Total Water Supply</b>	<b>Imported Water</b>	<b>Imported Water as% of Total Water Supply</b>
2015-16	6,554	22	23,497	78
2016-17	6,445	21	23,922	79
2017-18	7,009	21	25,950	79
2018-19	5,724	19	23,676	81
2019-20	5,595	19	23,239	81
2020-21	6,973	21	25,519	79
2021-22	6,716	22	23,938	78
2022-23	4,984	19	20,732	81
2023-24	4,384	18	20,404	82
2024-25	5,800	20	22,772	80

Source: Moulton Niguel Water District.

As shown in the table above, approximately 80% of the District’s water for Fiscal Year 2024-25 was obtained from MWD through MWDOC. The District’s remaining supply of water, totaling approximately 20% of the District’s water supply consisted of recycled water. See “– Water System – Potable Water Source” and “– Recycled Water System.” Based on the average over the last ten years, approximately 22% of the District’s imported water supply is delivered via the State Water Project and the remaining 78% is delivered via the Colorado River Aqueduct.

MWDOC charges its retail agencies the MWD rates and charges plus a meter charge to cover MWDOC’s own costs. See “– MWD” below.

The following table describes the District’s water purchases from MWDOC for Fiscal Years 2015-16 through 2024-25.

**Table 4b**  
**MOULTON NIGUEL WATER DISTRICT**  
**Historical Water Purchases from MWDOC**  
**In Acre Feet**  
**Fiscal Years 2015-16 through 2024-25**

<u>Fiscal Year</u>	<u>Amount Purchased</u>	<u>Average Purchase Price</u>
2015-16	23,497	929
2016-17	23,922	875
2017-18	25,950	926
2018-19	23,676	950
2019-20	23,239	989
2020-21	25,519	974
2021-22	23,938	1,020
2022-23	20,732	1,040
2023-24	20,404	1,094
2024-25	22,772	1,222

Source: Moulton Niguel Water District.

*MWDOC.* Orange County in general receives water from two sources. The large groundwater basin that underlies the northern half of the County provides approximately 75% of that area’s needs. The Orange County Water District (“**OCWD**”) manages the groundwater basin. The District currently has no rights in the OCWD basin, other than certain emergency access arrangements described below.

South Orange County is heavily dependent on imported water for its water supply. MWDOC manages the imported water supply. The remaining supply is provided by surface water, limited groundwater, and some water recycling. As previously described, the District meets about 20% of water demand in its service area with recycled water. See “– Recycled Water System.”

*MWD.* MWD was created in 1928 by vote of the electorates of a number of Southern California cities to provide a supplemental supply of water for domestic and municipal uses at wholesale to its member agencies. The MWD service area comprises approximately 5,200 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. There are 26 member agencies of MWD, consisting of 14 cities, 11 municipal water districts and one county water authority. MWD is governed by a Board of Directors (the “**MWD Board**”), which currently has 38 members, including MWDOC. Each member agency has at least one representative on the MWD Board. Representation and voting rights are based upon each member agency’s assessed valuation. MWDOC has four representatives on the MWD Board. The total population of the MWD service area is estimated to be 18.8 million as of May 2025.

MWD member agencies request water from MWD at various delivery points within MWD's service area and pay for such water at uniform rates that are established by the MWD Board for each class of service.

For planning purposes, each MWD member agency advises MWD annually in December of its anticipated delivery requirements for each of the five following Fiscal Years. Charges for water delivered are billed monthly and payable by the end of the second month following delivery.

MWD's principal sources of water are Colorado River supplies which are imported through the Colorado River Aqueduct and supplies from the Lake Oroville watershed in northern California which are imported through the State Water Project. The same water rate is charged for water provided from each source.

MWD's water rates are established by majority vote of the MWD Board and are not subject to regulation by the California Public Utilities Commission or any other local, state or federal agency. Rates must be uniform for any class of service, and no water may be provided free of charge. Under the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended (the "MWD Act"), MWD is required, so far as payment of the interest and principal of the bonded debt of MWD, subject to the applicable provisions of the MWD Act authorizing the issuance and retirement of such bonds.

Under an agreement with MWD, MWDOC has arranged for a pre-purchased supply of water from MWD at a comparatively lower price. The District has been allocated a share of such lower-price supply of 2,000 acre feet of water. The District's prepayment was paid in Fiscal Year 2024-25. Beginning January 2026, MWD began recognizing the prepaid volumes and is scheduled to complete the deliveries in October 2026.

Both the State Water Project and the Colorado River have been subject to drought conditions for extended periods during recent years that have contributed to lower overall water deliveries to MWD. MWD faces various challenges in the continued supply of imported water to the District through MWDOC, including reductions in water deliveries through the State Water Project. The State of California Department of Water Resources ("DWR"), which operates the State Water Project, periodically announces allocations for water based on a percentage of requested supplies. Allocations represent the amount of State Water Project water that DWR will deliver for the year. Allocations are reviewed and revised based on several factors, including water in storage, environmental requirements and rain and snow runoff projections. For water year 2026, the State Water Project allocation announced in January 2026 was 30%. In May 2026, DWR announced an increase to 45%. The Colorado River Basin is currently experiencing an extended drought. Operating guidelines and multiparty drought contingency plans have been developed for the Colorado River which impose additional restrictions on MWD's access to its Colorado River supplies. To date, neither MWD nor MWDOC have announced supply cutbacks based on the DWR allocation announcement for water year 2026 or otherwise, although there can be no assurance that they will not do so later this year, nor has the District's Board of Directors considered imposing any restrictions on water use by Water System customers.

The MWD water supply the District receives through MWDOC is sourced primarily from the Colorado River and less so from the State Water Project. The State Water Project has

represented an average of approximately 22% of MWD water deliveries to MWDOC over the past ten years. See “– Drought and Response – *District Responses to Drought.*”

A description of the supply challenges faced by MWD, as well as rate information and 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 it is contractually obligated for the benefit of owners of certain of their 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**”). Such official statements, other disclosure documents, annual reports and notices are filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“**EMMA**”) at <http://emma.msrb.org>. Such 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 CERTIFICATES TO PROVIDE INFORMATION TO THE DISTRICT OR THE OWNERS OF THE CERTIFICATES.

MWD HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION THAT IS 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 CERTIFICATES UNDER THE RULE.

THE INFORMATION SET FORTH ABOVE REGARDING MWD HAS BEEN DERIVED BY THE DISTRICT FROM A RECENT OFFICIAL STATEMENT AND OTHER DISCLOSURE DOCUMENTS PREPARED BY MWD. ALTHOUGH THE DISTRICT BELIEVES MWD IS THE BEST SOURCE OF INFORMATION ABOUT MWD’S WATER SOURCES AND OPERATIONAL PLANS, AND, THEREFORE, ENCOURAGES POTENTIAL INVESTORS TO REVIEW THE MWD OFFICIAL STATEMENT, THE DISTRICT CAN PROVIDE NO ASSURANCES AS TO THE ACCURACY, COMPLETENESS OR TIMELINESS OF THE INFORMATION SET FORTH ABOVE REGARDING MWD OR SUCH DISCLOSURE DOCUMENTS.

***Emergency Storage.*** The District has taken steps to increase its emergency water system reliability in the event of a disruption of service of imported water infrastructure. The District has established a target of providing at least 31 days and up to 60 days of annual average water supplies to its customers during both planned and unplanned service interruptions (and currently maintains approximately 43 days of water supply). As part of its efforts to achieve this goal, the District partnered with other South Orange County water agencies to construct a number of water supply reliability improvement projects. One such project, the Upper Chiquita Reservoir in Rancho Santa Margarita, was completed in 2011, and can store up to 266 million gallons of emergency water. The Baker Water Treatment Plant is another such project of the District. The Baker Water

Treatment Plant was completed in October 2016 and came online in January 2017. See “THE SYSTEMS – Treatment” for additional information regarding the Baker Water Treatment Plant.

The District has also worked with other water agencies in the area to build interconnections, so that alternative means of delivering water will be possible. See “– *Supply Augmentation*” below. See “RISK FACTORS – Threat to Water Supply.”

***Supply Augmentation.*** The District currently has an Emergency Service Agreement with the OCWD (the “**Emergency Service Agreement**”). In 2006, multiple South Orange County water agencies entered into a 25-year agreement with the OCWD to receive water during disruptions to imported water supply from the groundwater basin through the Irvine Ranch Water District system with subsequent conveyance into the distribution system serving South Orange County. The program was developed to deal with emergency water system outages or planned shutdown scenarios in which imported supplies normally delivered into South Orange County are curtailed, eliminated, or unavailable. The option is not designed to address droughts, but only to be used during emergency conditions when Metropolitan Water District facilities are disrupted due to seismic events, unplanned outages, or planned shutdowns.

The Emergency Service Agreement and subsequent operating agreement with the Irvine Ranch Water District allows up to 30 cfs to South Orange County water agencies during emergency events. As part of that operating agreement, the District can be supplied up to 16.5 cfs for 30 days from the Irvine Ranch Water District. The maximum incident volume the Irvine Ranch Water District will supply is 1,768 acre feet.

Under the Emergency Service Agreement, the Irvine Ranch Water District and the participating agencies jointly constructed various projects to transfer water to the Aufdenkamp Transmission Main and the Joint Transmission Main. Water delivered through the interconnection is MWD water or locally produced water exchanged for MWD water.

The initial term of the Emergency Service Agreement expires in 2032. No assurance can be provided that such expiration date will be extended in the future or the length of any such extension.

In 2025, the District updated its Long-Range Water Reliability Plan (“**LRWRP**”) and adopted a resolution setting forth goals to enhance potable water system and supply reliability. The goals included evaluating and developing reliability projects and demand management measures that will provide at least 31 days, and up to 60 days of supplies to meet customer demands in the event of planned or unplanned outages of imported water supplies. The policy considers evaluating cost effective emergency water supplies of up to 15 cfs; phasing in dry-year storage levels of up to 10,000 acre-feet; and evaluating direct potable reuse opportunities to develop up to 15 percent of local water supplies. Based on the LRWRP analysis, the District estimated an annual average of approximately 43 days of reliability under a 20% demand reduction scenario in the event of a major supply outage, with higher reliability in winter months and lower reliability in summer months due to seasonal demand variability and reduced emergency interconnection capacity. Currently, the risks of disruption to imported water supplies are partially mitigated by the Emergency Service Agreement. However, Irvine Ranch Water District’s ability to supply water

through the existing interconnection has diminished due to increased local demands from new developments.

The District is advancing the preliminary design of a new emergency interconnection with the City of Santa Ana and OCWD. This proposed interconnection will provide access to the Orange County groundwater basin during emergencies that could disrupt imported water supplies, with a proposed capacity of up to 10 to 14 cubic feet per second. The feasibility study for this project has been completed and project design and environmental review are being advanced. See “Reliance on Imported Water and Water Reliability Strategy – Partnership with Orange County Water District and the City of Santa Ana” below.

The proposed new interconnection with OCWD and the City of Santa Ana would enhance regional water supply resilience by reducing dependence on imported water during emergencies. The District is moving forward with preliminary design of the proposed interconnection, however, no assurance can be given that the proposed new interconnection for emergency service will be developed. The District is working closely with MWD, OCWD, the City of Santa Ana and agencies within the Orange County Groundwater Basin to advance the project and position it for potential future implementation.

Additionally, the District is advancing its water reuse programs through its proposed OASIS (Optimized, Adaptive, Sustainable, Integrated Supply) Water Resources Center that is intended to further increase local water reliability while providing environmental benefits to local creeks and beaches. The program includes implementing direct potable reuse to create a reliable, locally-sourced drinking water supply, as well as capturing stormwater within the Aliso Creek watershed to augment non-potable reuse. The OASIS Water Resources Center is currently in the planning stages.

Additional supply sourced from MWD may be purchased from MWDOC to fill any gaps between projected water demands and existing local supplies. MWD water can be purchased from MWDOC above a member agency’s allocation amount at the MWD full service volumetric water rate (either treated or untreated). However, MWD and MWDOC may implement water supply allocations due to a drought. During a water supply allocation, each member agency of MWDOC has a predetermined amount of water that may be purchased at the MWD full service volumetric water rate (either treated or untreated). An “allocation surcharge,” in addition to MWD’s standard rates for water service, is imposed on water purchased above a member’s allocation if the aggregate purchases by all members exceeds the aggregate allocation to all members. Each water supply allocation is written to address a specific drought event, with varying degrees of penalties and surcharges designed to reduce water use. During periods of extreme water supply shortages, MWD utilizes its water shortage contingency plan to allocate a specific reduced level of MWD supplies as determined by the MWD Board. If MWD member agencies, like MWDOC, need and purchase water above their allocation amount, allocation surcharges may be imposed. Allocation surcharges are only assessed to the extent that an MWD member agency’s total usage exceeds its total allocation. These allocation surcharges are not static and are subject to change in the future with each MWD water supply allocation and as the MWD’s water shortage contingency plan is implemented. The allocation surcharge rate from MWD is often considered to be the marginal cost

of imported water, since it reflects the costs for MWD in securing higher-cost water to meet demands in excess of its baseline demands, and thus is used to compare other local investments against. The allocation surcharge rate encourages the MWD member agencies (like MWDOC) and their customers (like the District) to maintain existing local supplies and develop cost-effective local supply resources and implement water efficiency and conservation programs.

***Reliance on Imported Water and Water Reliability Strategy.*** Given that Southern California receives most of its water supply from MWD, the District has and anticipates continuing to support significant investments to promote the conveyance of water from the Bay-Delta and the Colorado River. The District pays for the costs that MWD expends to import water from Northern California, whether or not it receives any. Therefore, the District's goal in reliability planning has not focused on being independent of imported water since the District is already obligated to pay for it, but instead focuses on identifying the best investments to complement imported water and support water reliability policies.

In particular, the District has invested over \$51 million in water system reliability projects over the past 15 years, which has improved the ability of the District to provide service in times of emergency. Together, these projects have increased water supply availability during emergency periods from 1.5 days to 43 days. The District's Board adopted a policy to reach at least 31 days and up to 60 days of reliability and is also engaged in evaluating and implementing a variety of future local water supply initiatives that are cost-effective, including the following:

- Expansion of the District's Recycled Water System. MNWD completed its Recycled Water Master Plan in June 2017 and the Recycled Water Optimization Study in July 2019. MNWD currently owns 1,000 acre feet of seasonal storage in Santa Margarita Water District's Upper Oso Reservoir. The District has completed approximately 174 acre feet per year in recycled water conversions and new construction since 2017. See "– Recycled Water System" for information regarding the District's existing recycled water system.
- Partnership with Orange County Water District and the City of Santa Ana. The District is actively working with the Orange County Water District and the City of Santa Ana to develop an Emergency Interconnection from the OCWD groundwater basin at the Santa Ana East Station where groundwater could be pumped to the District for emergency supplies. OCWD and the District commissioned a study of potential alternatives, which was completed in 2020 (OCWD Study). The study reviewed the water distribution systems of three cities that are adjacent to the East Orange County Feeder No. 2: the cities of Santa Ana, Orange, and Tustin. Through that analysis, five potential projects were identified as possible emergency interconnections. The Santa Ana East Station project has the potential to provide up to an estimated 14 cubic feet per second of emergency water supplies, while providing the City of Santa Ana with the ability to move additional well water into their system during normal operation. The District, OCWD and the City of Santa Ana signed a memorandum of understanding to review the feasibility and develop the design and environmental review for a new interconnection at the City's East Station Facility. During normal facility operation, treated water from the City's site would be pumped into the City's distribution system. When MWD water supply is

shut down and is unavailable to the District, treated water will be conveyed to East Orange County Feeder No. 2 via the interconnection for District usage. The feasibility study for this project has been completed and project design and environmental review are currently in progress.

- OASIS Water Resource Center. The State adopted regulations for direct potable reuse in December of 2023 that became effective in October 2024. The District has aggressively pursued the expansion of its recycled water system. However, after the remaining irrigation water demand is converted, the District believes the most cost-effective utilization of the remaining wastewater would be through direct potable reuse. The District has initiated planning studies for its OASIS Water Resources Center to explore the implementation of direct potable reuse and stormwater capture. Successful implementation would provide approximately 3,300 acre feet per year of new, local potable water and potentially up to 500 acre feet per year of new non-potable water supply. The District is currently on the WateReuse leadership team in California and active in potable reuse research through both WateReuse and the Water Research Foundation, while also working with leading agencies throughout the State, such the Los Angeles Department of Water and Power, and regional regulators to advance its OASIS Water Resource Center. See “– Recycled Water System” for information regarding the District’s existing recycled water system.

## **Drought and Response**

***State Orders.*** California periodically experiences droughts prompting state and local responses. For example, the water years 2020 through 2022 combined ranked as the three driest years in California’s statewide precipitation record. (A water year begins on October 1 and ends on the following September 30.) Beginning in April 2021, the Governor issued a series of drought emergency proclamations affecting various counties throughout the State, culminating in an October 19, 2021 proclamation declaring a drought state of emergency to be in effect statewide and directing all local water suppliers to implement water shortage contingency plans at a level appropriate to local conditions. On May 24, 2023, Governor Newsom issued an executive order easing water restrictions that were no longer necessary following a series of storms that ended the drought.

In 2018, responding to earlier drought periods, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the State of California Water Resources Control Board to adopt long-term standards for the following: (i) indoor residential water use; (ii) outdoor residential water use; (iii) commercial, industrial and institutional water use for landscape irrigation; and (iv) water loss. The indoor water use standard has been defined as 55 gallons per person per day (“GPCD”) until January 2025; the standard will decrease over time to 50 GPCD in January 2030. Standards for outdoor residential water use and commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

The District is unable to predict the effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation. However, the District believes that it will be able to meet the 55 GPCD standard for indoor water use, along with annual State-mandated water use efficiency standards, based on an analysis performed in conjunction with California Data Collaborative that determined average customer indoor water usage was in the range of 46 GPCD in addition to ongoing efforts to encourage conservation, as described below under the subcaption “– *District Responses to Drought.*”

In August 2021, the federal government declared a water shortage at Lake Mead, which is a major storage reservoir on the Colorado River. As discussed under the caption “– Water System – *Potable Water Source*” and “– Sources of Water – *MWD*,” Colorado River supplies are among the water sources for MWD, which provides water to the District’s water wholesaler, MWDOC. The water shortage declaration triggered cuts in water allocations for water users in Arizona and Nevada, although not for MWD or other users in California. However, MWD declared a water supply alert signaling an urgent need through the region to do more to reduce water use and asked water agencies to look within their respective water shortage contingency plans to implement appropriate local action to achieve conservation through those drought conditions. There can be no assurance that subsequent declarations will not extend to MWD in future years.

***District Responses to Drought.*** On August 15, 2014, the District submitted an alternate plan in response to emergency drought regulations of the State Water Resources Control Board, which was approved by State Water Resources Control Board. The District was one of only two water agencies in the State recognized by the State Water Resources Control Board for having an effective rate structure and progressive conservation program, which they considered “superior” to the restricted outdoor watering mandates imposed by the State.

On February 19, 2015, the District adopted Ordinance 15-01 prescribing water conservation rules and regulations. The Ordinance set forth management standards for conservation and District responses to water shortages. In addition, the District’s water budget-based rate structure is designed and intended to be a water demand management tool and to proportionately recover the costs of providing water service in the District. The District believes that its efforts in managing its water supply are best achieved through its water-based rate structure and the calculated water budgets provided to the District’s customers.

In anticipation of the continuation of drought conditions, the District adopted its Water Shortage Contingency Plan and established various water use efficiency programs. As part of the Water Shortage Contingency Plan, beginning June 1, 2015, the District’s customers were asked to remain in allotted water use budgets, and beginning July 1, 2015 were charged penalties for exceeding their allotted budgets. In addition, the District-established water rate mechanisms that among other things were intended to maintain revenues despite decreased water usage or increased wholesale water costs, including increases in the monthly service charge, volumetric charge and water pass through adjustment. See “– Water Rates.”

Understanding the need to establish permanent, long-term water use efficiency, the District first implemented an innovative water budget-based rate structure in 2011, which encourages

conservation by providing customers with calculated water budgets based on efficient indoor and outdoor usage. See “– Water Rates.”

The District has taken a number of additional steps to reduce water demands in its service area. In particular, the District has developed additional water efficiency programs based on University of California, Riverside research, customer feedback, and the long-term efficiency framework. Such programs include the District’s Direct Install Smart Timer Program, and the NatureScape direct install turf removal program, each of which offer financial incentives or rebates to customers to replace timers or install native landscapes.

The District has also refined its rate structure. In particular, in Fiscal Year 2016-17, the District amended the existing Water and Wastewater Capacity Charges to include Demand Offset Fees, consistent with California Government Code Section 66000 et. seq., to fund as-yet unknown, future water reliability and water use efficiency projects, programs, and capital improvement projects, in order to offset additional potable outdoor demand from new development that would otherwise impact existing supply reliability. Consistent with the rationale used to establish the District’s Water Efficiency Fund, revenues from Demand Offset Fees are received and maintained in such fund as the fees are intended to offset the impact of incremental increases in potable water demands associated with new demands.

Additional steps taken by the District include its advanced metering infrastructure program. Automated meters installed at customer locations help the District proactively detect water leaks, improve operations, and allow customers to monitor their water usage. The District expects to conserve nearly 500 million gallons of water every year as a result of the program.

The District’s volumetric charges and pass through adjustments have been set by the District so as to only recover the marginal cost of water purchases. The marginal cost based price structure for its volumetric rates mitigate the financial impacts of fluctuations in water demand. See “ – Water Rates” and “ - Demand and Usage” below.

***2026 Water Shortage Contingency Plan.*** The District last updated its Water Shortage Contingency Plan (the “**2026 WSCP**”) in June 2026. The 2026 WSCP and its related implementation Ordinance establish a mechanism by which the Board of Directors may implement varying stages of restrictions on water usage resulting from conditions under which normal water usage levels cannot be met. This is achieved by assessing volumetric conservation penalties for specific volumes of water use relative to water budgets to respond to varying levels of water supply conditions. Using the conservation penalties in addition to the District’s Water Budget Based Rate Structure empowers customers to personalize decisions on how best to use their individualized water budget. Specifically, the District has established six standard water shortage levels corresponding to progressive ranges of up to 10, 20, 30, 40 and 50 percent shortages and greater than 50 percent. To determine the additional specific actions that should be taken at each level, the District will evaluate conditions specific to the timing, supply availability, and cost, along with other pertinent variables at the time a water shortage stage is implemented.

Though the conservation penalties are assessed by the District on a volumetric basis, such penalties are not considered water rates.

## Water User Composition

The following table sets forth the number of metered accounts and metered water deliveries for the last five Fiscal Years.

**Table 5**  
**MOULTON NIGUEL WATER DISTRICT**  
**Metered Accounts and Water Deliveries**  
**Fiscal Years 2020-21 through 2024-25**

<u>Fiscal Year ended June 30</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Metered Accounts					
Residential:	47,341	47,333	47,334	47,336	47,337
Commercial:	5,075	5,073	5,080	5,085	5,106
Irrigation:	1,291	1,295	1,288	1,283	1,282
Recycled:	1,393	1,394	1,400	1,401	1,405
Hydrant:	42	44	42	41	46
Total Metered Accounts:	55,142	55,139	55,144	55,146	55,176
Metered Water Deliveries (ccf)					
Residential:	7,590,317	7,562,287	6,521,725	6,408,665	7,073,743
Commercial:	945,677	949,379	913,147	889,901	950,816
Irrigation:	1,460,123	1,457,851	1,042,061	942,772	1,240,990
Recycled:	2,710,080	2,965,112	2,134,344	1,727,501	2,468,085
Hydrant:	8,136	5,997	3,402	2,784	2,840
Total Metered Water Deliveries:	12,714,333	12,940,626	10,614,679	9,971,623	11,736,474
Average Daily Water Consumption in Gallons/Metered Account:	473	481	395	371	436

Source: Moulton Niguel Water District.

## Major Water Users

The 10 largest potable water users in Fiscal Year 2024-25 accounted for 4.35% of the District's annual potable water sales. The table below shows the top 10 potable water users and their annual sales.

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**Table 6**  
**MOULTON NIGUEL WATER DISTRICT**  
**Ten Largest Users of Potable Water**  
**Fiscal Year 2024-25**

<u>Customer</u>	<u>Type of Property</u>	<u>Total Water</u> <u>Sales</u>	<u>% of Total</u> <u>Water</u> <u>Sales</u>
Niguel Villas	Multi-Family Residential	\$ 237,377	0.59 %
Bre Properties	Multi Family Residential	231,605	0.58
Soka University	Private University	187,610	0.47
St. Moritz Lessee #1 LLC	Multi Family Residential	177,137	0.44
Hidden Hills Apartments	Multi Family Residential	166,342	0.42
Barcelona Resorts LP	Multi Family Residential	155,186	0.39
City of Laguna Niguel	City	150,217	0.38
Idyllwillow LP	Multi Family Residential	148,596	0.37
City of Mission Viejo	City	144,148	0.36
Mission Hospital Regional Medical Center	Medical Facility	141,149	0.35
<b>Total Water Sales for FY 2024-25</b>		<b>\$ 1,739,367</b>	<b>4.35 %</b>
		<b>\$ 40,036,891</b>	

(1) Multi-family residential units are billed to single property management companies but treated as individual occupant units.  
Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

### **Projected Water Demand**

The District believes the service area is largely built-out and, as a result, it does not anticipate significant increases in demand. The District updates its Urban Water Management Plan, as required by the State, every 5 years to determine if adequate supplies are available to meet projected demands. The District last updated its Urban Water Management Plan in June 2026. It includes a detailed review of system water use, a review of land use in cities within the District’s service area, anticipated water supplies, and related considerations, including system losses. Based on the latest Urban Water Management Plan, the District believes that it has adequate supplies available to meet projected demands through 2045, even with a potential increase in dry year demands.

### **Water Rates**

**Current Water Rates.** On December 11, 2025, the Board of Directors adopted Resolution 25-10, continuing a Water Budget-Based Rate Structure (the “**2025 Rate Resolution**”). A water-budget based rate structure is seen as an equitable way to share limited water supplies because it prices water based on an efficient level of water use and the customer’s desired level of aggregate consumption.

Adoption of a revised rate structure requires compliance with the notice and public hearing requirements of Article XIII D of the California Constitution. See “RISK FACTORS – Articles XIII C and XIII D of the California Constitution.” See also “APPENDIX G – CURRENT WATER RATES” and “APPENDIX I – ADOPTED WATER AND WASTEWATER RATES RESOLUTION.”

The District's current rate structure for water service fees has six customer classes: single-family, multi-family residential, commercial, potable irrigation, recycled irrigation, and fire protection. The rate structure is comprised of two components: (1) a fixed monthly service charge; and (2) a variable volumetric water consumption charge (the "**Volumetric Charge**"), except for private fire protection accounts which are not charged for water used for the purpose of fire suppression.

Residential Customers. Residential customers' water budgets are calculated to meet the efficient demands of indoor domestic use as well as outdoor irrigation, and vary month to month based on localized weather data. More specifically, the indoor water budget is calculated based on three variable factors: (i) 55 gallons of water per person, per day (the amount of water a person uses each day indoors); (ii) the number of people in the household; and (iii) the number of days in the billing cycle.

The outdoor budget is based on three different variable factors: (i) the amount of irrigable acreage per parcel; (ii) actual daily plant water loss ("evapotranspiration"); (iii) a landscape factor of 0.70 reflecting the water needs of native plants.

Commercial Customers. Commercial water budgets are calculated using a three-year rolling average of each commercial customer's monthly use (e.g., February 2026, February 2025, and February 2024). For commercial customers with less than 3-years of data, the water budgets are calculated as follows: (a) for the first year, the customer's budget is equal to water used; and (b) for the 2nd year, it is an average of current and the previous year's usage in that month (e.g., February 2026 and February 2025).

Potable Irrigation Customers. Potable irrigation water customers only have an outdoor water budget. Their water budgets are calculated based on three factors: (i) the amount of irrigable area per parcel; (ii) evapotranspiration; and (iii) landscape factor of 0.70, except for high foot traffic public space areas that have a landscape factor of 1.0.

Recycled Irrigation Customers. Recycled irrigation water customers only have an outdoor water budget. Their water budgets are calculated based on three factors: (i) the amount of irrigable area per parcel; (ii) evapotranspiration; and (iii) landscape factor of 0.80, except for high foot traffic public space areas that have a landscaping factor of 1.0.

MWDOC Pass Through Adjustments. The District anticipates that MWDOC will increase the rates of wholesale water that it sells and delivers to the District and may impose other charges on the District related to its wholesale water service. In developing its rates as set forth in the 2025 Rate Resolution, the District included projected increases in these costs as part of its long-range financial plan. To ensure that there are sufficient revenues to provide water services to customers, the District may annually pass through to customers any increases in the rates for wholesale water and any other charges that MWDOC imposes on the District that are greater than those projected in the District's long-range financial plan (each a "**MWDOC Pass Through Adjustment**").

In particular, under the 2025 Rate Resolution, the District is authorized to annually implement any MWDOC Pass Through Adjustment commencing January 1, 2026, through and including, the calendar year commencing January 1, 2030; provided, however, that: (1) any

increase in the rates for water service fees as a result of any MWDOC Pass Through Adjustment shall not exceed 20% per calendar year; (2) any MWDOC Pass Through Adjustment shall only affect the rates for the potable water Volumetric Charge set forth in the 2025 Rate Resolution; and (2) in no event shall such rates be increased as a result of a MWDOC Pass Through Adjustment by more than the cost of providing water service.

An MWDOC Pass Through Adjustment under a previous rate resolution was implemented from January through December of 2025 in response to MWDOC rate increases.

The District's Volumetric Charges and MWDOC Pass Through Adjustment have been set by the District so as to only recover the marginal cost of water purchases. Accordingly, as water sales decrease, so do the District's water purchases. This structure is intended to maintain net revenues despite decreased water usage. See also "APPENDIX G – CURRENT WATER RATES" and "APPENDIX I – ADOPTED WATER AND WASTEWATER RATES RESOLUTION."

**Rate Study.** District staff does not expect to develop a new rate study before December 2028.

The projected operating results which are set forth under the caption "HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE – Projected Debt Service Coverage" reflect Water System rates as described in 2025 Rate Resolution for the period through December 31, 2029 and assume 8.75% annual increases for the respective periods thereafter. The Board has adopted rates and charges for the periods set forth in the 2025 Rate Resolution. There can be no assurance that the District's rates and charges for its water services will be increased as projected herein. In the event that the Board does not adopt rate increases as currently assumed, the District's operating results could be materially different from the projections in this Official Statement.

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## Comparative Water Rates

Set forth in the following table is a comparison of the current water charges imposed by the District and water rates of neighboring agencies.

**Table 7**  
**MOULTON NIGUEL WATER DISTRICT**  
**Comparative Monthly Water Charges**  
**As of November 7, 2024**

<u>Water District</u>	<u>Water Charges</u>
Mesa Water District	\$136.43
South Coast Water District	123.05
City of San Juan Capistrano	120.45
Trabuco Canyon Water District	109.47
Laguna Beach County Water District	104.34
El Toro Water District	83.03
City of San Clemente	78.51
Santa Margarita Water District	70.99
<b>Moulton Niguel Water District</b>	<b>43.29</b>

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(1) Charges based on single-family residences using 12 ccf of water per month. The monthly meter charge is for the ¾" size meter of each agency or city.  
Source: Moulton Niguel Water District.

## Wastewater System

**General.** The District collects and conveys wastewater via a network of gravity lines, lift stations, and force mains throughout its service area. Wastewater is primarily residential in nature. There is very little contribution from commercial and industrial activities as the District's service area is primarily residential. The District currently owns capacity of 21 mgd in three local wastewater treatment plants and is utilizing approximately 10.5 mgd, or 50% of its total capacity. The District maintains approximately 500 miles of wastewater pipelines ranging in size from 8 inches to 33 inches. The Wastewater System also has 17 lift stations that pump wastewater over the ridgelines to the following three treatment plants for treatment and disposal or recycling: the Plant 3A, Regional Treatment Plant, and the J.B. Latham Treatment Plant.

**Treatment Plants.** Plant 3A is a conventional activated sludge treatment facility located in the City of Mission Viejo with a capacity of 6 mgd and treats wastewater received from the District. The District's wastewater flows average approximately 1.68 mgd. Effluent is treated to secondary levels for disposal through the ocean outfall, or to tertiary levels for beneficial reuse as recycled water. Recycled water is treated to Title 22 standards and used to irrigate parks and other landscaped areas. The District's average recycled water production is 1.0 mgd. Secondary effluent is conveyed to the San Juan Creek Ocean Outfall via the 3A Effluent Transmission Main, which is jointly owned by the District and the Santa Margarita Water District. The District's average annual ocean discharge to the San Juan Creek Ocean Outfall is 0.6 mgd.

The District owns and operates Plant 3A and owns 100% of both the wastewater treatment capacity and the recycled water treatment capacity. Prior to December 2024, the wastewater treatment capacity was shared under an agreement with the Santa Margarita Water District (with the District retaining 72% of that capacity). The District and the Santa Margarita Water District jointly own the 3A Effluent Transmission Main.

In December 2024, the District acquired from SOCWA ownership of, and 100% of the capacity rights for treatment at, the Regional Treatment Plant. The District contracted with the South Coast Water District, the Emerald Bay Service District, the City of Laguna Beach and the El Toro Water District to process solids at the plant through December 2034. Each party receiving services at the facility can terminate its contracted services prior to December 2034 with one year notice. Each party has a right to renew contracted services for successive one-year terms beginning in December 2034. Under the contracts, the other parties receiving services pay a portion of the capital and operating costs of the facility. All of the plants liquid treatment capacity and approximately 60% of the solids treatment capacity remains available to the District after delivery of such contracted services. Prior to December 2024, SOCWA owned and operated the treatment plant and the District had equivalent capacity rights. In addition to taking over ownership, the District also took over operation of the Regional Treatment Plant in December 2024.

The Regional Treatment Plant in Laguna Niguel has a 12 mgd liquid wastewater capacity and 20 mgd solid waste handling capacity. The average capacity used is 7.7 mgd. The Regional Treatment Plant treats wastewater from the District's service area to secondary levels for disposal through the ocean outfall, or to tertiary levels for beneficial reuse as recycled water. Recycled water is treated to Title 22 standards and is used to irrigate parks and other landscaped areas. Recycled water production is up to 7.7 mgd. Secondary effluent is conveyed to the Aliso Creek Ocean Outfall via the SOCWA Effluent Transmission Main. Approximately 90% of the power needs are produced on-site from the beneficial reuse of methane gas that is a byproduct of the treatment process.

The J.B. Latham Treatment Plant located in the City of Dana Point has a 13 mgd capacity and treats wastewater from the District, Santa Margarita Water District, and South Coast Water District to secondary effluent standards. The recent average capacity used is approximately 6 mgd. The District's annual average flows are approximately 1.4 mgd. The secondary effluent is conveyed directly to the San Juan Creek Outfall as the plant does not have tertiary treatment.

SOCWA owns and operates the J.B. Latham Treatment Plant for the benefit of the South Coast Water District and the Santa Margarita Water District. The District receives treatment services at the plant under a December 2024 contract with the South Coast Water District. Under that contract, the District receives an allocation of 23% of the plant's liquid treatment capacity and 22% of the plant's solids treatment capacity. Under the contract, the District pays a portion of the capital and operating costs of the facility. The term of the contract is scheduled to end in December 2029, subject to annual renewal rights of the District. Prior to December 2024, the District owned 23% of the liquid treatment capacity and 22% of the solids treatment capacity at the plant. Those primary capacity rights were transferred by the District to the South Coast Water District. But, as described above, the District retains equivalent allocations under the foregoing contract with the South Coast Water District.

Prior to December 2024, the District also owned a portion of the treatment capacity in the Coastal Treatment Plant located in Aliso Canyon, Laguna Niguel. The District had not used such capacity in recent years. In December 2024, the District transferred away its right to capacity in the Coastal Treatment Plant and did not retain any contract rights to treatment at that plant.

The District, along with others in SOCWA’s service area, utilizes two ocean outfalls. The treated effluent from wastewater treatment plants within south Orange County that is not utilized for recycling is conveyed to two gravity flow ocean outfalls operated by SOCWA: the Aliso Creek Ocean Outfall and San Juan Creek Ocean Outfall. The Aliso Creek outfall has a capacity of 50.0 mgd and extends 1.5 miles offshore near Aliso Beach in the City of Laguna Beach. The current average outfall use is approximately 9.0 mgd. The San Juan Creek outfall has a capacity of 80.0 mgd and extends 2.0 miles offshore near Doheny Beach in the City of Dana Point. The current average outfall use is approximately 10.0 mgd. As part of the District’s withdrawal from SOCWA in December 2024, the District retained its right to use the two ocean outfalls per service contracts with SOCWA member agencies.

The increased operating expenses from the acquisition of the Regional Treatment Plant in December 2024 as described above are offset in large part by the increased revenue from the contracting parties benefiting from such acquired facilities.

**Wastewater Flow.** The following table sets forth the volume of wastewater collected by the District in the preceding five Fiscal Years.

**Table 8**  
**MOULTON NIGUEL WATER DISTRICT**  
**Annual Wastewater Flow**  
**Fiscal Years 2020-21 through 2024-25**

<u>Fiscal Year</u>	<u>Total Wastewater Flow</u> <u>(mg/Year)</u>	<u>Million Gallons per Day</u> <u>(mgd)</u>
2020-21	3,869	10.6
2021-22	3,747	10.3
2022-23	3,934	10.8
2023-24	3,858	10.5
2024-25	3,731	10.2

Source: Moulton Niguel Water District.

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## Wastewater User Composition

The table below sets forth the number of customer accounts and wastewater revenues for residential and commercial customers for the last five Fiscal Years.

**Table 9**  
**MOULTON NIGUEL WATER DISTRICT**  
**Customer Accounts and Wastewater Revenues**  
**Fiscal Years 2020-21 through 2024-25**

<b>Fiscal Year, Ending</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Residential:	46,871	46,849	46,912	46,914	46,915
Commercial <sup>(1)</sup> :	3,805	3,809	4,059	4,060	4,085
Total Accounts:	50,676	50,658	50,971	50,974	51,000
Wastewater Service					
Residential:	\$19,079,104	\$19,755,735	\$21,541,202	\$22,539,104	\$23,648,491
Commercial <sup>(1)</sup> :	8,953,939	9,233,481	9,323,181	10,016,298	10,267,763
Total Revenues <sup>(2)</sup> :	\$28,033,043	\$28,989,216	\$30,864,383	\$32,555,402	\$33,916,254

- (1) Multi-family residential units are billed to a single property management company but treated as individual occupant units.  
(2) Total wastewater service revenues shown above include receipts by the District for wastewater services provided by the South Coast Water District to the Laguna Sur, Monarch Point, and Seaview Summit communities. The District provides water service in such communities, but collects both water and wastewater charges. Wastewater service receipts are then remitted by the District to South Coast Water District. See Table 10 and 18 for wastewater service revenues of the District that exclude collections for wastewater services provided by the South Coast Water District in such communities. See “ – Wastewater Rates – Current Wastewater Rates” below.  
Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

## Major Wastewater Users

The 10 largest wastewater users in Fiscal Year 2024-25 accounted for approximately 5.31% of the annual wastewater revenues. The table below shows the top 10 wastewater users and the annual revenues generated by each user.

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**Table 10**  
**MOULTON NIGUEL WATER DISTRICT**  
**Ten Largest Users of Wastewater Service**  
**Fiscal Year 2024-25**

<b>Customer</b>	<b>Type of Property</b>	<b>Total Wastewater Revenues</b>	<b>% of Total Wastewater Sales</b>
St Moritz Lessee #1 LLC	Multi-Family Residential	\$330,340	0.97%
Barcelona Resorts LP	Multi-Family Residential	239,173	0.71
Heather Ridge Condo Assoc	Multi-Family Residential	175,237	0.52
Laguna Gardens Apartments	Multi-Family Residential	168,464	0.50
Aliso Creek – Sares	Multi-Family Residential	160,306	0.47
Bre Properties	Multi-Family Residential	154,946	0.46
Shea Properties/City Lights	Multi-Family Residential	150,663	0.44
ERP Operating LP LN	Multi-Family Residential	150,597	0.44
Aliso Meadows Condo Assoc	Multi-Family Residential	135,475	0.40
Alize at Aliso Viejo	Multi-Family Residential	134,410	0.40
<b>Total Top 10</b>		<b>\$ 1,799,611</b>	<b>5.31%</b>

**Total Wastewater Sales for FY 2024-25**

**\$ 33,916,254**

Source: Moulton Niguel Water District. Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

### **Wastewater Rates**

**Current Wastewater Rates.** The District’s wastewater rate structure consists of three customer classes: single-family residential, multi-family residential, and commercial. Within the commercial customer class there are 4 subclasses of customers. The subclasses are classified based on the type of commercial activity and the constituents that they discharge into the wastewater system. Customers pay a basic service charge. Since the wastewater costs are primarily fixed and due to infrastructure maintenance and replacement, commercial customer wastewater charges consist of a fixed monthly charge determined on the basis of the size of the meter serving a property. Single-family and multi-family residential wastewater rates consist of a fixed monthly charge based on the size of meter and a charge based on the number of people in the household.

The District’s current wastewater rates were adopted pursuant to the 2025 Rate Resolution so that all revenue is collected via a fixed monthly service charge in order to recover all wastewater costs as fixed revenue based on customer type, the household population for residential customers and meter size.

The District believes the revised rate structure complies with the notice and public hearing requirements of Article XIID of the California Constitution. See “RISK FACTORS – Articles XIIC and XIID of the California Constitution.” See also “APPENDIX H – CURRENT WASTEWATER RATES” and “APPENDIX I – ADOPTED WATER AND WASTEWATER RATES RESOLUTION.”

Wastewater rates may be revised soon for approximately 400 parcels in the Laguna Sur, Monarch Point, and Seaview Summit communities. Pursuant to Orange County Local Agency Formation Commission Reorganization RO96-05, those communities were detached from the South Coast Water District and annexed to the District, subject to the terms and conditions approved by for Reorganization RO96-05. In those communities, the District provides water service directly. However, due to geographic and operational reasons, the terms and conditions of Reorganization RO96-05 require that the South Coast Water District continue to provide for sewage collection, conveyance, treatment and disposal services to those three communities, and annually furnish the District with the South Coast Water District’s authorized sewer service charges (“Reorganization Sewer Service Charges”) in sufficient time for the District to arrange for the continued collection of such charges on the tax roll. The District collects charges for both water and wastewater services, but remits wastewater service collections to the South Coast Water District. The District is currently engaged in a separate wastewater rate review process for those three communities. The South Coast Water District has advised the District that, effective July 1, 2026, it will increase the rates it charges for its sewer services. The rate increases will be implemented over three years. The District is considering a rate increase in those communities to ensure that the District recovers all of the related costs of providing sewer services that are imposed on the District by the South Coast Water District over that three-year period. A public hearing related to the wastewater rate changes required under state law is scheduled to be held on June 11, 2026.

**Rate Study.** District staff does not expect to develop a new rate study before December 2028.

The projected operating results which are set forth under the caption “HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE – Projected Debt Service Coverage” assume Wastewater System rate increases as described in 2025 Rate Resolution for the period through December 31, 2029, and assume an average of 10.7% of annual increases for the respective periods thereafter. The Board has adopted rates and charges for the periods set forth in the 2025 Rate Resolution. There can be no assurance that the District’s rates and charges for its wastewater services will be increased as projected herein. In the event that the Board does not adopt rate increases as currently assumed, the District’s operating results could be materially different from the projections in this Official Statement.

**Comparative Wastewater Rates**

Set forth in the following table is a comparison of the current wastewater charges imposed by the District and wastewater charges of neighboring agencies.

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**Table 11**  
**MOULTON NIGUEL WATER DISTRICT**  
**Comparative Monthly Wastewater Charges**  
**As of November 7, 2024**

<u>Water District</u>	<u>Wastewater Charges</u>
South Coast Water District	\$86.20
City of Laguna Beach	80.42
Trabuco Canyon Water District	53.27
City of San Juan Capistrano	52.67
El Toro Water District	51.89
Santa Margarita Water District	47.98
<b>Moulton Niguel Water District</b>	<b>46.55</b>
City of San Clemente	44.36

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(1) Charges based on single-family residences using 12 ccf of water per month and the smallest meter connection size.

Source: Moulton Niguel Water District.

### **Recycled Water System**

In 1974, the District became one of the first water providers in the County to deliver recycled water for irrigation use. Recycled water for non-potable use is delivered to customers in a separate distribution system of “purple pipes,” which are required to keep recycled water separate from drinking water pipelines. The District produces approximately 20% of its supply by reusing treated water that would normally be discharged to the ocean. Treated water is reused for irrigation and other non-potable or non-drinking uses.

The District’s recycled water system currently consists of two advanced water treatment plants to treat wastewater and supply recycled water for landscaping, as well as approximately 140 miles of recycled water distribution pipelines with five pre-stressed concrete and six steel storage reservoirs to service the recycled water system.

In 1984, the District constructed a 0.6 mgd Advanced Wastewater Treatment Plant (“AWT”) at the Regional Treatment Plant. This tertiary treatment facility produced water for irrigating the El Niguel Country Club in Laguna Niguel and produced approximately 350 acre feet per year for the Country Club. In 1989, the AWT Plant was expanded from 0.6 to 2.4 mgd of tertiary treatment capacity to expand service from the El Niguel Country Club to Crown Valley Community Park, Laguna Niguel Regional Park, and several greenbelt areas within the City of Laguna Niguel.

In 1996, the District constructed a second AWT Plant at the Regional Treatment Plant with a capacity of 9 mgd along with an underground reclaimed water storage tank. The original 2.4 mgd plant ceased operation around that time.

In 1991, the District constructed a 2.4 mgd AWT facility at Plant 3A to provide recycled water for irrigation use. The District has expanded its reclaimed water supply capacity to provide maximum month demands for its reclaimed water distribution system. This system serves two separate hydrologic areas (“HA”) Laguna HA 1.1 (including the Laguna Niguel, Aliso Viejo, and Dana Point hydrologic sub-areas), and Mission Viejo HA 1.2. The system serves reclaimed water from Plant 3A and the Regional Treatment Plant.

The District’s AWT plants have a collective capacity of 11.4 mgd and serve landscaped areas in the cities of Laguna Niguel, Mission Viejo, Dana Point, Laguna Hills, Aliso Viejo and San Juan Capistrano.

In addition, the District has 1,000 acre feet of storage capacity in Santa Margarita Water District’s Upper Oso Reservoir, located in Mission Viejo. The District has 18.7 million gallons (“mg”) of storage capacity within other storage reservoirs. The District operates 10 recycled water pump stations, along with 13 recycled water pressure-reducing stations.

In addition to its own recycled water supplies, the District has an agreement with the South Coast Water District to provide up to an additional 1,000 acre feet of recycled water per year to the District. The District can receive the recycled water from South Coast Water District at a rate of up to 1.4 mgd.

In June 2017, the RWMP identified approximately 1,700 acre feet per year of “potential” cost-effective conversions. In July 2019, the District completed a Recycled Water Optimization Study to further refine and prioritize the potential recycled water conversions. From this study, approximately 1,100 acre feet per year of cost-effective ultimate-scenario conversions were recommended for phased implementation in conjunction with the completion of specifically identified capital improvement projects. The District has completed approximately 174 acre feet per year in recycled water conversions and new construction since 2017 and currently plans to continue with a limited number of strategic conversions (i.e. 100 acre feet per year +/-) over the next several years. Further conversions would require a significant transmission main upsizing project. The planned conversions may change with increased direct potable reuse. See “ - Sources of Water - Reliance on Imported Water and Water Reliability Strategy -Exploring Direct Potable Reuse Water Supply” herein.

A salinity management system project is currently in construction at the AWT. The project is expected to reduce the total dissolved solids and manganese within the produced recycled water and help to meet regulatory requirements into the future. This project and certain other improvements identified in the District’s Recycled Water Master Plan have been included in the District’s current 10-year Capital Improvement Plan, including improvements to the District’s recycled water pump stations. See “Capital Improvement Program – Capital Improvement Plan.”

### **Recycled Water Deliveries and User Composition**

See “– Water User Composition” above for information about recycled water deliveries and customer composition for the last five Fiscal Years.

## Major Recycled Water Users

The 10 largest recycled water users accounted for 42.73% of the annual recycled water consumption in Fiscal Year 2024-25. The table below shows the top ten recycled water users and their annual recycled water usage.

**Table 12**  
**MOULTON NIGUEL WATER DISTRICT**  
**10 Largest Users of Recycled Water**  
**Fiscal Year 2024-25**

<u>Customer</u>	<u>Type of Property</u>	<u>Total Recycled Water Sales</u>	<u>% of Total Sales</u>
Aliso Viejo Comm Assn	Parks, Slopes, Medians	\$722,992	11.81%
City of Laguna Niguel	Parks, Slopes, Medians	356,254	5.82
City of Mission Viejo	Parks, Slopes, Medians	267,408	4.37
Mission Viejo Country Club	Golf Course	256,972	4.20
City of Laguna Hills	Parks, Slopes, Medians	241,366	3.94
El Niguel Country Club	Golf Course	222,404	3.63
Aliso Viejo Club Owner LLC	Golf Course	177,861	2.91
Marina Hills PCA	Landscape	153,757	2.51
Beacon Hill Planned Comm	Landscape	109,273	1.78
Soka University of America	Private University	107,543	1.76
<b>Top 10 Total:</b>		<b>\$ 2,615,830</b>	<b>42.73%</b>
<b>Total Recycled Water Sales for Fiscal Year 2024-25</b>		<b>\$ 6,122,280</b>	

Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

## Billing and Collection Procedures

The District combines water and wastewater charges on a monthly bill for residential customers. Recycled water and construction water (representing a minor source of revenue) are also billed on a monthly basis. Bills for water service are due and payable on the date stated on the bill. Any bills not paid within such period are considered delinquent. A delinquent message and \$15 late fee is included on the following month's bill if the previous balance remains unpaid. Approximately 12.8% of the District customers receive the delinquent message due to unpaid balances; however, many of these notices are for first-time or infrequent delinquencies and only 0.1% ultimately result in write offs of unpaid debt. If a bill is delinquent for at least 60 days, the District may discontinue water service to the service address. The District will provide a mailed notice to the customer of record at least 15 days before discontinuation of water service. Additionally, if the District furnishes water through a master meter, the District furnishes individually metered service to a single-family dwelling, or if the customer of record's mailing address is not the same as the service address, the District will also send a notice to the occupants living at the service address at least 10 days before discontinuation of water service informing the residential occupants that they have the right to become customers of the District without being required to pay the amount due on the delinquent account. If the District is unable to make personal

contact with the customer or an adult person living at the service address in person or by telephone, at least 7 days before discontinuation of water service, the District will make a good faith effort to leave a notice of imminent discontinuation of service and a copy of the District’s policy on discontinuation of service for non-payment in a conspicuous place at the service address at least 48 hours before discontinuation of service. If service is disconnected it will be reconnected upon payment of the delinquent bill or agreed upon payment plan amount as well as a reconnection fee of \$35 and an additional \$50 if the reconnection is after 5:00 p.m.

Closed accounts are given 28 days to pay in full. If a closed account remains unpaid, a delinquent closing bill is mailed. Sixty days from the original closing bill date a closed account may be transferred into the collection process. The District’s actual uncollectibles have amounted to approximately 0.09% per fiscal year of the District’s total revenues (or approximately \$62,500 per year) over the last five years.

As of April 1, 2026, less than 2.5% of the District’s customers are delinquent in the payment of their bills, which is slightly lower than the three-year average. As of April 1, 2026, bills totaling approximately \$443,328 were delinquent for the 20-month period commencing August 1, 2024 through March 31, 2026. Historically, most customers pay their bills in full, including late charges, prior to shutoff. For fiscal year ended, June 30, 2025, approximately \$76,365 in delinquent bills were written off. To date, such delinquencies have not adversely affected the District’s ability to pay debt service on its outstanding debt obligations.

**Table 13**  
**MOULTON NIGUEL WATER DISTRICT**  
**Historical Billings, Collections and Delinquencies**  
**Fiscal Years 2015-16 through 2024-25**

<b>Fiscal Year</b>	<b>Balance Beginning FY</b>	<b>Billings</b>	<b>Payments</b>	<b>Balance Ending FY</b>	<b>Write-off</b>	<b>% of Billing</b>
2015-16	\$4,486,337	\$53,993,901	\$53,935,343	\$4,424,073	\$120,822	0.22%
2016-17	4,424,073	57,576,647	57,337,280	4,604,674	58,766	0.10
2017-18	4,604,674	60,771,136	60,539,107	4,765,549	71,154	0.12
2018-19	4,765,549	63,553,192	63,304,808	4,941,903	72,030	0.11
2019-20	4,941,903	64,964,975	64,772,881	5,061,133	72,864	0.11
2020-21	5,061,133	71,810,915	71,805,733	4,971,336	94,979	0.13
2021-22	4,971,336	73,230,924	72,134,904	5,981,506	85,850	0.12
2022-23	5,981,506	69,850,378	69,724,302	6,063,685	43,897	0.06
2023-24	6,063,685	70,946,174	71,629,278	5,368,966	11,615	0.06
2024-25	5,368,966	79,852,067	80,075,425	5,069,243	76,365	0.10

Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

**Regulatory Issues**

*General.* The District is not aware of any environmental or regulatory issues that would adversely impact its ability to deliver water.

**Drinking Water.** The applicable drinking water standards for the District’s potable water system are provided in the California Domestic Water Quality and Monitoring Regulations, Title 22 of the California Administrative Code. These regulations incorporate the requirements of the U.S. Environmental Protection Agency (the “USEPA”) in conformance with the Safe Drinking Water Act (PL 93-523). The standards specify water quality sampling frequencies and location as well as maximum concentrations of chemical constituents and are continuously revised and amended. The District operates under a Water Supply Permit issued by the State, Department of Health Services.

**PFAS.** Per- and poly-flouroalkyl substances (“PFAS”) are substances widely used in consumer and industrial products such as fabrics, firefighting foams, food packaging, and non-stick cookware and are known for their non-stick, waterproof, and heat and stain resistant properties. There are over 15,000 types of individual PFAS compounds. Perfluorooctane sulfonate (“PFOS”), perfluorooctanoic acid (“PFOA”), perfluorobutane sulfonic acid (“PFBS”), and perfluorohexane sulfonic acid (“PFHxS”) are among the synthetic organic chemicals in the group of compounds referred to as PFAS.

The State of California Water Resources Board’s Division of Drinking Water (the “Division”) has established and modified from time to time Notification Levels (the “NLs”) for PFOA, PFOS, PFBS , and PFHxS, respectively. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. Response Levels (the “RLs”) are non-regulatory, precautionary health-based measures that are set at higher levels than NLs and represent thresholds at which the Division recommends that water systems remove a water source from use or treat it if the option is available to them. Legislation that took effect on January 1, 2020 requires that water systems that receive a monitoring order from the Division and detect levels of PFAS that exceed their respective RL must either take a drinking water source out of use, treat the water or provide specific public notification they continue to supply water above the RL. The District has not received such an order.

In April 2024, the USEPA announced final regulations establishing the first national drinking water standards for six PFAS: PFOA, PFOS, PFBS, PFHxS, perfluorononanoic acid (“PFNA”), and hexafluoropropylene oxide dimer acid (“HFPO-DA” or “GenX”). The regulations require public water systems to monitor for the regulated PFAS, notify the public if monitoring detects such PFAS at levels that exceed the regulatory standards, and reduce the levels of such PFAS in drinking water if they exceed the standards. Regulated public water systems will have until April 2027 to complete their initial monitoring for these PFAS and must include information about the results of their monitoring in their annual water quality reports to customers. Public water systems that detect PFAS above the new standards will have until April 2029 to implement solutions to reduce the PFAS to meet the standards.

All drinking water for the District and its customers is imported water that MWDOC purchases from MWD. MWD annually monitors for PFAS in its water supply and has periodically detected low levels of certain PFAS. MWD has not identified any specific source of these PFAS that have reached its water supplies, and the occasional PFAS detections remain below the State’s required reporting values and the levels requiring notification or response. Although MWD has had PFAS detections previously, MNWD has had not had a detection.

The projected operating results which are set forth under the caption “HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE – Projected Debt Service Coverage” do not assume significant increases in water treatment or other Water System operating costs to meet State or federal regulations relating to PFAS.

**Recycled Water.** The District’s recycled water operations are subject to regulation under Section 402 of the federal Clean Water Act, implementing regulations adopted by the United States Environmental Protection Act, the California Water Code and regulations promulgated by the California Department of Health Services. On February 3, 2009, the State Water Resources Control Board adopted a statewide Recycled Water Policy to support increased sustainable local water supplies by increased production and use of recycled water. The policy also outlines recycled water quality control measures, which, among other requirements, mandated the implementation of regional salt nutrient management plans by 2014, as well as the regular monitoring of certain constituents in recycled water.

Specifically, the District operates pursuant to certain waste discharge and water recycling requirements for the production and purveyance of recycled water imposed by Order No. 97-52 of the California Regional Water Quality Control Board, San Diego Region (Region 9) (as addended). Order No. 97-52 establishes requirements for the production and use of recycled water produced by the advanced wastewater treatment facilities owned by the District at the Regional Plant and the 3A Plant. Order No. 97-52 has no express expiration date, although the general policy of Region 9 for recycled water orders is approximately 15-year renewals. In light of the 2009 State Water Resources Control Board Recycled Water Policy requirements, it may be longer before Region 9 requires revisions to the Order.

**Wastewater System.** Regulatory requirements applicable to the Wastewater System are contained in or imposed by regulation pursuant to the Federal Water Pollution Control Act, as amended, and the State Porter Cologne Water Quality Control Act of 1969, as amended. Both federal and State regulations are administered through the Regional Water Board. The District is not aware of any environmental or regulatory issues that would adversely impact its ability to provide wastewater service.

The waste discharge requirements applicable to the Wastewater System are a product of the following:

- (i). Waste discharge requirements described above in “Recycled Water.”
- (ii). “Waste Discharge Requirements and National Pollutant Discharge System Permit for the South Orange County Wastewater Authority Discharge to the Pacific Ocean Through the San Juan Creek Ocean Outfall,” imposed by Order No. R9-2024-0005/NPDES No. CA0107417 of the California Regional Water Quality Control Board, San Diego Region (Order 2024-0005). (Order 2024-0005) governs discharge of municipal wastewater treatment plant effluent, waste brine and dry weather nuisance discharges by SOCWA from the San Juan Creek Ocean Outfall.
- (iii). “Waste Discharge Requirements for the South Orange County Wastewater Authority - Discharge to the Pacific Ocean Through the Aliso Creek Ocean Outfall,” imposed by Order No. R9-2024-0144, Amending Order No. R9-2022-0006/NPDES No. CA0107611 of the

California Regional Water Quality Control Board, San Diego Region (Order 2012-0013). (Order 2012-0013) governs discharge of treated municipal wastewater, treated groundwater and waste brine by the SOCWA from the Aliso Creek Ocean Outfall.

(iv). “Addendum No. 5 to Order No. 97-52, Waste Discharge and Recycling Requirements for the South Orange County Wastewater Authority Orange County”, imposed by Addendum No. 5 to Order No. 97-52 of the California Regional Water Quality Control Board, San Diego Region governs the discharges of recycled water within the SOCWA service area.

*Air Emissions Permits.* The District operates pursuant to a variety of permits from the South Coast Air Quality Management District and the California Air Resources Board.

### **Capital Improvement Program**

*Capital Improvement Plan.* The District maintains a 10-year capital improvement plan (the “**Capital Improvement Plan**”), which is revised every year in connection with the District’s annual budget. The Capital Improvement Plan represents potable, recycled, wastewater, and multi-system projects that are required to maintain and operate the District’s infrastructure. The budgets are planning level costs based on similar completed projects and engineering estimates that are refined as new information becomes available.

The revised 10-year Capital Improvement Plan for Fiscal Year 2026-27 to 2035-36 (the “**2026-2036 Capital Improvement Plan**”) includes approximately \$807 million in capital projects over the next ten years. Approximately 4% or \$36 million of these projects are associated with the District’s participation in external activities such as joint powers authorities. The projects in the 2026-2036 Capital Improvement Program are predominantly for potable water (42%) and wastewater treatment (48%). It also includes planning costs for the OASIS Water Resources Center, including development of a demonstration facility, but its full-scale construction costs are not yet determined or included in the 2026-2036 Capital Improvement Program.

The Capital Improvement Plan for Fiscal Year 2026-27 (the “**2026-27 Capital Improvement Plan**”) outlines \$91.1 million in appropriations to continue funding of existing projects and provide funding for new projects. Appropriations for new projects are about \$9.3 million, primarily for design and bidding. Construction of the new projects will occur during later Fiscal Years and is projected in the 2026-2036 Capital Improvement Plan. Additional external projects, totaling \$4.2 million, include projects proposed by South Coast Water District for JRWSS; Santa Margarita Water District for jointly-owned facilities such as Upper Oso and Upper Chiquita Reservoirs; El Toro Water District for R6 Reservoir; and Irvine Ranch Water District for the Baker Water Treatment Plant.

The District expects to fund the projects outlined in the 2026-2036 Capital Improvement Program with a combination of existing and future indebtedness, excess revenues and cash on hand. In particular, in Fiscal Year 2025-26, the District anticipates entering into the Installment Sale Agreement to fund a portion of such projects in Fiscal Year 2025-26 and Fiscal Year 2026-27. The balance of remaining capital projects in Fiscal Year 2025-26 and Fiscal Year 2026-27 that are not funded by financing proceeds or grant revenues will be drawn from existing cash balances.

In Fiscal Year 2028-29, the District currently anticipates entering into another installment sale agreement to fund a portion of such projects. The District's installment payment obligations thereunder would be evidenced by certificates of participation in the total principal amount of approximately \$96 million. There can be no assurance that additional financing sources will be available to the District as currently contemplated, or at all.

***Replacement and Refurbishment.*** The District has a Replacement and Refurbishment planning model (also referred to as the District's Asset Management Plan) for the District's facilities and equipment. The purpose of the Asset Management Plan is to: (1) inventory and account for all of the District's assets; (2) measure the true cost of asset ownership; (3) plan for the systematic replacement or refurbishment of District assets; and (4) develop meaningful financial planning for targeted investment decisions and better risk management.

The Asset Management Plan calculates the replacement and refurbishment costs and expenditure schedule based on the assumption that expenditures take place during the year indicated by the end of the useful lives of the assets. The expenditure may be incurred over two or three years, or replacement of an asset may be expedited or delayed, depending on need, funding availability, and staff time. See "THE DISTRICT – Financial Reserve Policies."

## **PROPERTY TAX REVENUES**

### **Pledge of Property Tax Revenues**

As previously described, Net Revenues consist of Revenues less Maintenance and Operation Expenses. "Revenues" consist of (i) Operating Revenues, (ii) Non-Operating Revenues, and (iii) the earnings on, and income derived from, the investment of Operating Revenues and Non-Operating Revenues. Non-Operating Revenues include, among other revenues, Property Tax Revenues. See "RISK FACTORS – Property Taxes" for a discussion of certain factors that could impact the availability of Property Tax Revenues.

### **Property Tax Limitations; Article XIII A of the California Constitution**

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property 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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms “purchased” and “change of ownership,” for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

### **Implementing Legislation**

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the traditional practice in California of using 25% of full cash value as the assessed value for tax purposes). The legislation further provided that, for Fiscal Year 1978-79, the tax levied by each county was to be appropriated among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years.

The apportionment of property taxes in Fiscal Years after Fiscal Year 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in Fiscal Year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy (\$4.00 per \$100 assessed valuation) and the bonded debt tax rate.

Effective as of Fiscal Year 1981-82, assessors in California no longer record property values in the tax rolls at the assessed value of 25% of market values. All taxable property is shown at full market value (subject to a 2% annual limit in growth so long as property is not sold). In conformity with this change in procedure, all taxable property value included in this Official Statement is shown at 100% of market value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for bond service and pension liability are also applied to 100% of market value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, annual inflationary value growth of up to 2%) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method as described under “– Unitary Property” below.

## **Property Tax Collection Procedures**

**Classifications.** In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” Secured and unsecured properties are entered on separate parts of the assessment roll maintained by the county assessor.

The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

**Collections.** The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts an order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent. A 10% penalty also applies to delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1 ½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due August 1 and become delinquent August 31.

**Supplemental Assessments.** A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498) provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the tax lien date. To the extent such supplemental assessments occur within the District, Tax Revenue may increase.

**Property Tax Administration Costs.** In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis.

## **Unitary Property**

Commencing in Fiscal Year 1988-89, the Revenue and Taxation Code of the State changed the method of allocating property tax revenues derived from state assessed utility properties. It provides for the distribution of state assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of state assessed value according to the location of those values in individual tax rate areas. Commencing with Fiscal Year 1988-89, each county has established one county-wide tax rate area. The assessed value of all unitary property in the county has been assigned to this tax rate area and one tax rate is levied against all such property (“**Unitary Revenues**”).

The property tax revenue derived from the assessed value assigned to the county-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction’s Unitary Revenues received in the prior year to the total Unitary Revenues county-wide. However, legislation adopted in 2006 (SB 1317, Chapter 872) and taking effect with Fiscal Year 2007-08 required counties to transfer certain railroad properties into a countywide tax rate area from their existing tax rate area. Taxes on these properties are now distributed in a manner similar to other unitary properties, except that redevelopment agencies no longer share in the distribution.

## **Assessment Appeals**

An assessee of locally assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization (“**SBE**”), respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which is subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2% inflation factor allowable under Article XIII A, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Under Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value if the full cash value of real property

has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value under Section 51(b), commonly referred to as Proposition 8 reductions, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In Fiscal Years following a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value. Additionally, successful appeals regarding property on the unsecured rolls does not necessarily affect the valuation of such property in any succeeding Fiscal Year.

Utility companies and railroads may contest the taxable value of utility property to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined by SBE. The actual valuation impact to the District from successful assessment appeals will occur on the assessment roll prepared after the actual valuation reduction.

**Historical Assessed Values**

Following is a summary of historical net taxable assessed for the previous 10 Fiscal Years.

**Table 14  
MOULTON NIGUEL WATER DISTRICT  
Historical Assessed Values**

<b><u>Fiscal Year</u></b>	<b><u>Local Secured</u></b>	<b><u>Unsecured</u></b>	<b><u>Total Net Taxable Assessed Value</u></b>
2015-16	\$32,067,117,890	\$699,682,304	\$32,766,800,194
2016-17	33,484,533,428	701,784,799	34,186,318,227
2017-18	35,062,345,376	734,738,680	35,806,084,056
2018-19	36,859,968,821	704,428,797	37,564,397,618
2019-20	38,299,121,328	749,728,113	39,048,895,519
2020-21	39,760,837,953	750,833,562	40,515,295,819
2021-22	40,909,115,848	735,919,872	41,646,891,084
2022-23	42,960,683,161	800,351,718	43,761,034,879
2023-24	45,177,521,779	884,931,688	46,062,453,467
2024-25	49,041,254,366	995,688,428	50,036,942,794

Source: HdL Coren & Cone; Orange County Assessor's Office.

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Following is a break-down of Fiscal Year 2024-25 net assessed value based on land use.

**Table 15**  
**MOULTON NIGUEL WATER DISTRICT**  
**Historical Net Taxable Assessed Values by Land Use**  
**Fiscal Year 2024-25**

<u>Land Use</u>	<u>Net Taxable Assessed Value</u>
Residential	\$26,856,482,643
Commercial	2,604,220,549
Industrial	532,129,078
Vacant/Other	20,137,330
<b>Total</b>	<b>\$30,012,969,600</b>

Source: HdL Coren & Cone; California Municipal Statistics, Inc.

**Principal Taxpayers**

The following table sets forth the ten principal local secured taxpayers within the District for Fiscal Year 2024-25, based on the most recent data received from the County.

**Table 16**  
**MOULTON NIGUEL WATER DISTRICT**  
**10 Largest Fiscal Year 2024-25 Local Secured Taxpayers**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Fiscal Year 2023-24 Assessed Valuation</u>	<u>% of Total</u>
St. Moritz Property Owner LLC	Residential	\$272,217,186	0.91%
Barcelona LLC	Residential	118,903,177	0.40
Vilara Evergreen SPE LLC	Residential	95,716,800	0.32
Idyllwillow LP	Residential	88,585,338	0.30
BRE-FMCA LLC	Residential	86,771,918	0.29
TGA 26600-26700 Aliso Viejo Parkway LLC	Commercial	79,590,600	0.27
IMT Capital VI Laguna Niguel LLC	Residential	58,711,500	0.20
Monarch Coast I Owner LLC	Residential	47,641,979	0.16
Taghkanic Real Estate Holdings I LLC	Residential	47,000,000	0.16
Sullivan Mission Medical LLC	Commercial	45,457,547	0.15
<b>Top Ten Total</b>		<b>\$ 940,596,045</b>	<b>3.13%</b>

Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

**Rate of Collections**

The rate of collections in the District for the previous ten Fiscal Years is shown below.

**Table 17  
MOULTON NIGUEL WATER DISTRICT  
Historical Property Tax Levies and Collections  
Fiscal Years 2015-16 through 2024-25**

<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Current Year Collections <sup>(1)</sup></u>	<u>Delinquencies Collected in Current Year</u>	<u>Delinquency Rate</u>
2015-16	\$25,996,107	\$24,906,067	\$391,998	3.19%
2016-17	27,121,477	26,078,739	355,371	3.84
2017-18	28,757,033	27,513,830	412,403	4.32
2018-19	29,303,633	28,633,242	477,414	2.29
2019-20	30,793,007	29,439,004	468,149	4.40
2020-21	31,343,103	30,771,290	518,482	1.82
2021-22	32,215,936	31,590,618	501,639	1.94
2022-23	34,640,107	33,775,140	594,658	2.50
2023-24	35,900,472	34,850,920	675,238	2.92
2024-25	37,394,250	36,336,139	693,838	2.83

(1) Collections from prior years does not include penalty revenue

Source: Moulton Niguel Water District Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

Although 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, the District does not participate. Consequently, the District receives Property Tax Revenues based on actual collections and any penalties and interest due as a result of delinquencies.

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## HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

### Historical Debt Service Coverage

The following table presents historical debt service coverage.

**Table 18**  
**MOULTON NIGUEL WATER DISTRICT**  
**Historical Debt Service Coverage**

	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25
<b>Operating Revenue:</b>					
Water charges	\$37,593,121	\$37,129,591	\$33,715,449	\$34,252,144	\$40,036,891
Recycled water charges	6,179,569	6,032,984	5,144,470	4,821,732	6,122,280
Sanitation charges	28,033,043	28,989,216	30,864,383	32,555,402	33,916,254
Other	329,171	335,128	908,796	496,786	1,439,951
<b>Total</b>	<b>\$72,134,904</b>	<b>\$72,486,919</b>	<b>\$70,633,098</b>	<b>\$72,126,064</b>	<b>\$81,515,376</b>
<b>Non-Operating Revenues (Expenses):</b>					
Connection fees	\$112,936	152,291	283,730	93,977	74,133
Cellular lease income	1,288,542	1,449,393	1,635,521	1,637,950	1,717,299
Interest income	376,826	(5,427,823)	2,085,149	7,033,604	8,015,632
Intergovernmental Revenue <sup>(1)</sup>	1,044,433	1,617,378	3,698,992	930,536	1,415,933
Other contributions	1,155,543	2,230,135	988,405	1,415,732	851,328
Other non-operating revenues	212,058	4,881,357	403,160	417,557	613,432
Other non-operating expenses	(194,234)	(1,418,753)	(353,557)	(354,088)	(584,234)
Property Tax Revenues	31,289,772	32,092,257	34,369,798	35,526,158	37,029,977
<b>Total</b>	<b>\$35,285,876</b>	<b>\$35,576,235</b>	<b>\$43,111,198</b>	<b>\$46,701,426</b>	<b>\$49,133,500</b>
<b>Total Revenues</b>	<b>\$107,420,780</b>	<b>\$108,063,154</b>	<b>\$113,744,296</b>	<b>\$118,827,490</b>	
<b>Maintenance and Operation Expenses:</b>					
Source of supply	\$31,991,028	\$32,505,323	\$29,865,610	\$31,681,682	\$36,970,771
Pumping water	1,692,188	2,333,920	2,505,801	2,305,877	2,081,746
Wastewater treatment	13,029,758	13,132,670	17,047,968	17,110,279	20,015,723
Water transmission and distribution	1,958,001	1,136,929	2,067,556	2,236,274	2,242,284
Customer service	3,619,657	3,681,645	4,373,540	4,951,534	4,305,058
Water efficiency	4,222,344	5,138,573	4,556,559	4,200,510	5,603,596
General, administrative and other <sup>(2)</sup>	22,002,065	24,146,441	20,374,115	26,598,473	29,807,946
<b>Total</b>	<b>\$78,515,041</b>	<b>\$82,075,501</b>	<b>\$80,791,149</b>	<b>\$89,084,629</b>	<b>\$101,024,124</b>
<b>Net Revenues</b>	<b>\$28,905,739</b>	<b>\$25,987,653</b>	<b>\$32,953,147</b>	<b>\$29,742,861</b>	<b>\$29,621,752</b>
<b>Parity Obligations and</b>					
<b>Prior Parity Obligations</b>					
2015 Bonds	2,368,500	2,361,625	2,359,750	2,357,500	--
2019 Bonds	2,430,250	2,430,250	2,430,250	2,430,250	4,433,875
2019 COPs	3,069,081	3,320,956	3,318,706	3,318,331	3,314,706
2021 COPs	--	--	2,814,129	2,746,650	2,741,900
<b>Prior Government Loans</b>					
SRF Loan C-06-4150-120	--	--	--	--	--
<b>Total Debt Service</b>	<b>\$7,867,831</b>	<b>\$8,112,831</b>	<b>\$10,922,835</b>	<b>\$10,852,731</b>	<b>\$10,490,481</b>
<b>Debt Service Coverage Ratio</b>	<b>3.67</b>	<b>3.20</b>	<b>3.02</b>	<b>2.74</b>	<b>2.82</b>

(1) Fiscal Years 2021-22 and 2023-24, includes combined assistance received under the State Arrearage Payment Program and Extended Arrearage Program in connection with the COVID-19 pandemic. Approximately \$604,328 was received for delinquent water bills and approximately \$488,250 was received for delinquent wastewater bills for the period March 4, 2020 through December 31, 2022. The District received such amounts in Fiscal Years 2021-22 and 2023-24.

(2) General, administrative and other revenues for Rate Covenant calculation differ from Audited Financials in Fiscal Years 2019-20 through 2021-22 due to the implementation of GASB 87

Source: Moulton Niguel Water District.

## **Projected Debt Service Coverage**

The following table shows the calculation of the debt service coverage ratios estimated for Fiscal Years 2025-26 through 2029-30. The debt service coverage ratio is calculated by dividing annual Net Revenues by annual debt service for Prior Parity Obligations and the Installment Payments. The following table incorporates the estimates and projections for Net Revenues shown in the previous table.

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**Table 19**  
**MOULTON NIGUEL WATER DISTRICT**  
**Projected Debt Service Coverage<sup>(1)</sup>**

	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28	Fiscal Year 2028-29	Fiscal Year 2029-30
<b>Operating Revenue:</b>					
Water charges	39,005,538	42,494,278	46,895,460	51,295,663	55,478,944
Recycled water charges	7,513,449	7,891,239	8,817,130	9,664,189	10,959,400
Sanitation charges	34,897,408	39,754,746	44,411,641	49,609,554	55,410,244
Other <sup>(2)</sup>	337,393	353,669	563,227	563,227	563,227
<b>Total</b>	<b>81,753,788</b>	<b>90,493,932</b>	<b>100,687,459</b>	<b>111,132,633</b>	<b>122,411,815</b>
<b>Non-Operating Revenues (Expenses):</b>					
Connection fees	24,012	268,134	1,392,696	588,096	588,096
Cellular lease income	2,333,568	1,994,023	2,511,159	2,605,100	2,702,650
Interest income	4,957,189	3,954,641	3,869,885	4,987,749	6,009,609
Other non-operating revenues <sup>(2)</sup>	15,449,135	4,270,703	4,419,002	4,475,034	4,523,498
Other non-operating expenses	(170,000)	(176,000)	(179,108)	(182,266)	(185,498)
Property Tax Revenues	37,100,874	39,430,616	40,856,384	42,335,238	43,869,154
<b>Total</b>	<b>59,694,779</b>	<b>49,742,117</b>	<b>52,870,018</b>	<b>54,808,951</b>	<b>57,507,508</b>
<b>Total Revenues</b>	<b>141,448,566</b>	<b>140,236,049</b>	<b>153,557,477</b>	<b>165,941,584</b>	<b>179,919,323</b>
<b>Maintenance and Operation Expenses:</b>					
Source of supply	40,157,417	41,148,562	41,498,899	42,294,518	42,813,270
Pumping water	5,112,216	3,274,317	3,403,660	3,563,020	3,649,814
Wastewater treatment	22,785,603	23,226,179	24,734,107	26,049,163	26,986,796
Water transmission and distribution	2,458,000	2,244,500	2,284,132	2,324,404	2,365,630
Customer service	5,595,061	5,940,135	6,356,111	6,820,359	7,162,716
General, administrative and other	28,816,822	32,034,094	34,392,877	37,336,059	38,507,600
<b>Total</b>	<b>104,925,119</b>	<b>107,867,787</b>	<b>112,669,786</b>	<b>118,387,524</b>	<b>121,485,827</b>
<b>Net Revenues</b>	<b>36,523,447</b>	<b>32,368,262</b>	<b>40,887,690</b>	<b>47,554,060</b>	<b>58,433,496</b>
<b>Debt Service – Parity Obligations</b>					
2019 Bonds	4,428,625	4,428,125	4,427,000	4,425,000	4,417,000
2019 Certificates	3,312,706	3,312,081	3,307,706	3,309,331	3,306,706
2021 Certificates	2,744,400	2,739,025	2,740,650	2,739,025	2,734,150
2025 Certificates	3,975,903	4,643,375	4,640,250	4,639,250	4,640,125
2026 Certificates*	-	2,410,772	4,944,500	4,945,500	4,943,500
Additional Certificates <sup>(3)</sup>	-	-	-	-	5,219,648
<b>Total Debt Service</b>	<b>14,461,634</b>	<b>17,533,378</b>	<b>20,060,106</b>	<b>20,058,106</b>	<b>25,261,129</b>
<b>Debt Service Coverage Ratio</b>	<b>2.53</b>	<b>1.85</b>	<b>2.04</b>	<b>2.37</b>	<b>2.31</b>

(1) Debt service coverage calculations omit rate revenues and expenses associated with the District’s water efficiency fund. Revenues and expenses reflect largely offsetting increases in revenues from, and expenses for, treatment facilities transferred to the District in December 2024. See “THE SYSTEM – Wastewater System – Treatment Plants” herein. Debt service coverage calculations also omit an unsecured promissory note payable in the principal amount of \$14.0 million for the acquisition of the Regional Treatment Plant. See “THE SYSTEM – Wastewater System” above and “APPENDIX A – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025, NOTES TO BASIC FINANCIAL STATEMENTS, Note 8: Long-Term Liabilities” for further information.

(2) Includes funding from an approximately \$10.3 million grant to be received over fiscal years 2024-25 and 2025-26.

(3) See the caption “THE SYSTEMS – Capital Improvement Program.” The District has made certain assumptions with respect to the principal amounts, amortizations, interest rates and timing of issuance of these obligations. Actual debt service could differ materially from the numbers shown above should any of such terms change.

\* Preliminary, subject to change.

Source: Moulton Niguel Water District

As previously described, Net Revenues are Revenues less Maintenance and Operation Expenses. Revenues include (1) Operating Revenues generated from potable water, recycled water, and wastewater services; (2) Non-Operating Revenues, including Property Tax Revenues, rents, insurance and condemnation proceeds and other income; and (3) income earned on investments. Maintenance and Operation Expenses include the expenses to maintain, operate, repair, and manage the utility systems. Capital project expenditures, debt service, and depreciation are excluded from Maintenance and Operation Expenses for the purpose of the debt service coverage calculation.

Projections for Operating Revenues over the five-year period shown in Table 19 include the Water System and Wastewater System rate increases as described in 2025 Rate Resolution for water charges and wastewater charges, and assume an average 10% annual increase for the respective periods thereafter. The Board has adopted rates and charges for the periods set forth in the 2025 Rate Resolution. There can be no assurance that the District’s rates and charges for its water and wastewater services will be increased as projected herein. In the event that the Board does not adopt rate increases as currently assumed, the District’s operating results could be materially different from the projections in this Official Statement. See “THE SYSTEMS – Water Rates” and “– Wastewater Rates.”

Additionally, revenues associated with the District’s Water Efficiency Fund (approximately \$4.4 million average annual revenue for the previous three fiscal years) have been excluded from the projections in Table 19 given their historical variability.

Projections for Non-Operating Revenues over the five-year period shown in Table 19 include assumed average annual increase in Property Tax revenue of 3.6% based on projections developed by the District’s property tax consultant. In recent fiscal years, actual property tax receipts were higher than budget projections and District staff works closely with its consultant to monitor any evolving downward trends. Non-Operating Revenues also include an assumed average annual increase of 4% for Property Lease Income associated with lease arrangements with cell carriers for use of the District’s reservoir sites to locate their cell towers.

Maintenance and Operation Expenses shown in Table 19 with respect to sources of water supply includes the costs of purchasing water. Wholesale water costs are projected to increase an average of 4.2% over the five-year period shown in Table 19 based on forecasts from the MWD’s 2025-26 and 2026-27 biennial budget as well as assumptions on reductions in wholesale water purchases due to water loss reduction efforts and conversions to recycled water. The District utilizes a marginal cost-based price structure for its volumetric rates to mitigate the financial impacts of any fluctuations in water demand and can leverage a wholesale pass through mechanism in the event that wholesale water rates increase above forecasted levels. The assumed cost of purchasing water does not include potential savings in the cost of purchased water expected to result from prepaid MWD water supplies purchased by the District from MWDOC. MWD, not the

District, determines when such prepaid supplies will be delivered. Thus, the District cannot predict when such savings might be realized. See “Sources of Water – MWD” above.

Wherever possible, the projections for Maintenance and Operation Expenses are based on specific contract or agreement terms. For example, salaries and benefits costs are consistent with the salary adjustment terms of the Memorandum of Understanding with the Moulton Niguel Water District Employee Association, which became effective July 1, 2023 and terminates on June 30, 2027. Other costs are projected based on general inflation assumptions, in particular consumer price index data for the Los Angeles area.

## **RISK FACTORS**

*The following information should be considered by prospective investors in evaluating the Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

The purchase of the Certificates involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the Certificates. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

### **Demand and Usage**

There can be no assurance that the local demand for services provided by the Systems will continue according to historical levels. In addition, in recent years, the State experienced a significant drought and is currently experiencing drought conditions that have resulted in severe impacts to California’s water supplies and its ability to meet all the demands for water in the State. The District cannot predict what effect drought conditions and any voluntary or mandatory conservation measures may have on the revenues of the District. However, as previously described, the District’s Volumetric Charges and pass through adjustments have been set by the District so as to only recover the marginal cost of water purchases. Accordingly, as water sales decrease, so does the District’s cost of water. This structure is intended to maintain revenues despite decreased water usage. This flexibility allows the District to focus conservation efforts without concern for the financial impacts of decreased water sales. See “THE SYSTEMS – Current Water Rates.”

Demand for water service could be reduced or may not occur as projected by the District as a result of reduced levels of development in the District’s service area, hydrological conditions, an economic downturn, voluntary conservation efforts or mandatory State conservation orders in response to drought conditions and other factors.

### **Expenses**

There can be no assurance that the District’s Maintenance and Operation Expenses and capital expenses, including those payment obligations arising as a result of the District’s participation in joint powers authorities or its shared ownership or capacity rights in facilities

owned by other local agencies, will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses and increased regulatory requirements would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

## **Property Taxes**

The amount of property tax revenues received by the District is dependent upon assessed values and property tax collections in the District. Decreases in assessed values (whether as a result of assessment appeals or otherwise) and increased property tax delinquencies will result in reduced Property Tax Revenues.

### **Proposition 1A; Proposition 22**

**Proposition 1A.** Proposition 1A, proposed by the Legislature in connection with the State’s Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of 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 had to be approved by two-thirds of both houses of the Legislature.

Proposition 1A provided, 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 proclaimed that the shift is needed due to a severe state financial hardship, the shift was approved by two-thirds of both houses and certain other conditions were met. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

**Proposition 22.** Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

The District can provide no assurances that future action of the Legislature or the voters will not reduce or eliminate the amount of Property Tax Revenues available to the District.

## **Public Health Emergencies**

A pandemic, epidemic or outbreak of an infectious disease can have significant adverse health and financial impacts on global and local economies. Beginning in 2020, the COVID-19

pandemic negatively affected economic activity throughout the world, including the United States and the State. The COVID-19 pandemic, and actions by local and national governments to mitigate the effects of the pandemic, impacted travel, commerce, asset values and financial markets globally, and negatively affected economic output worldwide and within the State and the City. The District implemented certain temporary measures intended to mitigate the impact of the COVID-19 pandemic and to assist the District's customers, including waiving late fees and suspending service shut-offs due to nonpayment. The District was subjected to periodic orders from the State government that regulate service shut-offs.

Total water sales were minimally impacted by the COVID-19 pandemic. The decrease in commercial sales was offset by an increase in residential demand primarily driven by the "stay-at-home" order.

Future pandemics and other widespread public health emergencies may arise from time to time. No assurance can be given that the operations or finances of the System will not be negatively affected in the event of a resurgence of the COVID-19 pandemic, or if another national or localized outbreak of highly contagious or epidemic disease occurs in the future.

### **Parity Obligations; Governmental Loans**

Although the District has covenanted not to issue additional obligations payable from Net Revenues that are senior to the Installment Payments, the Installment Sale Agreement permits the issuance by the District of certain indebtedness which may have a lien upon the Net Revenues which is on a parity basis to the lien which secures the Installment Payments and the Prior Parity Obligations (see "SECURITY FOR THE CERTIFICATES – Prior Parity Obligations; Limitations on Parity Obligations and Superior Obligations" in this Official Statement). The District is also authorized to incur Governmental Loans, which would be payable from Governmental Loans Pledged Revenues on a parity with the Installment Payments and the Prior Parity Obligations. See "SECURITY FOR THE CERTIFICATES – Limitations on Government Loans."

These coverage tests involve, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the Installment Payments will be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Installment Payments and such additional indebtedness.

### **Threat to Water Supply**

Deliveries of imported supplies to the District are dependent on an extensive network of facilities used to acquire, treat, pump, store, and convey imported supplies to the District. Water systems are vulnerable to seismic events (as well as other unplanned facility failures and catastrophes) that could result in varying degrees of water supply disruptions for periods of days, weeks, or months. Given the presence of several major earthquake fault lines in proximity to the District facilities, earthquakes have a high potential for resulting in an infrastructure outage that could disrupt service to and within the District. System reliability disruptions for the District can

be caused by outages of key water facilities, such as MWD's Robert B. Diemer Water Treatment Plant (which delivers water to the District), as well as conveyance and distribution pipelines, such as the East Orange County Feeder No. 2, or the AMP Pipeline.

Supply reliability disruptions can be caused by droughts, environmental regulations resulting in restrictions in water exports from the Sacramento-San Joaquin River Delta, seismic risks to levees in the Sacramento-San Joaquin River Delta that protect it from seawater intrusion, and long-term climate variability. Of the many factors affecting supply reliability, the factor with the greatest degree of variability and with the largest impact on supplies is climate variability and associated effects on hydrology. Climate variability adds a layer of uncertainty in estimating the future availability of imported water. While different climate change models show differing effects, potential changes could include more precipitation falling in the form of rain rather than snow and earlier snowmelt. Earlier snowmelt would result in more runoff occurring in the winter rather than spread out over winter and spring, which in turns impacts supply availability during late spring and summer.

The District cannot provide any assurance that any supplies to the District will be sufficient to meet demand in the event any of the events described above were to occur or intensify in the future.

### **Statutory and Regulatory Compliance**

Laws and regulations governing treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the District for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the District and constitute Maintenance and Operation Expenses or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for water systems such as that operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District or could have a material adverse effect on the District's finances by requiring greater expenditures by increasing the cost or decreasing the availability of water supplies from MWD and/or MWDOC. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Revenues in amounts that are sufficient to pay the Certificates.

### **Natural Disasters**

The District, like all southern California communities, is subject to unpredictable seismic activity, fires or floods. If there were a severe seismic, flood or fire event in the District, there could be substantial damage to and interference with the District, its Systems and its customers, which could affect the District's ability to pay the Installment Payments.

Several major earthquake fault lines intersect with the Robert B. Diemer Filtration Plant and treated imported pipelines that convey water to the District. The Robert B. Diemer Filtration

Plant can be impacted by a seismic event from the Whittier Fault, while the East Orange County Feeder No. 2 and the AMP Pipeline can both be impacted during seismic events from the Puente Hills Fault and the Peralta Hills Fault. The San Joaquin Hills fault can also impact the East Orange County Feeder No. 2 but treated water may be available to be delivered through the AMP Pipeline to supply water to the District. In general, pipelines are more resilient and flexible than water treatment plants, so they can tolerate higher ground accelerations. The Baker Water Treatment Plant is located further away from the active fault lines and is less susceptible to earthquake damage compared to the Robert B. Diemer Filtration Plant. The Baker Water Treatment Plant was constructed to provide backup capacity in the event of a Robert B. Diemer Filtration Plant outage.

In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Much of District's potable and wastewater pipeline systems are in very high fire hazard areas. If wildfires were to substantially damage or destroy such systems, the District's ability to pay the Installment Payments could be affected. In an effort to mitigate some of the impact of damage to the District's potable and wastewater pipeline systems from wildfires, the District maintains redundant interconnections and multiple points to import water to major transmission mains that are anticipated to provide the District with the ability to continue to deliver water to customers in its service area and to be used by firefighting personnel to combat fires in the District's service area. The District, in partnership with the Orange County Fire Authority, recently constructed a helicopter hydrant that allows for quicker access to water for firefighting helicopters that will significantly reduce response time to combat nearby fires. In addition, the District participates in a regional multi-jurisdictional hazard mitigation plan, which is updated regularly, and the Water Emergency Response Organization of Orange County to coordinate regional natural disasters planning. The District has prepared an Emergency Response Plan in accordance with America's Water Infrastructure Act ("AWIA") and has established an Emergency Reserve to provide available cash before reimbursement from FEMA in the event of a natural disaster. See "THE DISTRICT – Financial Reserve Policies."

In addition, in the event taxable property within the District's service area were destroyed by wildfires, the assessed valuation of such property would be reduced. Such reduction of assessed valuations could result in a reduction of Property Tax Revenues and therefore, Net Revenues available to pay the Installment Payments.

## **Climate Change**

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the District is difficult to predict, but it could be significant and it could have a material adverse effect on the District's finances by requiring greater expenditures to counteract the effects of climate change, by changing the business and activities of the District's customers or by increasing the cost or decreasing the availability of water supplies. See "THE WATER SYSTEM – Drought and Response."

## **Insurance**

The Installment Sale Agreement obligates the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of a portion of the Systems in the event of damage or destruction to such portion of the System. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any other portion of the System. Significant damage to the Water System could cause the District to be unable to generate sufficient Net Revenues to pay principal of and interest on the Certificates. The District does maintain earthquake insurance on its water, wastewater or recycled water facilities.

See “APPENDIX A – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025, NOTES TO BASIC FINANCIAL STATEMENTS, Note 13, Risk Management” for further information.

## **Articles XIII C and XIII D of the California Constitution**

**General.** On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a (local government) upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIII C broadly define “tax,” but specifically exclude, among other things:

“(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.

(6) A charge imposed as a condition of property development.

(7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

***Property-Related Fees and Charges.*** Under Article XIID, before a public agency may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The public agency must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the public agency may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

***Initiative and Referendum Powers.*** In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Moreover, Article II, section 9, subdivision (a) states, “[t]he referendum is the power of the electors to approve or reject statutes or parts of statutes except urgency statutes, statutes calling elections, and statutes providing for tax levies or appropriations for usual current expenses of the State.” In *Wilde v. City of Dunsmuir*, involving a plaintiff that sought to challenge the City of Dunsmuir’s water rate master plan, the Court of Appeal of California, Third Appellate District, held that Proposition 218 does not curtail the voters’ referendum powers under Article II to challenge local resolutions and ordinances. In addition, the Court rejected the City’s allegation that its rate schedule was not subject to referendum under the “essential government service exception” to the voter’s referendum power. In general, referendum that would preclude the functioning of essential government services is not permissible. *Hunt v. Mayor and Council of City of Riverside (1948) 31 Cal.2d 619, 628-29*. But the Court held that the City of Dunsmuir’s water rate schedule did not affect the functioning of essential government services.

***Judicial Interpretation of Article XIID.*** After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that

connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, wastewater and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

***Compliance by the District with Article XIIC and Article XIID.*** The District believes its water and wastewater service charges do not constitute a "tax" under Article XIIC. The District believes its connection fee is not a "tax" as defined by Proposition 26 because it is a charge to a landowner that is imposed (typically as a condition of property development) for a specific service and does not exceed the reasonable costs of conferring the service.

The District will continue to comply with the provisions of Articles XIIC and XIID and implementing legislation in connection with future rate increases, as such requirements may be interpreted by state courts.

As described in "SECURITY FOR THE CERTIFICATES," the District will pay the Installment Payments and the Prior Parity Obligations from Net Revenues, which include Non-

Operating Revenues. Non-Operating Revenues include, among other revenues, Property Tax Revenues. As described above, under Article XIIC, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the District may not use such fee or charge for any purpose other than that for which it imposed the fee or charge.

**Conclusion.** It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn and Wilde v. City of Dunsmuir* cases, local voters could adopt an initiative or referendum measure that reduces or repeals the District’s rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service, or to call into question previously adopted utility rate increases.

**San Juan Capistrano Litigation.** In August 2013, an Orange County Superior Court judge ruled that the tiered pricing model of San Juan Capistrano, which charges higher rates to customers who use more water, violates Proposition 218. The City appealed the decision, to the 4<sup>th</sup> District Court of Appeal, which published its decision on April 20, 2015. The court’s decision found that the City’s tiered rates were not sufficiently cost justified, but that the Constitution does allow for tiered rates. A rehearing petition was filed with the court on May 6, 2015. The 4<sup>th</sup> District Court of Appeal subsequently modified its unpublished opinion on May 19, 2015, without change in the judgment. In July 2015, the California Supreme Court denied a request to depublish the case. The District believes that its rate structure is distinguishable from the structure deemed unconstitutional in San Juan Capistrano and is consistent with Proposition 218 and the Constitution because the District’s tiered rates correlate with the actual costs for the various tiers.

**Otay Water District Litigation.** In June 2021, a San Diego Superior Court ruled that Otay Water District failed to demonstrate that its tiered water rates were proportional to the cost of service attributable to each customer’s parcel, as required by Proposition 218. The Court specifically found that the rates were based on “non-cost objectives such as conservation” and that the record did not contain sufficient support for the peaking factors utilized to calculate demand and allocate costs to different tiers of usage. On appeal to the 4<sup>th</sup> District, the Court of Appeal affirmed the finding that the rates do not comply with Proposition 218. Specifically, the Court of Appeal determined that (1) the tiered pricing structure was based on generalized assumptions and industry standards, rather than customer-specific data; (2) Otay improperly set certain rate components based on conservation concerns, rather than cost; and (3) the rate structure disproportionately burdened single family residential customers with a tiered rate structure, while allowing commercial and irrigation customers to utilize uniform rates. The District believes that its rate structure is distinguishable from the structure deemed unconstitutional in Otay and is

consistent with Proposition 218 and the Constitution because the District's tiered rates correlate with the actual costs for the various tiers.

### **Limited Recourse on Default**

If the District defaults on its obligation to make the Installment Payments, the Trustee, as assignee of the Corporation, has the right to accelerate the total unpaid Installment Payments. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated Installment Payments.

### **Limitations on Remedies Available; Bankruptcy**

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

### **Limited Obligation**

The District's obligation to make Installment Payments is a special obligation of the District payable solely from Net Revenues and other funds provided for in the Installment Sale Agreement. Although Net Revenues include Non-Operating Revenues and Non-Operating Revenues are composed, in part, of *ad valorem* property taxes allocated to the District, the District has not agreed to levy any form of taxation to pay the Installment Payments.

### **Loss of Tax-Exemption**

As discussed under the caption "TAX MATTERS," interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were issued, as a result of future acts or omissions of the District in violation of its covenants in the Installment Sale Agreement. Should such an event of taxability occur, the Certificates are not subject to special prepayment and will remain outstanding until maturity or until prepaid under other prepayment provisions set forth in the Trust Indenture.

### **Secondary Market for Certificates**

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular

issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation, or changes in interpretation of existing law.

## **Cyber Security**

The District, like many other public and private entities, relies on a complex technology environment to conduct its operations, and is subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks.

Cybersecurity incidents could result from unintended disclosure of sensitive information or credentials, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the District's digital networks and systems for the purposes of misappropriating assets or information or causing operational disruption and damage. Cybersecurity breaches could damage the District's information and security systems and cause material disruptions to its operations.

The District is also reliant on other entities and service providers in connection with its information technology. In May 2024, a vendor of the District experienced a cyber incident which disclosed the banking information of some of the District's customers. The vendor's digital network was hacked and some check images were stolen and placed on the dark web. The incident was discovered in the days following the breach and the District acted quickly to alert affected customers and offer credit monitoring services. The District severed its relationship with the vendor.

The District has adopted information security policies that codify cybersecurity awareness and training requirements, as well as policies to protect the District's information and information systems. However, no assurance can be given that any existing or additional safety and security measure will prove adequate in the event that cyberattacks, including cyber terrorism, are directed against the District's digital networks and systems. The cost of security measures or of remedying damage from such security breaches will depend on the type and magnitude of the breach and could be significant.

In addition, the District is in full compliance with the AWIA. Section 2013 of Title II of AWIA requires utilities to update their risk assessments and emergency response plans. AWIA specifies the components risk assessment and response plans must address, and establishes deadlines by which the District must certify to the Environmental Protection Agency completion of these tasks. The District is actively maintaining compliance with AWIA and is on track to meet all requirements, including cyber risk requirements, laid out in the new legislation. By partnering with local and regional public agencies in a joint effort, the District is taking a comprehensive approach to compliance. The joint effort has the added advantage of strengthening relationships with local, regional, and federal agencies to help bolster cyber response coordination.

## **Change in Law**

In addition to the other limitations described in this Official Statement, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues and adversely affecting the security of the Certificates.

## **Rate Covenant Not a Guarantee**

The Installment Payments are payable from Net Revenues of the Water System. See the caption “SECURITY FOR THE CERTIFICATES.” The District’s ability to pay the Installment Payments depends on its ability to generate Net Revenues at the levels required by the Installment Sale Agreement. Although the District has covenanted in the Installment Sale Agreement to impose rates and charges as more particularly described under the caption “SECURITY FOR THE CERTIFICATES – Rate Covenant,” and although the District expects that sufficient Net Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in amounts that are sufficient to pay the Installment Payments. Among other matters, the availability of and demand for water and changes in law and government regulations could adversely affect the amount of Net Revenues realized by the District. The failure to generate sufficient Net Revenues to pay the Installment Payments does not constitute a default or Event of Default under the Installment Sale Agreement or the Trust Agreement, provided that the District has set rates and charges at levels that it reasonably expects will generate sufficient Net Revenues at the beginning of each Fiscal Year.

## **CONTINUING DISCLOSURE**

The District has covenanted in its continuing disclosure certificate for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and other operating data on an annual basis no later than the date that is eight months after the end of the District’s Fiscal Year (currently March 1 based on the District’s Fiscal Year end of June 30), commencing on March 1, 2027, and to provide notice of certain enumerated events as required by the Rule. The specific nature of the information to be contained in the annual report or the notices of enumerated events is summarized under the caption “APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Purchaser in complying with the Rule.

In the past five years, the District has not failed to comply in all material respects with its undertakings under the Rule. In the last five years, a notice of financial obligation relating to an unsecured promissory note dated December 12, 2024, was inadvertently filed late. The District believes it has established procedures to ensure that it will comply with all material provisions of its continuing disclosure undertakings in the future.

Any failure by the District to comply with the provisions of its Continuing Disclosure Certificate will not constitute a default under the Trust Indenture (although Certificate Owners will

have any remedy available at law or in equity as provided in the Continuing Disclosure Certificate). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates.

## **RATINGS**

S&P Global Ratings (“**S&P**”), has assigned a municipal bond rating of “AAA” to the Certificates and Fitch Ratings (“**Fitch**”) has assigned a municipal bond rating of “AAA” to the Certificates. Future events could have an adverse impact on the rating of the Certificates, and there is no assurance that any credit rating that is given to the Certificates will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P or Fitch, if, in their judgment circumstances so warrant, nor can there be any assurance that the criteria required to achieve the rating on the Certificates will not change during the period that the Certificates remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the ratings on the Certificates may have an adverse effect on the market price of the Certificates. These ratings reflect only the views of S&P and Fitch, and an explanation of the significance of the ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to S&P and Fitch (some of which does not appear in this Official Statement).

In providing a rating on the Certificates, S&P and Fitch may have performed independent calculations of coverage ratios using their own internal formulas and methodology, which may not reflect the provisions of the Trust Agreement or the Installment Sale Agreement. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

The District has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the Certificates with EMMA. See the caption “CONTINUING DISCLOSURE” and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Certificates may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date by which the District is obligated to file a notice of rating change. Purchasers of the Certificates are directed to S&P and Fitch, and their respective websites and official media outlets, for the most current ratings with respect to the Certificates after their initial execution and delivery.

## **TAX MATTERS**

### **Federal Tax Exemption**

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel to the District, under existing statutes, regulations, rulings and judicial decisions, and assuming

compliance by the District with certain covenants in the Trust Agreement, the Tax Certificate and other documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986 (the "Code") regarding the use, expenditure and investment of proceeds of the Certificates and the timely payment of certain investment earnings to the United States, the portion of each Installment Payment representing interest and distributable in respect of any Certificate is not included in the gross income of the owners of the Certificates for federal income tax purposes. Failure to comply with such covenants and requirements may cause the portion of each Installment Payment representing interest and distributable in respect of any Certificate to be included in gross income retroactive to the date of execution and delivery of the Certificates.

In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributable in respect of any Certificate is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Special Counsel expresses no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of certain corporations.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Special Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Certificates should consult their own tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate or other documents pertaining to the Certificates may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Special Counsel expresses no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the portion of each Installment Payment representing interest and distributable in respect of any Certificate for federal income tax purposes.

Special Counsel's opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Special Counsel, and Special Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Certificates is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Certificates would have no right to participate

in the examination process. In responding to or defending an examination of the tax-exempt status of the portion of each Installment Payment representing interest and distributable in respect of any Certificate, the District may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the examination, regardless of its ultimate outcome.

### **Tax Accounting Treatment of Bond Premium and Original Issue Discount**

*Bond Premium.* To the extent a purchaser acquires a Certificate at a price in excess of the amount payable at its maturity, such excess will constitute “bond premium” under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Special Counsel is not opining on the accounting for bond premium or the consequence to a Certificate purchaser of purchasing a Certificate with bond premium. Accordingly, persons considering the purchase of Certificates with bond premium should consult their own tax advisors with respect to the determination of bond premium on such Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Certificates.

*Original Issue Discount.* The excess, if any, of the stated redemption price at maturity of Certificates of a particular maturity over the initial offering price to the public of the Certificates of that maturity at which a substantial amount of the Certificates of that maturity is sold to the public is “original issue discount.” Original issue discount accruing on a Certificate is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such Certificate. Original issue discount on a Certificate of a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the Certificates of that maturity is sold to the public accrues on a semiannual basis over the term of the Certificate on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a Certificate accruing during each period is added to the adjusted basis of such Certificate, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such Certificate. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase Certificates other than at the initial offering price. Special Counsel is not opining on the accounting for or consequence to a Certificate purchaser of purchasing a Certificate with original issue discount. Accordingly, persons considering the purchase of Certificates with original issue discount should consult their own tax advisors with respect to the determination of original issue discount on such Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Certificates.

## **Information Reporting and Backup Withholding**

Interest paid on the Certificates will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of the portion of each Installment Payment representing interest and distributable in respect of any Certificate to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

## **State Tax Exemption**

In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributable in respect of any Certificate is exempt from personal income taxes imposed by the State of California.

## **Future Developments**

Existing law may change to reduce or eliminate the benefit to owners of the Certificates of the exclusion of the portion of each Installment Payment representing interest and distributable in respect of any Certificate from gross income for federal income tax purposes or of the exemption of the portion of each Installment Payment representing interest and distributable in respect of any Certificate from State of California personal income taxation. Any proposed legislation, whether or not enacted, or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Special Counsel relating to the Certificates is included in APPENDIX D hereto.

## **CERTAIN LEGAL MATTERS**

Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel, will render an opinion substantially in the form of APPENDIX D hereto with respect to the validity of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Norton Rose Fulbright US LLP, is also serving as Disclosure Counsel to the District. Certain matters will also be passed upon for the District by Best & Krieger LLP, as District General Counsel. *Payment of the fees and expenses of Special Counsel and Disclosure Counsel is contingent upon execution and delivery of the Certificates.*

Norton Rose Fulbright US LLP has served as Disclosure Counsel to the District and in such capacity has advised the District with respect to the requirements of applicable securities laws

and participated with responsible District officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the information presented in this Official Statement and has not undertaken to independently verify any of such information. Rather, the District is solely responsible for the accuracy and completeness of the information contained in this Official Statement. Upon the execution and delivery of the Certificates, Norton Rose Fulbright US LLP will deliver a letter to the District and the Purchaser (as defined below) concerning certain matters with respect to the Official Statement. No purchaser or holder of the Certificates, or other person or party other than the District and the Purchaser, will be entitled to rely on such letter or on the fact that Norton Rose Fulbright US LLP has acted as Disclosure Counsel to the District.

### **COMPETITIVE SALE OF CERTIFICATES**

The Certificates will be sold pursuant to a competitive auction held on June 23, 2026, pursuant to the terms set forth in the Official Notice of Sale for the Certificates (the “**Official Notice of Sale**”).

The Certificates were awarded to \_\_\_\_\_ (the “**Purchaser**”), whose proposal represented the lowest true interest cost for the Certificates as determined in accordance with the Official Notice of Sale. The Purchaser has agreed to purchase the Certificates at a purchase price of \$\_\_\_\_\_ (which is equal to the par amount of the Certificates, less a purchaser’s discount of \$\_\_\_\_\_, and plus a [net] original issue premium of \$\_\_\_\_\_).

The Purchaser intends to offer the Certificates to the public at the offering prices set forth on the cover page of this Official Statement. The Purchaser may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Purchaser.

### **MUNICIPAL ADVISOR**

The District has retained PFM Financial Advisors LLC, Los Angeles, California, as its Municipal Advisor (the “**Municipal Advisor**”) in connection with the authorization and delivery of the Certificates. The payment of the Municipal Advisor’s fees for services rendered with respect to the sale of the Certificates is contingent upon the authorization and delivery of the Certificates. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Municipal Advisor will receive compensation from the District contingent upon the sale and delivery of the Certificates.

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**MISCELLANEOUS**

The execution and delivery of this Official Statement has been duly authorized by the District.

**MOULTON NIGUEL WATER DISTRICT**

By: \_\_\_\_\_  
Johnathan Cruz  
Director of Financial Planning and Innovation

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**APPENDIX A**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE DISTRICT  
FOR FISCAL YEAR ENDED JUNE 30, 2025**

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**moulton niguel**  
water district

# ANNUAL COMPREHENSIVE FINANCIAL REPORT



**For Fiscal Year Ended June 30, 2025**

26161 Gordon Road, Laguna Hills, CA 92653



**moulton niguel** water district

**MOULTON NIGUEL WATER DISTRICT**  
Laguna Hills, California

**Annual Comprehensive Financial Report**  
Year Ended June 30, 2025

**Prepared By:**  
**The Finance Department**

26161 Gordon Road  
Laguna Hills, CA 92653  
[www.mnwd.com](http://www.mnwd.com)

**Moulton Niguel Water District  
Annual Comprehensive Financial Report  
Year Ended June 30, 2025**

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**moulton niguel** water district

December 1, 2025

Members of the Board of Directors and Customers,  
Moulton Niguel Water District

We are pleased to present the Moulton Niguel Water District’s (“District”) Annual Comprehensive Financial Report (“ACFR”) for the fiscal year ended June 30, 2025. This report was prepared by District staff in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants.

The ACFR provides an assessment of the District’s financial condition, informs readers about District services, includes information about current District initiatives, capital improvement projects, and offers financial and demographic trend information. Management at the District is responsible for both the accuracy and completeness of the data presented and fairness of the presentation, including all disclosures. The information and data, as presented, is accurate in all material respects, and is presented in a manner that provides a fair representation of the financial position and operations of the District. We have included all disclosures that are necessary to enhance the understanding of the financial condition of the District.

The District’s financial statements have been audited by Vasquez and Company, LLP, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2025, are free of material misstatement. The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified, “clean”, opinion that the District’s financial statements for the fiscal year ended June 30, 2025, were fairly presented in conformity with GAAP. The Independent Auditor’s Report is presented as the first component of the financial section of this report.

The Management Discussion & Analysis (“MD&A”) includes a narrative introduction, overview, and analysis to provide a better understanding of the accompanying financial statements. The MD&A immediately follows the Independent Auditor’s Report.

## Profile of the District

### *Authority, Services, and Customers*

The District was formed on November 16, 1960, under the provisions of the California Water District Law, Division 13, of the Water Code of the State of California, commencing with Section 34000. The District was formed for the purpose of providing a water supply to the communities within its service area. In 1963, the California Water District Act was amended, allowing California water districts to provide wastewater reclamation services. On July 1, 1964, the District began operation and management of wastewater services previously provided by Orange County Sanitation District No. 12.

BOARD OF  
DIRECTORS

Richard Fiore  
DIRECTOR

Donald Froelich  
DIRECTOR

Bill Moorhead  
DIRECTOR

Brian S. Probolsky  
VICE PRESIDENT

Diane Rifkin  
VICE PRESIDENT

Sherry Wanninger  
DIRECTOR



The District is authorized to acquire, control, store, treat, reclaim, recapture, and salvage any water (including wastewater) for the beneficial use of the District and its customers. The District's water and wastewater customers include retail customers (e.g., residential and commercial) located in incorporated areas within the District's service area. The District is also authorized to levy and collect taxes; to revise and collect rates or other charges for the delivery of water and collection and treatment of wastewater, use of facilities or property, or provisions for service. The District may also issue bonds, borrow money, and incur indebtedness.

### ***Governance***

The District is governed by a seven-member Board registered voters within the District's service area of Directors ("Board"), who are publicly elected by for staggered four-year terms.

Policy-making and legislative authority are vested with the Board. The Board has the authority to set rates and charges for water, recycled water, and wastewater services. The Board is responsible for, among other things, setting policies governing the operation of the District, adopting the budget, appointing committees, and hiring the General Manager. The General Manager is responsible for carrying out the policies of the Board, for overseeing the day-to-day operations of the District, and for hiring staff for the District.

### ***Service Area***

The District's service area, located in South Orange County, California, encompasses approximately 37 square miles, serving approximately 170,000 residents and 6,000 businesses and institutions within the cities of Laguna Niguel, Aliso Viejo, Laguna Hills, Mission Viejo, San Juan Capistrano, and Dana Point. The District distributes water to over 55,000 accounts, over 50,000 of which also receive wastewater service. Elevation within the District ranges from 230 to 904 feet above sea level. Climate is typical of the coastal plains of Southern California, with temperatures mild and relatively uniform. The District's service area experienced a net taxable value increase of 4.5% for the most current tax roll. The assessed net taxable valuation of the properties within the District's service area has grown to \$48.2 billion as of June 30, 2025.

### ***Water Supply and Services***

The District imports all its potable water from the Metropolitan Water District of Southern California ("MET") through its member agency, the Municipal Water District of Orange County ("MWDOC"), a wholesale importer of water from MET. The District is a customer agency of MWDOC and, as such, receives water from available sources of MET. MET's sources of water primarily include water imported from the Colorado River Aqueduct and from the State Water Project. All the District's potable water is treated at either the Robert B. Diemer Water Treatment Plant ("Diemer Plant") in Yorba Linda, California, or the Baker Water Treatment Plant ("Baker Plant") in Lake Forest, California. The Diemer Plant is owned and operated by MET and supplies approximately two-thirds of the District's treated potable water. The Baker Plant was completed in October 2016 and provides approximately one-third of the treated potable water to the District. The Baker Plant, which is owned by the District in partnership with four other water agencies, provides a secondary treatment plant that treats imported MET water and improves local water reliability. All potable water is delivered through three major transmission facilities: the South County Pipeline, East Orange County Feeder #2 ("EOFC #2"), and the Allen-McColloch Pipeline ("AMP").

Delivering safe drinking water is the highest priority of the District. To ensure the District is meeting drinking water quality standards, the District conducts approximately 12,000 water quality tests each year that are independently analyzed at state-of-the-art laboratories. Our water is tested at each stage of the treatment process to ensure it's safe when it reaches our customer's home or business. These tests continue to demonstrate that the water provided to the District's customers is safe, clean, and meets every state and federal water quality standard. In July 2025, the District issued the 2024 Water

Quality Report, which provides an overview of the water quality testing and results for the previous calendar year.

Long-range water supply planning is paramount to ensuring our customers have access to sufficient water supplies and investments in water supply reliability projects are appropriate and cost-effective. In fiscal year 2025-26, the District will be updating its Long-Range Water Reliability Plan ("LRWRP"), which is updated every five years and was last completed in 2020. In March 2021, the District adopted a resolution setting forth goals to enhance potable water system and supply reliability based on the 2020 LRWRP. The goals included evaluating and developing reliability projects and demand management measures that will provide at least 31 days, and up to 60 days of supplies to meet customer demands in the event of emergencies or planned outages that limit the availability of imported water supplies and considers phasing in dry-year storage levels of up to 10,000 acre-feet. With the implementation of projects like the Baker Plant, Upper Chiquita Reservoir, and other water reliability projects and demand management programs, the District is currently able to meet an average system outage of approximately 32 days. The District has continued to pursue expansion of its reuse programs through implementation of its Recycled Water Optimization Study and has initiated several planning studies to evaluate the OASIS Water Resources Center to further expand the District's local water reliability.

The District operates and maintains over 650 miles of domestic water distribution pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a District-wide total water storage capacity of over 170 million gallons. The District owns capacity rights in several adjoining water agencies' reservoirs and pipelines, such as El Toro Water District R-6 reservoir, the Santa Margarita Water District Upper Chiquita Reservoir, the Joint Transmission Main (a joint powers agreement between the District and other water agencies), Eastern Transmission Main jointly owned by the District and the Santa Margarita Water District, and the Irvine Ranch Water District Interconnection jointly owned with Irvine Ranch Water District. The District also operates 25 pump stations to pump water from lower pressure zones to the higher-pressure zones and 21 pressure reducing stations and flow control facilities to convey water from high to low zones.



### **Wastewater Services**

The District maintains approximately 500 miles of wastewater pipelines. The District's wastewater system has 17 lift stations that pump wastewater over the ridge lines to the various treatment plants for disposal or recycling. The District owns and operates two wastewater treatment plants, the Regional Treatment Plant ("RTP") and Plant 3A, which together treat approximately 85% of all wastewater generated by the District's customers and produce 100% of all recycled water used within the District's service area. The remaining 15% of wastewater is treated and disposed by the South Orange County Wastewater Authority ("SOCWA") via contract with SOCWA member agencies. Capital projects in the District's 10-year Capital Improvement Plan include projects to upgrade the two wastewater treatment plants, replace critical pipelines and rehabilitate lift stations to ensure reliable operation, conveyance and treatment of wastewater. The District also owns and operates the Advance Water Treatment ("AWT") facilities located at the RTP and Plant 3A to treat wastewater to Title 22 standards for recycled water supply. The AWT facilities provide recycled water to irrigation customers meeting more than 20% of the District's overall water demands.

The District utilizes a Sewer System Management Plan ("SSMP"), a requirement from the State Water Resources Control Board, as the basis for the operation and maintenance of the wastewater collection system. The SSMP incorporates the District's Sanitary Sewer Overflow Prevention Plan and Sanitary Sewer Overflow Response Plan along with existing pretreatment and engineering programs to complete the remaining SSMP requirements. The SSMP facilitates proper funding and management of the District's sanitary sewer system.

### ***Recycled Water Supply and Services***

The District promotes the use of recycled water to reduce imported water and maximize the reuse of available resources. The recycled water system consists of two AWT plants to treat wastewater and produce recycled water, as well as approximately 150 miles of recycled water distribution pipelines with 5 pre-stressed concrete and 6 steel storage reservoirs to service the recycled water system. The District also operates 10 pump stations to pump recycled water from lower pressure zones to the higher-pressure zones. In addition, the District owns 1,000 acre-feet of capacity rights in the Upper Oso recycled water reservoir owned by the Santa Margarita Water District.

While the District continues to expand its recycled water system pursuant to the Recycled Water Optimization Study, the District is evaluating the feasibility of direct potable reuse as a means for advancing its water reuse programs and reducing the discharge of treated wastewater to the ocean. The OASIS Water Resources Center will purify available wastewater to the highest standards established by the California State Water Resources Control Board to provide a local potable water supply source. The District is initiating several studies to evaluate the technical requirements for developing the OASIS project, along with studies to determine the potential for recovering dry weather runoff and stormwater flows to supplement local water supplies. The District has received tremendous support from the local and regional communities on this exciting program, including receiving several millions of dollars from the United States Bureau of Reclamation and the California Office of Emergency Services to fund the studies.

### **Factors Affecting Financial Conditions**

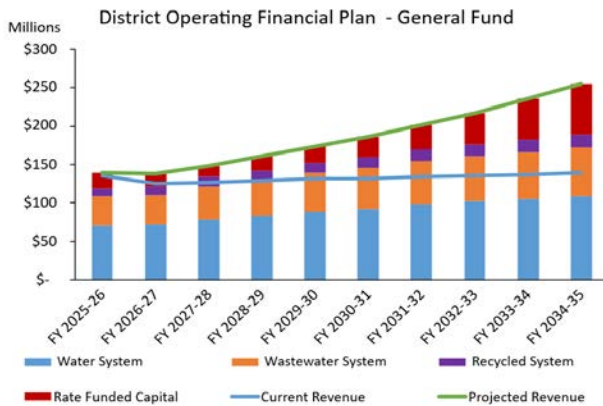
The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the District operates.

### ***Local Community***

The District serves communities within South Orange County that historically report stronger financial indicators than that of the nation and state. There are four major land uses in the District: (1) residential (single-family and multi-family); (2) commercial (retail and light industrial); (3) schools; and (4) recreation areas (parks, golf courses, etc.). Residential development is the predominant land use throughout the District. The highest concentration of commercial use is in the City of Mission Viejo, which includes the Shops at Mission Viejo, an affluent shopping mall, and in the City of Aliso Viejo, which includes the Pacific Park Business Center. The highest concentration of schools (students) is in the cities of Mission Viejo and Aliso Viejo, which includes Mission Viejo High School, Capistrano Valley High School, Saddleback Community College, Aliso-Niguel High School, and Soka University. The highest concentration of recreation areas within the service area is in Laguna Niguel and Aliso Viejo, where each has a golf course and regional parks. Future growth will primarily occur on a redevelopment basis of existing property and land.

### ***Fiscal Responsibility***

The District currently possesses a AAA-rating from both Fitch and S&P Global Ratings, the highest rating available from each agency. Both agencies cited the District's financial resiliency, affordable customer bills, infrastructure investments and risk mitigation strategies as key factors in determining those ratings.



The Board adopts an operating and capital budget prior to each new fiscal year, commencing on July 1<sup>st</sup>. The development of the operating and the capital budgets are guided by the Ten-Year Cash Flow and the Ten-Year Capital Improvement Program. The operating and capital budgets serve as the foundation for the District's financial planning and control of District operations and enterprise functions.

The District reports its water, wastewater, and recycled water services as a single enterprise fund. On a monthly basis, a budget comparison report is submitted to the Board to provide a year-to-date comparison of the revenues and expenses against the adopted budget, and on a quarterly basis, a capital improvement program progress report is submitted to the Board to provide the status of current infrastructure projects.

The District's annual budget process includes reviewing and updating, if necessary, District policies that govern financial affairs, and contains policies for Reserves, Investments, Purchasing, Capitalization and Surplus, Debt Management and Federal Grants Management. Each of those policies serve as an important tool in managing the financial affairs of the District:

- The main objective of the Reserve Policy is to set target levels for cash reserves to establish a relationship between current and anticipated future risks. The District's reserve categories are discussed in Note 18 of the Notes to Financial Statements. The Board receives monthly updates on the status of the adopted reserve targets.
- The Investment Policy is used to direct the purchasing of securities, while also maintaining the flexibility to fund infrastructure improvements. The Board receives a quarterly investment report.
- The Purchasing Policy establishes procedures for acquiring services and materials, equipment, and supplies, and for public works projects for the District.
- The Capitalization and Surplus policy is intended to provide guidance for accounting and treatment related to the District's investments in critical assets.
- The Debt Management Policy is used to document the District's goals and guidelines for the use of debt instruments for financing District water, recycled water, and wastewater infrastructure projects and other financing needs.
- The Federal Grants Management Policy is designed to provide guidance to District staff in executing projects and utilizing funds provided through Federal grants, and to comply with the provisions of the Uniform Guidance.

### ***Long-term Financial Planning***

The District uses various planning documents, i.e., Urban Water Management Plan (“UWMP”), Long Range Water Reliability Plan, and Long Range Financial Plan (“LRFP”) to forecast the District’s needs for water use and demand, capital improvement projects, water supply reliability projects, and financial resources. The associated financial models supporting those planning documents are significant assets to the District and have been built internally by District staff, allowing the District and the Board to be proactive, analyze and evaluate different scenarios for things such as: changes to the economic environment, operational requirements, or critical infrastructure investments.

The objective of the LRFP is to identify strategies and actions to ensure sufficient financial resources to enable the District to achieve its mission and to utilize those financial resources effectively. Additionally, the LRFP serves as key contextual information to aid in making near-term financial decisions. The LRFP incorporates the District’s reserve policies, debt policies, coverage ratios, water demand needs with associated water purchase costs, water rates, capital improvement program, and operating budget to provide a financial forecast for the District. The District has historically maintained a strong financial position based upon conservative planning and budgeting, maintenance of adequate cash balances, and maintaining the proper debt service coverage ratios.

Additionally, the District utilizes a cost-of-service-based rate design, as data has shown that design to be the most effective tool to encourage the efficient use of water resources, while still providing the necessary revenues to recover the District’s expenses, regardless of changing water demands and maintains compliance with legal and regulatory standards. The State Water Resources Control Board (“SWRCB”) recognized the District’s specific rate design as a best practice amongst more than 400 urban water utilities statewide. The rates are also structured to ensure that an appropriate level of fixed expenses is recovered with fixed revenue. As a result, the District has managed to remain financially strong despite a consistent reduction in per person water use while continuing to maintain water rates among the lowest in the region. The Board annually reviews the financial plan and projected rates through the ten-year cash flow model to ensure the District’s financial forecasts are consistent with District policy and objectives while providing a strong foundation.

### ***Imported Water Costs***

As mentioned, the District imports all of its potable water from MET through our wholesaler, MWDOC. MET is responsible for importing water supplies from both the Colorado River and Northern California to Southern California and treating it to the necessary water quality standards. As a result, investments in infrastructure, such as treatment plants, aqueducts, and transmission mains by MET, will continue to drive up costs for our potable water. Additionally, imported water supply costs may increase as the State and the region develop solutions to address varying climate conditions that will impact available water supplies. The costs borne by MET and MWDOC for importing and treating water are passed directly to its retail agencies, including the District. Imported water purchases represent the District’s largest operating expense category and MET rate increases have a direct and substantial impact on the District’s budget and associated water rates.

### ***Internal Controls***

Management of the District has established a comprehensive internal control framework that is designed both to protect the District’s assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District’s financial statements in conformity with GAAP. The District’s comprehensive framework of internal controls has been designed to provide reasonable assurance that the financial statements will be free from material misstatement. The Board and District staff continue to evaluate the District’s internal control framework to determine if improvements are attainable and implement feasible recommendations.

## Major Initiatives

### *Strategic Planning*

For over a decade, District staff has jointly conducted an annual strategic planning workshop with the Board of Directors to identify the key objectives and strategies to prioritize for the upcoming fiscal year. This session provides an opportunity to ensure that the objectives identified by staff for the upcoming fiscal year are consistent with the policy direction of the Board of Directors. These identified priorities are incorporated into the budget to allocate fiscal and staffing resources accordingly.

Beginning in 2023, the District's key goals and objectives were consolidated into five areas comprising: 1) Fiscal Responsibility, 2) Operational Optimization, 3) Community and Government Relations, 4) Unified Workforce, and 5) Secure and Reliable Service (collectively F.O.C.U.S). While these do not account for all areas of the District's activities, they are intended to substantially encapsulate the services necessary to carry out the District's mission within the upcoming fiscal year. Additional information regarding the F.O.C.U.S. goals and objectives can be found in the District adopted fiscal year 2024-2025 and 2025-2026 Budgets available on the District's website.

### *Investment in Critical Infrastructure*

The District has implemented an extensive Capital Improvement Program that includes more than \$800 million over the next 10 years, in building, maintaining and upgrading our capital infrastructure assets to support reliable water service, maintain wastewater treatment and regulatory compliance and enhance local fire protection. Our 10-Year Capital Improvement Plan includes ongoing rehabilitation of the District's treatment plants, reservoirs, pump stations, and transmission pipelines, as well as valves and fire hydrants.

During the past year, the District has initiated several major capital infrastructure projects that will continue to ensure the water and wastewater systems will be resilient to serve the District's customers today and in the future. One of the major projects completed during fiscal year 2024-25 was the Crown Valley Parkway Pipeline Replacement project which replaced a 60-year water main and a critical wastewater force main. Replacement of the pipelines was necessary to improve water and wastewater infrastructure to ensure continued safe, reliable services for decades to come.



Construction continued at Plant 3A focusing on upgrading the solids treatment process. The solids handling facility at Plant 3A is nearly 30 years old and requires frequent repairs and increased maintenance. This project rehabilitates and significantly improves the entirety of the solids handling facility at that plant and re-establishes the desired level of service and redundancy of the solids handling processes. The project is expected to conclude in fiscal year 2025-26.

The District also continued work on a progressive design build contract to provide salinity management treatment for its recycled water supplies at the Regional Treatment Plant AWT facility. The project will address the increasing total dissolved solids, iron, and manganese concentrations within the recycled water produced at that facility. High concentrations of these dissolved solids in recycled water makes the water less suitable for beneficial reuse. Reduction of the total dissolved solids is necessary to assure current and future delivery of quality recycled water to customers.



During fiscal year 2024-25, the District continued work on the Regional Lift Station Force Main Replacement project which will help improve the reliability of sewer pipelines in the Laguna Niguel Regional Park and signifies a substantial stride towards bolstering the communities resilience to emergencies. To help offset the cost of the project, the District sought and was awarded a \$10.3 million grant award administered by the California Office of Emergency Services (CalOES) and funded by the Federal Management Agency's (FEMA) Hazard Mitigation Grant Program. The grant period for this project continues into January 2027.

The District also continued work on the OASIS Water Resources Center which aims to introduce a new drinking water source, enhance recycled water supplies through surface water diversion, improve watershed conditions and create opportunity for regional partnership. The District has received two grant awards to help fund the cost of studies and preliminary design review to evaluate the implementation of the OASIS Water Resources Center, a direct potable reuse facility, at or near the Regional Treatment Plant. The studies also evaluate diverting runoff from the Aliso Creek watershed with a nature-based treatment system. One of the grant awards is a \$1.6 million grant administered by CalOES and funded by FEMA's Building Resilient Infrastructure and Communities Grant Program. The other grant award is a \$337,500 grant administered by the United States Bureau of Reclamation (USBR) for a WaterSmart grant. Planning studies and preliminary design review are anticipated to be complete during fiscal year 2026-27.

In the second half of fiscal year 2024-25, the District commenced Phase II of its Low Resolution Meter Replacement Program which will replace 2,850 meters in the District's service area with low resolution ultrasonic meters. The District was awarded over \$400,000 in Federal funding from USBR through its WaterSmart grant program to fund the meter replacement project which will be completed in fiscal year 2025-26.

These projects are several examples of the significant investment the District continues to make into critical water and wastewater infrastructure. The District continues to lead the industry in innovation and prides itself on delivering high-quality drinking water, recycled water, and wastewater services to the communities we serve.

### ***Emergency Preparedness***

Recent fires in Southern California underscore the vital role our water system plays in protecting lives and property. At Moulton Niguel, we're dedicated to safeguarding our community in every way possible. Over the past 18 months, Moulton Niguel completed a Resiliency Action Plan that outlines a comprehensive framework for promoting ongoing service and business continuity during emergencies.

Moulton Niguel is working closely with the City of Santa Ana and Orange County Water District ("OCWD") to establish a new emergency water interconnection with the Orange County groundwater basin. This emergency interconnection for South Orange County would allow water from the basin to be pumped into the regional water distribution system. This will provide a vital backup water source for our customers during a catastrophic event that disrupts the delivery of imported water from MET.

Moulton Niguel is partnering with the local emergency coordination agency - the Water Emergency Response Organization of Orange County (WEROC) - to establish a new Emergency Operations Center (EOC) for South Orange County at our headquarters in Laguna Hills. This new EOC will serve as a hub for the seamless coordination between water and wastewater agencies, the County of Orange, and the Governor's Office of Emergency Services.

Moulton Niguel is working to enhance our fire readiness and response capabilities to better protect our community from fires. In total, Moulton Niguel maintains approximately 7,000 fire hydrants in South Orange County. The District collaborated with the Orange County Fire Authority, County of Orange, City of Aliso Viejo, and Aliso Viejo Community Association to install a new Helicopter Hydrant system in Aliso Viejo. The new pipeline and fire hydrants provide emergency responders with access to 7,500 gallons of water in just 5 minutes.



### ***Asset Optimization***

During fiscal year 2024-25, the District embarked on an initiative to develop a data management framework to enhance the District's asset management program and identify opportunities to optimize system operations and capital infrastructure investments. The District is calling the project "Building a Leading Utility Ecosystem" ("BLUE"). BLUE will centralize several of the District's existing data sources as part of a developed framework and implement a digital solution that enables advanced analytics. These advanced analytics will enhance the District's ability to monitor water loss by pressure zones at increased time intervals to optimize leak detection programs and support future infrastructure investments. It will also enhance the District's ability to monitor wastewater flow patterns to track potential inflow and infiltration in the wastewater collections system that will optimize sewer and manhole lining programs and will provide energy management tools to optimize pump rehabilitation efforts to maximize pump performance and reduce energy costs. These are just a few examples of how centralized and streamlined data will enable data-informed decision making that provides value to customers and helps reduce costs. Components of the project are expected to be developed and available for District staff in fiscal year 2025-26 with additional components rolled out in fiscal years 2026-27 through 2028-29.

### ***Water Education Activities***

The District's Board continues to partner with local and regional agencies to provide a variety of water education and water-saving programs and opportunities to District customers, many of which are discussed in detail on the District's website at [Conservation - Moulton Niguel Water District \(mnwd.com\)](https://www.mnwd.com). This past year, the District has continued to focus on education programs for its customers, local youth, and the broader water community by hosting free classes and workshops including sustainable landscaping classes and irrigation workshops and the Fix-A-Leak workshop to educate residents on how to find and repair common household leaks.

The District held its annual H2O for HOAs workshop in October 2025. The workshop partners with over a dozen water agencies and Cities, with the District leading the initiative to provide education and inspire conversation and collaboration on water management topics, specifically geared toward Homeowner's Association Boards, property managers and landscape professionals.

Lastly, the District joined forces with the California Data Collaborative to host the tenth annual California Water Data Summit. The three-day event showcased transformative insights and software that have modernized the water industry. Through keynote speeches, panel discussions, and interactive workshops, participants explored the evolution of data-driven methodologies, shared success stories, and set the course for tapping into, wielding, and unleashing the power of data to effectively manage our greatest assets besides water.

## ***Regional Collaborative Ventures***

The District coordinates with neighboring agencies on capital projects that may bring additional regional water reliability benefits and cost sharing. The District also looks to find operational cost savings by participating in shared service opportunities with other local agencies. Further, the District partners with other agencies to explore opportunities for future collaboration that work towards regional water reliability. One such effort previously mentioned is the partnership with the City of Santa Ana and OCWD through an interagency agreement for the purpose of establishing a new emergency interconnection in South Orange County that will deliver water from the Orange County groundwater basin to the East Orange County Feeder #2 during emergency conditions.

Additionally, the District has entered into several Memorandums of Understanding ("MOU") in relation to the OASIS Water Resources Center including MOUs with the County of Orange, the City of Laguna Beach and the Los Angeles Department of Water and Power ("LADWP"). In addition to the primary benefit of enhancing service to the local community, the OASIS project has several areas of potential shared benefits between the District and neighboring agencies including the County of Orange and the City of Laguna Beach. These areas of mutual interest and benefit include watershed education, runoff reduction, environmental enhancements to the local creeks and beaches, and reduced impacts from storm water flows. The District and LADWP also identified areas of mutual benefit that would transpire through knowledge exchange where the two agencies would share information on the District's OASIS Water Resources Center and LADWP's Pure Water Los Angeles Program which also envisions incorporating potable reuse at a large scale. The purpose of these three MOUs is to further explore the opportunities to realize these mutual benefits through the development of the OASIS Water Resources Center.

The District is also exploring opportunities for waste management and diversion of waste from municipal landfills. The District joined the City of San Bernardino and other Southern California agencies as part of an interagency agreement forming the Southern California Regional Biosolids Coalition to study the feasibility of beneficial reuse or disposal of biosolids. Further, the District partnered with Orange County Waste and Recycling as part of an MOU that seeks to support efforts to beneficially reuse food waste generated in Orange County including reuse at anaerobic digester facilities within the County.

Lastly, The District is installing two in-conduit micro-hydro turbine and pressure management systems to generate clean energy at its Bridlewood Flow Control Facility. The 224 kilowatt system is anticipated to generate over 800,000 kilowatt hours annually and offset 5% of the District's total energy demands. The project has been submitted to San Diego Gas and Electric's Renewal Energy Self-Generation Bill Credit Transfer tariff program to reduce the District's annual energy bill, along with various federal incentive programs that will offset the cost of the micro-hydro turbines.

## **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Moulton Niguel Water District for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the 2024-25 ACFR continues to meet the Certificate of Achievement Program requirements and this report will mark our seventeenth consecutive submission to the GFOA to determine its eligibility for another certificate. The District has received the award for its ACFRs for each of the past sixteen years.

The District also received the Distinguished Budget Presentation Award from GFOA for its fiscal year 2023-24 Budget and the Popular Annual Financial Reporting Award from GFOA for its fiscal year 2023-24 Popular Annual Financial Report (PAFR). The combination of these two awards and the Certificate of Achievement for Excellence in Financial Reporting resulted in recognition as a "Triple Crown" agency for upholding the spirit of full disclosure by transparently communicating the District's financial story. This marks the third consecutive year as a Triple Crown agency and the District believes its fiscal year 2024-25 budget and financial reporting documents will again earn the Triple Crown.

Lastly, the District continues to receive awards from various agencies for innovation and excellence amongst peers. One such award is the Top Workplace by the Orange County Register which the District has received for the last eight years. The top workplace designation has been a key tool in recruitment successes over the past several years. The award program is administered by Energage in partnership with major media outlets, such as the Orange County Register, the Boston Globe, and the Washington Post.

Respectfully submitted,



Joone Kim-Lopez  
General Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Moulton Niguel Water District  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2024

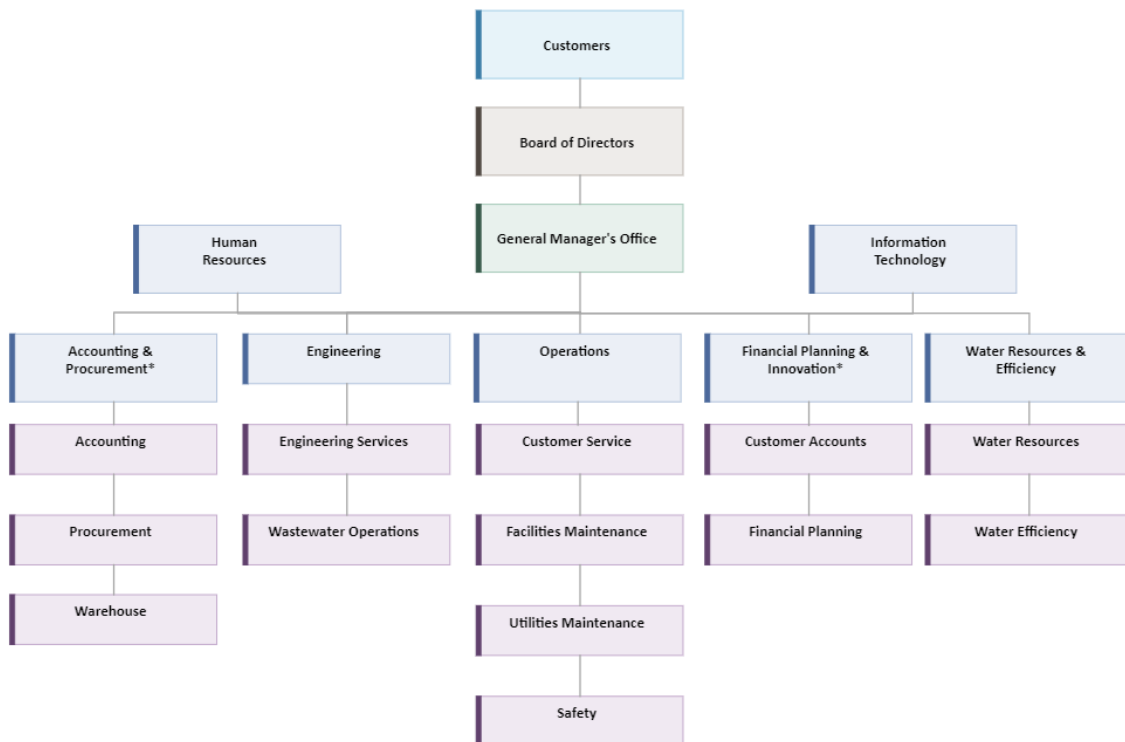
*Christopher P. Morill*

Executive Director/CEO

## Board of Directors as of June 30, 2025

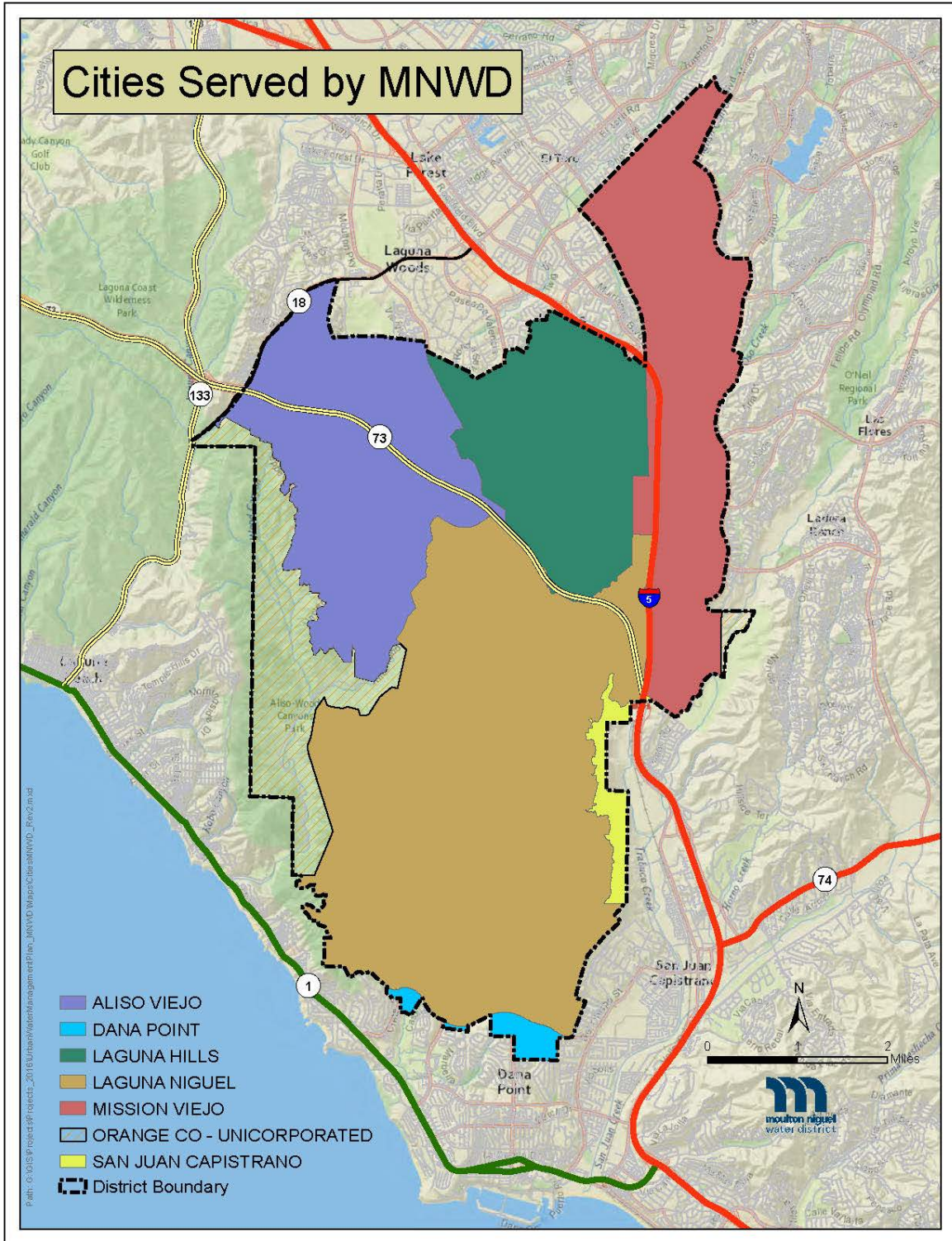
Duane Cave	Brian Probolsky	Diane Rifkin	Richard Fiore	Donald Froelich	Bill Moorhead	Sherry Wanninger
President	Vice President	Vice President	Director	Director	Director	Director

## Organization Chart



\*Collectively, "the Finance Department"

## Service Area (Cities)





655 N. Central Avenue  
Suite 1550  
Glendale, CA 91203

[www.vasquez.cpa](http://www.vasquez.cpa)

213-873-1700  
OFFICE

\ LOS ANGELES  
\ SAN DIEGO  
\ IRVINE  
\ SACRAMENTO  
\ FRESNO  
\ PHOENIX  
\ LAS VEGAS  
\ MANILA, PH

## Independent Auditor's Report

**The Honorable Members of the Board  
Moulton Niguel Water District  
Laguna Hills, California**

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the Moulton Niguel Water District (the District), which comprise the statement of net position as of June 30, 2025, the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, (collectively, the District's basic financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2025, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Management's Responsibilities for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.



### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, and the required supplementary information on pages 66 through 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Glendale, California  
December 1, 2025



**Moulton Niguel Water District  
Management's Discussion & Analysis  
Year Ended June 30, 2025**

**Overview of the Financial Statements**

The Moulton Niguel Water District ("District") financial statements are prepared in conformity with Generally Accepted Accounting Principles ("GAAP") and include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Readers should evaluate the financial statements with the accompanying Notes to Financial Statements. The Notes to Financial Statements are an integral part of the financial statements and provide useful explanations and detailed information on the financial statements. The Management's Discussion and Analysis precedes the financial statements, and its purpose is to provide an overall analysis of the District's financial position and results of operations.

**Financial Highlights**

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$429.4 million (total net position). Net position consists of \$317.6 million in net investment in capital assets, \$0.1 million in restricted for capital projects, and \$111.7 million of unrestricted net position.
- Total capital assets for the year ended June 30, 2025, were \$550.6 million, an increase of \$53.9 million, or 10.9%. The District placed \$62.7 million of capital assets into service during the fiscal year.
- The District received \$37.0 million for its share of the 1% ad valorem property taxes, an increase of \$1.5 million, or 4.2% over the prior fiscal year.
- Total Expenses increased by \$15.8 million to \$135.2 million, representing an increase of 13.2% as compared to the prior fiscal year. This increase was largely driven by \$5.1 million or 17.8% higher water purchases, \$3.2 million or 12.1% higher general and administrative expenses, \$2.7 million or 13.8% higher wastewater treatment and pumping expenses, \$1.9 million or 7.9% higher depreciation expense, and \$1.5 million or 29.1% higher interest on long-term debt.

**Required Financial Statements**

The Statement of Net Position presents the financial position of the District at June 30, 2025. This statement includes five components: District assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, with the remaining difference between those items being reported as net position. The assets and liabilities are listed in order of their liquidity. Therefore, assets readily convertible to cash, such as cash and investments, appear first.

The *Statement of Revenues, Expenses, and Change in Net Position* accounts for the annual results of operations. This statement shows the current year's revenues, expenses, capital contributions, and calculates the overall change in net position. The sum of the beginning net position and the current year's change in net position equals the ending net position balance. The same ending net position balance appears on the *Statement of Net Position*. Over time, changes in net position serve as a key indicator of the District's financial health.

Both the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Change in Net Position* are shown using the accrual basis of accounting. This means revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts and payments.

**Moulton Niguel Water District  
Management's Discussion & Analysis  
Year Ended June 30, 2025**

By contrast, the *Statement of Cash Flows* presents information about changes in cash and cash equivalents during the year. The statement categorizes changes by operating activities, non-capital financing activities, capital and related financing activities, and investing activities. From this statement the reader can obtain information on the sources and uses of the District's cash.

**District Financial Analysis**

The following condensed schedules contain summary financial information extracted from the basic financial statements and are meant to assist readers in evaluating the District's overall financial position and results of operations. These schedules can be used to assess whether the District's overall financial position has improved or deteriorated. Other external factors such as changes in economic conditions, customer growth, and legislative mandates should also be considered as part of this analysis.

**Financial Position Summary:**

<b>Table 1 - Condensed Statement of Net Position (In Thousands)</b>				
	Fiscal Year		Increase/(Decrease)	
	2024-25	2023-24	Amount	Percent
Current and noncurrent assets	\$ 211,142	\$ 168,748	\$ 42,394	25.1%
Capital assets, net	550,617	496,684	53,933	10.9%
<b>Total Assets</b>	<b>761,759</b>	<b>665,432</b>	<b>96,327</b>	<b>14.5%</b>
<b>Deferred Outflows of Resources</b>	<b>11,735</b>	<b>14,572</b>	<b>(2,837)</b>	<b>-19.5%</b>
Current liabilities	45,429	26,667	18,762	70.4%
Long-term liabilities	287,621	206,273	81,348	39.4%
<b>Total Liabilities</b>	<b>333,050</b>	<b>232,940</b>	<b>100,110</b>	<b>43.0%</b>
<b>Deferred Inflows of Resources</b>	<b>11,092</b>	<b>13,657</b>	<b>(2,565)</b>	<b>-18.8%</b>
Net investment in capital assets	317,603	315,464	2,139	0.7%
Restricted for capital projects	81	175	(94)	-53.7%
Unrestricted net position	111,668	117,768	(6,100)	-5.2%
<b>Total Net Position</b>	<b>\$ 429,352</b>	<b>\$ 433,407</b>	<b>\$ (4,055)</b>	<b>-0.9%</b>

The *Statement of Net Position* presents the District's financial position as of June 30. The statement consists of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Total net position represents the District's net worth.

As shown above in Table 1 in the condensed *Statement of Net Position*, the District's total assets increased \$96.3 million, or 14.5%. This increase was primarily due to \$38.6 million higher cash and investments driven by \$44.6 million of unspent bond proceeds at June 30, 2025 related to the issuance of \$80.5 million in certificates of participation ("COPs") during fiscal year 2025, offset by \$7.2 million for the acquisition of the Regional Treatment Plant ("RTP") as discussed in the capital assets section on page 11. In addition, capital assets net of accumulated depreciation, increased \$28.2 million and construction in progress increased \$25.3 million, both of which are due to spending on capital projects and as discussed in more detail in the capital assets section on page 12.

**Moulton Niguel Water District  
Management’s Discussion & Analysis  
Year Ended June 30, 2025**

**Financial Position Summary (Continued):**

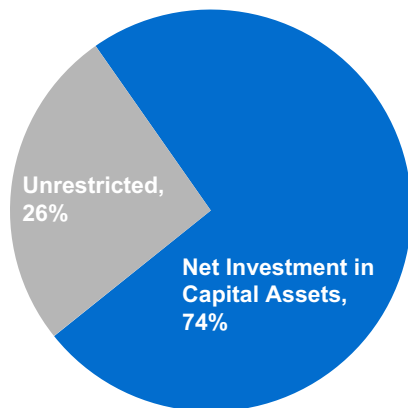
The deferred outflows of resources balance decreased by \$2.8 million, or -19.5% as compared to the prior fiscal year balance of \$14.6 million. This is primarily the result of a decrease in deferred items related to pension and OPEB due to changes in investment returns during the measurement period.

Total liabilities increased by \$100.1 million, or 43.0% as compared to the previous fiscal year. The main driver for this increase was \$77.6 million higher certificates of participation payable due to the issuance of \$80.5 million in COPs as discussed in the long-term debt section on page 13. In addition, promissory notes payable increased \$14.0 million. The promissory notes relate to the acquisition of the Regional Treatment Plant as discussed in the capital assets section on page 11. Also contributing to the increase in liabilities was \$8.8 million higher accounts payable due to an increase in capital project expenditures during the fiscal year and \$1.0 million higher interest payable due to the issuance of 2025 COPs. These increases were offset by \$2.5 million lower bonds payable due to debt service payments during the fiscal year.

Deferred inflows of resources ended the fiscal year at \$11.1 million, a decrease of \$2.6 million in comparison to the prior fiscal year reported amounts. The primary driver of that decrease was \$2.1 million related to leases due to scheduled amortization as discussed in Note 4 of the Notes to Financial Statements. Additionally, deferred inflows related to pension decreased \$0.4 million due to changes in investment returns during the measurement period.

The District’s total ending net position at June 30, 2025, amounted to \$429.4 million, which was \$4.1 million lower than the prior fiscal year.

**Figure 1  
Net Position  
June 30, 2025**



Net position consists of \$317.6 million in net investment in capital assets, \$0.1 million restricted for capital projects, and \$111.7 million in unrestricted net position. Net investment in capital assets reflects capital assets, net of accumulated depreciation or amortization and liabilities attributed to the acquisition, construction, or improvement of those assets. In addition, this amount includes the net amount of regulated assets and intangible right to use assets. The District’s net investment in capital assets balance increased by \$2.1 million, or 0.7%, and represents 74% of total net position primarily due to an increase in capital assets, net of accumulated depreciation. More information on net investment in capital assets can be found in Note 16 of the Notes to Financial Statements.

Restricted net position ended the year at \$0.1 million. Restricted net position represents the unspent portion of capacity fees paid by developers for connecting to the District’s water and wastewater system. Annually as part of the budget process, the District specifies which capital projects will be funded from this balance.

**Moulton Niguel Water District  
Management's Discussion & Analysis  
Year Ended June 30, 2025**

**Financial Position Summary (Continued):**

Unrestricted net position was \$111.7 million at June 30, 2025, a decrease of \$6.1 million, or 5.2% from the prior year amount due to the increase in net investment in capital assets of \$2.1 million and net loss of \$4.5 million, offset by capital contributions of \$0.9 million. Additional information on unrestricted net position can be found in Note 18 of the Notes to Financial Statements.

**Activities and Change in Net Position:**

The *Statement of Revenues, Expenses, and Change in Net Position* summarizes the District's operations during the fiscal year. A summary of the District's changes in net position for the fiscal years ended June 30, is included in Table 2, below:

Table 2 - Statement of Revenues, Expenses and Change in Net Position (In Thousands)				
(\$ In Thousands)	2024-25	2023-24	Increase/(Decrease)	
			Amount	Percent
<b>Operating Revenues:</b>				
Water charges	\$ 40,037	\$ 34,252	\$ 5,785	16.9%
Recycled charges	6,122	4,822	1,300	27.0%
Sanitation charges	33,916	32,555	1,361	4.2%
Other	1,440	497	943	189.8%
<b>Total Operating Revenues</b>	<b>81,515</b>	<b>72,126</b>	<b>9,389</b>	<b>13.0%</b>
<b>Non-operating Revenues:</b>				
Property taxes	37,030	35,526	1,504	4.2%
Investment income	7,940	6,637	1,303	19.6%
Interest income	492	633	(141)	-22.3%
Cellular lease income	1,717	1,638	79	4.8%
Intergovernmental revenue	1,416	931	485	52.1%
Other	614	417	197	47.3%
<b>Total Non-operating revenues</b>	<b>49,209</b>	<b>45,782</b>	<b>3,427</b>	<b>7.5%</b>
<b>Total Revenues</b>	<b>130,724</b>	<b>117,908</b>	<b>12,816</b>	<b>10.9%</b>
<b>Operating expenses</b>				
Water purchases	33,765	28,657	5,108	17.8%
Utilities	3,206	3,025	181	6.0%
Wastewater treatment & pumping	22,098	19,417	2,681	13.8%
Water transmission & distribution	2,242	2,236	6	0.3%
Customer service & water efficiency	9,909	9,152	757	8.3%
General, administrative & other	29,808	26,598	3,210	12.1%
Depreciation and amortization	26,439	24,498	1,941	7.9%
<b>Total Operating Expenses</b>	<b>127,467</b>	<b>113,583</b>	<b>13,884</b>	<b>12.2%</b>
<b>Non-operating Expenses:</b>				
Investment expense	416	236	180	76.4%
Interest on long-term debt	6,769	5,245	1,524	29.1%
Other	584	354	230	65.0%
<b>Total Non-operating Expenses</b>	<b>7,769</b>	<b>5,835</b>	<b>1,934</b>	<b>33.1%</b>
<b>Total Expenses</b>	<b>135,236</b>	<b>119,418</b>	<b>15,818</b>	<b>13.2%</b>
Income (loss) before capital contributions	(4,512)	(1,510)	(3,002)	198.8%
Capital contributions	925	1,510	(585)	-38.7%
<b>Change in Net Position</b>	<b>(3,587)</b>	<b>—</b>	<b>(3,587)</b>	<b>160.1%</b>
Beginning Net Position, as Restated <sup>1</sup>	432,939	433,407	(468)	-0.1%
<b>Ending Net Position</b>	<b>\$ 429,352</b>	<b>\$ 433,407</b>	<b>\$ (4,055)</b>	<b>-0.9%</b>

<sup>1</sup>In fiscal year 2024-25, the District implemented GASB Statement 101, *Compensated Absences* which resulted in a restatement of beginning net position. See Note 1.u. in the Notes to Financial Statements. Fiscal year 2023-24 was not restated for the implementation of this GASB statement.

**Moulton Niguel Water District  
Management's Discussion & Analysis  
Year Ended June 30, 2025**

**Activities and Change in Net Position (Continued):**

**Revenues:**

As shown in Table 2, the District's total revenues increased by \$12.8 million, or 10.9% in fiscal year 2025, totaling \$130.7 million.

Operating revenues amounted to \$81.5 million for the fiscal year ended June 30, 2025, increasing 13.0% over the prior fiscal year total of \$72.1 million. Total operating revenues represented approximately 62% of total revenues for the fiscal year ended. Figure 2 provides an illustration of the different sources of revenue the District received during the fiscal year.

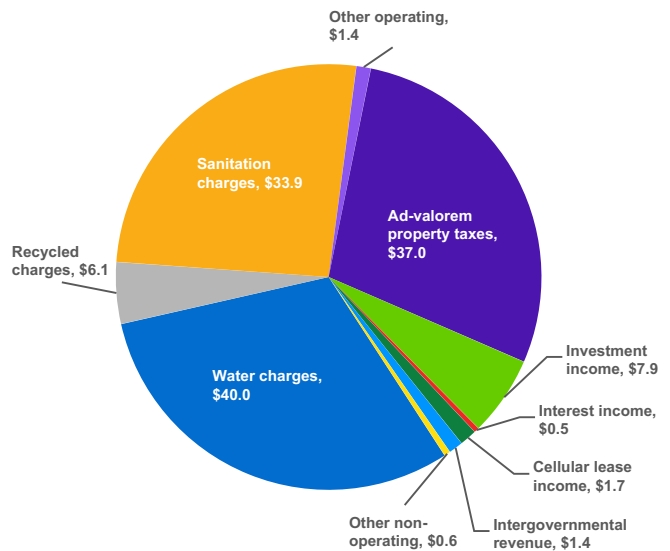
Water charges contributed the largest share of total revenues at \$40.0 million, or 31% of total revenues. The fiscal year total for water charges represented a 16.9% increase compared to the prior fiscal year amount of \$34.3 million. The increase was a result of higher water rates and higher consumption compared to prior fiscal year rates. Total consumption during the fiscal year was 9.27 million billing units, an increase of 1.03 million billing units from the prior fiscal year, primarily due to drier conditions.

Recycled water charges increased by \$1.3 million, or 27.0% over the prior fiscal year. Recycled water customers consumed 2.47 million billing units in fiscal year 2025 compared to 1.73 million billing units in the prior fiscal year. The increase in consumption was primarily due to drier conditions.

Sanitation charges increased by \$1.4 million or 4.2% over the prior fiscal year due to higher rates.

Non-operating revenues totaled \$49.2 million for the fiscal year ended, an increase of \$3.4 million or 7.5% compared to the prior fiscal year. Non-operating revenues represent approximately 38% of total revenues for the year. Ad-valorem property tax revenues is the largest portion of non-operating revenues which totaled \$37.0 million, representing an increase of 4.2% when compared to the prior fiscal year. The \$37.0 million is the largest amount of property taxes received by the District in a fiscal year and continues to serve as an important revenue stream that the District uses to offset rate revenue requirements. Also contributing to the increase in non-operating revenues was \$1.3 million higher investment income due to higher unrealized gains on investments as compared to the prior fiscal year. In addition, intergovernmental revenue increased by \$0.5 million due to grant awards for capital projects.

**Figure 2 - Revenues  
Year Ended June 30, 2025  
(\$ In Millions)**

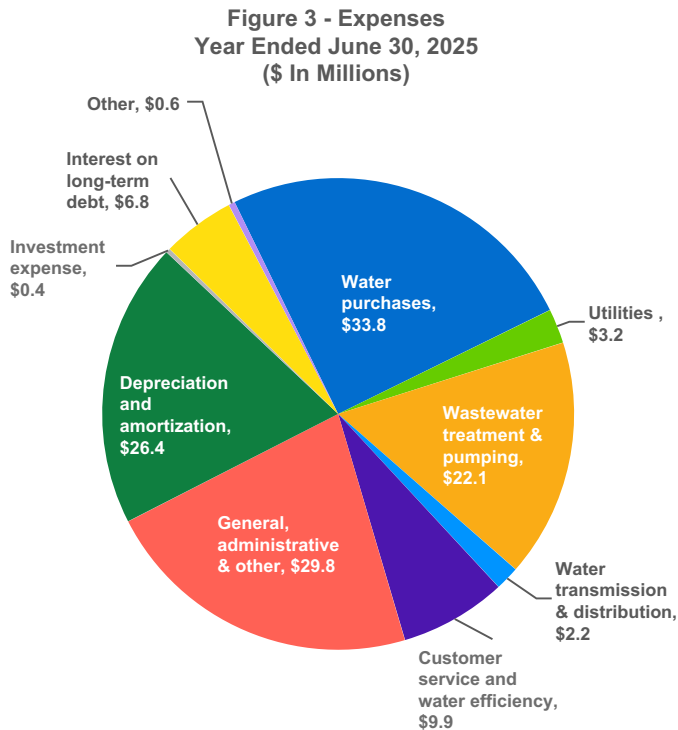


**Moulton Niguel Water District  
Management's Discussion & Analysis  
Year Ended June 30, 2025**

**Activities and Change in Net Position (Continued):**

**Expenses:**

As seen in Table 2, total expenses for the fiscal year ended June 30, 2025, increased to \$135.2 million representing an increase of \$15.8 million or 13.2% over the prior fiscal year. Operating expenses for the fiscal year amounted to \$127.5 million, an increase of \$13.9 million, or 12.2% over the fiscal year 2023-24 total.



Water purchases, wastewater treatment and pumping, and water transmission and distribution amount to 43% of total expenses for the District. Water purchases increased by \$5.1 million to \$33.8 million for the fiscal year ended, primarily due to increased cost per acre foot of water purchased. Wastewater treatment and pumping increased by \$2.7 million or 13.8% due to increased costs related to the District's participation in the South Orange County Wastewater Authority ("SOCWA") prior to its withdrawal on December 12, 2024, as discussed in more detail in Note 15 of the Notes to Financial Statements. Additionally, the costs of chemicals at the wastewater treatment plants have increased with inflation.

General, administrative and other expenses increased by \$3.2 million or 12.1% due to inflationary factors on supplies, materials and consulting costs as well as property and general liability insurance premiums. In addition, actuarially determined contributions for pension and OPEB have increased and the District recognized increased general, administrative and other expenses for the implementation of GASB Statement 101, *Compensated Absences* as discussed in Note 1.u. in the Notes to Financial Statements.

Non-operating expenses increased by \$1.9 million to \$7.8 million, representing a 33.1% increase as compared to the prior fiscal year primarily due to an increase of \$1.5 million in interest on long-term debt due to the issuance of 2025 Certificates of Participation as discussed in the long-term debt section on page 13.

**Capital Contributions:**

As noted in Table 2, capital contributions were \$0.6 million or 38.7% lower as compared to the prior fiscal year, decreasing to \$0.9 million. This decrease was mostly due to reimbursements received for capital-related work from facilities that the District jointly participates with neighboring agencies.

**Moulton Niguel Water District  
Management's Discussion & Analysis  
Year Ended June 30, 2025**

**Capital Assets:**

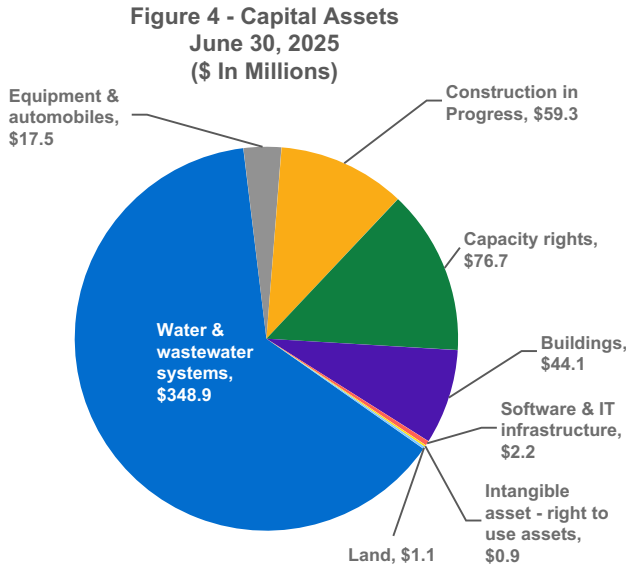
<b>Table 3 - Condensed Capital Asset Summary (In Thousands)</b>				
<b>(\$ In Thousands)</b>	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Increase/(Decrease)</b>	
	<b>2024-25</b>	<b>2023-24</b>	<b>Amount</b>	<b>Percent</b>
Water and wastewater systems	\$ 348,917	\$ 283,088	\$ 65,828	23.3 %
Capacity rights	76,666	113,910	(37,244)	-32.7 %
Buildings	44,138	45,457	(1,319)	-2.9 %
Equipment and automobiles	17,507	16,369	1,138	6.9 %
Software and information technology infrastructure	2,176	2,417	(240)	n/a
<b>Total Net Depreciable Assets</b>	<b>489,404</b>	<b>461,241</b>	<b>28,163</b>	<b>6.1 %</b>
Intangible right to use lease assets	129	2	127	5113.8 %
Intangible right to use subscription assets	737	387	349	n/a
<b>Total Intangible Assets</b>	<b>866</b>	<b>389</b>	<b>476</b>	<b>122 %</b>
Land	1,070	1,070	—	— %
Construction in Progress	59,277	33,984	25,294	74.4 %
<b>Total Non-Depreciable Assets</b>	<b>60,347</b>	<b>35,054</b>	<b>25,294</b>	<b>72.2 %</b>
<b>Capital Assets, Net</b>	<b>\$ 550,617</b>	<b>\$ 496,684</b>	<b>\$ 53,933</b>	<b>10.9 %</b>

As shown in Table 3, the District held \$550.6 million in total net capital assets as of June 30, 2025. Total net depreciable assets increased by \$28.2 million, representing a 6.1% increase, net of \$26.4 million in depreciation expense.

Water and wastewater systems are the largest individual asset type held by the District, totaling \$348.9 million, representing 63% of total capital assets at June 30, 2025 followed by capacity rights, totaling \$76.7 million or 14% of total capital assets at June 30, 2025. Water and wastewater systems increased \$65.8 million or 23.3% and capacity rights decreased by \$37.2 million or 32.7%. The primary cause of the increase in water and wastewater systems and the decrease in capacity rights relates to the acquisition of RTP by the District along with the District's formal withdrawal from SOCWA and assignment of the District's capacity rights in remaining SOCWA facilities to various SOCWA member agencies. Prior to the acquisition, the District owned capacity rights in RTP. As a result of the transfer, the District recognized an addition of \$30.5 million to water and wastewater systems and reclassified \$25.3 million in capacity rights net of accumulated depreciation to water and wastewater systems. Additionally, \$8.6 million of capacity rights net of accumulated depreciation were removed from the District's capital asset balances related to the capacity rights at the Coastal Treatment Plant that were assigned to remaining SOCWA member agencies as a result of the District's withdrawal from SOCWA. The District's capacity rights in other SOCWA facilities remain as they are being reserved exclusively for the District. More information on the District's withdrawal from SOCWA can be found in Note 15 of the Notes to Financial Statements.

**Moulton Niguel Water District  
Management's Discussion & Analysis  
Year Ended June 30, 2025**

**Capital Assets (Continued):**

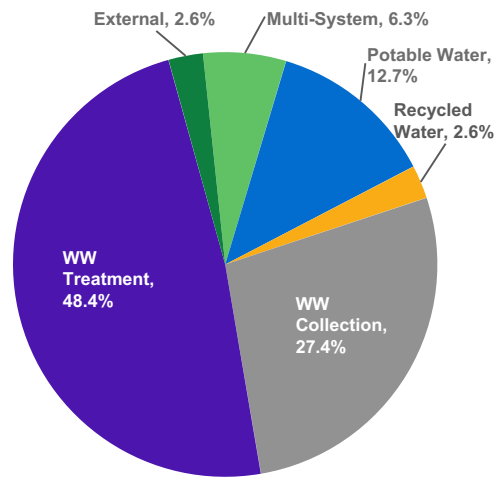


The District invested \$56.5 million in additional construction in progress expenses during the fiscal year. The projects with the largest construction in progress expenditures during the year were the Reservoir Management System Replacement Phase 4, 3A Solids Handling Facility Improvements and Lower Salada Lift Station Force Main Replacement project. These projects are part of the District's continued investment in improving water and wastewater infrastructure.

The District completed \$30.9 million in projects during fiscal year 2025 and transferred those completed assets from construction in progress to depreciable asset categories. The largest projects completed were slope stabilization at La Paz road, RTP AWT filter system improvements, Crown Valley Parkway transmission main lower reach replacement project, as well as service line replacements and valve replacements throughout the District's service area. The total completed projects added to the water and wastewater system assets was \$27.8 million which exceeded annual depreciation of \$19.5 million. As shown in Figure 5 below, the District's fiscal year 2026 Adopted Budget includes \$125.7 million in capital spending, primarily for potable water and wastewater related projects.

**Figure 5 - Adopted Budget Capital Spending**

<i>(\$ In Thousands)</i>	FY 2025-26
SYSTEM	Budget
Multi-System	\$ 7,925
Potable Water	16,015
Recycled Water	3,210
Wastewater Collection	34,425
Wastewater Treatment	60,839
External	3,313
<b>Total FY 2026 Adopted CIP Budget</b>	<b>\$ 125,727</b>



See Note 6 in the Notes to Financial Statements for additional details on capital asset activities.

**Moulton Niguel Water District  
Management’s Discussion & Analysis  
Year Ended June 30, 2025**

**Long-term Debt:**

As noted in Table 4 below, the District’s total long-term debt at June 30, 2025, was \$267.2 million, representing an increase of \$89.1 million, or 50.0% when compared to the prior fiscal year. The increase is due to the issuance of \$80.5 million in 2025 Certificates of Participation, and \$14.0 million promissory note for the acquisition of RTP, offset by \$4.6 million in scheduled debt service payments and \$.9 million in amortization of premiums during the fiscal year. The District’s outstanding debt is rated AAA, by both Fitch and Standard and Poor’s rating agencies. Fitch reaffirmed those ratings in February 2025. AAA is the highest rating available from both rating agencies.

<b>Table 4 - Condensed Long-Term Debt Summary (In Thousands)</b>				
	Fiscal Year	Fiscal Year	Increase/(Decrease)	
	2024-25	2023-24	Amount	Percent
Promissory Note	\$ 14,013	\$ —	\$ 14,013	n/a
Bonds Payable	53,577	56,125	(2,548)	-4.5%
Certificates of Participation (COP)	\$ 199,656	\$ 122,023	\$ 77,634	63.6%
<b>Total Long-term Debt</b>	<b>\$ 267,246</b>	<b>\$ 178,148</b>	<b>\$ 89,098</b>	<b>50.0%</b>

The District utilizes a Ten-Year Cash Flow model to forecast and plan for future debt issuances, project potential future rate adjustments, and anticipate the District’s future debt coverage ratio. Although the official debt covenants in most issuances call for a coverage ratio of 125%, the District’s Board of Directors has established a target of maintaining a coverage of 175%. This means that net revenues would exceed debt service payments on any given year by 175%. As noted in the District’s Fiscal Year 2025-2026 Budget, the District anticipates its debt coverage ratio will be over 175% for at least the next ten years.

See Note 8 in the Notes to Financial Statements for detail on long-term liabilities.

**Contacting the District**

This financial report is designed to provide the District’s elected officials, customers, investors, employees, and creditors with an assessment of the District’s financial condition and an accounting of the public’s funds. An electronic copy of the Annual Comprehensive Financial Report can be found on the District’s website, [www.mnwd.com](http://www.mnwd.com). If you have questions about this report or need additional financial information, please contact the Finance Department at Moulton Niguel Water District at (949) 831-2500.

**Moulton Niguel Water District  
Statement of Net Position  
June 30, 2025**

**Assets:**

Current:

Cash and cash equivalents	\$ 39,603,272
Accounts receivable:	
Water and sanitation charges	8,846,986
Taxes	390,601
Other accounts receivable	2,087,245
Grants receivable	871,699
Interest receivable	936,130
Leases receivable, current portion	1,220,103
Inventory	4,066,674
Prepaid items	1,124,225
Retrofit loans receivable, current portion	20,000
	<b>59,166,935</b>

Noncurrent:

Investments	89,914,336
Restricted cash and investments with fiscal agent	45,140,426
Retrofit loans receivable, noncurrent portion	382,368
Prepaid water purchases	2,512,000
Leases receivable, noncurrent portion	9,350,815
Regulated assets - net of accumulated amortization	4,675,762
Capital assets - net of accumulated depreciation	489,403,447
Capital assets, intangible right to use lease assets	128,989
Capital assets, intangible right to use subscription assets	736,545
Capital assets not being depreciated:	
Land	1,070,126
Construction in progress	59,277,426
	<b>702,592,240</b>

**Total Assets** **761,759,175**

**Deferred Outflows of Resources:**

Deferred outflows of resources related to pension	10,623,610
Deferred outflows of resources related to OPEB	1,111,253
	<b>11,734,863</b>

**Total Assets and Deferred Outflows of Resources** **\$ 773,494,038**

*See Accompanying Notes to Basic Financial Statements.*

**Moulton Niguel Water District**  
**Statement of Net Position**  
**June 30, 2025**

**Liabilities:**

Current:

Accounts payable	\$ 26,345,358
Interest payable	3,053,679
Compensated absences, current portion	2,281,108
Lease liabilities, current portion	40,796
Subscription liabilities, current portion	353,980
Current portion of long-term debt:	
Promissory note	6,926,972
Bonds payable	2,648,120
Certificates of participation	3,779,114
<b>Total Current Liabilities</b>	<b><u>45,429,127</u></b>

Long-term Liabilities:

Compensated absences, noncurrent portion	1,115,780
Long-term debt:	
Promissory note	7,085,861
Bonds payable	50,928,839
Certificates of participation	195,877,099
Net pension liability	31,765,715
Net OPEB liability	553,084
Lease liabilities, noncurrent portion	88,412
Subscription liabilities, noncurrent portion	205,854
<b>Total Long-term Liabilities</b>	<b><u>287,620,644</u></b>

<b>Total Liabilities</b>	<b><u>333,049,771</u></b>
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**Deferred Inflows of Resources:**

Deferred inflows of resources related to pension	276,269
Deferred inflows of resources related to OPEB	244,966
Deferred inflows of resources related to leases	10,570,918
<b>Total Deferred Inflows of Resources</b>	<b><u>11,092,153</u></b>

**Net Position:**

Net investment in capital assets	317,603,685
Restricted for capital projects	80,700
Unrestricted	111,667,729
<b>Total Net Position</b>	<b><u>429,352,114</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b><u><u>\$ 773,494,038</u></u></b>

*See Accompanying Notes to Basic Financial Statements.*



**Moulton Niguel Water District  
Statement of Revenues, Expenses, and Change in Net Position  
Fiscal Year Ended June 30, 2025**

<b>Operating Revenues:</b>	
Water charges	\$ 40,036,891
Recycled charges	6,122,280
Sanitation charges	33,916,254
Other	1,439,951
<b>Total Operating Revenues</b>	<b><u>81,515,376</u></b>
<b>Operating Expenses:</b>	
Source of supply:	
Water purchases	33,765,252
Utilities	3,205,519
Pumping water	2,081,746
Wastewater treatment	20,015,723
Water transmission and distribution	2,242,284
Customer service	4,305,058
Water efficiency	5,603,596
General, administrative, and other	29,807,946
Amortization:	
Right to use lease assets	7,872
Right to use subscription assets	400,258
Regulated assets	303,442
Depreciation	25,727,827
<b>Total Operating Expenses</b>	<b><u>127,466,523</u></b>
<b>Operating Loss</b>	<b><u>(45,951,147)</u></b>
<b>Non-Operating Revenues (Expenses):</b>	
Investment income, net	7,141,289
Investment income - restricted, net	382,571
Interest income - leases	491,772
Property tax revenue	37,029,977
Interest expense	(6,768,845)
Intergovernmental revenue	1,415,933
Cellular lease and license income	1,717,299
Other non-operating revenues	613,432
Other non-operating expenses	(584,234)
<b>Total Non-Operating Revenues, Net</b>	<b><u>41,439,194</u></b>
<b>Loss Before Capital Contributions</b>	<b><u>(4,511,953)</u></b>
<b>Capital Contributions:</b>	
Developer donated capital facilities	649,290
Capacity fees	74,133
Other contributions	202,038
<b>Total Capital Contributions</b>	<b><u>925,461</u></b>
<b>Change in Net Position</b>	<b><u>(3,586,492)</u></b>
<b>Net Position, Beginning of Fiscal Year, as Restated (Note 1.u.)</b>	<b>432,938,606</b>
<b>Net Position, End of Fiscal Year</b>	<b><u>\$ 429,352,114</u></b>

*See Accompanying Notes to Basic Financial Statements.*

**Moulton Niguel Water District  
Statement of Cash Flows  
Fiscal Year Ended June 30, 2025**

<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 80,639,333
Cash paid to suppliers	(84,154,894)
Cash paid to employees	(21,966,687)
<b>Net Cash Used by Operating Activities</b>	<b><u>(25,482,248)</u></b>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Cash received from property taxes	37,066,723
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b><u>37,066,723</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(51,756,339)
Acquisition and construction of regulated assets	(969,470)
Proceeds from capital debt	80,548,444
Capital contributions	276,171
Principal payments on long-term debt	(4,580,000)
Interest payments on long-term debt	(6,597,884)
Lease payments	(8,189)
Subscription payments	(559,312)
Intergovernmental revenue	667,910
Proceeds from the sale of assets	280,592
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>17,301,923</u></b>
<b>Cash Flows From Investing Activities:</b>	
Investment earnings received	4,116,436
Repayments of notes receivable	18,666
Lease receipts	1,715,138
Proceeds from sales and maturities of investments	78,774,311
Purchases of investments	(113,335,606)
<b>Net Cash Used by Investing Activities</b>	<b><u>(28,711,055)</u></b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>175,343</b>
Cash and Cash Equivalents, Beginning of Year	<u>39,952,149</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u><u>\$ 40,127,492</u></u></b>

*See Accompanying Notes to Basic Financial Statements.*

**Moulton Niguel Water District  
Statement of Cash Flows  
Fiscal Year Ended June 30, 2025**

**Reconciliation of Operating Loss to Net Cash Used by Operating Activities:**

Operating Loss	<u>\$ (45,951,147)</u>
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**Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:**

Depreciation	25,727,827
Amortization of right to use lease assets	7,872
Amortization of right to use subscription assets	400,258
Amortization of regulated assets	303,442
Other non-operating revenue	339,176
Other non-operating expense	(584,233)
Changes in assets, liabilities, deferred outflows and deferred inflows:	
Increase in accounts receivable, water and sanitation	(482,708)
Increase in accounts receivable, other	(148,277)
Increase in inventory	(751,280)
Increase in prepaid items	(569,887)
Increase in prepaid water purchases	(2,512,000)
Decrease in accounts payable	(4,020,856)
Increase in compensated absences	934,870
Decrease in net pension liability	(154,726)
Decrease in net OPEB liability	(358,540)
Decrease in pension related deferred outflows of resources	2,643,082
Decrease in OPEB related to deferred outflows of resources	193,468
Decrease in pension related deferred inflows of resources	(437,925)
Decrease in OPEB related deferred inflows of resources	<u>(60,664)</u>

<b>Net Cash Used by Operating Activities</b>	<b><u><u>\$ (25,482,248)</u></u></b>
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**Non-cash Investing, Capital, and Financing Activities:**

Unrealized loss on investments	\$ 3,863,659
Developer donated capital facilities	649,290
Amortization of premiums	(882,917)
Capital assets in accounts payable	12,772,070
Acquisition of capital through promissory note payable	14,012,833
Exchange of capacity rights for Regional Treatment Plant	8,998,771
Acquisition of assets through leases	134,387
Acquisition of assets through subscriptions	749,458

*See Accompanying Notes to Basic Financial Statements.*



## Moulton Niguel Water District

### Notes to Financial Statements June 30, 2025

#### **Note 1: Organization and Summary of Significant Accounting Policies**

The accounting principles of the Moulton Niguel Water District ("District") conform to generally accepted accounting principles ("GAAP") applicable to governmental-type organizations. The following is a summary of the District's significant accounting policies.

##### **a. Description of the Reporting Entity**

The District was established on November 16, 1960, under the provisions of the California Water District Law, Division 13 of the Water Code. The District provides water and collects, treats, and recycles wastewater to the communities of Aliso Viejo, Laguna Niguel, Laguna Hills, Mission Viejo, Dana Point and San Juan Capistrano. The District is governed by a seven-member Board of Directors.

For financial reporting purposes, the District includes all funds that are controlled by, or dependent on, the District's Board of Directors. Management has determined that the District is a single enterprise fund reporting unit for financial reporting purposes by applying the criteria set forth in the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended ("GASB 14"). This criteria requires the reporting entity to have a separate elected governing body, that it be a legal separate entity, and fiscally independent.

##### **b. Basis of Accounting**

The District reports its activities as an enterprise fund. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. The District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues of the District consist of water, recycled water, and sanitation charges. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

##### **c. MNWD Public Facilities Corporation**

The MNWD Public Facilities Corporation ("Corporation") was incorporated as a California Non-profit Public Facilities Corporation on October 12, 1993, and has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board.

## Moulton Niguel Water District

### Notes to Financial Statements (Continued) June 30, 2025

#### Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The Corporation was formed for the purpose of providing financing through the issuance of certificates of participation to construct the District's infrastructure necessary to provide water, wastewater, and recycled water services to existing and future customers within the District. Members of the Board of Directors of the District act as the Corporation's governing board and exert significant influence over its operations. Separate financial statements are prepared for the Corporation. To obtain complete financial information from the Corporation, please contact the District at 26161 Gordon Road, Laguna Hills, Ca, 92653, or via telephone at (949) 831-2500.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB 14. Certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of its relationship with the District. In accordance with GASB 14, a component unit should be included in the reporting entity financial statements using the blending method in any of these circumstances:

- i. The component unit's governing body is substantively the same as the governing body of the primary government and (1) there is a financial benefit or burden relationship between the primary government and the component unit, or (2) management of the primary government has operational responsibility for the component unit. Management of a primary government has operational responsibility for a component unit if it manages the activities of the component unit in essentially the same manner in which it manages its own programs, departments, or agencies.
- ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. Usually the services provided by a blended component unit are financing services provided solely to the primary government.
- iii. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. Repayment generally occurs through a continuing pledge and appropriation by the primary government to the component unit that, in turn, pledges those appropriation payments as the primary source of repayment for its debt.

Because the Corporation meets the requirements in circumstances i, ii, and iii, the Corporation has been reported as a blended component unit. In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statement No. 14 and No. 34* ("GASB 61"), as amended, condensed financial information is reported in Note 12.

#### d. Property Taxes

The District is authorized to levy taxes on all taxable property within its boundaries for the purposes of carrying on its operations and paying its obligations, subject to certain limitations in the Water Code, the Revenue and Taxation Code, and the California Constitution. Historically, a portion of the taxes were levied to meet the District's debt service requirements on its general obligation bonds which have been paid off since fiscal year 2020.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Property taxes are levied annually as of July 1, using a lien date of January 1, and are payable by property owners in two equal installments, which are due by December 10 and April 10. The taxes levied are billed and collected by the County of Orange and remitted to the District throughout the year.

**e. Accounts Receivable**

The District extends credit to customers in the normal course of operations. Management evaluates all accounts receivable and if it is determined that they are uncollectible, they are written off as bad debt expense. Charges of \$76,365 were written of for the year ended June 30, 2025.

**f. Inventory, Prepaid Items and Prepaid Water Purchases**

Inventory consists of meters, meter components and operating supplies. Inventory is valued at cost on a first-in, first-out method.

Certain payments to vendors, primarily related to services, reflect costs applicable to future accounting periods and are initially recorded as prepaid expenses and expensed through the lifetime of the agreement.

During fiscal year 2025, the District participated in Metropolitan Water District of Southern California's (MWDSC) Reverse Cyclic Program which resulted in the purchase of 2,000 acre-feet of imported water to be delivered at a later date but paid for in advance of delivery at current rates for imported water. As a result, the District recorded prepaid water purchases of \$2,512,000. MWDSC may elect to deliver water between fiscal year 2025 and fiscal year 2030. At June 30, 2025, none of the prepaid imported water had been delivered to Moulton Niguel and the balance of prepaid water purchases remains at \$2,512,000 at June 30, 2025.

**g. Capital Assets**

Capital assets are valued at cost where historical records are available, and at an estimated historical cost where no historical records exist. Donated assets are valued at their acquisition value on the date received. The District capitalizes all assets with a historical cost of at least \$3,000 and a useful life of at least five years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are expensed. The District also records the value of intangible right to use assets based on the underlying leased asset or subscription asset in accordance with GASB Statement No. 87, *Leases* ("GASB 87") and GASB Statement No. 96, *Subscription Based Information Technology Arrangements* ("GASB 96"), respectively. The intangible right to use assets is amortized each year for the term of the contract.

Depreciation for capital assets is computed utilizing the straight-line method over the following estimated useful lives:

Water and wastewater systems	10 to 75 years
Capacity rights	10 to 99 years
Buildings	5 to 40 years
Automobiles and equipment	5 to 20 years
Software and information technology infrastructure	5 to 15 years

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**h. Regulated Assets**

Regulated assets are created by deferring certain expenses that are recoverable by future rate charges in accordance with the District's rate ordinance. To be considered a regulated asset, expenses must meet the following criteria:

- The District's Board of Directors establish the rates
- The regulated rates are designed to recover the specific regulated activity's costs of providing the regulated service
- The rates must be set at levels that will at least recover the costs over the life of the asset and the associated rates can be charged to and collected from customers
- Future revenues will be provided to permit recovery of the actual regulated cost rather than expected levels of similar service

Amortization is computed utilizing the straight-line method to match the associated revenues and expenses:

Potable regulated assets	15 to 25 years
Wastewater regulated assets	15 to 25 years

**i. Water, Recycled Water and Sanitation Charges**

Sales of water, recycled water and sanitation services provided to customers are billed on a monthly, cyclical basis; respective revenues are recognized as operating revenues of the District when they are earned.

**j. Compensated Absences**

It is the District's policy to permit employees to accrue vacation leave up to 200% of their annual vacation accrual. Vacation accrual schedules vary depending on length of employment and begin on the date of regular full-time employment. Once employees reach the maximum accrual limit, they cease to accrue vacation until vacation is reduced to an amount below the limit. Employees are eligible to be compensated in cash for up to a maximum of their annual vacation accrual, upon meeting certain criteria.

All regular full-time employees are eligible to accrue 96 hours of sick leave per year from the date of employment. Prior to December 31 of each year, employees who have accumulated more than 176 hours of sick leave are eligible to receive compensation equal to 75% of the amount over 176 hours.

Upon separation from employment, the District pays employees 100% of vacation leave accrued but not taken. In addition, employees who worked for the District between ten and fifteen consecutive years will receive 50% of sick leave accrued but not taken while employees who worked for the District between fifteen and twenty consecutive years will receive 75% of sick leave accrued but not taken. Employees who have worked for the District for twenty or more consecutive years will receive 100% of sick leave accrued but not taken.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**j. Compensated Absences (Continued)**

Liabilities for compensated absences are recognized for leave attributable to past services that accumulates and is more likely than not to be used for time off or otherwise paid/settled; the liability is measured at current pay rates plus directly and incrementally associated salary-related payments. Certain leave types (e.g., parental, military, jury duty, holidays) are recognized only when the leave commences. All accrued vacation and sick leave pay are recorded as an expense and a liability at the time the benefit is earned.

**k. Cash and Cash Equivalents**

For the purposes of the *Statement of Cash Flows*, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash, or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of three months or less. Investments held by fiscal agent are classified as non-current assets regardless of the maturity date. These investments are typically held as a covenant for long-term debt service and therefore, continually re-invested and held until the maturity of the debt service obligation. Cash and cash equivalents in the *Statement of Cash Flows* also includes restricted cash balances held in escrow accounts.

**l. Investments**

Investment income includes interest earnings, changes in fair value (unrealized gains or losses) and realized gains or losses upon the liquidation or sale of investments.

**m. Fair Value Measurement**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**n. Net Pension Liability**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the pension plan fiduciary net position and additions to/deductions from the pension plan fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**n. Net Pension Liability (Continued)**

GAAP requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023, to June 30, 2024

**o. Net OPEB Liability**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GAAP requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	January 1, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023, to June 30, 2024

**p. Leases**

The District recognizes a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

The District recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The District continues recognizing the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**q. Subscription Based Information Technology Arrangements (SBITAs)**

The District recognizes an intangible right to use subscription assets and a corresponding subscription liability at commencement of the subscription term, which is when the subscription is placed into service.

The subscription liability is initially measured at the present value of the subscriptions payments expected to be made during the subscription term. Future subscription payments are discounted using the District's incremental borrowing rate. The District recognizes amortization of the discount on the subscription liability as an outflow of resources.

The subscription asset is initially measured as the sum of (1) the initial subscription liability; (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before commencement of the subscription term. The District recognizes amortization of the subscription asset as an outflow of resources over the subscription term.

**r. Deferred Outflows and Inflows of Resources**

In addition to assets, the *Statement of Net Position* reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the *Statement of Net Position* reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as inflow of resources in the period that the amounts become applicable.

**s. Net Position**

Net position of the District is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets represent the capitalized cost of capital assets, net of depreciation and the related outstanding debt balances or other capital related liabilities, including related deferred outflows of resources. Additionally, the District includes the right to use lease assets, right to use subscription assets and regulated asset balances in this balance. Refer to Note 16 for additional information.

Restricted net position represents net position that is constrained by externally imposed requirements of creditors (such as through debt covenants), laws or regulations of other governments or by law, through constitutional provisions or enabling legislation. Refer to Note 17 for additional information.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**s. Net Position (Continued)**

All net position not categorized as net investment in capital assets or restricted are included in unrestricted net position, including amounts reserved in accordance with designations by the Board of Directors included in Note 18.

**t. Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**u. New Accounting Pronouncements**

In fiscal year 2025, the District implemented GASB Statement No. 101, *Compensated Absences* (GASB 101). This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. To comply with this standard, the District recalculated its compensated absences for fiscal year 2023-24 resulting in an increase of \$245,318 in vacation pay liability and an increase of \$418,393 in sick pay liability for a total increase in compensated absences of \$663,711 for fiscal year 2023-24. Of the total increase in compensated absences, \$195,516 was accounted for in the accounts payable balance in fiscal year 2023-24, leaving a restatement to beginning net position of and \$468,195 in fiscal year 2024-25.

The District is currently evaluating its accounting practices to determine potential impact on the financials for the following GASB Statements that are effective in a future fiscal year:

- GASB Statement No. 103, *Financial Reporting Model Improvements* (effective for fiscal year 2026); and
- GASB Statement No. 104, *Disclosure of Certain Capital Assets* (effective for fiscal year 2026).

The following pronouncement issued by GASB was determined to not have a significant impact to the District's financial statements:

- GASB Statement No. 102, *Certain Risk Disclosures* (effective for fiscal year 2025).

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 2: Cash and Investments**

Cash and Investments are classified in the accompanying Statement of Net Position as follows at June 30, 2025:

Cash and Cash Equivalents:	
Cash and Investments, Current	\$ 39,603,272
Restricted Cash in Escrow	524,220
Total Cash and Cash Equivalents	\$ 40,127,492
Investments, Non-Current	89,914,336
Restricted Cash and Investments	44,616,206
Total Cash and Investments	\$ 174,658,034

Cash and Investments held by the District at June 30, 2025, consisted of the following:

Cash:	
Petty Cash on Hand	\$ 2,936
Deposits with Financial Institutions	2,204,841
Total Cash	\$ 2,207,777
Investments	172,450,257
Total Cash and Investments	\$ 174,658,034

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk.

The table on the next page, does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy:

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)  
June 30, 2025**

**Note 2: Cash and Investments (Continued)**

	Maximum Maturity <sup>1</sup>	Maximum Percentage of Portfolio <sup>1</sup>	Maximum Investment in One Issuer <sup>1</sup>
Municipal Securities	10 years <sup>2</sup>	30%	5%
U.S. Treasury Obligations	10 years <sup>2</sup>	None	None
Federal Agency Securities	10 years <sup>2</sup>	None	25%
Bankers Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit (CDs)	5 years	30%	5%
Federally Insured Time Deposits	5 years	20%	FDIC Max
Collateralized Bank and Time Deposits	5 years	20%	None
Repurchase Agreements	1 year	None	None
Corporate Medium-Term Notes	5 years	30%	5%
Mutual Funds <sup>3</sup>	N/A	20%	10%
Money Market Mutual Funds <sup>3</sup>	N/A	20%	None
Asset Backed and Mortgage Backed Securities	5 years	20%	5%
Local Agency Investment Fund (LAIF)	N/A	\$75M	None
Local Government Investment Pools	N/A	None <sup>4</sup>	None
Supranationals	5 years	30%	10%

<sup>1</sup>Based on state law requirements or investment policy requirements, whichever is more restrictive, except for maturities in excess of 5 years, as described below.

<sup>2</sup>5 years for the limited maturity fund, up to 10 years and a maximum of 40% exceeding 5 years for the operating reserve fund, as allowed by the investment policy.

<sup>3</sup>Government code allows a combined total of 20% between mutual funds and money market mutual funds.

<sup>4</sup>The District may invest up to the maximum amount permitted by the investment pool.

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
Federal Agency Securities	None	None	None
Bankers Acceptances	360 days	None	None
Municipal Obligations	None	None	None
Money Market Mutual Funds	120 days	None	None
Investment Agreements	None	None	None
LAIF	None	None	None

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 2: Cash and Investments (Continued)**

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk attributable to changes in market interest rates that will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater sensitivity to fair value when market interest rates fluctuate. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Total	12 Months or Less	13 to 36 Months	37 to 60 Months	More Than 60 Months
U.S. Treasury - Notes	\$ 52,419,423	\$ 19,000,000	\$ 7,182,707	\$ 8,544,184	\$ 17,692,532
Federal Agency Securities	25,408,216	689,046	5,832,890	8,762,772	10,123,508
Municipal Securities	2,564,210	—	—	—	2,564,210
Corporate Notes	24,719,853	2,772,842	6,934,508	15,012,503	—
LAIF	14,622,492	14,622,492	—	—	—
Asset Backed Securities	4,630,703	—	136,827	4,493,876	—
Money Market Fund	591,817	591,817	—	—	—
Supranational	2,877,336	852,836	—	2,024,500	—
Held by Fiscal Agent					
Money Market Fund	44,616,207	44,616,207	—	—	—
Total Investments	<u>\$ 172,450,257</u>	<u>\$ 83,145,240</u>	<u>\$ 20,086,932</u>	<u>\$ 38,837,835</u>	<u>\$ 30,380,250</u>

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 2: Cash and Investments (Continued)**

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following table shows the minimum rating required (where applicable) by the California Government Code, the District’s investment policy or debt agreements, and the actual rating from Moody’s rating agency (or another Nationally Recognized Statistical Ratings Organization if Moody’s rating is unavailable) as of year-end for each investment type:

Investment Type	Total	Minimum Applicable Rating <sup>1</sup>	Ratings as of Year-End			
			AAA	AA	A	Not Rated <sup>2</sup>
U.S. Treasury - Notes	\$ 52,419,423	N/A	\$ —	\$ —	\$ —	\$ 52,419,423
Federal Agency Securities	25,408,216	N/A	4,621,206	20,787,010	—	—
Municipal Securities	2,564,210	A	—	2,564,210	—	—
Corporate Notes	24,719,853	A	—	7,117,933	17,601,920	—
LAIF	14,622,492	N/A	—	—	—	14,622,492
Asset Backed Securities	4,630,703	AA	4,630,703	—	—	—
Money Market Fund	591,817	N/A	591,817	—	—	—
Supranational	2,877,336	AA	2,877,336	—	—	—
Held by Fiscal Agent						
Money Market Fund	44,616,207	N/A	44,616,207	—	—	—
Total Investments	<u>\$ 172,450,257</u>		<u>\$ 57,337,269</u>	<u>\$ 30,469,153</u>	<u>\$ 17,601,920</u>	<u>\$ 67,041,915</u>

<sup>1</sup>Minimum legal rating required according to California Government Code or Investment Policy.

<sup>2</sup>Obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are exempt from disclosure requirements.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code or the District’s Investment Policy. Investments in any one issuer (excluding U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Issuer Name	Year-end Balance	Percent
LAIF	\$ 14,622,492	11.4 %
Federal Home Loan Mortgage Corp	14,007,212	11.0 %
Federal Home Loan Bank	6,399,400	5.0 %

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 2: Cash and Investments (Continued)**

Disclosures Relating to Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District had the following recurring fair value measurements as of June 30, 2025:

<u>Investment Type</u>	<u>Total</u>	<u>Significant Other Observable Inputs (Level 2)</u>
U.S. Treasury - Notes	\$ 52,419,423	\$ 52,419,423
Federal Agency Securities	25,408,216	25,408,216
Municipal Securities	2,564,210	2,564,210
Corporate Notes	24,719,853	24,719,853
Asset Backed Securities	4,630,703	4,630,703
Supranational	2,877,336	2,877,336
Total Investments by Fair Value Level	<u>112,619,741</u>	<u>\$ 112,619,741</u>
Investments Not Subject to Fair Value Level:		
Money Market Funds	591,817	
LAIF	14,622,492	
Held by Fiscal Agent - Money Market Funds	44,616,207	
Total Investment Not Subject to Fair Value Level	<u>59,830,516</u>	
Total Investments	<u>\$ 172,450,257</u>	

Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing model and evaluated based on various market and industry inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The State Investment Pool, Local Agency Investment Fund ("LAIF"), is managed by the State Treasurer, and by law is regulated by the California Government Code. Deposits and withdrawals in LAIF are made on the basis of \$1 and not fair value. Accordingly, the District's investments in LAIF at June 30, 2025, of \$14,622,492 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. The money market funds held by the District are measured at amortized cost and are listed as uncategorized.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 2: Cash and Investments (Continued)**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment, or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy limits custodial credit risk by requiring that financial institutions secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. For investments, the District's portfolio is held in safekeeping in the District's name by a third-party bank trust department, acting as agent for the District, under the terms of a custody agreement. The District Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

State Treasurer's Investment Pool

The District is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment Earnings

The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments and as a result, realized gains and losses of the current period include unrealized amounts from prior periods. Investment earnings consisted of the following for the year ended June 30, 2025:

Investment income, net	\$	3,660,201
Unrealized gain, net		3,863,659
Total investment income, net	\$	<u><u>7,523,860</u></u>
Investment income - unrestricted, net	\$	7,141,289
Investment income - restricted, net		382,571
Total investment income, net	\$	<u><u>7,523,860</u></u>

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 3: Retrofit Loans**

In November 1996, the Board adopted Resolution 96-26, allowing for qualifying non-profit entities and public agency applicants to obtain a loan through the District to finance the cost for on-site recycled water retrofits of the applicant’s irrigation system. The program offers incentive to customers who would otherwise have difficulties financing the cost of the recycled water retrofits. As of the end of the fiscal year, the District has 40 loans outstanding totaling \$402,368 which includes both principal and interest. The re-payment of the loan agreement is structured based on a volumetric consumption amount of recycled water at \$0.25 a billing unit per month. Since re-payment is based on usage, it is difficult to provide a structured repayment schedule. On average, the District receives approximately \$20,000 a year towards the principal and interest portion of the loan.

Most of the loans are re-paid within 10 years with the balance of the loans to be repaid within 30+ years from the date of the agreement.

**Note 4: Leases**

The District has several leasing arrangements, summarized below:

**Lessee:**

The District entered into an agreement to lease a postage machine for sixty months, beginning January 2020. Under the terms of the lease, the District paid \$424 per month over the life of the agreement including principal and interest payments using an incremental discount rate of 1.0060% based on the true interest cost for its most recent debt issuance for the same time period. The lease terminated December 2024. In January 2025, the District entered into a new agreement to lease a postage machine for sixty months. Under the terms of the agreement, the District makes quarterly payments of \$1,221 including principal and interest payments using an incremental discount rate of 2.2920% based on the true interest cost for its most recent debt issuance for the same time period. The lease expires December 2029.

The District also entered into an agreement for printers for thirty six months beginning June 2025. Under the terms of the agreement, the District makes monthly payments of \$3,204 including principal and interest payments using an incremental discount rate of 2.2767% based on the true interest cost for its most recent debt issuance for the same time period. The lease expires May 2028.

At June 30, 2025, the District has recognized right to use assets of \$128,989 and amortized the right to use assets as follows during the fiscal year:

Lessee activities	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Right to use assets				
Mail postage machine	\$ 2,474	\$ 23,012	\$ (4,776)	\$ 20,710
Printers and copiers	—	111,375	(3,096)	108,279
Total, right to use assets	<u>\$ 2,474</u>	<u>\$ 134,387</u>	<u>\$ (7,872)</u>	<u>\$ 128,989</u>

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 4: Leases (Continued)**

**Lessee (Continued):**

At June 30, 2025, the District made principal payments of \$7,709 and interest payments of \$477 related to these agreements and has recognized lease liabilities of \$129,208, as follows:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Lease liabilities	\$ 2,534	\$ 134,383	\$ (7,709)	\$ 129,208

Remaining obligations associated with these leases are as follows:

Fiscal Year Ended June 30,	Principal	Interest
2026	\$ 40,796	\$ 2,530
2027	41,736	1,591
2028	39,493	630
2029	4,761	124
2030	2,422	21
Total	\$ 129,208	\$ 4,896

**Lessor:**

The District licenses (leases) a portion of its facilities for cellular tower antenna sites. These licenses are non-cancelable for a period of 10 years, with one renewal period of 5 years. The District believes the licensees will exercise the renewal option with reasonable certainty. The agreements allow for 3.0% – 4.0% annual increases to the license payments. At termination, lessees must remove all equipment and restore the site to its original state or the lessee will continue to incur monthly charges. During the fiscal year, the District recognized \$1,717,299 in cellular lease revenue which includes \$556,013 related to decommissioning fees or continued monthly charges for failure to restore the site to its original state. The District also recognized \$902,424 in terminations and \$491,772 in interest income related to these agreements. At June 30, 2025, the District recorded \$10,570,918 in lease receivables and \$10,570,918 in deferred inflows of resources for these arrangements. The District used an interest rate of between 3.64%, 3.79%, 4.96%, and 6.04% based on the rates available to finance real estate or machinery and equipment over the same time periods.

A summary of the leases receivable activity during the year ended June 30, 2025 was as follows:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Leases receivable	\$ 12,634,628	\$ —	\$ (2,063,710)	\$ 10,570,918

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 4: Leases (Continued)**

**Lessor (Continued):**

Remaining amounts to be received associated with these leases are as follows:

Fiscal Year Ended June 30	Lease Revenue
2026	\$ 1,220,103
2027	1,337,244
2028	1,462,030
2029	1,594,903
2030	1,773,710
2031-2035	2,449,495
2036-2038	733,433
Total	<u>\$ 10,570,918</u>

A summary of the deferred inflow of resources activity during the year ended June 30, 2025 was as follows:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Deferred inflows related to leases	\$ 12,636,789	\$ —	\$ (2,065,871)	\$ 10,570,918

During the fiscal year, none of the deletions to deferred inflows of resources related to leases were due to renewals or modifications. Further, \$902,424 of the deletions of deferred items related to leases was a result of lease termination.

**Note 5: Subscription Based Information Technology Arrangements (SBITAs)**

The District has several SBITAs, summarized below:

- A. The District entered into a subscription agreement for software and cloud services including use of Amazon Web Services cloud platform. The subscription was entered into in March 2022 and terminates February 2026. Under the terms of the subscription, the District is billed based on consumption but at a minimum, pays \$14,642 per month for these services. The calculation of the right to use subscription asset and the subscription liability is based on the fixed minimum cost per month and excludes the variable consumption costs, as well as, additional fees for support and monitoring services. At July 1, 2022, the District recognized a right to use subscription asset of \$641,442 and a subscription liability for the same amount. During the fiscal year, the District recorded \$174,938 in amortization expense and \$519 in interest expense for the right to use the software and cloud platform. The District used an incremental borrowing rate of .2450%, based on the true interest cost for its most recent debt issuance for the same time periods. At June 30, 2025, the District has recognized a right to use subscription asset of \$116,626 net of accumulated amortization and a subscription liability of \$117,031 related to this agreement.

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 5: Subscription Based Information Technology Arrangements (SBITAs) (Continued)**

- B. The District entered into a subscription agreement to use a software for fuel tank level monitoring and compliance reporting beginning November 2021 and terminating November 2024. Under the terms of the subscription, the District paid \$21,564 at commencement of the subscription. At July 1, 2022, the District recognized a right to use subscription asset of \$17,367. There was no liability recognized as the balance was prepaid at commencement. During the fiscal year, the District recorded \$2,995 in amortization expense for the right to use the software. The District used an incremental discount rate of .197%, based on the true interest cost for its most recent debt issuance for the same time periods.
- C. The District entered into a subscription agreement to use a software for accounts payable automation beginning April 2024 and terminating April 2025 with two optional one-year extensions which the District believes it will renew with reasonable certainty. Under the terms of the subscription, the District pays \$31,800 in subscription payments which increases by a CPI factor not to exceed 6% at each annual renewal. In April 2024, the District recognized a right to use subscription asset of \$101,221 and a subscription liability for the same amount. In September 2024, the District recognized additional software customization costs of \$112,872. During the fiscal year, the District recorded \$69,013 in amortization expense for the right to use the accounts payable automation software. The District used an incremental borrowing rate of .197%, based on the true interest cost for its most recent debt issuance for the same time periods. At June 30, 2025, the District has recognized a right to use subscription asset of \$136,645 net of accumulated amortization and a subscription liability of \$35,725 related to this agreement.
- D. The District entered into a subscription agreement to use a geographic information system software beginning July 2024 and terminating August 2025. Under the terms of the subscription, the District paid \$16,865 at commencement of the subscription and recognized a right to use subscription asset and subscription liability for the same amount. During the fiscal year, the District recorded \$14,456 in amortization expense for the right to use the software. The District used an incremental discount rate of 2.270%, based on the true interest cost for its most recent debt issuance for the same time periods. At June 30, 2025, the District has recognized a right to use subscription asset of \$2,409 net of accumulated amortization and there was no remaining subscription liability as the balance was paid at commencement.
- E. The District entered into a subscription agreement for Microsoft products beginning January 2025 and terminating December 2027. Under the terms of the subscription, the District pays \$132,746 at the beginning of each year over the life of the agreement. At January 1, 2025, the District recognized a right to use subscription asset of \$387,859 and a subscription liability for the same amount. During the fiscal year, the District recorded \$64,643 in amortization expense and \$3,932 in interest expense for the right to use the Microsoft products. The District used an incremental borrowing rate of 2.277%, based on the true interest cost for its most recent debt issuance for the same time periods. At June 30, 2025, the District has recognized a right to use subscription asset of \$323,216 net of accumulated amortization and a subscription liability of \$259,046 related to this agreement.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 5: Subscription Based Information Technology Arrangements (SBITAs) (Continued)**

- F. The District entered into a subscription agreement to use a software that provides critical monitoring and alarm notification capabilities beginning April 2025 and terminating March 2028. Under the terms of the subscription, the District paid \$12,300 at commencement of the subscription. At April 1, 2025, the District recognized a right to use subscription asset of \$12,300 and a subscription liability for the same amount. During the fiscal year, the District recorded \$1,025 in amortization expense for the right to use the software. The District used an incremental discount rate of 2.277%, based on the true interest cost for its most recent debt issuance for the same time periods. At June 30, 2025, the District has recognized a right to use subscription asset of \$11,275 net of accumulated amortization and there was no remaining subscription liability as the balance was paid at commencement.
- G. The District entered into a subscription agreement to use a compliance software for utilities beginning July 2024 and terminating June 2025 with two optional one-year extensions which the District believes it will renew with reasonable certainty. Under the terms of the subscription, the District pays \$75,000 at the beginning of each year over the life of the agreement. At July 1, 2024, the District recognized a right to use subscription asset of \$216,562 and a subscription liability for the same amount. During the fiscal year, the District recorded \$73,188 in amortization expense and \$3,471 in interest expense for the right to use the compliance software. The District used an incremental borrowing rate of 2.277%, based on the true interest cost for its most recent debt issuance for the same time periods. At June 30, 2025, the District has recognized a right to use subscription asset of \$146,374 net of accumulated amortization and a subscription liability of \$148,032 related to this agreement.

The District amortized the right to use subscription assets as follows during the fiscal year:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Right to use subscription assets				
SBITA A	\$ 291,564	\$ —	\$ (174,938)	\$ 116,626
SBITA B	2,995	—	(2,995)	—
SBITA C	92,786	112,872	(69,013)	136,645
SBITA D	—	16,865	(14,456)	2,409
SBITA E	—	387,859	(64,643)	323,216
SBITA F	—	12,300	(1,025)	11,275
SBITA G	—	219,562	(73,188)	146,374
Total right to use subscription assets	<u>\$ 387,345</u>	<u>\$ 749,458</u>	<u>\$ (400,258)</u>	<u>\$ 736,545</u>

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 5: Subscription Based Information Technology Arrangements (SBITAs) (Continued)**

The subscription liabilities for the year ended June 30, 2025, were as follows:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Subscription liabilities				
SBITA A	\$ 292,219	\$ —	\$ (175,188)	\$ 117,031
SBITA B	—	—	—	—
SBITA C	69,421	—	(33,696)	35,725
SBITA D	—	16,865	(16,865)	—
SBITA E	—	387,859	(128,813)	259,046
SBITA F	—	12,300	(12,300)	—
SBITA G	—	219,562	(71,530)	148,032
Total subscription liabilities	<u>\$ 361,640</u>	<u>\$ 636,586</u>	<u>\$ (438,392)</u>	<u>\$ 559,834</u>

Remaining obligations associated with these SBITAs are as follows:

	Fiscal Year Ended	
	June 30,	
	Principal	Interest
2026	\$ 353,980	\$ 6,688
2027	205,854	1,892
Total	<u>\$ 559,834</u>	<u>\$ 8,580</u>

In November 2024, the District entered into a subscription agreement for a new utility billing system to replace the District's existing platform. The subscription agreement stipulates annual payments of \$243,359 increased by 5.00% each year, over a four year term with a one-year extension option that the District is reasonably certain to exercise. As of June 30, 2025, implementation of the new utility billing system was underway, with a planned launch in Spring 2026. Upon going live, the District will recognize both a right to use subscription asset and a corresponding subscription liability.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 6: Capital Assets**

Capital asset activity for the year ended June 30, 2025, is as follows:

Capital Assets	Balance at June 30, 2024	Transfers	Additions	Deletions	Balance at June 30, 2025
Depreciable assets:					
Water and wastewater systems <sup>1</sup>	\$683,952,000	\$ 73,547,065	\$ 30,699,676	\$ (305,578)	\$787,893,163
Capacity rights <sup>1</sup>	163,583,378	(44,296,075)	—	(13,612,038)	105,675,265
Building	56,137,353	2,747	—	—	56,140,100
Automobiles and equipment	36,647,588	1,680,050	936,266	(425,147)	38,838,757
Software and IT infrastructure	6,384,248	411	94,212	—	6,478,871
Total depreciable assets	<u>946,704,567</u>	<u>30,934,198</u>	<u>31,730,154</u>	<u>(14,342,763)</u>	<u>995,026,156</u>
Less accumulated depreciation:					
Water and wastewater systems <sup>1</sup>	(400,863,840)	(18,965,258)	(19,452,901)	305,378	(438,976,621)
Capacity rights <sup>1</sup>	(49,672,951)	18,965,258	(3,139,598)	4,838,176	(29,009,115)
Building	(10,680,755)	—	(1,321,630)	—	(12,002,385)
Automobiles and equipment	(20,278,305)	—	(1,478,744)	425,147	(21,331,902)
Software and IT infrastructure	(3,967,732)	—	(334,954)	—	(4,302,686)
Total accumulated depreciation	<u>(485,463,583)</u>	<u>—</u>	<u>(25,727,827)</u>	<u>5,568,701</u>	<u>(505,622,709)</u>
Net depreciable assets	<u>461,240,984</u>	<u>30,934,198</u>	<u>6,002,327</u>	<u>(8,774,062)</u>	<u>489,403,447</u>
Amortized assets:					
Intangible right to use lease assets	2,806,634	—	134,387	—	2,941,021
Intangible right to use subscription assets	799,875	—	749,458	—	1,549,333
Total amortized assets	<u>3,606,509</u>	<u>—</u>	<u>883,845</u>	<u>—</u>	<u>4,490,354</u>
Less accumulated amortization:					
Intangible right to use lease assets	(2,804,160)	—	(7,872)	—	(2,812,032)
Intangible right to use subscription assets	(412,530)	—	(400,258)	—	(812,788)
Total accumulated amortization	<u>(3,216,690)</u>	<u>—</u>	<u>(408,130)</u>	<u>—</u>	<u>(3,624,820)</u>
Net amortized assets	<u>389,819</u>	<u>—</u>	<u>475,715</u>	<u>—</u>	<u>865,534</u>
Capital assets not depreciated:					
Land	1,070,126	—	—	—	1,070,126
Construction in progress	33,983,521	(30,934,198)	56,459,151	(231,048)	59,277,426
Total capital assets, net	<u>\$496,684,450</u>	<u>\$ —</u>	<u>\$ 62,937,193</u>	<u>\$ (9,005,110)</u>	<u>\$550,616,533</u>

<sup>1</sup>As discussed in Note 15, during fiscal year 2024-25, ownership and operation of the Regional Treatment Plant (RTP) was acquired by the District through a strategic reorganization of SOCWA that included the District's formal withdrawal from SOCWA and assignment of the District's capacity rights in remaining SOCWA facilities to various SOCWA member agencies. Prior to the acquisition, the District owned capacity rights in the RTP. As a result of the acquisition, the District recognized an addition of \$30.5 million to water and wastewater systems and reclassified \$25.3 million in capacity rights net of accumulated depreciation to water and wastewater systems. Additionally, \$8.6 million of capacity rights net of accumulated depreciation were removed from the District's capital asset balances related to the capacity rights at the Coastal Treatment Plant that were assigned to remaining SOCWA member agencies as a result of the District's withdrawal from SOCWA. The District's capacity rights in other SOCWA facilities remain as they are being reserved exclusively for the District.

Depreciation and amortization expenses were \$25,727,827 and \$408,130, respectively.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 7: Regulated Assets**

Regulated asset activity for the year ended June 30, 2025, is as follows:

Regulated assets	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Potable meters	\$ 4,555,438	\$ 969,470	\$ —	\$ 5,524,908
Less accumulated amortization	(545,704)	(303,442)	—	(849,146)
Total regulated assets	<u>\$ 4,009,734</u>	<u>\$ 666,028</u>	<u>\$ —</u>	<u>\$ 4,675,762</u>

The District recognized \$303,442 in amortization during the fiscal year.

The District has approximately 55,000 meters in the potable water system. The District prioritizes the accuracy of the meters within the service area and continues to invest in technology that aims to prevent water loss. As a result, the District maintains a robust meter replacement plan, under which an average of 3,000 meters are replaced each year. The meters that are replaced are determined based on meter route age, with routes aged between 20-25 years.

**Note 8: Long-Term Liabilities**

Long-Term liabilities for the year ended June 30, 2025, are as follows:

	Balance at June 30, 2024 <i>(as restated)</i> <sup>1</sup>	Additions	Deletions	Balance at June 30, 2025	Due Within One Year
<b>Bonds payable:</b>					
2019 Refunding	\$ 48,605,000	\$ —	\$ (2,055,000)	\$ 46,550,000	\$ 2,155,000
Add: Premium	7,520,079	—	(493,120)	7,026,959	493,120
Total Bonds	56,125,079	—	(2,548,120)	53,576,959	2,648,120
<b>Certificates of Participation:</b>					
2019 COPs	59,830,000	—	(1,405,000)	58,425,000	1,475,000
Add: Premium	3,439,737	—	(136,227)	3,303,510	136,227
2021 COPs	54,695,000	—	(1,120,000)	53,575,000	1,180,000
Add: Premium	4,057,829	—	(148,911)	3,908,918	148,911
2025 COPs	—	71,260,000	—	71,260,000	525,000
Add: Premium	—	9,288,444	(104,659)	9,183,785	313,976
Total COPs	122,022,566	80,548,444	(2,914,797)	199,656,213	3,779,114
<b>Compensated Absences:</b>					
Vacation pay	1,710,590	3,082,377	(2,399,289)	2,393,678	1,621,298
Sick Pay	946,943	1,005,751	(949,484)	1,003,210	659,810
Total Compensated Absences	2,657,533	4,088,128	(3,348,773)	3,396,888	2,281,108
Promissory note payable	—	14,012,833	—	14,012,833	6,926,972
Net pension liability (Note 10)	31,920,441	3,843,954	(3,988,680)	31,765,715	—
Net OPEB Liability (Note 11)	911,624	438,173	(796,713)	553,084	—
Lease liabilities (Note 4)	2,534	134,383	(7,709)	129,208	40,796
Subscription liabilities (Note 5)	361,640	636,586	(438,392)	559,834	353,980
Total:	<u>\$ 214,001,417</u>	<u>\$ 103,702,501</u>	<u>\$ (14,043,184)</u>	<u>\$ 303,650,734</u>	<u>\$ 16,030,090</u>

<sup>1</sup>The District implemented GASB 101 in fiscal year 2024-25 which resulted in a restatement of fiscal year 2023-24 balances as described in Note 1.u.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 8: Long-Term Liabilities (Continued)**

***Bonds Payable***

2019 Revenue Refunding Bonds

In January 2019, the District issued \$48,605,000 of 2019 Revenue Refunding Bonds (“2019 Revenue Bonds”). Proceeds from the issuance were used to refund the 2009 Certificates of Participation, fund a debt service reserve fund for the Bonds, and pay the costs of issuing the Bonds. Interest on the Bonds is payable on March 1 and September 1 of each year at 5% per annum. The Bonds mature starting September 1, 2024, and end on September 1, 2039. The Bonds are special obligations of the District and are payable exclusively from Tax Revenues and Net Revenues of the District, and from amounts on deposit in certain funds and accounts established under the Indenture. If the District defaults on its obligation to make debt service payment on the bond, the District may be required to make accelerated debt service payments for any unpaid principal and interest.

***Certificates of Participation***

2019 Certificates of Participation

On November 1, 2019, the Corporation issued \$64,570,000 of 2019 Certificates of Participation (“2019 Certificates”) pursuant to an installment sale agreement with the District. The 2019 Certificates were issued to finance the acquisition and construction of certain capital improvements and pay for the costs of issuance. The 2019 Certificates accrue interest at rates between 2% and 5% and mature between September 1, 2020, and September 1, 2049. Interest is payable on September 1 and March 1 of each year.

If the District defaults on its obligation to make the installment payments in accordance with the agreement, the District may be required to make accelerated installment payments for any unpaid principal and interest.

The Certificates maturing on September 1, 2044 and September 1, 2049, are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 2040 and September 1, 2045, respectively, by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest on the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment, as follows:

<u>Certificates Maturing September 1, 2044</u>		<u>Certificates Maturing September 1, 2049</u>	
<u>Fiscal Year</u>	<u>Principal Amount to be Prepaid</u>	<u>Fiscal Year</u>	<u>Principal Amount to be Prepaid</u>
2041	\$ 2,490,000	2046	\$ 2,890,000
2042	2,565,000	2047	2,975,000
2043	2,645,000	2048	3,065,000
2044	2,725,000	2049	3,155,000
2045	2,805,000	2050	3,250,000

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 8: Long-Term Liabilities (Continued)**

***Certificates of Participation (Continued)***

2021 Certificates of Participation

On December 2, 2021, the Corporation issued \$56,495,000 of 2021 Certificates of Participation (“2021 Certificates”) pursuant to an installment sale agreement with the District. The 2021 Certificates were issued to finance the acquisition and construction of certain capital improvements and pay for the costs of issuance. The 2021 Certificates accrue interest at rates between 2% and 5% and mature between September 1, 2022, and September 1, 2051. Interest is payable on September 1 and March 1 of each year.

If the District defaults on its obligation to make the installment payments in accordance with the agreement, the District may be required to make accelerated installment payments for any unpaid principal and interest.

The Certificates maturing on September 1, 2045, September 1, 2048 and September 1, 2051, are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 2045, September 1, 2048, and September 1, 2051, respectively, by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest on the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment, as follows:

<u>Certificates Maturing September 1, 2045</u>		<u>Certificates Maturing September 1, 2048</u>		<u>Certificates Maturing September 1, 2051</u>	
<u>Fiscal Year</u>	<u>Principal Amount to be Prepaid</u>	<u>Fiscal Year</u>	<u>Principal Amount to be Prepaid</u>	<u>Fiscal Year</u>	<u>Principal Amount to be Prepaid</u>
2045	\$ 2,320,000	2047	\$ 2,425,000	2050	\$ 2,595,000
2046	2,370,000	2048	2,480,000	2051	2,650,000
		2049	2,535,000	2052	2,710,000

2025 Certificates of Participation

On February 25, 2025, the Corporation issued \$71,260,000 of 2025 Certificates of Participation (“2025 Certificates”) pursuant to an installment sale agreement with the District. The 2025 Certificates were issued to finance the acquisition and construction of certain capital improvements and pay for the costs of issuance. The 2025 Certificates accrue interest at a rate of 5% and mature between September 1, 2025, and September 1, 2055. Interest is payable on September 1 and March 1 of each year.

If the District defaults on its obligation to make the installment payments in accordance with the agreement, the District may be required to make accelerated installment payments for any unpaid principal and interest.

The Certificates maturing on September 1, 2051 and September 1, 2054, are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 2049 and September 1, 2052, respectively.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 8: Long-Term Liabilities (Continued)**

***Certificates of Participation (Continued)***

2025 Certificates of Participation (Continued)

The Certificates mature by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest on the date of prepayment, from the principal component of the Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such prepayment, as follows:

Certificates Maturing September 1, 2051			Certificates Maturing September 1, 2054		
Fiscal Year	Principal Amount to be Prepaid		Fiscal Year	Principal Amount to be Prepaid	
2050	\$	3,485,000	2053	\$	4,035,000
2051		3,660,000	2054		4,240,000
2052		3,845,000	2055		4,450,000

***Remaining Payments on Long-Term Debt***

The long-term obligations of the District, at June 30, 2025, are as follows:

June 30	Bonds		Certificates of Participation		Promissory Note		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2026	\$ 2,155,000	\$ 2,273,625	\$ 3,180,000	\$ 5,084,634	\$ 6,926,972	\$ 239,695	\$ 19,859,926
2027	2,265,000	2,163,125	3,920,000	6,802,856	7,085,861	80,806	22,317,648
2028	2,380,000	2,047,000	4,115,000	6,603,356	—	—	15,145,356
2029	2,500,000	1,925,000	4,325,000	6,393,856	—	—	15,143,856
2030	2,620,000	1,797,000	4,540,000	6,173,856	—	—	15,130,856
2031-2035	15,210,000	6,830,000	26,035,000	27,597,653	—	—	75,672,653
2036-2040	19,420,000	2,522,000	31,185,000	22,491,756	—	—	75,618,756
2041-2045	—	—	36,785,000	16,858,194	—	—	53,643,194
2046-2050	—	—	43,585,000	10,001,756	—	—	53,586,756
2051-2055	—	—	25,590,000	3,254,525	—	—	28,844,525
Total	\$ 46,550,000	\$ 19,557,750	\$ 183,260,000	\$ 111,262,442	\$ 14,012,833	\$ 320,501	\$ 374,963,526
Unamortized premium/discount	\$ 7,026,959		\$ 16,396,213		\$ —		
Total Debt	53,576,959		199,656,213		14,012,833		
Less current portion	2,648,120		3,779,114		6,926,972		
Long-term portion	\$ 50,928,839		\$ 195,877,099		\$ 7,085,861		

***Compensated Absences***

Vacation and sick leave payable are recorded as an expense and a liability at the time the benefit is earned. As of June 30, 2025, the District's compensated absences liability was \$3,396,888.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 8: Long-Term Liabilities (Continued)**

**Promissory Note Payable**

The District acquired the ownership and operation of the RTP from SOCWA on December 12, 2024. To complete the acquisition, the District paid \$7,166,666 to SOCWA and will pay SOCWA an additional \$7,166,667 in December 2025 and 2026. The amounts due to SOCWA in fiscal years 2026 and 2027 are recorded as a promissory note payable at the net present value using an implied discount rate of 2.27%. The acquisition of RTP is discussed in more detail in Note 15 of the Notes to Financial Statements.

**Note 9: Rate Covenants**

The District is required by certain debt documents to collect revenues which will be at least sufficient to yield net revenues equal to 125% of debt service payable during the fiscal year. The following demonstrates the District's compliance with the rate covenants for the year ended June 30, 2025:

<b>Debt Service Coverage</b>	<b>282% (D/E)</b>
Operating Revenues:	
Water sales and service charges	\$ 46,159,171
Wastewater service charges	33,916,254
Meter sales & other	1,439,951
<b>Total Operating Revenues</b>	<b>81,515,376 (A)</b>
Operations & Maintenance Expenses:	
Source of supply	36,970,771
Pumping water	2,081,746
Wastewater treatment	20,015,723
Water transmission & distribution	2,242,284
Customer service	4,305,058
Water efficiency	5,603,596
General, administrative & other	29,807,946
<b>Total Operations &amp; Maintenance Expenses</b>	<b>101,027,124 (B)</b>
<b>Net Operating Loss</b>	<b>(19,511,748) (A-B)</b>
Non-Operating Revenues (Expenses):	
Capacity fees	74,133
Cellular lease income	1,717,299
Interest income - leases	491,772
Investment income (loss), net	7,523,860
Intergovernmental revenue	1,415,933
Other contributions	851,328
Other income	613,432
Other expense	(584,234)
<b>Total Non-Operating Revenues</b>	<b>12,103,523 (C)</b>
<b>Net Expenses</b>	<b>(7,408,225) (A-B+C)</b>
<b>Property Tax Revenues</b>	<b>37,029,977</b>
<b>Sum of Net &amp; Tax Revenues</b>	<b>\$ 29,621,752 (D)</b>
<b>Debt Service</b>	
2019 Refunding Revenue Bonds	\$ 4,433,875
2019 Certificates of Participation	3,314,706
2021 Certificates of Participation	2,741,900
<b>Total Debt Service</b>	<b>\$ 10,490,481 (E)</b>

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 10: Pension Plans**

Defined Benefit Plan

***Plan Description***

All qualified regular and probationary employees are eligible to participate in the District's Miscellaneous Defined Benefit Pension Plan ("Plan"), a cost-sharing, multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). Board members are not eligible for participation in CalPERS. The CalPERS Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employers miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees' Retirement Fund C ("PERF C"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. The District's Board of Directors has authority over the District's participation in CalPERS, plan amendments and the choice of plan options within CalPERS. The CalPERS annual financial report may be obtained from their website at [www.calpers.ca.gov](http://www.calpers.ca.gov) or from their executive Office: 400 P Street, Sacramento, CA, 95814.

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire as early as age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law ("PERL"). Each plan has a 3% annual cost-of-living allowance increase benefit.

The District has three different tiers that employees participate in: First Tier Miscellaneous Plan (hired by the District prior to July 28, 2009), Second Tier Miscellaneous Plan (hired by the District after July 28, 2009, or enrolled in CalPERS or reciprocal plan by January 1, 2013), and PEPRA Miscellaneous Plan (enrolled in CalPERS on or after January 1, 2013). The District's current plans are referred to as the 2% @ 55, which is closed to new CalPERS members as of January 1, 2013, and 2% @ 62 defined benefit plans, where a qualified employee may receive an annual retirement benefit equal to service credits earned, multiplied by the retirement benefit factor by tier, multiplied by the final compensation factor. First and Second Tier plans have a highest 12 consecutive months' compensation period and the PEPRA plan has a highest 36 consecutive months' compensation period.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 10: Pension Plans (Continued)**

The plan provisions and benefits in effect at June 30, 2025, are summarized below:

	Tier 1	Tier 2	PEPRA
	Hired by District and enrolled prior to July 28, 2009	Prior to January 1, 2013	January 1, 2013 and after
CalPERS enrollment date*			
Benefit formula	2% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%, 50 yrs - 63+ yrs, respectively	1.426% - 2.418%, 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively
Required employee contribution rates	7.000%	7.000%	8.000%
Required employer contribution rates	14.200%	13.050%	8.070%
Unfunded actuarial liability payment	\$2,304,743	\$34,830	\$32,638

\*A District employee enrolled in CalPERS at another agency prior to January 1, 2013, may be eligible for the District's Tier 2 plan. Tier 1 is closed to new entrants.

***Contribution Description***

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2025, contributions to the plan were \$4,670,644, matching the Actuarially Determined Contribution.

***Pension Liabilities, Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions***

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the collective net pension liability as \$31,765,715.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 10: Pension Plans (Continued)**

The District's net pension liability at June 30, 2025, for the plan was measured as the proportionate share of the collective cost-sharing plan. The District's net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard actuarial update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the actuarially determined projected contributions of all participating employers. The District's proportion of the collective net pension liability as of June 30, 2024, and 2025, was as follows:

	Pension Plans
Proportion - June 30, 2024	0.63836%
Proportion - June 30, 2025	0.65678%
Change - Increase (Decrease)	0.01842%

***Recognition of Gains and Losses***

Under GASB Statement 68, gains and losses related to changes in total pension liability are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

For the year ended June 30, 2025, the District recognized pension expense of \$6,721,074, of which, \$766,875 was capitalized. At June 30, 2025, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,746,438	\$ (107,164)
Change in assumptions	816,445	—
Differences between Projected and Actual Investment	1,828,713	—
Differences between Employer's Contributions and Proportionate Share of Contributions	330,931	(150,869)
Change in Employer's Proportion	230,439	(18,236)
Contribution subsequent to measurement date	4,670,644	—
<b>Total</b>	<b>\$ 10,623,610</b>	<b>\$ (276,269)</b>

The deferred outflow of resources for contributions subsequent to the measurement date of \$4,670,644 will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 10: Pension Plans (Continued)**

Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

June 30	Deferred Outflows/ (Inflows) of Resources
2026	\$ 1,948,165
2027	4,247,679
2028	107,531
2029	(626,678)
Total	\$ 5,676,697

The amortization period differs depending on the source of the deferred inflow or outflow of resources. The difference between projected and actual earnings is amortized straight-line over 5 years. All other deferred amounts are amortized straight-line over the expected average remaining service life (“EARSL”) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The EARSL is calculated by dividing the total future service years of active employees by the total number of plan participants in PERF C. Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members’ probability of decrementing due to an event other than receiving a cash refund. As of the June 30, 2024, measurement period, the EARSL was 3.8 years.

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

The June 30, 2023, valuation was rolled forward to determine the June 30, 2024, measurement date total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

<sup>1</sup> The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 10: Pension Plans (Continued)**

***Long-term Expected Rate of Return***

In determining the long-term expected rate of return, CalPERS staff took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The expected real rates of return by asset class are as follows:

Asset Class	Current Target Allocation	Real Return Years 1 - 10 <sup>1,2</sup>
Global equity - cap weighted	30.00%	4.54%
Global equity - non-cap weighted	12.00	3.84
Private equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)
Total	<u>100.00%</u>	

<sup>1</sup> An expected inflation of 2.3% was used for this period.

<sup>2</sup> Figures are based on the 2021-2022 Asset Liability Management Study.

***Discount Rate***

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 10: Pension Plans (Continued)**

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the District’s proportionate share of the net pension liability, calculated using the discount rate, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate -1% 5.90%	Current Discount 6.90%	Discount Rate +1% 7.90%
District's proportionate share of the Net Pension Liability:	\$ 48,984,209	\$ 31,765,715	\$ 17,592,359

***Pension Plan Fiduciary Net Position***

Detailed information about the plan’s fiduciary net position is available in the separately issued CalPERS financial reports. See the CalPERS website for additional information.

Defined Contribution Plan

The District sponsors the Moulton Niguel Water District 401(a) Plan and Trust (“401(a) Plan”), a single employer defined contribution pension plan. The District’s Board of Directors established the 401(a) Plan and is authorized to amend the 401(a) Plan and to name its trustees. All employees participating in the Deferred Compensation Plan and all members of executive management are eligible to participate in the 401(a) Plan. Plan investments are held in trust by Lincoln Financial.

The District matches up to 2% of an employees’ salary to the 401(a) Plan if the employee elects to participate in the District’s 457 Deferred Compensation Plan. Employer contributions were \$375,844 and recognized as expense for the year ended June 30, 2025. All contributions are fully vested. The trustee maintains individual accounts for each participant. Each participant provides direction for investment of their account balance. Contributions, plus investment returns, are distributed to participants after separation from employment.

**Note 11: Other Post-Employment Benefits (OPEB)**

***Plan Description***

Under the authority of the District’s Board of Directors, the District has established a Retiree Healthcare Plan (HC Plan) and participates in an agent multiple employer defined benefit retiree healthcare plan. These benefits may be amended at the discretion of the Board of Directors. To mitigate the costs of increasing healthcare, the District has imposed a three-tier structure for its employees. Employees hired prior to July 1, 2008, retiring from the District at age 55 with ten years of service to the District, receive post-retirement health benefits for themselves and their dependents.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 11: Other Post-Employment Benefits (OPEB) (Continued)**

Employees hired after July 1, 2008, but before July 1, 2017, retiring from the District at age 60 with fifteen years of continuous employment, receive post-retirement health benefits for themselves and their dependents. Employees hired on or after July 1, 2017, are not eligible for retiree health benefits. Board members elected after January 1, 1995, are not eligible for retiree health coverage, regardless of age and years of service at retirement.

After age 65, the District provides up to \$235 per month, as a reimbursement, towards a Medicare supplement policy to the retiree or former Board Member. Dependent coverage ceases when the retiree or former Board member reaches age 65.

**Employees Covered**

As of the January 1, 2023, actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active plan members	91
Inactive employees or beneficiaries currently receiving benefits	49
	140
Total	140

**Contributions**

The OPEB Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2025, District cash contributions were \$305,285 (including payments made to the trust and retiree payments made outside the trust) and the estimated implied subsidy was \$180,348, resulting in total payments of \$485,633. Contributions are not based on a measure of pay for the HC Plan.

**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2023, that was rolled forward to determine the June 30, 2025, total OPEB liability, based on the following actuarial methods and assumptions:

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**Actuarial Assumptions:**

Discount Rate	6.50%
Inflation	2.50%
Salary Increases	2.80% per year
Investment Rate of Return	6.50% per year based on CERBT asset allocation Strategy 2
Mortality Rate	Derived using CalPERS' Valuation Report as of June 30, 2022 for the District.
Healthcare Trend Rate	Derived using the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trend, 6.5% starting in year 2024 to 2025 and decreasing to an ultimate rate of 4.00% in year 2069 and beyond.

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**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 11: Other Post-Employment Benefits (OPEB) (Continued)**

***Actuarial Cost Method***

The actuarial cost method for determining the benefit obligations is the individual Entry Age Normal Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit.

The portion of this actuarial present value allocated to a valuation year is called the service costs. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the Fiduciary Net Position, and (b) the actuarial present value of future service costs is called the Net OPEB Liability ("NOL"). The Fiduciary Net Position is equal to fair value of assets as of the Measurement Date.

***Economic Assumptions***

Assets are invested in the California Employers' Retiree Benefit Trust ("CERBT") Fund Strategy 2. The District used a discount rate of 6.5% for the actuarial valuation dated January 1, 2023. This rate is derived on the fund's investment policy as shown below and includes a 2.5% long-term inflation assumption.

Asset Class	Expected Arithmetic Nominal Return (30 years)	Asset Allocation
Global Equity	7.24%	34.00%
US Fixed Income	4.48%	41.00%
Treasury Inflation-Protected Securities	3.96%	5.00%
Real Estate Investment Trusts	7.78%	17.00%
Commodities	3.89%	3.00%
Arithmetic Return (30 years)	6.47%	

***Discount Rate***

The discount rate used to measure the total OPEB liability was 6.5%. Under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"), the discount rate should reflect the long-term rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits. To the extent that OPEB plan assets along with expected future investment returns and expected future contributions are sufficient to finance all OPEB benefits, the discount rate should be based on the assumed investment return on plan assets. Currently, the District had set a funding policy of funding the OPEB liabilities in an amount equal to the service cost plus an amortization of the Net OPEB Liability. Therefore, current assets and expected future investment returns and expected future contributions are expected to be sufficient to fund all OPEB liabilities.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 11: Other Post-Employment Benefits (OPEB) (Continued)**

***Changes in the OPEB Liability***

The changes in the net OPEB liability for the HC Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2024 (Measurement Date June 30, 2023)	\$ 5,301,127	\$ 4,389,503	\$ 911,624
Changes recognized for the measurement period:			
Service cost	99,036	—	99,036
Interest	337,724	—	337,724
Benefit payments <sup>1</sup>	(436,565)	(436,565)	—
Contributions from employer	—	436,565	(436,565)
Net investment income	—	360,148	(360,148)
Administrative expense	—	(1,413)	1,413
Net Changes	195	358,735	(358,540)
Balance at June 30, 2025 (Measurement Date June 30, 2024)	\$ 5,301,322	\$ 4,748,238	\$ 553,084

<sup>1</sup>The amount shown is the OPEB reimbursements outside of the trust and includes actual benefit payments and estimated implicit subsidy payments.

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024:

	Discount Rate -1% 5.50%	Current Discount 6.50%	Discount Rate +1% 7.50%
District's Net OPEB Liability:	\$ 976,967	\$ 553,084	\$ 212,927

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 11: Other Post-Employment Benefits (OPEB) (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates***

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024:

	1% Decrease in Healthcare Costs Trend Rate	Current Healthcare Costs Trend Rate	1% Increase in Healthcare Costs Trend Rate
District's Net OPEB Liability:	\$ 319,572	\$ 553,084	\$ 863,218

***OPEB Plan Fiduciary Net Position***

CERBT issues a publicly available financial report that may be obtained from the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

***Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The amortization period differs depending on the source of the deferred inflow or outflow of resources. The difference between projected and actual earnings is amortized straight-line over 5 years. All other deferred amounts are amortized straight-line over the EARSL of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period. As of the June 30, 2024, measurement date, the EARSL was 8.5 years.

***OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the fiscal year ended June 30, 2025, the District recognized OPEB expense of \$276,777. As of fiscal year, ended June 30, 2025, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 191,741	\$ (121,096)
Change in assumptions	155,645	(123,870)
Net differences between projected and actual investment returns	278,233	—
Contribution subsequent to measurement date	485,634	—
Total	\$ 1,111,253	\$ (244,966)

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 11: Other Post-Employment Benefits (OPEB) (Continued)**

The \$485,634 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024, measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

June 30	Deferred Outflows/ (Inflows) of Resources
2026	\$ 98,371
2027	205,099
2028	20,033
2029	(2,856)
2030	18,959
Thereafter	41,047
Total	\$ 380,653

**Note 12: Blended Component Unit**

The Corporation has been included as part of the District financial statements as a blended component unit. In accordance with GASB 61, the following summarized information as of June 30, 2025, for the Corporation is required:

**Condensed Statement of Net Position at June 30, 2025:**

	District Financial Statements	Corporation Financial Statements	Eliminating Activities	Combined District Financial Statements
<b>Assets:</b>				
Current	\$ 59,166,935	\$ 6,056,960	\$ (6,056,960)	\$ 59,166,935
Noncurrent	702,592,240	195,877,099	(195,877,099)	702,592,240
Total assets:	761,759,175	201,934,059	(201,934,059)	761,759,175
Deferred outflows of resources	11,734,863	—	—	11,734,863
Total assets and deferred outflows of resources	773,494,038	201,934,059	(201,934,059)	773,494,038
<b>Liabilities:</b>				
Current	45,429,127	6,056,960	(6,056,960)	45,429,127
Long-term	287,620,644	195,877,099	(195,877,099)	287,620,644
Total liabilities	333,049,771	201,934,059	(201,934,059)	333,049,771
Deferred inflows of resources	11,092,153	—	—	11,092,153
<b>Net position:</b>				
Net investment in capital assets	317,603,685	—	—	317,603,685
Restricted	80,700	—	—	80,700
Unrestricted	111,667,729	—	—	111,667,729
Total net position	429,352,114	—	—	429,352,114
Total liabilities, deferred inflows of resources, and net position	\$ 773,494,038	\$ 201,934,059	\$ (201,934,059)	\$ 773,494,038

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 12: Blended Component Unit (Continued)**

**Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2025:**

	District Financial Statements	Corporation Financial Statements	Eliminating Activities	Combined District Financial Statements
Operating revenues				
Water charges	\$ 40,036,891	\$ —	\$ —	\$ 40,036,891
Recycled charges	6,122,280	—	—	6,122,280
Sanitation charges	33,916,254	—	—	33,916,254
Other	1,439,951	—	—	1,439,951
Total operating revenues	<u>81,515,376</u>	<u>—</u>	<u>—</u>	<u>81,515,376</u>
Operating expenses				
Operating expenses	101,738,696	—	—	101,738,696
Depreciation and amortization	25,727,827	—	—	25,727,827
Total operating expenses	<u>127,466,523</u>	<u>—</u>	<u>—</u>	<u>127,466,523</u>
Operating loss	<u>(45,951,147)</u>	<u>—</u>	<u>—</u>	<u>(45,951,147)</u>
Non-operating revenues (expenses)				
Property taxes	37,029,977	—	—	37,029,977
Investment income, net	7,523,860	4,750,933	(4,750,933)	7,523,860
Interest income - leases	491,772	—	—	491,772
Interest expense	(6,768,845)	(4,750,933)	4,750,933	(6,768,845)
Other non-operating revenue	3,162,430	—	—	3,162,430
Total non-operating revenues, net	<u>41,439,194</u>	<u>—</u>	<u>—</u>	<u>41,439,194</u>
Capital contributions	925,461	—	—	925,461
Change in net position	<u>(3,586,492)</u>	<u>—</u>	<u>—</u>	<u>(3,586,492)</u>
Net position, beginning	432,938,606	—	—	432,938,606
Net position, end of fiscal year	<u>\$ 429,352,114</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 429,352,114</u>

**Corporation Condensed Statement of Cash Flows for the Year Ended June 30, 2025:**

Net cash provided by (used by):				
Operating activities	\$ (25,482,248)	\$ —	\$ —	\$ (25,482,248)
Non-capital financing activities	37,066,723	(6,586,127)	6,586,127	37,066,723
Capital and related financing activities	17,301,923	—	—	17,301,923
Investing activities	(28,711,055)	6,586,127	(6,586,127)	(28,711,055)
Net increase in cash and cash equivalents	<u>175,343</u>	<u>—</u>	<u>—</u>	<u>175,343</u>
Cash and cash equivalents, beginning	39,952,149	—	—	39,952,149
Cash and cash equivalents, end of fiscal year	<u>\$ 40,127,492</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 40,127,492</u>

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 13: Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (“ACWA JPIA”), which offers risk management and self-insurance and insured programs. The program provides workers’ compensation, property, and employment liability and general liability coverage for the District. The membership includes over 460 public water agencies within California. A Board of Directors consisting of representatives from member agencies governs the ACWA JPIA. The general Board of Directors elects Executive Board members to provide oversight of the operations of the ACWA JPIA, including selection of management and approval of the operating budget.

The District maintains \$55,000,000 in commercial general liability insurance, auto liability, employment practices liability coverage and public official’s error & omissions. The District also has a \$3,000,000 cyber liability commercial insurance policy through ACWA JPIA which is not a risk-sharing program. The property damage insurance program provided for up to \$500,000,000 in limits, per occurrence, limited to insurable value on structures and contents with a \$25,000 deductible per loss, and underground storage tank pollution liability coverage of \$3,000,000.

The District has a \$50,000 retrospective allocation point (self-insured retention) per claim for general and automobile liability for the year. Workers’ Compensation coverage provides statutory limits for bodily injury by each accident and bodily injury per occurrence, and Employer’s Liability is \$2,000,000 per occurrence. If the District’s deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference can take place. The District promotes safety in the workplace through an extensive safety program. As a result of the program, the District has received retrospective refunds from the ACWA JPIA Rate Stabilization Fund. The District also maintains a self-insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000. See Note 18 on the District’s reserve funds for additional information. Settlements have not exceeded insured limits in the past three fiscal years.

To obtain complete financial information contact ACWA JPIA at P.O. Box 619082, Roseville, CA, 95661, or via telephone at (800) 231-5742. Information may be available at [www.acwajpia.com](http://www.acwajpia.com).

The District also holds additional insurance policies amounting to a \$2,000,000 commercial blanket bond for employee dishonesty, forgery and alteration and computer fraud, and a \$30,000 bond for Notary Errors and Omissions that covers four notaries.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 14: Commitments and Contingencies**

The District considers the following to be material commitments, or existing arrangements to enter into future transactions or events, at June 30, 2025:

Project Name	Total Project Budget*	Cumulative Expenses as of June 30, 2025	Outstanding Commitments
Plant 3A Solids Handling Facilities Improvements	\$ 49,371,120	\$ 7,516,696	\$ 42,387,416
Regional Lift Station Force Main Replacement	29,155,499	2,910,833	24,698,177
North Aliso Lift Station Reconstruction	12,274,212	3,747,888	7,522,288
Plant 3A Solids Loadout Facility	7,407,737	301,311	5,842,692
Aliso Creek Lift Station Rehabilitation	9,018,301	2,559,059	5,716,907
Building E Rehabilitation	3,417,176	531,144	2,430,506
Electrical System Improvements Phase 4 - Recycled Water	2,535,525	489,650	1,757,750
Rehabilitation of the Marguerite Reservoir	2,190,780	437,193	1,755,574
Solar Panels at Headquarters	2,100,000	340,413	1,383,528
Reservoir Management System Replacement Phase 4	10,988,454	9,759,408	1,218,546
Billing System Upgrade	3,215,580	1,119,842	1,085,516
Lower Salada Lift Station Rehabilitation	11,025,000	224,538	1,040,713
Regional Treatment Plant AWT Salinity Management	40,500,000	3,087,814	890,668
I.D. No. 1 Master Meter Relocation	2,315,850	1,377,187	719,991
Electrical System Improvements Phase 4 - Potable Water	928,307	190,803	689,114

\*Total project budget at the end of fiscal year 2025, as reflected in the fiscal year 2025-2026 adopted budget.

**Note 15: Joint Powers Authorities and Joint Ventures**

South Orange County Wastewater Authority (a California Joint Powers Authority)

The South Orange County Wastewater Authority ("SOCWA") is a Joint Powers Authority that treats and disposes of wastewater in South Orange County. A Board of Directors, consisting of representatives from member agencies, governs SOCWA and its operations, including selection of management and approval of the annual budget. SOCWA has Project Committees that member agencies participate in financially at various levels, depending on their capacity rights.

Following extensive collaboration and planning during fiscal year 2024-25, the SOCWA member agencies, including the District, developed a strategic reorganization of services resulting in the District's acquisition of the Regional Treatment Plant ("RTP") to the District, along with the District's formal withdrawal from SOCWA. As part of the District's withdrawal, capacity rights in the Coastal Treatment Plant ("CTP") were assigned to other SOCWA member agencies, effectively removing the District from CTP. The District's capacity rights in other SOCWA facilities, including the J.B. Latham Treatment Plant ("JBL") and two ocean outfalls were assigned to El Toro Water District, Santa Margarita Water District and South Coast Water District. These agencies are three of SOCWA's remaining member agencies and are contractually required to reserve the assigned capacity rights exclusively for the District. The District is contractually required to reserve the capacity rights of the SOCWA member agencies who receive services from the RTP which includes, the City of Laguna Beach, Emerald Bay Services District, El Toro Water District and South Coast Water District.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 15: Joint Powers Authorities and Joint Ventures (Continued)**

South Orange County Wastewater Authority (a California Joint Powers Authority) (Continued)

The District will continue to receive essential services from SOCWA including permitting, and laboratory services. The District also remains liable for other post-employment benefit costs that accrued during the District's time as a SOCWA member agency. Further, the District continues to receive services at JBL and two of SOCWA's ocean outfalls but are billed for such services by South Coast Water District ("SCWD"), El Toro Water District ("ETWD"), and Santa Margarita Water District ("SMWD"), the agencies who are contractually required to reserve the District's capacity rights in those facilities.

Prior to the District's withdrawal from SOCWA, the District paid SOCWA \$6,757,487, consisting of \$5,426,076 for operations and maintenance and \$1,331,311 for capital projects. On December 12, 2024, the date of withdrawal, the District acquired RTP in exchange for consideration of \$21,500,000 consisting of a cash payments of \$7,166,666 and a promissory note of \$14,333,334 to be paid in installment payments over the next two fiscal years as discussed in Note 8 of the Notes to Financial Statements. In accordance with GASB Statement No. 69, the District recognized the assets acquired and liabilities assumed at acquisition values as of the acquisition date. The acquisition resulted in recognition of water and wastewater system capital assets, the reclassification of certain capacity rights and the disposal of other capacity rights, as described in Note 6 of the Notes to Financial Statements. The following table summarizes the assets and liabilities recognized at the time of acquisition and withdrawal from SOCWA.

Assets:

Capital assets - water and wastewater systems	
RTP acquisition	\$ 30,024,264
Transfer of RTP capacity rights, net of accumulated depreciation	26,755,381
Capital assets - capacity rights, net of accumulated depreciation	
Transfer of RTP to water and wastewater systems	(26,755,381)
Disposal for Coastal Treatment Plant (CTP) withdrawal	(8,773,862)
Capital assets - construction in progress disposal for CTP withdrawal	(228,901)
Cash paid	(7,166,666)
Total change in assets at acquisition of RTP	\$ 13,854,835

Liabilities:

Promissory note payable*	\$ 13,854,835
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\*The promissory note accrued interest of \$157,998 between the acquisition date and fiscal year end June 30, 2025.

Subsequent to the acquisition of RTP, the District has paid \$934,674 to SOCWA for other post-employment benefit costs and permitting and laboratory services.

The District paid \$1,072,552 to SCWD, \$169,196 to ETWD and \$36,554 to SMWD related to operations and maintenance costs associated with services at JBL and the two ocean outfalls.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 15: Joint Powers Authorities and Joint Ventures (Continued)**

South Orange County Wastewater Authority (a California Joint Powers Authority) (Continued)

The District billed SOCWA members agencies \$1,250,943 for the year ended June 30, 2025, consisting of \$1,115,389 for operations and maintenance costs at RTP and \$135,554 for capital projects at the treatment plant.

At fiscal year-end, SOCWA analyzes its actual costs and refunds or collects additional money from its members as appropriate. To obtain complete financial information from SOCWA, contact SOCWA at 34156 Del Obispo Street, Dana Point, CA, 92629, or via telephone at (949) 234-5421.

The relationships between the District and SOCWA and its member agencies is such that SOCWA and the member agencies are not component units of the District for financial reporting purposes.

Joint Regional Water Supply System (Formed Using a Trust Agreement)

The District is one of six members who participate in the Joint Regional Water Supply System ("JRWSS"). JRWSS owns and operates the Joint Transmission Main that serves the District. The pipeline delivers drinking water to the member agencies. SCWD serves as Trustee of JRWSS. As Trustee, SCWD maintains the infrastructure, collects money to cover expenses from the member agencies and keeps records for JRWSS.

The District deposits money with JRWSS to cover its share of operation and capital costs. At fiscal year-end, JRWSS analyzes its actual costs and refunds or collects additional money from its members as appropriate. The District incurred \$2,473,782 in expenses payable to JRWSS for the year ended June 30, 2025, consisting of \$1,766,877 for capital projects and \$706,905 for O&M.

To obtain complete financial information from JRWSS, contact SCWD at P.O. Box 30205, Laguna Niguel, CA, 92607, or via telephone at (949) 499-4555.

The relationships between the District and JRWSS and SCWD are such that they are not component units of the District for financial reporting purposes.

Santiago Aqueduct Commission (a California Joint Powers Authority)

The District is a member of the Santiago Aqueduct Commission ("SAC") with five other member agencies. SAC operates and maintains the Baker Pipeline. The District has 13 cubic feet per second (cfs) of capacity rights in the Baker Pipeline and is responsible for costs to operate and maintain the Baker Pipeline. Irvine Ranch Water District ("IRWD") maintains the infrastructure, collects money to cover expenses from the members, and maintains the records for SAC. The District paid \$30,021 in operating costs to SAC for the year ended June 30, 2025.

To obtain complete financial information on SAC, contact Irvine Ranch Water District at 15600 Sand Canyon Avenue, Irvine, CA, 92618, or via telephone at (949) 453-5300.

The relationships between the District and SAC and IRWD are such that they are not component units of the District for financial reporting purposes.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 16: Net Investment in Capital Assets**

The calculation for the amount reported at June 30, 2025, for net investment in capital assets was as follows:

Total capital assets	\$ 549,750,999
Add right to use lease assets	128,989
Add right to use subscription assets	736,545
Add regulated assets	4,675,762
Less capital related debt	(267,246,005)
Less lease liabilities	(129,208)
Less subscription liabilities	(559,834)
Add unspent proceeds	44,596,437
Less capital related liabilities in accounts payable and retention payable	(14,350,000)
Total Net Investment in Capital Assets	\$ 317,603,685

**Note 17: Restricted Net Position**

At June 30, 2025, the District held \$80,700 in unspent capacity fee revenue. By State law the capacity fees must be spent on capital projects. All interest earned on these funds are added to the total restricted fund balance.

**Note 18: Unrestricted Net Position**

A portion of the District’s unrestricted net position has been designated by the Board of Directors for specific purposes. The detail of unrestricted net position at June 30, 2025, is as follows:

Designated for rate stabilization	\$ 19,072,797
Designated for replacement and refurbishment	2,470,003
Designated for self-insurance reserves	353,123
Designated for planning and construction	4,677,038
Designated for water efficiency	1,345,785
Designated for emergency reserves	35,300,000
Designated for operating reserves	48,448,983
Total unrestricted net position	\$ 111,667,729

Rate Stabilization

The Rate Stabilization reserves were established to provide funds to be used specifically for stabilizing potential fluctuation in District water and wastewater service rates that may result from losses or reductions of ad valorem property tax revenues.

Replacement & Refurbishment

The Replacement & Refurbishment fund (“R&R”) was established to fund ongoing costs related to the replacement and refurbishment of existing assets in conjunction with the District’s Capital Improvement Plan. Funding for the R&R fund will be provided from new debt issuances or fund transfers as part of the District annual budget process.

**Moulton Niguel Water District**  
**Notes to Financial Statements (Continued)**  
**June 30, 2025**

**Note 18: Unrestricted Net Position (Continued)**

Self-Insurance

The District maintains a Self-Insurance reserve to provide funding for property and liability insurance deductibles, losses exceeding insurance limits, and unemployment benefit payments.

Planning and Construction Reserves

Planning and Construction reserves were established to provide funding for the development of new capital facilities that do not result in new water or recycled water supplies as identified in the District Capital Improvement Plan. Funding for the Planning and Construction reserve will be provided from debt issuances or fund transfers as part of the District annual budget process.

Water Efficiency Fund

The Water Efficiency Fund was established for certain Water-Budget-Based Rate Structure ("WBBS") revenues. The District's intent is to use the revenues for purposes generally related to water efficiency, conservation goals and policies, and water reliability projects as specifically directed by the Board under budgetary and other approval programs from time to time.

Emergency Reserve

The Emergency Reserve was created to provide funds to enable the District to quickly repair critical assets in the event of a natural disaster or facility failure. The target balance of the Emergency Reserve is equal to 2% of the replacement costs of the District's assets as outlined in current guidelines from the Federal Management Agency.

General Operating Reserve

The District will maintain a General Operating Reserve in order to provide sufficient liquidity for funding the day-to-day operating expenses and District cash flow needs during normal operations due to standard delays between the receipt of revenues and the payment of expenses.

The target balance in the General Operating Reserve will equal three months of operating expenses, consistent with best practices in the industry for agencies with monthly rate revenue.



**Moulton Niguel Water District  
Required Supplementary Information  
Miscellaneous Plan – Cost Sharing Multiple Employer Benefit Plan  
Schedule of Proportionate Share of the Net Pension Liability  
Fiscal Year Ended June 30, 2025**

Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Proportion of the Net Pension Liability (NPL)	0.47146 %	0.50610 %	0.52540 %	0.54095 %	0.56076 %	0.58155 %	0.73047 %	0.62664 %	0.63836 %	0.65678 %
Proportionate Share of the NPL	<u>\$12,934,337</u>	<u>\$17,581,392</u>	<u>\$20,711,604</u>	<u>\$20,386,747</u>	<u>\$22,455,803</u>	<u>\$24,530,154</u>	<u>\$13,870,143</u>	<u>\$29,321,976</u>	<u>\$31,920,441</u>	<u>\$31,765,715</u>
Covered Payroll	<u>\$7,735,097</u>	<u>\$8,936,374</u>	<u>\$9,739,736</u>	<u>\$11,147,956</u>	<u>\$12,330,405</u>	<u>\$14,389,775</u>	<u>\$15,161,433</u>	<u>\$16,205,703</u>	<u>\$17,409,392</u>	<u>\$20,458,277</u>
Proportionate Share of the NPL as a Percentage of Covered Payroll	167 %	197 %	213 %	183 %	182 %	170 %	91 %	181 %	183 %	155 %
Fiduciary Net Position as a Percentage of the Total Pension Liability	81.35 %	75.87 %	75.39 %	77.69 %	77.73 %	77.71 %	90.49 %	78.19 %	77.97 %	79.91 %

**Notes to Schedule:**

Benefit Changes: None

Changes of Assumptions:

1. In Fiscal Year 2017, the financial reporting discount for the PERF C was lowered from 7.65% to 7.15%.
2. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.
3. Effective with the June 30, 2021 valuation date (2022 measurement date), the discount rate was reduced to 6.9%. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

**Moulton Niguel Water District  
Required Supplementary Information  
Miscellaneous Plan – Cost Sharing Multiple Employer Benefit Plan  
Schedule of Plan Contributions  
Fiscal Year Ended June 30, 2025**

Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
All Plans										
Actuarially Determined Contribution (ADC)	\$1,351,327	\$1,539,047	\$1,820,425	\$2,224,257	\$2,708,761	\$3,055,173	\$3,400,809	\$3,743,086	\$3,998,680	\$4,670,644
Contribution in Relation to the ADC	<u>\$(1,351,327)</u>	<u>\$(1,539,047)</u>	<u>\$(1,820,425)</u>	<u>\$(2,224,257)</u>	<u>\$(2,708,761)</u>	<u>\$(3,055,173)</u>	<u>\$(3,400,809)</u>	<u>\$(3,743,086)</u>	<u>\$(3,998,680)</u>	<u>\$(4,670,644)</u>
Contribution Deficiency (Excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered Payroll	\$8,936,374	\$9,739,736	\$11,147,956	\$12,330,405	\$14,389,775	\$15,161,433	\$16,205,703	\$17,409,392	\$20,458,277	\$22,903,478
Contributions as a Percentage of Covered payroll	12.89 %	15.12 %	15.80 %	16.33 %	18.04 %	18.82 %	20.15 %	20.99 %	19.55 %	20.39 %

**Moulton Niguel Water District  
Required Supplementary Information  
OPEB Plan - Schedule of Changes in the Net OPEB Liability and Related Ratios  
Fiscal Year Ended June 30, 2025**

Last Ten Fiscal Years<sup>1</sup>

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<i>Measurement Date: June 30,</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
<b>Total OPEB Liability</b>								
Service cost	\$ 104,316	\$ 111,097	\$ 106,229	\$ 113,134	\$ 115,348	\$ 105,164	\$ 112,000	\$ 99,036
Interest on the total OPEB liability	329,346	328,136	327,519	326,684	322,878	319,617	320,981	337,724
Actual and expected experience difference	—	—	(337,990)	—	76,298	—	193,197	—
Changes in assumptions	—	—	(308,962)	(82,784)	(148,000)	—	58,777	—
Benefit payments	(441,013)	(477,082)	(417,212)	(431,807)	(403,490)	(409,624)	(412,601)	(436,565)
<b>Net change in total OPEB liability</b>	(7,351)	(37,849)	(630,416)	(74,773)	(36,966)	15,157	272,354	195
<b>Total OPEB liability - beginning</b>	5,183,047	5,175,696	5,137,847	5,125,355	5,050,582	5,013,616	5,028,773	5,301,127
<b>Total OPEB liability - ending (a)</b>	5,175,696	5,137,847	4,507,431	5,050,582	5,013,616	5,028,773	5,301,127	5,301,322
<b>Plan Fiduciary Net Position</b>								
Contribution - employer	559,297	477,082	417,212	431,804	403,490	409,624	412,601	436,565
Net investment income	225,973	204,998	254,804	207,155	797,170	(610,051)	150,997	360,148
Benefit payments	(441,013)	(477,082)	(417,212)	(431,807)	(403,490)	(409,624)	(412,601)	(436,565)
Administrative expense	(1,664)	(1,784)	(1,779)	(1,899)	(1,477)	(1,226)	(1,215)	(1,413)
<b>Net change in plan fiduciary net position</b>	342,593	203,214	253,025	205,253	795,693	(611,277)	149,782	358,735
<b>Plan fiduciary net position - beginning</b>	3,051,218	3,393,811	3,597,025	3,850,050	4,055,305	4,850,998	4,239,721	4,389,503
<b>Plan fiduciary net position - ending (b)</b>	3,393,811	3,597,025	3,850,050	4,055,303	4,850,998	4,239,721	4,389,503	4,748,238
<b>Net OPEB liability - ending (a) - (b)</b>	<u>\$1,781,885</u>	<u>\$1,540,822</u>	<u>\$ 657,381</u>	<u>\$ 995,279</u>	<u>\$ 162,618</u>	<u>\$ 789,052</u>	<u>\$ 911,624</u>	<u>\$ 553,084</u>
Plan fiduciary net position as a percentage of the total OPEB liability	65.6 %	70.0 %	85.4 %	80.3 %	96.8 %	84.3 %	82.8 %	89.6 %
Covered employee payroll	\$10,391,010	\$10,389,025	\$10,102,781	\$10,696,756	\$10,534,902	\$10,422,293	\$10,257,551	\$10,790,737
Net OPEB liability as a percentage of covered employee payroll	17.1 %	14.8 %	6.5 %	9.3 %	1.5 %	7.6 %	8.9 %	5.1 %

<sup>1</sup>Historical information is required only for measurement to which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**Moulton Niguel Water District  
Required Supplementary Information  
OPEB Plan - Schedule of Contributions  
Fiscal Year Ended June 30, 2025**

**Last Ten Fiscal Years<sup>1</sup>**

*(In Thousands)*

	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution (ADC)	\$ 392,230	\$ 403,997	\$ 360,948	\$ 354,388	\$ 253,188	\$ 359,943	\$ 386,991	\$ 364,621
Contributions in relation to the ADC	<u>\$(477,082)</u>	<u>\$(467,077)</u>	<u>\$(431,807)</u>	<u>\$(403,490)</u>	<u>\$(409,624)</u>	<u>\$(412,601)</u>	<u>\$(436,565)</u>	<u>\$(485,634)</u>
Contribution Deficiency (Excess)	<u>\$ (84,852)</u>	<u>\$ (63,080)</u>	<u>\$ (70,859)</u>	<u>\$ (49,102)</u>	<u>\$(156,436)</u>	<u>\$ (52,658)</u>	<u>\$ (49,574)</u>	<u>\$(121,013)</u>
Covered Payroll	\$10,389,025	\$10,102,781	\$10,696,756	\$10,534,902	\$10,422,293	\$10,257,551	\$10,790,737	\$11,191,872
Contributions as a Percentage of Covered payroll	4.6 %	4.6 %	4.0 %	3.8 %	3.9 %	4.0 %	4.0 %	4.3 %

<sup>1</sup>Historical information is required only for measurement to which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**Notes to Schedule:**

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2024-25 were from the January 1, 2023 actuarial valuation.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of expected salary for each year of employment between entry age and assumed exit
Discount Rate	6.50%
Inflation	2.50% per annum
Payroll Growth	2.80% per annum
Investment Rate of Return	6.50% per year based on CERBT asset allocation Strategy 2
Healthcare cost-trend rates	Derived from the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trend, 5.25% starting in year 2021 and decreased to 4.00% in year 2069 and beyond.
Retirement Age	According to the retirement rates under the most recent CalPERS pension plan experience study. According to the following retirement tables: Miscellaneous Tier 1: 2.00% @ 55 Miscellaneous Tier 2: 2.00% @ 62
Mortality	Derived from CalPERS Experience Study released in 2021 for all Miscellaneous members.

**Moulton Niguel Water District**  
**Schedule of Revenues, Expenses, and Other Sources (Uses) of Funds**  
**Fiscal Year Ended June 30, 2025**

The schedule below is the District's Adopted Budget Summary in the areas of revenues, expenses, debt service, capital improvement projects, and other sources and uses of District funds. It compares the District's projected figures to the actual amounts and is designed to monitor performance during the year and assist in future budget preparations.

	<u>FY 2025 Budget*</u>	<u>FY 2025 Actual*</u>	<u>Variance with Budget Over (Under)</u>	<u>% Variance with Budget Over (Under)</u>
<b>Revenues</b>				
Potable Water Sales	\$ 36,048,110	\$ 34,836,798	\$ (1,211,312)	(3.4)%
Recycled Water Sales	7,152,192	6,122,280	(1,029,912)	(14.4)%
Wastewater Sales	30,914,799	33,916,254	3,001,455	9.7 %
WBBRS Efficiency Funds	5,927,633	5,200,094	(727,539)	(12.3)%
Other Operating Income	1,427,569	1,439,951	12,382	0.9 %
Ad Valorem Property Tax	36,048,817	37,029,977	981,160	2.7 %
Investment Income, Net	2,667,934	7,523,860	4,855,926	182.0 %
Cellular Lease Income	2,249,665	1,717,299	(532,366)	(23.7)%
Capacity Fees	52,154	74,133	21,979	42.1 %
Demand Offset Fees	54,004	—	(54,004)	(100.0)%
Misc. Non-Operating Income***	2,252,932	2,788,231	535,299	23.8 %
<b>Total Revenues</b>	<b><u>124,795,809</u></b>	<b><u>130,648,877</u></b>	<b><u>5,853,068</u></b>	
<b>Expenses, Debt Obligations, and Capital Improvement Projects</b>				
Operations and Maintenance	100,105,480	98,939,115	(1,166,365)	(1.2)%
Capital Outlay	393,750	31,730,154 **	31,336,404	7958.5 %
Debt Service	10,852,731	6,416,094	(4,436,637)	(40.9)%
Depreciation and Amortization	—	26,439,399	26,439,399	— %
Replacement and Refurbishment Projects	56,818,437	41,607,061	(15,211,376)	(26.8)%
Regional Agency Projects	6,835,945	1,539,466	(5,296,479)	(77.5)%
Water Efficiency Projects	1,050,000	991,941	(58,059)	(5.5)%
Water Supply Reliability Projects	800,000	244,242	(555,758)	(69.5)%
Planning and Construction Projects	19,337,500	10,775,545	(8,561,955)	(44.3)%
<b>Total Expenses, Debt Obligations, and Capital Improvement Projects</b>	<b><u>196,193,843</u></b>	<b><u>218,683,017</u></b>	<b><u>22,489,174</u></b>	
<b>Net Income (Deficit)*</b>	<b><u>\$ (71,398,034)</u></b>	<b><u>\$ (88,034,140)</u></b>	<b><u>\$ (16,636,106)</u></b>	

\*The variance between budgetary basis net income and financial statement net income is due to the inclusion of Debt Service and capital activity as expenses on the budgetary basis.

\*\*FY 2025 capital outlay includes \$30.5 million acquisition of the Regional Treatment Plant.

\*\*\*Miscellaneous non-operating income includes other non-operating revenues and expenses, intergovernmental revenue, developer donated capital facilities, interest income on leases, and other contributions.

**Moulton Niguel Water District**  
**Schedule of Revenues, Expenses, and Other Sources (Uses) of Funds**  
**Fiscal Year Ended June 30, 2025**

The Operations and Maintenance (O&M) Budget Comparison Report was designed to compare the expenses of the District to the budget and/or the adjusted budget figures used by the District to monitor performance during the year. The Notes to the O&M Budget Comparison Report provides explanations for noteworthy items in this report.

<b>General Fund</b>	<b>Adopted Budget*</b>	<b>Actual Expense</b>	<b>Remaining Budget</b>
Salaries	\$ 21,164,717	\$ 20,367,974	\$ 796,743
Retirement Program	4,428,231	3,968,351	459,880
Educational Courses	55,266	43,986	11,280
Travel and Meetings	391,933	345,926	46,007
Recruitment and Employee Relations	81,510	26,342	55,168
General Services	473,600	557,935	(84,335)
Annual Audit	68,000	54,375	13,625
Member Agencies O&M	1,643,222	1,847,575	(204,353)
Dues and Memberships	184,810	205,466	(20,656)
Consulting Services	1,931,500	1,929,048	2,452
Equipment Rental	36,000	20,615	15,385
District Fuel	377,000	347,520	29,480
Insurance - District	1,186,800	1,349,889	(163,089)
Insurance - Personnel	598,825	578,595	20,230
Insurance - Benefits	4,000,073	3,580,086	419,987
Legal Services	450,000	675,684	(225,684)
District Office Supplies	647,302	760,984	(113,682)
District Operating Supplies	3,409,905	2,819,400	590,505
Repairs and Maintenance - Equipment	1,364,682	1,382,022	(17,340)
Repairs and Maintenance - Facilities	5,503,915	6,340,962	(837,047)
Safety Program and Compliance Requirements	523,458	1,236,858	(713,400)
Wastewater Treatment	5,900,085	5,873,165	26,920
Special Outside Assessments	168,298	225,068	(56,770)
Utilities	5,388,488	4,882,179	506,309
Water Purchases	33,508,301	33,760,561	(252,260)
<b>Water Efficiency Fund</b>			
Labor	2,510,933	2,895,613	(384,680)
Education/Certification	27,234	5,035	22,199
Travel & Meetings	43,627	35,386	8,241
Dues & Memberships	43,792	28,338	15,454
Consulting Services	1,250,000	1,679,736	(429,736)
Legal Services	25,000	12,223	12,777
Conservation supplies	288,198	170,522	117,676
Repairs and Maintenance - Equipment	321,000	312,312	8,688
Safety Program & Compliance Requirements	5,775	1,921	3,854
Water Efficiency	1,864,000	383,832	1,480,168
<b>Total O&amp;M</b>	<b>\$ 100,105,480</b>	<b>\$ 98,939,115</b>	<b>\$ 1,166,365</b>

\*The adopted budget includes a \$375,000 budget amendment approved by the Board in October 2024 for the transition of ownership and operation of the Regional Treatment Plant in December 2024.



**Moulton Niguel Water District  
Statistical Section Overview  
Year Ended June 30, 2025**

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

	<b><u>Pages</u></b>
<u>Financial Trends</u> : These tables contain trend information to help the reader understand how the District's financial performance and well-being have changed overtime.	74-77
<u>Revenue Capacity</u> : These tables contain information to help the reader assess the factors affecting the District's ability to generate its sales and property taxes.	78-90
<u>Debt Capacity</u> : These tables present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	91-93
<u>Demographic and Economic Information</u> : These tables present demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	94-96
<u>Operating Information</u> : These tables contain service and infrastructure data to help the reader understand how information in the District's financial report relates to the service provided by the District and the activities it performs.	97-100

**Moulton Niguel Water District  
Statistical Section  
Net Position by Component  
Last Ten Fiscal Years**

	2016	2017	2018	2019	2020
<b>Assets:</b>					
Current & other assets	\$ 148,655,677	\$ 133,490,291	\$ 138,223,685	\$ 133,276,189	\$ 186,372,578
Capital assets	390,974,342	395,581,587	387,587,456	395,919,991	435,361,867
<b>Total Assets</b>	<b>539,630,019</b>	<b>529,071,878</b>	<b>525,811,141</b>	<b>529,196,180</b>	<b>621,734,445</b>
<b>Deferred Outflows of Resources:</b>	<b>2,356,834</b>	<b>5,269,166</b>	<b>7,320,802</b>	<b>6,004,908</b>	<b>6,593,895</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 541,986,853</b>	<b>\$ 534,341,044</b>	<b>\$ 533,131,943</b>	<b>\$ 535,201,088</b>	<b>\$ 628,328,340</b>
<b>Liabilities:</b>					
Current and other liabilities	\$ 21,768,761	\$ 15,499,289	\$ 16,613,298	\$ 18,069,016	\$ 24,463,158
Long-term liabilities	102,531,779	101,316,497	101,294,408	94,308,568	158,566,143
<b>Total Liabilities</b>	<b>124,300,540</b>	<b>116,815,786</b>	<b>117,907,706</b>	<b>112,377,584</b>	<b>183,029,301</b>
<b>Deferred Inflows of Resources: <sup>1</sup></b>	<b>3,530,389</b>	<b>2,447,949</b>	<b>2,182,420</b>	<b>1,186,124</b>	<b>16,992,846</b>
<b>Net Position:</b>					
Net investment in capital assets	292,404,060	307,272,958	304,821,445	319,601,072	304,969,636
Restricted for capital projects	2,632,947	291,818	604,783	375,294	295,848
Unrestricted	119,118,917	107,512,533	107,615,589	101,661,014	123,040,709
<b>Total Net Position</b>	<b>414,155,924</b>	<b>415,077,309</b>	<b>413,041,817</b>	<b>421,637,380</b>	<b>428,306,193</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 541,986,853</b>	<b>\$ 534,341,044</b>	<b>\$ 533,131,943</b>	<b>\$ 535,201,088</b>	<b>\$ 628,328,340</b>

<sup>1</sup> The District added over \$15.2 million in deferred inflows of resources in fiscal year 2020 with implementation of GASB 87.

Source: Moulton Niguel Water District Audited Financial Statements.

**Moulton Niguel Water District  
Statistical Section  
Net Position by Component (Continued)  
Last Ten Fiscal Years**

2021	2022	2023	2024	2025	
\$ 156,092,547	\$ 196,825,068	\$ 186,717,308	\$ 168,747,728	\$ 211,141,642	<b>Assets:</b>
469,706,415	476,137,952	480,854,985	496,684,449	550,616,533	Current & non-current assets
<b>625,798,962</b>	<b>672,963,020</b>	<b>667,572,293</b>	<b>665,432,177</b>	<b>761,759,175</b>	Capital assets, net
<b>6,923,508</b>	<b>6,455,548</b>	<b>14,143,133</b>	<b>14,571,413</b>	<b>11,734,863</b>	<b>Total Assets</b>
<b>\$ 632,722,470</b>	<b>\$ 679,418,568</b>	<b>\$ 681,715,426</b>	<b>\$ 680,003,590</b>	<b>\$ 773,494,038</b>	<b>Deferred Outflows of Resources:</b>
					<b>Total Assets and Deferred Outflows of Resources</b>
\$ 26,322,307	\$ 20,918,667	\$ 22,446,956	\$ 26,667,513	\$ 45,429,127	<b>Liabilities:</b>
154,968,058	199,231,187	209,041,652	206,272,663	287,620,644	Current and other liabilities
<b>181,290,365</b>	<b>220,149,854</b>	<b>231,488,608</b>	<b>232,940,176</b>	<b>333,049,771</b>	Long-term liabilities
<b>17,618,585</b>	<b>29,074,998</b>	<b>16,819,905</b>	<b>13,656,613</b>	<b>11,092,153</b>	<b>Total Liabilities</b>
					<b>Deferred Inflows of Resources: <sup>1</sup></b>
337,705,648	327,139,013	318,688,968	315,463,823	317,602,685	<b>Net Position:</b>
107,046	132,953	192,038	175,195	80,700	Net investment in capital assets
96,000,826	102,921,750	114,525,907	117,767,783	111,667,729	Restricted for capital projects
<b>433,813,520</b>	<b>430,193,716</b>	<b>433,406,913</b>	<b>433,406,801</b>	<b>429,352,114</b>	Unrestricted
<b>\$ 632,722,470</b>	<b>\$ 679,418,568</b>	<b>\$ 681,715,426</b>	<b>\$ 680,003,590</b>	<b>\$ 773,494,038</b>	<b>Total Net Position</b>
					<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>

Net Position by Component



**Moulton Niguel Water District  
Statistical Section  
Changes in Net Position  
Last Ten Fiscal Years**

	2016	2017	2018	2019	2020
<b>Operating Revenue:</b>					
Water charges	\$ 29,812,128	\$ 32,149,585	\$ 32,317,988	\$ 32,680,545	\$ 32,980,943
Recycled water charges	4,850,326	5,030,973	5,597,493	5,161,153	5,049,306
Sanitation charges	18,963,978	20,156,723	22,623,626	25,463,110	26,695,247
Other	415,565	417,705	468,673	644,182	498,377
<b>Total Operating Revenue</b>	<b>54,041,997</b>	<b>57,754,986</b>	<b>61,007,780</b>	<b>63,948,990</b>	<b>65,223,873</b>
<b>Operating Expenses:</b>					
Source of supply <sup>1</sup>	26,357,342	26,681,334	29,446,569	25,879,882	28,192,240
Pumping water	3,177,393	1,629,215	1,656,773	2,108,350	1,714,355
Wastewater treatment	10,705,495	11,452,080	11,733,752	12,221,043	12,680,278
Water transmission and distribution	1,341,220	1,546,693	1,226,775	2,048,008	1,423,084
Customer service	3,047,070	3,094,606	3,346,966	3,413,313	3,555,680
Water efficiency	6,749,664	4,037,455	3,448,360	4,333,171	4,335,108
General, administrative and other	14,947,755	18,319,946	20,436,785	21,367,711	22,543,109
Post retirement medical benefits (OPEB) <sup>2</sup>	388,058	289,096	237,692	—	—
Amortization	—	—	—	—	945,595
Depreciation	17,123,278	17,811,064	19,374,985	19,743,524	20,830,890
<b>Total Operating Expenses</b>	<b>83,837,275</b>	<b>84,861,489</b>	<b>90,908,657</b>	<b>91,115,002</b>	<b>96,220,339</b>
<b>Operating Income (Loss)</b>	<b>(29,795,278)</b>	<b>(27,106,503)</b>	<b>(29,900,877)</b>	<b>(27,166,012)</b>	<b>(30,996,466)</b>
<b>Non-Operating Revenues (Expenses):</b>					
Investment income (loss), net <sup>3</sup>	4,139,084	(438,180)	(8,721)	6,067,463	7,083,317
Interest income - Leases <sup>4</sup>	—	—	—	—	601,770
Property tax revenue & GOB assessments	30,604,182	28,507,929	28,848,018	30,330,582	30,583,642
Interest on long-term debt	(4,910,737)	(4,629,947)	(4,517,784)	(4,078,474)	(4,307,575)
Intergovernmental Revenue	3,382,555	1,670,403	1,335,648	1,342,824	1,223,208
Cellular lease income <sup>4</sup>	1,623,544	1,772,941	1,897,765	1,769,978	1,312,711
Other non-operating revenues	(9,718)	126,847	252,021	78,189	136,200
Other non-operating expenses	—	(85,430)	(84,765)	(2,943,447)	(104,634)
<b>Total Non-operating Revenues (Expenses)</b>	<b>34,828,910</b>	<b>26,924,563</b>	<b>27,722,182</b>	<b>32,567,115</b>	<b>36,528,639</b>
<b>Income (Loss) before Capital Contributions</b>	<b>5,033,632</b>	<b>(181,940)</b>	<b>(2,178,695)</b>	<b>5,401,103</b>	<b>5,532,173</b>
<b>Capital Contributions:</b>					
Developer donated capital facilities	—	109,100	822,585	2,191,253	400,150
Connection fees	1,046,335	331,393	649,528	200,375	196,953
Other contributions	314,510	662,832	291,790	802,832	539,537
<b>Change in Net Position</b>	<b>6,394,477</b>	<b>921,385</b>	<b>(414,792)</b>	<b>8,595,563</b>	<b>6,668,813</b>
<b>Net Position - Beginning of Year <sup>5</sup></b>	<b>407,761,447</b>	<b>414,155,924</b>	<b>413,456,609</b>	<b>413,041,817</b>	<b>421,637,380</b>
<b>Net Position - End of Year</b>	<b>\$ 414,155,924</b>	<b>\$ 415,077,309</b>	<b>\$ 413,041,817</b>	<b>\$ 421,637,380</b>	<b>\$ 428,306,193</b>

<sup>1</sup> Source of supply includes water purchases, meter purchases (pre-2020) and utilities.

<sup>2</sup> GASB 75 was implemented in FY 2018, and modified the presentation of the OPEB expense. OPEB expense is now recorded in General, administrative and other.

<sup>3</sup> Investment income is combined with unrealized gain/loss on investments. For FY 2017, 2018, 2021 and 2022, the unrealized loss on investments exceeded the investment income.

<sup>4</sup> GASB 87 was implemented in FY 2020 and required recognition of interest on leases. Prior to FY 2020, those revenues were recognized as cellular lease income.

<sup>5</sup> Beginning net position was restated for 2018, 2021, 2022 and 2025.

Source: Moulton Niguel Water District Audited Financial Statements.

**Moulton Niguel Water District  
Statistical Section  
Changes in Net Position (Continued)  
Last Ten Fiscal Years**

	2021	2022	2023	2024	2025	
						<b>Operating Revenue:</b>
\$ 37,593,121	\$ 37,129,591	\$ 33,715,449	\$ 34,252,144	\$ 40,036,891		Water charges
6,179,569	6,032,984	5,144,470	4,821,732	6,122,280		Recycled water charges
28,033,043	28,989,216	30,864,383	32,555,402	33,916,254		Sanitation charges
329,171	335,128	908,796	496,786	1,439,951		Other
<b>72,134,904</b>	<b>72,486,919</b>	<b>70,633,098</b>	<b>72,126,064</b>	<b>81,515,376</b>		<b>Total Operating Revenue</b>
						<b>Operating Expenses:</b>
31,991,028	32,505,323	29,865,610	31,681,682	36,970,771		Source of supply <sup>1</sup>
1,692,188	2,333,920	2,505,801	2,305,877	2,081,746		Pumping water
13,029,758	13,132,670	17,047,968	17,110,279	20,015,723		Wastewater treatment
1,958,001	1,136,929	2,067,556	2,236,274	2,242,284		Water transmission and distribution
3,619,657	3,681,645	4,373,540	4,951,534	4,305,058		Customer service
4,222,344	5,138,573	4,556,559	4,200,510	5,603,596		Water efficiency
22,002,065	24,146,441	20,374,115	26,598,473	29,807,946		General, administrative and other
—	—	—	—	—		Post retirement medical benefits (OPEB) <sup>2</sup>
1,166,506	840,142	376,127	435,779	711,572		Amortization
21,669,259	23,858,865	24,029,537	24,062,253	25,727,827		Depreciation
<b>101,350,806</b>	<b>106,774,508</b>	<b>105,196,813</b>	<b>113,582,661</b>	<b>127,466,523</b>		<b>Total Operating Expenses</b>
<b>(29,215,902)</b>	<b>(34,287,589)</b>	<b>(34,563,715)</b>	<b>(41,456,597)</b>	<b>(45,951,147)</b>		<b>Operating Income (Loss)</b>
						<b>Non-Operating Revenues (Expenses):</b>
(265,693)	(6,048,726)	1,482,894	6,400,826	7,523,860		Investment income (loss), net <sup>3</sup>
642,520	620,903	602,255	632,778	491,772		Interest income - Leases <sup>4</sup>
31,289,772	32,092,257	34,369,798	35,526,158	37,029,977		Property tax revenue & GOB assessments
(4,139,714)	(5,756,648)	(5,334,286)	(5,244,941)	(6,768,845)		Interest on long-term debt
1,044,433	1,617,378	3,698,992	930,536	1,415,933		Intergovernmental Revenue
1,288,542	1,449,393	1,635,521	1,637,950	1,717,299		Cellular lease income <sup>4</sup>
212,058	4,881,357	403,160	417,557	613,432		Other non-operating revenues
(194,234)	(1,418,753)	(353,557)	(354,088)	(584,234)		Other non-operating expenses
<b>29,877,684</b>	<b>27,437,161</b>	<b>36,504,777</b>	<b>39,946,776</b>	<b>41,439,194</b>		<b>Total Non-operating Revenues (Expenses)</b>
<b>661,782</b>	<b>(6,850,428)</b>	<b>1,941,062</b>	<b>(1,509,821)</b>	<b>(4,511,953)</b>		<b>Income (Loss) before Capital Contributions</b>
						<b>Capital Contributions:</b>
455,688	453,115	—	463,240	649,290		Developer donated capital facilities
112,936	152,291	283,730	93,977	74,133		Connection fees
699,855	1,777,020	988,405	952,492	202,038		Other contributions
<b>1,930,261</b>	<b>(4,468,002)</b>	<b>3,213,197</b>	<b>(112)</b>	<b>(3,586,492)</b>		<b>Change in Net Position</b>
431,883,259	434,661,718	430,193,716	433,406,913	432,938,606		<b>Net Position - Beginning of Year <sup>5</sup></b>
<b>\$ 433,813,520</b>	<b>\$ 430,193,716</b>	<b>\$ 433,406,913</b>	<b>\$ 433,406,801</b>	<b>\$ 429,352,114</b>		<b>Net Position - End of Year</b>

**Moulton Niguel Water District  
Statistical Section  
Water and Wastewater Sold by Type of Customer  
Last Ten Fiscal Years**

<b>Water Sales</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Residential	\$ 16,737,282	\$ 21,705,825	\$ 21,714,865	\$ 21,970,677	\$ 22,364,171
Commercial	5,588,565	4,002,347	3,897,389	3,910,338	3,886,401
Multi-Family Commercial	4,870,615	3,480,712	3,666,405	3,890,988	3,985,933
Irrigation	2,516,562	2,887,963	2,957,065	2,818,794	2,719,367
Recycled Water	4,850,326	5,030,973	5,597,493	5,161,153	5,049,306
Hydrant	21,738	11,609	18,128	16,889	25,071
<b>Total Water Sales</b>	<b>\$ 34,585,088</b>	<b>\$ 37,119,429</b>	<b>\$ 37,851,345</b>	<b>\$ 37,768,839</b>	<b>\$ 38,030,249</b>
<b>Metered Accounts</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Residential	47,535	47,333	47,333	47,332	47,342
Commercial	4,738	5,006	5,032	5,060	5,064
Irrigation <sup>1</sup>	1,286	1,313	1,294	1,291	1,289
Recycled Water <sup>1</sup>	1,247	1,356	1,369	1,380	1,396
Hydrant <sup>1</sup>	43	22	39	45	44
<b>Total Metered Accounts</b>	<b>54,849</b>	<b>55,030</b>	<b>55,067</b>	<b>55,108</b>	<b>55,135</b>
<b>Metered Water Deliveries (ccf)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Residential	7,144,008	7,037,805	7,502,233	6,905,559	6,918,292
Commercial	1,059,835	1,151,593	1,187,557	1,132,174	1,008,912
Irrigation <sup>1</sup>	1,181,379	1,147,740	1,349,334	1,193,799	1,152,547
Recycled <sup>1</sup>	2,709,831	2,533,987	2,774,999	2,349,420	2,183,872
Hydrant <sup>1</sup>	15,729	1,069	2,967	4,223	8,851
<b>Total Metered Water Deliveries</b>	<b>12,110,782</b>	<b>11,872,194</b>	<b>12,817,090</b>	<b>11,585,175</b>	<b>11,272,474</b>
<b>Average Daily Water Consumption in Gallons/Metered Account</b>	<b>452</b>	<b>442</b>	<b>477</b>	<b>431</b>	<b>419</b>
<b>Wastewater sales</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Residential	\$ 16,343,821	\$ 14,283,045	\$ 15,848,211	\$ 17,569,583	\$ 18,228,512
Commercial <sup>2</sup>	2,697,523	5,934,807	6,839,551	7,966,386	8,466,735
<b>Total Wastewater sales<sup>3</sup></b>	<b>\$ 19,041,344</b>	<b>\$ 20,217,852</b>	<b>\$ 22,687,762</b>	<b>\$ 25,535,969</b>	<b>\$ 26,695,247</b>
<b>Wastewater accounts</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Residential	47,372	46,848	46,854	46,830	46,866
Commercial <sup>2</sup>	4,984	3,793	3,811	3,808	3,807
<b>Total wastewater accounts</b>	<b>52,356</b>	<b>50,641</b>	<b>50,665</b>	<b>50,638</b>	<b>50,673</b>

<sup>1</sup> Irrigation, Hydrant, and Recycled Water sales do not include wastewater services.

<sup>2</sup> Multi-family residential units are billed to a single property management company but treated as individual occupant units.

<sup>3</sup> Total wastewater sales include receipts by the District for wastewater services provided by South Coast Water District (SCWD) to Laguna Sur, Monarch Point and Seaview Communities, which are then remitted by the District to SCWD.

Source: Moulton Niguel Water District Billing Department

**Moulton Niguel Water District  
Statistical Section  
Water and Wastewater Sold by Type of Customer (Continued)  
Last Ten Fiscal Years**

<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	
\$ 25,510,935	\$ 24,875,312	\$ 21,848,009	\$ 22,144,156	\$ 25,715,100	<b>Water Sales</b>
4,080,224	4,396,440	4,618,088	4,744,811	5,377,999	Residential
4,344,041	4,531,195	4,837,880	5,095,973	5,787,049	Commercial
3,631,678	3,302,062	2,387,569	2,242,757	3,133,423	Multi-Family Commercial
6,179,569	6,032,984	5,144,470	4,821,732	6,122,280	Irrigation
26,243	24,582	23,903	24,447	23,320	Recycled Water
					Hydrant
<b>\$ 43,772,690</b>	<b>\$ 43,162,575</b>	<b>\$ 38,859,919</b>	<b>\$ 39,073,876</b>	<b>\$ 46,159,171</b>	<b>Total Water Sales</b>
<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	
47,341	47,333	47,334	47,336	47,337	<b>Metered Accounts</b>
5,075	5,073	5,080	5,085	5,106	Residential
1,291	1,295	1,288	1,283	1,282	Commercial
1,393	1,394	1,400	1,401	1,405	Irrigation <sup>1</sup>
42	44	42	41	46	Recycled Water <sup>1</sup>
					Hydrant <sup>1</sup>
<b>55,142</b>	<b>55,139</b>	<b>55,144</b>	<b>55,146</b>	<b>55,176</b>	<b>Total Metered Accounts</b>
<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	
7,590,317	7,562,287	6,521,725	6,408,665	7,073,743	<b>Metered Water Deliveries (ccf)</b>
945,677	949,379	913,147	889,901	950,816	Residential
1,460,123	1,457,851	1,042,061	942,772	1,240,990	Commercial
2,710,080	2,965,112	2,134,344	1,727,501	2,468,085	Irrigation <sup>1</sup>
8,136	5,997	3,402	2,784	2,840	Recycled <sup>1</sup>
					Hydrant <sup>1</sup>
<b>12,714,333</b>	<b>12,940,626</b>	<b>10,614,679</b>	<b>9,971,623</b>	<b>11,736,474</b>	<b>Total Metered Water Deliveries</b>
<b>473</b>	<b>481</b>	<b>394</b>	<b>371</b>	<b>436</b>	<b>Average Daily Water Consumption in Gallons/Metered Account</b>
<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	
\$ 19,079,104	\$ 19,755,735	\$ 21,541,202	\$ 22,539,104	\$ 23,648,491	<b>Wastewater sales</b>
8,953,939	9,233,481	9,323,181	10,016,298	10,267,763	Residential
					Commercial <sup>2</sup>
<b>\$ 28,033,043</b>	<b>\$ 28,989,216</b>	<b>\$ 30,864,383</b>	<b>\$ 32,555,402</b>	<b>\$ 33,916,254</b>	<b>Total Wastewater sales<sup>3</sup></b>
<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	
46,871	46,849	46,912	46,914	46,915	<b>Wastewater accounts</b>
3,805	3,809	4,059	4,060	4,085	Residential
					Commercial <sup>2</sup>
<b>50,676</b>	<b>50,658</b>	<b>50,971</b>	<b>50,974</b>	<b>51,000</b>	<b>Total wastewater accounts</b>

**Moulton Niguel Water District  
Statistical Section  
Water Rates  
Last Ten Fiscal Years**

Residential & Multi-Family Potable Water Rate by Fiscal Year										
Consumption Tiers <sup>1</sup>	2016	2017	2018 <sup>2</sup>	2019	2020	2021	2022	2023	2024	2025 <sup>3</sup>
Tier 1	\$ 1.49	\$ 1.56	\$ 1.69	\$ 1.82	\$ 1.95	\$ 2.08	\$ 2.18	\$ 2.25	\$ 2.31	\$ 2.38
Tier 2	1.70	1.78	1.94	2.10	2.26	2.42	2.47	2.54	2.62	2.70
Tier 3	2.62	2.73	3.32	3.41	3.50	3.59	4.09	4.18	4.27	4.36
Tier 4	4.38	4.49	5.12	5.21	5.30	5.39	6.88	6.96	7.05	7.15
Tier 5	9.17	9.28	9.59	9.68	9.77	9.86	10.77	10.86	10.95	11.04

Commercial & Irrigation Potable Water Rate by Fiscal Year										
Consumption Tiers <sup>1</sup>	2016	2017	2018 <sup>2</sup>	2019	2020	2021	2022	2023	2024	2025 <sup>3</sup>
Tier 1	\$ 1.61	\$ 1.70	\$ 1.78	\$ 1.94	\$ 2.10	\$ 2.26	\$ 2.47	\$ 2.54	\$ 2.62	\$ 2.70
Tier 2	2.49	2.62	2.73	3.32	3.41	3.50	4.09	4.18	4.27	4.36
Tier 3	4.25	4.38	4.49	5.12	5.21	5.30	6.88	6.96	7.05	7.15
Tier 4	9.04	9.17	9.28	9.59	9.68	9.77	10.77	10.86	10.95	11.04

Monthly Basic Service Charge for Potable Water										
Meter Size	2016					2017				
	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 11.39	\$ 7.01	\$ 6.26	\$ 17.83	\$ 3.78	\$ 11.91	\$ 7.33	\$ 6.55	\$ 18.65	\$ 3.95
3/4"	11.39	7.01	6.26	17.83	3.78	11.91	7.33	6.55	18.65	3.95
1"	11.39	7.01	6.26	17.83	3.78	11.91	7.33	6.55	18.65	3.95
1.5"	37.98	23.37	20.88	59.42	12.61	39.73	24.45	21.84	62.15	13.19
2"	60.77	37.39	33.40	95.07	20.18	63.57	39.11	34.94	99.44	21.11
3"	132.94	81.81	73.06	207.97	44.14	—	—	—	—	33.64
4"	227.88	140.24	125.24	356.51	75.66	139.06	85.57	76.42	217.54	46.17
6"	475.14	292.40	261.13	743.32	157.63	238.36	146.69	131.00	372.91	79.14
8"	683.65	420.71	375.72	1,069.52	226.99	497.00	305.85	273.14	777.51	164.88
10"	1,101.82	678.05	605.54	1,723.71	365.70	715.10	440.06	393.00	1,118.72	237.43

<sup>1</sup> Tiers 1 and 2 of budgets are based on the number of persons in the household; amount of irrigated acreage; evapotranspiration rate; and the number of days in the billing cycle. Tiers 3, 4 and 5 apply to usage that exceeds budget.

<sup>2</sup> A revised Water Budget Based Rate Structure was implemented April 2018. Indoor allowance was lowered to 55 R-GPCD.

<sup>3</sup> Beginning January 1, 2025, an additional 14-cent Wholesale Pass-Through Rate is charged for each unit of potable water.

Note: 1 Billing Unit (B.U.) is = 100 cubic feet = 748 gallons.

Source: Moulton Niguel Water District Billing Department

**Moulton Niguel Water District  
Statistical Section  
Water Rates (Continued)  
Last Ten Fiscal Years**

Monthly Basic Service Charge for Potable Water										
Meter Size	2018					2019				
	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 11.22	\$ 10.78	\$ 5.54	\$ 18.06	\$ 4.29	\$ 10.71	\$ 10.59	\$ 4.91	\$ 17.24	\$ 4.42
3/4"	11.22	10.78	5.54	18.06	4.29	10.71	10.59	4.91	17.24	4.42
1"	11.22	10.78	5.54	18.06	4.29	10.71	10.59	4.91	17.24	4.42
1.5"	37.41	25.20	18.46	60.21	14.31	35.69	24.22	16.35	57.45	14.74
2"	59.85	37.56	29.54	96.34	22.90	57.11	35.91	26.16	91.93	23.59
2.5"	—	—	—	—	36.50	—	—	—	—	37.60
3"	130.94	76.70	64.61	210.76	50.10	124.95	72.93	57.23	201.11	51.60
4"	224.46	128.19	110.76	361.29	85.88	214.19	121.63	98.10	344.75	88.46
6"	467.62	262.09	230.76	752.68	178.92	446.23	248.27	204.38	718.24	184.29
8"	673.37	375.38	332.29	1,083.86	257.65	642.56	355.42	294.31	1,034.25	265.38
10"	1,084.87	601.96	535.36	1,746.22	415.10	1,035.24	569.72	474.17	1,666.30	427.55
Meter Size	2020					2021				
	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 10.22	\$ 10.41	\$ 4.29	\$ 16.46	\$ 4.56	\$ 9.77	\$ 10.26	\$ 3.71	\$ 15.72	\$ 4.69
3/4"	10.22	10.41	4.29	16.46	4.56	9.77	10.26	3.71	15.72	4.69
1"	10.22	10.41	4.29	16.46	4.56	9.77	10.26	3.71	15.72	4.69
1.5"	34.08	23.30	14.31	54.85	15.18	32.56	22.45	12.36	52.41	15.64
2"	54.53	34.36	22.90	87.76	24.30	52.10	32.90	19.77	83.86	25.02
2.5"	—	—	—	—	38.72	—	—	—	—	39.88
3"	119.29	69.36	50.10	192.00	53.15	113.98	66.00	43.25	183.45	54.75
4"	204.49	115.42	85.89	329.14	91.11	195.39	109.55	74.14	314.48	93.85
6"	426.03	235.16	178.94	685.71	189.82	407.06	222.78	154.46	655.16	195.51
8"	613.47	336.48	257.67	987.42	273.34	586.16	318.59	222.42	943.43	281.54
10"	988.38	539.13	415.14	1,590.84	440.38	944.36	510.22	358.35	1,519.98	453.59
Meter Size	2022					2023				
	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 9.64	\$ 10.40	\$ 3.64	\$ 15.58	\$ 5.44	\$ 9.93	\$ 10.34	\$ 3.75	\$ 16.05	\$ 5.60
3/4"	9.64	10.40	3.64	15.58	5.44	9.93	10.34	3.75	16.05	5.60
1"	9.64	10.40	3.64	15.58	5.44	9.93	10.34	3.75	16.05	5.60
1.5"	32.13	21.51	12.15	51.93	18.13	33.10	22.15	12.51	53.49	18.68
2"	51.42	31.34	19.44	83.09	29.01	52.96	32.28	20.02	85.59	29.89
2.5"	—	—	—	—	46.24	—	—	—	—	47.62
3"	112.49	62.47	42.52	181.79	63.48	115.86	64.34	43.80	187.24	65.38
4"	192.83	103.42	72.89	311.62	108.81	198.61	106.52	75.08	320.97	112.08
6"	401.72	209.91	151.86	649.22	226.69	413.78	216.21	156.42	668.70	233.49
8"	578.48	300.01	218.68	934.87	326.44	595.83	309.01	225.24	962.92	336.23
10"	932.00	480.22	352.32	1,506.19	525.93	959.96	494.62	362.89	1,551.38	541.71
Meter Size	2024					2025				
	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 10.23	\$ 10.65	\$ 3.87	\$ 16.53	\$ 5.77	\$ 10.54	\$ 10.97	\$ 3.98	\$ 17.03	\$ 5.95
3/4"	10.23	10.65	3.87	16.53	5.77	10.54	10.97	3.98	17.03	5.95
1"	10.23	10.65	3.87	16.53	5.77	10.54	10.97	3.98	17.03	5.95
1.5"	34.09	22.82	12.89	55.09	19.24	35.11	23.50	13.27	56.75	19.82
2"	54.55	33.24	20.62	88.16	30.78	56.18	34.24	21.24	90.80	31.71
2.5"	—	—	—	—	49.05	—	—	—	—	50.52
3"	119.34	66.27	45.11	192.86	67.34	122.92	68.26	46.46	198.64	69.36
4"	204.57	109.72	77.33	330.60	115.44	210.71	113.01	79.65	340.25	118.90
6"	426.19	222.69	161.11	688.76	240.50	438.98	229.37	165.94	709.42	247.71
8"	613.71	318.28	232.00	991.81	346.32	632.12	327.83	238.96	1,021.56	356.71
10"	988.76	509.46	373.77	1,597.92	557.96	1,018.42	524.75	384.99	1,645.85	574.70

**Moulton Niguel Water District  
Statistical Section  
Wastewater Rates  
Last Ten Fiscal Years**

RESIDENTIAL WASTEWATER RATES										
Volumetric Charge	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Basic Service Charges	\$ 24.83	\$ 26.22	\$ 14.36	\$ 15.15	\$ 15.99	\$ 16.86	\$ 19.05	\$ 20.10	\$ 21.20	\$ 22.37
Per Person Charge <sup>1</sup>	—	—	4.31	4.55	4.80	5.06	5.08	5.36	5.66	5.97

COMMERCIAL AND MULTI-FAMILY WASTEWATER RATES										
Meter Size	2016					2017				
	MFR	Comm 1	Comm 2	Comm 3	Comm 4	MFR	Comm 1	Comm 2	Comm 3	Comm 4
5/8"	\$ 27.07	\$ 19.56	\$ 41.69	\$ 85.76	\$ 92.52	\$ 28.58	\$ 20.66	\$ 44.02	\$ 90.56	\$ 97.70
3/4"	27.07	19.56	41.69	85.76	92.52	28.58	20.66	44.02	90.56	97.70
1"	27.07	19.56	41.69	85.76	92.52	28.58	20.66	44.02	90.56	97.70
1.5"	83.11	58.09	131.83	278.72	301.25	87.76	61.35	139.21	294.33	318.12
2"	131.15	91.12	209.10	444.14	480.19	138.50	96.23	220.81	469.01	507.08
2.5"	131.15	91.12	209.10	444.14	480.19	—	—	—	—	—
3"	283.30	195.73	453.84	968.02	1,046.88	299.17	206.69	479.25	1,022.23	1,105.51
4"	483.47	333.35	775.81	1,657.24	1,792.43	510.54	352.02	819.25	1,750.04	1,892.81
6"	1,003.93	691.18	1,612.98	3,449.31	3,730.96	1,060.15	729.89	1,703.30	3,642.47	3,939.89
8"	1,444.31	993.95	2,321.33	4,965.62	5,371.20	1,525.19	1,049.61	2,451.32	5,243.70	5,671.99
10"	2,325.09	1,599.51	3,738.07	7,998.33	8,651.77	2,455.30	1,689.08	3,947.40	8,446.24	9,136.27
Basic Service Charge	22.28	—	—	—	—	—	—	—	—	—

**Wastewater Classes:**

Class 1/Comm 1: Typical users include residential, banks, car washes, churches, department and retail stores, laundromats, professional offices, schools and colleges.

Class 2/Comm 2: Typical users includes beauty and barber shops, hospitals and convalescent facilities, commercial laundry, repair shops, service stations and veterinary hospitals.

Class 3/Comm 3: Typical users include hotels with dining facilities, markets with garbage disposals, mortuaries and fast-food restaurants.

Class 4/Comm 4: Typical users include restaurants, auto steam cleaning facilities and bakeries.

*Classifications are subject to change upon inspection by the District in order to comply with the intent of the District's rules and regulations and regulatory mandates.*

<sup>1</sup> Per person wastewater charge applies to residential and multi-family residential customers.

Source: Moulton Niguel Water District Billing Department

**Moulton Niguel Water District  
Statistical Section  
Wastewater Rates (Continued)  
Last Ten Fiscal Years**

<b>COMMERCIAL AND MULTI-FAMILY WASTEWATER RATES</b>										
<b>Meter Size</b>	<b>2018</b>					<b>2019</b>				
	<b>MFR</b>	<b>Comm 1</b>	<b>Comm 2</b>	<b>Comm 3</b>	<b>Comm 4</b>	<b>MFR</b>	<b>Comm 1</b>	<b>Comm 2</b>	<b>Comm 3</b>	<b>Comm 4</b>
5/8"	\$ 16.94	\$ 20.84	\$ 49.92	\$ 107.85	\$ 117.98	\$ 17.87	\$ 21.99	\$ 52.66	\$ 113.78	\$ 124.46
3/4"	16.94	20.84	49.92	107.85	117.98	17.87	21.99	52.66	113.78	124.46
1"	16.94	20.84	49.92	107.85	117.98	17.87	21.99	52.66	113.78	124.46
1.5"	51.38	64.39	161.31	354.40	388.15	54.20	67.94	170.18	373.89	409.50
2"	80.91	101.73	256.81	565.75	619.76	85.35	107.33	270.93	596.87	653.84
3"	174.42	219.98	559.23	1,235.12	1,353.26	184.01	232.08	589.99	1,303.05	1,427.69
4"	297.44	375.55	957.11	2,115.74	2,318.26	313.80	396.20	1,009.75	2,232.10	2,445.76
6"	617.32	780.05	1,991.64	4,405.47	4,827.39	651.27	822.95	2,101.18	4,647.77	5,092.90
8"	887.98	1,122.30	2,866.98	6,342.87	6,950.43	936.82	1,184.03	3,024.67	6,691.73	7,332.71
10"	1,429.31	1,806.83	4,617.72	10,217.77	11,196.63	1,507.92	1,906.21	4,871.69	10,779.75	11,812.45
<b>Meter Size</b>	<b>2020</b>					<b>2021</b>				
	<b>MFR</b>	<b>Comm 1</b>	<b>Comm 2</b>	<b>Comm 3</b>	<b>Comm 4</b>	<b>MFR</b>	<b>Comm 1</b>	<b>Comm 2</b>	<b>Comm 3</b>	<b>Comm 4</b>
5/8"	\$ 18.85	\$ 23.20	\$ 55.56	\$ 120.04	\$ 131.31	\$ 19.89	\$ 24.47	\$ 58.62	\$ 126.64	\$ 138.53
3/4"	18.85	23.20	55.56	120.04	131.31	19.89	24.47	58.62	126.64	138.53
1"	18.85	23.20	55.56	120.04	131.31	19.89	24.47	58.62	126.64	138.53
1.5"	57.19	71.67	179.54	394.45	432.02	60.33	75.62	189.42	416.15	455.78
2"	90.05	113.23	285.83	629.70	689.80	95.00	119.46	301.55	664.33	727.74
3"	194.13	244.84	622.44	1,374.72	1,506.21	204.81	258.31	656.68	1,450.33	1,589.06
4"	331.06	417.99	1,065.29	2,354.87	2,580.28	349.27	440.98	1,123.88	2,484.39	2,722.20
6"	687.09	868.21	2,216.75	4,903.40	5,373.01	724.88	915.96	2,338.67	5,173.08	5,668.52
8"	988.34	1,249.15	3,191.03	7,059.77	7,736.01	1,042.70	1,317.85	3,366.53	7,448.06	8,161.49
10"	1,590.86	2,011.05	5,139.64	11,372.64	12,462.13	1,678.35	2,121.66	5,422.32	11,998.13	13,147.55
<b>Meter Size</b>	<b>2022</b>					<b>2023</b>				
	<b>MFR</b>	<b>Comm 1</b>	<b>Comm 2</b>	<b>Comm 3</b>	<b>Comm 4</b>	<b>MFR</b>	<b>Comm 1</b>	<b>Comm 2</b>	<b>Comm 3</b>	<b>Comm 4</b>
5/8"	\$ 21.82	\$ 24.79	\$ 57.64	\$ 124.93	\$ 141.52	\$ 23.02	\$ 26.16	\$ 60.81	\$ 131.80	\$ 149.31
3/4"	21.82	24.79	57.64	124.93	141.52	23.02	26.16	60.81	131.80	149.31
1"	21.82	24.79	57.64	124.93	141.52	23.02	26.16	60.81	131.80	149.31
1.5"	65.84	75.75	185.22	409.51	464.81	69.47	79.91	195.41	432.03	490.38
2"	103.58	119.43	294.60	653.47	741.96	109.28	126.00	310.80	689.41	782.77
3"	223.11	257.77	640.98	1,426.09	1,619.68	223.11	271.95	676.24	1,504.52	1,708.76
4"	380.35	439.77	1,096.69	2,442.54	2,774.41	380.35	463.95	1,157.00	2,576.88	2,927.00
6"	789.20	912.99	2,281.58	5,085.47	5,776.86	789.20	963.21	2,407.07	5,365.17	6,094.59
8"	1,135.15	1,313.40	3,284.15	7,321.72	8,317.32	1,135.15	1,385.64	3,464.78	7,724.42	8,774.77
10"	1,827.05	2,114.24	5,289.35	11,794.34	13,398.37	1,827.05	2,230.52	5,580.27	12,443.03	14,135.28
<b>Meter Size</b>	<b>2024</b>					<b>2025</b>				
	<b>MFR</b>	<b>Comm 1</b>	<b>Comm 2</b>	<b>Comm 3</b>	<b>Comm 4</b>	<b>MFR</b>	<b>Comm 1</b>	<b>Comm 2</b>	<b>Comm 3</b>	<b>Comm 4</b>
5/8"	\$ 24.29	\$ 27.59	\$ 64.15	\$ 139.05	\$ 157.52	\$ 25.62	\$ 29.11	\$ 67.68	\$ 146.70	\$ 166.18
3/4"	24.29	27.59	64.15	139.05	157.52	25.62	29.11	67.68	146.70	166.18
1"	24.29	27.59	64.15	139.05	157.52	25.62	29.11	67.68	146.70	166.18
1.5"	73.29	84.31	206.16	455.79	517.35	77.32	88.95	217.50	480.86	545.80
2"	115.29	132.93	327.89	727.33	825.82	121.63	140.24	345.93	767.33	871.24
3"	248.32	286.90	713.43	1,587.27	1,802.74	261.98	302.68	752.67	1,674.57	1,901.90
4"	423.34	489.47	1,220.64	2,718.61	3,087.98	446.62	516.39	1,287.77	2,868.13	3,257.82
6"	878.40	1,016.18	2,539.46	5,660.26	6,429.79	926.72	1,072.07	2,679.13	5,971.57	6,783.43
8"	1,263.45	1,461.85	3,655.35	8,149.26	9,257.38	1,332.94	1,542.25	3,856.39	8,597.47	9,766.54
10"	2,033.55	2,353.20	5,887.18	13,127.40	14,912.72	2,145.40	2,482.62	6,210.98	13,849.41	15,732.92

**Moulton Niguel Water District  
Statistical Section  
Recycled Water Rates  
Last Ten Fiscal Years**

Recycled Water Rates by Fiscal Year										
Consumption Tiers <sup>1</sup>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Tier 1	1.24	1.29	1.39	1.47	1.55	1.63	1.73	1.78	1.84	1.89
Tier 2	1.74	1.81	2.51	2.69	2.87	3.05	3.19	3.25	3.31	3.37
Tier 3	3.50	3.57	4.31	4.49	4.67	4.85	5.98	6.04	6.10	6.16
Tier 4	8.29	8.36	8.78	8.96	9.14	9.32	9.87	9.93	9.99	10.05

Recycled Water Basic Service Charge										
Meter Size	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
5/8"	\$ 17.83	\$ 18.65	\$ 18.06	\$ 17.24	\$ 16.46	\$ 15.72	\$ 15.58	\$ 16.05	\$ 16.53	\$ 17.03
3/4"	17.83	18.65	18.06	17.24	16.46	15.72	15.58	16.05	16.53	17.03
1"	17.83	18.65	18.06	17.24	16.46	15.72	15.58	16.05	16.53	17.03
1.5"	59.42	62.15	60.21	57.45	54.85	52.41	51.93	53.49	55.09	56.75
2"	95.07	99.44	96.34	91.93	87.76	83.86	83.09	85.59	88.16	90.80
3"	207.97	217.54	210.76	201.11	192.00	183.45	181.79	187.24	192.86	198.64
4"	356.51	372.91	361.29	344.75	329.14	314.48	311.62	320.97	330.60	340.52
6"	743.32	777.51	752.68	718.24	685.71	655.16	649.22	668.70	688.76	709.42
8"	1,069.52	1,118.72	1,083.86	1,034.25	987.42	943.43	934.87	962.92	991.81	1,021.56
10"	1,723.71	1,803.00	1,746.22	1,666.30	1,590.84	1,519.98	1,506.19	1,551.38	1,597.92	1,645.85

<sup>1</sup> Tiers 1 and 2 apply to usage within budget, while Tiers 3 and 4 apply to usage in excess of budget.

Source: Moulton Niguel Water District Billing Department

**Moulton Niguel Water District  
Statistical Section  
Principal Water Customers  
Current Fiscal Year and Nine Years Ago**

**Fiscal Year 2025**

Customer	Type of Property	Total Water Sales <sup>1</sup>	Percentage of Total Water Sales
Niguel Villas	Multi Family Residential	\$ 237,377	0.59 %
Bre Properties	Multi Family Residential	231,605	0.58
Soka University	Private University	187,610	0.47
St. Moritz Lessee #1 LLC	Multi Family Residential	177,137	0.44
Hidden Hills Apartments	Multi Family Residential	166,342	0.42
Barcelona Resorts LP	Multi Family Residential	155,186	0.39
City of Laguna Niguel	City	150,217	0.38
Idyllwillow LP	Multi Family Residential	148,596	0.37
City of Mission Viejo	City	144,148	0.36
Mission Hospital Regional Medical Center	Medical Facility	141,149	0.35
		\$ 1,739,367	4.35 %

**Total Water Sales for FY 2025 \$ 40,036,891**

**Fiscal Year 2016**

Customer	Type of Property	Total Water Sales <sup>1</sup>	Percentage of Total Water Sales
Moritz Associates LLC	Multi Family Residential	\$ 167,088	0.56 %
Barcelona LLC	Parks, Slopes, Medians	144,179	0.48
Soka University of America	Private University	139,401	0.47
Quail Creek-La Paz HOA	Residential Landscapes	138,092	0.46
Mission Hospital Regional Medical Center	Medical Facility	137,512	0.46
FPA-Reit Holdings LLC	Multi Family Residential	135,674	0.46
BRE Properties	Multi Family Residential	130,732	0.44
City of Laguna Niguel	Parks, Slopes, Medians	128,906	0.43
City of Mission Viejo	Parks, Slopes, Medians	117,693	0.39
Shea Properties/City Lights	Multi Family Residential	109,003	0.37
		\$ 1,348,280	4.52 %

**Total Water Sales for FY 2016 \$ 29,812,128**

<sup>1</sup> Total water sales includes only potable water sales.

Source: Moulton Niguel Water District Billing Department

**Moulton Niguel Water District  
Statistical Section  
Principal Wastewater Customers  
Current Fiscal Year and Nine Years Ago**

**Fiscal Year 2025**

Customer	Type of Property	Total Wastewater Sales	Percentage of Total Wastewater Sales
St Moritz Lessee #1 LLC	Multi-family Residential	\$ 330,340	0.97 %
Barcelona Resorts LP	Multi-family Residential	239,173	0.71
Heather Ridge Condo Association	Multi-family Residential	175,237	0.52
Laguna Gardens Apartments	Multi-family Residential	168,464	0.50
Aliso Creek - Sares	Multi-family Residential	160,306	0.47
Bre Properties	Multi Family Residential	154,946	0.46
Shea Properties/City Lights	Multi Family Residential	150,663	0.44
ERP Operating LP LN	Multi Family Residential	150,597	0.44
Aliso Meadows Condo Association	Multi Family Residential	135,475	0.40
Alize At Aliso Viejo	Multi Family Residential	134,410	0.40
		\$ 1,799,611	5.31 %

**Total Wastewater Sales for FY 2025 \$ 33,916,254**

**Fiscal Year 2016**

Customer	Type of Property	Total Wastewater Sales	Percentage of Total Wastewater Sales
Moritz Associates LLC	Multi Family Residential	\$ 223,143	1.18 %
Barcelona LLC	Multi Family Residential	137,429	0.72
Heather Ridge Condo Association	Multi Family Residential	108,562	0.57
Laguna Gardens Apartments	Multi Family Residential	95,607	0.50
BRE Properties	Multi Family Residential	85,964	0.45
FPA-Reit Holdings LLC	Multi Family Residential	82,993	0.44
Aliso Creek - Sares	Multi Family Residential	79,542	0.42
Seabrook Apartments	Multi Family Residential	77,235	0.41
Alize at Aliso Viejo	Multi Family Residential	74,951	0.40
Seaside Meadows Apartments	Multi Family Residential	72,658	0.38
		\$ 1,038,084	5.47 %

**Total Wastewater Sales for FY 2016 \$ 18,963,978**

Source: Moulton Niguel Water District Billing Department

**Moulton Niguel Water District  
Statistical Section  
Principal Recycled Water Customers  
Current Fiscal Year and Nine Years Ago**

**Fiscal Year 2025**

Customer	Type of Property	Total Recycled Water Sales	Percentage of Total Sales
Aliso Viejo Comm Association	Parks, Slopes, Medians	\$ 722,992	11.81 %
City of Laguna Niguel	Parks, Slopes, Medians	356,254	5.82
City of Mission Viejo	Parks, Slopes, Medians	267,408	4.37
Mission Viejo Country Club	Parks, Slopes, Medians	256,972	4.20
City of Laguna Hills	Parks, Slopes, Medians	241,366	3.94
El Niguel Country Club	Golf Course	222,404	3.63
Aliso Viejo Club Owner LLC	Parks, Slopes, Medians	177,861	2.91
Marina Hills PCA	Landscape	153,757	2.51
Beacon Hill Planned Community	Landscape	109,273	1.78
Soka University of America	Private University	107,543	1.76
		\$ 2,615,830	42.73 %
<b>Total Recycled Water Sales for Fiscal Year 2025</b>		<b>\$ 6,122,280</b>	

**Fiscal Year 2016**

Customer	Type of Property	Total Recycled Water Consumption <sup>1</sup>	Percentage of Total Consumption
Aliso Viejo Community Association	Parks, Slopes, Medians	\$ 645,764	13.31 %
City of Laguna Niguel	Parks, Slopes, Medians	279,653	5.77
City of Mission Viejo	Parks, Slopes, Medians	255,123	5.26
Mission Viejo Country Club	Golf Course	231,100	4.76
Aliso Viejo Country Club	Golf Course	201,120	4.15
El Niguel Country Club	Golf Course	177,471	3.66
Arroyo Trabuco Golf Club	Golf Course	153,106	3.16
City of Laguna Hills	Parks, Slopes, Medians	147,042	3.03
Marina Hills PCA	Golf Course	140,811	2.90
Soka University of America	Private University	93,746	1.93
		\$ 2,324,936	47.93 %
<b>Total Recycled Water Sales for Fiscal Year 2016</b>		<b>\$ 4,850,326</b>	

Source: Moulton Niguel Water District Billing Department

**Moulton Niguel Water District  
Statistical Section  
Annual Domestic Consumption in Acre Feet (AF)  
Last Ten Fiscal Years**

Fiscal Year	Usage (AF)	Purchase Price <sup>1</sup>	Average cost per AF	Metered Accounts	Average AF per Metered Account	Average Cost per Metered Account
2016	28,762	\$ 21,829,003	\$ 759	54,849	0.52	\$ 395
2017	22,916	20,933,121	913	55,030	0.42	383
2018	26,797	24,041,011	897	55,067	0.49	440
2019	23,676	22,557,276	953	55,108	0.43	410
2020	23,239	22,982,131	989	55,135	0.42	415
2021	25,519	24,861,840	974	55,142	0.46	448
2022	23,938	24,413,679	1,020	55,139	0.43	439
2023	20,731	21,022,764	1,014	55,144	0.38	385
2024	20,404	22,859,273	1,120	55,146	0.37	414
2025	22,772	27,830,271	1,222	55,176	0.41	501

<sup>1</sup>Purchase price does not include any charges for service.

Source: Moulton Niguel Water District Billing Department

**Moulton Niguel Water District  
Statistical Section  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Levy Year	Total Tax Levy	Collected within the Levy Year			Delinquency Rate	Total Collections to Date	
		Amount <sup>1</sup>	Percentage of Levy	Collections from Prior Years <sup>2</sup>		Amount	Percentage of Levy
2016	\$ 25,996,107	\$ 24,906,067	95.81%	\$ 391,998	4.19	\$ 25,298,065	97.31%
2017	27,121,477	26,078,739	96.16	355,371	3.84	26,434,110	97.47
2018	28,757,033	27,513,830	95.68	412,403	4.32	27,926,233	97.11
2019	29,303,633	28,633,242	97.71	477,414	2.29	29,110,656	99.34
2020	30,793,007	29,439,004	95.60	468,149	4.40	29,907,153	97.12
2021	31,343,103	30,771,290	98.18	518,482	1.82	31,289,772	99.83
2022	32,215,936	31,590,618	98.06	501,639	1.94	32,092,257	99.62
2023	34,640,107	33,775,140	97.50	594,658	2.50	34,369,798	99.22
2024	35,900,472	34,850,920	97.08	675,238	2.92	35,526,158	98.96
2025	37,394,250	36,336,139	97.17	693,838	2.83	37,029,977	99.03

<sup>1</sup> Property tax revenue is the District's second major revenue source.

<sup>2</sup> Collections from prior years does not include penalty revenue.

Source: Moulton Niguel Water District Finance Department and Orange County Auditor-Controller's Office

**Moulton Niguel Water District  
Statistical Section  
Assessed Valuations and Largest Principal Local Secured Taxpayers  
Current Fiscal Year and Nine Years Ago**

<u>Land Use</u>	<b>Assessed Land Values by Use<sup>1</sup></b>	
	<u>FY 2025</u>	<u>FY 2016</u>
	<u>Secured Assessed Value</u>	
Residential	\$ 26,856,482,643	\$ 16,223,170,917
Commercial	2,604,220,549	1,628,380,344
Industrial	532,129,078	381,274,206
Vacant/Other	20,137,330	17,945,916
Total	\$ 30,012,969,600	\$ 18,250,771,383

**Principal Local Secured Taxpayers  
For Fiscal Year 2025**

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	St. Moritz Property Owner LLC	Apartments	\$ 272,217,186	0.91%
2	Barcelona LLC	Apartments	118,903,177	0.40
3	Vilara Evergreen SPE LLC	Apartments	95,716,800	0.32
4	Idyllwillow LP	Apartments	88,585,338	0.30
5	BRE-FMCA LLC	Apartments	86,771,918	0.29
6	TGA 26600-26700 Aliso Viejo Parkway LLC	Commercial	79,590,600	0.27
7	IMT Capital VI Laguna Niguel LLC	Apartments	58,711,500	0.20
8	Monarch Coast I Owner LLC	Apartments	47,641,979	0.16
9	Taghkanic Real Estate Holdings I LLC	Apartments	47,000,000	0.16
10	Sullivan Mission Medical LLC	Commercial	45,457,547	0.15
			\$ 940,596,045	3.13%

**Fiscal Year 2025 Total Principal Local Secured Net Taxable Value: \$ 30,012,969,600**

**Principal Local Secured Taxpayers  
For Fiscal Year 2016**

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	BRE-FMCA LLC	Apartments	\$ 73,642,556	0.40%
2	Moritz Associates LLC	Apartments	45,501,015	0.25
3	Innovation Institute LLC	Commercial	41,100,000	0.23
4	Barcelona LLC	Apartments	39,317,650	0.22
5	Sequoia Equities-Alicante	Apartments	36,073,834	0.20
6	Vista Real Apartments MV LLC	Apartments	35,410,488	0.19
7	Vista Bella Apartments AV	Apartments	34,801,337	0.19
8	Sequoia Equities-Alize	Apartments	33,653,193	0.18
9	Shops at Mission Viejo	Commercial	33,155,899	0.18
10	Target Corporation	Commercial	30,526,728	0.17
			\$ 403,182,700	2.21%

**Fiscal Year 2016 Total Principal Local Secured Net Taxable Value: \$ 18,250,771,383**

<sup>1</sup> Values are for land only and do not include any improvements.

Source: HDL and California Municipal Statistics, Inc.

**Moulton Niguel Water District  
Statistical Section  
Outstanding Debt by Type and Debt per Customer  
Last Ten Fiscal Years**

Fiscal Year	Bonds Payable	Certificates of Participation <sup>1</sup>	Loans Payable	Promissory Note Payable	Lease liabilities <sup>2</sup>	Subscription liabilities <sup>2</sup>	Total				
							Total Debt	Total Customer Accounts	Debt per Customer Accounts	Est. District Population <sup>3</sup>	Debt per Capita
2016	\$ 24,890,785	\$ 63,928,642	\$10,688,013	\$ —	\$ —	\$ —	\$ 99,507,440	54,849	\$ 1,814	170,610	\$ 583
2017	18,327,964	61,946,234	8,693,016	—	—	—	88,967,214	55,030	1,617	171,178	520
2018	16,632,769	60,000,000	6,660,906	—	—	—	83,293,675	55,067	1,513	171,661	485
2019	71,646,102	—	5,088,318	—	—	—	76,734,420	55,108	1,392	171,746	447
2020	67,527,000	68,554,646	—	—	—	—	136,081,646	55,135	2,468	170,236	799
2021	64,777,898	67,508,419	—	—	1,305,724	—	133,592,041	55,142	2,423	170,616	783
2022	61,933,796	127,007,843	—	—	16,937	—	188,958,576	55,139	3,427	170,996	1,105
2023	58,984,194	124,717,705	—	—	7,563	477,718	184,187,180	55,144	3,340	171,376	1,075
2024	56,125,079	122,022,566	—	—	2,534	361,640	178,511,819	55,146	3,237	171,580	1,040
2025	53,576,959	199,656,213	—	14,012,833	129,208	559,834	267,935,047	55,176	4,856	170,801	1,569

<sup>1</sup> The 2009 Certificates of Participation were fully refunded by the 2019 Revenue Refunding Bonds.

<sup>2</sup> The District implemented GASB 87, Leases, and GASB 96, Subscription Based Information Technology Arrangements, in fiscal year 2021 and 2023, respectively. Lease liabilities and subscription liabilities were not recorded in the financial statements prior to implementation of those standards.

<sup>3</sup> Estimated District Population is based on the most recent available data.

Source: Moulton Niguel Water District Finance Department and California Municipal Statistics, Inc.

**Moulton Niguel Water District  
Statistical Section  
Outstanding Debt by Type and Debt per Customer  
Last Ten Fiscal Years**

**2024-25 Assessed Valuations:** \$30,041,089,385 (Land only)

**Direct & Overlapping Tax and Assessment Debt:**  
(Based on all property assessed valuation of \$48,162,530,425)

	Total Debt 06/30/2025	% Applicable <sup>1</sup>	District's Share of Debt 06/30/2025
Metropolitan Water District	\$ 17,155,000	1.183%	\$ 202,944
Capistrano Unified School District School Facilities Improvement District No. 1	3,327,455	28.571	950,687
Laguna Beach Unified School District	7,690,000	1.630	125,347
Saddleback Valley Unified School District	64,475,000	20.110	12,965,923
City of San Juan Capistrano	21,540,000	0.010	2,154
City of Aliso Viejo Community Facilities District No. 2005-01	22,035,000	100.000	22,035,000
<i>Total Direct &amp; Overlapping Tax and Assessment Debt</i>			<u>\$ 36,282,055</u>

**Direct & Overlapping General Fund Debt:**

Orange County General Fund Obligations	\$ 429,065,000	6.041%	\$ 25,490,752
Orange County Board of Education Certificates of Participation	9,120,000	6.041	541,819
Capistrano Unified School District Certificates of Participation	17,290,000	30.438	5,183,888
City of Aliso Viejo Certificates of Participation	11,035,000	98.014	10,810,438
City of Laguna Hills Certificates of Participation	34,921,592	70.258	12,084,268
City of Mission Viejo Certificates of Participation		34.957	
City of San Juan Capistrano Certificates of Participation and Judgment Obligations	208,873	0.011	21
<b>Moulton-Niguel Water District General Fund Obligations</b>	<b>46,550,000</b>	<b>100.000</b>	<b>46,550,000</b>
<i>Total Direct &amp; Overlapping General Fund Debt</i>			<u>\$ 100,661,186</u>

<b>TOTAL DIRECT DEBT</b>	<b>\$ 46,550,000</b>
TOTAL OVERLAPPING DEBT	\$ 90,393,241
Combined Total Debt <sup>2</sup>	\$ 136,943,241

**Ratios to Land Only Assessed Valuation:**

Total Direct and Overlapping Tax and Assessment Debt 0.46%

**Ratios to All Property Assessed Valuation:**

Total Direct Debt (\$46,550,000) 0.10%  
Combined Total Debt 0.30%

<sup>1</sup> The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the water district divided by the overlapping district's total taxable assessed value.

<sup>2</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, lease and subscription obligations.

Source: California Municipal Statistics, Inc.

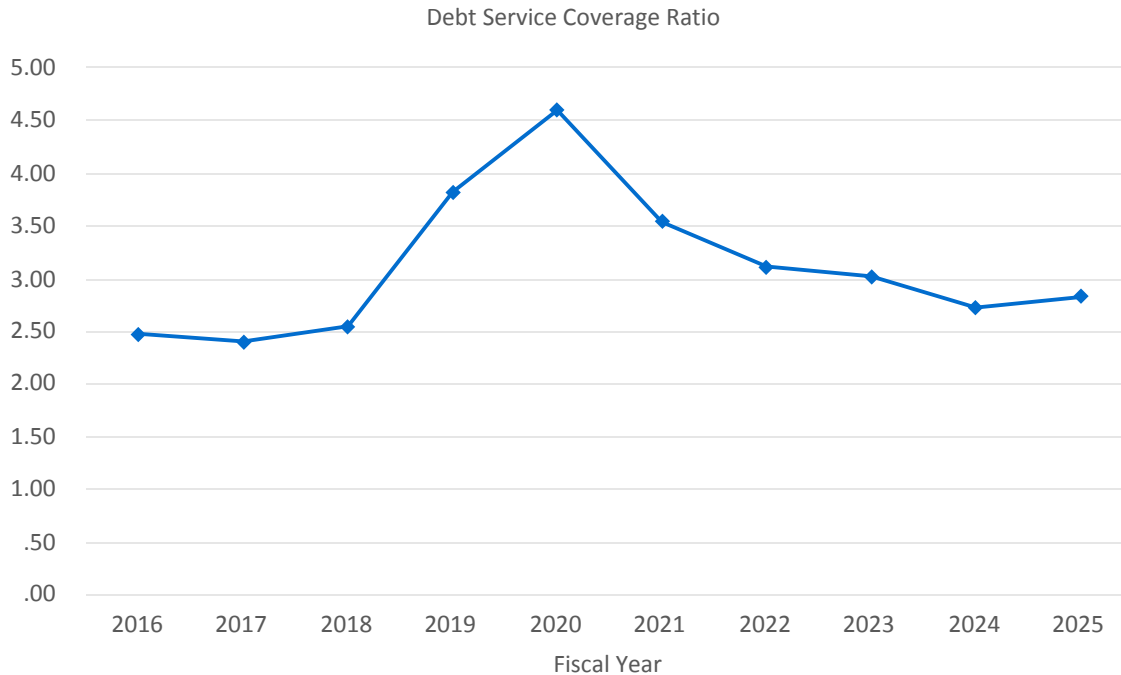
**Moulton Niguel Water District  
Statistical Section  
Debt Service Coverage Ratio  
Last Ten Fiscal Years**

Fiscal Year	Total Revenues <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Available Revenues	Annual Debt Service <sup>3</sup>			Coverage Ratio
				Principal	Interest	Total	
2016	\$ 88,604,859	\$ 66,713,997	\$ 21,890,862	\$ 3,766,711	\$ 5,093,380	\$ 8,860,091	2.47
2017	88,339,002	67,050,425	21,288,577	3,849,998	5,027,110	8,877,108	2.40
2018	94,089,864	71,533,672	22,556,192	3,957,110	4,914,398	8,871,508	2.54
2019	105,512,586	74,314,925	31,197,661	3,377,588	4,792,953	8,170,541	3.82
2020	106,624,872	75,474,164	31,150,708	3,178,260	3,599,396	6,777,656	4.60
2021	107,615,014	79,821,181	27,793,833	2,900,000	4,967,831	7,867,831	3.53
2022	109,481,907	84,248,343	25,233,567	3,300,000	4,812,831	8,112,831	3.11
2023	114,097,853	81,144,706	32,953,147	4,195,000	6,727,835	10,922,835	3.02
2024	119,181,578	89,438,717	29,472,861	4,710,000	6,142,731	10,852,731	2.72
2025	131,233,110	101,611,358	29,621,752	4,580,000	5,910,481	10,490,481	2.82

<sup>1</sup> Total Revenues include all operating revenues, interest income and other non-operating revenues, but excludes general obligation bond assessment revenues used to repay the general obligation bond debt.

<sup>2</sup> Operating expenses exclude depreciation and amortization expense.

<sup>3</sup> Principal and interest amounts do not include debt obligations related to general obligation bonds.



Source: Moulton Niguel Water District Finance Department

**Moulton Niguel Water District  
Statistical Section  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

<b>Moulton Niguel Water District <sup>1</sup></b>	
<b>Fiscal Year</b>	<b>Estimated District Population</b>
2015	170,326
2016	170,610
2017	171,178
2018	171,661
2019	171,746
2020	170,236
2021	170,616
2022	170,996
2023	171,376
2024	171,580

<b>City of Laguna Niguel <sup>2</sup></b>				
<b>Fiscal Year</b>	<b>Population</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
2015	64,449	\$ 3,215,232	\$ 49,888	5.0%
2016	66,142	3,327,443	51,713	4.1%
2017	66,689	3,337,813	50,050	3.7%
2018	65,377	3,380,822	51,713	3.3%
2019	66,748	3,496,077	52,377	2.8%
2020	65,316	3,654,152	55,946	2.7%
2021	65,168	3,920,887	60,165	7.7%
2022	64,316	4,058,420	63,101	5.5%
2023	64,702	4,358,404	67,361	3.1%
2024	64,291	4,793,710	74,562	3.5%

<b>City of Aliso Viejo <sup>3</sup></b>				
<b>Fiscal Year</b>	<b>Population</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
2014	49,939	\$ 2,181,535	\$ 43,684	4.3%
2015	50,509	2,223,991	44,492	3.5%
2016	50,312	2,274,460	45,207	3.1%
2017	51,950	2,311,366	44,492	3.0%
2018	51,372	2,385,153	46,429	2.6%
2019	50,044	2,447,088	48,899	2.5%
2020	49,813	2,559,352	51,379	7.5%
2021	50,782	2,566,572	50,541	5.1%
2022	50,766	2,785,309	54,865	3.0%
2023	50,068	3,106,090	62,037	3.3%

<sup>1</sup> The District is presenting population data from fiscal years 2015 through 2024 to be consistent with the available data from the Cities within its service area.

<sup>2</sup> Based on the most recent data available from the City of Laguna Niguel Finance Department. The District serves 100% of the City of Laguna Niguel which represents approximately 38% of the total District population.

<sup>3</sup> Based on the most recent data available from the City of Aliso Viejo Finance Department. The District serves 98% of the City of Aliso Viejo which represents approximately 29% of the District population.

<sup>4</sup> Based on the most recent data available from the City of Laguna Hills Finance Department. The portion of the City of Laguna Hills served by the District, represents approximately 13% of the total District population.

<sup>5</sup> Based on the most recent data available from the City of Mission Viejo Finance Department. The portion of the City of Mission Viejo served by the District, represents approximately 19% of the total District population.

<sup>6</sup> Based on most recent data available from the City of Dana Point Finance Department. The District serves approximately 5% of the City of Dana Point which represents approximately 1% of the total District population.

Note: The District boundaries encompass six cities: Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel, San Juan Capistrano and Mission Viejo. Aliso Viejo, Laguna Hills, Laguna Niguel and Mission Viejo represent approximately 99% of the District population. The City of San Juan Capistrano is not presented in the statistical section since the portion of the City served by the District is less than .01% of the District population.

**Moulton Niguel Water District  
Statistical Section  
Demographic and Economic Statistics (Continued)  
Last Ten Fiscal Years**

<b>Moulton Niguel Water District <sup>1</sup></b>	
<b>Fiscal Year</b>	<b>Estimated District Population</b>
2015	170,326
2016	170,610
2017	171,178
2018	171,661
2019	171,746
2020	170,236
2021	170,616
2022	170,996
2023	171,376
2024	171,580

<b>City of Laguna Hills <sup>4</sup></b>					
<b>Fiscal Year</b>	<b>Population</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>	
2014	30,857	\$ 1,336,181	\$ 43,315	5.0%	
2015	30,681	1,373,184	44,757	4.1%	
2016	31,544	1,479,761	46,911	3.7%	
2017	31,818	1,587,577	49,896	2.6%	
2018	31,572	1,661,606	52,629	2.2%	
2019	31,508	1,724,666	54,737	12.2%	
2020	31,073	1,661,606	59,083	7.4%	
2021	30,750	2,086,807	67,864	2.2%	
2022	30,525	2,416,252	79,157	2.9%	
2024	30,315	2,681,544	88,456	3.0%	

<b>City of Mission Viejo <sup>5</sup></b>					
<b>Fiscal Year</b>	<b>Population</b>	<b>Total Personal Income (in thousands)<sup>5</sup></b>	<b>Per Capita Income<sup>5</sup></b>	<b>Unemployment Rate</b>	
2015	96,652	\$ 181,300,000	\$ 57,133	4.2%	
2016	96,701	189,800,000	59,303	4.1%	
2017	95,985	208,700,000	65,011	3.4%	
2018	95,987	220,700,000	69,268	3.1%	
2019	96,434	227,700,000	71,712	3.0%	
2020	94,267	242,300,000	76,343	8.6%	
2021	94,119	257,100,000	81,189	5.5%	
2022	92,515	271,700,000	85,589	3.0%	
2023	91,846	284,800,000	89,473	3.8%	
2024	91,304	284,800,000	89,473	4.0%	

<b>City of Dana Point <sup>6</sup></b>					
<b>Fiscal Year</b>	<b>Population</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>	
2015	33,710	\$ 1,649,000	\$ 48,917	5.2%	
2016	33,415	1,742,949	52,161	4.2%	
2017	34,902	1,811,000	58,218	3.8%	
2018	34,619	1,841,000	61,088	3.2%	
2019	34,359	1,927,000	59,496	2.7%	
2020	34,139	2,078,000	62,138	2.6%	
2021	33,745	2,175,000	65,140	7.8%	
2022	33,765	2,195,000	74,713	5.3%	
2023	33,882	2,249,000	73,048	2.9%	
2024	33,446	2,473,000	77,070	3.3%	

**Moulton Niguel Water District  
Statistical Section  
Principal Employers  
Current Fiscal Year and Nine Years Ago**

Fiscal Year 2024<sup>1,2</sup>

Rank	Employer	Operating City	Number of Employees	Percent of Each City's Employment
1	Providence Mission Hospital	City of Mission Viejo	2,764	5.66%
2	MemorialCare Saddleback Medical Center	City of Laguna Hills	1,925	11.46
3	Saddleback College	City of Mission Viejo	1,770	3.63
4	MicroVention	City of Aliso Viejo	1,700	6.03
5	United Parcel Service	City of Aliso Viejo	1,200	4.26
6	Waldorf Astoria Monarch Beach	City of Dana Point	1,200	7.02
7	Saddleback Valley Unified School District	City of Mission Viejo	917	1.88
8	Glaukos Corporation	City of Aliso Viejo	907	3.22
9	Ambry Genetics Corporation	City of Aliso Viejo	706	2.50
10	Costco Wholesale Corporation	City of Laguna Niguel	619	1.82

Fiscal Year 2016<sup>1</sup>

Rank	Employer	Operating City	Number of Employees	Percent of Each City's Employment
1	Saddleback College	City of Mission Viejo	3,033	6.00%
2	Mission Hospital Regional Medical Center	City of Mission Viejo	2,200	4.00
3	MemorialCare Saddleback Medical Center	City of Laguna Hills	1,707	10.04
4	Saddleback Valley Unified School District	City of Mission Viejo	1,200	2.00
5	United Parcel Service	City of Aliso Viejo	1,000	4.08
6	Ritz-Carlton Laguna Niguel	City of Dana Point	970	5.00
7	Pacific Life Insurance	City of Aliso Viejo	811	3.31
8	Monarch Beach Resort	City of Dana Point	800	5.00
9	Capistrano Unified School District	City of Mission Viejo	691	1.00
10	Capistrano Unified School District	City of Aliso Viejo	679	2.77

<sup>1</sup> Principal Employers represents blended data from the five cities the District serves: Aliso Viejo, Laguna Hills, Laguna Niguel, Mission Viejo, and Dana Point. The District also serves a portion of the City of San Juan Capistrano but employer data for that City is excluded as it represents less than .01% of District population.

<sup>2</sup> The District used data from the Fiscal Year 2023-24, the most recent available data.

**Moulton Niguel Water District  
Statistical Section  
Number of Employees  
Last Ten Fiscal Years<sup>1</sup>**

<b>Function</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Office of the General Manager	7	6	6	8	7	8	9	10	9	8
Human Resources	2	2	2	2	3	3	2	3	3	3
Customer Service - Admin	1	1	1	1	1	1	1	3	3	3
Customer Service - Field	16	16	16	16	16	18	18	18	19	19
Customer Accounts	12	13	13	14	14	15	16	14	14	14
Engineering - Admin	8	10	10	4	4	4	3	3	4	3
Engineering	—	—	—	12	12	12	12	15	15	15
Inspection	12	13	13	13	13	14	14	13	12	12
Procurement & Warehouse	3	3	4	2	2	2	3	2	4	3
Information Technology	4	6	6	7	7	8	8	8	8	9
Financial Planning & Innovation	3	3	3	4	4	4	5	3	3	3
Accounting	6	6	6	6	6	6	6	6	6	8
Operations - Admin	8	6	6	2	2	3	6	5	6	5
Operations - Facilities	19	16	16	19	20	21	22	22	21	22
Operations - Utilities	22	28	28	28	31	28	26	28	27	27
Water Resources & Water Efficiency	6	9	9	8	10	10	11	11	9	10
Wastewater Treatment Plant Operations	—	—	—	6	6	6	5	7	6	19
<b>Total</b>	<b>129</b>	<b>138</b>	<b>139</b>	<b>146</b>	<b>152</b>	<b>157</b>	<b>162</b>	<b>171</b>	<b>169</b>	<b>183</b>

<sup>1</sup>Based on full-time positions at June 30th of each applicable year, excluding vacancies.

Source: Moulton Niguel Water District Payroll Department

**Moulton Niguel Water District  
Statistical Section  
Historical Billings, Collections and Delinquencies  
Last Ten Fiscal Years**

Fiscal Year	Balance Beginning FY	Billings	Payments	Balance Ending FY	Write Off	% of Billing
2016	\$ 4,486,337	\$ 53,993,901	\$ 53,935,343	\$ 4,424,073	\$ 120,822	0.22%
2017	4,424,073	57,576,647	57,337,280	4,604,674	58,766	0.10
2018	4,604,674	60,771,136	60,539,107	4,765,549	71,154	0.12
2019	4,765,549	63,553,192	63,304,808	4,941,903	72,030	0.11
2020	4,941,903	64,964,975	64,772,881	5,061,133	72,864	0.11
2021	5,061,133	71,810,915	71,805,733	4,971,336	94,979	0.13
2022	4,971,336	73,230,924	72,134,904	5,981,506	85,850	0.12
2023	5,981,506	69,850,378	69,724,302	6,063,685	43,897	0.06
2024	6,063,685	70,946,174	71,629,278	5,368,966	11,615	0.02
2025	5,368,966	79,852,067	80,075,425	5,069,243	76,365	0.10

Source: Moulton Niguel Water District Finance Department

**Moulton Niguel Water District  
Statistical Section  
Operating Indicators  
Last Ten Fiscal Years**

FISCAL YEAR	SERVICE CONNECTIONS	NET INCREASE PIPELINE (MILES)	MONTH OF PEAK CONSUMPTION	PEAK MONTHLY CONSUMPTION (M.G.D.)	AVERAGE DAILY CONSUMPTION ( M.G.D.) <sup>1</sup>	AVG. DAILY SEWAGE (M.G.D.)	AVG. DAILY POTABLE IMPORT (M.G.D.)	TAKEOUTS
2016	54,849	~1,300	June	31.66	24.75	11.2	20.72	13
2017	55,030	~1,300	September	37.32	24.28	10.9	22.47	9
2018	55,067	~1,300	September	35.44	26.28	10.8	22.94	9
2019	55,108	~1,300	August	38.34	23.69	10.6	21.30	9
2020	55,135	~1,300	August	35.85	22.67	10.7	20.80	11
2021	55,142	~1,300	July	34.21	26.01	10.6	24.70	11
2022	55,139	~1,300	July	37.61	26.50	10.3	21.40	11
2023	55,144	~1,300	September	37.55	21.71	10.8	18.80	12
2024	55,146	~1,300	September	29.40	20.40	10.5	19.90	12
2025	55,176	~1,300	August	35.69	24.39	10.2	20.87	12

FISCAL YEAR	PUMP STATIONS <sup>2</sup>			RESERVOIRS <sup>2</sup>		NO. OF FIRE HYDRANTS	TREATMENT PLANTS <sup>2</sup>	MILES OF WATER	MILES OF WASTEWATER	MILES OF RECYCLED
	RECYCLED	POTABLE	LIFT	RECYCLED	POTABLE					
2016	10	25	18	11	28	7,149	4	668	505	141
2017	9	23	17	11	28	7,154	4	655	501	142
2018	9	23	17	11	28	7,163	4	656	501	142
2019	9	23	17	11	28	7,148	4	656	501	142
2020	9	25	17	11	28	7,159	4	656	501	142
2021	9	25	17	11	28	7,166	4	656	500	141
2022	10	25	17	11	28	7,170	4	656	500	141
2023	10	25	17	11	28	7,161	4	655	500	140
2024	10	25	17	11	28	7,171	4	655	500	140
2025	10	25	17	11	28	7,132	3	654	500	140

Note: MGD = Millions of Gallons per Day.

<sup>1</sup>Consumption includes Recycled Water.

<sup>2</sup>The District wholly owns or has capacity rights in its pump stations, reservoirs, and treatment plants. The District released it's capacity rights in the Coastal Treatment Plant in December 2024 with the acquisition of the Regional Treatment Plant.

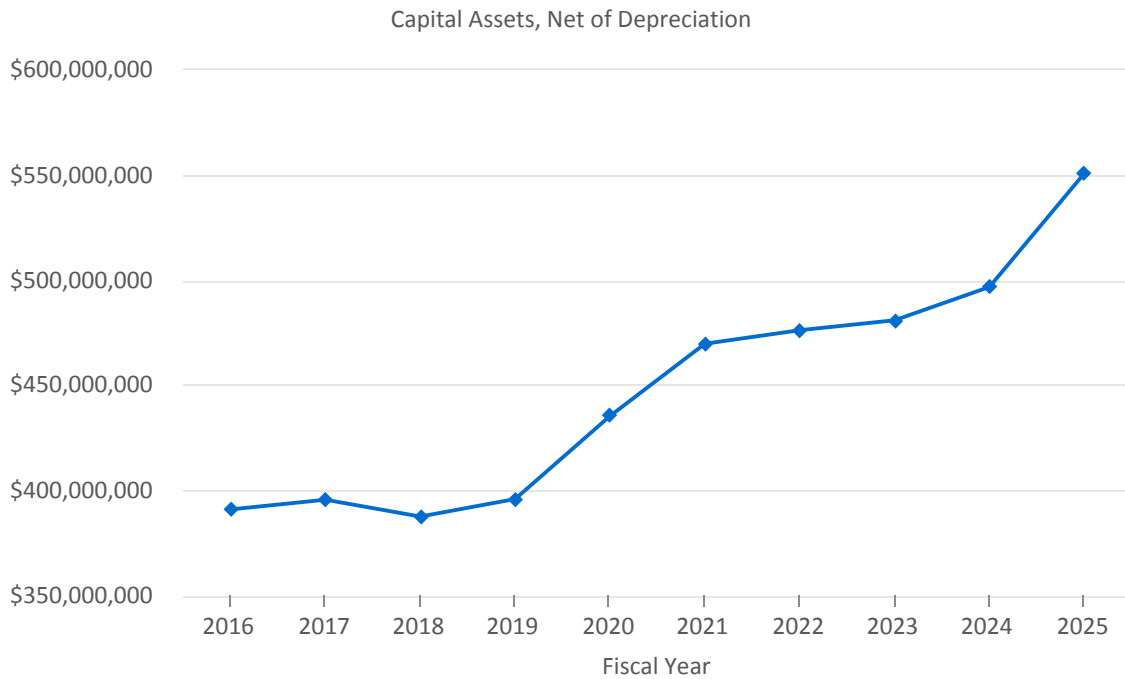
Source: Moulton Niguel Water District Operations and Billing Departments

**Moulton Niguel Water District  
Statistical Section  
Capital Assets  
Last Ten Fiscal Years**

Fiscal Year	Water Systems	Capacity Rights	Buildings	Automobiles & Equipment	Software & IT Infrastructure <sup>1</sup>	Intangible Right to Use Asset <sup>2</sup>	Land	Construction in Progress	Capital Assets, Net of Depreciation
2016	\$ 271,113,215	\$ 63,993,270	\$ 2,408,058	\$ 7,232,783	\$ —	\$ —	\$ 1,091,910	\$ 45,135,106	\$ 390,974,342
2017	267,966,653	67,862,518	2,126,682	11,685,232	—	—	1,091,910	44,848,592	395,581,587
2018	261,018,260	106,002,867	1,845,743	10,174,076	—	—	1,091,910	7,454,600	387,587,456
2019	260,190,540	110,611,241	1,565,874	8,952,263	—	—	1,091,910	13,508,163	395,919,991
2020	260,332,469	115,164,617	1,469,712	7,156,152	—	1,880,958	1,091,910	48,266,047	435,361,865
2021	273,182,770	116,709,901	52,167,328	5,505,294	—	769,052	1,091,910	20,280,160	469,706,415
2022	282,883,688	117,445,433	51,056,521	3,913,092	—	16,719	1,070,126	19,752,374	476,137,953
2023	268,304,353	113,757,312	46,798,612	16,992,355	3,183,263	494,843	1,070,126	30,254,121	480,854,985
2024	283,088,160	113,910,427	45,456,598	16,369,283	2,416,516	389,819	1,070,126	33,983,521	496,684,450
2025	348,916,542	76,666,150	44,137,715	17,506,855	2,176,185	865,534	1,070,126	59,277,426	550,616,533

<sup>1</sup> In fiscal year 2023, the District reclassified assets to software and IT infrastructure from automobiles and equipment. Prior years were not restated.

<sup>2</sup> The District implemented GASB 87 during fiscal year 2020 and recognized an intangible right to use lease assets and in fiscal year 2023, implemented GASB 96 recognizing an intangible right to use subscription assets.



## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following are brief summaries of the provisions of the principal legal documents. These summaries are not intended to be definitive. Reference is made to the actual documents (copies of which are available from the District) for the complete terms thereof.

#### CERTAIN DEFINITIONS

**“Additional Obligations”** means all bonds, certificates of participation, notes or other obligations issued or entered into by District after the issuance of the Certificates, payable out of the Net Revenues and which, as provided in the Agreement, the Trust Indenture, a Parity Obligation Instrument, or any subsequent indenture or similar instrument or document of District, rank on a parity with the Parity Obligations.

**“Agreement”** or **“Installment Sale Agreement”** means the Installment Sale Agreement and any and all amendments, supplements and replacements thereto.

**“Annual Debt Service”** means Debt Service due in any Certificate Year.

**“Annual Parity Debt Service”** means Parity Debt Service due in the applicable Certificate Year.

**“Assignment Agreement”** means the assignment agreement between Corporation and the Trustee, dated as of July 1, 2026, pursuant to which substantially all the rights of Corporation under the Agreement are assigned to the Trustee, together with any and all amendments, supplements and replacements.

**“Average Annual Debt Service”** means the amount calculated by totaling all Installment Payments remaining unpaid at the time of calculation, and dividing that total by the number of Certificate Years remaining to final maturity of the Certificates.

**“Business Day”** means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the state in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

**“Charges”** means all rates, fees (including capital facility connection and capacity fees, to the extent permitted by and in accordance with law), charges, standby charges (other than those standby charges levied pursuant to California Water Code Sections 36425 and 35506 and pledged to debt service on District’s outstanding general obligation bonds and any additional general obligation bonds to be issued in the future), assessments and other moneys derived by District from the sale, furnishing and supplying of water, recycled water and wastewater or other services furnished or supplied through the facilities of, or in the conduct or operation of, the water, recycled water and wastewater systems of the District

“**Debt Service**” means, for any period, the sum obtained by totaling the following amounts due in such period:

- (a) Installment Payments; and
- (b) Parity Debt Service.

“**Delivery Costs**” means all items of expense directly or indirectly payable by or reimbursable to District or Corporation relating to the financing of the Project, including but not limited to settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, including Trustee’s first annual administration fee, legal fees and charges, financial and other professional consultant fees, and the fees of rating agencies for assigning a rating to the Certificates.

“**Governmental Loan Instruments**” means any resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement, loan agreement or other instrument under which any future Governmental Loans are issued or incurred.

“**Governmental Loan Payments**” means, for any period, the sum of all of the payments due under Governmental Loans in such period.

“**Governmental Loans**” means all loans hereafter issued or entered into by the District in accordance with the Agreement, payable out of the Governmental Loans Pledged Revenues, that, as provided in this Agreement, a Governmental Loan Instrument, or any subsequent loan agreement, indenture or similar instrument or document of District, rank on a parity with the Parity Obligations with respect to Net Revenues consisting of Governmental Loan Pledged Revenues.

“**Governmental Loans Pledged Revenues**” means: (i) those Revenues described in clause (D) of the definition of Non-Operating Revenues; and (ii) those Revenues consisting of revenues received by the District from sales of recycled water, rebate payments received by the District from Metropolitan Water District pursuant to Metropolitan Water District Local Projects Program and revenues received by the District from wastewater service charges.

“**Independent Consultant**” means a consultant or firm of such consultants appointed by the District and who, or each of whom is judged by the District to have experience in matters relating to the collection of Revenues or other experience with respect to the financing of the Project, as appropriate and who, or each of whom:

- (1) is independent of the District;
- (2) does not have any substantial interest, direct or indirect in the District; and
- (3) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other reports to the District.

“**Installment Payment Date**” means the date on which any Installment Payment is due and payable under the Agreement (March 1 and September 1), commencing September 1, 2026.

**“Installment Payments”** means the installment payments payable by District pursuant to the provisions of the Agreement in consideration of the installment purchase of the Project. Installment Payments shall be payable by District to the Corporation in the amounts and at the times during the Installment Sale Term as set forth in the Agreement.

**“Installment Period”** means each six-month period ending on the last day of February or August.

**“Installment Sale Term”** means that term commencing on the Delivery Date and ending on September 1, 2056, or on such later date any Certificates remain Outstanding, or on such earlier date the Agreement is terminated in accordance with the Agreement.

**“Maintenance and Operation Expenses”** means the reasonable and necessary costs spent or incurred by District for maintaining and operating water, recycled water and wastewater systems, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such systems in good repair and working order, and including but not limited to administrative costs of District, salaries and wages of employees, payments to any employee retirement plan, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers, and necessary costs of or charges required to be paid by it to comply with the terms of the Certificates or of the Agreement, including any amounts required to be to the United States of America pursuant to the Trust Indenture; but excluding in all cases (i) depreciation, replacements and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the District water, recycled water and wastewater systems, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, and (iv) charges or assessments for the payment of principal, premium, if any, and interest on any general obligation bonds issued at any time for the water, recycled water and/or wastewater system purposes.

**“Maximum Annual Debt Service”** means as of the date of calculation, the maximum amount of Installment Payments, Governmental Loan Payments, and Parity Debt Service due in any Certificate Year prior to the final maturity of the Certificates, and for purposes of: (i) future obligations of District issued on a parity with the Certificates, includes the maximum amount of Debt Service due on any Additional Obligations subsequent to the issuance of such Additional Obligations; and (ii) future obligations of District issued on a parity with Governmental Loans, includes the maximum amount of Governmental Loan Payments due on any Governmental Loans subsequent to the issuance of such Governmental Loans.

**“Maximum Annual Installment Payments”** means as of the date of calculation, the maximum amount of Installment Payments due in any Certificate Year prior to the final maturity of the Certificates.

**“Net Proceeds”** means the amount remaining from the gross proceeds of any insurance claim or condemnation award made in connection with the Project, after deducting all expenses (including attorneys’ fees) incurred in the collection of such claim or award.

“**Net Revenues**” means Revenues less Maintenance and Operation Expenses.

“**Non-Operating Revenues**” means (A) rents, insurance and condemnation proceeds; (B) amounts appropriated from the Rate Stabilization Fund; (C) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of any part of, or rights, in the District’s water, recycled water and wastewater systems; (D) the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) apportioned, allocated and paid by the Orange County Tax Collector to District pursuant to Section 75.70 and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State of California, as amended from time to time); and (E) other moneys (other than Operating Revenues) received by the District in connection with the water, recycled water and wastewater systems.

“**Operating Revenues**” means revenues received by the District from the levy and collection of Charges.

“**Outstanding Certificates**” or “Outstanding” means all Certificates which have been executed and delivered by the Trustee under the Trust Indenture, except the following:

- (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the terms of the Trust Indenture; and
- (3) Certificates paid and discharged pursuant to the Trust Indenture.

“**Parity Debt Service**” means, for any Fiscal Year, the sum of:

- (1) the interest due and payable during such Fiscal Year for all outstanding Parity Obligations, assuming that principal (including any mandatory sinking fund payments) thereof is made as scheduled;
- (2) that portion of the principal amount due on all outstanding Parity Obligations maturing during such Fiscal Year;
- (3) that portion of the principal amount of all such outstanding Parity Obligations required to be redeemed or paid (together with the redemption or prepayment premiums, if any, thereof) during such Fiscal Year; and
- (4) any fees payable during such Fiscal Year under the Parity Obligation Instruments.

“**Parity Obligation Instruments**” means the Agreement, the 2019 Installment Sale Agreement, the 2019 Indenture, 2021 Installment Sale Agreement, 2025 Installment Sale Agreement, and any other resolution, agreement, capital lease, installment sale agreement,

indenture, trust agreement or other instrument under which any Additional Obligation is issued or incurred under the Agreement.

**“Parity Obligations”** means: (i) the Installment Payments; (ii) the 2019 Installment Payments; (iii) the 2019 Bonds; (iv) the 2021 Installment Payments; (v) the 2025 Installment Payments; and (vi) the Additional Obligations issued under the Agreement.

**“Parity Reserves”** means the reserve funds funded, or any credit instrument in lieu thereof as permitted by a Parity Obligation Instrument, for the Parity Obligations.

**“Permitted Investments”** means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

- (a) Federal securities;
- (b) obligations of any federal agency which either (a) represent full faith and credit of the United States of America, or (b) are rated “AA” or better by S&P;
- (c) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “A” or better by S&P, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, “A” or better by S&P, and which matures not more than 270 calendar days after the date of purchase;
- (e) investments in a money market fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by S&P, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;
- (f) investment agreements with financial institutions whose long-term general credit rating is A or better from S&P, by the terms of which the Trustee may withdraw funds if such rating falls below “A”; and
- (g) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

**“Project”** means the water and recycled water facilities and improvements described in Exhibit A and any substitutions or additions thereto made pursuant to the Agreement.

**“Rate Stabilization Fund”** means that certain fund established and maintained within District’s treasury in accordance with District Resolution No. 91-47, adopted July 18, 1991, as

amended by District Resolution No. 93-33, adopted October 21, 1993, as amended by District Resolution No. 06-03, adopted May 18, 2006.

**“Rate Stabilization Fund Minimum Balance”** means an amount equal to fifty percent (50%) of Maximum Annual Debt Service.

**“Revenues”** means (i) Operating Revenues, (ii) Non-Operating Revenues, and (iii) the earnings on, and income derived from, the investment of Operating Revenues and Non-Operating Revenues.

**“Surplus Revenues”** are those monies available after payment of Maintenance and Operation Expenses, Installment Payments, payments with respect to Parity Obligations, Trustee Amounts (and similar amounts payable to trustees under Parity Obligation Instruments) and any amounts required for replenishment of any Parity Reserves.

**“Tax Certificate”** means the Tax Certificate, signed by the District on the Delivery Date relating to the requirements of the Code.

**“Trust Indenture”** means the Trust Indenture, dated as of July 1, 2026, by and among District, Corporation and U.S. Bank Trust Company, National Association, as Trustee, and any and all amendments, supplements and replacements thereto.

**“Trustee Amounts”** means amounts to be paid by the District to the Trustee for services performed as Trustee under the Indenture.

**“2019 Bonds”** means the District’s 2019 Revenue Refunding Bonds issued in the original aggregate principal amount of \$48,605,000, issued pursuant to the 2019 Indenture.

**“2019 Indenture”** means the Indenture of Trust, dated as of March 1, 2019, by and between the District and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee, relating to the 2019 Revenue Refunding Bonds.

**“2019 Installment Payments”** means the installment payments that the District is obligated to make under the 2019 Installment Sale Agreement.

**“2019 Installment Sale Agreement”** means the Installment Sale Agreement dated as of November 1, 2019, between the District and the Corporation.

**“2021 Installment Payments”** means the installment payments that the District is obligated to make under the 2021 Installment Sale Agreement.

**“2021 Installment Sale Agreement”** means the Installment Sale Agreement dated as of December 1, 2021, between the District and the Corporation.

**“2025 Installment Payments”** means the installment payments that the District is obligated to make under the 2025 Installment Sale Agreement.

“**2025 Installment Sale Agreement**” means the Installment Sale Agreement dated as of March 1, 2025, between the District and the Corporation.

“**Unrestricted Fund Balances**” means those funds within the District treasury, or held on behalf of District, not set aside, pledged or otherwise restricted to a specific defined purpose and which, pursuant to general accounting principles, and in accordance with applicable law, may be used by District to pay Maintenance and Operation Expenses and to satisfy its obligations arising under the Agreement and any Parity Obligation Instrument.

## **INSTALLMENT SALE AGREEMENT**

The District and the Corporation entered into the Agreement, dated as of July 1, 2026, to provide for the acquisition and financing of the Project through payment of the Installment Payments.

The term of the Agreement commences on the Delivery Date and ends on September 1, 2056, or on such earlier or later date as Certificates remain Outstanding, unless the Agreement is terminated earlier in accordance with its provisions.

### **Acquisition of the Project**

On the Delivery Date, Corporation agrees to deposit moneys with the Trustee to be expended for financing the acquisition of the Project as provided in the Trust Indenture. The District agrees to acquire the Project subject to the requirements of Corporation, as agent for the Corporation.

Under the Agreement, the District purchases from the Corporation and the Corporation sells on an installment sale basis to the District the Project in accordance with the provisions of the Agreement. All right, title and interest sold to the District by the Corporation in the Project under the Agreement shall immediately vest in the District as of the date of the Agreement, without further action on the part of the Corporation or the District.

### **Installment Payments**

The District agrees to pay to the Corporation, its successors and assigns, from Net Revenues, the Installment Payments consisting of principal and interest the times and in the amounts specified in the Agreement, in arrears for the preceding Installment Period.

Notwithstanding anything to the contrary contained in the Agreement, the District covenants that it shall make the Installment Payments at such times and in such amounts as will insure timely payment of principal, premium, if any, and interest with respect to the Certificates when due.

Each Installment Payment shall consist of:

- (a) a principal component equal to the principal amount of all Certificates maturing or to be prepaid on the respective Installment Payment Date pursuant to the Trust Indenture; and

(b) an interest component equal to the amount calculated pursuant to the Trust Indenture for the applicable period;

Each Installment Payment shall be paid in lawful money of the United States of America to or upon the order of the Corporation or its assignee at the corporate trust office of the Trustee.

In order to provide for the payment of Installment Payments when due, the District shall, at least five Business Days prior to each Installment Payment Date, transfer to the Trustee for deposit into the Installment Payment Fund an amount equal to the amount of the Installment Payment coming due on the next succeeding Installment Payment Date less any funds remaining in the Installment Payment Fund after the immediately preceding Installment Payment.

Interest on any Installment Payment which is overdue, to the extent lawful, will be payable by the District at fixed rates equal to the interest rates with respect to the Certificates calculated on the basis of a year of 360 days comprised of twelve 30-day months.

### **Prepayment of Installment Payments**

The Installment Payments are not subject to prepayment pursuant to the option of the District in accordance with the terms of the Agreement (see “THE CERTIFICATES—Prepayment”).

## **CERTAIN DISTRICT COVENANTS**

### **Maintenance and Application of Rate Stabilization Fund**

(a) Maintenance of Rate Stabilization Fund. District covenants that it shall maintain the Rate Stabilization Fund separate and apart from other funds in its treasury for the Installment Sale Term or for so long as any Installment Payments remain unpaid. From time to time District may deposit amounts in the Rate Stabilization Fund, in such amounts as District may determine, from Unrestricted Fund Balances and/or Surplus Revenues.

(b) Permitted Uses of Rate Stabilization Fund Moneys. District may use amounts on deposit in the Rate Stabilization Fund to pay Maintenance and Operation Expenses. Moneys on deposit in the Rate Stabilization Fund shall not be used to pay Debt Service or amounts necessary to replenish any Parity Reserves.

(c) Maintenance of Rate Stabilization Fund at Minimum Balance. Except as provided in paragraph (d) below, District further covenants to maintain the Rate Stabilization Fund in an amount of not less than fifty percent (50%) of Maximum Annual Debt Service (the “Rate Stabilization Fund Minimum Balance” or “Minimum Balance”).

(d) Circumstances When Fund Balance May Fall Below the Minimum Balance. The District may allow the balance on hand in the Rate Stabilization Fund to fall below the Rate Stabilization Fund Minimum Balance if District collects Net Revenues in an amount equal to one hundred twenty-five percent (125%) of Annual Debt Service for each of two consecutive Fiscal Years.

(e) Restoration of Rate Stabilization Fund to Minimum Balance. If the District:

(i) has been permitted to allow funds in the Rate Stabilization Fund to fall below the Rate Stabilization Fund Minimum Balance, as provided in paragraph (d) above; and

(ii) District does not in any Fiscal Year thereafter collect Charges at least equal to 125% of Debt Service due in that year; then

(iii) the covenant set forth in paragraph (c) above to maintain the Rate Stabilization Fund Minimum Balance shall again become effective on the first day of the next succeeding Fiscal Year (the “Restoration Date”). District covenants that during the Fiscal Year beginning on any Restoration Date, it shall budget for and appropriate amounts sufficient to, and shall cause the balance in the Rate Stabilization Fund to be restored to an amount equal to the Rate Stabilization Fund Minimum Balance. If the Rate Stabilization Fund Minimum Balance is so restored during such Fiscal Year, District shall not be deemed to be in default with respect to the rate covenant set forth in the Agreement for such preceding Fiscal Year.

### **Pledge of Net Revenues; Participation in Prop 1A Securitization Program**

(a) Pledge of Net Revenues. District covenants and agrees that the payment of the Installment Payments and Parity Debt Service shall be secured by a first pledge, charge and lien upon the Net Revenues. Net Revenues sufficient to pay the Installment Payments and Parity Debt Service as they become due and payable are pledged, charged, assigned, transferred and set over by District for the purpose of securing payment of the Installment Payments and Parity Debt Service. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments and Parity Debt Service. As provided in the Agreement, Governmental Loans are secured by a pledge of Governmental Loans Pledged Revenues, which includes that portion of Net Revenues described in the definition of Governmental Loans Pledged Revenues, on a parity with the Installment Sale Agreement and Parity Debt with respect to that portion of Net Revenues described in the definition of Governmental Loans Pledged Revenues.

(b) Limited Obligation of District. The District shall have no obligation to use any funds other than the Net Revenues, directly or indirectly, to pay principal of or interest on the Installment Payments or Parity Debt Service; nor are any funds other than the Net Revenues so pledged as security for the payment of the Installment Payments or Parity Debt Service.

### **Rate Covenant**

(a) District covenants that in each Fiscal Year, to the maximum extent permitted by law, it shall annually fix and collect Charges for water, recycled water and wastewater services which, after allowance for contingencies and error in estimates, shall be at least sufficient to provide Net Revenues that shall equal at least the Rate Covenant Percentage of the sum of:

(i) Debt Service and Governmental Loan Payments due in the Fiscal Year during which such Net Revenues will be collected; and

(ii) any required deposits to any Parity Reserves.

(b) As used for purposes of the Agreement, the term “Rate Covenant Percentage” means:

(i) 100%, so long as the amounts on hand in the Rate Stabilization Fund are at least equal to the Rate Stabilization Fund Minimum Balance; and

(ii) 125%, if funds on hand in the Rate Stabilization Fund do not equal or exceed the Rate Stabilization Fund Minimum Balance.

### **No Obligation to Levy Taxes**

The obligation of District to pay Installment Payments and Parity Debt Service does not constitute an obligation of District for which District is obligated to levy any form of taxation.

### **Limitations on Additional Obligations**

(a) No Superior Obligations. In order to further protect the availability of Net Revenues and the security for the Installment Payments and Parity Obligations, District agrees that District shall not, so long as any Certificates or Parity Obligations are outstanding, issue or incur any obligations payable from the Net Revenues which are superior to the Installment Payments or Parity Obligations.

(b) Issuance of Parity Obligations. District further covenants that, except for obligations issued or incurred to prepay the Installment Payments pursuant to the Agreement, or to otherwise prepay or refund Parity Obligations that are presently outstanding, District shall not issue or incur any Additional Obligations unless:

(i) District is not in default under the terms of the Agreement or outstanding Parity Obligation Instruments; and

(ii) Either (A) the Net Revenues, as shown by the books and records of District for the latest Fiscal Year or for any 12 consecutive month period within the last complete 18-month period ended not more than one month before the issuance of or incurrence of such Additional Obligations, as set forth in a certificate of an Independent Consultant, or (B) the estimated Net Revenues for the first complete Fiscal Year when the improvements to the water, recycled water or wastewater system financed with the proceeds of the Additional Obligations shall be in operation, as estimated by and set forth in a certificate of an Independent Consultant, plus, at the option of District, any or all of the items set forth hereinafter in this covenant designated under subsection (c) below, shall have amounted to not less than 1.10 times Maximum Annual Debt Service in any Fiscal Year thereafter.

(c) Adjustments to Net Revenues. For purposes of the calculations required in (b)(ii) above, Net Revenues may be adjusted to include:

(i) the estimated annual amount expected to be received from any increase in District rates or charges, calculated on the basis of any percentage or dollar increase authorized by

the Board of Directors either during or subsequent to the reporting period, but in no event later than the date of the Parity Obligation Instrument authorizing the Additional Obligations for which the calculation is made; and

(ii) to the extent not included in (c)(i), an amount equal to 75% of the anticipated Net Revenues expected to be derived from each addition, betterment, extension or improvement to the water, recycled water or wastewater system which may be acquired or constructed from proceeds of the Additional Obligations for which the calculation is made. Such estimates are required to be based upon rates and charges which are in effect on or prior to the date of the Parity Obligation Instrument authorizing the Additional Obligations for which the calculation is made.

(d) Credit For Certain Funds. For purposes of the calculations required in (b)(ii) above, Maximum Annual Debt Service shall exclude: (A) amounts on deposit in the Installment Payment Fund under the Trust Indenture and debt service funds created under Parity Debt Instruments for Parity Obligations; and (B) amounts on deposit in any debt service funds created under Governmental Loan Instruments for Governmental Loans.

### **Limitations on Future Governmental Loans**

(a) Future Governmental Loans. District covenants that, except for obligations issued or incurred to prepay or refund Governmental Loans which are presently outstanding, District shall not issue or incur any Governmental Loans unless:

(i) District is not in default under the terms of the Agreement or outstanding Governmental Loan Instruments; and

(ii) Either (A) the Governmental Loans Pledged Revenues, as shown by the books and records of the District for the latest Fiscal Year or for any 12 consecutive month period within the last complete 18-month period ended not more than one month before the issuance of or incurrence of such Governmental Loan, as set forth in a certificate of an Independent Consultant, or (B) the estimated Governmental Loans Pledged Revenues for the first complete Fiscal Year when the improvements to the water, recycled water or wastewater system financed with the proceeds of the Governmental Loan shall be in operation, as estimated by and set forth in a certificate of an Independent Consultant, plus, at the option of District, any or all of the items set forth hereinafter in this covenant designated under subsection (b) below, shall have amounted to not less than 1.10 times Maximum Annual Debt Service in any Fiscal Year thereafter; and

(b) Adjustments to Governmental Loan Pledged Revenues. For purposes of the calculations required in (a)(ii) above, Governmental Loan Pledged Revenues may be adjusted to include:

(i) the estimated annual amount expected to be received from any increase in District rates or charges, calculated on the basis of any percentage or dollar increase authorized by the Board of Directors either during or subsequent to the reporting period, but in no event later than the date of the Governmental Loan Instrument authorizing the Governmental Loan for which the calculation is made; and

(ii) to the extent not included in (b)(i), an amount equal to 75% of the anticipated Governmental Loan Pledged Revenues expected to be derived from each addition, betterment, extension or improvement to the water, recycled water or wastewater system which may be acquired or constructed from proceeds of the Governmental Loan for which the calculation is made. Such estimates are required to be based upon rates and charges which are in effect on or prior to the date of the Governmental Loan Instrument authorizing the Governmental Loan for which the calculation is made.

(c) Credit For Certain Funds. For purposes of the calculations required in (a)(ii) above, Maximum Annual Debt Service shall exclude: (i) amounts on deposit in any debt service funds created under Governmental Loan Instruments for Governmental Loans; and (ii) amounts on deposit in the Installment Payment Fund under the Trust Indenture and debt service funds created under Parity Debt Instruments for Parity Obligations.

**Pledge and First Lien.** The pledge of the Net Revenues constitutes a valid pledge of and a first lien on all of the Net Revenues.

**Use of the Project.** District will not use or maintain the Project improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Agreement. District has or shall procure any permits necessary for use of the Project. In addition, District agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of any portion of the Project) with all laws of the jurisdictions in which its operations involving any portion of the Project may extend and all laws of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Project. However, District may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of Corporation, adversely affect the interest of Corporation in and to any portion of the Project or its interest or rights under the Agreement. Any such contest shall not affect District's duty to make payment in full of all Installment Payments.

**Maintenance of Project by District.** District agrees that, at all times during the Installment Sale Term, District will, at District's own cost and expense, operate, maintain, preserve and keep its property and its water, recycled water and wastewater systems and every part and parcel thereof in good repair, working order and condition and that District will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. Corporation shall have no responsibility in any of these matters.

**Alterations.** District may at any time or times during the Installment Sale Term, at its own cost and expense, rebuild or make any alterations, rebuilding, replacements or changes, additions and improvements in and to, the Project, including the installation, removal or disposal of any equipment, whether or not such equipment shall be a part of the Project; provided,

such alteration or change shall not cause the Project to be used for purposes other than permitted District purposes; and

that before the commencement of any such work, all necessary plans and specifications shall be filed with and approved by all governmental authorities having jurisdiction

thereof and all such work shall be done subject to and in accordance with the requirements of such authorities.

**Substitution of or Addition to Project.** District shall have the right to substitute or add capital facilities and/or real property interests to the Project, upon the following terms and conditions:

(1) All costs and expenses incurred in connection with such substitution, or addition, of such capital facilities and/or real property interests shall be borne by District.

(2) Notwithstanding any such substitution or addition, there shall be no reduction in the Installment Payments due from District pursuant to the Installment Sale Agreement.

(3) Any capital facility so substituted or added shall have a useful life equal to, or greater than, the then remaining period of the Installment Sale Term.

(4) District and Corporation shall provide the Trustee with a written certificate affirming the foregoing conditions in the form set forth in the Installment Sale Agreement.

**Disposition of Project.** The District shall not dispose of any portion of the Project while the Installment Payments are unpaid, except for property that is not operating or is worn out and except for the dedication of public streets and public and private utility easements.

**Insurance.** District shall maintain or cause to be maintained continually throughout the Installment Sale Term insurance, which may be self-insurance, against risks of damage, hazards, casualties and contingencies of such types, with such terms, and in such amounts as shall then be customarily carried by prudent owners or lessees of buildings, facilities, fixtures or improvements in the locality and of a character, condition, construction, use and occupancy similar to the Project.

With respect to contracts for the rehabilitation or reconstruction of the Project, District shall maintain or cause its contractors to maintain such types and amounts of insurance for liability, builder's risk, and workers' compensation and surety bonds as are customary for public works projects comparable to the Project, for the applicable contract and customary guarantee periods.

**Events of Default Defined.** The following shall be "events of default" under the Agreement and the terms "event of default" and "default" shall mean, whenever they are used in the Agreement, any one or more of the following events:

(1) A failure by District to pay any Installment Payment to the Trustee by a date no later than the Installment Payment Date; or

(2) Failure by District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (1) above, for a period of 60 days after written notice to District and the Trustee by Corporation, specifying such failure and requesting that it be remedied, unless Corporation, with the consent of the Trustee, shall agree in writing to any extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, Corporation will

not unreasonably withhold its consent to an extension of such time if corrective action is instituted by District within the applicable period and diligently pursued until the default is corrected; or

- (3) The occurrence of any Event of Default under the Trust Indenture.

If by reason of force majeure District is unable in whole or in part to carry out its agreement on its part contained in the Agreement, other than the obligations on the part of District contained in the Indenture, District shall not be deemed in default during the continuance of such inability. The term “force majeure” as used in the Agreement shall mean any cause or event not reasonably within the control of District, including, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the state wherein District is located or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, wells, reservoirs, treatment facilities, transmission pipes or any other facilities of District or any appurtenances thereto.

**Remedies on Default.** Whenever any event of default referred to in the Agreement shall have happened and be continuing, any one or any combination of the following remedial steps may be taken:

- (1) Corporation may declare the principal components of all Installment Payments due under the Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable, in such amount as shall be sufficient to pay all principal and accrued interest due and payable pursuant to the Trust Indenture;

- (2) Corporation may exercise any option and pursue any remedy which may be exercised and pursued by the Trustee under the Trust Indenture.

- (3) Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due or to become due or to enforce any of its rights under the Agreement.

## **ASSIGNMENT AGREEMENT**

The Assignment Agreement is entered into between the Corporation and the Trustee, pursuant to which the District assigns and transfers to the Trustee, for the benefit of the Owners of the Certificates, substantially all of its rights under the Installment Sale Agreement (exclusive of its right to indemnification), including the right to receive Installment Payments and the rights and remedies to enforce payment of Installment Payments.

## **TRUST INDENTURE**

The Trust Indenture is entered into by and between the District, the Corporation and the Trustee.

### **Funds and Accounts**

Funds and accounts are created and established by the Trust Indenture and shall be maintained by the Trustee for the administration and control of the proceeds of the sale of the Certificates and for such other purposes as described in the Trust Indenture.

The Trust Indenture establishes with the Trustee, to be kept separate and apart from all other funds and monies held by the Trustee a Project Fund, a Delivery Costs Fund, an Installment Payment Fund and a Rebate Fund.

### **Project Fund**

(a) Amounts in the Project Fund shall be disbursed for Project Costs by the Trustee upon receipt of a sequentially numbered requisition in the form attached to the Trust Indenture.

(b) The Trustee shall be responsible for the safekeeping and investment (in accordance with the Agreement) of the moneys held in the Project Fund and the payment thereof in accordance with the Agreement, but the Trustee shall not be responsible for such requisitions, and shall be under no duty to investigate or verify any statements made therein.

(c) The Trustee is directed under the Trust Indenture that all unexpended moneys remaining in the Project Fund and not identified in writing by a District Representative to be required for payment of Project Costs shall, on the Completion Date for the Project, be transferred to the Installment Payment Fund and applied as a credit against the Installment Payments as the same become due and payable, and the Project Fund shall be closed.

### **Delivery Costs Fund**

Payment of the Delivery Costs shall be made from the moneys deposited with the Trustee in the Delivery Costs Fund, and these moneys shall be disbursed from the Delivery Costs Fund in accordance with the Trust Indenture.

### **The Installment Payment Fund**

The Trustee will deposit the moneys received from the District to be applied to Installment Payments, upon receipt thereof, into the Interest Account and Principal Account within the Installment Payment Fund. Funds will be deposited so that the respective amounts in such accounts will be equal to the principal and interest due with respect to the Certificates on the ensuing Interest Payment Date, less amounts on hand in such accounts available to pay such principal and/or interest.

### **The Rebate Fund**

The Rebate Fund is established by the Trust Indenture for the receipt and payment of arbitrage earnings to the United State government as required under the terms of the Trust Indenture and the Tax Certificate.

## **Investment Earnings**

Interest income on the funds and accounts under the Trust Indenture will be retained in the account or fund in which it is earned and shall be applied for the purpose for which such account or fund was established except as otherwise specified in the Trust Indenture. The Trustee is required to invest and reinvest all monies held in the accounts and funds established under the Trust Indenture (in accordance with written directives from a representative of the District) in Permitted Investments and as specified in the Trust Indenture.

## **Certain Covenants**

**Payment of Installment Payments.** District shall promptly pay the Installment Payments, on the dates and in the manner provided in the Installment Sale Agreement, but only from the sources available therefor under the Installment Sale Agreement. Corporation will not sell, assign, transfer or otherwise dispose of the Installment Sale Agreement, any Installment Payment thereunder or any right to enforce the Installment Sale Agreement, except as permitted pursuant to the Assignment Agreement.

**Cooperation of District and Corporation.** Subject to the terms of the Installment Sale Agreement, the Trustee has been directed to enforce, on behalf of Corporation, the rights to collect Installment Payments or otherwise protect its interests and rights under the Installment Sale Agreement in the event of a default thereunder by District. District and Corporation shall cooperate fully with the Trustee in order to enable it to take any action required under the Indenture; in particular, Corporation shall cooperate fully with the Trustee in order to enable it to enforce any rights or pursue any remedies under the Installment Sale Agreement.

**Further Assurances.** District and Corporation will execute and deliver such supplemental Trust Indentures and such further instruments, and do such further acts, as the Trustee may reasonably require for the better assuring, and confirming to the Trustee the amounts from the sources available under the Installment Sale Agreement for the payment of the Certificates.

**Continuing Disclosure Covenant.** The District covenants and agrees that it shall comply with and carry out all of its obligations under the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Indenture, failure of the District to comply with its obligations under the Continuing Disclosure Certificate shall not be considered an Event of Default under the Trust Indenture, and the sole remedy, in the event of any failure of the District to comply with the Continuing Disclosure Certificate, shall be an action to compel performance thereof. The Trustee shall, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Certificates and upon receipt of reasonable indemnification acceptable to it, or any Certificate Owner or Beneficial Owner 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 covenant. For purposes of the Indenture, "Beneficial Owners" 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 Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) or (b) is treated as the Owner of any Certificate for federal tax purposes.

## **Tax Covenants.**

(a) Special Definitions. When used in this Section, the following terms shall have the following meanings:

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Computation Period*” means, initially, that period commencing on the date of the execution and delivery of the Certificates and concluding on the initial Computation Date and, thereafter, each period commencing on the day next following a Computation Date and concluding on the immediately succeeding Computation Date.

“*Gross Proceeds*” of any issue of governmental obligations means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds) of that issue, and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of that issue.

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nonpurpose Investment*” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of an issue are invested and that is not acquired to carry out the governmental purposes of that issue.

“*Opinion of Special Counsel*” means a written opinion of Norton Rose Fulbright US LLP or any other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“*Proceeds*,” with respect to an issue of governmental obligations, has the meaning set forth in has the meaning set forth in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds, but not replacement proceeds).

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Special Counsel*” means Norton Rose Fulbright US LLP or any other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

“*Yield*” of (i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations and (ii) in respect of the Certificates has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Exclusion of Interest from Gross Income. The District will take all actions necessary to establish and maintain the exclusion pursuant to section 103(a) of the Code of interest on the Certificates from the gross income of the owners thereof for federal income

tax purposes, and will not use, permit the use of, or omit to use Gross Proceeds of the Certificates or any other amounts (or any property the acquisition, construction or improvement of which is to be refinanced directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any Certificate to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Trustee receives an Opinion of Special Counsel to the effect that failure to comply with such covenant will not adversely affect the exclusion pursuant to section 103(a) of the Code of interest on any Certificate from the gross income of the owner thereof, the District shall comply with this covenant and each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as would not cause any Certificate to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the District shall at all times prior to the payment and cancellation of the last of the Certificates to be retired:

(i) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) does not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates, or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the jurisdiction of the District or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except as would not cause any Certificate to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the District shall not use of Gross Proceeds of the Certificates to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause any Certificate to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the District will not, at any time prior to the final cancellation of the last Certificate to be retired, directly or indirectly invest Gross Proceeds of the Certificates in any Investment, if as a result of that investment the yield of any Investment acquired with Gross Proceeds of the Certificates, whether then held or previously disposed of, would materially exceed the yield of the Certificates within the meaning of said section 148.

(f) Not Federally Guaranteed. Except to the extent such action or failure to act would not pursuant to section 149(b) of the Code and the Tax Regulations and rulings thereunder, adversely affect the exclusion pursuant to section 103(a) of interest on the Certificates from the gross income of the owners thereof for federal income tax purposes, the District will not take or omit to take any action that would cause any Certificate to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The District will timely file any information necessary to the exclusion pursuant to section 103(a) of the Code of interest on the Certificates required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary of the Treasury may prescribe.

(h) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the District will not at any time prior to the final cancellation of the last of the Certificates to be retired, enter into any transaction that reduces the amount required to be paid to the United States pursuant to section 148(f) of the Code because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm’s length and had the yield on the Certificates not been relevant to either party.

(i) Certificates Satisfy Section 149(g). The District represents that the Certificates are not or will not become “hedge bonds” within the meaning of section 149(g) of the Code. Without limitation of the foregoing, (A) the District will not deliver the Certificates unless on the date of the issuance of the Certificates it reasonably expects that within the three-year period commencing on such date of issuance at least 85% of such spendable proceeds of the Certificates will be expended for the governmental purpose of the Certificates and (B) at no time will more than 50% of such spendable proceeds of the Certificates be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(j) Elections. The District hereby directs and authorizes any District Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such District Representative (after consultation with Special Counsel) deems necessary or appropriate in connection with the Certificates, in the Tax Certificate (as defined below) or similar or other appropriate certificate, form or document.

(k) Tax Certificate. The District agrees to execute and deliver in connection with the execution and delivery of the Certificates a Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, or similar document containing additional representations and covenants pertaining to the exclusion of interest with respect to the Certificates from the gross income of the owners thereof for federal income tax purposes (the “Tax Certificate”), which representations and covenants are incorporated as though expressly set forth herein.

**Discharge.** Any Certificate will be deemed paid for all purposes of the Trust Indenture when:

(a) Payment of the principal, interest and premium, if any, that will become due with respect to such Certificate to the due date of such principal, interest and premium, if any, (whether at maturity, upon prepayment, if any, or otherwise) either

(1) has been made in accordance with the terms of such Certificate; or

(2) has been provided for by the deposit with the Trustee of:

(i) moneys, which may include moneys held in any fund or account on deposit with the Trustee, and/or

(ii) direct, noncallable U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as will, together with moneys set aside in accordance with clause (i) above, insure the availability of sufficient moneys to make such payment or such Certificate has been purchased prior to maturity and tendered to the Trustee for cancellation in accordance with the Trust Indenture.

(b) All compensation and expenses of the Trustee pertaining to such Certificate or to which the Trustee is otherwise entitled under the Trust Indenture have been paid or provided for. This includes, without limitation, provision for any indemnity that the Trustee may require.

(c) When a Certificate is deemed paid, it will no longer be secured by or entitled to the benefits of the Trust Indenture, except for payment from such moneys or U.S. Government Obligations and except that it may be transferred, exchanged, registered, discharged from registration or replaced as provided in the Indenture.

Notwithstanding the foregoing, no deposit under clause (a)(2) of the first paragraph of this provision shall be deemed a payment of a Certificate until:

(1) the Certificate matures; or

(2) notice of prepayment of the Certificate is given in accordance with the Indenture; or

(3) District has given the Trustee, in a form satisfactory to the Trustee, irrevocable instructions to notify the Certificate Owner that the deposit required by (a)(2) above

has been made with the Trustee, and that the Certificate is deemed to be paid under the Indenture. In addition, the notification will state the maturity or prepayment date upon which the moneys are to be available for the payment of the principal of the Certificate.

**Unclaimed Moneys.** Notwithstanding any other provision of the Trust Indenture, but subject to the notice requirements set forth below, upon expiration of the term of the Trust Indenture, or a period of two years after the date of maturity or prepayment for any Certificate, as appropriate, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal or prepayment price represented by such of the Certificates shall be repaid by the Trustee to District as its absolute property free from trust. The Trustee shall thereupon be released and discharged with respect thereto, and the Owners shall look only to District for the payment of the interest and principal of prepayment price represented by such Certificates unless otherwise specified by applicable abandoned property law of the State. Prior to paying such funds over to District, as provided for above, the Trustee shall mail a notice (in a form determined by the Trustee) to the Owners of all Outstanding Certificates that:

- (1) such funds so payable remain unclaimed; and
- (2) that after a date specified in such notice (at least 30 days after the notice is mailed) the balance of such moneys unclaimed will be returned to District.

**Events of Default.** An “Event of Default” is defined in the Indenture to mean any of the following:

- (1) There is a default in the payment of interest, principal or premium with respect to any Certificate when due, at maturity or upon prepayment or otherwise.
- (2) An “event of default” has occurred and is continuing under the Installment Sale Agreement.
- (3) District or Corporation fails to perform any of its respective agreements in the Trust Indenture or the Certificates (except a failure that results in an Event of Default under clause (1) or (2) above), and the failure continues after the notice and for the period specified below.

A default under clause (3) is not an Event of Default until:

- (a) the Trustee or the Owners of at least a majority of the aggregate principal amount of the Certificates give District or Corporation, as applicable, a notice specifying the default, demanding that it be remedied and stating that the notice is a “Notice of Default”, and
- (b) District or Corporation, as applicable, does not cure the default within 45 days after receipt of the notice, or within such longer period as the Trustee shall agree to. The Trustee shall not unreasonably refuse to agree to a longer period if the default cannot reasonably be cured within 45 days after receipt of the notice and District or Corporation, as applicable, has begun within 45 days diligent efforts to correct the default have continued.

If an Event of Default occurs and is continuing, the Trustee will mail notice of the Event of Default to the Certificate Owners as promptly as practicable after the Trustee has notice of it as provided in the Trust Indenture. The Trustee shall not be required to mail notice of an Event of Default if the Trustee determines that such shall not be in the best interest of the Owners.

A default of the District under the terms of the Continuing Disclosure Certificate shall not be an Event of Default.

**Acceleration; Remedies for Event of Default. If,**

(a) an Event of Default occurs under clause (1) of the foregoing section; or

(b) an Event of Default occurs under Clause (2) or (3) of the foregoing and is continuing and the Trustee has provided three days written notice of the Event of Default under clause (2) or (3) to District and Corporation, the Trustee may, and upon the written direction of the Owners of at least a majority of the aggregate principal amount of the Outstanding Certificates, the Trustee shall, declare the principal components of all remaining Installment Payments to be due and payable from the Net Revenues whereupon such principal components of all remaining Installment Payments and the interest accrued to the date of payment shall without further action come immediately due and payable, anything in the Trust Indenture or the Certificates to the contrary notwithstanding.

At the same time as such notice to District, the Trustee will notify the Certificate Owners that their Certificates shall be presented for payment of principal and accrued interest with respect to the Certificates on the date such accelerated Installment Payments are due and payable, and that interest with respect to the Certificates shall cease to accrue on such day. At any time after the principal components of all remaining Installment Payments shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if:

(1) District has paid or caused to be paid or deposited with the Trustee moneys sufficient to pay all matured installments of interest, interest on delinquent installments of principal and interest and principal, or Prepayment Prices then due (other than the principal then due only because of such declaration) under the Installment Sale Agreement;

(2) all compensation and expenses of the Trustee pertaining to such Certificates or to which the Trustee is otherwise entitled under the Trust Indenture have been paid or provided for, including without limitation, provision for any indemnity that the Trustee may require, to the Trustee's satisfaction;

(3) all other amounts then payable by District under the Installment Sale Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and

(4) every Event of Default (other than a default in the payment of the principal of the Installment Payments then due only because of such declaration) shall have been remedied, then the Trustee may annul such declaration and its consequences with respect to any Certificates

or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

**Other Remedies for Events of Default.** If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the principal or interest with respect to the Certificates or the Installment Payments or to enforce the performance of any provision of the Certificates, the Trust Indenture, or the Installment Sale Agreement.

All rights of action (including the right to file proof of claims) under the Trust Indenture or any Certificate may be enforced by the Trustee even if it does not possess any of the Certificates or does not produce any of them in the proceeding. Any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Certificate Owners. Any recovery of judgment shall be for the equal and ratable benefit of the Owners of all Outstanding Certificates, except as otherwise provided by the Trust Indenture.

### **The Trustee**

The Trustee is appointed and takes authorized actions under the terms of the Trust Indenture. The initial Trustee may be removed or replaced by the District upon 30 days prior written notice (except during the continuance of an Event of Default) or may resign in favor of a successor Trustee. The Trust Indenture provides for certain minimum qualifications of the Trustee and provides for notice and procedures in the event a successor Trustee is required or appointed.

The duties of the Trustee are specified within the Trust Indenture and include mailing principal and interest payments to the Owners; giving notice of prepayment, continuing Events of Default and meetings of the Owners; maintaining the Certificate Register; and, maintaining and administering the funds and accounts established pursuant to the Trust Indenture. The Trustee also performs all other acts authorized or directed of the Trustee pursuant to the terms of the Trust Indenture.

The Trustee makes no representation as to the validity or adequacy of the Trust Indenture or the Certificates or compliance with any federal or State securities laws, and is not accountable for the District's covenants and representations or the recitals contained in the Trust Indenture which are made solely by the District, and shall not be responsible for any statement in the Certificates other than its certificate of authentication. The Trust Indenture provides for certain protections from liability of the Trustee except for its own negligence or willful misconduct, as further specified in the Trust Indenture.

## **AMENDMENTS/SUPPLEMENTS**

**Amendments Without Consent of Certificate Owners.** District, Corporation and the Trustee may amend or supplement the Trust Indenture or the Certificates, and District and Corporation may, with the consent of the Trustee, amend the Installment Sale Agreement, without notice to or consent of any Certificate Owner:

- (1) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Indenture or Installment Sale Agreement, respectively;
- (2) to grant to the Trustee for the benefit of the Certificate Owners additional rights, remedies, powers or authority;
- (3) to subject to the Trust Indenture or the Installment Sale Agreement security or to add other agreements of District and Corporation;
- (4) to substitute, or add, capital facilities and/or real property interests to the facilities, as identified, pursuant to the Installment Sale Agreement;
- (5) to modify the Trust Indenture, the Installment Sale Agreement or the Certificates to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar Federal statute at the time in effect, or to permit the qualification of the Certificates for sale under the securities laws of any state of the United States;
- (6) to provide for uncertificated Certificates in addition to or in place of the certificated Certificates;
- (7) to evidence the succession of a new Trustee or the appointment by the Trustee, District or Corporation of a co-trustee; or
- (8) to make any change that does not materially or adversely affect the rights of any Certificate Owner.
- (9) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest with respect to the Installment Payments and Certificates.

**Amendments with Consent of Certificate Owners.** If an amendment of or supplement to the Trust Indenture, the Installment Sale Agreement or the Certificates without any consent of Certificate Owners is not permitted by the preceding provision, District, Corporation and the Trustee may enter into such amendment or supplement to the Trust Indenture or the Certificates, and District and Corporation, with the Trustee's consent, may enter into such amendment or supplement to the Installment Sale Agreement, with the consent of the Owners of at least a majority in principal amount of the Certificates then Outstanding.

However, without the consent of each Certificate Owner affected, no amendment or supplement may:

- (1) extend the maturity, or date for payment of the principal or interest with respect to any Certificate;
- (2) reduce the fractional undivided percentage of the principal amount or Prepayment Price of, or the rate of interest with respect to, any Certificate;

(3) effect a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates;

(4) reduce the percentage of the principal amount of the Certificates required for consent to any amendment or supplement; or

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## APPENDIX C

### ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE SERVICE AREA OF THE DISTRICT

*The following information is included only for the purpose of supplying general information regarding the service area of the District. The Certificates are not an obligation of Orange County (the “County”), the State of California (the “State”) or any of its political subdivisions (other than the District to the limited extent set forth in this Official Statement), and neither the County, the State nor any of its political subdivisions (other than the District to the limited extent set forth in this Official Statement) is liable therefor.*

#### **General Description and Background**

The District’s service area totals approximately 37 square miles and includes the cities of Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel, San Juan Capistrano and Mission Viejo, all of which are located in Orange County.

***Aliso Viejo.*** The City of Aliso Viejo is located in the San Joaquin Hills of Orange County, with a total area of 7.5 square miles, all of which is land. The San Joaquin Hills are a coastal mountain range along the Pacific Coast. Aliso Viejo is bordered by the cities of Laguna Beach on the west and southwest, Laguna Hills on the east, Laguna Niguel on the southeast, and Laguna Woods on the north. The City became incorporated into Orange County on July 1, 2001.

***Dana Point.*** The City of Dana Point is located in southern Orange County, has seven miles of coastline, and it is a popular local surf destination. Dana Point is approximately 29.5 square miles, of which 6.5 square miles is land and 23 square miles is water. The City of Dana Point was incorporated into the County in January 1989.

***Laguna Hills.*** The City of Laguna Hills is located in the coastal San Joaquin Hills of southern Orange County and has a total area of 6.7 square miles, of which 6.7 square miles is land and 0.025 square miles is water. Laguna Hills is built on one of the major land grants developed during the Rancho Era in the early 19th Century. The City was incorporated into the County on December 20, 1991.

***Laguna Niguel.*** The City of Laguna Niguel is a master planned community located in the coastal San Joaquin Hills of southern Orange County, with a total area of 14.9 square miles, of which 14.9 square miles is land and 0.05 square miles is water. Laguna Niguel is one of the first master planned communities in California. Like Laguna Hills, Laguna Niguel is built on one of the major land grants developed during the Rancho Era in the early 19th Century. The City was incorporated into the County on December 1, 1989.

***Mission Viejo.*** The City of Mission Viejo is a master planned community located in southern Orange County, in the Saddleback Valley, with a total area of 18.1 square miles, of which 17.4 square miles is land and 0.38 square miles is water. Mission Viejo is one of the largest master planned communities ever built under a single project in the United States. The City was incorporated into the County in 1988.

**San Juan Capistrano.** The City of San Juan Capistrano is located in the County, and was created around the Mission San Juan Capistrano, with a total area of 14.3 square miles. San Juan Capistrano is bordered by the cities of Laguna Niguel on the west, Dana Point on the southwest, Ladera Ranch and Mission Viejo on the northeast, and San Clemente on the southeast. The City was incorporated into the County on April 19, 1961.

**The County.** The County of Orange (the “County”) is located in southern California and is bordered on the southwest by the Pacific Ocean, on the north by Los Angeles County, on the northeast by San Bernardino County and Riverside County, and on the southeast by San Diego County. The county seat is Santa Ana. The County is the third most populous county in the State but is the smallest county, in terms of square miles, in California. The County is famous for tourism, as it is home to Disneyland, Disney California Adventure Park, and Knott’s Berry Farm. Many popular TV shows and movies have brought attention to the County’s weather, coastline, and its residents.

**Population**

The following table sets forth population estimates for the cities of Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel, Mission Viejo, and San Juan Capistrano, the County and the State for the years 2022 to 2026.

**CITY OF ALISO VIEJO, CITY OF DANA POINT, CITY OF LAGUNA HILLS, CITY OF LAGUNA NIGUEL, CITY OF MISSION VIEJO, CITY OF SAN JUAN CAPISTRANO, ORANGE COUNTY AND STATE OF CALIFORNIA  
Estimated Population**

Year <sup>(1)</sup>	Aliso Viejo	Dana Point	Laguna Hills	Laguna Niguel	Mission Viejo	San Juan Capistrano	Orange County	State of California
2022	51,123	32,807	30,950	64,787	92,116	34,821	3,158,984	39,159,480
2023	50,606	32,738	30,645	64,111	91,249	34,857	3,148,606	39,167,274
2024	50,596	32,665	30,641	64,743	91,484	35,370	3,169,815	39,446,835
2025	50,419	32,539	30,547	65,167	91,219	35,491	3,175,509	39,646,907
2026	49,945	32,268	30,275	64,590	90,401	35,331	3,163,696	39,592,978

<sup>(1)</sup> Figures as of January 1.

Source: State of California Department of Finance, Demographic Research Unit.

**Commercial Activity**

Total taxable sales for the calendar year 2025 in the City of Aliso Viejo were reported to be \$956,247,256, a 19.61% increase over the total taxable sales of \$799,471,358 reported for the calendar year 2024. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Aliso Viejo is presented in the following table for the years 2021 to 2025.

**CITY OF ALISO VIEJO**  
**Taxable Retail Sales**  
**Number of Outlets and Valuation of**  
**Taxable Transactions**

	Retail Stores		Total All Outlets	
	Number of Outlets	Taxable Transactions	Number of Outlets	Taxable Transactions
2021	696	291,062,251	1,336	439,138,135
2022	669	309,565,159	1,299	523,799,166
2023	610	312,606,289	1,224	652,818,408
2024	616	317,380,370	1,218	799,471,358
2025 <sup>(1)</sup>	611	375,397,644	1,232	956,247,256

<sup>(1)</sup>Q3 & Q4 2025 – preliminary.

Source: State Department of Tax and Fee Administration.

Total taxable sales for the calendar year 2025 in the City of Dana Point were reported to be \$565,608,965, a 1.23% decrease over the total taxable sales of \$572,671,350 reported for the calendar year 2024. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Dana Point is presented in the following table for the years 2021 to 2025.

**CITY OF DANA POINT**  
**Taxable Retail Sales**  
**Number of Outlets and Valuation of**  
**Taxable Transactions**

	Retail Stores		Total All Outlets	
	Number of Outlets	Taxable Transactions	Number of Outlets	Taxable Transactions
2021	848	377,467,669	1,443	498,242,632
2022	846	416,490,563	1,448	598,039,174
2023	788	392,986,889	1,346	585,574,751
2024	768	382,225,537	1,345	572,671,350
2025 <sup>(1)</sup>	747	377,805,494	1336	565,608,965

<sup>(1)</sup>Q3 & Q4 2025 – preliminary.

Source: State Department of Tax and Fee Administration.

Total taxable sales for the calendar year 2025 in the City of Laguna Hills were reported to be \$497,458,733, a 4.85% decrease from the total taxable sales of \$521,596,701 reported for the calendar year 2024. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Laguna Hills is presented in the following table for the years 2021 to 2025.

**CITY OF LAGUNA HILLS**  
**Taxable Retail Sales**  
**Number of Outlets and Valuation of**  
**Taxable Transactions**

	Retail Stores		Total All Outlets	
	Number of Outlets	Taxable Transactions	Number of Outlets	Taxable Transactions
2021	772	415,120,654	1,476	535,865,392
2022	761	436,547,946	1,498	589,012,875
2023	723	382,825,528	1,443	546,817,062
2024	706	370,697,001	1,415	521,596,701
2025 <sup>(1)</sup>	720	371,608,042	1424	497,458,733

<sup>(1)</sup>Q3 & Q4 2025 – preliminary.

Source: State Department of Tax and Fee Administration.

Total taxable sales for the calendar year 2025 in the City of Laguna Niguel were reported to be \$1,189,384,691, a 0.47% increase from the total taxable sales of \$1,183,839,956 reported for the calendar year 2024. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Laguna Niguel is presented in the following table for the years 2021 to 2025.

**CITY OF LAGUNA NIGUEL**  
**Taxable Retail Sales**  
**Number of Outlets and Valuation of**  
**Taxable Transactions**

	Retail Stores		Total All Outlets	
	Number of Outlets	Taxable Transactions	Number of Outlets	Taxable Transactions
2021	1,022	1,018,545,472	1,880	1,142,495,707
2022	986	1,146,987,213	1,863	1,301,669,403
2023	966	1,087,576,760	1,804	1,219,335,255
2024	999	1,060,439,908	1,851	1,183,839,956
2025 <sup>(1)</sup>	976	1070560947	1853	1,189,384,691

<sup>(1)</sup>Q3 & Q4 2025 – preliminary.

Source: State Department of Tax and Fee Administration.

Total taxable sales for the calendar year 2025 in the City of Mission Viejo were reported to be \$1,521,536,305, a 16.09% decrease from the total taxable sales of \$1,813,197,209 reported for the calendar year 2024. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Mission Viejo is presented in the following table for the years 2021 to 2025.

**CITY OF MISSION VIEJO**  
**Taxable Retail Sales**  
**Number of Outlets and Valuation of**  
**Taxable Transactions**

	Retail Stores		Total All Outlets	
	Number of Outlets	Taxable Transactions	Number of Outlets	Taxable Transactions
2021	1,771	1,304,615,019	3,013	1,614,114,735
2022	1,704	1,368,127,056	2,955	1,754,002,282
2023	1,571	1,347,588,788	2,792	1,708,441,540
2024	1,541	1,502,711,935	2,759	1,813,197,209
2025 <sup>(1)</sup>	1,534	1,235,438,996	2,775	1,521,536,305

<sup>(1)</sup>Q3 & Q4 2025 – preliminary.

Source: State Department of Tax and Fee Administration.

Total taxable sales for the calendar year 2025 in the City of San Juan Capistrano were reported to be \$1,070,242,360, a 3.27% increase over the total taxable sales of \$1,036,397,931 reported for the calendar year 2024. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of San Juan Capistrano is presented in the following table for the years 2021 to 2025.

**CITY OF SAN JUAN CAPISTRANO**  
**Taxable Retail Sales**  
**Number of Outlets and Valuation of**  
**Taxable Transactions**

	Retail Stores		Total All Outlets	
	Number of Outlets	Taxable Transactions	Number of Outlets	Taxable Transactions
2021	812	810,049,952	1,403	951,183,316
2022	767	847,007,664	1,369	1,006,957,382
2023	749	836,237,189	1,341	992,597,277
2024	740	883,959,455	1,352	1,036,397,931
2025 <sup>(1)</sup>	748	913,422,187	1,366	1,070,242,360

<sup>(1)</sup>Q3 & Q4 2025 – preliminary.

Source: State Department of Tax and Fee Administration.

Total taxable sales for the calendar year 2025 in the County were reported to be \$87,002,787,988, a 0.77% increase over the total taxable sales of \$86,337,412,602 reported for the calendar year 2024. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table for the years 2021 to 2025.

**ORANGE COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of**  
**Taxable Transactions**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2021	67,060	53,650,590,480	118,779	78,253,935,670
2022	67,272	58,099,121,777	119,697	88,027,070,683
2023	65,013	57,322,394,424	116,309	87,298,416,754
2024	65,391	56,820,318,053	117,426	86,337,412,602
2025 <sup>(1)</sup>	65,095	57,366,279,519	118,104	87,002,787,988

<sup>(1)</sup>Q3 & Q4 2025 – preliminary.

Source: State Department of Tax and Fee Administration.

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## Employment and Industry

The unemployment rate in the County was 3.7 percent in April 2026. This compares with an unadjusted unemployment rate of 5.0 percent for California and 4.3 percent for the United States during the same period. The table below shows average annual employment by industry group, and the unemployment rate, for the years 2021 to 2025.

### SANTA ANA-ANAHEIM-IRVINE METROPOLITAN DIVISION (ORANGE COUNTY)

#### Civilian Labor Force, Employment and Unemployment (Annual Averages-March 2025 benchmark)

	2021	2022	2023	2024	2025
Civilian Labor Force <sup>(1)</sup>	1,572,800	1,596,300	1,612,200	1,627,500	1,637,100
Employment	1,479,100	1,545,200	1,556,000	1,563,900	1,569,300
Unemployment	93,700	51,200	56,100	63,600	67,800
Unemployment Rate	6%	3.2%	3.5%	3.9%	4.1%
Wage and Salary Employment:					
Agriculture	2,000	1,700	1,700	1,700	1,700
Mining and Logging	400	300	300	400	300
Construction	102,200	105,300	104,500	105,600	104,000
Manufacturing	149,800	155,400	156,600	154,900	149,800
Wholesale Trade	77,500	79,000	81,100	80,500	78,000
Retail Trade	143,400	145,500	145,800	144,700	143,600
Transportation, Warehousing and Utilities	31,100	33,800	35,700	35,600	35,100
Information	24,000	24,300	22,700	22,200	22,500
Finance and Insurance	78,100	72,200	63,200	62,600	63,300
Real Estate and Rental and Leasing	39,000	40,100	40,500	41,300	40,100
Professional and Business Services	321,700	331,500	320,100	316,900	317,200
Educational and Health Services	237,300	249,200	262,200	272,600	284,100
Leisure and Hospitality	180,400	217,900	229,800	234,200	236,000
Other Services	47,500	53,100	55,200	56,100	55,600
Federal Government	11,000	10,800	10,700	10,900	10,700
State Government	34,200	33,400	33,500	35,500	35,300
Local Government	110,500	114,000	115,600	116,300	113,100
Total, All Industries <sup>(2)</sup>	1,589,800	1,667,700	1,679,200	1,691,900	1,690,300

<sup>(1)</sup> The unemployment rate is calculated using unrounded data.

<sup>(2)</sup> Data may not add due to rounding.

Source: State of California Employment Development Department.

## Major Employers

The following table lists the principal employers in the Moulton Niguel Water District for the Fiscal Year 2023-24.

**MOULTON NIGUEL WATER DISTRICT**  
**Principal Employers <sup>(1)(2)</sup>**  
**Fiscal Year 2023-24**

<b>Rank</b>	<b>Employer</b>	<b>Operating City</b>	<b>Number of Employees</b>	<b>Percent of Each City's Employment</b>
1	Providence Mission Hospital	Mission Viejo	2764	5.66%
2	MemorialCare Saddleback Medical Center	Laguna Hills	1925	11.46
3	Saddleback College	Mission Viejo	1770	3.63
4	MicroVention	Aliso Viejo	1700	6.03
5	United Parcel Service	Aliso Viejo	1200	4.26
6	Waldorf Astoria Monarch Beach	Dana Point	1200	7.02
7	Saddleback Valley Unified School District	Mission Viejo	917	1.88
8	Glaukos Corporation	Aliso Viejo	907	3.22
9	Ambry Genetics Corporation	Aliso Viejo	706	2.50
10	Costco Wholesale Corporation	Laguna Niguel	619	1.82

<sup>(1)</sup> Principal Employers represent blended data from the five cities the District serves: Aliso Viejo, Laguna Hills, Laguna Niguel, Mission Viejo, and Dana Point. The District also serves a portion of the City of San Juan Capistrano but employer data for that City is excluded as it represents less than .01% of District population.

<sup>(2)</sup> The District used data from the Fiscal Year 2023-24, the most recent available data.

Source: Moulton Niguel Water District, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

The following table lists the principal employers in the County, listed alphabetically, as of January 2026.

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**ORANGE COUNTY  
Principal Employers**

<b><u>Employer Name</u></b>	<b><u>Location</u></b>	<b><u>Industry</u></b>
Abbvie	Irvine	Pharmaceutical Research Laboratories
American Funds	Irvine	Services NEC
Anaheim City Hall	Anaheim	City Hall
B Braun Medical Inc	Irvine	Physicians & Surgeons Equip & Supls-Mfrs
Boeing Co Coml Airlines Spprt	Seal Beach	Call Centers
Broadcom Corp	Irvine	Semiconductors & Related Devices (mfrs)
Edwards Lifesciences Corp	Irvine	Orthopedic Prosthetic/Srgcl Appl (mfrs)
Emplicity	Irvine	Business Services NEC
Experian Information Solutions	Costa Mesa	Credit Reporting Agencies
Fairview Developmental Ctr	Costa Mesa	Hospitals
James R Glidewell Dental Crmcs	Irvine	Dentists
Jefferson School of Philosophy	Laguna Hills	Books School & Textbooks
Judicial Council of California	Santa Ana	Federal Government Contractors
Kay Jewelers	Westminster	Jewelers-Retail
Laguna Woods Village Cmnty Ctr	Laguna Woods	Senior Citizens Service
Largo Concrete	Tustin	Concrete Contractors
Menzies Aviation	Costa Mesa	Airline Support Services
Pacifi Care Health Systems LLC	Cypress	Insurance
Parker Customer Response Ctr	Irvine	Customer Loyalty Programs & Svc
Providence Mission Hosp Msn Vj	Mission Viejo	Hospitals
Providence St Joseph Hosp Orng	Orange	Hospitals
Pylusd Schools	Placentia	Schools
Quest Diagnostics	San Juan Cpstrno	Laboratories-Medical
University of Ca-Irvine	Irvine	Schools-Universities & Colleges Academic
University-Ca Irvine Anteatr	Irvine	Stadiums Arenas & Athletic Fields

Source: State of California Employment Development Department, compiled from America's Labor Market Information System (ALMIS) Employer Database, 2026 1st Edition.

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## Construction Activity

Provided below is information regarding issued building permits for the City of Aliso Viejo for calendar years 2021 through 2025.

### CITY OF ALISO VIEJO Housing Unit Building Permits Issued

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025<sup>(1)</sup></u>
Total Units	0	1	0	0	0
Units in Single Family	0	1	0	0	0
Units in All Multifamily	0	0	0	0	0
Units in 2-Unit - Multifamily	0	0	0	0	0
Units in 3 & 4 - Unit Multifamily	0	0	0	0	0
Units in 5+ - Unit Multifamily	0	0	0	0	0

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<sup>(1)</sup> Preliminary.

Source: U.S. Department of Housing and Urban Development, HUD User, Office of Policy Development and Research, SOCDS (State of the Cities Data Systems) Building Permits.

Provided below is information regarding issued building permits for the City of Dana Point for calendar years 2021 through 2025.

### CITY OF DANA POINT Housing Unit Building Permits Issued

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025<sup>(1)</sup></u>
Total Units	49	27	21	18	16
Units in Single Family	49	27	21	18	16
Units in All Multifamily	0	0	0	0	0
Units in 2-Unit - Multifamily	0	0	0	0	0
Units in 3 & 4 - Unit Multifamily	0	0	0	0	0
Units in 5+ - Unit Multifamily	0	0	0	0	0

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<sup>(1)</sup> Preliminary.

Source: U.S. Department of Housing and Urban Development, HUD User, Office of Policy Development and Research, SOCDS (State of the Cities Data Systems) Building Permits.

Provided below is information regarding issued building permits for the City of Laguna Hills for calendar years 2021 through 2025.

**CITY OF LAGUNA HILLS**  
**Housing Unit Building Permits Issued**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025<sup>(1)</sup></u>
Total Units	1	6	1	6	6
Units in Single Family	1	6	1	6	6
Units in All Multifamily	0	0	0	0	0
Units in 2-Unit - Multifamily	0	0	0	0	0
Units in 3 & 4 - Unit Multifamily	0	0	0	0	0
Units in 5+ - Unit Multifamily	0	0	0	0	0

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<sup>(1)</sup> Preliminary.

Source: U.S. Department of Housing and Urban Development, HUD User, Office of Policy Development and Research, SOCDS (State of the Cities Data Systems) Building Permits.

Provided below is information regarding issued building permits for the City of Laguna Niguel for calendar years 2021 through 2025.

**CITY OF LAGUNA NIGUEL**  
**Housing Unit Building Permits Issued**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025<sup>(1)</sup></u>
Total Units	192	115	318	12	15
Units in Single Family	0	5	9	12	15
Units in All Multifamily	192	110	309	0	0
Units in 2-Unit - Multifamily	0	0	0	0	0
Units in 3 & 4 - Unit Multifamily	0	0	0	0	0
Units in 5+ - Unit Multifamily	192	110	309	0	0

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<sup>(1)</sup> Preliminary.

Source: U.S. Department of Housing and Urban Development, HUD User, Office of Policy Development and Research, SOCDS (State of the Cities Data Systems) Building Permits.

Provided below is information regarding issued building permits for the City of Mission Viejo for calendar years 2021 through 2025.

**CITY OF MISSION VIEJO  
Housing Unit Building Permits Issued**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025<sup>(1)</sup></u>
Total Units	210	65	70	37	11
Units in Single Family	32	34	15	15	11
Units in All Multifamily	178	31	55	22	0
Units in 2-Unit - Multifamily	2	0	0	0	0
Units in 3 & 4 - Unit Multifamily	0	0	0	0	0
Units in 5+ - Unit Multifamily	176	31	55	22	0

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<sup>(1)</sup> Preliminary.

Source: U.S. Department of Housing and Urban Development, HUD User, Office of Policy Development and Research, SOCDS (State of the Cities Data Systems) Building Permits.

Provided below is information regarding issued building permits for the City of San Juan Capistrano for calendar years 2021 through 2025.

**CITY OF SAN JUAN CAPISTRANO  
Housing Unit Building Permits Issued**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025<sup>(1)</sup></u>
Total Units	16	173	201	18	14
Units in Single Family	16	173	95	14	14
Units in All Multifamily	0	0	106	4	0
Units in 2-Unit - Multifamily	0	0	0	0	0
Units in 3 & 4 - Unit Multifamily	0	0	27	4	0
Units in 5+ - Unit Multifamily	0	0	79	0	0

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<sup>(1)</sup> Preliminary.

Source: U.S. Department of Housing and Urban Development, HUD User, Office of Policy Development and Research, SOCDS (State of the Cities Data Systems) Building Permits.

Provided below is information regarding issued building permits for the County for calendar years 2021 through 2025.

**ORANGE COUNTY**  
**Housing Unit Building Permits Issued**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025<sup>(1)</sup></u>
Total Units	7,867	5,938	6,481	6,972	5,254
Units in Single Family	3,433	2,931	2,481	2,671	2,779
Units in All Multifamily	4,434	3,007	4,000	4,301	2,475
Units in 2-Unit - Multifamily	182	172	248	306	210
Units in 3 & 4 - Unit Multifamily	261	157	312	156	117
Units in 5+ - Unit Multifamily	3,991	2,678	3,440	3,839	2,148

<sup>(1)</sup> Preliminary.

Source: U.S. Department of Housing and Urban Development, HUD User, Office of Policy Development and Research, SOCDS (State of the Cities Data Systems) Building Permits.

**Effective Buying Income**

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

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The following table summarizes the total effective buying income for the County, the State and the United States for the period 2021 through 2026.

**ORANGE COUNTY, STATE OF CALIFORNIA & UNITED STATES**  
**Effective Buying Income**  
**2021 through 2026**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (in Thousands)</u>	<u>Median Household Effective Buying Income</u>
2021	Orange County	\$114,764,529	\$78,648
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	Orange County	126,634,581	87,821
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	Orange County	130,684,331	88,060
	California	1,461,799,662	76,990
	United States	11,454,846,397	64,600
2024	Orange County	135,368,782	91,571
	California	1,510,708,521	80,609
	United States	11,987,185,826	67,310
2025	Orange County	141,127,397	94,324
	California	1,557,429,767	82,265
	United States	12,525,577,707	69,245
2026	Orange County	154,312,664	101,820
	California	1,730,654,738	89,921
	United States	13,932,177,817	75,389

Source: Claritas, LLC for 2021 through 2026.

**APPENDIX D**

**FORM OF SPECIAL COUNSEL OPINION**

[Delivery Date]

Moulton Niguel Water District  
26161 Gordon Road  
Laguna Hills, California 92653

Moulton Niguel Water District  
Public Facilities Corporation  
26161 Gordon Road  
Laguna Hills, California 92653

§ \_\_\_\_\_  
Moulton Niguel Water District  
2026 CERTIFICATES OF PARTICIPATION

Ladies and Gentlemen:

We have acted as Special Counsel with respect to the execution and delivery of the above-captioned Certificates of Participation (the “Certificates”), on behalf of the Moulton Niguel Water District (the “District”), representing and evidencing undivided and proportionate interests in certain installment payments (the “Installment Payments”) to be made by the District under and pursuant to an Installment Sale Agreement, dated as of July 1, 2026 (the “Installment Sale Agreement”), by and between the District and the Moulton Niguel Water District Public Facilities Corporation (the “Corporation”). We have examined the proceedings taken in connection therewith. We have also examined supplemental documents furnished to us and have obtained such certificates and documents from public officials as we have deemed necessary for the purposes of this opinion.

The Certificates are being executed and delivered pursuant to a Trust Indenture, dated as of July 1, 2026 (the “Trust Indenture”), by and among the District, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). Proceeds of the Certificates will be used to (i) finance the replacements and upgrades to the District’s reservoir management system and pump stations, lift station enhancements, transmission main improvements, and other projects that have been identified as part of the District’s most recently adopted capital improvement program and any other public water, recycled water or wastewater facilities that District determines to substitute therefor, and (ii) pay costs related to the execution and delivery of the Certificates. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Trust Indenture or the Installment Sale Agreement, as applicable.

As Special Counsel, we have reviewed relevant portions of the Trust Indenture, the Installment Sale Agreement and certifications of the District, the Corporation, the Trustee and others, opinions of counsel to the District, the Corporation and the Trustee, and such other

documents, opinions and instruments as we deemed necessary to render the opinions set forth herein.

Based upon the foregoing, we are of the opinion that:

1. The Trust Indenture has been duly and validly authorized, executed and delivered by the District, and, assuming the Trust Indenture constitutes the legally valid and binding obligation of the Corporation and the Trustee, constitutes the legally valid and binding obligation of the District, enforceable against the District in accordance with its terms, and the owners of the Certificates are entitled to the benefits of the Trust Indenture.

2. The Installment Sale Agreement has been duly and validly authorized, executed and delivered by the District, and, assuming the Installment Sale Agreement constitutes the legally valid and binding obligation of the Corporation, constitutes the legally valid and binding obligation of the District, enforceable against the District in accordance with its terms.

3. Assuming compliance after the date hereof with the covenants mentioned below and applicable requirements of the Internal Revenue Code of 1986 (the "Code"), the portion of each Installment Payment representing interest and distributed in respect of any Certificate is excluded from the gross income of the owners of the Certificates for federal income tax purposes.

4. The portion of each Installment Payment representing interest and distributed in respect of any Certificate is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. We express no opinion regarding the applicability of the corporate alternative minimum tax to the adjusted financial statement income of any owner of the Certificates.

5. The portion of each Installment Payment representing interest and distributed in respect of any Certificate is exempt from personal income taxes imposed by the State of California.

We express no opinion regarding other federal or State of California tax consequences caused by the ownership of, or the accrual or receipt of interest with respect to, the Certificates.

The Code imposes certain requirements that must be met subsequent to the execution and delivery of the Certificates for interest with respect thereto to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest with respect to the Certificates to fail to be excluded from the gross income of the owners thereof retroactive to the date of delivery of the Certificates. Pursuant to the Trust Indenture and the Tax Certificate being executed and delivered by the District and the Corporation, in connection with the delivery of the Certificates, the District and the Corporation are making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest with respect to the Certificates from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in paragraphs 3 and 4 above, we have assumed the accuracy of and have relied upon such representations and the present and future compliance by the District and the Corporation with such covenants.

Certain requirements and procedures contained or referred to in the Trust Indenture or the Tax Certificate may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. With respect to the exclusion from gross income of the interest with respect to the Certificates for federal income tax purposes, we express no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance on the advice of counsel other than Norton Rose Fulbright US LLP.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the Certificates, the Trust Indenture and the Installment Sale Agreement may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Certificates, the Trust Indenture and the Installment Sale Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### § MOULTON NIGUEL WATER DISTRICT 2026 CERTIFICATES OF PARTICIPATION

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the MOULTON NIGUEL WATER DISTRICT (the “District”) in connection with the execution and delivery of the Certificates captioned above (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Indenture, dated as of July 1, 2026 (the “Trust Indenture”), by and among the District, the Moulton Niguel Water District Public Facilities Corporation and U.S. Bank Trust Company, National Association, in its capacity as trustee (the “Trustee”).

The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is eight months after the end of the District’s fiscal year (currently March 1 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” means the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the District in connection with the execution and delivery of the Certificates.

“*Participating Underwriter*” means \_\_\_\_\_ the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a). The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 1, 2027, with the report for the 2025-26 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall in a timely manner give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b). If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall in a timely manner provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in an electronic format as prescribed by the MSRB.

(c). With respect to each Annual Report, the Dissemination Agent shall:

(i). determine prior to each Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii). if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a). The District’s audited financial statements 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 Annual Report Date, the Annual Report shall contain unaudited financial

statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b). The following information:

(i). The principal amount of Certificates Outstanding as of the December 31 preceding the next Annual Report Date; and

(ii). An update of the information contained in Table Nos. 1, 5, 9, 13 and 17 of the Official Statement.

(c). In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d). 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 are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a). The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

- (1). Principal and interest payment delinquencies.
- (2). Non-payment related defaults, if material.
- (3). Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4). Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5). Substitution of credit or liquidity providers, or their failure to perform.
- (6). Adverse tax opinions, 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 security, or other material events affecting the tax status of the security.
- (7). Modifications to rights of security holders, if material.
- (8). Bond calls, if material, and tender offers.
- (9). Defeasances.

- (10). Release, substitution, or sale of property securing repayment of the securities, if material.
- (11). Rating changes.
- (12). Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.
- (13). The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14). Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15). Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16). default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b). Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Indenture.

(c). The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d). For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a

receiver, fiscal agent, or similar officer for the District in a proceeding under the United States 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 District, or if such jurisdiction has been assumed by leaving the existing governing 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 District.

(e). For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing 30 days’ written notice to the District.

Section 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 the following conditions are satisfied:

(a). if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b). the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c). the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Indenture for amendments to the Trust Indenture

with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 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 Annual Report or 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 Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates 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 Trust Indenture, 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.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but

excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(a). The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate is to be construed in accordance with and governed by the laws of the State of California.

Date: \_\_\_\_\_, 2026

**MOULTON NIGUEL WATER DISTRICT**

By: \_\_\_\_\_

Johnathan Cruz

Director of Financial Planning and Innovation

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## APPENDIX F

### BOOK ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Certificates (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Certificates (the “Securities”). The Securities will be issued as 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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 rating of AA+ from S&P Global Ratings. 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](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Prepayment notices shall be sent to DTC. If less than all of the Securities within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment 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 Issuer or Agent, 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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**APPENDIX G**

**CURRENT WATER RATES**

**RATES FOR VOLUMETRIC WATER CHARGE EFFECTIVE JANUARY 1, 2026 (\$/HCF)\***

<u>Tiers</u>	<u>Single-Family, Multi-Family</u>	<u>Commercial, Potable Irrigation</u>	<u>Recvcled Irrigation</u>
Tier 1	\$2.76	\$3.34	\$1.96
Tier 2	\$3.34	\$4.75	\$4.23
Tier 3	\$4.75	\$7.26	\$6.69
Tier 4	\$7.26	\$11.31	\$10.79
Tier 5	\$11.31	—	—

**RATES FOR VOLUMETRIC WATER CHARGE EFFECTIVE JANUARY 1, 2027 (\$/HCF)**

<u>Tiers</u>	<u>Single-Family, Multi-Family</u>	<u>Commercial, Potable Irrigation</u>	<u>Recvcled Irrigation</u>
Tier 1	\$3.06	\$3.70	\$2.14
Tier 2	\$3.70	\$5.11	\$4.50
Tier 3	\$5.11	\$7.62	\$6.95
Tier 4	\$7.62	\$11.67	\$11.06
Tier 5	\$11.67	—	—

**RATES FOR VOLUMETRIC WATER CHARGE EFFECTIVE JANUARY 1, 2028 (\$/HCF)**

<u>Tiers</u>	<u>Single-Family, Multi-Family</u>	<u>Commercial, Potable Irrigation</u>	<u>Recvcled Irrigation</u>
Tier 1	\$3.41	\$4.12	\$2.35
Tier 2	\$4.12	\$5.53	\$4.79
Tier 3	\$5.53	\$8.04	\$7.24
Tier 4	\$8.04	\$12.09	\$11.35
Tier 5	\$12.09	—	—

**RATES FOR VOLUMETRIC WATER CHARGE EFFECTIVE JANUARY 1, 2029 (\$/HCF)**

<u>Tiers</u>	<u>Single-Family, Multi-Family</u>	<u>Commercial, Potable Irrigation</u>	<u>Recvcled Irrigation</u>
Tier 1	\$3.62	\$4.39	\$2.59
Tier 2	\$4.39	\$5.80	\$5.14
Tier 3	\$5.80	\$8.30	\$7.59
Tier 4	\$8.30	\$12.36	\$11.70
Tier 5	\$12.36	—	—

ccc

**RATES FOR MONTHLY WATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2026 (\$/METER SIZE)**

<u>Meter Size</u>	<u>Single-Family</u>	<u>Multi-Family</u>	<u>Commercial</u>	<u>Potable Irrigation</u>	<u>Recycled Irrigation</u>	<u>Private Fire Protection*</u>
5/8"	\$11.13	\$12.31	\$5.11	\$21.83	\$21.83	\$6.38
3/4"	\$11.13	\$12.31	\$5.11	\$21.83	\$21.83	\$6.38
1"	\$11.13	\$12.31	\$5.11	\$21.83	\$21.83	\$6.38
1 1/2"	\$36.38	\$25.76	\$17.03	\$72.76	\$72.76	\$21.26
2"	\$58.03	\$37.29	\$27.24	\$116.41	\$116.41	\$34.02
2 1/2"						\$54.21
3"	\$126.60	\$73.82	\$59.60	\$254.68	\$254.68	\$74.42
4"	\$216.81	\$121.87	\$102.16	\$436.58	\$436.58	\$127.58
6"	\$451.37	\$246.81	\$212.84	\$909.55	\$909.55	\$265.78
8"	\$649.84	\$352.53	\$306.48	\$1,309.74	\$1,309.74	\$382.73
10"	\$1,046.78	\$563.97	\$493.78	\$2,110.15	\$2,110.15	\$616.62

\*Water Service Charges for Private Fire Protection customers are assessed on the basis of the connection size.

**RATES FOR MONTHLY WATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2027 (\$/METER SIZE)**

<u>Meter Size</u>	<u>Single-Family</u>	<u>Multi-Family</u>	<u>Commercial</u>	<u>Potable Irrigation</u>	<u>Recycled Irrigation</u>	<u>Fire Protection*</u>
5/8"	\$12.12	\$13.41	\$5.56	\$23.78	\$23.88	\$6.95
3/4"	\$12.12	\$13.41	\$5.56	\$23.78	\$23.88	\$6.95
1"	\$12.12	\$13.41	\$5.56	\$23.78	\$23.88	\$6.95
1 1/2"	\$39.64	\$28.06	\$18.55	\$79.26	\$79.60	\$23.16
2"	\$63.22	\$40.63	\$29.68	\$126.83	\$127.36	\$37.06
2 1/2"	-	-	-	-	-	\$59.06
3"	\$137.93	\$80.42	\$64.93	\$277.46	\$278.62	\$81.08
4"	\$236.21	\$132.77	\$111.30	\$475.63	\$477.62	\$138.99
6"	\$491.75	\$268.89	\$231.88	\$990.91	\$995.05	\$289.56
8"	\$707.97	\$384.06	\$333.90	\$1,426.90	\$1,432.86	\$416.96
10"	\$1,140.42	\$614.42	\$537.95	\$2,298.91	\$2,308.51	\$671.78

\*Water Service Charges for Private Fire Protection customers are assessed on the basis of the connection size.

**RATES FOR MONTHLY WATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2028 (\$/METER SIZE)**

<b>Meter Size</b>	<b>Single-Family</b>	<b>Multi-Family</b>	<b>Commercial</b>	<b>Potable Irrigation</b>	<b>Recycled Irrigation</b>	<b>Private Fire Protection*</b>
5/8"	\$13.20	\$14.60	\$6.06	\$25.90	\$26.20	\$7.57
3/4"	\$13.20	\$14.60	\$6.06	\$25.90	\$26.20	\$7.57
1"	\$13.20	\$14.60	\$6.06	\$25.90	\$26.20	\$7.57
1 1/2"	\$43.16	\$30.56	\$20.20	\$86.32	\$87.32	\$25.22
2"	\$68.85	\$44.24	\$32.32	\$138.12	\$139.71	\$40.36
2 1/2"						\$64.32
3"	\$150.20	\$87.58	\$70.71	\$302.16	\$305.65	\$88.29
4"	\$257.23	\$144.59	\$121.21	\$517.97	\$523.95	\$151.36
6"	\$535.51	\$292.82	\$252.51	\$1,079.10	\$1,091.57	\$315.33
8"	\$770.98	\$418.24	\$363.62	\$1,553.90	\$1,571.85	\$454.07
10"	\$1,241.91	\$669.10	\$585.83	\$2,503.51	\$2,532.43	\$731.56

\*Water Service Charges for Private Fire Protection customers are assessed on the basis of connection size.

**RATES FOR MONTHLY WATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2029 (\$/METER SIZE)**

<b>Meter Size</b>	<b>Single-Family</b>	<b>Multi-Family</b>	<b>Commercial</b>	<b>Potable Irrigation</b>	<b>Recycled Irrigation</b>	<b>Private Fire Protection*</b>
5/8"	\$14.37	\$15.89	\$6.60	\$28.19	\$28.88	\$8.24
3/4"	\$14.37	\$15.89	\$6.60	\$28.19	\$28.88	\$8.24
1"	\$14.37	\$15.89	\$6.60	\$28.19	\$28.88	\$8.24
1 1/2"	\$46.98	\$33.27	\$21.99	\$93.96	\$96.27	\$27.46
2"	\$74.94	\$48.16	\$35.18	\$150.34	\$154.03	\$43.93
2 1/2"						\$70.01
3"	\$163.50	\$95.33	\$76.96	\$328.90	\$336.97	\$96.11
4"	\$279.99	\$157.38	\$131.93	\$563.81	\$577.65	\$164.75
6"	\$582.91	\$318.74	\$274.86	\$1,174.61	\$1,203.46	\$343.24
8"	\$839.21	\$455.26	\$395.80	\$1,691.42	\$1,732.96	\$494.26
10"	\$1,351.82	\$728.31	\$637.68	\$2,725.07	\$2,792.01	\$796.31

\*Water Service Charges for Private Fire Protection customers are assessed on the basis of the connection size.

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**APPENDIX H**

**CURRENT WASTEWATER RATES**

**RATES FOR WASTEWATER VARIABLE CHARGE  
EFFECTIVE JANUARY 1, 2026 (\$/PERSON IN HOUSEHOLD)**

<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
\$5.89	\$5.89	-	-	-	-

**RATES FOR WASTEWATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2026 (\$/METER SIZE)**

<u>Meter Size</u>	<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
5/8"	\$28.88	\$33.70	\$35.72	\$79.95	\$154.86	\$171.68
3/4"	\$28.88	\$33.70	\$35.72	\$79.95	\$154.86	\$171.68
1"	\$28.88	\$33.70	\$35.72	\$79.95	\$154.86	\$171.68
1 1/2"	\$28.88	\$100.85	\$107.57	\$255.01	\$504.66	\$560.74
2"	\$28.88	\$158.41	\$169.16	\$405.07	\$804.53	\$894.26
3"	\$28.88	\$340.70	\$364.23	\$880.33	\$1,754.23	\$1,950.52
4"	\$28.88	\$580.52	\$620.87	\$1,505.58	\$3,003.66	\$3,340.14
6"	\$28.88	\$1,204.10	\$1,288.15	\$3,131.32	\$6,252.33	\$6,953.35
8"	\$28.88	\$1,731.73	\$1,852.75	\$4,506.90	\$9,001.12	\$10,010.58
10"	\$28.88	\$2,787.00	\$2,981.99	\$7,258.14	\$14,498.85	\$16,125.21

**RATES FOR WASTEWATER VARIABLE CHARGE  
EFFECTIVE JANUARY 1, 2027 (\$/PERSON IN HOUSEHOLD)**

<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
\$6.57	\$6.57	-	-	-	-

**RATES FOR WASTEWATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2027 (\$/METER SIZE)**

<u>Meter Size</u>	<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
5/8"	\$32.20	\$37.58	\$39.83	\$89.15	\$172.67	\$191.43
3/4"	\$32.20	\$37.58	\$39.83	\$89.15	\$172.67	\$191.43
1"	\$32.20	\$37.58	\$39.83	\$89.15	\$172.67	\$191.43
1 1/2"	\$32.20	\$112.44	\$119.94	\$284.33	\$562.70	\$625.22
2"	\$32.20	\$176.62	\$188.62	\$451.66	\$897.05	\$997.10
3"	\$32.20	\$379.88	\$406.12	\$981.57	\$1,955.97	\$2,174.83
4"	\$32.20	\$647.28	\$692.26	\$1,678.72	\$3,349.08	\$3,724.26
6"	\$32.20	\$1,342.57	\$1,436.29	\$3,491.42	\$6,971.35	\$7,752.99
8"	\$32.20	\$1,930.87	\$2,065.82	\$5,025.19	\$10,036.25	\$11,161.80
10"	\$32.20	\$3,107.51	\$3,324.92	\$8,092.82	\$16,166.22	\$17,979.61

**RATES FOR WASTEWATER VARIABLE CHARGE  
EFFECTIVE JANUARY 1, 2028 (\$/PERSON IN HOUSEHOLD)**

<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
\$7.33	\$7.33	-	-	-	-

**RATES FOR WASTEWATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2028 (\$/METER SIZE)**

<u>Meter Size</u>	<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
5/8"	\$35.90	\$41.90	\$44.41	\$99.40	\$192.52	\$213.44
3/4"	\$35.90	\$41.90	\$44.41	\$99.40	\$192.52	\$213.44
1"	\$35.90	\$41.90	\$44.41	\$99.40	\$192.52	\$213.44
1 1/2"	\$35.90	\$125.37	\$133.73	\$317.03	\$627.41	\$697.12
2"	\$35.90	\$196.93	\$210.31	\$503.60	\$1,000.22	\$1,111.76
3"	\$35.90	\$423.56	\$452.82	\$1,094.45	\$2,180.91	\$2,424.94
4"	\$35.90	\$721.72	\$771.88	\$1,871.78	\$3,734.22	\$4,152.55
6"	\$35.90	\$1,496.97	\$1,601.46	\$3,892.94	\$7,773.06	\$8,644.58
8"	\$35.90	\$2,152.92	\$2,303.39	\$5,603.09	\$11,190.42	\$12,445.41
10"	\$35.90	\$3,464.87	\$3,707.29	\$9,023.50	\$18,025.34	\$20,047.27

**RATES FOR WASTEWATER VARIABLE CHARGE  
EFFECTIVE JANUARY 1, 2029 (\$/PERSON IN HOUSEHOLD)**

<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
\$8.17	\$8.17	-	-	-	-

**RATES FOR WASTEWATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2029 (\$/METER SIZE)**

<u>Meter Size</u>	<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
5/8"	\$40.03	\$46.72	\$49.51	\$110.83	\$214.66	\$237.99
3/4"	\$40.03	\$46.72	\$49.51	\$110.83	\$214.66	\$237.99
1"	\$40.03	\$46.72	\$49.51	\$110.83	\$214.66	\$237.99
1 1/2"	\$40.03	\$139.79	\$149.11	\$353.49	\$699.56	\$777.29
2"	\$40.03	\$219.58	\$234.49	\$561.51	\$1,115.24	\$1,239.62
3"	\$40.03	\$472.27	\$504.90	\$1,220.31	\$2,431.71	\$2,703.81
4"	\$40.03	\$804.72	\$860.64	\$2,087.03	\$4,163.65	\$4,630.09
6"	\$40.03	\$1,669.12	\$1,785.63	\$4,340.62	\$8,666.96	\$9,638.71
8"	\$40.03	\$2,400.51	\$2,568.28	\$6,247.45	\$12,477.32	\$13,876.63
10"	\$40.03	\$3,863.33	\$4,133.63	\$10,061.20	\$20,098.25	\$22,352.70

**APPENDIX I**

**ADOPTED WATER AND WASTEWATER RATES RESOLUTION**

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**RESOLUTION NO. 25-10**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE MOULTON NIGUEL WATER DISTRICT,  
ADOPTING RATE INCREASES IN WATER, RECYCLED WATER, AND  
WASTEWATER SERVICE FEES, AND CONSTRUCTION SERVICE FEES AND  
FINDING THE RATE INCREASE EXEMPT FROM REVIEW UNDER THE  
CALIFORNIA ENVIRONMENTAL QUALITY ACT PURSUANT TO STATE CEQA  
GUIDELINES SECTION 15273(A) (RATES, TOLLS, FARES, AND CHARGES) AND  
PUBLIC RESOURCES CODE SECTION 21080(B)(8)**

**WHEREAS**, the Moulton Niguel Water District (“District”) is organized and operates pursuant to California Water Code Section 34000, *et seq.*; and

**WHEREAS**, the District is authorized to fix and collect charges for the provision of services and facilities including water, recycled water, and wastewater services; and

**WHEREAS**, the District has determined that it is necessary to increase the rates for its water, recycled water, and sewer services fees (collectively herein, the “Fees”) to: (1) recover current and projected increases in the costs of operating and maintaining the water, recycled water, and wastewater systems; (2) construct capital infrastructure improvements needed to repair, refurbish, replace and update the District’s water, recycled water, and wastewater systems; (3) maintain the operational and financial stability of the utilities; (4) avoid operational deficits and depletion of reserves; and (5) comply with regulatory requirements; and

**WHEREAS**, the proposed rate structure for water service fees has five customer classes: single-family and multi-family residential (collectively “residential”), commercial, potable irrigation, recycled irrigation, and private fire protection. The rate structure is comprised of two components: (1) a fixed monthly service charge (the “Service Charge”); and (2) a variable volumetric water consumption charge (the “Volumetric Charge”), except for private fire protection accounts which are not charged for water used for the purpose of fire suppression; and

**WHEREAS**, residential customers are given an indoor and an outdoor water budget. Indoor water budgets are calculated using three factors: (1) 55 gallons of water per person per day; (2) the number of people in the household; and (3) the number of days in the billing cycle. Their outdoor water budgets are calculated using 3 factors: (1) the amount of irrigable area per parcel; (2) actual daily plant water loss (“evapotranspiration”); and (3) a “landscaping factor” of 0.70 that reflects the water needs of specific types of plants that are native to the District’s service area and guidelines provided by State law. All water used by a residential customer within his or her calculated indoor and outdoor water budgets is billed at the Tier 1 and Tier 2 rates set forth in Exhibit A to this Resolution; and

**WHEREAS**, commercial customers’ water budgets are calculated based on a three-year rolling average of each customer’s monthly water use. For commercial customers with less than 3-years of data, the water budgets are calculated as follows: (a) for the first year, the customer’s budget is equal to water used; and (b) for the 2nd year, it is an average of current and the

previous year's usage in that month weighted by the number of days in each bill period. All water used by a commercial customer within his or her assigned water budget is billed at the Tier 1 rates set forth in Exhibit A to this Resolution; and

**WHEREAS**, potable irrigation water customers only have an outdoor water budget. Their water budgets are calculated using 3 factors: (1) the amount of irrigable area per parcel; (2) evapotranspiration; and (3) a landscaping factor of 0.70, except for high foot traffic public space areas that have a landscaping factor of 1.0. All water used by a potable irrigation customer within his or her assigned outdoor water budget is billed at the Tier 1 rates set forth in Exhibit A to this Resolution; and

**WHEREAS**, recycled irrigation customers only have an outdoor water budget. Their water budgets are calculated using 3 factors: (1) the amount of irrigable area per parcel; (2) evapotranspiration; and (3) a landscaping factor of 0.80, except for high foot traffic public space areas that have a landscaping factor of 1.0. All water used by a recycled irrigation customer within his or her assigned outdoor water budget is billed at the Tier 1 rates set forth Exhibit A to this Resolution; and

**WHEREAS**, the District purchases water from the Metropolitan Water District of Southern California ("MWD") through the Municipal Water District of Orange County ("MWDOC"); and

**WHEREAS**, the District anticipates that MWDOC will increase the rates of wholesale water that it sells and delivers to the District and may impose other charges on the District related to its wholesale water service. In developing its rates, the District included projected increases in these costs as part of its long-range financial plan. To ensure that there are sufficient revenues to provide water services to customers, the District may annually pass through to customers: (1) any increases in the rates for wholesale water and any other charges that MWDOC imposes on the District that are greater than those projected in the District's long-range financial plan (each a "MWDOC Pass Through Adjustment"); and

**WHEREAS**, the wastewater rate structure consists of three customer classes: single-family residential ("SFR"), multi-family residential ("MFR"), and commercial. Within the commercial customer class there are 4 subclasses of customers. The subclasses are classified based on the type of commercial activity and the constituents that they discharge into the wastewater system; and

**WHEREAS**, the proposed rates for the wastewater service fees for commercial customers, set forth in Exhibit A to this Resolution, consist of a fixed monthly charge ("Service Charge") determined on the basis of the size of the meter serving a property; and

**WHEREAS**, the proposed rates for the wastewater service fees for SFR and MFR customers, set forth in Exhibit A to this Resolution, consist of two components: (1) a Service Charge and (2) a variable charge ("Variable Charge") based on the number of people in the household from historical averages or updates provided to the District through the customer budget modification process.

However, SFR customers are charged only one rate for the monthly Service Charge (the equivalent of a one inch meter) since any residential account with a meter larger than one inch is likely to meet outdoor irrigation needs; and

**WHEREAS**, the revenues derived from the proposed Fees will not exceed the funds required to provide the services and shall be used exclusively for the purposes for which they are imposed; and

**WHEREAS**, the Fees are equitable to all customer classes;

**WHEREAS**, the amount of the proposed Fees will not exceed the proportional cost of the services attributable to each parcel upon which they are proposed for imposition; and

**WHEREAS**, the proposed Fees will not be imposed on a parcel unless the services are actually used by, or immediately available to, the owner of the parcel; and

**WHEREAS**, article XIII D, section 6 of the California Constitution (“Article XIII D”) requires that prior to imposing any new property-related fee such as the Fees, or increase to the existing Fees, the District shall provide written notice (the “Notice”) by mail of the proposed increases to the Fees to the record owner of each parcel upon which the Fees are proposed for imposition and any tenant directly liable for payment of the Fees, the amount of the Fees proposed to be imposed on each parcel, the basis upon which the Fees were calculated, the reason for the Fees, and the date time and location of a public hearing (the “Hearing”) on the proposed Fees; and

**WHEREAS**, pursuant to Article XIII D such Notice is required to be provided to the affected property owners and tenants not less than forty-five days prior to the Hearing on the proposed Fees; and

**WHEREAS**, in compliance with Government Code section 53759.1, the District provided information to the public informing them of the District’s administrative remedy, which must be exhausted prior to bringing suit; and

**WHEREAS**, the District did provide such Notice to the affected property owners and tenants in compliance with Article XIII D, with all information required under Government Code section 53759.1; and

**WHEREAS**, on December 11, 2025, after reviewing all objections and responses, the District Board determined to open the Hearing; and

**WHEREAS**, at the Hearing, the Board of Directors of the District (“Board”) considered all written materials and written protests to the proposed rate increases to the Fees received prior to the close of the Hearing, and heard oral testimony concerning the establishment and imposition of the proposed rate increases to the Fees, and at the close of the Hearing the District determined that it did not receive written protests against the establishment and imposition of the proposed Fees from a majority of the affected property owners or tenants directly liable for the payment of such Fees; and

**WHEREAS**, the Board of Directors now desires to establish and adopt the proposed Fees for a four-year period and authorize MWDOC Pass Through Adjustments for a five-year period; and

**WHEREAS**, the Board of Directors has further determined that it is appropriate to increase the rates for the District's construction water service fee and the temporary water meter fee.

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT AS FOLLOWS:**

1. Incorporation of Recitals:

The Recitals set forth above are made findings of this Board of Directors and are incorporated herein and made an operative part of this Resolution.

2. Inconsistency with other Fees:

To the extent any Fees established by this Resolution are inconsistent with the Fees, the construction water service fee, or the temporary water meter fee previously adopted by the Board of Directors; it is the explicit intention of the Board of Directors that the Fees, the construction water service fee, and the temporary water meter fee adopted pursuant to this Resolution shall prevail.

3. Water Service Fees:

The Board of Directors hereby adopts the monthly water service fees in the amounts, on the dates, and at the rates (including associated tier widths) set forth in Exhibit A, attached hereto and incorporated herein by this reference. The monthly water service fees shall be applied to water services provided on and after the effective date of each year as set as forth in Exhibit A.

4. Recycled Water Service Fees:

The Board hereby adopts the monthly recycled water service fees in the amounts, on the dates, and at the rates set forth in Exhibit A. The monthly recycled water service fees shall be effective and applied to recycled water services provided on and after the effective of each year as set forth in Exhibit A.

5. Wastewater Service Fees:

The Board hereby adopts the monthly wastewater service fees in the amounts, on the dates, and at the rates set forth in Exhibit A. The monthly wastewater service fees shall be effective and applied to wastewater services provided on and after the effective date of each year as set forth in Exhibit A.

6. Pass Through Adjustments:

(a) The District is hereby authorized to annually implement any MWDOC Pass Through Adjustment commencing January 1, 2026, and any time thereafter through the end of calendar year commencing January 1, 2030, to pass through the increased rates adopted by MWDOC and imposed on the District. Provided, however, that: (1) any increase in the rates for water service fees as a result of any MWDOC Pass Through Adjustment shall not exceed 20% per year; (2) any MWDOC Pass Through Adjustment shall only affect the rates for the potable water Volumetric Charge set forth in Exhibit A; and (3) in no event shall such rates be increased as a result of a MWDOC Pass Through Adjustment by more than the cost of providing water service.

7. Temporary Water Meter Fees and Construction Water Service Fees:

The Board finds that the temporary water meter fees and construction water service fees are imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and the proposed rates do not exceed the reasonable costs to the District of providing such government services or products. Accordingly, the Board hereby adopts the rates set forth in Exhibit A for: (a) fees imposed for water used for temporary construction purposes (“Construction Water Service Fees”), where a temporary water meter is used; and (b) the fee for use of a District temporary water meter (“Temporary Water Meter Fee”). The Construction Water Service Fees and Temporary Water Meter Fee are hereby approved in the amounts, on the dates, and at the rates set forth in Exhibit A.

8. Authorization:

The General Manager is hereby authorized and directed to take all actions necessary to implement and collect the Fees, the Construction Water Service Fees, and the Temporary Water Meter Fees set forth herein, and to effectuate the purposes of this Resolution. The General Manager, or her authorized designee, is hereby authorized and directed to revise “Exhibit B” of the District’s Rules and Regulations to reflect the rates for the Fees, the Construction Water Service Fee, and the Temporary Water Meter Fee set forth in Exhibit A and as approved by the Board of Directors pursuant to this Resolution.

9. CEQA Compliance:

The Board of Directors finds that the administration, operation, maintenance, and improvements of the District’s water, recycled water, and wastewater systems, which are to be funded by the Fees, the Construction Water Service Fee, and the Temporary Water Meter Fee, and set forth herein, are necessary to maintain service within the District’s existing water, recycled water, and wastewater service areas as described herein. The Board of Directors further finds that the administration, operation, maintenance and improvements of the District water, recycled water, and wastewater systems, to be funded by the Fees, the Construction Water Service Fee, and the Temporary Water Meter Fee, will not expand the District’s water, recycled, and wastewater systems. The Board of Directors further finds that the adoption of the rates and charges is necessary and reasonable to fund the administration, operation, maintenance and improvements of the District water, recycled water, and wastewater systems. Based on these findings, the Board determines that the adoption of the Fees, the Construction Water Service Fee, and the Temporary Water Meter Fee established by this Resolution are exempt from the

requirements of the California Environmental Quality Act pursuant to section 21080(b)(8) of the Public Resources Code and section 15273(a) of the State CEQA Guidelines.

10. Severability:

If any section, subsection, clause or phrase in this Resolution or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of this Resolution or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

11. Effective Date of Resolution.

This Resolution shall take effect immediately upon its adoption.

**ADOPTED, SIGNED and APPROVED** this 11<sup>th</sup> day of December, 2025.

**MOULTON NIGUEL WATER DISTRICT**



Vice President

MOULTON NIGUEL WATER DISTRICT  
and of the Board of Directors thereof



Secretary

MOULTON NIGUEL WATER DISTRICT  
and of the Board of Directors thereof

**EXHIBIT "A"**

**SCHEDULE OF RATES AND CHARGES**

**TIER WIDTHS FOR WATER VOLUMETRIC CHARGES  
EFFECTIVE JANUARY 1, 2026**

<u>Tiers</u>	<u>Single-Family, Multi-Family</u>	<u>Commercial, Irrigation and Recycled</u>
Tier 1	Up to Indoor Water Budget	Up to Total Water Budget
Tier 2	Indoor Water Budget up to Total Water Budget	101% to 125% of Water Budget
Tier 3	101% to 125% of Water Budget	126% to 150% of Water Budget
Tier 4	126% to 150% of Water Budget	Over 150% of Water Budget
Tier 5	Over 150% of Water Budget	—

**RATES FOR MONTHLY WATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2026 (\$/METER SIZE)**

<u>Meter Size</u>	<u>Single-Family</u>	<u>Multi-Family</u>	<u>Commercial</u>	<u>Potable Irrigation</u>	<u>Recycled Irrigation</u>	<u>Private Fire Protection*</u>
5/8"	\$11.13	\$12.31	\$5.11	\$21.83	\$21.83	\$6.38
3/4"	\$11.13	\$12.31	\$5.11	\$21.83	\$21.83	\$6.38
1"	\$11.13	\$12.31	\$5.11	\$21.83	\$21.83	\$6.38
1 1/2"	\$36.38	\$25.76	\$17.03	\$72.76	\$72.76	\$21.26
2"	\$58.03	\$37.29	\$27.24	\$116.41	\$116.41	\$34.02
2 1/2"						\$54.21
3"	\$126.60	\$73.82	\$59.60	\$254.68	\$254.68	\$74.42
4"	\$216.81	\$121.87	\$102.16	\$436.58	\$436.58	\$127.58
6"	\$451.37	\$246.81	\$212.84	\$909.55	\$909.55	\$265.78
8"	\$649.84	\$352.53	\$306.48	\$1,309.74	\$1,309.74	\$382.73
10"	\$1,046.78	\$563.97	\$493.78	\$2,110.15	\$2,110.15	\$616.62

\*Water Service Charges for Private Fire Protection customers are assessed on the basis of the connection size.

**RATES FOR VOLUMETRIC WATER CHARGE EFFECTIVE JANUARY 1, 2026 (\$/HCF)\***

<u>Tiers</u>	<u>Single-Family, Multi-Family</u>	<u>Commercial, Potable Irrigation</u>	<u>Recycled Irrigation</u>
Tier 1	\$2.76	\$3.34	\$1.96
Tier 2	\$3.34	\$4.75	\$4.23
Tier 3	\$4.75	\$7.26	\$6.69
Tier 4	\$7.26	\$11.31	\$10.79
Tier 5	\$11.31	—	—

\*One HCF is equal to one hundred cubic feet, or 748 gallons.

**RATES FOR MONTHLY WATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2027 (\$/METER SIZE)**

<u>Meter Size</u>	<u>Single-Family</u>	<u>Multi-Family</u>	<u>Commercial</u>	<u>Potable Irrigation</u>	<u>Recycled Irrigation</u>	<u>Fire Protection*</u>
5/8"	\$12.12	\$13.41	\$5.56	\$23.78	\$23.88	\$6.95
3/4"	\$12.12	\$13.41	\$5.56	\$23.78	\$23.88	\$6.95
1"	\$12.12	\$13.41	\$5.56	\$23.78	\$23.88	\$6.95
1 1/2"	\$39.64	\$28.06	\$18.55	\$79.26	\$79.60	\$23.16
2"	\$63.22	\$40.63	\$29.68	\$126.83	\$127.36	\$37.06
2 1/2"	-	-	-	-	-	\$59.06
3"	\$137.93	\$80.42	\$64.93	\$277.46	\$278.62	\$81.08
4"	\$236.21	\$132.77	\$111.30	\$475.63	\$477.62	\$138.99
6"	\$491.75	\$268.89	\$231.88	\$990.91	\$995.05	\$289.56
8"	\$707.97	\$384.06	\$333.90	\$1,426.90	\$1,432.86	\$416.96
10"	\$1,140.42	\$614.42	\$537.95	\$2,298.91	\$2,308.51	\$671.78

\*Water Service Charges for Private Fire Protection customers are assessed on the basis of the connection size.

**RATES FOR VOLUMETRIC WATER CHARGE EFFECTIVE JANUARY 1, 2027 (\$/HCF)**

<u>Tiers</u>	<u>Single-Family, Multi-Family</u>	<u>Commercial, Potable Irrigation</u>	<u>Recycled Irrigation</u>
Tier 1	\$3.06	\$3.70	\$2.14
Tier 2	\$3.70	\$5.11	\$4.50
Tier 3	\$5.11	\$7.62	\$6.95
Tier 4	\$7.62	\$11.67	\$11.06
Tier 5	\$11.67	—	—

**RATES FOR MONTHLY WATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2028 (\$/METER SIZE)**

<u>Meter Size</u>	<u>Single-Family</u>	<u>Multi-Family</u>	<u>Commercial</u>	<u>Potable Irrigation</u>	<u>Recycled Irrigation</u>	<u>Private Fire Protection*</u>
5/8"	\$13.20	\$14.60	\$6.06	\$25.90	\$26.20	\$7.57
3/4"	\$13.20	\$14.60	\$6.06	\$25.90	\$26.20	\$7.57
1"	\$13.20	\$14.60	\$6.06	\$25.90	\$26.20	\$7.57
1 1/2"	\$43.16	\$30.56	\$20.20	\$86.32	\$87.32	\$25.22
2"	\$68.85	\$44.24	\$32.32	\$138.12	\$139.71	\$40.36
2 1/2"						\$64.32
3"	\$150.20	\$87.58	\$70.71	\$302.16	\$305.65	\$88.29
4"	\$257.23	\$144.59	\$121.21	\$517.97	\$523.95	\$151.36
6"	\$535.51	\$292.82	\$252.51	\$1,079.10	\$1,091.57	\$315.33
8"	\$770.98	\$418.24	\$363.62	\$1,553.90	\$1,571.85	\$454.07
10"	\$1,241.91	\$669.10	\$585.83	\$2,503.51	\$2,532.43	\$731.56

\*Water Service Charges for Private Fire Protection customers are assessed on the basis of connection size.

**RATES FOR VOLUMETRIC WATER CHARGE EFFECTIVE JANUARY 1, 2028 (\$/HCF)**

<u>Tiers</u>	<u>Single-Family, Multi-Family</u>	<u>Commercial, Potable Irrigation</u>	<u>Recycled Irrigation</u>
Tier 1	\$3.41	\$4.12	\$2.35
Tier 2	\$4.12	\$5.53	\$4.79
Tier 3	\$5.53	\$8.04	\$7.24
Tier 4	\$8.04	\$12.09	\$11.35
Tier 5	\$12.09	—	—

**RATES FOR MONTHLY WATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2029 (\$/METER SIZE)**

<u>Meter Size</u>	<u>Single-Family</u>	<u>Multi-Family</u>	<u>Commercial</u>	<u>Potable Irrigation</u>	<u>Recycled Irrigation</u>	<u>Private Fire Protection*</u>
5/8"	\$14.37	\$15.89	\$6.60	\$28.19	\$28.88	\$8.24
3/4"	\$14.37	\$15.89	\$6.60	\$28.19	\$28.88	\$8.24
1"	\$14.37	\$15.89	\$6.60	\$28.19	\$28.88	\$8.24
1 1/2"	\$46.98	\$33.27	\$21.99	\$93.96	\$96.27	\$27.46
2"	\$74.94	\$48.16	\$35.18	\$150.34	\$154.03	\$43.93
2 1/2"						\$70.01
3"	\$163.50	\$95.33	\$76.96	\$328.90	\$336.97	\$96.11
4"	\$279.99	\$157.38	\$131.93	\$563.81	\$577.65	\$164.75
6"	\$582.91	\$318.74	\$274.86	\$1,174.61	\$1,203.46	\$343.24
8"	\$839.21	\$455.26	\$395.80	\$1,691.42	\$1,732.96	\$494.26
10"	\$1,351.82	\$728.31	\$637.68	\$2,725.07	\$2,792.01	\$796.31

\*Water Service Charges for Private Fire Protection customers are assessed on the basis of the connection size.

**RATES FOR VOLUMETRIC WATER CHARGE EFFECTIVE JANUARY 1, 2029 (\$/HCF)**

<u>Tiers</u>	<u>Single-Family, Multi-Family</u>	<u>Commercial, Potable Irrigation</u>	<u>Recycled Irrigation</u>
Tier 1	\$3.62	\$4.39	\$2.59
Tier 2	\$4.39	\$5.80	\$5.14
Tier 3	\$5.80	\$8.30	\$7.59
Tier 4	\$8.30	\$12.36	\$11.70
Tier 5	\$12.36	—	—

**RATES FOR TEMPORARY WATER METERS AND CONSTRUCTION WATER SERVICE FEES**

	<u>Effective</u> <u>January 1, 2026</u>	<u>Effective</u> <u>January 1, 2027</u>	<u>Effective</u> <u>January 1, 2028</u>	<u>Effective</u> <u>January 1, 2029</u>
Temporary Water Meter Fee (\$/Month)	\$197.08	\$214.72	\$233.83	\$254.52
Construction Water Service Fee (\$/HCF)				
Potable Water	\$3.34	\$3.70	\$4.12	\$4.39
Construction Water Service Fee (\$/HCF)				
Recycled Water	\$2.96	\$3.24	\$3.55	\$3.92

**RATES FOR WASTEWATER VARIABLE CHARGE**  
**EFFECTIVE JANUARY 1, 2026 (\$/PERSON IN HOUSEHOLD)**

<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
\$5.89	\$5.89	-	-	-	-

**RATES FOR WASTEWATER SERVICE CHARGE**  
**EFFECTIVE JANUARY 1, 2026 (\$/METER SIZE)**

<u>Meter</u> <u>Size</u>	<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
5/8"	\$28.88	\$33.70	\$35.72	\$79.95	\$154.86	\$171.68
3/4"	\$28.88	\$33.70	\$35.72	\$79.95	\$154.86	\$171.68
1"	\$28.88	\$33.70	\$35.72	\$79.95	\$154.86	\$171.68
1 1/2"	\$28.88	\$100.85	\$107.57	\$255.01	\$504.66	\$560.74
2"	\$28.88	\$158.41	\$169.16	\$405.07	\$804.53	\$894.26
3"	\$28.88	\$340.70	\$364.23	\$880.33	\$1,754.23	\$1,950.52
4"	\$28.88	\$580.52	\$620.87	\$1,505.58	\$3,003.66	\$3,340.14
6"	\$28.88	\$1,204.10	\$1,288.15	\$3,131.32	\$6,252.33	\$6,953.35
8"	\$28.88	\$1,731.73	\$1,852.75	\$4,506.90	\$9,001.12	\$10,010.58
10"	\$28.88	\$2,787.00	\$2,981.99	\$7,258.14	\$14,498.85	\$16,125.21

**RATES FOR WASTEWATER VARIABLE CHARGE  
EFFECTIVE JANUARY 1, 2027 (\$/PERSON IN HOUSEHOLD)**

<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
\$6.57	\$6.57	-	-	-	-

**RATES FOR WASTEWATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2027 (\$/METER SIZE)**

<u>Meter Size</u>	<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
5/8"	\$32.20	\$37.58	\$39.83	\$89.15	\$172.67	\$191.43
3/4"	\$32.20	\$37.58	\$39.83	\$89.15	\$172.67	\$191.43
1"	\$32.20	\$37.58	\$39.83	\$89.15	\$172.67	\$191.43
1 1/2"	\$32.20	\$112.44	\$119.94	\$284.33	\$562.70	\$625.22
2"	\$32.20	\$176.62	\$188.62	\$451.66	\$897.05	\$997.10
3"	\$32.20	\$379.88	\$406.12	\$981.57	\$1,955.97	\$2,174.83
4"	\$32.20	\$647.28	\$692.26	\$1,678.72	\$3,349.08	\$3,724.26
6"	\$32.20	\$1,342.57	\$1,436.29	\$3,491.42	\$6,971.35	\$7,752.99
8"	\$32.20	\$1,930.87	\$2,065.82	\$5,025.19	\$10,036.25	\$11,161.80
10"	\$32.20	\$3,107.51	\$3,324.92	\$8,092.82	\$16,166.22	\$17,979.61

**RATES FOR WASTEWATER VARIABLE CHARGE  
EFFECTIVE JANUARY 1, 2028 (\$/PERSON IN HOUSEHOLD)**

<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
\$7.33	\$7.33	-	-	-	-

**RATES FOR WASTEWATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2028 (\$/METER SIZE)**

<u>Meter Size</u>	<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
5/8"	\$35.90	\$41.90	\$44.41	\$99.40	\$192.52	\$213.44
3/4"	\$35.90	\$41.90	\$44.41	\$99.40	\$192.52	\$213.44
1"	\$35.90	\$41.90	\$44.41	\$99.40	\$192.52	\$213.44
1 1/2"	\$35.90	\$125.37	\$133.73	\$317.03	\$627.41	\$697.12
2"	\$35.90	\$196.93	\$210.31	\$503.60	\$1,000.22	\$1,111.76
3"	\$35.90	\$423.56	\$452.82	\$1,094.45	\$2,180.91	\$2,424.94
4"	\$35.90	\$721.72	\$771.88	\$1,871.78	\$3,734.22	\$4,152.55
6"	\$35.90	\$1,496.97	\$1,601.46	\$3,892.94	\$7,773.06	\$8,644.58
8"	\$35.90	\$2,152.92	\$2,303.39	\$5,603.09	\$11,190.42	\$12,445.41
10"	\$35.90	\$3,464.87	\$3,707.29	\$9,023.50	\$18,025.34	\$20,047.27

**RATES FOR WASTEWATER VARIABLE CHARGE  
EFFECTIVE JANUARY 1, 2029 (\$/PERSON IN HOUSEHOLD)**

<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
\$8.17	\$8.17	-	-	-	-

**RATES FOR WASTEWATER SERVICE CHARGE  
EFFECTIVE JANUARY 1, 2029 (\$/METER SIZE)**

<u>Meter Size</u>	<u>SFR</u>	<u>MFR</u>	<u>Commercial 1</u>	<u>Commercial 2</u>	<u>Commercial 3</u>	<u>Commercial 4</u>
5/8"	\$40.03	\$46.72	\$49.51	\$110.83	\$214.66	\$237.99
3/4"	\$40.03	\$46.72	\$49.51	\$110.83	\$214.66	\$237.99
1"	\$40.03	\$46.72	\$49.51	\$110.83	\$214.66	\$237.99
1 1/2"	\$40.03	\$139.79	\$149.11	\$353.49	\$699.56	\$777.29
2"	\$40.03	\$219.58	\$234.49	\$561.51	\$1,115.24	\$1,239.62
3"	\$40.03	\$472.27	\$504.90	\$1,220.31	\$2,431.71	\$2,703.81
4"	\$40.03	\$804.72	\$860.64	\$2,087.03	\$4,163.65	\$4,630.09
6"	\$40.03	\$1,669.12	\$1,785.63	\$4,340.62	\$8,666.96	\$9,638.71
8"	\$40.03	\$2,400.51	\$2,568.28	\$6,247.45	\$12,477.32	\$13,876.63
10"	\$40.03	\$3,863.33	\$4,133.63	\$10,061.20	\$20,098.25	\$22,352.70



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