



**FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
November 18, 2015
8:30 AM
Approximate Meeting Time: 2 Hours**

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE OCTOBER 14, 2015 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
3. PUBLIC COMMENTS
Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

PRESENTATION ITEMS

4. Quarterly Investment Report - Chandler Asset Management

DISCUSSION/ACTION ITEMS

5. Comprehensive Annual Financial Report
6. COMMUNICATION FACILITIES LICENSE PROGRAM UPDATE

It is recommended that the Board of Directors approve the resolution entitled "Adopting the 2015 Communication Facilities License Program Policy and Procedures for Communication Facilities Licenses with Moulton Niguel Water District Properties" and authorize the General Manager or her designee to implement the program and execute agreements on behalf of the District.

INFORMATION ITEMS

7. Bi-monthly to Monthly Conversion
8. Rate Stabilization Reserve Overview
9. Outreach Update

10. Operations Center Consolidation Improvement Project Update
11. Joint Powers Authority Quarterly Update
12. Monthly Financial Report
 - a. Summary of Financial Results
 - b. Budget Comparison Report
 - c. Financial Statements
 - d. Restricted Cash and Investments with Fiscal Agent
 - e. Unrestricted and Restricted Fund Balances
 - f. Summary of Disbursements October 2015
13. Future Agenda Items (Any items added under this section are for discussion at future meetings only)
14. Late Items (Appropriate Findings to be Made)
 - a. Need to take immediate action; and
 - b. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 are present]

ADJOURNMENT

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 831-2500 at least forty-eight (48) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least forty-eight (48) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than seventy-two (72) hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room and on the District website at www.mnwd.com.



DRAFT
MINUTES OF THE REGULAR MEETING OF THE
FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT

October 14, 2015

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 8:30 AM on October 14, 2015. There were present and participating:

DIRECTORS

Duane Cave	Director
Scott Colton	Vice President
Richard Fiore	Director
Donald Froelich	President
Larry Lizotte	Director
Brian Probolsky	Vice President/Chair (arrived at 8:37 a.m.)

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Marc Serna	Director of Engineering & Operations
Gina Hillary	Director of Human Resources
Paige Gulck	Board Secretary
Jeff Ferre	Best, Best, & Krieger (General Counsel)
Trevor Agrelius	MNWD
Drew Atwater	MNWD
Tim Bonita	MNWD
Johnathan Cruz	MNWD
Megan Schneider	MNWD
Carole Wayman-Piascik	MNWD
Michael Bell	Michael Bell Management Consulting, Inc.

1. CALL MEETING TO ORDER

The meeting was called to order by Richard Fiore at 8:30 a.m.

2. APPROVE THE MINUTES OF THE SEPTEMBER 16, 2015 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY SCOTT COLTON AND SECONDED BY DONALD FROELICH, MINUTES OF THE SEPTEMBER 16, 2015 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING WERE APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, AND LARRY LIZOTTE ALL VOTING 'AYE'. DIRECTOR DUANE CAVE ABSTAINED. DIRECTOR BRIAN PROBOLSKY WAS ABSENT.

3. PUBLIC COMMENTS

None.

DISCUSSION ITEMS

8. Monthly Financial Report

This item was taken first. Carole Wayman-Piascik presented the monthly financial report.

Brian Probolsky arrived at 8:37 a.m.

4. Water Efficiency (Fund 6) Budget Amendment

Joone Lopez gave a brief description of the item. Drew Atwater presented the Water Efficiency (Fund 6) Budget Amendment. Key topics presented were the water efficiency fund summary, the adopted water efficiency fund budget, and changes from budget adoption. Staff recommends that the Board of Directors approve the resolution entitled, "Approving a Budget Amendment in Order to Fund Additional Water Efficiency Programs for Fiscal Year 2015-16". Discussion ensued regarding the Amendment.

5. Rebate Application for Turf Removal

Matt Collings gave a brief description of the item. Staff recommends that the Board of Directors consider the rebate application for the identified project without a limitation on the maximum allowable acreage for the project and direct staff accordingly. The two proposed AVCA projects were discussed.

INFORMATION ITEMS

6. 2016 Rate Update

Drew Atwater and Johnathan Cruz presented the 2016 Rate Update. Key topics

presented were rate history, demand management efforts, rate structure performance, the operating financial plan, and scheduled rate adjustments.

7. Outreach Update

Joone Lopez, Richard Fiore and Megan Schneider provided an update on outreach efforts.

9. Future Agenda Items (Any items added under this section are for discussion at future meetings only)

None.

10. Late Items (Appropriate Findings to be Made)

Staff has none.

ADJOURNMENT

The meeting was adjourned at 10:20 a.m.

Respectfully submitted,

Tim Bonita
Recording Secretary

Moulton Niguel Water District

Period Ending
September 30, 2015



SECTION 1	Consolidated Information
SECTION 2	Account Profile
SECTION 3	Portfolio Holdings
SECTION 4	Economic Update



SECTION 1

Consolidated Information

Investment Objectives

In order to provide for current expenses and long term growth, the District has divided its portfolio into three categories, the Liquid, Limited Maturity and Operating Reserve Funds. The investment goals of the Liquid and Limited Maturity Funds are to provide liquidity for operating expenses and current capital requirements, preserve principal, and earn a total rate of return commensurate with the first two goals.

The investment goals of the Operating Reserve Fund are to preserve real capital and provide growth over the long term by earning the rate of return which is available from longer term investments permitted under the California Government Code.

Chandler Asset Management Performance Objectives

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The performance objective for the Liquid Fund is to earn a return in excess of the return on 90-day Treasury bills.

The performance objective of the Limited Maturity Fund is to earn a return that equals or exceeds the return of the Bank of America Merrill Lynch 1-3 Year US Treasury/Agency Index.

The performance objective of the Operating Reserve Fund is to earn a total rate of return over a market cycle which exceeds the return on a market index of government securities with maturities of one to ten years (the Bank of America Merrill Lynch 1-10 Year Government Index).

Strategy

The Liquid Fund is invested in short term securities and LAIF in order to achieve its goals. The average maturity of the Liquid Fund may not exceed 90 days, and the maximum maturity of individual securities in the fund shall be one year. In order to meet the goals of the Limited Maturity and Operating Reserve Funds, they are invested in a diversified portfolio of high quality fixed income securities with a maximum maturity of ten years. No more than 40% of the fund may be invested in securities with maturities in excess of five years in the Operating Reserve Fund.



Moulton Niguel Water District Consolidated

September 30, 2015

COMPLIANCE WITH INVESTMENT POLICY

This portfolio is a consolidation of assets managed by Chandler Asset Management and assets managed internally by Client. Chandler relies on Client to provide accurate information for reporting assets and producing this compliance statement.

Category	Standard	Comment
Treasury/Agency issues	No Limit	Complies
Banker's Acceptances	≤40%; 180 days	Complies - 0.0%
Commercial Paper	A1/P1	Complies - 2.0%
Max. maturity < 270 days	25% maximum	Complies
Repurchase Agreements	≤10%; ≤1 year	Complies
Rev. Repo Agreements	≤10%; ≤90 days	Complies - 0.0%
Time CDs	110% collateral over \$100,000 or insured	Complies - 0.0%
Negotiable CDs	30% max; ≤2 yrs	Complies - 0.0%
Medium Term Notes	"A"-rated; 30% max	Complies - 25.8%
Mutual Funds	≤20%	Complies - 0.4%
LAIF	Not used by outside adviser; \$50 million maximum imposed by LAIF	Complies
Mortgage Pass Through, including CMOs and ABS	"AA"-rated; 20% Maximum	Complies - 8.5%
Money Market Funds	"AAA"-rated or SEC reg.; 20% Maximum	Complies
Inverse floaters, range notes	Prohibited	Complies
Interest only strips	Prohibited	Complies
Zero interest accruals	Prohibited	Complies
Per issuer max	5% (except gov'ts)	Complies
Modified duration	+/- 20% of 1-10 Year benchmark duration	Complies - 3.09
% invested less than 2 years	≥10%	Complies - 21.9%
% invested beyond 5 years	≤40%	Complies - 22.7%
Maximum maturity	10 years	Complies
Maximum maturity of corp.	5 years	Complies



Portfolio Characteristics

Moulton Niguel Water District Consolidated

09/30/2015	06/30/2015
	Portfolio	Portfolio
Average Maturity (yrs)	3.34	3.04
Modified Duration	3.04	2.74
Average Purchase Yield	1.82 %	1.66 %
Average Market Yield	1.21 %	1.19 %
Average Quality	AA/Aa1	AA/Aa1
Total Market Value	127,575,032	149,987,362

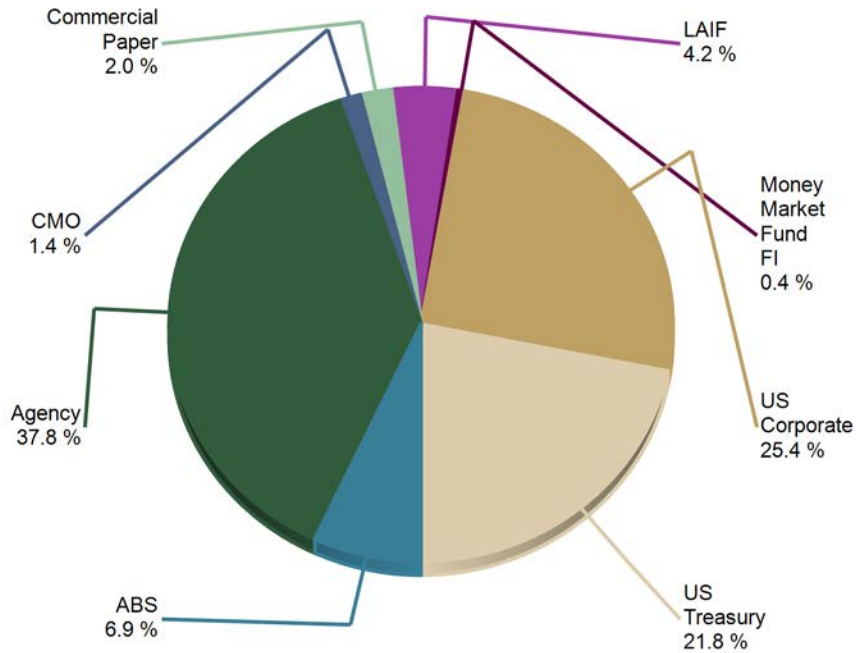
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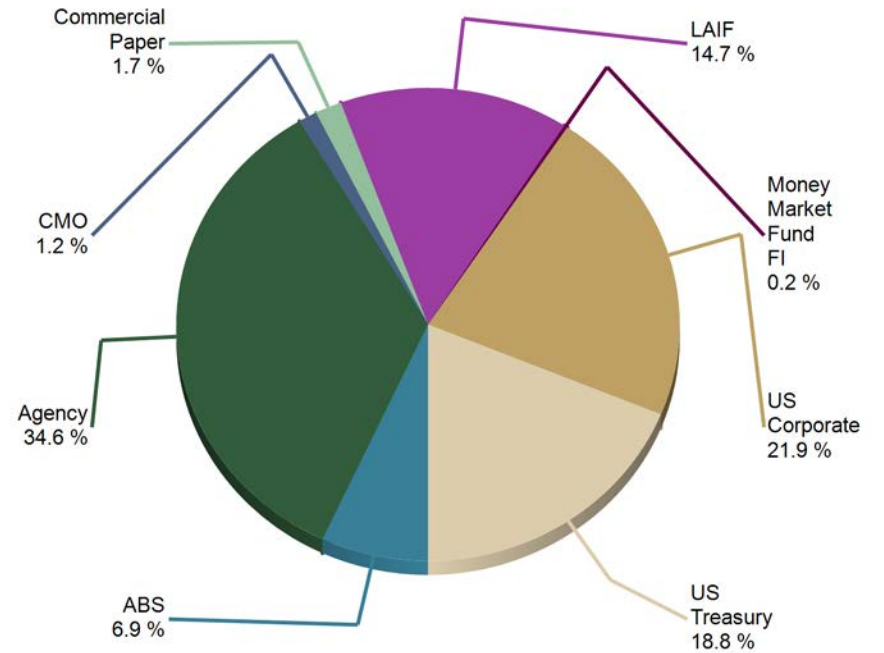
Sector Distribution

Moulton Niguel Water District Consolidated

September 30, 2015



June 30, 2015



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**Moulton Niguel Water District Consolidated
Account #43**

Issuer Report

As of 9/30/2015

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	21.83 %
Federal Home Loan Mortgage Corp	Agency	10.55 %
Federal Home Loan Bank	Agency	9.94 %
Tennessee Valley Authority	Agency	6.66 %
Federal National Mortgage Association	Agency	6.59 %
Local Agency Investment Fund	LAIF	4.24 %
Federal Farm Credit Bank	Agency	4.03 %
John Deere ABS	ABS	2.28 %
Bank of Tokyo-Mit UFJ	Commercial Paper	2.01 %
Honda ABS	ABS	1.92 %
General Electric Co	US Corporate	1.69 %
Deere & Company	US Corporate	1.58 %
IBM Corp	US Corporate	1.54 %
ChevronTexaco Corp	US Corporate	1.53 %
Cisco Systems	US Corporate	1.43 %
Qualcomm Inc	US Corporate	1.42 %
Apple Inc	US Corporate	1.41 %
Federal Home Loan Mortgage Corp	CMO	1.41 %
Toyota Motor Corp	US Corporate	1.37 %
Bank of New York	US Corporate	1.31 %
Honda Motor Corporation	US Corporate	1.28 %
Charles Schwab Corp/The	US Corporate	1.28 %
JP Morgan Chase & Co	US Corporate	1.27 %
Intel Corp	US Corporate	1.23 %
Toyota ABS	ABS	1.15 %
JP Morgan ABS	ABS	0.98 %
US Bancorp	US Corporate	0.97 %
Oracle Corp	US Corporate	0.91 %
Paccar Financial	US Corporate	0.88 %
Coca Cola Co.	US Corporate	0.85 %
Google Inc	US Corporate	0.78 %
Pepsico Inc	US Corporate	0.76 %
Wal-Mart Stores	US Corporate	0.66 %



**Moulton Niguel Water District Consolidated
Account #43**

Issuer Report

As of 9/30/2015

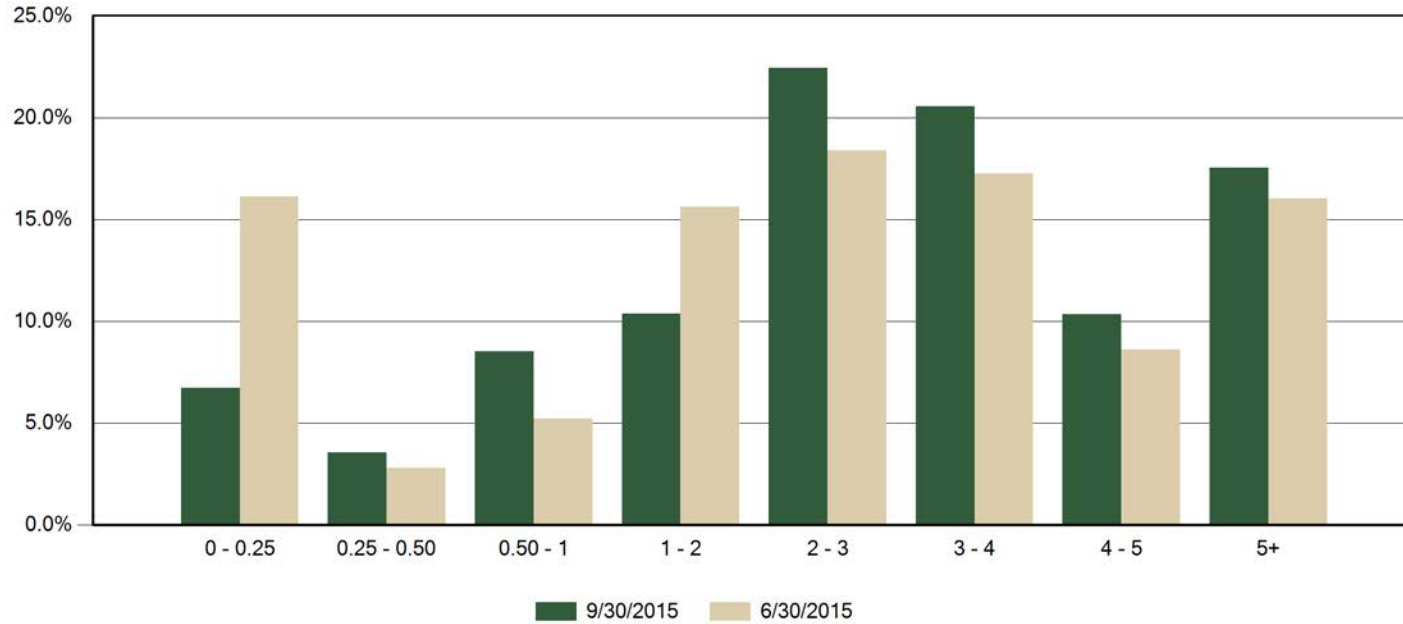
Issue Name	Investment Type	% Portfolio
HSBC USA Corp	US Corporate	0.62 %
General Electric ABS	ABS	0.60 %
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	0.41 %
Wells Fargo Corp	US Corporate	0.31 %
Air Products & Chemicals	US Corporate	0.24 %
United Technology Corp	US Corporate	0.09 %
Total		100.00 %



Duration Distribution

Moulton Niguel Water District Consolidated

September 30, 2015 vs. June 30, 2015



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	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
9/30/15	6.7 %	3.6 %	8.5 %	10.4 %	22.4 %	20.5 %	10.3 %	17.5 %
6/30/15	16.1 %	2.8 %	5.2 %	15.6 %	18.4 %	17.2 %	8.6 %	16.0 %



SECTION 2

Account Profile



PORTFOLIO CHARACTERISTICS

Liquid Fund

	3-month T-Bills Benchmark* G001	Liquid Fund	
	9/30/2015	9/30/2015	6/30/2015
Portfolio book value	--	\$5,399,952	\$22,088,466
Market value	--	\$5,410,090	\$22,105,620
Average book yield	--	0.34%	0.29%
Average maturity (yrs)	0.16	0.00	0.00
Modified duration	0.16	0.00	0.00
\$ change in value for 1% change in rates	--	\$0	\$0
% maturing within one year	100%	100%	100%
Average credit quality	AAA	Not Rated	Not Rated

Limited Maturity Fund

	1-3 Year US Treasury/Agency Benchmark	Limited Maturity Fund	
	9/30/2015	9/30/2015	6/30/2015
Portfolio book value	--	\$26,989,254	\$30,794,467
Market value	--	\$27,004,033	\$30,897,417
Average book yield	--	1.49%	1.58%
Average maturity (yrs)	1.82	1.78	1.89
Modified duration	1.76	1.67	1.79
\$ change in value for 1% change in rates	--	\$450,967	\$553,064
% maturing within two years	56.7%	1.6%	1.0%
Average credit quality	AAA	AA/Aa1	AA/Aa1



PORTFOLIO CHARACTERISTICS

Operating Reserve Fund

	1-10 year Govt. Benchmark* G5A0	Operating Reserve Fund	
	9/30/2015	9/30/2015	6/30/2015
Portfolio book value	--	\$93,276,369	\$95,789,445
Market value	--	\$95,160,909	\$96,984,326
Average book yield	--	2.00%	2.00%
Average maturity (yrs)	3.93	3.98	4.10
Modified duration	3.65	3.59	3.67
\$ change in value for 1% change in rates	--	\$3,416,277	\$3,559,325
% maturing within two years	22.9%	9.5%	9.9%
Average credit quality	AAA	AA/Aa1	AA+/Aa1

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Limited Maturity Fund

42- Trading Activity -6/30/2015 -9/30/2015

Settle Date	Description	MIG	Mat Date	Amount	Book Value	Market Value	Gain/Loss	Duration	Yield
Purchase									
08/26/2015	Toyota Auto Receivables Owner	Asset Backed Security	02/15/2018	\$190,000.00	\$189,984.72	\$189,984.72	\$0.00	1.047	0.929
07/31/2015	FHLB	Agency	04/25/2018	\$610,000.00	\$613,078.67	\$613,078.67	\$0.00	2.679	0.937
07/31/2015	General Electric Capital Corp	US Corporate	01/14/2019	\$380,000.00	\$386,087.60	\$386,087.60	\$0.00	3.307	1.819
07/31/2015	US Treasury	US Treasury	07/15/2018	\$625,000.00	\$623,024.56	\$623,024.56	\$0.00	2.910	0.984
				\$1,805,000.00	\$1,812,175.55	\$1,812,175.55	\$0.00		
Sale									
09/03/2015	FNMA	Agency	05/11/2017	\$1,000,000.00	\$1,084,199.00	\$1,071,704.00	(\$12,495.00)	1.614	0.720
09/03/2015	FNMA	Agency	07/20/2018	\$385,000.00	\$384,295.45	\$385,013.09	\$717.64	2.823	1.124
09/03/2015	US Treasury	US Treasury	11/15/2017	\$400,000.00	\$410,109.38	\$429,717.41	\$19,608.03	2.093	0.832
09/14/2015	FHLB	Agency	12/28/2016	\$615,000.00	\$614,963.10	\$615,392.99	\$429.89	1.281	0.575
09/14/2015	FNMA	Agency	10/26/2017	\$625,000.00	\$623,993.75	\$625,710.63	\$1,716.88	2.086	0.821
09/14/2015	US Treasury	US Treasury	09/30/2016	\$600,000.00	\$600,048.89	\$600,255.80	\$206.91	1.038	0.459
09/14/2015	US Treasury	US Treasury	07/31/2019	\$300,000.00	\$293,438.70	\$295,299.78	\$1,861.08	3.792	1.290
07/28/2015	Ebay Inc	US Corporate	10/15/2015	\$1,625,000.00	\$1,622,156.25	\$1,627,892.50	\$5,736.25	0.214	0.788
				\$5,550,000.00	\$5,633,204.52	\$5,650,986.20	\$17,781.68		

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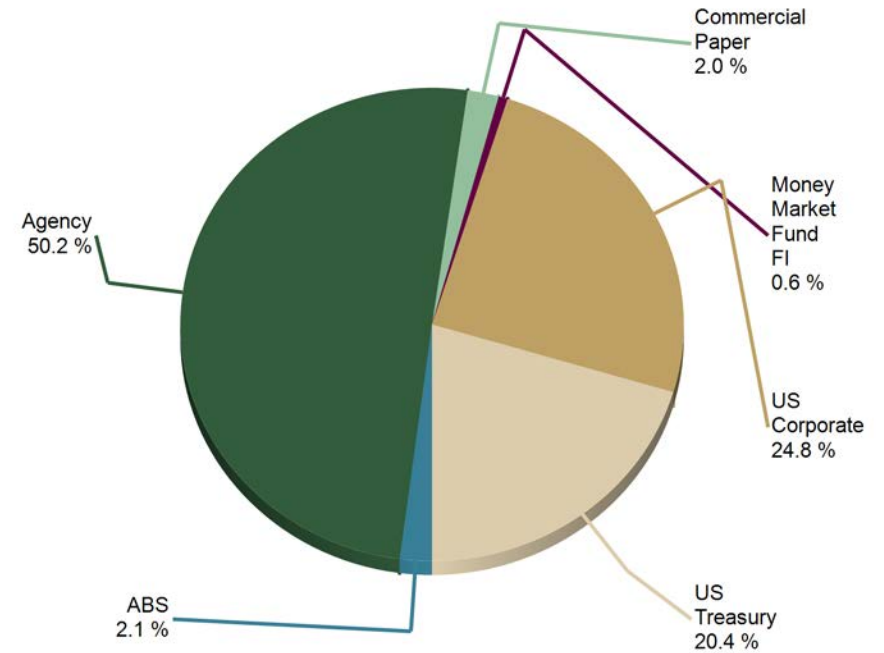
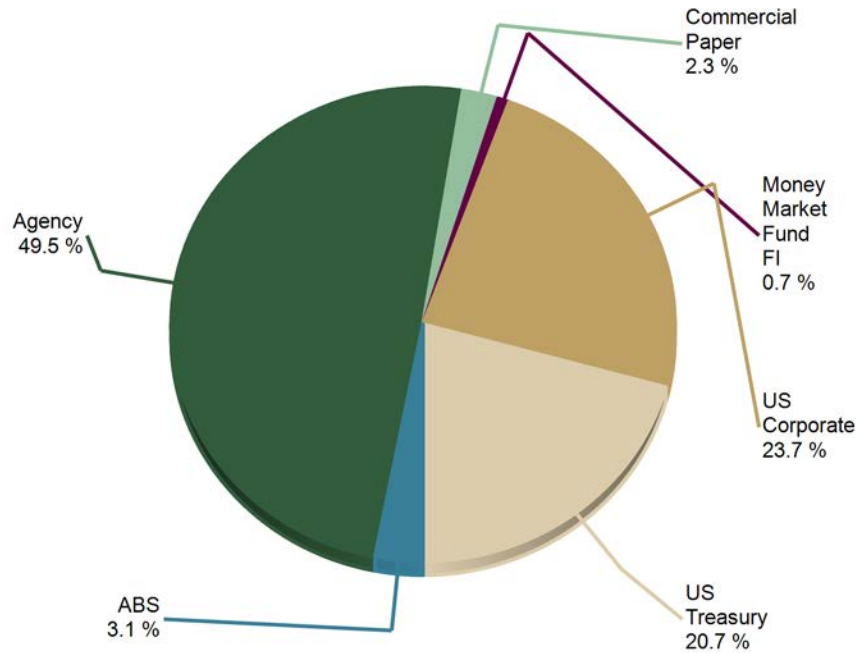
Sector Distribution

Moulton Niguel Water District Limited Maturity

September 30, 2015

June 30, 2015

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The portfolio sector allocation changed slightly as the portfolio was aligned to the strategy targets. Asset Backed Securities (ABS), Commercial Paper and Treasury increased while the Agency and Corporate exposure declined to fund a new ABS purchase and District cash flows.



Moulton Niguel Water District Limited Maturity Account #42

Issuer Report

As of 9/30/2015

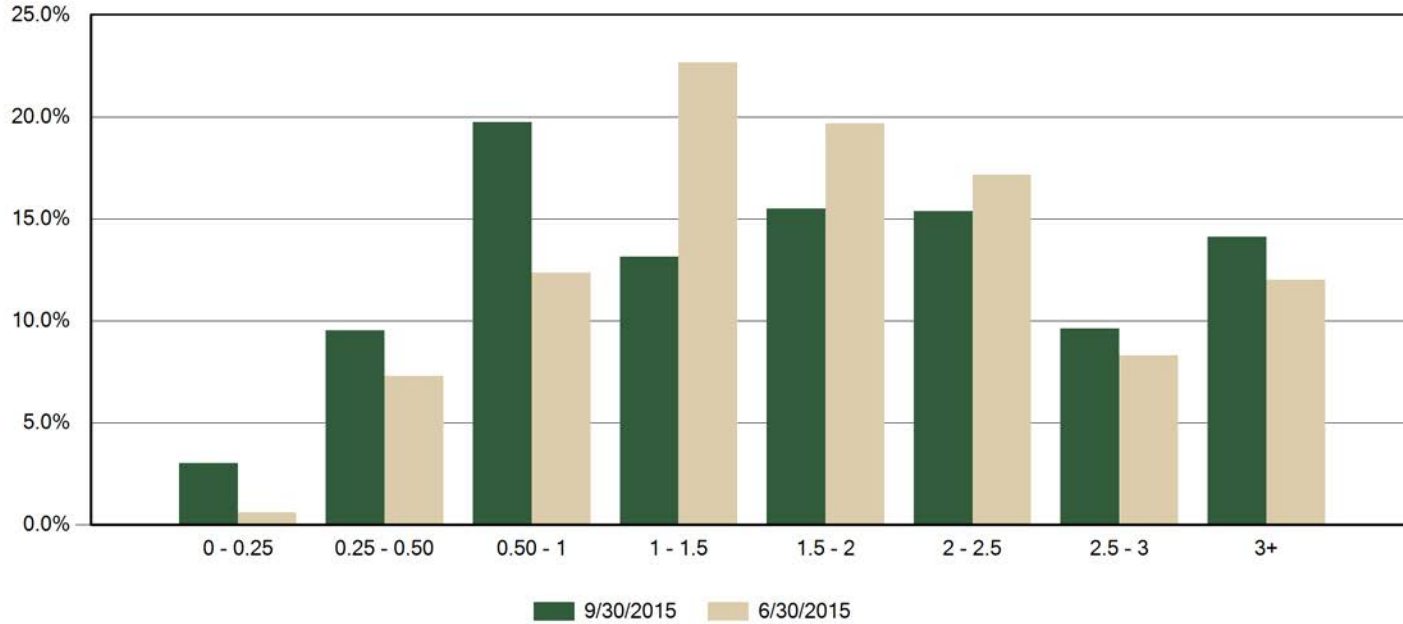
Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	20.72 %
Federal Home Loan Bank	Agency	12.59 %
Federal Farm Credit Bank	Agency	12.07 %
Federal National Mortgage Association	Agency	10.41 %
Federal Home Loan Mortgage Corp	Agency	10.21 %
Tennessee Valley Authority	Agency	4.20 %
IBM Corp	US Corporate	2.80 %
Bank of Tokyo-Mit UFJ	Commercial Paper	2.30 %
Cisco Systems	US Corporate	2.25 %
Apple Inc	US Corporate	2.04 %
Toyota Motor Corp	US Corporate	1.94 %
Toyota ABS	ABS	1.76 %
Qualcomm Inc	US Corporate	1.71 %
Bank of New York	US Corporate	1.69 %
Charles Schwab Corp/The	US Corporate	1.60 %
JP Morgan Chase & Co	US Corporate	1.50 %
Wells Fargo Corp	US Corporate	1.48 %
ChevronTexaco Corp	US Corporate	1.48 %
General Electric Co	US Corporate	1.44 %
Intel Corp	US Corporate	1.37 %
Deere & Company	US Corporate	1.32 %
Honda ABS	ABS	1.30 %
Air Products & Chemicals	US Corporate	1.11 %
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	0.73 %
Total		100.00 %



Duration Distribution

Moulton Niguel Water District Limited Maturity

September 30, 2015 vs. June 30, 2015



	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 1.5	1.5 - 2	2 - 2.5	2.5 - 3	3+
9/30/15	3.0 %	9.5 %	19.7 %	13.1 %	15.5 %	15.4 %	9.6 %	14.1 %
6/30/15	0.6 %	7.3 %	12.4 %	22.7 %	19.7 %	17.1 %	8.3 %	12.0 %

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Investment Performance

Moulton Niguel Water District Limited Maturity

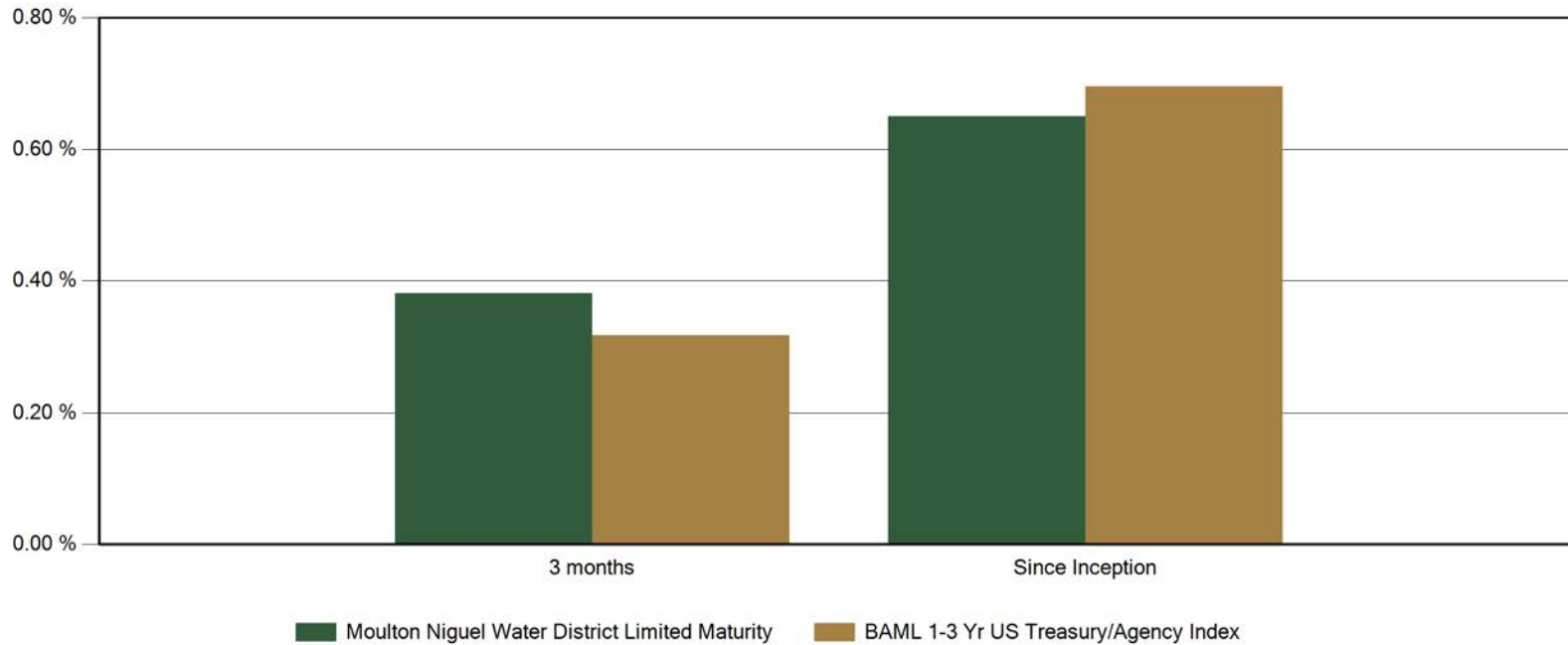
Period Ending

September 30, 2015

Total Rate of Return

Since Inception

February 28, 2015



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	Latest 3 months	Since Inception
Moulton Niguel Water District Limited Maturity	0.38 %	0.65 %
BAML 1-3 Yr US Treasury/Agency Index	0.32 %	0.70 %

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



Operating Reserve Fund

40- Trading Activity -6/30/2015 -9/30/2015

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Settle Date	Description	MIG	Mat Date	Amount	Book Value	Market Value	Gain/Loss	Duration	Yield
Purchase									
07/28/2015	FHLB	Agency	06/10/2022	\$1,850,000.00	\$1,857,751.50	\$1,857,751.50	\$0.00	6.286	2.308
08/26/2015	HSBC USA Inc	US Corporate	01/16/2018	\$790,000.00	\$787,677.40	\$787,677.40	\$0.00	2.328	1.751
				\$2,640,000.00	\$2,645,428.90	\$2,645,428.90	\$0.00		
Sale									
07/27/2015	FNMA	Agency	02/08/2018	\$500,000.00	\$490,290.00	\$498,755.00	\$8,465.00	2.486	0.975
07/27/2015	FNMA	Agency	05/21/2018	\$1,050,000.00	\$1,019,572.05	\$1,045,012.50	\$25,440.45	2.770	1.046
09/14/2015	FHLB	Agency	12/11/2020	\$675,000.00	\$766,854.00	\$791,322.75	\$24,468.75	4.610	1.790
09/14/2015	FNMA	Agency	06/12/2017	\$1,200,000.00	\$1,341,020.65	\$1,296,592.80	(\$44,427.85)	1.665	0.723
				\$3,425,000.00	\$3,617,736.70	\$3,631,683.05	\$13,946.35		

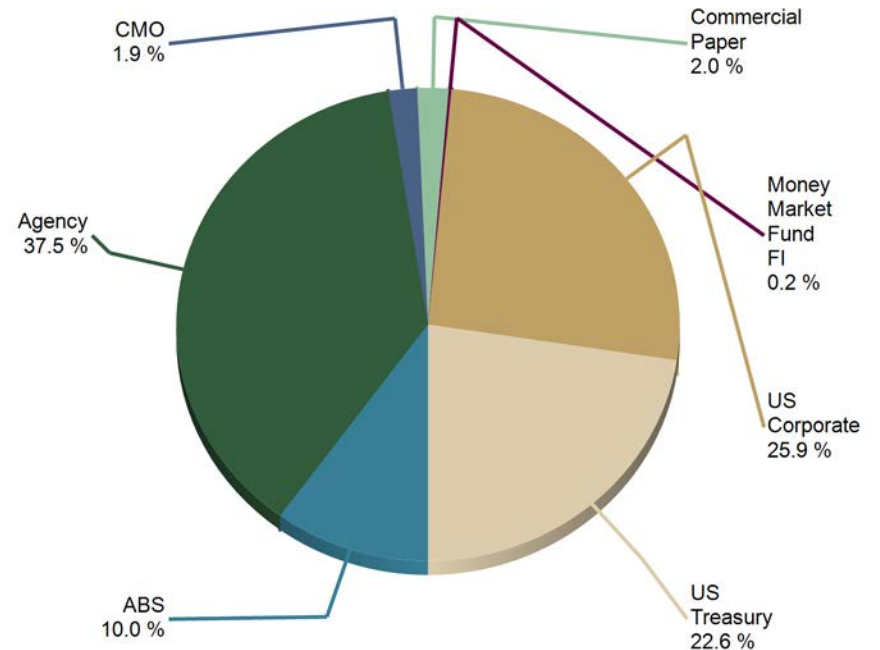
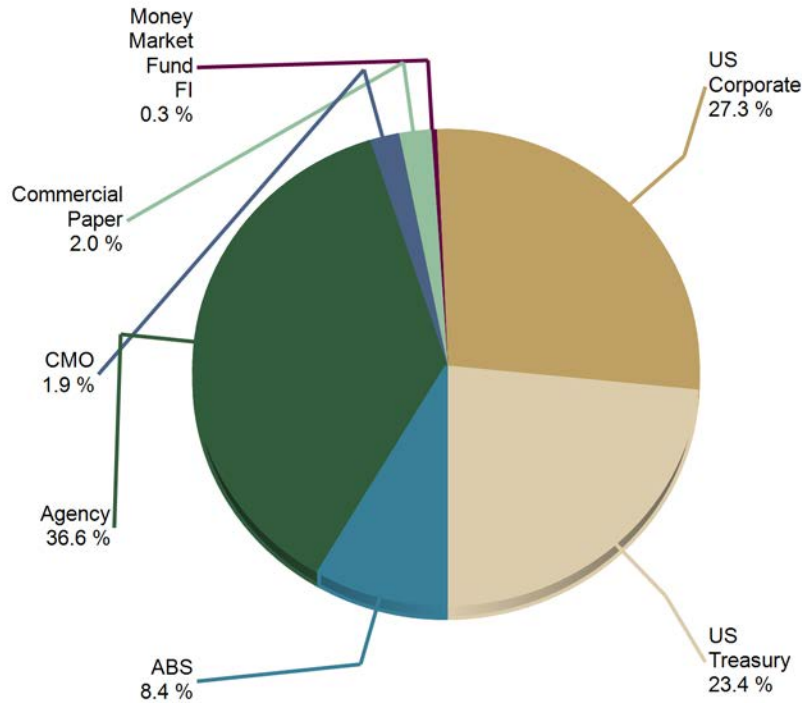


Sector Distribution

Moulton Niguel Water District Operating Reserve

September 30, 2015

June 30, 2015



The portfolio sector allocation experienced small changes as the Treasury and Corporate exposure increased while the Agency and Asset Backed Security exposure declined to fund new security purchases and upcoming District cash flows.

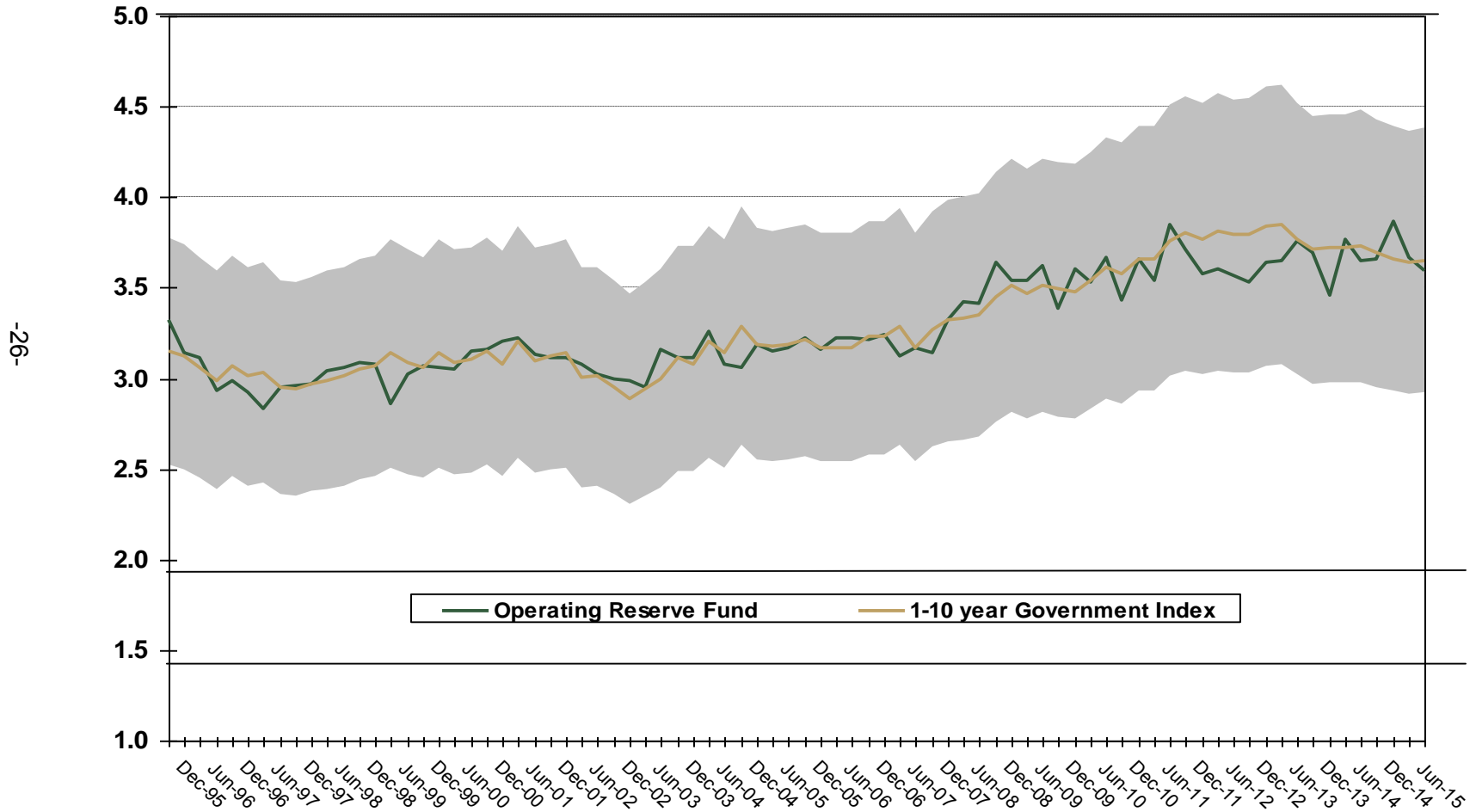
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Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	23.38 %
Federal Home Loan Mortgage Corp	Agency	11.25 %
Federal Home Loan Bank	Agency	9.75 %
Tennessee Valley Authority	Agency	7.74 %
Federal National Mortgage Association	Agency	5.88 %
John Deere ABS	ABS	3.05 %
Honda ABS	ABS	2.20 %
Bank of Tokyo-Mit UFJ	Commercial Paper	2.04 %
Federal Farm Credit Bank	Agency	1.98 %
Federal Home Loan Mortgage Corp	CMO	1.89 %
General Electric Co	US Corporate	1.86 %
Deere & Company	US Corporate	1.75 %
Honda Motor Corporation	US Corporate	1.72 %
ChevronTexaco Corp	US Corporate	1.63 %
Qualcomm Inc	US Corporate	1.42 %
Apple Inc	US Corporate	1.31 %
JP Morgan ABS	ABS	1.31 %
US Bancorp	US Corporate	1.29 %
Toyota Motor Corp	US Corporate	1.28 %
Cisco Systems	US Corporate	1.28 %
JP Morgan Chase & Co	US Corporate	1.28 %
Bank of New York	US Corporate	1.28 %
IBM Corp	US Corporate	1.27 %
Intel Corp	US Corporate	1.26 %
Charles Schwab Corp/The	US Corporate	1.26 %
Oracle Corp	US Corporate	1.22 %
Paccar Financial	US Corporate	1.17 %
Coca Cola Co.	US Corporate	1.14 %
Toyota ABS	ABS	1.04 %
Google Inc	US Corporate	1.04 %
Pepsico Inc	US Corporate	1.02 %
Wal-Mart Stores	US Corporate	0.89 %
HSBC USA Corp	US Corporate	0.83 %
General Electric ABS	ABS	0.80 %
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	0.35 %
United Technology Corp	US Corporate	0.12 %
Total		100.00 %



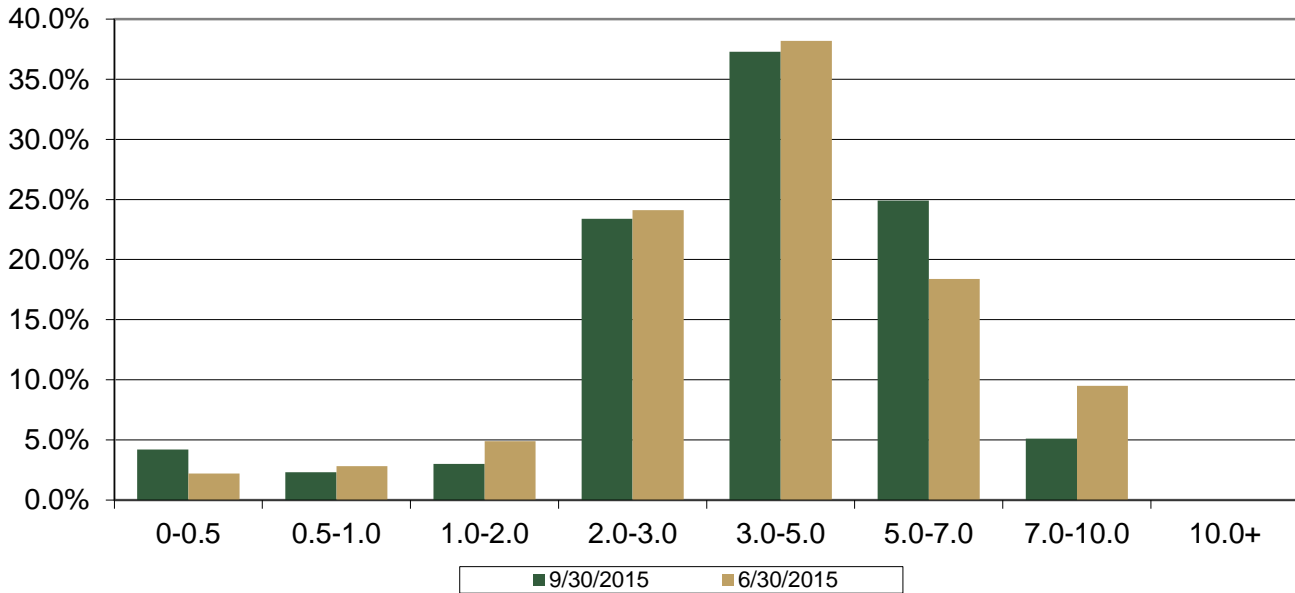
Operating Reserve Fund Duration Compared to 1 - 10 Year Government Index Duration



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Operating Reserve Fund September 30, 2015 vs. June 30, 2015



	0-0.5	0.5-1.0	1.0-2.0	2.0-3.0	3.0-5.0	5.0-7.0	7.0-10.0	10.0+
9/30/2015	4.2%	2.3%	3.0%	23.4%	37.3%	24.9%	5.1%	0.0%
6/30/2015	2.2%	2.8%	4.9%	24.1%	38.2%	18.4%	9.5%	0.0%

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The duration of the portfolio declined over the reporting period, currently 3.59 versus 3.67 at the end of the prior quarter as securities were sold across the maturity spectrum to fund upcoming District cash flows. Financial markets are likely to remain volatile in the near-term as the Federal Reserve considers the course of monetary policy in light of continued global headwinds. The Fed may push their first interest rate increase to 2016 as global weakness continues to plague the market. We anticipate keeping the duration close to the benchmark in the coming quarter using the proceeds from maturities and sales to extend the duration of the portfolio while keeping the portfolio cash flows consistent with upcoming needs of the District.



Investment Performance

Moulton Niguel Water District Operating Reserve

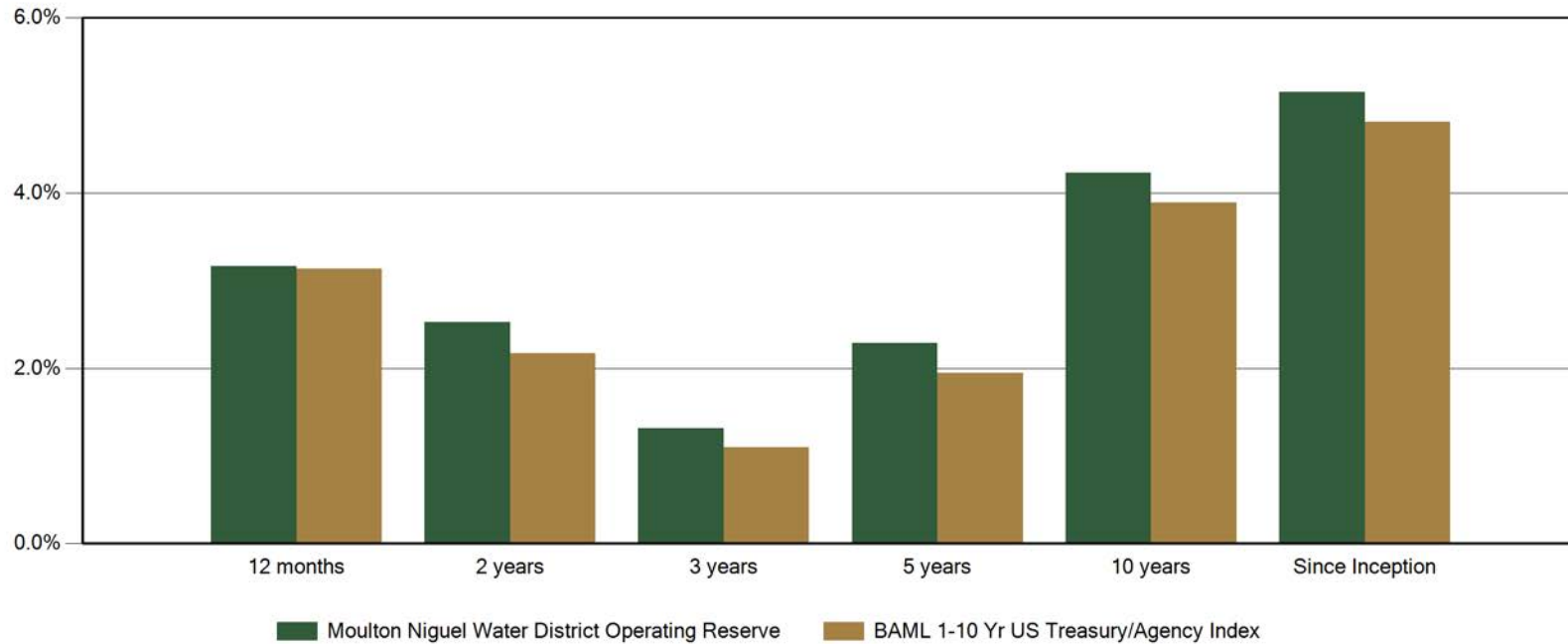
Period Ending

September 30, 2015

Total Rate of Return

Annualized Since Inception

September 30, 1995



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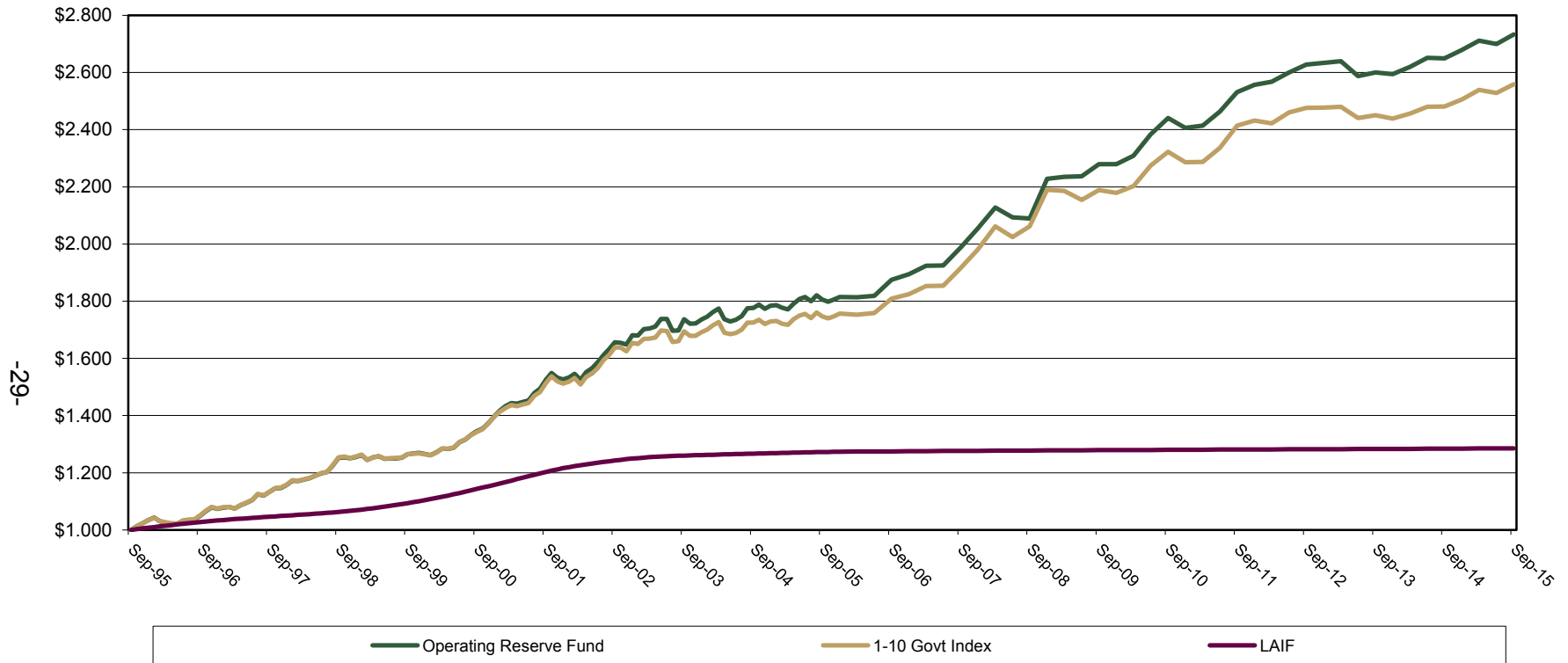
	3 months	12 months	Annualized				
			2 years	3 years	5 years	10 years	Since Inception
Moulton Niguel Water District Operating Reserve	1.23 %	3.16 %	2.52 %	1.32 %	2.29 %	4.23 %	5.16 %
BAML 1-10 Yr US Treasury/Agency Index	1.22 %	3.14 %	2.17 %	1.10 %	1.95 %	3.89 %	4.81 %

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



Growth Over Time

Operating Reserve Fund Growth of \$1 Million



Historical return on \$1 million invested in September 1995

Operating Reserve Fund
1-10 Govt Index
LAIF

	9/30/2015	Return
Operating Reserve Fund	\$2,733,142	5.16%
1-10 Govt Index	\$2,558,608	4.81%
LAIF	\$1,285,426	1.26%



SECTION 3

Portfolio Holdings



Holdings Report

As of 9/30/15

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	5,399,952.49	Various 0.34 %	5,399,952.49 5,399,952.49	1.00 0.34 %	5,399,952.49 10,137.82	100.00 % 0.00	NR / NR NR	0.00 0.00
Total LAIF		5,399,952.49	0.34 %	5,399,952.49 5,399,952.49	0.34 %	5,399,952.49 10,137.82	100.00 % 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		5,399,952.49	0.34 %	5,399,952.49 5,399,952.49	0.34 %	5,399,952.49 10,137.82	100.00 % 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUED						5,410,090.31			



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
89231TAB6	Toyota Auto Receivables Owner 2015-C 0.92% Due 2/15/2018	190,000.00	08/18/2015 0.93 %	189,984.72 189,984.72	100.11 0.81 %	190,211.66 77.69	0.70 % 226.94	Aaa / AAA NR	2.38 0.95
89236WAC2	Toyota Auto Receivables Owner 2015-A 1.12% Due 2/15/2019	285,000.00	02/24/2015 1.13 %	284,956.91 284,956.91	99.99 1.13 %	284,971.50 141.87	1.06 % 14.59	Aaa / AAA NR	3.38 1.57
43813NAC0	Honda Auto Receivables 2015-2 A3 1.04% Due 2/21/2019	350,000.00	05/13/2015 1.05 %	349,946.28 349,946.28	99.93 1.09 %	349,740.65 101.11	1.30 % (205.63)	NR / AAA AAA	3.40 1.68
Total ABS		825,000.00	1.05 %	824,887.91 824,887.91	1.04 %	824,923.81 320.67	3.06 % 35.90	Aaa / AAA Aaa	3.16 1.47
AGENCY									
3130A3NV2	FHLB Note 0.23% Due 1/8/2016	600,000.00	03/30/2015 0.28 %	599,790.00 599,790.00	100.03 0.12 %	600,183.60 318.17	2.22 % 393.60	Aaa / AA+ AAA	0.27 0.27
3133EDMC3	FFCB Note 0.25% Due 2/26/2016	600,000.00	03/30/2015 0.31 %	599,694.00 599,694.00	100.04 0.14 %	600,255.60 145.83	2.22 % 561.60	Aaa / AA+ AAA	0.41 0.41
3133EESJ0	FFCB Note 0.28% Due 3/4/2016	615,000.00	03/11/2015 0.34 %	614,667.90 614,667.90	100.04 0.19 %	615,242.93 129.15	2.28 % 575.03	Aaa / AA+ AAA	0.43 0.43
3134G5RF4	FHLMC Note 0.4% Due 5/27/2016	625,000.00	03/30/2015 0.43 %	624,818.75 624,818.75	100.04 0.33 %	625,273.13 861.11	2.32 % 454.38	Aaa / AA+ AAA	0.66 0.66
3133834R9	FHLB Note 0.375% Due 6/24/2016	615,000.00	02/19/2015 0.41 %	614,699.88 614,699.88	99.90 0.51 %	614,410.22 621.41	2.28 % (289.66)	Aaa / AA+ AAA	0.73 0.73
3135G0XP3	FNMA Note 0.375% Due 7/5/2016	625,000.00	03/04/2015 0.46 %	624,331.25 624,331.25	100.00 0.37 %	625,013.13 559.90	2.32 % 681.88	Aaa / AA+ AAA	0.76 0.76
31331V2U9	FFCB Note 5.125% Due 8/25/2016	1,950,000.00	08/30/2011 1.14 %	2,324,887.50 2,324,887.50	104.23 0.42 %	2,032,572.75 9,993.75	7.56 % (292,314.75)	Aaa / AA+ AAA	0.90 0.89
3135G0YE7	FNMA Note 0.625% Due 8/26/2016	615,000.00	03/09/2015 0.52 %	615,897.90 615,897.90	100.17 0.44 %	616,037.51 373.70	2.28 % 139.61	Aaa / AA+ AAA	0.91 0.90
3130A2T97	FHLB Note 0.5% Due 9/28/2016	610,000.00	03/09/2015 0.57 %	609,341.20 609,341.20	100.08 0.42 %	610,464.82 25.42	2.26 % 1,123.62	Aaa / AA+ AAA	1.00 0.99
3137EADS5	FHLMC Note 0.875% Due 10/14/2016	625,000.00	03/04/2015 0.59 %	627,881.25 627,881.25	100.43 0.46 %	627,678.13 2,536.89	2.33 % (203.12)	Aaa / AA+ AAA	1.04 1.03
3130A3J70	FHLB Note 0.625% Due 11/23/2016	610,000.00	03/09/2015 0.65 %	609,725.50 609,725.50	100.15 0.50 %	610,900.36 1,355.56	2.27 % 1,174.86	Aaa / AA+ AAA	1.15 1.14
3137EADU0	FHLMC Note 0.5% Due 1/27/2017	625,000.00	02/26/2015 0.64 %	623,343.75 623,343.75	99.98 0.51 %	624,880.00 555.56	2.32 % 1,536.25	Aaa / AA+ AAA	1.33 1.32
3135G0ZB2	FNMA Note 0.75% Due 4/20/2017	625,000.00	02/26/2015 0.73 %	625,206.25 625,206.25	100.13 0.67 %	625,811.88 2,096.35	2.33 % 605.63	Aaa / AA+ AAA	1.56 1.54
31359M7X5	FNMA Note 5% Due 5/11/2017	550,000.00	12/31/2009 3.68 %	596,309.45 596,309.45	107.01 0.63 %	588,533.00 10,694.44	2.22 % (7,776.45)	Aaa / AA+ AAA	1.61 1.54
880591EA6	Tennessee Valley Authority Note 5.5% Due 7/18/2017	725,000.00	08/28/2008 4.55 %	774,853.90 774,853.90	108.50 0.74 %	786,638.78 8,085.76	2.94 % 11,784.88	Aaa / AA+ AAA	1.80 1.72



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
880591CU4	Tennessee Valley Authority Note 6.25% Due 12/15/2017	300,000.00	06/25/2008 4.91 %	330,075.00 330,075.00	111.62 0.92 %	334,869.60 5,520.83	1.26 % 4,794.60	Aaa / AA+ AAA	2.21 2.06
3137EADN6	FHLMC Note 0.75% Due 1/12/2018	625,000.00	03/04/2015 1.11 %	618,656.25 618,656.25	99.92 0.79 %	624,476.25 1,028.65	2.32 % 5,820.00	Aaa / AA+ AAA	2.29 2.26
3130A4GJ5	FHLB Note 1.125% Due 4/25/2018	610,000.00	07/31/2015 0.94 %	613,078.67 613,078.67	100.68 0.86 %	614,143.73 2,973.75	2.29 % 1,065.06	Aaa / AA+ AAA	2.57 2.52
3135G0WJ8	FNMA Note 0.875% Due 5/21/2018	340,000.00	04/11/2013 0.92 %	339,272.40 339,272.40	99.94 0.90 %	339,795.66 1,074.31	1.26 % 523.26	Aaa / AA+ AAA	2.64 2.60
3137EADK2	FHLMC Note 1.25% Due 8/1/2019	250,000.00	01/04/2013 1.35 %	248,450.00 248,450.00	99.94 1.27 %	249,853.75 520.83	0.93 % 1,403.75	Aaa / AA+ AAA	3.84 3.73
3133X8AS1	FHLB Note 5.125% Due 8/15/2019	300,000.00	06/07/2011 3.02 %	345,579.00 345,579.00	114.31 1.32 %	342,931.20 1,964.58	1.28 % (2,647.80)	Aaa / AA+ AAA	3.88 3.54
Total Agency		13,040,000.00	1.22 %	13,580,559.80	0.53 %	13,309,966.03 51,435.95	49.48 % (270,593.77)	Aaa / AA+ Aaa	1.31 1.28
COMMERCIAL PAPER									
26538CXT3	Bank of Tokyo Mitsubishi NY Discount CP 0.3% Due 10/27/2015	620,000.00	06/26/2015 0.30 %	619,380.00 619,865.67	99.98 0.30 %	619,865.67 0.00	2.30 % 0.00	P-1 / A-1 F-1	0.07 0.07
Total Commercial Paper		620,000.00	0.30 %	619,380.00 619,865.67	0.30 %	619,865.67 0.00	2.30 % 0.00	P-1 / A-1 F-1	0.07 0.07
MONEY MARKET FUND FI									
94975J466	Wells Fargo Advantage Government MMF	195,923.33	Various 0.01 %	195,923.33 195,923.33	1.00 0.01 %	195,923.33 0.00	0.73 % 0.00	Aaa / AAA AAA	0.00 0.00
Total Money Market Fund FI		195,923.33	0.01 %	195,923.33 195,923.33	0.01 %	195,923.33 0.00	0.73 % 0.00	Aaa / AAA Aaa	0.00 0.00
US CORPORATE									
459200GU9	IBM Corp Note 2% Due 1/5/2016	750,000.00	02/14/2011 2.79 %	723,135.00 723,135.00	100.41 0.43 %	753,095.25 3,583.33	2.80 % 29,960.25	Aa3 / AA- A+	0.27 0.26
009158AS5	Air Products & Chemicals Note 1.2% Due 10/15/2017	300,000.00	03/03/2015 1.28 %	299,379.00 299,379.00	99.66 1.37 %	298,965.00 1,660.00	1.11 % (414.00)	A2 / A NR	2.04 2.00
458140AL4	Intel Corp Note 1.35% Due 12/15/2017	370,000.00	12/12/2012 1.28 %	371,195.10 371,195.10	99.82 1.43 %	369,338.44 1,470.75	1.37 % (1,856.66)	A1 / A+ A+	2.21 2.16
94974BFG0	Wells Fargo Corp Note 1.5% Due 1/16/2018	400,000.00	02/23/2015 1.47 %	400,372.00 400,372.00	99.91 1.54 %	399,620.40 1,250.00	1.48 % (751.60)	A2 / A+ AA-	2.30 2.24
166764AV2	Chevron Corp. Note 1.365% Due 3/2/2018	400,000.00	02/24/2015 1.37 %	400,000.00 400,000.00	100.09 1.33 %	400,362.00 439.83	1.48 % 362.00	Aa1 / AA NR	2.42 2.37



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US CORPORATE									
808513AK1	Charles Schwab Corp Callable Note Cont 2/10/2018 1.5% Due 3/10/2018	430,000.00	Various 1.48 %	430,191.20 430,191.20	100.10 1.46 %	430,412.37 376.25	1.60 % 221.17	A2 / A A	2.44 2.30
037833AJ9	Apple Inc Note 1% Due 5/3/2018	550,000.00	05/14/2013 1.21 %	544,560.50 544,560.50	99.53 1.18 %	547,431.50 2,261.11	2.04 % 2,871.00	Aa1 / AA+ NR	2.59 2.54
747525AG8	Qualcomm Inc Note 1.4% Due 5/18/2018	460,000.00	Various 1.45 %	459,275.60 459,275.60	99.62 1.55 %	458,255.68 2,343.44	1.71 % (1,019.92)	A1 / A+ NR	2.63 2.56
24422ESF7	John Deere Capital Corp Note 1.95% Due 12/13/2018	350,000.00	12/10/2013 1.99 %	349,254.50 349,254.50	100.98 1.63 %	353,429.30 2,047.50	1.32 % 4,174.80	A2 / A NR	3.21 3.08
36962G7G3	General Electric Capital Corp Note 2.3% Due 1/14/2019	380,000.00	07/31/2015 1.82 %	386,087.60 386,087.60	101.71 1.76 %	386,486.22 1,869.39	1.44 % 398.62	A1 / AA+ NR	3.29 3.15
89236TBB0	Toyota Motor Credit Corp Note 2.1% Due 1/17/2019	515,000.00	11/19/2014 2.00 %	516,951.85 516,951.85	101.14 1.74 %	520,881.82 2,223.08	1.94 % 3,929.97	Aa3 / AA- A	3.30 3.16
46625HJR2	JP Morgan Chase Note 2.35% Due 1/28/2019	400,000.00	04/02/2014 2.32 %	400,464.00 400,464.00	100.79 2.10 %	403,157.60 1,645.00	1.50 % 2,693.60	A3 / A A+	3.33 3.18
17275RAR3	Cisco Systems Note 2.125% Due 3/1/2019	600,000.00	Various 2.10 %	600,619.20 600,619.20	101.25 1.75 %	607,524.60 1,062.50	2.25 % 6,905.40	A1 / AA- NR	3.42 3.28
34- J6HCW7	Bank of New York Callable Note Cont 8/11/2019 2.3% Due 9/11/2019	450,000.00	11/19/2014 2.25 %	451,017.00 451,017.00	100.99 2.03 %	454,464.90 575.00	1.69 % 3,447.90	A1 / A+ AA-	3.95 3.68
Total US Corporate		6,355,000.00	1.83 %	6,332,502.55 6,332,502.55	1.47 %	6,383,425.08 22,807.18	23.72 % 50,922.53	A1 / AA- A+	2.59 2.49
US TREASURY									
912828G46	US Treasury Note 0.5% Due 11/30/2016	600,000.00	02/19/2015 0.56 %	599,322.32 599,322.32	100.07 0.44 %	600,437.40 1,008.20	2.23 % 1,115.08	Aaa / AA+ AAA	1.17 1.16
912828H78	US Treasury Note 0.5% Due 1/31/2017	600,000.00	02/19/2015 0.62 %	598,619.20 598,619.20	100.04 0.47 %	600,234.60 505.43	2.22 % 1,615.40	Aaa / AA+ AAA	1.34 1.33
912828GH7	US Treasury Note 4.625% Due 2/15/2017	450,000.00	07/12/2007 5.14 %	432,667.97 432,667.97	105.64 0.50 %	475,388.55 2,658.12	1.77 % 42,720.58	Aaa / AA+ AAA	1.38 1.34
912828SS0	US Treasury Note 0.875% Due 4/30/2017	600,000.00	02/19/2015 0.74 %	601,806.70 601,806.70	100.50 0.56 %	603,000.00 2,197.01	2.24 % 1,193.30	Aaa / AA+ AAA	1.58 1.57
912828TM2	US Treasury Note 0.625% Due 8/31/2017	625,000.00	02/26/2015 0.86 %	621,413.23 621,413.23	100.00 0.63 %	624,975.63 332.68	2.32 % 3,562.40	Aaa / AA+ AAA	1.92 1.90
912828HH6	US Treasury Note 4.25% Due 11/15/2017	1,450,000.00	12/05/2007 3.94 %	1,486,646.48 1,486,646.48	107.47 0.70 %	1,558,373.00 23,276.83	5.86 % 71,726.52	Aaa / AA+ AAA	2.13 2.02
912828XK1	US Treasury Note 0.875% Due 7/15/2018	625,000.00	07/31/2015 0.98 %	623,024.56 623,024.56	99.99 0.88 %	624,967.50 1,159.14	2.32 % 1,942.94	Aaa / AA+ AAA	2.79 2.75



Holdings Report

As of 9/30/15

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US TREASURY									
912828SX9	US Treasury Note 1.125% Due 5/31/2019	475,000.00	01/30/2013 1.23 %	472,014.60 472,014.60	100.01 1.12 %	475,055.58 1,795.85	1.77 % 3,040.98	Aaa / AA+ AAA	3.67 3.57
Total US Treasury		5,425,000.00	2.02 %	5,435,515.06 5,435,515.06	0.66 %	5,562,432.26 32,933.26	20.72 % 126,917.20	Aaa / AA+ Aaa	2.00 1.95
TOTAL PORTFOLIO		26,460,923.33	1.49 %	26,988,768.65 26,989,254.32	0.79 %	26,896,536.18 107,497.06	100.00 % (92,718.14)	Aa1 / AA Aaa	1.78 1.67
TOTAL MARKET VALUE PLUS ACCRUED						27,004,033.24			



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
89231NAC7	Toyota Auto Receivable 2012-B A3 0.46% Due 7/15/2016	18,440.41	09/18/2012 0.46 %	18,438.66 18,438.66	100.00 0.46 %	18,440.47 3.77	0.02 % 1.81	Aaa / AAA NR	0.79 0.02
43813CAC4	Honda Auto Receivables 2012-4 A3 0.52% Due 8/18/2016	62,957.85	10/11/2012 0.52 %	62,951.75 62,951.75	99.98 0.91 %	62,946.39 11.82	0.07 % (5.36)	Aaa / AAA NR	0.88 0.05
477879AC4	John Deere Owner Trust 2013-B A3 0.87% Due 8/15/2017	280,042.45	08/27/2013 0.88 %	280,004.28 280,004.28	100.05 0.76 %	280,180.79 108.28	0.29 % 176.51	Aaa / NR AAA	1.88 0.42
89231MAC9	Toyota Auto Receivables Owner 2014-A 0.67% Due 12/15/2017	975,000.00	03/11/2014 0.69 %	974,819.82 974,819.82	99.92 0.79 %	974,228.78 290.33	1.02 % (591.04)	Aaa / AAA NR	2.21 0.65
43814GAC4	Honda Auto Receivables 2014-2 A3 0.77% Due 3/19/2018	1,020,000.00	05/13/2014 0.78 %	1,019,877.40 1,019,877.40	99.88 0.91 %	1,018,782.12 283.62	1.07 % (1,095.28)	Aaa / AAA NR	2.47 0.84
47787VAC5	John Deere Owner Trust 2014-A A3 0.92% Due 4/16/2018	1,455,000.00	04/02/2014 0.93 %	1,454,766.91 1,454,766.91	99.98 0.95 %	1,454,691.54 594.93	1.53 % (75.37)	Aaa / NR AAA	2.55 0.79
43814HAC2	Honda Auto Receivables 2014-3 A3 0.88% Due 6/15/2018	1,015,000.00	08/12/2014 0.89 %	1,014,804.21 1,014,804.21	99.88 1.00 %	1,013,744.45 396.98	1.07 % (1,059.76)	NR / AAA AAA	2.71 1.03
477877AD6	John Deere Owner Trust 2014-B A3 1.07% Due 11/15/2018	1,170,000.00	Various 1.08 %	1,169,688.96 1,169,688.96	100.08 1.01 %	1,170,925.47 556.40	1.23 % 1,236.51	Aaa / NR AAA	3.13 1.23
36164EAC9	GE Equipment Transportation 2015-1 A3 1.28% Due 2/25/2019	760,000.00	02/24/2015 1.29 %	759,887.90 759,887.90	100.44 1.03 %	763,339.44 216.18	0.80 % 3,451.54	Aaa / NR AAA	3.41 1.70
571GY4	Chase CHAIT Pool #2015-A5 1.36% Due 4/15/2020	1,240,000.00	04/30/2015 1.37 %	1,239,781.51 1,239,781.51	100.31 1.24 %	1,243,796.88 749.51	1.31 % 4,015.37	NR / AAA AAA	4.55 2.46
Total ABS		7,996,440.71	1.00 %	7,995,021.40	0.98 %	8,001,076.33 3,211.82	8.41 % 6,054.93	Aaa / AAA Aaa	2.95 1.20

AGENCY									
880591EA6	Tennessee Valley Authority Note 5.5% Due 7/18/2017	585,000.00	Various 3.63 %	656,277.26 656,277.26	108.50 0.74 %	634,736.12 6,524.38	0.67 % (21,541.14)	Aaa / AA+ AAA	1.80 1.72
3137EABA6	FHLMC Note 5.125% Due 11/17/2017	1,400,000.00	02/03/2011 3.13 %	1,569,204.00 1,569,204.00	109.07 0.82 %	1,526,925.40 26,706.94	1.63 % (42,278.60)	Aaa / AA+ AAA	2.13 2.01
880591CU4	Tennessee Valley Authority Note 6.25% Due 12/15/2017	1,590,000.00	Various 4.15 %	1,827,006.80 1,827,006.80	111.62 0.92 %	1,774,808.88 29,260.41	1.90 % (52,197.92)	Aaa / AA+ AAA	2.21 2.06
31331YF21	FFCB Note 4.25% Due 4/16/2018	650,000.00	07/15/2010 2.98 %	706,634.50 706,634.50	108.34 0.92 %	704,240.55 12,661.46	0.75 % (2,393.95)	Aaa / AA+ AAA	2.55 2.39
3135G0WJ8	FNMA Note 0.875% Due 5/21/2018	600,000.00	12/19/2013 1.56 %	582,612.60 582,612.60	99.94 0.90 %	599,639.40 1,895.83	0.63 % 17,026.80	Aaa / AA+ AAA	2.64 2.60
3137EABP3	FHLMC Note 4.875% Due 6/13/2018	1,950,000.00	Various 2.67 %	2,224,649.10 2,224,649.10	110.48 0.94 %	2,154,443.85 28,518.75	2.29 % (70,205.25)	Aaa / AA+ AAA	2.70 2.53
3135G0ZA4	FNMA Note 1.875% Due 2/19/2019	1,900,000.00	Various 1.75 %	1,911,442.50 1,911,442.50	102.31 1.18 %	1,943,948.90 4,156.26	2.05 % 32,506.40	Aaa / AA+ AAA	3.39 3.27
3137EADG1	FHLMC Note 1.75% Due 5/30/2019	1,900,000.00	04/27/2012 1.66 %	1,911,149.20 1,911,149.20	102.03 1.18 %	1,938,598.50 11,175.69	2.05 % 27,449.30	Aaa / AA+ AAA	3.67 3.53



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
3137EADK2	FHLMC Note 1.25% Due 8/1/2019	2,000,000.00	Various 1.49 %	1,970,964.80 1,970,964.80	99.94 1.27 %	1,998,830.00 4,166.66	2.10 % 27,865.20	Aaa / AA+ AAA	3.84 3.73
3133X8AS1	FHLB Note 5.125% Due 8/15/2019	1,700,000.00	06/07/2011 3.02 %	1,958,281.00 1,958,281.00	114.31 1.32 %	1,943,276.80 11,132.64	2.05 % (15,004.20)	Aaa / AA+ AAA	3.88 3.54
3137EADM8	FHLMC Note 1.25% Due 10/2/2019	1,425,000.00	Various 1.60 %	1,396,312.75 1,396,312.75	99.80 1.30 %	1,422,112.95 8,856.77	1.50 % 25,800.20	Aaa / AA+ AAA	4.01 3.87
3135G0ZY2	FNMA Note 1.75% Due 11/26/2019	1,575,000.00	12/23/2014 1.83 %	1,568,841.75 1,568,841.75	101.77 1.31 %	1,602,923.18 9,570.31	1.69 % 34,081.43	Aaa / AA+ AAA	4.16 3.98
3137EADR7	FHLMC Note 1.375% Due 5/1/2020	1,575,000.00	04/17/2014 2.18 %	1,503,983.25 1,503,983.25	99.91 1.40 %	1,573,562.03 9,023.44	1.66 % 69,578.78	Aaa / AA+ AAA	4.59 4.40
3133ECPD0	FFCB Note 1.42% Due 5/13/2020	1,165,000.00	05/22/2013 1.63 %	1,148,561.85 1,148,561.85	100.02 1.42 %	1,165,226.01 6,341.48	1.23 % 16,664.16	Aaa / AA+ AAA	4.62 4.43
3133XDVS7	FHLB Note 5.25% Due 12/11/2020	1,825,000.00	07/07/2011 3.54 %	2,073,346.00 2,073,346.00	118.20 1.59 %	2,157,067.88 29,276.04	2.30 % 83,721.88	Aaa / AA+ AAA	5.20 4.57
880591EL2	Tennessee Valley Authority Note 3.875% Due 2/15/2021	2,120,000.00	04/06/2011 3.87 %	2,121,611.20 2,121,611.20	110.88 1.75 %	2,350,603.00 10,496.94	2.48 % 228,991.80	Aaa / AA+ AAA	5.38 4.87
3133752P1	FHLB Note 3.5% Due 7/29/2021	2,925,000.00	08/03/2011 3.19 %	3,003,185.25 3,003,185.25	109.79 1.73 %	3,211,410.15 17,631.25	3.39 % 208,224.90	Aaa / AA+ AAA	5.83 5.28
3133752P1-37- JA5P45	FHLB Note 2.375% Due 6/10/2022	1,850,000.00	07/24/2015 2.31 %	1,857,751.50 1,857,751.50	102.63 1.95 %	1,898,693.85 13,303.30	2.01 % 40,942.35	Aaa / AA+ AAA	6.70 6.13
880591EN8	Tennessee Valley Authority Note 1.875% Due 8/15/2022	2,585,000.00	Various 2.03 %	2,550,760.80 2,550,760.80	98.83 2.06 %	2,554,721.90 6,193.23	2.69 % 3,961.10	Aaa / AA+ AAA	6.88 6.40
3135G0ZR7	FNMA Note 2.625% Due 9/6/2024	1,400,000.00	10/29/2014 2.68 %	1,393,896.00 1,393,896.00	102.41 2.33 %	1,433,675.60 2,552.08	1.51 % 39,779.60	Aaa / AA+ AAA	8.94 7.93
Total Agency		32,720,000.00	2.59 %	33,936,472.11	1.43 %	34,589,444.95 249,443.86	36.61 % 652,972.84	Aaa / AA+ Aaa	4.54 4.21
CMO									
3137AH6Q6	FHLMC K704 A2 2.412% Due 8/25/2018	1,745,000.00	03/06/2014 1.68 %	1,798,576.95 1,798,576.95	102.83 1.28 %	1,794,453.30 701.49	1.89 % (4,123.65)	NR / NR AAA	2.90 2.59
Total CMO		1,745,000.00	1.68 %	1,798,576.95	1.28 %	1,794,453.30 701.49	1.89 % (4,123.65)	NR / NR Aaa	2.90 2.59
COMMERCIAL PAPER									
06538CXT3	Bank of Tokyo Mitsubishi NY Discount CP 0.3% Due 10/27/2015	1,940,000.00	06/26/2015 0.30 %	1,938,060.00 1,939,579.67	99.98 0.30 %	1,939,579.67 0.00	2.04 % 0.00	P-1 / A-1 F-1	0.07 0.07
Total Commercial Paper		1,940,000.00	0.30 %	1,938,060.00 1,939,579.67	0.30 %	1,939,579.67 0.00	2.04 % 0.00	P-1 / A-1 F-1	0.07 0.07



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
MONEY MARKET FUND FI									
94975J466	Wells Fargo Advantage Government MMF	331,108.72	Various 0.01 %	331,108.72 331,108.72	1.00 0.01 %	331,108.72 0.00	0.35 % 0.00	Aaa / AAA AAA	0.00 0.00
Total Money Market Fund FI		331,108.72	0.01 %	331,108.72	0.01 %	331,108.72 0.00	0.35 % 0.00	Aaa / AAA Aaa	0.00 0.00
US CORPORATE									
459200GU9	IBM Corp Note 2% Due 1/5/2016	1,200,000.00	Various 2.75 %	1,159,239.00 1,159,239.00	100.41 0.43 %	1,204,952.40 5,733.33	1.27 % 45,713.40	Aa3 / AA- A+	0.27 0.26
24422ERZ4	John Deere Capital Corp Note 0.75% Due 1/22/2016	475,000.00	01/17/2013 0.79 %	474,496.50 474,496.50	100.10 0.42 %	475,484.50 682.81	0.50 % 988.00	A2 / A NR	0.31 0.31
38259PAC6	Google Inc Note 2.125% Due 5/19/2016	975,000.00	11/15/2012 0.75 %	1,021,108.20 1,021,108.20	101.04 0.49 %	985,130.25 7,596.88	1.04 % (35,977.95)	Aa2 / AA NR	0.64 0.63
191216AU4	Coca Cola Company Note 1.8% Due 9/1/2016	1,070,000.00	08/13/2013 0.98 %	1,096,225.70 1,096,225.70	101.09 0.61 %	1,081,630.90 1,605.00	1.14 % (14,594.80)	Aa3 / AA A+	0.92 0.91
36962G5W0	General Electric Capital Corp Note 2.3% Due 4/27/2017	1,720,000.00	03/07/2013 1.44 %	1,778,875.60 1,778,875.60	102.05 0.99 %	1,755,191.20 16,922.89	1.86 % (23,684.40)	A1 / AA+ NR	1.58 1.53
31017BU2	United Tech Corp Note 1.8% Due 6/1/2017	115,000.00	05/24/2012 1.82 %	114,901.10 114,901.10	101.20 1.07 %	116,381.38 690.00	0.12 % 1,480.28	A3 / A- A-	1.67 1.63
3339XAN5	Oracle Corp Note 1.2% Due 10/15/2017	1,150,000.00	08/28/2013 1.87 %	1,119,421.50 1,119,421.50	100.17 1.12 %	1,151,935.45 6,363.33	1.22 % 32,513.95	A1 / AA- A+	2.04 2.00
166764AA8	Chevron Corp. Callable Note Cont 11/5/17 1.104% Due 12/5/2017	535,000.00	Various 1.19 %	533,208.75 533,208.75	99.60 1.30 %	532,855.72 1,903.18	0.56 % (353.03)	Aa1 / AA NR	2.18 2.06
458140AL4	Intel Corp Note 1.35% Due 12/15/2017	1,200,000.00	Various 1.30 %	1,202,843.20 1,202,843.20	99.82 1.43 %	1,197,854.40 4,770.01	1.26 % (4,988.80)	A1 / A+ A+	2.21 2.16
40428HPH9	HSBC USA Inc Note 1.625% Due 1/16/2018	790,000.00	08/21/2015 1.75 %	787,677.40 787,677.40	99.72 1.75 %	787,756.40 2,674.48	0.83 % 79.00	A2 / A AA-	2.30 2.23
69371RM45	Paccar Financial Corp Note 1.45% Due 3/9/2018	1,115,000.00	03/03/2015 1.48 %	1,113,951.90 1,113,951.90	100.13 1.40 %	1,116,404.90 988.01	1.17 % 2,453.00	A1 / A+ NR	2.44 2.39
808513AK1	Charles Schwab Corp Callable Note Cont 2/10/2018 1.5% Due 3/10/2018	1,200,000.00	03/12/2015 1.50 %	1,200,072.00 1,200,072.00	100.10 1.46 %	1,201,150.80 1,050.00	1.26 % 1,078.80	A2 / A A	2.44 2.30
931142DF7	Wal-Mart Stores Note 1.125% Due 4/11/2018	840,000.00	04/04/2013 1.14 %	839,227.20 839,227.20	99.92 1.16 %	839,351.52 4,462.50	0.89 % 124.32	Aa2 / AA AA	2.53 2.47
037833AJ9	Apple Inc Note 1% Due 5/3/2018	1,250,000.00	Various 1.33 %	1,231,967.50 1,231,967.50	99.53 1.18 %	1,244,162.50 5,138.89	1.31 % 12,195.00	Aa1 / AA+ NR	2.59 2.54



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US CORPORATE									
166764AE0	Chevron Corp. Callable Note Cont 5/24/2018 1.718% Due 6/24/2018	1,000,000.00	03/28/2014 1.71 %	1,000,470.00 1,000,470.00	100.78 1.42 %	1,007,760.00 4,629.06	1.06 % 7,290.00	Aa1 / AA NR	2.73 2.57
02665WAC5	American Honda Finance Note 2.125% Due 10/10/2018	1,600,000.00	03/28/2014 1.99 %	1,609,232.00 1,609,232.00	101.12 1.74 %	1,617,988.80 16,150.00	1.72 % 8,756.80	A1 / A+ NR	3.03 2.89
91159HHE3	US Bancorp Callable Note Cont 10/15/2018 1.95% Due 11/15/2018	1,210,000.00	Various 1.83 %	1,215,878.85 1,215,878.85	101.04 1.60 %	1,222,621.52 8,913.67	1.29 % 6,742.67	A1 / A+ AA-	3.13 2.92
24422ESF7	John Deere Capital Corp Note 1.95% Due 12/13/2018	1,170,000.00	Various 2.00 %	1,167,143.90 1,167,143.90	100.98 1.63 %	1,181,463.66 6,844.50	1.25 % 14,319.76	A2 / A NR	3.21 3.08
89236TBB0	Toyota Motor Credit Corp Note 2.1% Due 1/17/2019	1,200,000.00	11/19/2014 2.00 %	1,204,548.00 1,204,548.00	101.14 1.74 %	1,213,705.20 5,180.00	1.28 % 9,157.20	Aa3 / AA- A	3.30 3.16
46625HJR2	JP Morgan Chase Note 2.35% Due 1/28/2019	1,200,000.00	04/02/2014 2.32 %	1,201,392.00 1,201,392.00	100.79 2.10 %	1,209,472.80 4,935.00	1.28 % 8,080.80	A3 / A A+	3.33 3.18
17275RAR3	Cisco Systems Note 2.125% Due 3/1/2019	1,200,000.00	Various 2.02 %	1,205,740.50 1,205,740.50	101.25 1.75 %	1,215,049.20 2,125.00	1.28 % 9,308.70	A1 / AA- NR	3.42 3.28
06406HCW7	Bank of New York Callable Note Cont 8/11/2019 2.3% Due 9/11/2019	1,200,000.00	11/19/2014 2.25 %	1,202,712.00 1,202,712.00	100.99 2.03 %	1,211,906.40 1,533.33	1.28 % 9,194.40	A1 / A+ AA-	3.95 3.68
448CS5	PepsiCo Inc Callable Note Cont 3/30/2020 1.85% Due 4/30/2020	970,000.00	04/27/2015 1.86 %	969,447.10 969,447.10	99.43 1.98 %	964,495.25 7,526.93	1.02 % (4,951.85)	A1 / A A	4.59 4.34
747525AD5	Qualcomm Inc Note 2.25% Due 5/20/2020	1,340,000.00	05/13/2015 2.25 %	1,340,302.10 1,340,302.10	99.75 2.31 %	1,336,619.18 10,971.26	1.42 % (3,682.92)	A1 / A+ NR	4.64 4.35
Total US Corporate		25,725,000.00	1.73 %	25,790,082.00	1.43 %	25,871,324.33 129,390.06	27.32 % 81,242.33	A1 / AA- A+	2.59 2.47

US TREASURY									
912828SD3	US Treasury Note 1.25% Due 1/31/2019	2,335,000.00	05/29/2012 1.09 %	2,359,362.67 2,359,362.67	100.66 1.05 %	2,350,506.74 4,917.46	2.48 % (8,855.93)	Aaa / AA+ AAA	3.34 3.25
912828SX9	US Treasury Note 1.125% Due 5/31/2019	2,000,000.00	01/30/2013 1.23 %	1,987,429.88 1,987,429.88	100.01 1.12 %	2,000,234.00 7,561.48	2.11 % 12,804.12	Aaa / AA+ AAA	3.67 3.57
912828TH3	US Treasury Note 0.875% Due 7/31/2019	1,100,000.00	10/25/2012 1.21 %	1,075,941.90 1,075,941.90	98.89 1.17 %	1,087,825.20 1,621.60	1.14 % 11,883.30	Aaa / AA+ AAA	3.84 3.75
912828UB4	US Treasury Note 1% Due 11/30/2019	2,000,000.00	Various 1.91 %	1,893,289.25 1,893,289.25	99.00 1.25 %	1,980,052.00 6,721.31	2.09 % 86,762.75	Aaa / AA+ AAA	4.17 4.05
912828PX2	US Treasury Note 3.625% Due 2/15/2021	1,425,000.00	06/02/2011 2.95 %	1,505,662.92 1,505,662.92	110.95 1.50 %	1,581,063.15 6,597.40	1.67 % 75,400.23	Aaa / AA+ AAA	5.38 4.90
912828RC6	US Treasury Note 2.125% Due 8/15/2021	1,650,000.00	02/28/2014 2.23 %	1,637,953.86 1,637,953.86	102.93 1.60 %	1,698,340.05 4,478.09	1.79 % 60,386.19	Aaa / AA+ AAA	5.88 5.50



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US TREASURY									
912828RR3	US Treasury Note 2% Due 11/15/2021	2,000,000.00	01/18/2012 1.90 %	2,017,664.26 2,017,664.26	102.05 1.65 %	2,040,938.00 15,108.70	2.16 % 23,273.74	Aaa / AA+ AAA	6.13 5.71
912828SF8	US Treasury Note 2% Due 2/15/2022	2,025,000.00	07/31/2014 2.33 %	1,978,970.99 1,978,970.99	102.01 1.67 %	2,065,684.28 5,172.55	2.18 % 86,713.29	Aaa / AA+ AAA	6.38 5.96
912828SV3	US Treasury Note 1.75% Due 5/15/2022	2,000,000.00	07/29/2013 2.41 %	1,895,945.50 1,895,945.50	100.15 1.73 %	2,003,020.00 13,220.11	2.12 % 107,074.50	Aaa / AA+ AAA	6.63 6.19
912828TJ9	US Treasury Note 1.625% Due 8/15/2022	2,000,000.00	Various 2.17 %	1,910,562.70 1,910,562.70	99.15 1.76 %	1,983,072.00 4,150.81	2.09 % 72,509.30	Aaa / AA+ AAA	6.88 6.46
912828TY6	US Treasury Note 1.625% Due 11/15/2022	1,600,000.00	05/27/2014 2.37 %	1,509,318.90 1,509,318.90	99.03 1.77 %	1,584,499.20 9,820.65	1.68 % 75,180.30	Aaa / AA+ AAA	7.13 6.65
912828VB3	US Treasury Note 1.75% Due 5/15/2023	1,800,000.00	Various 2.37 %	1,713,425.18 1,713,425.18	99.15 1.87 %	1,784,671.20 11,898.10	1.89 % 71,246.02	Aaa / AA+ AAA	7.63 7.06
Total US Treasury		21,935,000.00	1.99 %	21,485,528.01 21,485,528.01	1.51 %	22,159,905.82 91,268.26	23.38 % 674,377.81	Aaa / AA+ Aaa	5.58 5.25
TOTAL PORTFOLIO		92,392,549.43	2.00 %	93,274,849.19 93,276,368.86	1.38 %	94,686,893.12 474,015.49	100.00 % 1,410,524.26	Aa1 / AA Aaa	3.98 3.59
AL MARKET VALUE PLUS ACCRUED						95,160,908.61			

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SECTION 4

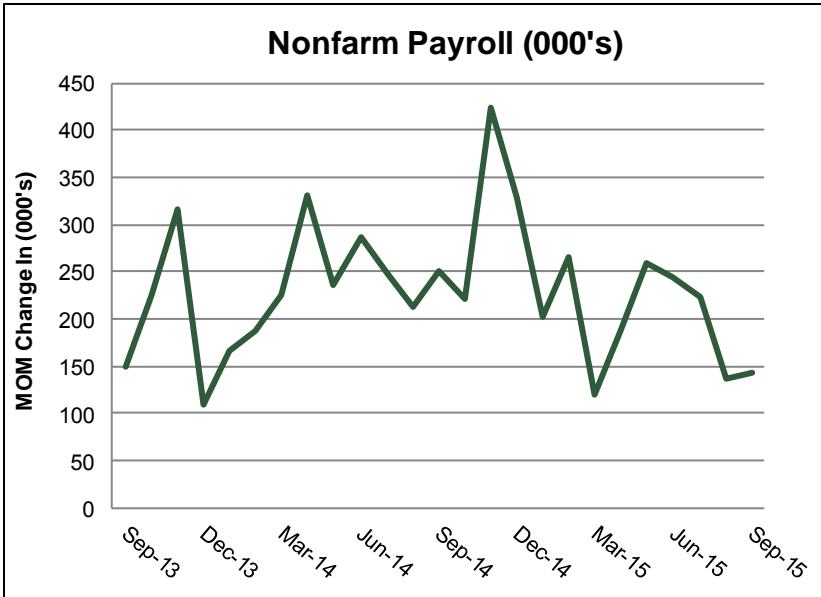
Economic Update

- In light of the weak September jobs report and the latest reading on inflation, we believe the probability of a fed funds rate hike by the Federal Reserve before year-end has further diminished. Nonfarm payrolls rose by 142,000 in September, below the consensus forecast of 201,000. Meanwhile, the PCE price index is still running well below the Fed's 2.0% target, at just 0.3% on a year-over-year basis in August. In our view, a rate hike is still possible before year-end, but depending on domestic and global economic data, as well as any potential financial market volatility fueled by a US debt ceiling debate over the next few months, it could be pushed out to 2016. Fed funds futures currently imply that the Fed could remain on hold until March or even June of next year. The Federal Open Market Committee (FOMC) left policy rates unchanged at its September meeting. The Committee cautioned that "recent global economic and financial developments may restrain economic activity." Overall, the Fed's September policy statement was dovish and the outlook for future monetary policy changes remains uncertain. There are two remaining FOMC meetings scheduled this year
- US economic data has been mixed. Over the past three months, payrolls have increased by an average of 167,000 per month, compared to the trailing six-month average of 199,000. In September the unemployment rate was unchanged at 5.1%, but the participation rate edged down and wages were flat. Meanwhile, housing still appears to be a growing source of strength for the US economy. In addition, consumer confidence remains strong, which should bode well for fourth quarter holiday shopping. The manufacturing sector, on the other hand, remains under pressure, largely due to the strength of the US dollar. Second quarter GDP growth was revised upward to an annualized rate of 3.9% from the second estimate of 3.7%. Market participants currently expect annualized GDP growth of about 2.4% in the third quarter, and 2.7% growth in the fourth quarter.
- Interest rate volatility remains elevated due to continued uncertainty regarding the outlook for global economic growth and the timing of the first fed funds rate hike. Yields on 2-year and 10-year Treasury notes declined in September, offsetting increases in August. Over the past three months, the yield curve flattened with the yield on 10-year Treasuries falling roughly 40 basis points. Mixed US economic data, divergent central bank monetary policies, and concerns about weakening economic growth in China and other emerging markets have influenced interest rates.

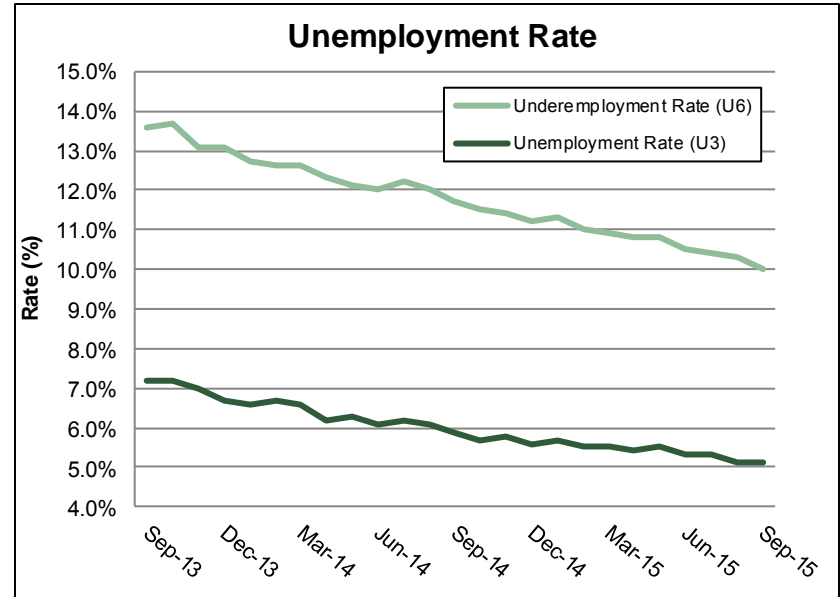


Employment

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Source: US Department of Labor

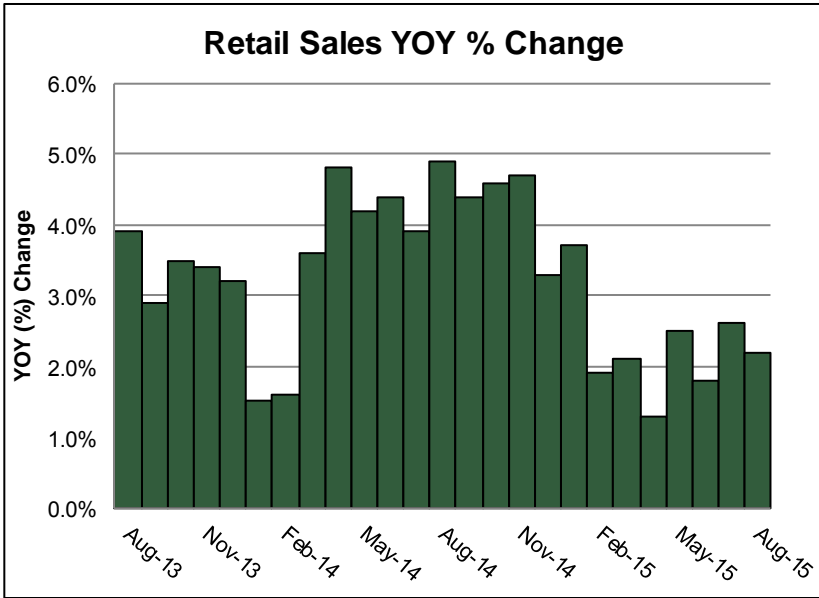


Source: US Department of Labor

The September employment report was weaker than expected. Nonfarm payrolls rose by 142,000 in September, well below the consensus forecast of 201,000. July and August payrolls were revised down by a total of 59,000. The unemployment rate was unchanged at 5.1% in September. Meanwhile, the participation rate declined to 62.4% from 62.6%, to its lowest level since 1977. A broader measure of unemployment called the U-6, which includes those whom are marginally attached to the labor force and employed part time for economic reasons, declined to 10.0% from 10.3%. Wages were flat on a month-over-month basis in September, and were up 2.2% on a year-over-year basis. Over the past three months, payrolls have increased by an average of 167,000 per month, compared to the trailing six-month average of 199,000.



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Source: US Department of Commerce



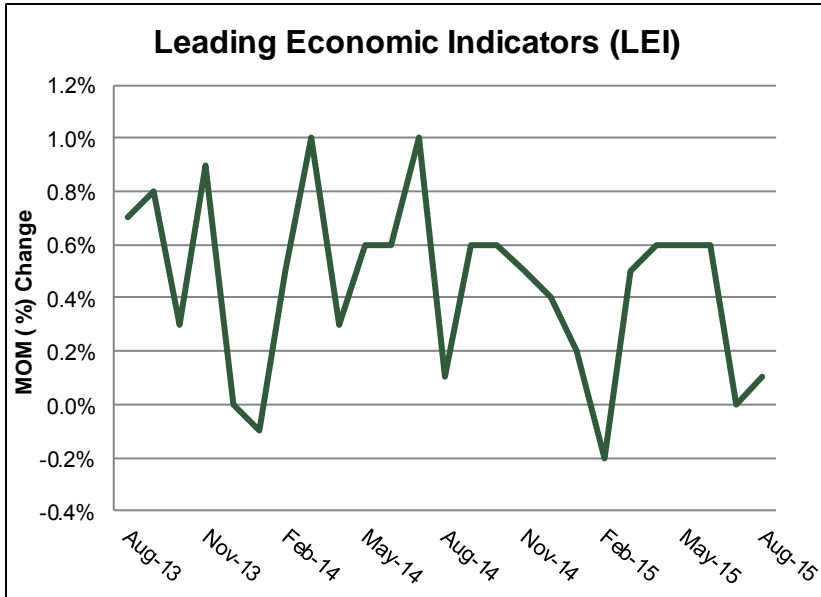
Source: Federal Reserve

Retail sales rose 0.2% on a month-over-month basis in August, following an upwardly revised gain of 0.7% in July. On a year-over-year basis, retail sales rose 2.2% in the month, following a 2.6% year-over-year gain in July. The July and August gains signal an improving trend in consumer spending. Ongoing improvement in the labor market, along with low gas prices, should continue to have a positive influence on consumer discretionary spending. Consumer confidence increased to 103.0 in September from 101.3 in August, with strength in both the present situation and expectations components. This report bodes well for consumer spending, heading into the holiday shopping season.

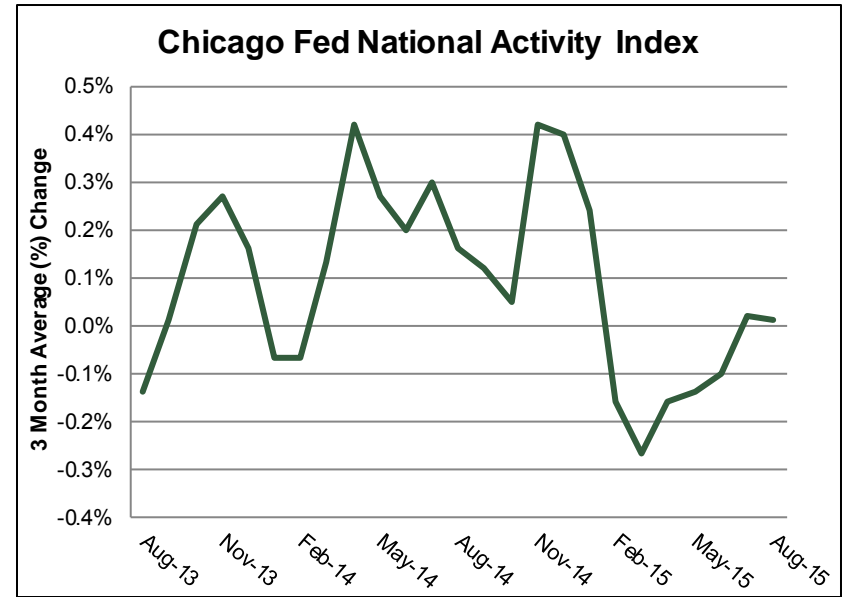


Economic Activity

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Source: The Conference Board

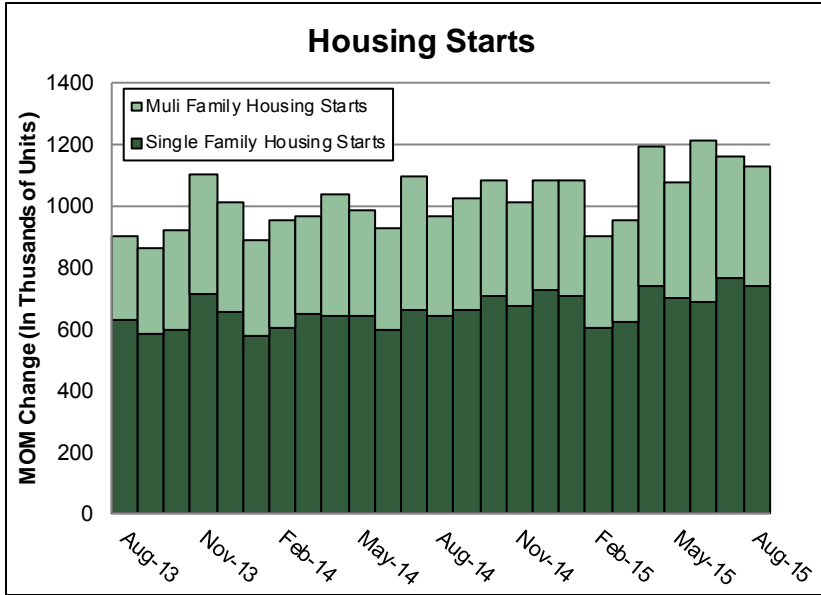


Source: Federal Reserve Bank of Chicago

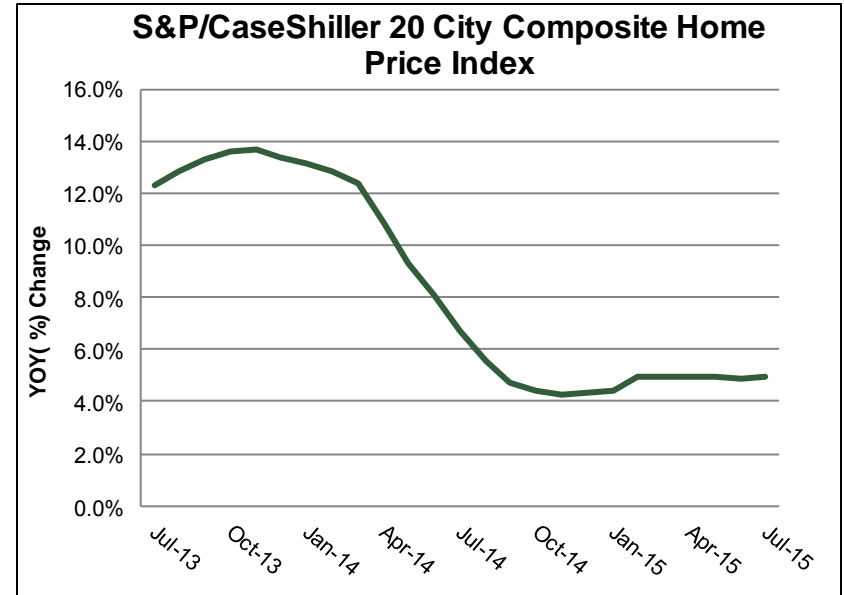
The index of Leading Economic Indicators (LEI) rose 0.1% in August after being flat in July. The LEI was slightly weaker than expectations in August and points to slow economic growth. The Chicago Fed National Activity Index 3-month moving average was 0.01 in August, up slightly from 0.00 in July. Overall, this index points to softness in overall economic activity.



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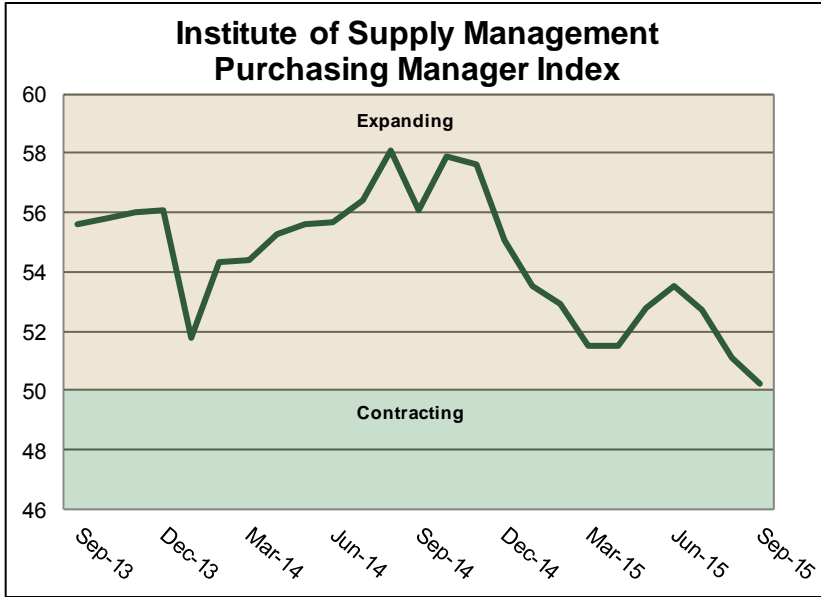


Source: US Census Bureau

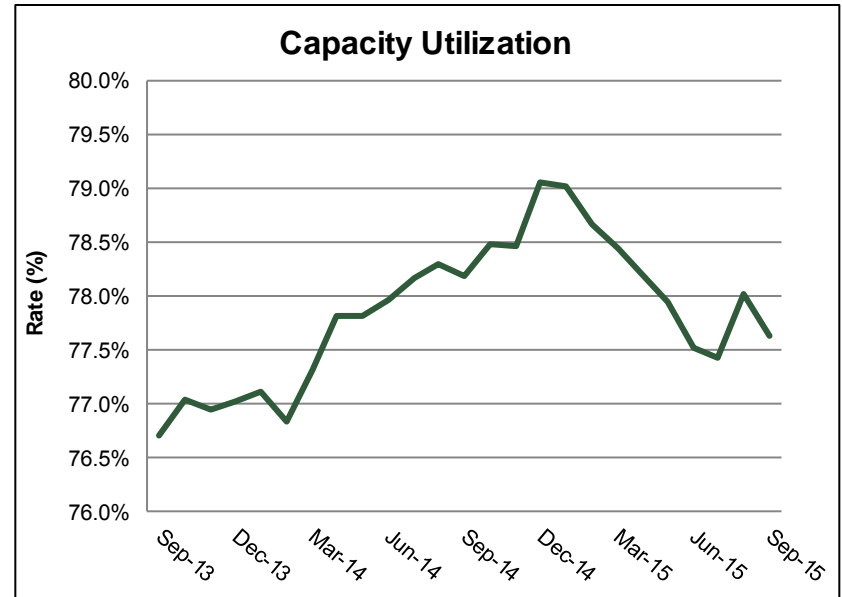


Source: S&P

Total housing starts fell 3.0% in August, below expectations. Both single-family housing starts and multi-family starts fell 3.0%. However, total housing starts are up 16.6% year-over-year, with single-family starts up 14.9% and multi-family starts up 19.8% on that basis. Housing data tends to be volatile on a month-to-month basis, but the underlying trends suggest the housing sector is a growing source of strength for the US economy. According to the S&P Case-Shiller index, home prices softened in July, down 0.2% on a month-over-month basis, but prices are still up 5% on a year-over-year basis. Housing inventory remains tight which could lead to firming pricing ahead.



Source: Institute for Supply Management



Source: Federal Reserve

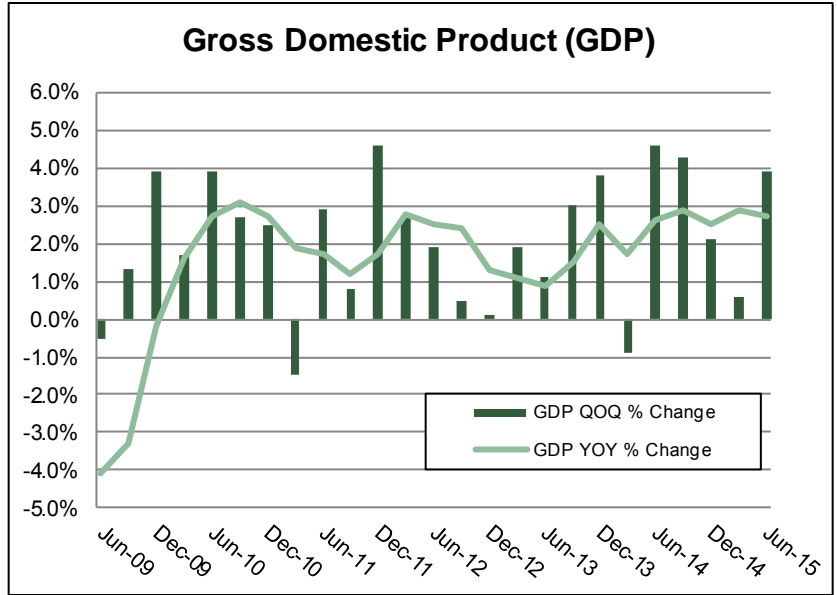
During September, the ISM manufacturing index declined to 50.2 from 51.1 in August. Overall, manufacturing trends remain under pressure, however, a reading above 50.0 still suggests expansion in the manufacturing sector. Capacity utilization, which is production divided by capacity, increased to 78.0% in August from 77.7% in July. The capacity utilization rate is lower than the long-run average of 80.1% (1972-2014). Overall, growth in the US manufacturing sector has been hindered by the strong US dollar and a sluggish global economy.



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Components of GDP	9/14	12/14	3/15	6/15
Personal Consumption Expenditures	2.3%	2.9%	1.2%	2.4%
Gross Private Domestic Investment	1.2%	0.4%	1.4%	0.9%
Net Exports and Imports	0.4%	-0.9%	-1.9%	0.2%
Federal Government Expenditures	0.3%	-0.4%	0.1%	0.0%
State and Local (Consumption and Gross Investment)	0.1%	0.2%	-0.1%	0.5%
Total	4.3%	2.1%	0.7%	3.9%

Source: US Department of Commerce



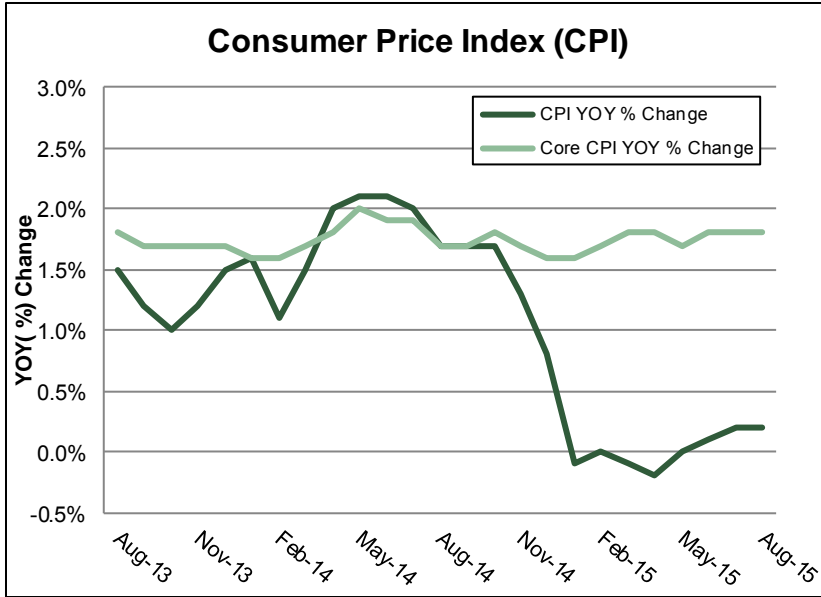
Source: US Department of Commerce

Real annualized GDP growth in the second quarter of 2015 was revised upward to 3.9% from the second estimate of 3.7%. The consensus estimate for second quarter GDP growth was 3.7%. The upward revision was driven by increases in personal consumption expenditures, nonresidential investment and residential investment.

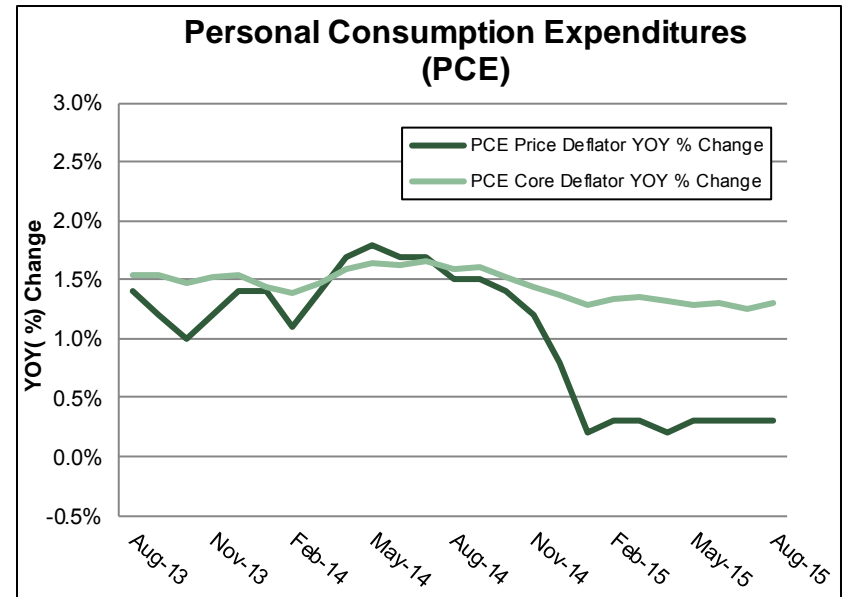


Inflation

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Source: US Department of Labor

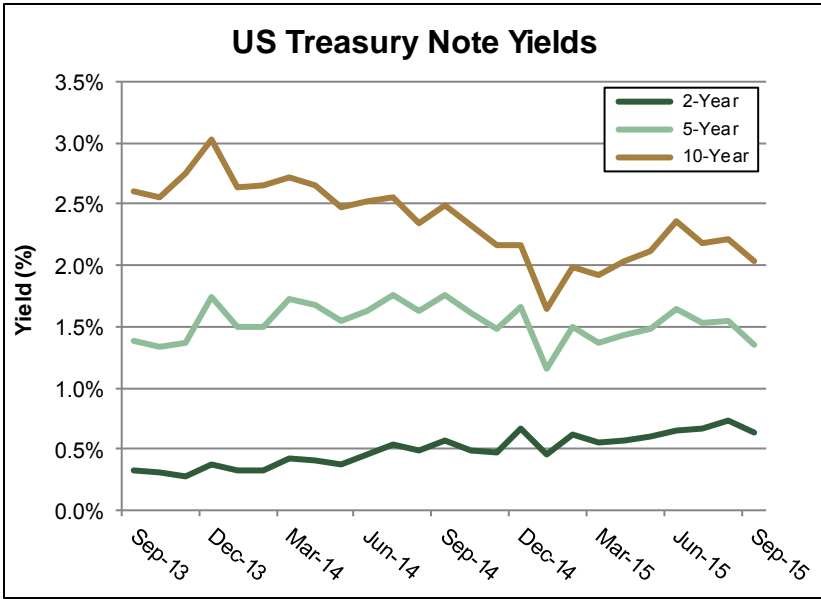


Source: US Department of Labor

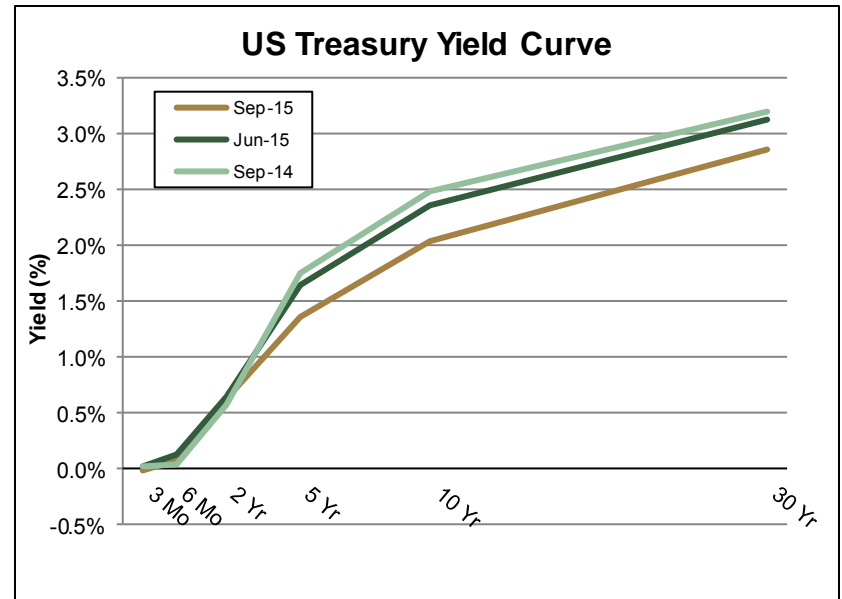
In August, Consumer Price Index (CPI) inflation was unchanged from July, up 0.2% on a year-over-year basis. Headline inflation remains low, in light of a precipitous decline in energy prices. The year-over-year Core CPI (CPI less food and energy) was also unchanged at 1.8% in August. The Personal Consumption Expenditures (PCE) price index was unchanged in August, up 0.3% on a year-over-year basis. The Core PCE price index was up 1.3% on a year-over-year basis in August, up slightly from 1.2% in July. Overall, inflation remains below the Fed's 2.0% target.



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Source: Bloomberg



Source: Bloomberg

Interest rate volatility remains elevated. The yield on the two-year Treasury note fell about 8 basis points in September after increasing by approximately the same amount in August. Meanwhile, the yield on the ten-year Treasury note fell roughly 12 basis points in September after increasing about 4 basis points in August. Concerns about slowing global economic growth, the continued decline in oil prices and ongoing uncertainty about Fed monetary policy has fueled financial market turbulence. During the past three months, the Treasury yield curve has flattened with the yield on 10-year Treasuries falling about 40 basis points. Mixed US economic data, divergent central bank monetary policies, and concerns about weakening economic growth in China and other emerging markets have influenced interest rates.



Moulton Niguel Water District

STAFF REPORT

TO: Board of Directors **MEETING DATE:** November 18, 2015

FROM: Trevor Agrelus, Controller

SUBJECT: Comprehensive Annual Financial Report for Fiscal Year Ended
June 30, 2015

DIVISION: District-wide

SUMMARY:

Issue: Review Draft of Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2015.

Recommendation: Information item only.

Fiscal Impact: No fiscal impact to the District.

BACKGROUND:

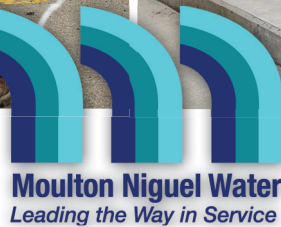
A CAFR is a widely recognized financial reporting medium, which complies with the accounting requirements promulgated by the Governmental Accounting Standards Board (“GASB”).

DISCUSSION:

The CAFR has been prepared by the Finance Department, and a copy is now available for review. The report was prepared in accordance with the guidelines set forth by GASB. Lance, Soll and Lungard, LLP, have conducted an independent audit and will issue an unmodified opinion for the District’s financial statements for fiscal year ended June 30, 2015. The opinion letter won’t be available until the CAFR has been finalized. An unmodified opinion is a judgment that the District’s financial records and statements are fairly and appropriately presented in accordance with Generally Accepted Accounting Principles (“GAAP”).

Attachments:

1. Draft CAFR for Fiscal Year Ended June 30, 2015
2. Audit Communication Letter
3. Auditors’ Report on Internal Control



MOULTON NIGUEL WATER DISTRICT

27500 La Paz Road, Laguna Niguel, CA 92677

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

#5.



Moulton Niguel Water
Leading the Way in Service

**MOULTON NIGUEL WATER DISTRICT
LAGUNA NIGUEL, CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

DRAFT

**Prepared By:
The Finance Department**

27500 La Paz Road
Laguna Niguel, CA 92677
www.mnwd.com

DRAFT

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MOULTON NIGUEL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015

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MOULTON NIGUEL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015

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Vice President

November 18, 2015

Members of the Board of Directors
Moulton Niguel Water District

We are pleased to present the Moulton Niguel Water District's ("District") Comprehensive Annual Financial Report ("CAFR") for the fiscal year ending June 30, 2015. 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 CAFR provides an assessment of the District's financial condition, informs readers about District services, includes information about capital improvement projects, discusses current initiatives, and offers financial and demographic trend information. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the information and data, as presented, is accurate in all material respects, and it is presented in a manner that provides a fair representation of the financial position and operations of the District. Included are all disclosures we believe are necessary to enhance your understanding of the financial condition of the District.

The District's financial statements have been audited by Lance, Soll & Lunghard, LLP., a firm of 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 ending June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting 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 ending June 30, 2015, were fairly presented in conformity with GAAP. The independent auditors' 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 Auditors' Report.

Profile of Moulton Niguel Water 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 purposes of providing a water supply to the communities within its service area. In 1963, the California Water

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District Act was amended, allowing California water districts to provide water and 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. 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 inhabitants. 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 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 of Directors, who are publicly elected by registered voters within the District's service area for staggered four-year terms. Each Director represents a geographical division based upon comparable populations, which is determined by the District and approved by the Registrar of Voters.

Policy-making and legislative authority are vested with the Board of Directors. The Board of Directors has the authority to set rates and charges for water, recycled water, and wastewater services. The Board of Directors is responsible for, among other things, adopting resolutions, adopting the budget, appointing committees, and hiring the General Manager. The General Manager is responsible for carrying out the policies of the Board of Directors, for overseeing the day-to-day operations of the District, and for hiring staff for the various divisions (e.g. Finance, Human Resources, and Engineering & Operations).

Service Area

The District's service area, located in South Orange County, California, encompasses approximately 37 square miles, serving 170,000 in population within the cities of Laguna Niguel, Aliso Viejo, Laguna Hills, Mission Viejo, and Dana Point. The District distributes water to 55,559 meters, 52,470 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 assessed net taxable valuation of the District has grown to \$31.2 billion as of June 30, 2015.

Water Supply and Services

The District imports all of 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, is entitled to receive water from available sources of MET. MET's sources of water primarily include water imported from the Colorado River and from the State Water Project. All of the District's potable water is treated at the Diemer Filtration Plant in Yorba Linda, California and delivered through three major transmission facilities, the South County Pipeline ("SCP"), East Orange County Feeder #2 ("EOCF#2"), and the Allen-McColloch Pipeline ("AMP").

California is in the midst of a historic drought, with the last two years being the warmest two consecutive years on record. On April 1, 2015, the California Department of Water Resources measured the Sierra snowpack at 5% of the historical average, lower than any year in records dating back to 1950. In addition, court rulings to protect fish in the Delta region of Northern California have decreased water supplies from the State Water Project system. As a result of these factors, reservoir levels throughout the southwest continue to be low. On April 1, 2015, the Governor issued an Executive Order, which included mandating a 25% statewide reduction in urban water usage as well as directives to various state departments in

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support of statewide water conservation. The State Water Resources Control Board (“SWRCB”) was tasked with implementing the mandated reductions, which they did through individual reduction targets to each urban water utility. The District fell into the 20% reduction tier, which means that the District must reduce its water consumption from June 2015 through February 2016 by 20% from the consumption in those months in 2013. Over the years, the District has undertaken significant efforts to reduce dependence on imported water supplies. Approximately 25% of the District’s total water demand is met by recycled water. The District has implemented several water-use efficiency programs, most notably the Water Budget-Based Rate Structure and extensive rebate programs for its customers. The District continues to review various alternative local water supplies to identify additional opportunities to reduce dependence on imported water as well as implement demand management strategies and outreach programs to reduce water usage.

The District operates and maintains over 700 miles of domestic water 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 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 City of San Juan Capistrano, the South County Pipeline, which conveys water from the AMP to several south county water agencies, and the Irvine Ranch Water District Interconnection jointly owned with Irvine Ranch Water District. The District also operates 30 pump stations to pump water from lower pressure zones to the higher pressure zones and 20 pressure reducing stations and flow control facilities to convey water from high to low zones.

Wastewater Services

The District maintains approximately 540 miles of wastewater pipelines. The District’s wastewater system has 19 lift stations that pump wastewater over the ridge lines to the various treatment plants for disposal or recycling. The District participates in the South Orange County Wastewater Authority (“SOCWA”), a joint powers agency comprised of ten governmental agencies, which owns and operates three regional treatment plants and two ocean outfalls. The District’s cost to SOCWA for wastewater treatment and disposal is approximately 50% of the total operations and maintenance (“O&M”) costs for SOCWA and a pro-rata share of the capital costs based on the type and location of each project. The District also utilizes a fourth wastewater treatment plant, Plant 3A, with the Santa Margarita Water District (SMWD) providing contract operations services for the treatment plant.

Recycled Water Supply and Services

It is the policy of the District to promote the use of recycled water to provide for the conservation and reuse of all water resources and to utilize this resource for any approved purpose to the maximum extent possible under the laws of the State of California. The District has constructed approximately 150 miles of recycled water distribution pipelines with five pre-stressed concrete and six steel storage reservoirs to service the recycled water system. In addition, it owns 1,000 acre-feet of capacity rights in the Upper Oso recycled water reservoir owned by Santa Margarita Water District. The District operates 13 recycled-water pump stations. The District has 2 Advanced Wastewater Treatment (“AWT”) facilities providing recycled water to landscaped areas in the District. The projected annual demand of the recycled water system will be approximately 8,000 acre feet per year over the next few years. The District has initiated a Recycled Water Master Plan to evaluate additional recycled water supply sources and available opportunities to expand its system.

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Factors Affecting Financial Conditions

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

Local Economy

The District serves affluent communities within South Orange County. The median household income in the area is 88% above the national average, and unemployment rates have historically been lower than those of the region, state, and nation. There are four major land uses in the District: (1) residential (single-family and multiple-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 is in Laguna Niguel and Aliso Viejo, where each has a golf course and numerous community parks. Future growth will primarily occur on a redevelopment basis of existing property and land.

Budget Process

The Board of Directors adopts an operating and capital budget prior to the new fiscal year commencing on July 1st. The development of the operating budget and the capital budget 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 accountability for the District's enterprise functions. The District reports its water, wastewater, and recycled water services in a single enterprise fund. On a monthly basis, a budget comparison report is submitted to the Board of Directors to provide a year-to-date comparison of the revenues and expenses against the adopted budget.

Ten-Year Cash Flow and Rate Adjustments

The District developed a Cost of Service and Rate Design Study that reviewed and proposed modifications to the current rate structure, the allocation factors within the structure, and the allocation of costs between the various customer classes. The Board of Directors adopted the proposed modifications at a Proposition 218 public hearing in February of 2015. The new rates further promote conservation and provided fiscal stability as water consumption is anticipated to decrease. The SWRCB has recognized the District's specific rate design as a best practice amongst the 411 urban water utilities statewide. In putting together the 2015 Urban Water Management Plan Guidebook, the California Department of Water Resources put together a case study in the appendices noting the success of the District's rate structure and Water Shortage Contingency Plan. Additionally, the District annually reviews rates through its ten-year cash flow model that supports the District's financial plan, which was recently updated and presented to the Board. This financial model allows the District staff to run various scenarios to help plan for Capital Improvement Project funding options, Debt Service coverage requirements, and determining future rate adjustments or debt issuances. This will help ensure that the District recovers the full cost of operations and maintenance and can meet its capital improvement needs.

Long-term Financial Planning

The District's financial plan includes the establishment of reserve funds in accordance with the District's Reserve Policy. On August 18, 2014, the Board approved an update to the Reserve Policy. The main objective of the Reserve Policy is to set target levels for cash reserves to balance current risks and to

**Members of the Board of Directors
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anticipate future risks. The District has six different reserve categories that are discussed in Note 14 in Notes to Financial Statements. District staff presents an update on the balances in each of these Reserve funds to the Board of Directors on a monthly basis.

The District uses various planning documents, i.e. Urban Water Management Plan, Long Range Water Reliability Plan, Long Range Financial Plan, and the Ten-Year Cash Flow, to forecast the District's needs for water use and demand, capital improvement projects, water supply reliability projects, and financial resources. The Long Range Financial Plan is a pro-active financial management approach to ensure the District has resources available to meet its current and future needs. The Long Range Financial Plan utilizes the Ten-Year Cash Flow Model, which incorporates the District's reserve policies, debt policies, coverage ratios, water demand needs, water rates, capital improvement program, and operating budget, to provide a financial forecast for the District.

The Urban Water Management Plan and the Long Range Water Reliability Plan provide tools to identify potential gaps in water supplies under various demand conditions, and to evaluate water reliability projects and initiatives to better manage resources to meet those gaps. Potential supply and demand scenarios that are considered include drought conditions or allocations from MET, interruptions in service from the Diemer Water Filtration Plant, and natural disasters impacting supplies from the Bay Delta, State Water Project, or the Colorado River Aqueduct. The District has also adopted a policy to evaluate and develop reliability projects and demand management measures that will provide 31 days of average demand water supply to the District's customers. The planning documents will serve to guide future decisions and planning associated with various water reliability projects the District is currently investigating, including recycled water expansion, direct/indirect potable reuse, groundwater banking, and desalination.

Debt Issuances and Credit Rating

On May 20, 2015, the District refunded the remaining portion of the 2003 Certificates of Participation to take advantage of lower interest rates. Due to the District's affluent service area, strong financial performance, debt service coverage, strong liquidity position, and a manageable capital improvements plan, the District's ratings of 'AA+' from Standard & Poor's rating agency and 'AAA' from Fitch rating agency were reaffirmed.

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. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The most recent audits have not uncovered any weaknesses in internal controls that would cause concern. However, recommendations for improvement are always welcome and are implemented when feasible.

Major Initiatives

The District currently utilizes a water budget based rate structure, which was implemented in July 2011 and updated in April of 2015, to encourage efficient use of water by the District's customers by defining a monthly water usage calculation based on individual customer needs and assessing increased water rates to customers who exceed the defined budget. As a result, the District has seen a reduction in water demands by more than 20% over the past five years, with additional reductions more recently.

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In July 2014, the SWRCB adopted regulations mandating urban water utilities that serve more than 3,000 connections to implement mandatory water restrictions. However, agencies with water budget based rates were given the opportunity to submit an Alternate Plan that demonstrates superior results through the use of water-use efficiency programs and other water reduction programs, i.e. recycled water expansion and water loss control programs. The District applied for and had its Alternate Plan accepted by the SWRCB. The District's Alternate Plan was one of only two Plans accepted by the State. The SWRCB also recognized the District's rate structure as a best practice in the water industry. In the Alternate Plan, the District presented an integrated and adaptive planning tool to implement a number of demand management strategies to manage water resources through this unprecedented statewide drought. Additionally, the Water Shortage Contingency Plan was updated through the public ordinance process in conjunction with the rate review process to allow the District to implement escalating drought response stages as the drought or other factors require further reductions in water consumption.

In response to the drought regulations discussed earlier, the District's Board of Directors implemented the Water Shortage Contingency Plan on May 1, 2015. The Plan was implemented in a phased approach, starting with Stage 1 of the Plan. Stage 1 removed bill adjustments and required customers with recycled water available to not use potable water as of June 1, 2015. Stage 2 was implemented on July 1, 2015, which implemented penalties for any water usage above customer's individually calculated water budgets. To date, the District has met its target conservation level each month, with an average reduction of 24%. Due to the District's rate design, with fixed costs recovered using fixed revenues and variable costs recovered through volumetric revenues, the District will not experience any net financial impact even with a 24% reduction in water use.

In support of the District's integrated drought response strategy, the District escalated its outreach and operational demand management strategies. In connection with the drought and statewide water reduction mandates, the District sent out weekly postcards to customers, and implemented targeted messages to certain customer segments, such as those with a yard and approaching the maximum allotted water budgets. Additionally, the District was awarded a grant from the United States Bureau of Reclamation through its WaterSmart program for an Advanced Meter Infrastructure pilot program. This program will allow the District to install a fixed base meter on all potable and recycled water irrigation customer meters, which provides hourly water usage information through a customer portal. The project is scheduled to be completed by June 2017. As a number of integrated demand management strategies have been implemented, the District has initiated research studies with Stanford University and the University of California Riverside. These studies will research water conservation rebates to maximize participation and water savings and examine marketing strategies for the District's conservation messages.

The District has initiated several internal efforts to review and reduce imported water from MET, which would reduce dependence on the State Water Project and Colorado River Basin. The District's Long Range Water Reliability Plan, completed in 2015, will serve as a guide in developing future water resource policies and support the District's involvement in various local water supply projects to provide supply and system reliability during droughts, natural disasters, or other supply reductions. These projects and objectives include increased water use efficiency, expanded recycled water deliveries, indirect potable reuse, regional resource management strategies, and desalination. The District continues to investigate the economic and technical viability of these alternatives as a source of supply. Recently, the District initiated the development of a comprehensive Recycled Water Master Plan to assess existing and future system requirements to expand overall recycled water use. The Master Plan will include model development, supply and storage assessments, and identification of new recycled water users, along with all associated capital needs. The District is also involved with the San Juan Basin Groundwater Optimization Analysis to consider recycled water recharge opportunities that will help offset imported water demands. The project will consider enhancing basin water supplies, protecting and enhancing water quality, and maximizing basin storage for use locally and regionally. The District also initiated a Water Loss Control Program that will review current District data sources and water tracking tools to evaluate how the District accounts for water imported into

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the system to minimize the potential for water loss. Finally, the District continues to develop and implement a Capital Improvement Program, which is primarily driven by the replacement and/or refurbishment of existing infrastructure. To support the Capital Improvement Program, the District's Asset Management Program uses various business system tools, i.e. Geographic Information System (GIS) and Computerized Maintenance Management System (CMMS). The District is in the process of expanding and upgrading the Asset Management Program by selecting and implementing a new CMMS that will be integrated with all business system processes to optimize operations and maintenance practices. The integrated Asset Management Program will provide the tools and data necessary to better assess infrastructure needs, optimize operations, and support short and long-range Capital Improvement Program decisions.

The Operations Center Consolidation and Improvement (OCCI) project is a critical initiative to address the increasing challenges associated with our current operations and administration facilities, including significant maintenance requirements and a lack of critical spaces to manage the District's day-to-day business. The District has initiated planning contracts to further design concepts for a new administration building along with additional site elements, i.e. maintenance shops, warehouse upgrades, fleet maintenance building, and site improvements. An environmental review will be conducted during the upcoming year to support the necessary planning permits from the City of Laguna Hills.

Awards and Acknowledgements

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 comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. 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 our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,



Joone Lopez
General Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Moulton Niguel Water District
California**

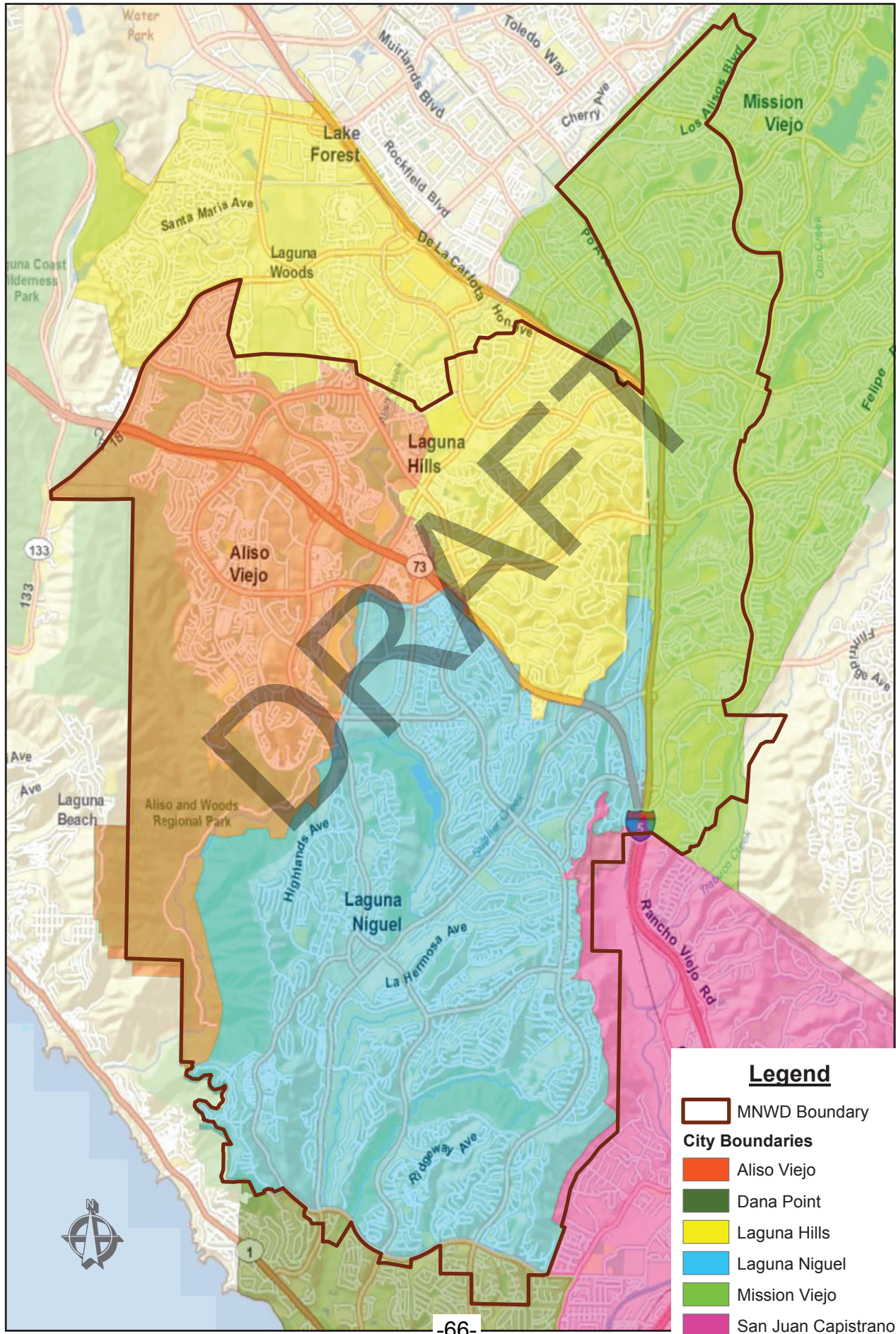
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

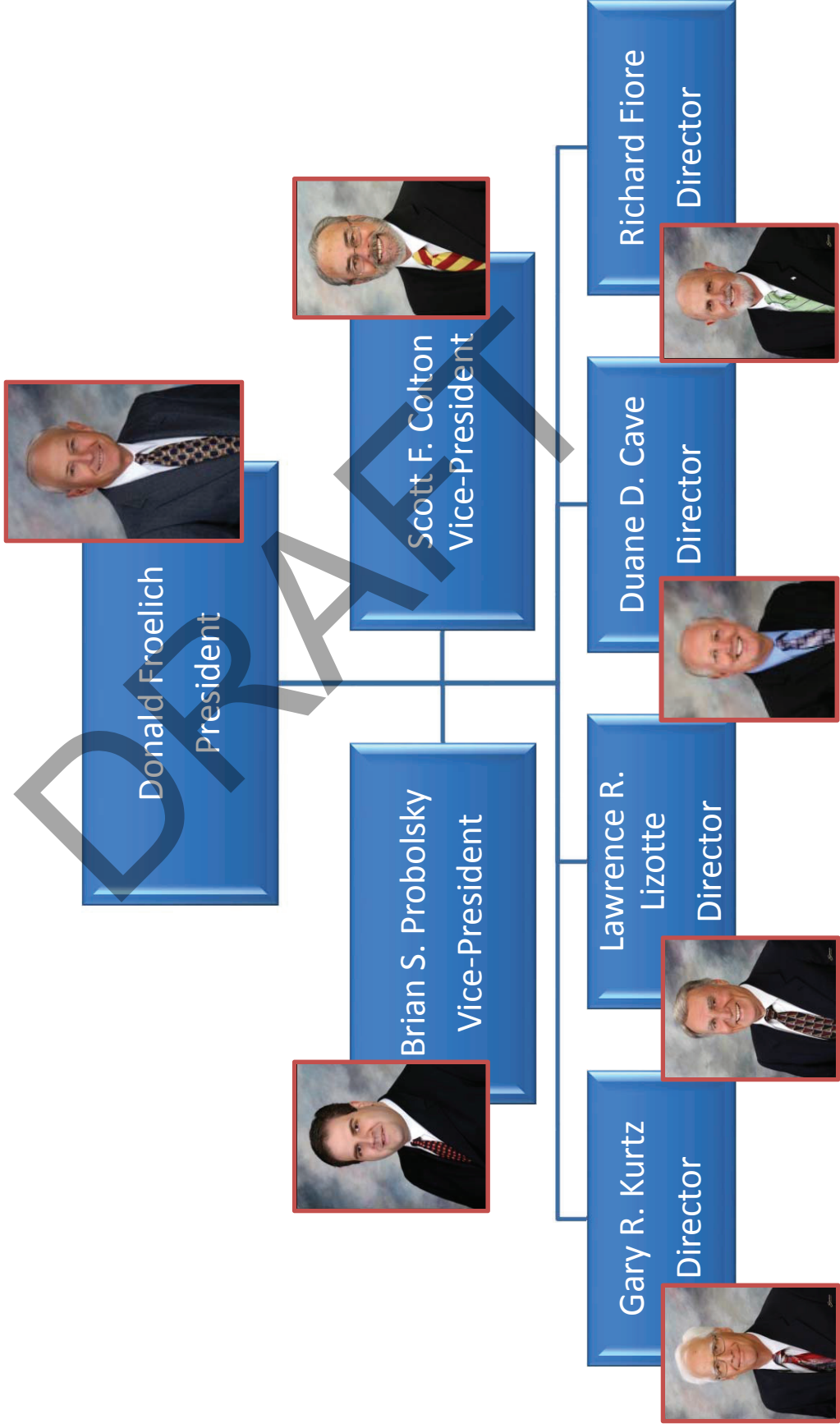


MNWD Boundary Map w/ Cities Served



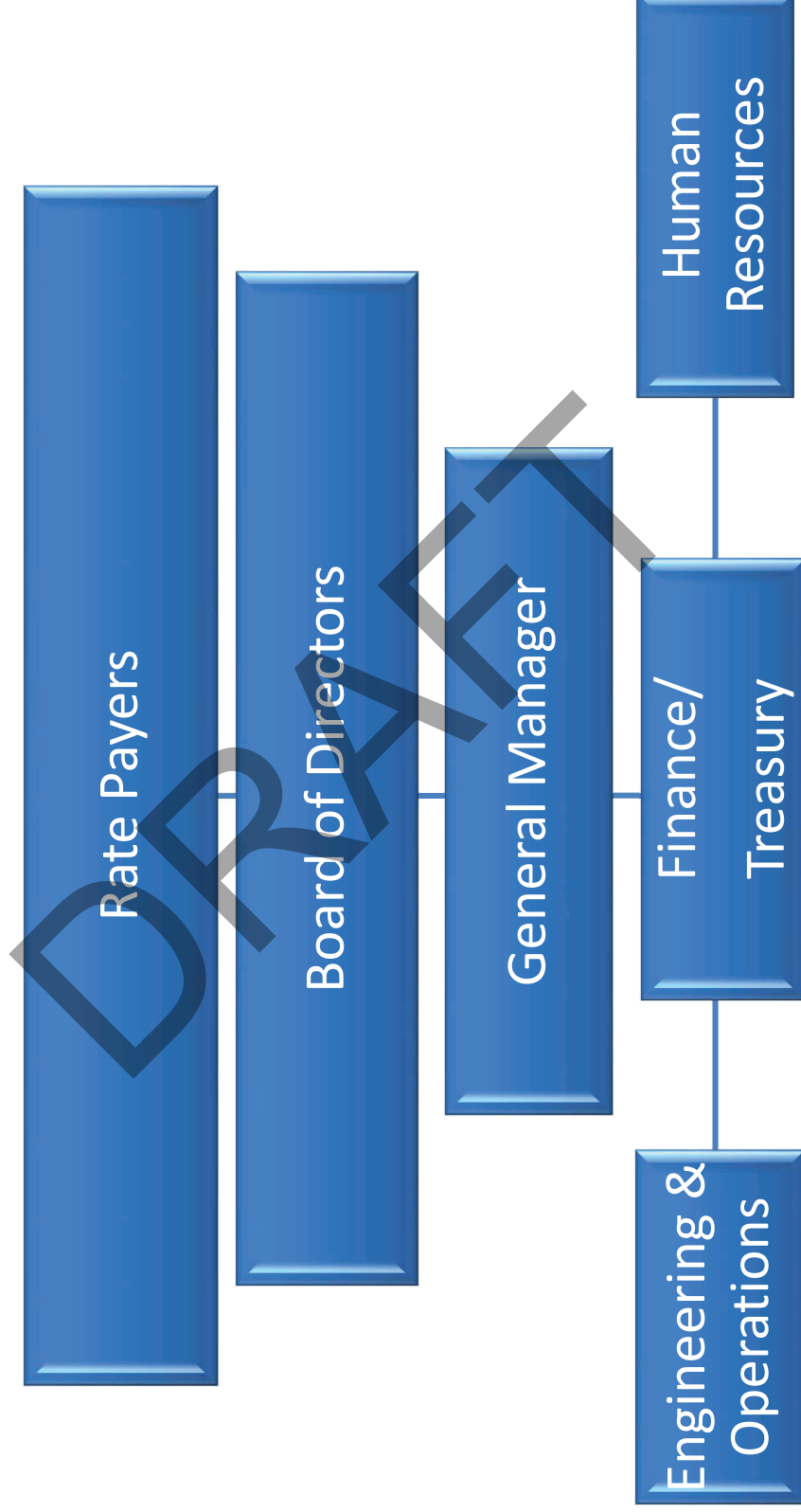
Moulton Niguel Water District

Board of Directors



Moulton Niguel Water District

Organization Chart



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**MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS

The Moulton Niguel Water District ("District") financial statements are 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. 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

The District receives its drinking water from the Metropolitan Water District of Southern California ("MET"), which serves as a wholesaler for the Municipal Water District of Orange County ("MWDOC"). MET imports its water from Northern California and the Colorado River. The State of California has endured severe drought conditions for several years and as a result, supplies are depleting in MET's water reservoirs. In April of 2015, the District updated its water budget based rate structure to further encourage efficient use of water by the District's customers. The update to the rate structure increased the financial stability of the District in its operations and service to customers.

In fiscal year 2014-2015, the District implemented a new accounting standard, GASB 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". The most significant impact to the District related to this standard is the reporting of the District's Net Pension Liability. It is important to note that this standard affected accounting and financial reporting, but not funding or budgetary standards for the District's CalPERS defined benefit pension plan. The Net Pension Liability is not a current liability and does not have a "maturity" date. It represents the unfunded amount of retirement benefits to be paid to current and former employees. The District will continue to monitor the Net Pension Liability through contributions to CalPERS and expects that liability to decrease in the future. For more detailed information related to GASB 68 and the District's Net Pension Liability refer to Note 8 in the Notes to Financial Statements and the Required Supplementary Information section that directly follows the Notes to Financial Statements.

Other highlights for the year include:

- Total net income, including capital contributions, was \$8.3 million during the year, due to an increase in property tax revenues and intergovernmental revenues.
- Net position on the report decreased \$10.5 million or 3% from prior year, due to the implementation of GASB 68.
- The District invested \$24.7 million towards water and wastewater infrastructure during the year to maintain the highest level of quality service, resulting in total capital assets, net of depreciation, of \$375.8 million.
- Total debt was \$110 million, a decrease of \$10 million due to the refunding of the 2003 Certificates of Participation and principal payments made during the year. During the year, the District's ratings of "AA+" and "AAA" were reaffirmed with Standard & Poor's and Fitch rating agencies, respectively. These reaffirmations demonstrate the strong financial position the District has established and can be attributed to the prudent financial planning and strong financial policies implemented by the District's Board of Directors.

REQUIRED FINANCIAL STATEMENTS

The *Statement of Net Position* states the financial position of the District at June 30, 2015. This statement includes five components. The District's assets plus deferred outflow of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. The list of assets and liabilities

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2015

are in order of their liquidity. Therefore, assets readily convertible to cash, such as cash and investments, appear first.

The *Statement of Revenues, Expenses and Changes in Net Position* accounts for the annual results of operations. This statement shows the current year's revenue, expenses, capital contributions, and also calculates the change in net position. The sum of the prior year's restated 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 position.

Both the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes 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.

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 Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities. Measuring the change in the District's net position, the difference between assets and deferred outflow of resources versus the liabilities and deferred inflow of resources is one way to measure financial health or financial position.

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MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2015

Statement of Net Position:

The analysis begins with the District's Statement of Net Position as presented below:

Condensed Statement of Net Position (in thousands)				
	Fiscal Year 2015	Fiscal Year 2014*	Dollar Change	Percent Change
Current and noncurrent assets	\$ 166,631	\$ 179,893	\$ (13,262)	-7.37%
Capital assets, net	375,846	366,860	8,986	2.45%
Total Assets	542,477	546,753	(4,276)	-0.78%
1 Deferred outflows of resources	2,921	1,136	1,785	157.13%
Total Deferred outflows of Resources	2,921	1,136	1,785	157.13%
Total Assets and Deferred Outflows of Resources	545,398	547,889	(2,491)	-0.45%
Current liabilities	19,942	19,460	482	2.48%
1 Long-term liabilities	112,758	110,150	2,608	2.37%
Total liabilities	132,700	129,610	3,090	2.38%
1 Deferred inflows of resources	4,937	-	4,937	100.00%
Total Deferred Inflows of Resources	4,937	-	4,937	100.00%
Net investment in capital assets	267,393	269,994	(2,601)	-0.96%
Restricted for capital projects	1,508	932	576	61.80%
2 Unrestricted net position	138,860	147,353	(8,493)	-5.76%
Total Net Position	\$ 407,761	\$ 418,279	\$ (10,518)	-2.51%

*The fiscal year 2014 numbers do not account for changes related to GASB 68 as this information was not made available by CalPERS.

- 1 The District implemented GASB 68, which was discussed under Financial Highlights. This statement changed the reporting representation for the District's defined benefit plan, and the District reported a Net Pension Liability totaling \$12.3 million. Another reporting change as a result of the implementation was under deferred outflows of resources related to pension, which was \$1.4 million at June 30, 2015, and deferred inflows of resources, which was \$4.9 million at fiscal year-end. These balances represent contributions made from the District to fund the annual required contribution with CalPERS, and adjustments related to interest income, and the changes in the District's proportionate share of the CalPERS Net Pension Liability based on the District's contributions to the plan.
- 2 The net position as of June 30, 2014 was restated by \$18.8 million to implement GASB 68, which led to an overall decrease in the reporting of \$10.5 million in net position as compared to the ending fiscal year 2014 balance.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2015

Revenues

	Condensed Total Revenues (in thousands)			
	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percent Change
Operating Revenues:				
Water charges	\$ 28,605	\$ 30,504	\$ (1,899)	-6.23%
Recycled charges	4,881	5,005	(124)	-2.48%
Sanitation charges	16,182	17,135	(953)	-5.56%
1 Other	330	563	(233)	-41.39%
Total Operating Revenues	49,998	53,207	(3,209)	-6.03%
Non-operating Revenues:				
Property taxes	24,012	22,523	1,489	6.61%
GOB assessment	4,935	6,561	(1,626)	-24.78%
Investments	2,624	2,932	(308)	-10.50%
Cellular lease income	1,731	1,695	36	2.12%
2 Intergovernmental revenue	6,401	1,321	5,080	384.56%
3 Other	3,662	41	3,621	8831.71%
Total Non-operating Revenues	43,365	35,073	8,292	23.64%
Capital Contributions	845	1,019	(174)	-17.08%
Total Revenues	\$ 94,208	\$ 89,299	\$ 4,909	5.50%

The District finances operations through user charges, property tax receipts, and other income. Total revenue increased by \$4.9 million as compared to the prior year.

- 1** The District received a reimbursement from ACWA JPIA for \$0.13 million in fiscal year 2014 related to emergency repairs made on Aliso Creek Road.
- 2** The District received an increase in intergovernmental revenues, which related to grant funding received by the District totaling \$5.1 million. \$4.9 million of that amount was received from the Prop 50 State grant related to the IRWD Interconnection and Upper Chiquita Reservoir.
- 3** During the fiscal year, the District received a \$3.5 million refund related to Metropolitan Water District meter inaccuracies at the South County Pump Station.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2015

Expenses

	Condensed Total Expenses (in thousands)			
	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percent Change
Operating Expenses:				
Water purchases	\$ 25,978	\$ 27,089	\$ (1,111)	-4.10%
Meters	662	795	(133)	-16.73%
Utilities	1,970	1,887	83	4.40%
Sewage treatment & pumping	12,116	11,747	369	3.14%
1 Water transmission & distribution	959	2,139	(1,180)	-55.17%
2 General, administrative & other	21,375	16,027	5,348	33.37%
Depreciation	16,708	16,554	154	0.93%
Total Operating Expenses	79,768	76,238	3,530	4.63%
Non-operating Expenses:				
Interest on long-term debt	6,161	6,782	(621)	-9.16%
Total Non-operating Expenses	6,161	6,782	(621)	-9.16%
Total Expenses	\$ 85,929	\$ 83,020	\$ 2,909	3.50%

Total operating expenses increased by \$2.9 million.

- 1** The decrease in the current year was due to a change in reporting for certain paving expenses, which were allocated to other operating expenses during the year. The current year paving expenses totaled \$0.7 million.
- 2** The primary reason this line item increased was for water efficiency rebates, which increased by \$1.8 million from fiscal year 2014. The District made a concerted effort to educate customers regarding the extreme drought conditions facing California and the conservation incentive rebates available. Another reason for the increase in expenses was related to increased customer communication and the Recycled Water Master Plan.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2015

Changes in Net Position

	Condensed Changes in Net Position (in thousands)			
	Fiscal Year <u>2015</u>	Fiscal Year <u>2014*</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Beginning Net Position	\$ 418,279	\$ 412,000	\$ 6,279	1.52%
Restatement due to change in				
1 accounting principle	(18,796)	-	(18,796)	-100.00%
Income (loss) before capital				
2 contributions	7,433	5,260	2,173	41.31%
Donated facilities	294	495	(201)	-40.61%
Connection fees	551	489	62	12.68%
Other contributions	-	35	(35)	0.00%
1 Change in Net Position	(10,518)	6,279	(16,797)	-267.51%
Ending Net Position	\$ 407,761	\$ 418,279	\$ (10,518)	-2.51%

*The fiscal year 2014 numbers do not account for changes related to GASB 68 as this information was not made available by CalPERS.

- 1 The net position as of June 30, 2014, was restated by \$18.8 million to implement GASB 68 (discussed earlier in Financial Highlights), which was reflected in the report as an overall decrease of \$10.5 million in net position as compared to the ending fiscal year 2014 balance. Please refer to Note 15 of the Notes to Financial Statements for more information related to the restatement of Net Position.
- 2 Income before capital contributions was \$7.4 million for the current fiscal year, which represented a year over year increase in that category by \$2.2 million, or 41%. This figure demonstrates that the District managed its operating and maintenance costs properly and the financial health of the District is stable despite the historic drought and changes in accounting principles.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2015

Capital Assets

	Condensed Capital Asset Summary (in thousands)			
	Fiscal Year <u>2015</u>	Fiscal Year <u>2014</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Net Depreciable Assets:				
Water systems	\$ 311,409	\$ 318,903	\$ (7,494)	-2.35%
Capacity rights - infinite	19,173	19,440	(267)	-1.37%
Capacity rights - limited	6,892	7,167	(275)	-3.84%
Buildings	2,690	2,656	34	1.28%
Equipment and automobiles	2,948	2,816	132	4.69%
Total Net Depreciable Assets	<u>343,112</u>	<u>350,982</u>	<u>(7,870)</u>	<u>-2.24%</u>
Non-Depreciable Assets:				
Land	1,092	1,092	-	0.00%
1 Construction in Progress	31,642	14,786	16,856	114.00%
Total Non-Depreciable Assets	<u>32,734</u>	<u>15,878</u>	<u>16,856</u>	<u>106.16%</u>
Capital Assets, Net	<u>\$ 375,846</u>	<u>\$ 366,860</u>	<u>\$ 8,986</u>	<u>2.45%</u>

The District's net capital assets increased by \$9.0, million (net of \$16.7 million of depreciation) during the current fiscal. See Note 5 in the Notes to Financial Statements for detail on capital asset activities.

1 The District invests a significant portion of revenues received to fund projects that will improve the useful life of its water and wastewater infrastructure. The largest addition to the construction in progress balance was related to the Baker Pipeline Water Treatment Facility, which had \$13.2 million in additional costs for the fiscal year. The project has not been completed as of June 30, 2015. The most significant capital asset additions were the completion of capital facilities totaling \$3.7 million managed by South Orange County Wastewater Authority, the District's wastewater treatment plant operator.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2015

Debt Administration

Condensed Long-term Liabilities Summary (in thousands)				
	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percent Change
1 Certificates of Participation (COP)	\$ 65,836	\$ 82,198	\$ (16,362)	-19.91%
1 General Obligation Bonds (GOB)	31,326	22,817	8,509	37.29%
Loans	12,794	14,999	(2,205)	-14.70%
Total Long-term Liabilities	\$ 109,956	\$ 120,014	\$ (10,058)	-8.38%

The District's total long-term liabilities as of June 30, 2015 was comprised of \$110 million in COPs, GOBs, and loans. During the year, the District's ratings were reaffirmed at "AA+" through Standard & Poor's rating agency and "AAA" through Fitch rating agency, demonstrating strong financial positioning. Annual principal payments in all debt service accounts during the year further reduced the outstanding balance. See Note 6 in the Notes to Financial Statements for detail on long-term liabilities.

1 During fiscal year ending 2015, the District issued \$12,265,000 of General Obligation Bonds to refund the outstanding \$14,520,000 of 2003 Certificates of Participation, realizing a savings of \$1.4 million for the District's tax payers. The General Obligation Bonds are a voter approved assessment specifically for the residents that live within certain service areas of the District.

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 money. An electronic copy of the CAFR can be found on the District's website, 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.

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MOULTON NIGUEL WATER DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015**Assets:**

Current:

Cash and investments (Note 2)	\$ 22,824,739
Restricted cash and investments with fiscal agent (Note 2)	8,777,679
Accounts receivables:	
Water and sanitation charges	3,392,611
Taxes and acreage assessments	300,842
Other accounts receivable	222,169
Grant receivable	405,068
Interest receivable	620,930
Current portion of AMP receivable (Note 3)	1,302
Inventory	1,703,635
Prepaid expenses	480,124

Total Current Assets**38,729,099**

Noncurrent:

Investments (Note 2)	127,305,643
Retrofit loans receivable (Note 3)	597,037
Capital assets - net of accumulated depreciation (Note 5)	343,111,410
Capital assets not being depreciated (Note 5):	
Land	1,091,910
Construction in progress	31,642,242

Total Noncurrent Assets**503,748,242****Total Assets****542,477,341****Deferred Outflows of Resources:**

Deferred charges on refunding	1,488,900
Deferred items related to pension (Note 8)	1,431,577

Total Deferred Outflows of Resources**2,920,477****Total Assets and Deferred Outflows of Resources****\$ 545,397,818**

#5.**MOULTON NIGUEL WATER DISTRICT****STATEMENT OF NET POSITION****JUNE 30, 2015****Liabilities, Deferred Inflows of Resources, and Net Position:****Liabilities:**

Current:

Accounts payable	\$ 8,162,699
Interest payable	1,830,740
Compensated absences (Note 6)	373,162
Current portion of long-term debt (Note 6):	
Bonds payable	5,685,000
Loans payable	2,110,606
Certificates of participation	1,780,000

Total Current Liabilities**19,942,207**

Long-Term Liabilities

Compensated absences (Note 6)	124,386
Long-term debt (Note 6):	
Bonds payable	25,641,483
Loans payable	10,683,789
Certificates of participation	64,056,049
Net pension liability (Note 8)	12,251,838

Total Long-Term Liabilities**112,757,545****Total Liabilities****132,699,752****Deferred Inflows of Resources:**

Deferred items related to pension (Note 8)	4,936,619
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Total Deferred Inflows of Resources**4,936,619****Net Position:**

Net investment in capital assets	267,393,560
Restricted for capital projects (Note 13)	1,508,109
Unrestricted (Note 14)	138,859,778

Total Net Position**407,761,447****Total Liabilities, Deferred Inflows of Resources, and Net Position****\$ 545,397,818**

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#5.**MOULTON NIGUEL WATER DISTRICT****STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015****Operating Revenues:**

Water charges	\$ 28,604,894
Recycled charges	4,880,742
Sanitation charges	16,182,197
Other	329,755

Total Operating Revenues**49,997,588****Operating Expenses:**

Source of supply:	
Water purchases	25,978,276
Meter purchases	662,151
Utilities	1,969,712
Pumping water	2,596,544
Sewage treatment	9,519,199
Water transmission and distribution	959,193
Customer service	2,839,137
Water efficiency	3,472,838
General, administrative, and other	14,702,063
Post retirement medical benefits (OPEB)	361,057
Depreciation	16,708,439

Total Operating Expenses**79,768,609**

Operating Income (Loss)

(29,771,021)**Nonoperating Revenues (Expenses):**

Investment income (loss)	2,573,621
Investment income - restricted	50,685
Property tax revenue and acreage assessments	24,011,516
General obligation bond assessments	4,934,793
Interest on long-term debt	(6,160,882)
Intergovernmental revenue	6,401,510
Cellular lease income	1,731,352
Other non-operating revenues (expenses)	3,661,818

Total Nonoperating Revenues (Expenses)**37,204,413**

Income (Loss) Before Capital Contributions

7,433,392

Capital Contributions

Developer donated capital facilities	294,000
Connection fees	551,179
Change in Net Position	8,278,571

Net Position:

Beginning of Year, as originally reported	418,278,862
Restatements (Note 15)	(18,795,986)
Beginning of Fiscal Year, as restated	399,482,876

End of Fiscal Year**\$ 407,761,447**

MOULTON NIGUEL WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**Cash Flows from Operating Activities:**

Cash received from customers	\$ 57,563,965
Cash paid to suppliers	(47,136,211)
Cash paid to employees	<u>(16,092,918)</u>
Net Cash Provided (Used) by Operating Activities	<u>(5,665,164)</u>

Cash Flows from Non-Capital Financing Activities:

Cash received from property taxes	<u>24,065,800</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>24,065,800</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition and construction of capital assets	(25,400,041)
Proceeds from capital debt	14,481,517
Cash received from general obligation bonds assessments	4,934,793
Repayment of notes receivable	98,397
Capital contributions	551,179
Principal payments on long-term debt	(24,538,691)
Intergovernmental revenue	5,996,442
Interest payments on long-term debt	<u>(6,139,195)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(30,015,599)</u>

Cash Flows from Investing Activities:

Investment earnings received	2,935,640
Proceeds from sales and maturities of investments	33,321,926
Purchase of investments	<u>(48,638,010)</u>
Net Cash Provided (Used) by Investing Activities	<u>(12,380,444)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(23,995,407)</u>

Cash and Cash Equivalents at Beginning of Year	<u>55,597,825</u>
Cash and Cash Equivalents at End of Year	<u>\$ 31,602,418</u>

#5.**MOULTON NIGUEL WATER DISTRICT****STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015****Reconciliation of Operating Income to Net Cash Provided (Used) by**

Operating Activities:	
Operating income (loss)	<u>\$(29,771,021)</u>
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:	
Depreciation	16,708,439
Other non-operating revenue	5,393,170
Contributions made after measurement date to net pension liability	(997,427)
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, water and sanitation	2,163,158
(Increase) decrease in accounts receivable, other	10,049
(Increase) decrease in inventory	(191,886)
(Increase) decrease in prepaid expense	(177,480)
Increase (decrease) in accounts payable	1,230,205
Increase (decrease) in compensated absences	<u>(32,371)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,665,164)</u>
Non-Cash Investing, Capital, and Financing Activities:	
Unrealized gain (loss) on investments	\$ (227,454)
Developer donated capital facilities	294,000
Amortization of loss on refunding	(352,586)
Bad debt expense	(67,318)
Amortization of (premiums)discounts	(617,398)
Changes in net pension liability	(93,209)

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MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

The accounting principles of the Moulton Niguel Water District (the "District") conform to generally accepted accounting principles 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, and Dana Point. 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 Statement of Governmental Accounting Standards No. 14, The Financial Reporting Entity. 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 utilizes 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 items. 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 (the "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, 2015**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 District infrastructure necessary to provide water, wastewater, and recycled water services to existing and future customers with 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.

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board ("GASB") Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39 and GASB Statement 61. Certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of its relationship with the District. A component unit should be included in the reporting entity financial statements using the blending method in any of these circumstances:

- a. 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.
- b. 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.
- c. 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.

Based upon the application of the criteria listed above, the Corporation has been reported as a blended component unit.

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. A portion of the taxes are levied to meet the District's debt service requirements on its general obligation bonds.

Property taxes are levied annually by the District's Board of Directors as of July 1, using a lien date of March 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 are remitted to the District throughout the year.

MOULTON NIGUEL WATER DISTRICT**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)**e. Inventory and Prepaid Expenses**

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.

f. 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 estimated fair market value on the date received. The District capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least three 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.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Water and wastewater systems	10 to 75 years
Capacity rights – limited	10 to 99 years
Capacity rights – infinite	10 to 99 years
Buildings	5 to 40 years
Automobiles and equipment	3 to 10 years

g. Compensated Absences

It is the District's policy to permit employees to accrue vacation leave up to 200% of their annual vacation accrual. 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 120 hours of accrued vacation, provided the employee has used at least 40 hours of vacation during the 12 months preceding May 31. In addition, an employee is eligible to transfer up to 80 hours of accrued vacation into his/her deferred compensation plan, provided the employee has used at least 40 vacation hours during the fiscal year and provided that the employee maintains 40 hours of accrued vacation following the transfer. Sick leave hours accrue at a rate of 3.7 hours per pay period.

Upon separation from employment, the District pays employees 100% of vacation leave accrued but not yet taken. In addition, employees who worked for the District for ten or more years, may receive a portion of up to 100% of sick leave accrued but not yet taken.

All accrued vacation and sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 1: Organization and Summary of Significant Accounting Policies (Continued)**h. 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 (excluding money market funds) are classified as long term 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.

i. Investments

Investments are reported in the accompanying Statement of Net Position at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Investment income includes interest earnings, changes in fair value (unrealized gains) and realized gains or losses upon the liquidation or sale of investments.

j. Net Pension Liabilities

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, 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.

k. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

l. Net Position

Net position of the District is categorized as net investment in capital assets, restricted, and unrestricted.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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

Net investment in capital assets represent the capitalized cost of capital assets, net of depreciation and the related outstanding debt balances.

Restricted net position represent net position that is constrained by externally imposed requirements of creditors (such as through debt covenants), laws or regulations of other governments or imposed by law, through constitutional provisions or enabling legislation.

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.

m. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

n. New Accounting Pronouncements

The District implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of revenues, expenses and changes in net position.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

II. DETAILED NOTES ON ALL ACTIVITIES

Note 2: Cash and Investments

Cash and Investments are classified in the accompanying Statement of Net Position as follows at June 30, 2015:

Statement of Net Position:	
Cash and Investments-Current	\$ 22,824,739
Investments-Noncurrent	127,305,643
Cash and Investments with Fiscal Agent	8,777,679
	<hr/>
Total Cash and Investments	\$ 158,908,061
	<hr/> <hr/>

Cash and Investments held by the District at June 30, 2015, consisted of the following:

Cash:	
Petty Cash on Hand	\$ 800
Deposits with Financial Institutions	735,473
	<hr/>
Total Cash	\$ 736,273
	<hr/> <hr/>
Investments:	
State Treasurer's Investment Pool	\$ 22,096,771
US Treasury Notes	28,074,161
Federal Agency Securities	51,530,415
Medium Term Notes	32,656,364
Asset Backed Securities	12,127,442
Commerical Paper	2,557,568
Money Market Funds	9,129,067
	<hr/>
Total Investments	158,171,788
	<hr/>
Total Cash and Investments	\$ 158,908,061
	<hr/> <hr/>

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. This table 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, 2015

Note 2: Cash and Investments (Continued)

Investment Types Authorized by State Law	Authorized by Investment Policy	*Maximum Maturity	Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	10 years	None	None
U.S. Agency Securities	Yes	10 years	None	None
Bankers Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	Yes	1 year	10%	None
Reverse Repurchase Agreements	Yes	90 days	10%	None
Medium-Term Notes	Yes	5 years	30%	5%
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	\$50 million
JPA Pools (other investment pools)	No	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

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. Government 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

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 shorter term and longer 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.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 2: Cash and Investments (Continued)

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	Remaining Maturity (In Months)			
		12 Months or Less	13 to 36 Months	37 to 60 Months	More Than 60 Months
State Investment Pool	\$ 22,096,771	\$ 22,096,771	\$ -	\$ -	\$ -
US Treasury Notes	28,074,161	-	5,508,164	8,117,907	14,448,090
Federal Agency Securities	51,530,415	3,054,545	21,687,778	14,448,166	12,339,926
Medium Term Notes	32,656,364	5,060,846	14,132,333	13,463,185	-
Asset Backed Securities	12,127,442	-	6,527,544	5,599,898	-
Commercial Paper	2,557,568	2,557,568	-	-	-
Money Market Funds	351,388	351,388	-	-	-
Held by Fiscal Agent:					
Money Market Funds	8,777,679	8,777,679	-	-	-
Total	\$ 158,171,788	\$ 41,898,797	\$ 47,855,819	\$ 41,629,156	\$ 26,788,016

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 by (where applicable) the California Government Code, the District's investment policy or debt agreements, and the actual rating from Moody's as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A	Not Rated
State Investment Pool	\$ 22,096,771	N/A	\$ -	\$ -	\$ -	\$ 22,096,771
US Treasury Notes	28,074,161	N/A	28,074,161	-	-	-
Federal Agency Securities	51,530,415	A	48,150,675	3,379,740	-	-
Medium Term Notes	32,656,364	A	-	10,318,167	22,338,197	-
Asset Backed Securities	12,127,442	AAA	12,127,442	-	-	-
Commercial Paper	2,557,568	A	2,557,568	-	-	-
Money Market Funds	351,388	AAA	351,388	-	-	-
Held by Fiscal Agent:						
Money Market Funds	8,777,679	AAA	8,777,679	-	-	-
Total	\$ 158,171,788		\$ 100,038,913	\$ 13,697,907	\$ 22,338,197	\$ 22,096,771

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. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of total District investments are as follows:

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 2: Cash and Investments (Continued)

<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Co.	\$ 13,310,983
Federal National Mortgage Assoc.	13,253,280
Federal Home Loan Bank	11,451,321
Tenn. Valley Authority	8,390,028
Medium Term Notes/Corporate Bonds	32,656,364
Asset-backed Securities	12,127,442

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 market 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 FDIC.

State Treasurer's Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund ("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.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 2: Cash and Investments (Continued)**

Investment earnings consist of the following for the year ended June 30, 2015:

Interest income	\$ 2,831,819
Realized gain (loss)	19,941
Unrealized gain (loss)	<u>(227,454)</u>
Total	<u>\$ 2,624,306</u>

Note 3: Other ReceivablesAllen-McCulloch Pipeline (AMP)

Before fiscal year 1995, the District was a part owner and participant in the 27-mile AMP used by the Metropolitan Water District ("MWD") to deliver potable water to the participants. In fiscal year 1995, the participants sold the AMP to MWD. Under the sale agreement the District will receive \$16,158,563 over 37 years. This represents an approximate 13.6% ownership of AMP. During the year, the District received \$66,191 leaving the year end AMP receivable of \$1,302. The sale agreement also provides for the District to continue to have AMP flow capacity rights, but MWD has no obligation to deliver an actual quantity of water.

Retrofit Loans

In November 1996, the Board adopted Resolution 96-26 which allowed 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. The District has 33 loans outstanding totaling \$597,037 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 \$30,000 a year towards the principal and interest portion of the loan. The majority of the loans are re-paid within 11 years with the balance of the loans to be repaid within 20+ years from the date of the agreement.

Note 4: Operating leases

The District leases a portion of its facilities for cellular tower antennas sites. Lessees purchase and install the wireless equipment. These leases are non-cancelable for a period of 10 years with inception dates ranging from 2000 to the present. Generally the leases are renewable for one 5 year period. The lease agreement allows for a 3% annual CPI increase to the lease payments. At the lease termination, lessees must remove all equipment and restore the site to its original state. The District is transitioning these agreements to licenses and any new agreement or renewal after June 30, 2015, will be a license. The total cellular lease revenue for the fiscal year was \$1,731,352. Future minimum lease payments are as follows:

Fiscal Year Ended June 30	Amount
2016	\$ 1,660,096
2017	1,569,878
2018	1,546,570
2019	1,476,486
2020	1,494,355
Thereafter	<u>8,230,559</u>
Total	<u>\$ 15,977,944</u>

#5.**MOULTON NIGUEL WATER DISTRICT****NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015****Note 5: Capital Assets**

Capital asset activity for the year ended June 30, 2015, is as follows:

Capital Assets	Balance at June 30, 2014	Transfers	Additions	Deletions	Balance at June 30, 2015
Depreciable assets					
Water systems	\$ 589,500,038	\$ 6,960,550	\$ 293,997	\$ (30,350)	\$ 596,724,235
Capacity rights - Infinite	19,972,448	-	-	-	19,972,448
Capacity rights - Limited	8,279,403	-	-	-	8,279,403
Building	5,755,374	-	-	-	5,755,374
Automobiles and equipment	11,179,210	539,758	1,045,572	(148,814)	12,615,726
Total cost of depreciable assets	634,686,473	7,500,308	1,339,569	(179,164)	643,347,186
Less accumulated depreciation					
Water systems	(270,415,636)	-	(14,928,168)	28,073	(285,315,731)
Capacity rights - Infinite	(532,600)	-	(266,299)	-	(798,899)
Capacity rights - Limited	(1,111,910)	-	(275,980)	-	(1,387,890)
Buildings	(2,890,942)	-	(174,563)	-	(3,065,505)
Automobiles and equipment	(8,753,152)	-	(1,063,429)	148,560	(9,668,021)
Total accumulated depreciation	(283,704,240)	-	(16,708,439)	176,633	(300,236,046)
Net depreciable assets	350,982,233	7,500,308	(15,368,870)	(2,531)	343,111,140
Capital assets not depreciated					
Land	1,091,910	-	-	-	1,091,910
Construction in progress	14,785,817	(7,500,308)	24,356,733	-	31,642,242
Capital assets net	\$ 366,859,960	\$ -	\$ 8,987,863	\$ (2,531)	\$ 375,845,292

Depreciation expense for the year ended June 30, 2015, was \$16,708,439.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 6: Long-Term Liabilities**

Long-Term liabilities for the year ended June 30, 2015, are as follows:

	Balance at June 30, 2014	Defeased	Addition	Deletion	Ending June 30, 2015	Due Within One Year
Bonds payable:						
2014 GOB	\$ 21,315,000	\$ -	\$ -	\$ (5,465,000)	\$ 15,850,000	\$ 5,685,000
Add: Premiums						
2014 GOB	1,501,846	-	-	(484,716)	1,017,130	-
2015 Refunding	-	-	12,265,000	-	12,265,000	-
Add: Premiums						
2015 Refunding	-	-	2,216,517	(22,164)	2,194,353	-
Total Bonds	<u>22,816,846</u>	<u>-</u>	<u>14,481,517</u>	<u>(5,971,880)</u>	<u>31,326,483</u>	<u>5,685,000</u>
Certificates of Participation:						
2003 COPs	14,520,000	(14,520,000)	-	-	-	-
2009 COPs	60,000,000	-	-	-	60,000,000	-
2010 COPs	7,275,000	-	-	(1,715,000)	5,560,000	1,780,000
Add: Premiums						
2010 COPs	403,457	-	-	(127,408)	276,049	-
Total COPs	<u>82,198,457</u>	<u>(14,520,000)</u>	<u>-</u>	<u>(1,842,408)</u>	<u>65,836,049</u>	<u>1,780,000</u>
Loans Payable:						
CIEDB	1,371,604	-	-	(154,764)	1,216,840	159,260
Dept. of Water Resources	450,461	-	-	(298,441)	152,020	152,022
State Revolving Fund	13,197,846	-	-	(1,768,088)	11,429,758	1,799,324
Less: Discounts						
Dept. of Water Resources	(21,113)	-	16,890	-	(4,223)	-
Total Loans	<u>14,998,798</u>	<u>-</u>	<u>16,890</u>	<u>(2,221,293)</u>	<u>12,794,395</u>	<u>2,110,606</u>
Compensated Absences:						
Vacation pay	263,037	-	617,548	(747,890)	132,695	99,521
Sick Pay	266,882	-	366,474	(268,503)	364,853	273,641
Total Compensated Absences	<u>529,919</u>	<u>-</u>	<u>984,022</u>	<u>(1,016,393)</u>	<u>497,548</u>	<u>373,162</u>
Total:	<u>\$ 120,544,020</u>	<u>\$ (14,520,000)</u>	<u>\$ 15,482,429</u>	<u>\$(11,051,974)</u>	<u>\$ 110,454,475</u>	<u>\$ 9,948,768</u>

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 6: Long-Term Liabilities (Continued)***Bonds Payable***2014 Consolidated Refunding (General Obligation) Bonds

On February 4, 2014, the District issued \$21,315,000 of 2014 Consolidated Refunding Bonds ("2014 Refunding Bonds") general obligation bonds. The issuance refunded the 2003 Consolidated Refunding Bonds and to pay costs of issuing the Bonds. The Bonds constitute the consolidated several obligations of Improvement District Number 6 and Improvement District Number 7. A voter approved tax assessment is levied each year to pay the debt service on these bonds. The serial bonds accrue interest at rates between 3% and 5% and mature between September 1, 2014 and September 1, 2019. Interest is payable on September 1 and March 1 of each year. The advance refunding resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1,340,878 and a reduction of cash flow payments of approximately \$1,367,358.

2015 Revenue Refunding Bond

On June 1, 2015, the District issued \$12,265,000 of 2015 Revenue Refunding Bonds ("2015 Revenue Bonds"). Proceeds from the issuance will be used to refund the 2003 Refunding 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, 2018 and end on September 1, 2023. 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. The reacquisition price exceeded the net carrying amount of the old debt by \$1,839,060. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The economic gain due to the refunding is \$1,542,811.

As of June 30, 2015, the Reserve Requirement for the 2015 Revenue Refunding Bond was \$1,226,500 and the District had \$1,226,500 in the reserve account.

Certificates of Participation2003 Refunding Certificates of Participation (COP)

On August 1, 2003, the Corporation sold \$25,145,000 of 2003 Refunding Certificates of Participation ("2003 Refunding COP") to refund a portion of its 1993 Certificates of Participation, to fund a debt service reserve fund and pay for delivery costs related to the COPs. They will remain under the 1993 Indenture \$12,625,000 aggregate principal amount of Moulton Niguel Water District 1993 Certificates of Participation. The serial certificates accrue interest at rates between 3% and 5%, and interest is payable on March 1 and September 1 of each year. Principal is repaid annually on September 1, from 2004 and 2008, and then in 2012 and 2013, and finally between 2018 and 2023.

This bond was defeased in fiscal year ending June 30, 2015, and refunded with the 2015 Revenue Refunding Bonds.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 6: Long-Term Liabilities (Continued)2009 Certificates of Participation (COP)

In December 2009, the District issued \$60,000,000 of Certificates of Participation federally taxable "Build America Bonds" to construct projects that provide greater water supply reliability for the distribution of potable and recycled water. The District has adopted a resolution which states the intention to develop adequate capacity to sustain at least a 31-day average potable water supply outage and be able to sustain a 7-day interruption in Metropolitan Water District deliveries. The serial certificates accrue interest at rates between 5.982% and 6.332%. Interest is payable on March 1 and September 1 of each year. The true interest cost ("TIC") is 4.49%. This rate reflects the interest cost net of the subsidy. Under Section 54AA(g)(2) of the Tax Code, the District is eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Certificates. The subsidy, when received, is recorded as intergovernmental revenue. Principal is repaid annually on September 1 from 2024 through 2039. The COPs were issued as a level debt service with the District's other outstanding debt. Level debt service reduces large fluctuations in annual debt obligations by delaying the payment of the principal portion until other debt service principal portions are paid.

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government pursued certain automatic reductions that took place starting March 1, 2013. This sequester reduction affected the Build America Bonds refundable credit payments under Internal Revenue Code section 6531. As determined by the Office of Management and Budget, payments to issuers of Build America Bonds are subject to a 7.3% reduction as of October 1, 2014, through September 30, 2015, resulting in a refundable credit equal to 32.45%.

As of June 30, 2015, the Reserve Requirement for the 2009 COPs was \$6,000,000. At June 30, 2015, the District had \$6,023,356 in the reserve account.

2010 Refunding Certificates of Participation (COP)

On November 1, 2010, the Corporation sold \$8,965,000 of the 2010 Refunding Certificates of Participation ("2010 Refunding COPs") to refund the remaining portion of the 1993 COPs, to refinance the 1993 Installment Payments and 1993 Certificates; to fund a debt service reserve fund for the Certificates; and pay certain costs of executing and delivering the Certificates. The interest for the 2010 Refunding COPs will be calculated from November 1, 2010, at rates from 2%-4% payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2011, and end on the date of maturity or prepayment, whichever is earlier.

As of June 30, 2015, the Reserve Requirement for the 2010 Refunding COPs was \$556,000. At June 30, 2015, the District had \$896,059 in the reserve account.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 6: Long-Term Liabilities (Continued)

Loans PayableCalifornia Infrastructure and Economic Development Bank (CIEDB)

The District obtained two loans from the California Infrastructure and Economic Development Bank to finance the construction of certain capital projects related to water and wastewater infrastructure. The loan obtained for the construction of water infrastructure in the amount of \$1,700,000 accrues interest at 2.73%. The loan was obtained for the on-site sodium hypochlorite generation-reservoir management system; phase II - installation of ClorTec chlorination tank recirculation systems, which include on-site sodium hypochlorite generation and ammonia injection units on 16 reservoirs at 14 sites in the District service area. The loan obtained for the construction of wastewater infrastructure in the amount of \$1,111,340 accrues interest at 3.17%. Both loans are due March 1, 2022. Principal is repaid annually on March 1 and interest payments are due semi-annually on March 1 and September 1.

Department of Water Resources Loan (DWR)

The District obtained a loan for \$4,821,611, due October 1, 2015, from the Department of Water Resources to fund projects for a multi-zone reclaimed water distribution system for non-potable uses (i.e. irrigation of parks, golf course greenbelts, etc.) pursuant to Chapter 4.7 of Part 6 of Division 6 of the California Water Code. The project will replace existing potable water with reclaimed water that meets Title 22, Division 4, of Article 4 of the California Code of Regulation requirements for water quality. The loan accrues interest at a rate of 2.5%. Principal and interest payments of \$153,927 are due semi-annually on April 1 and October 1.

State Revolving Fund Loans (SRF)

The District obtained three State Revolving Fund loans totaling \$36,053,400 with the State Water Resources Control Board. They were used to finance the Phase III Revised Expansion Project, consisting of expanding the District's reclamation system to serve an additional 500 irrigated landscape sites with 4,502 acre-feet per year of reclaimed water and Phase 4 Expansion of the Reclaimed Water Distribution System. The loans accrue interest at rates ranging from 1.727% to 1.811%. Principal and interest payments are due annually through October 16, 2017.

Compensated Absences

It is the policy of the District to permit employees to accumulate earned but unused vacation and sick leave benefits. Vested or accumulated vacation and sick leave are reported as noncurrent liabilities and current liabilities for the portion expected to be paid within one year on the statement of net position.

Vacation accrual schedules vary depending on length of employment and begin on date of employment. Maximum vacation accruals may not exceed more than 200% of an employee's annual vacation accrual. In June of each year, employees are eligible to receive compensation for unused vacation leave, not to exceed compensation equivalent to 120 hours, upon meeting certain criteria. All regular full-time employees are eligible to accrue 96 hours of sick leave a year from the date of employment. On January 1 of each year, employees who have accumulated more than 176 hours of sick leave are eligible to receive compensation equal to 75% of the hours over 176 hours.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 6: Long-Term Liabilities (Continued)**

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2015, are as follows:

June 30	Bonds Payable	
	Principal	Interest
2016	\$ 5,685,000	\$ 1,000,106
2017	6,060,000	919,150
2018	1,275,000	757,750
2019	3,170,000	653,000
2020	3,360,000	501,000
2021-2025	8,565,000	882,375
Total	<u>\$ 28,115,000</u>	<u>\$ 4,713,381</u>

June 30	Certificates Participation	
	Principal	Interest
2016	\$ 1,780,000	\$ 4,285,776
2017	1,855,000	4,213,076
2018	1,925,000	4,137,476
2019	-	4,098,976
2020	-	4,098,976
2021-2025	2,645,000	20,415,767
2026-2030	15,015,000	17,364,479
2031-2035	18,780,000	11,601,565
2036-2040	23,560,000	4,254,140
Total	<u>\$ 65,560,000</u>	<u>\$ 74,470,231</u>

June 30	Loans Payable	
	Principal	Interest
2016	\$ 2,110,606	\$ 239,125
2017	1,995,422	200,803
2018	2,031,843	163,680
2019	1,572,557	125,865
2020	1,283,388	95,977
2021-2025	3,804,802	137,992
Total	<u>\$ 12,798,618</u>	<u>\$ 963,442</u>

#5.**MOULTON NIGUEL WATER DISTRICT****NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015****Note 7: 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, 2015:

Debt Service Coverage

Operating Revenues:	
Water sales and service charges	\$ 33,485,636
Wastewater service charges	16,182,197
Meter sales & other	329,755
Total Operating Revenues	<u>49,997,588</u>
Non-Operating Revenues:	
Connection fees	551,179
Cellular lease income	1,731,352
Investment income	2,624,306
Intergovernmental revenue	6,401,510
Other income (expense)	3,661,818
Total Non-Operating Revenues	<u>14,970,165</u>
Total Revenues	<u>64,967,753</u> (A)
Operations & Maintenance Expenses:	
Source of supply	28,610,139
Pumping water	2,596,544
Sewage treatment	9,519,199
Water transmission & distribution	959,193
Customer service	2,839,137
Water efficiency	3,472,838
General, administrative & other	14,702,063
Total operations & Maintenance Expenses	<u>62,699,113</u> (B)
Net Revenues	2,268,640 (A-B)
Property Tax Revenues	24,011,516
Sum of Net & Tax Revenues	<u>\$ 26,280,156</u> (C)
Debt Service On Parity Obligations	
2003 COP (refunded with 2015 Revenue bond)	\$ 726,000
2009 COP	4,098,976
2010 Refunding COP	1,971,700
Governmental loans	2,507,751
2015 Refunding Revenue Bonds	-
Total Existing Parity Obligations	<u>\$ 9,304,427</u> (D)
Calculated Debt Service Coverage Percentage	282% (C/D)

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 8: Pension PlansDefined Benefit Plan***Plan Description***

The District contracts with California Public Employees Retirement System ("CalPERS") to provide qualified permanent and probationary employees with a specified package of benefits upon retirement. The District's First Tier Miscellaneous Plan (employed prior to July 28, 2009), Second Tier Miscellaneous Plan (employed on or after July 28, 2009 but before January 1, 2013) and PEPRA Miscellaneous Plan (employed on or after January 1, 2013) are cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). 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 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 2% of his/her final year compensation times the number of years of service at age 55 or 62, depending on which tier the employee participates. The CalPERS annual financial report may be obtained from their website at 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 at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 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. 2% @ 55 plans have a highest 12 consecutive months' compensation period and 2% @ 62 has a highest 36 consecutive months' compensation period.

#5.**MOULTON NIGUEL WATER DISTRICT****NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015****Note 8: Pension Plans (Continued)**

	Miscellaneous cost-sharing plans		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to July 28, 2009	July 28, 2009 but prior to January 1, 2013	January 1, 2013 and after
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	6.891%	6.891%	6.308%
Required employer contribution rates	12.667%	11.709%	6.700%

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (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, 2015, the contributions recognized as part of pension expense for all plans was \$857,740.

Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

Proportionate Share of Net Pension Liability

Tier 1	\$	12,154,558
Tier 2		96,538
PEPRA		742
Total Net Pension Liability:	\$	12,251,838

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014, using standard 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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 8: Pension Plans (Continued)**

the pension plans relative to the actuarially determined projected contributions of all participating employers. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014, was as follows:

	Miscellaneous Plans			
	Tier 1	Tier 2	PEPRA	Total Plans
Proportion - June 30, 2013	\$ 16,607,497	\$ 131,905	\$ 1,014	\$ 16,740,416
Proportion - June 30, 2014	12,154,558	96,538	742	12,251,838
Change - Increase(Decrease)	(4,452,939)	(35,367)	(272)	(4,488,578)

For the year ended June 30, 2015, the District recognized a total pension expense of \$1,002,639 for all plans in total. At June 30, 2015, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ (4,117,186)
Adjustment due to Difference in Proportions	335,731	(88,889)
Difference between actual and proportionate share contribution	-	(730,544)
Contribution subsequent to measurement date	1,095,846	-
Total	\$ 1,431,577	\$ (4,936,619)

\$1,095,846 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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
2016	\$ (1,133,386)
2017	(1,133,386)
2018	(1,151,018)
2019	(1,183,096)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013, total pension liability. The June 30, 2013 and the June 30, 2014, total pension liabilities were based on the following actuarial methods and assumptions:

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 8: Pension Plans (Continued)

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	3.3% - 14.2% (1)
Investment Rate of Return	7.50% (2)
Mortality Rate Table (3)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.75% thereafter

(1) Depending on age, service and type of employment.

(2) Net of Pension Plan investment and administrative expenses; includes inflation.

(3) The mortality table used was developed based on CalPERS' specific data.

The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report on the CalPERS website.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 8: Pension Plans (Continued)**

reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18, fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, 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:

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 8: Pension Plans (Continued)

Miscellaneous plans Net Pension Liability/(Asset)	Discount Rate - 1%		Current Discount	Discount Rate +1%		
	6.50%			8.50%		
Tier 1	\$	21,655,664	\$	12,154,558	\$	4,269,542
Tier 2		172,000		96,538		33,911
PEPRA		1,321		742		260
TOTAL:	\$	21,828,985	\$	12,251,838	\$	4,303,713

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

Defined Contribution Plan

The District sponsors the Moulton Niguel Water District Money Purchase Pension Trust ("Money Purchase Plan"), a defined contribution pension plan. The District's Board of Directors established the Money Purchase Plan and is authorized to amend the Money Purchase 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 Money Purchase Plan. Plan investments are held in trust by Lincoln Financial.

The District matches up to 2% of an employees' salary to the Money Purchase Plan if the employee elects to participate in the plan. Employer contributions were \$146,783 and recognized as pension expense for the year ended June 30, 2015. 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 upon termination of employment and age 55, at disability, or at age 65.

Note 9: **Other Post-Employment Benefits (OPEB)**

To mitigate the costs of increasing healthcare, the District has imposed a two-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 medical benefits for themselves and their dependents. Employees hired subsequent to July 1, 2008, retiring from the District at age 60 with fifteen years of continuous employment, receive post-retirement medical benefits for themselves and their dependents.

Under the authority of the District's Board of Directors, post-retirement medical benefits are provided to eligible employees. These benefits may be amended at the discretion of the Board of Directors. The District participates in the CalPERS California Employers' Retiree Benefit Trust ("CERBT") fund – an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Post Employment Benefit ("OPEB") costs. The CERBT fund is a Section 115 Trust – set up for the purpose of receiving employer contributions that will prefund health and OPEB costs for retirees and their beneficiaries.

Eligibility and Benefits: Generally the District provides retiree medical coverage to former full-time employees and Board Members ("OPEB Participants") and their dependents when retirement is from the District in good standing. OPEB Participants receive this benefit on or after age 55 with 10 years of service if hired before July 1, 2008, or elected before

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 9: Other Post-Employment Benefits (OPEB) (Continued)**

January 1, 1995. OPEB Participants receive this benefit on or after age 60 with 15 years of service if hired after July 1, 2008. After age 65, the District provides \$235 per month, cash allotment 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.

Membership of the plan consisted of the following at June 30, 2015:

Retirees and dependents receiving benefits	33
Active plan members	119
Total	<u>152</u>

District's Funding Policy: The contribution requirements of the District, OPEB Participants, employees, and Board Members are established and may be amended by the District Board of Directors. On October 16, 2008, the Board of Directors amended its policy to fund the Annual Required Contribution ("ARC") for these benefits, rather than its previous practice of funding on a pay-as-you-go basis. This change serves to decrease the District's Unfunded Actuarial Accrued Liability over time. For the fiscal year ending 2015, the District contributed a total of \$261,080 in current premiums. The District pays the full cost for OPEB Participants using the Health Maintenance Organization ("HMO"). OPEB Participants electing coverage through the Preferred Provider Organization ("PPO") contributed \$3,063 toward the cost of the coverage (approximately 15% of total premiums). CalPERS publishes separate audited financial statements for CERBT. The report is available online at www.calpers.ca.gov or by contacting CalPERS at 1-888-CalPERS.

Annual OPEB Cost and Net OPEB Obligation: The District has implemented Government Accounting Standard Board's Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined to comply with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over not more than thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for these benefits:

Annual Required Contribution (ARC)	\$	402,959
Contribution made (including premium paid)		<u>(402,959)</u>
Change in net OPEB obligation		-
Net OPEB obligation beginning of year		<u>-</u>
Net OPEB obligation end of year	\$	<u>-</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015, are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 601,596	100%	\$ -
6/30/2014	621,148	100%	-
6/30/2015	402,959	100%	-

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 9: Other Post-Employment Benefits (OPEB) (Continued)**

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 required 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. The schedule of funding progress is presented on the following table as required supplementary information, presenting multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits. Actuarial methods and assumptions as of the last actuarial valuation date. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and OPEB Participants) and include the type of benefits provided at the time of each valuation, and the historical pattern of sharing of benefit costs between the District and OPEB Participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The Entry Age Normal Cost Method actuarial cost method is used for determining the benefit obligations. The actuarial assumptions included a 5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate between 5% and 6%, as well as an inflation rate of 2.8%. The UAAL is being amortized over an initial 30 years using the level-percentage-of-pay method on a closed-basis. The remaining amortization period is assumed to be 16 years. It is assumed the District's payroll will increase 3% per year. Seventy-five percent of future retirees are assumed to have a spouse. The valuation as of June 30, 2013, was done using the eligibility criteria at that time. In the future, this will serve to decrease the Actuarial Accrued Liability of the plan. Plan assets are as reported by CERBT using the market value of trust investments.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entity Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
01/01/10	\$ 388,139	\$ 4,988,183	\$ 4,600,044	8%	\$ 6,387,000	72%
06/30/11	1,131,224	6,857,673	5,726,449	16%	6,819,000	84%
06/30/13	2,115,096	5,539,489	3,424,393	38%	6,730,000	51%

Note 10: 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 a common risk management and insurance program. The program provides workers' compensation and property and liability insurance for the District. For each of the most recent years, settlements did not exceed insurance coverage. The membership includes 363 public water agencies within California. A Board of Directors

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 10: Risk Management (Continued)**

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 \$60,000,000 in primary comprehensive general liability insurance, auto liability, and public officials liability. The property damage insurance program provided for up to \$91,145,564 in coverage on structures and contents with a \$25,000 deductible per loss, and underground storage tank coverage of \$1,000,000. The District has a \$50,000 retrospective allocation point (self-insured retention) per claim for general and automobile liability for the year. The District's Statutory workers' compensation level of coverage and Employer's Liability coverage of \$2,000,000 for bodily injury by each accident and \$2,000,000 for bodily injury per occurrence from the JPA Pool. 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 its 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 14 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 95661-9082 or via telephone at (800) 231-5742. Information may be available at www.acwajpia.com.

The District also holds additional insurance policies amounting to a \$3,000,000 commercial blanket bond for employees and a \$30,000 bond for Notary Errors and Omissions that covers two notaries.

Note 11: Commitments and ContingenciesCapital Improvement Projects

The following material commitments existed at June 30, 2015:

<u>Project Name</u>	<u>Projected amounts</u>	<u>Cumulative Expenses as of June 30, 2015</u>	<u>Remaining Commitments</u>
Beacon Hill PS Pump/Generator Replacement	\$ 611,098	\$ 54,404	\$ 556,694
East Aliso Creek Reservoir Recoating	2,550,000	1,621,064	928,936

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12: Joint Powers Authorities and Joint VenturesSouth Orange County Wastewater Authority (a California Joint Powers Authority)

The District is a member of the South Orange County Wastewater Authority ("SOCWA"). SOCWA collects, treats, beneficially reuses and disposes of wastewater in South Orange County. SOCWA operates three wastewater treatment plants ("WWTP") in the region. SOCWA has ten member agencies, including three cities and seven water districts. A Board of Directors consisting of representatives from member agencies governs SOCWA. The Board of Directors controls the operations of SOCWA, 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. Each WWTP is a project, as well as various other physical facilities, such as outfall pipelines. The District's overall participation level is the highest of the member agencies, approximating 46% of SOCWA. The District deposits money with SOCWA to cover its share of operation and capital in the project committees the District participates. At fiscal year-end SOCWA analyzes its actual costs and refunds or collects additional money from its members as appropriate. Construction deposits made to SOCWA for capital projects are recorded as capital assets.

To obtain complete financial information from SOCWA please contact SOCWA's Controller at 34156 Del Obispo Street, Dana Point, CA 92629 or via telephone at (949) 234-5421.

Joint Regional Water Supply System (Formed Using a Trust Agreement)

The District is one of nine members who participate in the Joint Regional Water Supply System ("JRWSS"). JRWSS owns and operates several pipelines including the Joint Transmission Main that serves the District. The pipelines deliver drinking water to the nine member agencies. The District has approximately 49% ownership rights to the Joint Transmission Main. South Coast Water District ("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.

To obtain complete financial information from JRWSS contact SCWD, P.O. Box 30205, Laguna Niguel, CA 92607 or via telephone at (949) 499-4555.

San Juan Basin Authority (a California Joint Powers Authority)

The District is also a member of the San Juan Basin Authority ("SJBA") a joint powers authority formed to secure and develop water rights for its member agencies. It currently has permits for using the San Juan Groundwater Basin as an underground storage reservoir. A capacity of 40,000 acre-feet is classified as usable storage, where water can be routinely put into it by groundwater recharge basins and withdrawn by a number of high production wells to be drilled in the future. The state has also given SJBA water rights to divert water from the Basin for beneficial purposes. The objective of the District's membership is to diversify and increase its water sources in the future.

SJBA's membership includes the District along with Santa Margarita Water District, City of San Juan Capistrano and South Coast Water District. A Board of Directors consisting of representatives from member agencies governs SJBA. The Board of Directors oversees contracts and approves the annual budget. SJBA has Project Committees that

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 12: Joint Powers Authorities and Joint Ventures (Continued)**

member agencies participate in financially at various levels based upon ownership or usage. The District deposits money with SJBA to cover its share of costs in the respective projects. Surplus balances at fiscal year-end are refunded to member agencies or added to their reserves as determined by the Board of Directors.

To obtain complete financial information from SJBA contact Santa Margarita Water District at 26111 Antonio Parkway, Las Flores, CA 92688 or via telephone at (949) 459-6400.

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 maintains the infrastructure, collects money to cover expenses from the members, and maintains the records for SAC.

To obtain complete financial information on the SAC contact Irvine Ranch Water District at 15600 Sand Canyon Avenue, Irvine, CA 92618-3102 or via telephone at (949) 453-5300.

The relationships between the District and the joint powers authorities are such that SOCWA, ACWA/JPIA, JRWSS, SJBA, and SAC are not component units of the District for financial reporting purposes.

Note 13: Restricted Net Position

At year end the District held \$1,508,109 in unspent connection fee revenue. By State law these amounts must be spent on capital projects. All interest earned in this fund is added to the total restricted fund balance.

Note 14: 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 year end is as follows:

Unrestricted net position:	
Designated for rate stabilization	\$ 11,000,281
Designated for replacement and refurbishment	17,088,815
Designated for self insurance reserves	249,855
Designated for planning and construction	29,128,883
Designated for water efficiency	7,180,191
Designated for water supply reliability	801,631
Designated for emergency reserve	6,884,925
Unrestricted, undesignated	66,525,197
Total unrestricted net position	<u>\$ 138,859,778</u>

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 14: Unrestricted Net Position (Continued)Rate Stabilization

The Rate Stabilization reserves were established to provide funds to be used specifically for stabilizing potential fluctuation in water service rates of the District that may result in the future due to changing wholesale water rates charged by MWD and passed through to the District by MWDOC.

Replacement & Refurbishment

The Replacement & Refurbishment fund was established to replace existing assets, and to refurbish existing assets by materially extending the useful life of the asset. Any repairing of an asset that does not extend the useful life of the asset will be classified as an O&M expense. The asset value must be \$5,000 or more and have a useful life of at least 3 years. The District anticipates an increase in these projects as infrastructure maximizes its useful life. The reserves are increased by revenue from tax revenues equal to the appropriation limit.

Self-Insurance

The District maintains a Self-Insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000 for repairs to facilities by outside contractors and expenses related to the State Unemployment Insurance for unemployment claims made against the District.

Planning and Construction Reserves

Planning and Construction reserves were established to provide funding for new construction projects. The reserves are increased by Federal and State P.L. 660 funds and clean water grants if and when received. Designated (budgeted) and emergency construction and planning expenses decrease the reserves. These reserves can be increased by tax revenues equal to the appropriation limit. An annual review of fund balance and budgeted projects will determine the need for any fund transfers from the General fund.

Water Efficiency Fund

The Water Efficiency Fund was established for certain Water-Base-Budget Rate Structure ("WBBRS") revenues. The District's intent is to use the revenues for purposes generally related to water efficiency or conservation goals and policies, as specifically directed by the Board under budgetary and other approval programs from time to time.

Water Supply Reliability

The Water Supply Reliability reserves were created to provide funding for certain projects that will enhance the District's ability to provide water to its customers during emergency or planned outages or reductions of the imported water supplies to the District. The reserves were initially seeded with a \$5 million transfer from the Planning and Construction fund.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 14: Unrestricted Net Position (Continued)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 amount of the Emergency Reserve is equal to 2% of the costs of the District's assets.

Note 15: Net Position Restatement

The total beginning net position restatement as of June 30, 2015, was \$18,795,986. Beginning net position has been restated by \$15,850,089 related to the recording of the accrued net pension liability. This restatement is a result of GASB Statement No. 68. Additionally, beginning net position has been restated by \$2,945,897 due to the elimination of the net pension asset (CalPERS Sidefund) that had been created in prior years. Recognition of the asset was no longer in accordance with the current GASB standards after the implementation of GASB 68.

DRAFT

#5.**MOULTON NIGUEL WATER DISTRICT**
**MISCELLANEOUS PLAN
 COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 AS OF JUNE 30, 2015**

	<u>2015⁽¹⁾</u>
Proportion of the Net Pension Liability	
Tier 1	0.19533%
Tier 2	0.00155%
PEPRA	0.00001%
Proportionate Share of the Net Pension Liability	
Tier 1	\$ 12,154,558
Tier 2	96,538
PEPRA	742
Covered-Employee Payroll ⁽²⁾	
Tier 1	\$ 5,298,924
Tier 2	1,421,681
PEPRA	340,302
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	
Tier 1	229.38%
Tier 2	6.79%
PEPRA	0.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability ⁽³⁾	81.15%

Notes to Schedule:Benefit Changes:

None.

Changes of Assumptions:

None.

1 Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown. Measurement date used is 6/30/2014.

2 Covered-Employee Payroll represented above is based on pensionable earnings received by CalPERS.

3 Plan represents the total CalPERS Miscellaneous Plan.

MOULTON NIGUEL WATER DISTRICT

**MISCELLANEOUS PLAN
 COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN
 SCHEDULE OF PLAN CONTRIBUTIONS
 AS OF JUNE 30, 2015**

	<u>2015⁽¹⁾</u>
Tier 1	
Actuarially Determined Contribution	\$ 657,986
Contribution in Relation to the Actuarially Determined Contribution	(657,986)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 4,640,119
Contributions as a Percentage of Covered-Employee Payroll	14.18%
Tier 2	
Actuarially Determined Contribution	\$ 236,598
Contribution in Relation to the Actuarially Determined Contribution	(236,598)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 1,753,786
Contributions as a Percentage of Covered-Employee Payroll	13.49%
PEPRA	
Actuarially Determined Contribution	\$ 102,843
Contribution in Relation to the Actuarially Determined Contribution	(102,843)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 1,341,192
Contributions as a Percentage of Covered-Employee Payroll	7.67%

1 Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers	Entry age normal
Amortization method	Straight Line
Remaining amortization period	3.8 Years
Assets valuation method	Building Block Method
Inflation	2.75%
Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.5% net of pension plan investment expense, including inflation
Retirement age	55 years or 62 years
Mortality	Derived using CAPERS Membership Data for all funds

#5.

MOULTON NIGUEL WATER DISTRICT

SCHEDULE OF REVENUES, EXPENSES, AND OTHER SOURCES (USES) OF FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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>Revenues</u>	<u>2014-2015 Amended Budget</u>	<u>2014-2015 Actual</u>	<u>Variance with Budget Over (Under)</u>	<u>% Variance with Budget Over (Under)</u>
1 Potable Water Sales	\$ 27,325,000	\$ 24,708,832	\$ (2,616,168)	-9.57%
Wastewater Sales	17,150,000	16,182,197	(967,803)	-5.64%
Recycled Water Sales	4,725,000	4,880,742	155,742	3.30%
WBBRS Efficiency Funds	3,350,000	3,896,062	546,062	16.30%
2 Ad Valorem Property Tax	21,848,500	24,011,516	2,163,016	9.90%
General Obligation Bond Assessment	6,227,747	4,934,793	(1,292,954)	-20.76%
Investment Income	4,697,743	2,624,306	(2,073,437)	-44.14%
3 Other Income	551,500	4,836,752	4,285,252	777.02%
Cellular Lease Income	1,740,000	1,731,352	(8,648)	-0.50%
4 Intergovernmental Revenue	-	6,401,510	6,401,510	-
Total Revenues	\$ 87,615,490	\$ 94,208,062	\$ 6,592,572	
Expenses, Debt Obligations, and Capital Improvement Projects				
Operations and Maintenance	\$ 67,656,448	\$ 63,939,967	\$ (3,716,481)	-5.49%
Capital Facilities	978,624	1,045,572	66,948	6.84%
General Obligation Bonds Debt Service	15,528,059	15,532,173	4,114	0.03%
5 Replacement and Refurbishment	11,259,664	6,708,507	(4,551,157)	-40.42%
5 SOCWA & JRWSS Capital Projects	12,745,932	152,947	(12,592,985)	-98.80%
5 Water Supply Reliability Projects	15,452,106	13,528,056	(1,924,050)	-12.45%
5 Planning and Construction Projects	7,987,168	652,861	(7,334,307)	-91.83%
Total Expenses, Debt Obligations, and Capital Improvement Projects	\$ 131,608,001	\$ 101,560,083	\$ (30,047,918)	
Net Income (Deficit)	\$ (43,992,511)	\$ (7,352,021)	\$ 36,640,490	

* The variance between budgetary basis net income and financial statement net income is due to the inclusion of General Obligation Bonds Debt Service as expenses on the budgetary basis.

- 1 In July of 2014, the State Water Resources Control Board adopted regulations mandating urban water utilities to implement mandatory water restrictions. This was followed by an Executive Order issued by the Governor on April 1, 2015, mandating all urban water utilities to achieve a statewide 25% reduction in water usage. Both of these events led to a decrease in water sales.
- 2 Secured tax revenue increased by \$1.3 million in fiscal year 2014-2015 due to an increase in property valuations in the District's service area.
- 3 Balance includes reimbursement from the Municipal Water District of Orange County (MWD OC) over charging the District for water purchases. The reimbursement amount was \$3.5 million.
- 4 Historically, the District has not budgeted for Intergovernmental Revenue but will re-evaluate that decision for next fiscal year. Revenue received relates to \$1.3 million for the 2009 BABs Federal subsidy and \$4.5 million for a Prop 50 grant.
- 5 The budget contained 65 projects for the fiscal year. At the end of fiscal year 2014-2015, 32 projects were closed out and 33 projects will be carried forward into FY 2015-2016.

MOULTON NIGUEL WATER DISTRICT

**OPERATIONS & MAINTENANCE (O&M) BUDGET COMPARISON REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 major variances in this report.

General Fund	Adopted Budget	Adjusted Budget	Actual Expense	Remaining Budget
Salaries	\$ 9,550,317	\$ 9,550,317	\$ 9,235,167	\$ 315,150
1 Retirement Program	1,401,937	1,401,937	1,807,681	(405,744)
Educational Courses	51,720	51,720	25,495	26,225
Travels and Meetings	251,034	251,034	181,497	69,537
Employee Relations	14,800	14,800	12,103	2,697
General Services	402,776	402,776	361,133	41,643
Annual Audit	40,000	40,000	40,665	(665)
Member Agencies O&M	1,231,370	1,231,370	1,345,750	(114,380)
Dues and Memberships	93,968	93,968	85,580	8,388
Election Expenses	150,000	150,000	10,173	139,827
Consulting Services	1,602,900	1,602,900	1,300,440	302,460
Equipment Rental	65,000	65,000	64,365	635
District Fuel	340,000	340,000	235,727	104,273
Insurance - District	576,150	576,150	511,888	64,262
Insurance - Personnel	468,100	468,100	386,112	81,988
Insurance - Benefits	2,360,333	2,360,333	2,258,256	102,077
Legal Services	220,000	220,000	149,744	70,256
District Office Supplies	499,900	499,900	531,433	(31,533)
District Operating Supplies	315,850	315,850	301,346	14,504
Repairs and Maintenance - Equipment	867,287	867,287	638,432	228,855
Repairs and Maintenance - Facilities	3,550,995	3,550,995	3,327,445	223,550
Safety Program and Compliance Requirements	285,250	285,250	139,734	145,516
SOCWA	8,450,820	8,450,820	8,448,293	2,527
Special Outside Assessments	230,300	230,300	200,296	30,004
Utilities	2,126,000	2,126,000	2,173,236	(47,236)
2 Water Purchases	27,976,295	27,976,295	25,978,276	1,998,019
Meter/Vault Purchases	868,000	868,000	662,151	205,849
* Miscellaneous Operating Expenses	2,896	2,896	-	2,896
WBBRS Fund				
Salaries	326,918	326,918	338,107	(11,189)
Retirement Program	41,866	41,866	42,253	(387)
Educational Courses	500	500	155	345
Travels and Meetings	2,700	2,700	4,332	(1,632)
Dues and Memberships	500	500	-	500
Insurance - Personnel	4,131	4,131	8,759	(4,628)
Insurance - Benefits	75,900	75,900	72,397	3,503
Legal Services	-	-	59,666	(59,666)
District Office Supplies	77,810	77,810	189,917	(112,107)
3 Water Efficiency	3,132,125	3,132,125	2,811,963	320,162
Net Income (Deficit)	\$ 67,656,448	\$ 67,656,448	\$ 63,939,967	\$ 3,716,481

1 Includes adjustments related to GASB 68, which increased pension reporting.

2 The decrease in total water purchases for fiscal year 2014-2015 resulted from District planned conservation efforts. In fiscal year 2014-2015, total water purchased decreased by 3,900 acre feet, or 11%, as compared to fiscal year 2013-2014.

3 These expenses represent customer efficiency rebates. The variance noted is due to the timing of rebate submissions.

MOULTON NIGUEL WATER DISTRICT

STATISTICAL SECTION OVERVIEW

TABLE OF CONTENTS

The Statistical Section provides historical information on Moulton Niguel Water District's economic condition. All of the information presented in the statistical section is organized around five specific objectives:

Financial Trends – These schedules present financial trend data for assessing the District's financial position over time.

Net Position by Component – Last Ten Fiscal Years.....
Changes in Net Position – Last Ten Fiscal Years

Revenue Capacity – These schedules present revenue capacity information to determine the District's ability to generate revenue. The District's source of revenue is derived from water and wastewater charges. The District also receives a significant amount of property tax revenue.

Water and Wastewater Sold by Type of Customer – Last Ten Fiscal Years.....
Annual Domestic Consumption in Acre Feet (AF) - -Last Ten Fiscal Years.....
Water Rates – Last Ten Fiscal Years

Principal Water Customers – Current Fiscal Year and Seven Years Ago.....
Wastewater Rates – Last Ten Fiscal Years.....
Principal Wastewater Customers – Current Fiscal Year and Seven Years Ago.....
Recycled Water Rates – Last Ten Fiscal Years.....
Principal Recycled Water Customers – Current Fiscal Year and Seven Years Ago.....
Property Tax Levies and Collections – Last Ten Fiscal Years.....
Assessed Valuations & Largest Local Secured Taxpayers –
Current Fiscal Year and Eight Years Ago

Debt Capacity – These schedules show the District's debt burden per customer, the direct and overlapping debt within the geographic boundaries of the District and the net revenues available for debt service and related coverage ratios.

Outstanding Debt by Type and Debt per Customer – Last Ten Fiscal Years.....
Ratio of Net Direct General Obligation Debt – Last Ten Fiscal Years.....
Direct and Overlapping Debt – Current Fiscal Year

Pledged Revenue Coverage – Last Ten Fiscal Years

Demographic and Economic Information – These schedules allow the reader to envision the socio-economic environment of the local community.

Demographic and Economic Statistics – Last Ten Fiscal Years.....
Principal Employers – Current Year and Seven Years Ago.....

Operating Information – These schedules enable the reader to assess the District's ability to provide water and wastewater services through its infrastructure, employees, and business cycles.

Full Time Employees by Function – Last Ten Fiscal Years.....
Operating Indicators – Last Ten Fiscal Years.....
Historical Billings, Collections, and Delinquencies – Last Ten Fiscal Years

Capital Asset Statistics – Last Ten Fiscal Years.....

[REDACTED], 2015

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

We have audited the financial statements of the Moulton Niguel Water District (the District) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated [REDACTED], 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements.

As described in Note 1, the District changed accounting policies related to pensions reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 in fiscal year 2014-2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of revenues, expenses and changes in net position.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the net pension liability is based on an actuarial valuation using active and former employees' census data information and actuarial assumptions. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#5.



Board of Directors
Moulton Niguel Water District

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated **September 29, 2015**.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the supplementary information section and the statistical section, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



Board of Directors
Moulton Niguel Water District

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2014-2015 audit:

GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement no. 27.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2015-2016

GASB Statement No. 72, Fair Value Measurement and Application.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68.

GASB Statement No. 76, The Hierarchy of Generally accepted Accounting Principles for State and Local Governments.

Fiscal year 2016-2017

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

Fiscal year 2017-2018

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Moulton Niguel Water District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Brea, California

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Moulton Niguel Water District, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated **September 29, 2015**.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Board of Directors
Moulton Niguel Water District

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Solt & Lughard, LLP

Brea, California
September 29, 2015

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Moulton Niguel Water District

STAFF REPORT

TO: Board of Directors **MEETING DATE:** November 16, 2015

FROM: Marc Serna, Director of Engineering and Operations
Eva Plajzer, Assistant Director of Engineering

SUBJECT: Communication Facilities License Program Update

DIVISION: District-wide

SUMMARY:

Issue: Staff prepared updates to the existing Communication Facilities Program Policy and Procedures

Recommendation: It is recommended that the Board of Directors approve the resolution entitled “Adopting the 2015 Communication Facilities License Program Policy and Procedures for Communication Facilities Licenses within Moulton Niguel Water District Properties” and authorize the General Manager or her designee to implement the program and execute agreements on behalf of the District.

Fiscal Impact: The District collects about \$1.7 million annually in lease payments from cell carriers. This policy will not have a fiscal impact on existing agreements. Future license agreements will be negotiated on a case by case basis to give the District the best market value for the agreement.

BACKGROUND:

In the 1990s, the District approved the first communication facility to be constructed at one of the District’s sites. As the communication industry grew, the District was approached about the use of District sites for communication facilities. The District’s Board of Directors approved its first Communication Facility Lease Policy in 2000 with a primary objective to provide an economic benefit to the District’s ratepayers through a monthly lease program. However, the District’s first responsibility is to provide water and wastewater services to its customers, and any program should not interfere with the District’s mission-critical activities. With these objectives in place, the District implemented the 2000 Communication Facility Lease Policy (2000 Lease Policy) for many communication facilities on January 1, 2001.

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Communication Facilities License Program Update

November 16, 2015

Page 2 of 3

Since the initial implementation of the program in 2001, the number of cell carrier agreements has grown to 56 with various amendments on several of those agreements. These agreements cover cell carrier facilities at 17 of the District sites.

On March 15, 2012, the Board of Directors adopted the Communication Facilities License Program Policy and Procedures for Communication Facilities Licenses within Moulton Niguel Water District Properties (2012 License Program). This was an update to the 2000 Lease Policy that included change of agreements from leases to licenses, ability to negotiate an annual license fee for every agreement based on market forces; annual payments of licenses, in lieu of monthly payments; a fee structure to reimburse the District for costs associated with processing of cell carrier submittals; and detailed instruction to cell carriers on how to work with and on District sites. The 2012 License Program allowed for gradual transfer of leases to licenses upon expiration of the existing leases. Over the next 12 months, 28 leases will be expiring and require negotiation to licenses.

The District's staff administers the existing agreements, develops new agreements, and revises existing agreements as required. The administration of the 2012 License Program includes implementation of Board policy, point of contact with the existing or proposed cell carriers, plan check review of the cell carrier proposed improvement documents, review and approval of new lease agreements or lease amendments, inspection of cell carrier's construction activities, and oversight of the monthly lease payments. The District performs these functions with existing staff or consultants as required.

DISCUSSION:

As part of the ongoing implementation of the 2012 License Program, staff identified areas of policy, procedure, and license template improvements. Some of the improvements include:

- Clarification of language for license transfers and insurance requirements
- Addition of decommissioning section
- Change to a fixed 4% escalation of annual rates
- Clarification of requirements to obtain approval from District for site improvements
- Enhanced site access and safety measures
- Adjustment in application fees for improvements

These adjustments to the policy, procedures, and license template will expedite the anticipated volume of agreement renewals from the various cell carriers.

Communication Facilities License Program Update

November 16, 2015

Page **3** of **3**

Attachments:

1. A Resolution Adopting the 2015 Communication Facilities License Program – Policy and Procedures for Communication Facilities Licenses within Moulton Niguel Water District Properties with Exhibit A Communication Facilities License Program October 2015.
2. 2012 License Policy (Redlined)

RESOLUTION NO. 15-_____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT ADOPTING THE 2015 COMMUNICATION FACILITIES LICENSE PROGRAM POLICY AND PROCEDURES FOR COMMUNICATION FACILITIES LICENSES WITHIN MOULTON NIGUEL WATER DISTRICT PROPERTIES

WHEREAS, the Moulton Niguel Water District (“District”) previously adopted Resolution No. 96-32 on January 18, 1996, setting forth the District’s Policy and Procedure for Communications Facilities Licenses (“*License Policy*”);

WHEREAS, the Board of Directors of the District on March 16, 2000, rescinded the *License Policy* by adoption of Resolution No. 00-05 entitled “Resolution of the Board of Directors of the Moulton Niguel Water District Adopting a Communication Facilities Lease Policy,” which by its terms adopted a revised policy for leasing District sites to communication facility providers (“*2000 Lease Policy*”) in order to gain longer-term commitments from users and commensurate revenues;

WHEREAS, the Board of Directors of the District on March 15, 2012, rescinded the *2000 Lease Policy* by adoption of Resolution No. 12-03 entitled “Resolution of the Board of Directors of the Moulton Niguel Water District Adopting Communication Facilities License Program,” which by its terms adopted a revised policy for issuing licenses on District properties to communication facility providers (“*2012 License Policy*”);

WHEREAS, the Board of Directors has determined to review and update the *2012 License Policy* in an ongoing effort to balance the District’s interest in maximizing additional revenues from proliferating requests for site use from communications providers, with due consideration for protecting against interference with the District’s use of its facility sites for its core business; and

WHEREAS, after due consideration of the policy goals set forth above, and after consultation with experts in public agency contracts with communications facilities providers, the Board of Directors has determined to replace the *2012 License Policy* with an updated and revised “Communications Facilities License Program - Policy and Procedures for Communication Facilities Licenses within Moulton Niguel Water District Properties,” dated October 2015 (“*2015 License Program*”) that includes additional technical program requirements for secure installation and operations in order to generate revenues from such arrangements commensurate with neighboring public entities and to manage such use of District facility sites in a prudent fashion.

NOW, THEREFORE, the Board of Directors of the Moulton Niguel Water District does hereby **RESOLVE, DETERMINE AND ORDER** as follows:

Section 1. The Board of Directors hereby rescinds District Resolution No. 12-03,

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provided, all lease agreements previously entered into by the District under all previous policies shall remain valid and enforceable in accordance with their terms until termination or expiration of said lease agreements.

Section 2. The Board of Directors hereby approves and adopts the “*Communications Facilities License Program - Policy and Procedures for Communication Facilities Licenses within Moulton Niguel Water District Properties,*” dated October 2015 (“*2015 License Program*”), attached to this Resolution as **Exhibit A**, which program includes a form of license agreement for the installation and operation of communications facilities on District sites which shall govern all licenses granted under the *2015 License Program* and a form of amendment which shall govern any amendments granted under the *2015 License Program* to existing leases or licenses entered into by the District under all previous policies.

Section 3. Pursuant to the *2015 License Program*, the Board of Directors hereby delegates authority to the General Manager, or her designee, to implement the *2015 License Program* as to all applicants, to be effective the date of adoption of this Resolution, and to enter into license agreements and amendments under the *2015 License Program*, including the negotiation and determination of annual license fees for each license in accordance with the terms and conditions of such program. The foregoing delegation of authority is predicated on Staff’s periodic reporting to the Board of Directors as deemed necessary by Staff on the status of the 2015 License Program including any new licenses, the sites, applicants, and annual license fee amounts negotiated, as well as a summary of any input on the *2015 License Program* received from communication facility providers.

ADOPTED, SIGNED and APPROVED this 16th day of November, 2015.

MOULTON NIGUEL WATER DISTRICT

President/Vice President
MOULTON NIGUEL WATER DISTRICT and the
Board of Directors thereof

Secretary/Assistant Secretary
MOULTON NIGUEL WATER DISTRICT and the
Board of Directors thereof

APPROVED AS TO FORM:

Best Best & Krieger LLP
Legal Counsel - Moulton Niguel Water District

By _____



Communication Facilities License Program
Policy and Procedures
for
Communication Facilities Licenses
within
Moulton Niguel Water District Properties

DRAFT

November 2015

EXHIBIT A

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Appendices

- Appendix A: Communication Facility License Agreement Template
- Appendix B: Amendment to Communication Facility License Agreement Template
- Appendix C: Application Procedures and Forms
- Appendix D: Fee Schedule
- Appendix E: Signature Block and Equipment Table Samples
- Appendix F: Construction Notes, General Notes, Plan Notes & Requirements

1. Introduction

Moulton Niguel Water District (“District” or “MNWD”) has a history dating back to 1986 of allowing installation of communication facilities on its properties compatible with District use. The District last amended its Policy and Procedures for Communication Facilities on District sites in March 2012 with Resolution No. 12-03. This revised Program of Policies and Procedures (“Program”) further defines and revises the District’s policies and procedures for granting communication licenses and approving licensee improvements.

Under this Program, the District will balance its interest in maximizing additional revenues from wireless communication companies with due consideration for operational needs related to use of District’s facility properties, flexibility to allow changes-in-use of its facilities, and adequate protection against safety concerns related to use of the sites for communications facilities.

The terms and requirements set forth in this Program shall apply to all communication facilities leases, licenses and arrangements. All new applications for communication facilities shall comply with the terms as outlined in this Program, and the authorizations to use District property shall be in substantially the form of the Communication Facility License Agreement attached in Appendix A.

Any existing leases for communication facilities may be replaced with a Communication Facility License Agreement permitted under this Program upon the expiration of the current communications facility arrangement, as determined by the District; or, earlier upon request, provided such lessee is not in default under the terms of such existing communications facility arrangement as determined by the District.

The terms and procedures outlined in this Program shall also apply to amendments or changes to existing communications facility arrangements. See Appendix B for the form of amendments to License Agreements.

This Program may be amended from time to time by the MNWD Board of Directors in its sole discretion. If the revision, in MNWD’s sole discretion, is material we will notify current lessees and licensees in writing of the revised Program. However, it is the responsibility of all applicants to comply with the most current version of the Program.

2. License Agreements and Amendments

1. All new applications for communications facilities shall be authorized in substantially the form of the Communications Facility License Agreement attached in Appendix A.
2. Key terms of the license agreement in Appendix A include:
 - a. The license term shall be for ten (10) years, and at the option of applicant for an additional five (5) year period (fifteen (15) years aggregate) provided Licensee is not currently in default under the License Agreement.
 - b. The license fee amount for the ten (10) year license period shall be negotiated between the District and the licensee and is payable in advance in annual payments. Payment schedule for license fees is listed in the Agreement in Appendix A.
 - c. Annual license fees shall begin immediately and be payable within 45 days of license agreement or amendment execution.
 - d. License fee amounts will be subject to an automatic yearly increase equal to 4 percent per annum during the ten (10) year license period and during any option period, as applicable. In addition, if applicable, a one-time catch-up inflation adjustment shall be made for the first year of the option period based on the consumer price index as described in Section 4 of the license agreement.
 - e. Should the agreement lapse, the District shall charge a holdover fee of 150% of the then current monthly fee rate.
3. The Board of Directors may delegate authority individually to the General Manager and the Director of Engineering & Operations, or their designees, to review all license applications and to enter into License Agreements and Amendments in accordance with this Program, including determination of the negotiated annual license fee.

3. Cell Carrier Facility Development Guidelines and Requirements

All wireless communications facilities on District properties shall be installed, operated, maintained, modified, and altered, according to this Program, and shall comply with the policies, procedures, guidelines and requirements outlined in this section and elsewhere in this Program. These Program guidelines and requirements apply to all sites and communications facilities installation, work and operations, whether under new licenses, or pursuant to existing lease arrangements.

3.1 Universal Installation Requirements

The following requirements apply to all wireless communications facilities on District property, and any reference to “license” or “licensee” shall also be deemed to mean “lease” and “lessee,” as applicable.

3.1.1 New Site Build and Site Modifications

1. Prior to any formal request for a new unmanned wireless communications facility, or modifications to an existing facility, the applicant must submit a site application and the appropriate fees for consideration. The applicant is encouraged to engage the District early in the processes and perform an assessment site walk to determine if proposed improvements are feasible.
2. Prior to commencement of any work by the licensee at a District property, the District must have:
 - a. Executed License Agreement or License Agreement Amendment, as applicable.
 - b. Certificate of insurance with the proper entity name for the licensee and for any contractor to be engaged in the installation of the communications facility, along with additional insured endorsements and other insurance required under the License Agreement.
 - c. Set of working drawings and/or plans for the proposed communications facility signed and stamped by a licensed professional engineer, and received and accepted by the District.
 - d. Proof that licensee has complied with all applicable zoning and planning approvals from appropriate jurisdictions.

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3. No work shall commence prior to the issuance of a consent letter by the District. The District will issue a consent letter once all the requirements of this Program have been met by the applicant and the District has determined that work may commence. The consent letter shall accompany the drawings and/or plans reviewed and accepted by the District.
4. No work shall commence without advance notice of proposed work on, or installation of, the communications facility. After the licensee receives a consent letter and accepted plans, the licensee or its contractor shall:
 - a. Contact the District's inspector to schedule a pre-construction conference. The conference shall be held at least one week prior to start of construction and attended by representative(s) of licensee, its contractor(s), the District's inspector and, if necessary, the District's coatings representative. A 24-hour contact information shall be provided to the District's inspector at the pre-construction conference.
 - b. If there are any changes to the construction schedule after a pre-construction conference was held, the District's inspector shall be notified at least two (2) working days prior to beginning any work or installation.
5. The District reserves the right to not issue or withdraw its approval to commence work if the licensee or its contractor(s) have failed to satisfy the Program terms.
6. If the District's facilities require maintenance work that may interfere with the Licensee's activities at the Site, The District reserves the right to require Licensee to postpone Licensee's activities at the Site until such District work is completed. The District will, wherever possible, give advance notice and coordinate its activities with the Licensee.
7. No work shall be performed on the roof of any District reservoir. District staff reserves the right to determine any work limitations at all District facilities and sites.
8. Any proposal for work upon a District facility must include stamped engineering structural analysis and a signed letter from a licensed engineer describing the work and assurance to the District that any equipment mounted to a reservoir or other District facility will not compromise the structural integrity of that facility and that mounts can adequately support the weight of all equipment.

9. Licensee's personnel, including contractors and subcontractors, must ensure that the District site and District facility is accessible at all times to District personnel, in accordance with the details under Section 3.3.
10. The licensee shall be responsible for any damage due to any construction work or other activities to the existing site and District facilities and upon request by the District shall promptly return damaged facilities and/or sites to at least pre-existing condition, at no cost to the District, and licensee shall ensure its contractors comply with the foregoing. In the event licensee does not comply, District may perform the necessary repairs and bill licensee which licensee shall pay within thirty (30) days.
11. All new and existing communication facilities and equipment owned by the licensee shall be properly tagged identifying the licensee's name, site name and/or number and 24-hour Emergency phone number.
12. The licensee and its contractors shall have a copy of the District accepted drawings and/or plans approved by the District's Director of Engineering & Operations (or designee) on-site at all times, while construction activities are occurring.
13. The licensee and its contractors are both responsible to ensure the District site and facilities cannot be accessed by the public at all times while installation work is occurring.
14. The licensee or its contractors shall provide the District with two (2) sets of District accepted plans prior to scheduling a final inspection with field mark-ups, if any. These plans will represent "record drawings" for the District to close-out the project upon completion of the installation and/or related work activity.
15. Trenching, as part of any work or installation, must conform to the requirements of Section 3.6 Trench Details.
16. The licensee and its contractors shall comply with all local, state, and federal health and safety requirements pertaining to the construction, installation, operation and maintenance of the cell carrier facility. Requirements of the Occupational Safety and Health Administration (OSHA) & FCC shall be adhered to at all times, including any safety and injury prevention program in place that is required under applicable laws and regulations. A copy of such program, if required by law or regulation, shall be on site at all times and employees and contractors of the licensee shall be trained accordingly.

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3.1.2 Maintenance

Maintenance at licensee facilities is divided into two categories: routine and non-routine. If Licensee has uncertainty which category proposed work is defined as, licensee should contact the District.

Routine maintenance is defined as the following:

1. Any work performed by licensee to repair or service their facility which does not require entitlements from a jurisdictional body; and,
2. Any work within the equipment space that does not extend beyond the licensed area, in any direction, and does not require any excavation; and,
3. In the case of antennas, like-for-like replacement is acceptable, subject to the conditions of approvals imposed on the original antenna installation.

Non-routine maintenance is defined as the following:

1. If the sizes, weight, shape, appearance or other similar characteristics of a replacement component are changed, the licensee shall be required to submit a site application and plans for District review and approval (Consent Letter).
2. In the event work performed by licensee is expected to impact the use of District property, including property access, obstructing driving lanes, or similar impacts licensee must notify the District and submit a site application and plans for District review and approval (Consent Letter).

3.2 Requirements for Proposed Drawings and Plans

The requirements for submitting drawings and plans is for the purpose of evaluating the location and other aspect of the project as it relates to the continued on-going operations of the District's facility. Any drawings and/or plans submitted for review to the District in conjunction with a proposed or existing communications facility must contain the following:

3.2.1 Signature Block

The title page of each drawing and/or plan set shall have a signature block for the District's Director of Engineering & Operations (or designee) with a date. Please see sample signature block in Appendix E.

3.2.2 Drawing/Plan Notes

Each drawing and/or plan set should include MNWD notes drawing and/or plan set pursuant to Appendix F – MNWD Construction Notes, General Notes, Plan Notes & Requirements.

3.2.2. MNWD Contact

The title page of each drawing and/or plan set shall have a District contact listed for engineering and inspection. The licensee shall obtain the current contact information from the District.

3.2.3 MNWD Facility Name

Each document submitted to the District for review should have the District's Facility Name listed prominently in addition to the licensee's designation for the site and the site's APN(s).

3.2.4 MNWD Project Number

Each document submitted to the District for review shall have the District's project number that has been assigned upon the submission of site application fee prominently displayed on the plans.

3.2.5 Equipment Table

Each document submitted to the District for review shall have the equipment schedule, showing what equipment is licensed approved, zoning approved, number of antennas, type and size of the antennas, number of remote radio units (heads) according the sample table depicted in Exhibit E.

3.3 District Personnel Access

Licensee and its contractors shall ensure their activities do not block access to the site at any time for District personnel, except with District's consent. Open trenches shall be properly plated at the end of each working day to allow for 24-hour MNWD access to the site.

3.4 DIG ALERT

The licensee or its contractors shall notify underground service alert (DIG ALERT), in accordance with the law, at least two (2) working days prior to beginning construction at 1-800-422-4133. Any MNWD facilities to be crossed shall be potholed to verify location prior to working in the vicinity of MNWD facilities.

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3.5 Coating Requirements

For any work on a District reservoir, the licensee or its contractors shall coordinate with the District's inspector and coatings representative for coating requirements and coating inspections prior to any work on a reservoir tank. The licensee is responsible for any inspection fees associated with the District's coating inspector.

3.6 Trench Detail

Trench details must show:

- a. Depth and width of the trench
- b. Backfill material list
 - (i.) Paved areas - one-sack cement slurry shall be used to within 1-inch of existing pavement
 - (ii.) In unpaved areas – suitable native material shall be used with 90% minimum compaction; a compaction report must be provided to the District
- c. All hardscape to be saw cut.
- d. Minimum 30- inch depth to top of conduit or as directed by District.
- e. AC replacement - 1st lift $\frac{3}{4}$ - inch mix, relative compaction 95%, no more than 3- inch placed at any one time. 2nd lift, $\frac{1}{2}$ - inch fine, no more than 1- $\frac{1}{2}$ inch lift.
- f. Slurry seal the entire work area for the full width of the access road/paved areas or as directed by District's inspector after work is completed.

3.7 Softscape Replacement

Drawings and/or plans must depict the replacement or repair of all landscaped areas. If work will be performed in unpaved areas, these notes must be present on the site plan (see, Appendix F):

1. Protect all landscaping in place.
2. Only remove trees and shrubs as marked on drawings and/or plans.
3. Any disturbed or damaged landscaping shall be replaced in-kind with 5-gallon minimum shrubs and 15-gallon minimum trees, as directed by the District inspector.
4. Areas exposed or disturbed by the work or installation shall be covered with District-approved mulch to a depth of 2-inches.
5. Contact the District's landscape manager prior to installation for landscaping requirements.

3.8 Work Hours and Lighting

The licensee must obtain approved work hours and lighting restrictions, especially during night work, from the municipality which permitted the communications facility, which are further subject to the District's approval. The District reserves the right to restrict work hours at its sites depending on District needs. The use of night time flood lighting is strictly prohibited. In the event licensee determines that it is absolutely necessary, licensee may submit a lighting plan and schedule. District will review and determine at its sole discretion whether to allow the lighting.

3.9 Site Restoration

Sites shall be repaved per Section 3.6 Trench Details or restored per Section 3.7 Softscape Replacement. Any other features disturbed, removed, or damaged by licensee or its contractors shall be replaced with new features, or repaired, as determined by the District inspector. The site shall be restored to a condition equal or better.

4. Site Access and Security

4.1 Obtaining Keys

Work on site, such as installation, maintenance, modifications and operation, will require use of a District issued cyber key. Licensee shall pay the District a Cyber Key Deposit in the amount of Five Hundred Dollars (\$500.00) per key issued. If a key is lost or damaged, the deposit will be forfeited and a new deposit will be necessary for each additional key. The key may be terminated at the sole discretion of the District in the event licensee or its employees, representatives, agents or contractors, or any of them, do not strictly adhere to all rules and requirements pertaining to the access of the site or safety at the site, including the requirements under this Program. Additional keys may be obtained as needed with applicable deposit fees.

The District may require a copy of licensee's safety rules and regulations and/or Policies for accessing any District facility for any purpose.

4.2 Security Measures and Access Regulations

The District is subject to local, State, and Federal law, including Homeland Security regulations. The District requires security measures and access regulations to comply with applicable laws and District requirements as follows, but not limited to:

1. Rules and guidelines for each District site are at the sole discretion of the District and must be adhered to by each licensee. Site-specific rules and regulations, and updates to them, will

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be effective upon written notice to licensee. Failure to follow the District's rules and guidelines are cause for revocation of the cyber keys.

2. Rules and guidelines may be established for each District site based on the unique characteristics of the site.
3. Each licensee will be required to have a cyber key. The cyber key tracks access to each District site for the District; notwithstanding the foregoing, in all cases, a licensee will be responsible for the activities of all their employees, agents, representatives and contractors while at a District site.
4. Licensee will be responsible for maintenance of the key. The key must be uploaded at District Operations facility on a periodic basis. If the key is not uploaded on a periodic basis, it will stop allowing access to the sites for the Licensee.
5. The Licensee shall provide the District a list of key holders and who will have access to the sites. No persons may access the sites except listed key holders and persons accompanying them on an as needed basis to perform work.
6. Licensee may not make any other attempt to enter a District property other than through the use of the cyber key.
7. Licensee may not leave the District property open and unattended for any reason.
8. In the event licensee discovers vandalism, whether to the Licensee's facilities or District property, Licensee must report it to the District immediately.
9. It is the responsibility of the Licensee to ensure the District property is properly locked upon leaving for any reason.
10. If District personnel are at a facility when Licensee arrives, it is the responsibility of Licensee to announce their presence and to let them know when they leave.
11. Licensee agrees to monitor the use of the cyber keys and to keep them in a safe and secure place at all times. Repeated loss of cyber keys may result in forfeiture of the use of the keys resulting in escorted access for a fee.
12. The District may in its sole discretion allow a licensee or its contractor to access a District property without a cyber key but reserves the right to charge an hourly fee for such access.

13. Wherever possible, each licensee shall design their equipment area on District property to allow for private access without going through the main gate of the District facility site.
14. Licensee shall provide at least 24 hours' prior written notice to the District when any activities by Licensee or its contractors will be occurring at a District site. The notification shall be by email sent to cellsitenotices@mnwd.com.
15. Employees of Licensee and its contractors accessing a District property shall carry name badges and picture identification and must present such to a District employee when requested. Persons without proper identification may be required to leave the site.
16. All vehicles of Licensee or its contractors shall be marked as such and be distinguishable from general public vehicles when on District sites.
17. The District may charge an escorted access fee for any requests by Licensee employees or contractors for access that are not due to a malfunctioning key.

4.3 Ongoing Operations

1. Ongoing operations and maintenance of the licensee's facility shall comply with all applicable local, state, and federal laws and regulations and the requirements of this Program and the applicable executed license agreement.
2. In the event Licensee installs any equipment outside the parameters of the License agreement without the prior written authorization of the District, the District may, at its sole discretion, terminate the agreement with the Licensee, or charge an unauthorized facility fee equivalent to 200% (two hundred percent) of the rent that would have been due to the District for a similar increase in use had the District's prior consent been properly obtained. For the purposes of calculating the rent due for such unauthorized equipment, the District will assume the equipment was in place for the period which is the shorter of: two years prior to the date of discovery or the period from the effective date of the applicable license agreement to the date of discovery.

5. Decommission or Termination Process

Any Licensee that decides to decommission its Wireless Communications Facilities on any of District's properties must follow the process described herein.

Licensee shall submit a letter to the District, by certified mail or equivalent, indicating Licensee's intention to decommission its Wireless Communications Facility ("WCF") located on District property. The letter shall include Licensee's site name & number, District facility name, site address, contact person, mailing address, e-mail address, and intended time-frame for the decommission activity.

The District shall provide Licensee a return letter acknowledging Licensee's intention to decommission its WCF and directing Licensee to initiate the application process, payment of appropriate fees, and submission of necessary decommission plans.

Once fees are paid and decommission plans are approved, the Licensee shall remove all installed equipment and return the site to pre-existing conditions or better.

Appendix A
Communication Facility License Agreement
Template

**MOULTON NIGUEL WATER DISTRICT
COMMUNICATIONS FACILITY LICENSE AGREEMENT
([CARRIER] [SITE])**

THIS LICENSE AGREEMENT ("License") is made and entered into this _____ day of _____, 20__, ("Execution Date") by and between **MOULTON NIGUEL WATER DISTRICT**, a California water district existing and operating pursuant to Division 13 of the California Water Code ("District"), and _____, a _____ ("Licensee"). District and Licensee are sometimes referred to in this License Agreement individually as "party" or jointly as "parties." The term "License" used in herein means this License Agreement and any amendments to this License Agreement as may be executed between the parties in accordance with the terms herein.

RECITALS

District adopted a revised "Communications Facilities License Program - Policy and Procedures for Communications Facilities Licenses within Moulton Niguel Water District Properties" dated _____ 2015 (the "Program").

District is the owner of that certain real property located at *_[insert name of District site and address of site]*, as legally described in Exhibit "A" attached hereto ("Site").

[ALTERNATIVE LANGUAGE FOR RENEWALS]

Licensee (or its predecessor in interest) entered into that certain *_[insert name of lease agreement]* with District dated _____, _____ ("Original Agreement"), under which Licensee currently has installed and is operating Licensee's federally licensed communications facility at the Site.

District and Licensee desire to enter into this new License to replace the Original Agreement.]

This License is being entered into by District and Licensee in accordance with the Program to allow Licensee use of designated portions of the Site, for installation and operation of Licensee's federally licensed Communications Facility (as defined and described under Section 1 hereof and **Exhibit B** hereto), such use to be consistent with the terms of the Program and this License.

LICENSE

Section 1. Non-exclusive License. Subject to the terms and conditions hereinafter set forth and the requirements of the Program, District grants Licensee a non-exclusive license to install, operate and maintain its Communication Facility, as particularly described in **Exhibit B** hereto, on a portion or portions of the Site as designated and approved by District. The plot plan attached as **Exhibit C** depicts the dimensions and approved location of the Communications Facility on the Site to be used by Licensee under this License ("Licensed Area"). The Licensed Area includes (i) designated space on the District's existing surface infrastructure; (ii) approximately _____ square feet of designated surface ground space; and (iii) utility routes all as depicted in **Exhibit C**. Notwithstanding District's approval of Licensee's use of the Licensed Area of the Site, nothing in this License may be deemed to grant, convey,

create, or vest in Licensee a real property interest in land, including any fee, leasehold interest, or easement. The term “Communications Facility” as used in this License shall include all antennas, facilities, structures and equipment and utilities that Licensee erects, installs and/or uses on or under the Site, as authorized and listed in **Exhibit B**, as may be modified from time to time in accordance with this License and the Program. In the event of a material conflict between the terms of this License and the Program (excluding Appendix A – Communications Facility License Agreement Template), the more stringent terms shall prevail.

Section 1B. Access License The License granted hereunder includes non-exclusive ingress and egress to the Licensed Area, seven (7) days a week, twenty-four (24) hours a day, via foot or motor vehicle (but not including vehicles with more than xxx axles/more than xxx feet in length) via the access area delineated as such in **Exhibit C**, in order to install, operate, and maintain the Communications Facility. All access to the Licensed Area by Licensee shall be subject in each instance to the Program rules and regulations governing access, as well as any additional Site-specific rules from time to time in effect at the Site, of which District shall inform Licensee in writing. **[IF APPLICABLE INCLUDE** Further, Licensee expressly acknowledges that District accesses the Site through District’s existing access easement over third party property to the Site (“Access Easement”), and nothing herein shall be deemed to be a representation or warranty by District that its interest or other rights to use of the Access Easement is sufficient to permit its use for Licensee’s purposes, and Licensee shall be deemed to gain only those rights to use as are properly in District and as District may have the undisputed right and power to give Licensee. Licensee assumes the risk of any challenge, claim, litigation or damage, asserted in connection with Licensee’s use of the Access Easement for ingress and egress to the Site and releases District from any and all responsibility, claim, damage, related to or in connection with Licensee’s use of the Access Easement. Licensee agrees to indemnify District in connection with Licensee’s use of the Access Easement as set forth more specifically in Section 13 of this License Agreement. If the District’s continued use of the Access Easement is challenged or threatened in any way by the Licensee’s use of the Access Easement, upon notice from the District the Licensee shall cease ingress and egress to the Site until such time as Licensee is able to obtain any necessary approvals, licenses or easements from the third party property owner at its sole cost and expense.]

Section 2. Permitted Use. Licensee may install, operate and maintain the Communications Facility in the Licensed Area in accordance with the plot plan and dimension sketch of the Communications Facility in **Exhibit C** hereto, and the Program. Licensee may replace portions of its Communications Facility as part of Routine Maintenance (as defined in the Program) without the District’s prior consent to the extent permitted by the Program. Licensee may not perform Non-Routine Maintenance (as defined in the Program) or install any other facilities or use any other equipment of any kind not otherwise described in **Exhibit B** and depicted on **Exhibit C** without the District’s prior written consent which may be granted or denied in the District’s sole discretion. Applications for consent will only be considered by District if submitted in accordance with the procedures and requirements of the Program. Licensee acknowledges that the primary purpose of the Site is to provide water and/or wastewater services to District’s customers, and Licensee’s use of the Site shall be subject to District’s paramount rights (“Paramount Rights”) to use the Site for any and all current and future uses necessary

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for District's water or wastewater storage, conveyance or treatment purposes, including, but not limited to maintenance, repair, installation, construction, and replacement of any existing facilities or the construction or installation of any additional facilities or equipment, including additional subsurface and surface infrastructure. If District determines that Licensee is physically interfering with such use, District shall notify Licensee and Licensee shall cease such physical interference within twenty four (24) hours. In case of an emergency, District may take steps to eliminate such physical interference without prior notice to Licensee and Licensee shall reimburse District for any and all costs incurred to eliminate such physical interference.

Section 3. License Term; Option. This license shall be for a term of ten (10) years, referred to as the "License Term," commencing on the Execution Date as defined above. Provided Licensee is not in default under this License, Licensee shall have an option ("Option") to renew this License upon the expiration of the License Term for one (1) additional five (5) year period ("Option Period"), subject to all terms and conditions of this License. Licensee shall provide District with written notice of its intent to exercise the Option at least sixty (60) days prior to expiration of the License Term. If Licensee fails to provide timely notice, the Option expires on the date that is sixty (60) days prior to the expiration of the License Term and any use or occupation of the Site by Licensee after the expiration of the License Term shall be subject to Section 5 below.

Section 4. Annual License Fee; Increases; Late Payments. For the first year of the License Term, Licensee shall pay District the total sum of _____ Dollars (\$ _____) ("Annual License Fee") not later than forty-five(45) days after the Execution Date. The Annual License Fee for subsequent years shall be payable annually in advance on the anniversary of the Execution Date, and shall increase annually during the License Term and the Option Period, effective as of each anniversary of the Execution Date, by an amount equal to four percent (4%) over the amount of the Annual License Fee in effect immediately prior to such increase. In addition, the Annual License Fee payable for the first year of the Option Period shall be increased by the amount (if any) which (i) the amount calculated by increasing the first Annual License Fee paid in the License Term by the increase in the Consumer Price Index (All Items, Base 1982-1984 = 100) as published by the United States Department of Labor, Bureau of Labor Statistics for All Urban Consumers for the Los Angeles-Riverside-Orange County (CPI-U) over the License Term as measured in the month three months prior to the expiration of the License Term exceeds (ii) [*\$____insert the amount of the Annual License Fee payable for the first year of the Option Period as calculated using the 4% annual escalator*]. The Annual License Fee shall be payable without offset or deduction by check sent to District's address specified below or to any other person or firm as District may, from time to time, designate in writing at least sixty (60) days in advance of any Annual License Fee due date. If, at any time, Licensee fails to make timely payment, interest shall accrue on the past due amount at the rate of one and one half percent (1 1/2%) per month or the maximum allowable by law, whichever is less, until paid in full. This right to collect interest is in addition to all rights of District to terminate this License for non-payment pursuant to Section 7A of this License.

Section 5. Holdover. If the Communications Facility or any part thereof is still on the Site, or Licensee is still conducting any activities or operations on the Site, or is otherwise using the Site

without a written agreement with the District after expiration of the License Term, or, if applicable, the Option Period, such possession or use shall be deemed a holdover use under the same terms and conditions of this License, except that the Annual License Fee shall be 150% of the Annual License Fee in effect at the expiration of the License Term or, if applicable, the Option Period, and shall be payable in advance in equal monthly installments. Nothing contained herein shall grant Licensee the right to holdover after the expiration of the License Term or, if applicable, the Option Period and notwithstanding the payment of rent during the holdover period, District shall have the right to require Licensee to vacate the Site at any time upon thirty (30) days written notice..

Section 6. Temporary Relocation. Licensee understands and agrees that from time to time during the License Term and/or the Option Period, District may require Licensee to remove and/or relocate all or portions of the Communications Facility from the Licensed Area temporarily at Licensee's expense in order for District to exercise its Paramount Rights at the Site. District shall use its best efforts to give Licensee at least sixty (60) days prior written notice of the necessity to relocate the Communications Facility for the temporary period, and will use good faith efforts to provide temporary space at the Site, or another mutually acceptable District location for such temporary relocation; provided Licensee is not in default under this License. Licensee shall be responsible at its cost for obtaining any necessary permits and otherwise complying with all laws, permits, and other rules and regulations of any public entity applicable in connection with the temporary relocation of its Communication Facility. Licensee acknowledges that in case of emergency (as determined by District in its sole discretion), the notice period for temporary relocation may be shortened. Notwithstanding any relocation or any shortened notice period, the License shall continue without abatement of the Annual License Fee unless District is unable to provide space for temporary relocation and as a result Licensee is required to cease to operate its Communications Facility for a period of more than fourteen (14) days in which event Licensee shall be entitled to an abatement of the Annual License Fee equivalent to the number of full days in excess of fourteen (14) days during which Licensee was unable to operate its Communications Facility multiplied by 1/365 of the Annual License Fee applicable during such period. The District will calculate and refund such abatement amount within sixty (60) days after the end of the temporary relocation period.

At the end of the temporary relocation period, Licensee shall at its cost return the relocated Communications Facility to the Licensed Area, unless the parties mutually agree that the Communications Facility may remain at the temporary location in which case the parties shall memorialize such agreement by an amendment to this License. Licensee shall have a right to terminate this License upon thirty (30) days prior written notice to District if any temporary relocation exceeds ninety (90) days, or if the District requires Licensee to relocate the Communications Facility more than one (1) time during the License Term, or more than one (1) time during the Option Period. If the License is terminated for such reason, the District shall refund unused months of the Annual License Fee on a proportionate basis, but Licensee shall not be entitled to reimbursement or payment by District of any further expenses or costs it may incur by reason of its election to terminate this License hereunder.

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Section 7A. District's Termination. In addition to other rights of termination and revocation the District has under this License, District may terminate and revoke this License prior to expiration of the License Term or Option Period, if applicable, in any of the following circumstances:

- (a) By giving Licensee twelve (12) months prior written notice, if District determines in its sole discretion that the Licensed Area is necessary for the exercise of its Paramount Rights at the Site or the District decides to sell or otherwise dispose of its ownership of the Site. Upon notice of termination and revocation under this subsection (a), District shall make a good faith effort to permit Licensee to relocate the Communications Facility to another of District's sites prior to termination of the License, provided Licensee fully complies with the Program as to such relocated site and assumes all costs of any such relocation.
- (b) By giving Licensee sixty (60) days prior written notice, if Licensee fails to maintain and repair the Communications Facility according to the requirements of the License and the Program and fails to cure such non-compliance in response to any District request for such repairs within the time specified in such written request. Further, if the District in its sole discretion determines that the Communications Facility is in a state of disrepair which imminently endangers the health and safety of District employees and other users of the Site, District may terminate the License and take steps to address the situation immediately without prior notice to Licensee and Licensee shall reimburse District for any and all costs incurred to take such action.
- (c) If Licensee fails to pay the Annual License Fee when due, District may, after giving ten (10) days prior written notice to Licensee terminate and revoke this License and seek other remedies, as appropriate, under the laws of the State, unless Licensee cures such default by payment of the Annual License Fee and accrued interest charges within such notice period.
- (d) If Licensee fails to perform or observe any of the other material terms or conditions of this License, which the parties agree include but are not limited to Sections 2, 8, 10, 11, 12 and 13, District may, after giving thirty (30) days prior written notice to Licensee terminate and revoke this License and seek other remedies, as appropriate, under the laws of the State, unless Licensee cures such default within such notice period.

The parties agree that it is presumed that any termination and revocation is exercised in good faith, in accordance with the terms hereof, and in a fair and reasonable manner. In the event Licensee disputes District's right to terminate or revoke this License in any proceeding, action, or otherwise, Licensee has the burden of proving District has breached the terms hereof, or that District has not exercised termination and revocation rights in good faith, fairly or in a reasonable manner.

Section 7B. Licensee's Limited Termination Right. It is understood and agreed that Licensee's ability to use the Site is contingent upon Licensee continually maintaining in full force and effect, after the Execution Date, all the certificates, permits, and other approvals that are required by any federal,

State, or local authorities. In the event that any certificate, permit, license, or approval issued to Licensee is canceled, expires, lapses, or is otherwise withdrawn or terminated by any governmental authority so that Licensee is unable to use the Site for intended purposes, the Licensee may terminate this License upon ninety (90) days written notice to District, except that those terms that by their nature survive termination such as Licensee's obligations to remove the Communications Facility and restore the Site, and the indemnity obligation shall survive in accordance with the terms of this License.

Section 8. Licensee's Installation, Ownership, Operation and Maintenance of Facilities; FCC Regulations, Emissions Testing, Compliance with Law.

- (a) Licensee shall install, construct and maintain the Communications Facility in accordance with this License, and the terms of the Program that set forth specific requirements for such installation and work on the Site.
- (b) It is expressly understood and agreed that any and all fixtures and equipment of whatsoever nature at any time constructed or placed on the Site by Licensee shall be and remain the personal property of Licensee. Licensee shall have the right at any time during the License Term, and the Option Period, if applicable, to remove any and all fixtures and equipment owned or placed by Licensee in, under, or upon the Licensed Area.
- (c) Licensee, at Licensee's cost and expense shall keep and maintain, or cause to be kept and maintained, the Communications Facility in a state of good appearance and repair, reasonable wear and tear excepted. Licensee shall pay, when due, all claims for labor or materials furnished to or for Licensee for the use on the Licensed Area which claims are or may be secured by any mechanic's or materialmen's liens against the Communications Facility, or Licensed Area, or any interest of Licensee therein. Licensee agrees that District has no greater obligation to repair and maintain the Site due to Licensee's presence at the Site than it would have in the ordinary course of its business, and District has no obligation to repair or maintain the Licensed Area, or the Communications Facility.
- (d) Licensee shall, at its own cost, protect, replace and provide any landscaping required in its permits to shield the Communications Facility on the Site and shall promptly replace any District landscaping damaged by Licensee's activities consistent with the requirements of the Program.
- (e) Licensee shall have a separate meter installed for Licensee's electrical power consumption, whereupon Licensee shall be solely responsible for payment of all utilities costs.
- (g) Upon completion of the installation of the Communications Facility, Licensee shall arrange for a Radio Frequency ("RF") emissions test to be performed by a FCC-certified third party reasonably approved by District, in accordance with FCC Regulations, which

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results shall be provided to District in a written report including the monitoring results prior to commencement of any operations or use of the Communications Facility by Licensee. Licensee shall be responsible for all costs of the RF test, the written report and the monitoring results. During the License Term and Option Period if applicable, Licensee shall conduct all RF tests or other emissions tests as required by FCC Regulations and shall provide all results to District within thirty (30) days of completion in a written report. All RF test results shall meet FCC Regulations and emissions exposure limits. If results indicate RF emissions exceed the applicable FCC exposure limits or fail to meet applicable FCC standards, such failure shall be a material breach of this License, and subject the License to termination and revocation procedures pursuant to Section 7A.

- (h) In addition to compliance with specific laws otherwise described in this License, Licensee shall comply, and will ensure that its contractors and representatives will comply, with all regulations and requirements of the Federal Communications Commission and the California Public Utilities Commission, and all other local, State and federal laws, ordinances, rules and regulations, including health and safety requirements, pertaining to the construction, installation, operation and maintenance of the Communications Facility and work on the Site during the License Term and Option Period, and in conjunction with any activities undertaken on the Site by Licensee either prior to the Execution Date, or after expiration of this License. Requirements of the Occupational Safety and Health Administration (OSHA) shall be adhered to at all times during any activities on the Site by Licensee and its contractors or other representatives. The Licensee shall have a safety and injury prevention program in place for the construction, installation, operation and maintenance of the Communications Facility and work on the Site, if required by laws or regulations. If required by law or regulation, a copy of any such program shall be on the Site at all times.

Section 9. Removal/Restoration/Bond. Licensee shall remove all of the Communication Facility at its sole expense upon the expiration or earlier termination of the License. Licensee shall repair any damage to the Licensed Area caused by such removal and shall return the Licensed Area to the condition which existed before the Execution Date, reasonable wear and tear excepted. On or before the Execution Date, Licensee shall obtain a faithful performance bond, in the amount of [*amount to be determined based on two quotes for removal costs obtained by Licensee*] Thousand Dollars (\$XX,000.00), from a bond company duly licensed to do business in California in favor of District (the "Bond"). The Bond shall secure Licensee's removal of its equipment from the Licensed Area following the expiration or earlier termination of the License, and shall be maintained in force by Licensee throughout the License Term and Option Period if applicable. Licensee agrees to deliver to District a copy of the Bond prior to commencement of construction activities on the Licensed Area. Prior to the commencement of any Option Period, District and Licensee shall review the amount of the Bond to assess whether the amount of the Bond is reasonably sufficient to cover removal and restoration costs. If it is reasonably determined to be insufficient, Licensee shall obtain and maintain in force a Bond for such additional amount that District reasonably determines to be sufficient.

Section 10. Prior Communications Facilities on Site, District Communications Systems; Non-interference .

- (a) Licensee acknowledges and understands that the communications facilities providers listed in **Exhibit D** hereto (referred to as the “Prior User(s)”) has(ve) entered into an agreement(s) (the “Prior Use Agreement(s)”) with District, pursuant to which the Prior User(s) has(ve) been permitted to install and operate communications equipment on the Site. Licensee represents and warrants that prior to the execution of this License, Licensee has determined that the Prior Users present no material interference with Licensee’s intended use within the Licensed Area.
- (b) Licensee shall operate the Communications Facility in a manner that will not cause harmful interference to (i) any communications equipment operated and/or owned by the District within the District as of the Effective Date, or (ii) any communications equipment operated and/or owned by the Prior User(s) as of the Effective Date, provided that the Prior User(s) operates its communications equipment in accordance with the terms of the Prior Use Agreement(s). If the Licensee’s Communications Facility causes harmful interference to the communications equipment operated and/or owned by District under (i) above or the Prior User(s) under (ii) above, Licensee will take all steps necessary to correct and eliminate the interference, including but not limited to, at Licensee’s option, powering down such equipment and later powering up such equipment for intermittent testing. If such interference cannot be corrected within two (2) days after Licensee is advised of such interference, District may require that Licensee cease (or cause the cessation of) operation of the interfering equipment until such interference can be so corrected at which time the operation of such equipment may resume. .
- (c) Licensee further acknowledges that District assumes no risk or liability for any interference with Licensee’s use of the Site which results from the operation of communications equipment on the Site by the Prior User(s) under the Prior Use Agreement(s) and agrees that District shall be held harmless from claims due to any such interference, pursuant to the indemnification terms set forth in Section 13 herein.
- (d) District reserves the right to license other portions of the Site to third parties during the term of this License. Subsequent to the installation of the Communications Facility, District will not knowingly permit the installation of new equipment on the Site if such equipment will cause harmful interference with the Communications Facility. If any such harmful interference occurs, Licensee shall use its best efforts to resolve the interference issues in cooperation with the owner and operator of the new equipment without involving District personnel. If any such subsequent users cannot correct such harmful interference within ten (10) business days of Licensee’s written notification thereof to District, Licensee may terminate this License upon sixty (60) days written notice to District and obtain a refund of prepaid unused amounts of the Annual License

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Fee, or seek injunctive or other legal relief against/from such subsequent users. The refund shall be Licensee's sole and exclusive remedy and recovery as against District, and Licensee hereby waives any other rights or remedies it may have at law or in equity against District related thereto. The parties recognize and agree that it is the intention of this Section 10 that District not become embroiled in any disputes or proceedings between Licensee and subsequent users, and/or expend funds as a result thereof; therefore, Licensee agrees to pay all of District's costs and attorney's fees that may be incurred by District related to any disputes or proceedings between Licensee and subsequent users.

Accordingly, Licensor agrees that any other person or entity who may install equipment subsequent to the Execution Date in and/or on the Site will be permitted to install only such communications equipment that is of the type and frequency that will not cause any interference to Licensee or persons or entities claiming through or under Licensee. In the event any such person or entity's equipment causes such interference, District will cause the interfering party to take all steps necessary to correct and eliminate the interference or such interfering party will be required to cease operations until such interference is removed.

- (e) Nothing contained in this Section 10 or elsewhere in this License is intended to confer any rights or remedies under, or by reason of this License on, or waive any claims against, or adversely affect any rights of, any person or entity other than the parties hereto.

Section 11. Environmental.

- (a) For purposes of this License, the term "Hazardous Substances" means: (a) any substance, products, waste, or other material of any nature whatsoever which is or becomes listed, regulated, or addressed pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 United States Code Section 9601 et seq.; the Resources Conservation and Recovery Act, 42 United States Code Section 6901 et seq.; the Hazardous Materials Transportation Conservation and Recovery Act, 42 United States Code Section 1801 et seq.; the Clean Water Act, 33 United States Code Section 1251 et seq.; the Toxic Substances Control Act, 15 United States Code Section 2601 et seq.; the California Hazardous Waste Control Act, Health and Safety Code Section 25100 et seq.; the Hazardous Substance Account Act, Health and Safety Code Section 25330 et seq.; the California Safe Drinking Water and Toxic Enforcement Act, Health and Safety Code Section 25249.5 et seq.; California Health and Safety Code Section 25280 et seq. (Underground Storage of Hazardous Substances); the California Hazardous Waste Management Act, Health and Safety Code Section 25170.1 et seq.; California Health and Safety Code Section 25501 et seq. (Hazardous Materials Release Response Plans and Inventory); or the California Porter-Cologne Water Quality Control Act, Water Code Section 13000 et seq., all as amended (the above cited

California state statutes are hereinafter collectively referred to as the “State Toxic Substances Law”); or any other federal, state, or local statute, law, ordinance, resolution, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Substance, now or at any time hereinafter in effect; (b) any substance, product, waste or other material of any nature whatsoever which may give rise to liability under any of the above statutes or under any statutory or common law theory based on negligence, trespass, intentional tort, nuisance or strict liability or under any reported decisions of a state or federal court; (c) petroleum or crude oil, other than petroleum and petroleum products which are contained within regularly operated motor vehicles; and (d) asbestos.

- (b) Except as otherwise specifically permitted under the terms of this License, Licensee shall not use, create, generate, store, deposit, dispose of or allow any Hazardous Substances on, under, about or within the Premises or Licensed Land in violation of any federal, state, or local law, rule, regulation, order, decree or other requirement listed in this Section 11. Storage batteries for emergency power and fuel for temporary generators during power outages may only be used or stored on-site with the prior written approval of District. On site use, but not storage, of ordinary paints, solvents and similar substances commonly used in small quantities and necessary for maintenance of the Licensee’s Facilities are excepted from the preceding prohibition of use by Licensee of Hazardous Substances on Licensed Area, so long as Licensee complies with all applicable federal, state and local laws rules and regulations governing the use of such items.
- (c) No permanent underground or above ground storage tanks shall be installed on Licensed Area.
- (d) District or its officers, employees, contractors, or agents shall at all times have the right to go upon and visually inspect Licensed Area the operations conducted thereon to assure compliance with the requirements herein stated. This inspection may also include taking samples for chemical analysis of substances and materials present and/or testing soils on Licensed Area and taking photographs. Except in case of emergency, District will not take samples or test soils on Licensed Area without providing Licensee with notice and the opportunity to have a representative present.
- (e) Licensee shall, within forty-eight (48) hours of the discovery by Licensee of the presence of, or believed presence of, a Hazardous Substance as defined herein, give written notice to District in the event that Licensee knows or has reasonable cause to believe that any release of Hazardous Substance has come or will come to be located on, under, about or within the Licensed Area. The failure to disclose in a timely manner the release of a Hazardous Substance by Licensee, including but not limited to, an amount which is required to be reported to a state or local agency pursuant to law (e.g., California’s Hazardous Materials Storage and Emergency Response Act, Health and Safety Code Section 25550 et seq.) shall be grounds for termination of this License by District in

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addition to actual damages and other remedies provided by law. Licensee shall immediately clean up and completely remove all Hazardous Substances placed by Licensee on, under, about or within Licensed Area, in a manner that is in all respects safe and in accordance with all applicable laws, rules and regulations.

- (f) In the event Hazardous Substances are discovered, Licensee shall disclose to District the specific information regarding Licensee's discovery of any Hazardous Substances placed on, under, about or within Licensed Area by Licensee, and provide written documentation of its safe and legal disposal.
- (g) Breach of any of these covenants, terms, and conditions, and Licensee's failure to cure within thirty (30) days of Licensee's receipt of written notice from District, shall give District the authority to either immediately terminate this License or to shut down Licensee's operations thereon, at the sole discretion of District. In either case, Licensee will continue to be liable under this License to remove and mitigate all Hazardous Substances placed by Licensee on, under, about or within Licensed Area or Site. Licensee shall be responsible for, and bear the entire cost of removal and disposal of, all Hazardous Substances introduced to Licensed Area by Licensee during Licensee's period of use and possession of Licensed Area. Upon termination of this License, Licensee shall, in accordance with all laws, remove from Licensed Area any equipment or improvements placed on Licensed Area by Licensee that may be contaminated by Hazardous Substances.

Section 12. Insurance. Licensee agrees to maintain in full force and effect a suitable policy or policies of Commercial General Liability insurance throughout the duration of the license. Such insurance shall be in amounts not less than \$5,000,000 per occurrence. If a general aggregate limit is used, either the general aggregate limit shall apply separately to the Communications Facility and Site (with the ISO CG 2501 or insurer's equivalent endorsement provided to District), or the general aggregate limit shall be twice the required occurrence limit of \$5,000,000. Coverage shall be broad enough to insure the indemnity obligation set forth in this license under Section 13. Licensee also agrees to maintain in full force and effect Automobile Liability coverage (equivalent in coverage to ISO form CA 00 01) of not less than \$1,000,000 combined single limit, each accident, covering all owned, hired and non-owned autos; and, workers' compensation insurance and employer's liability insurance with respect to all employees, if any, engaged in the performance of work on the Site. Coverage must include a waiver of subrogation endorsement in favor of District.

All insurance required under this lease shall be issued as a primary policy and contain an endorsement requiring thirty (30) days written notice from the insurer to both parties hereto before cancellation or change in coverage, scope or amount of any policy. District, its directors, officers, agents, employees, volunteers and consultants, shall be designated as additional named insureds by separate endorsement under the foregoing policies. Concurrently with the execution of this License Agreement and prior to installing the Communications Facility or any portion thereof on the Site, Licensee will provide District with a certificate(s) verifying such insurance and the terms described

herein, as well as the additional insured and/or other specified endorsement(s), and shall provide proof of continuing insurance as required herein on an annual basis thereafter in conjunction with payment of the annual license fee. Licensee shall ensure, in accordance with the Program, that its contractors performing any installation of the Communications Facility, including modifications to the Communications Facility as applicable or other work on the Site, will provide insurance that satisfies the same terms and conditions set forth in this Section 12, in accordance with the Program, and shall ensure that all insurance certificates and endorsements are provided by its contractors.

Section 13. Indemnification. Licensee shall be responsible, and District shall not be answerable or accountable in any manner, for any loss or expense by reason of any damage or injury to person or property, or both, arising out of the acts of Licensee, its agents, officers, employees, or invitees (collectively with Licensee referred to in this Section 13 as "Licensee") resulting from Licensee's activities on the Site or on and over the Access Easement, the design or installation of the Communications Facility and any related equipment, including but not limited to razor ribbon, the operation, maintenance or removal of its Communications Facility, any harmful interference caused by Licensee which interferes with the ability of the Prior Users to operate their communications equipment in accordance with the terms of the Prior Use Agreements, and, any other use of and operations on the Site or the Access Easement by Licensee, or otherwise pursuant to this license.

To the fullest extent permitted by law, Licensee shall indemnify and defend (using counsel reasonably satisfactory to District) District and its directors, officers, agents, employees, contractors, volunteers, and invitees (collectively with District referred to as "District" in this Section 13) against and will hold and save them and each of them harmless from any and all actions, claims, damages to persons or property, penalties, fines, attorney's fees, administrative and judicial proceedings and orders, judgments, obligations or liabilities, and all costs and expenses incurred in connection therewith, including attorneys' fees and costs of defense (collectively, the "Losses") arising from, resulting from or caused by Licensee's activities undertaken pursuant to this Agreement including activities undertaken by its employees, officers, agents and contractors, whether or not there is concurrent passive negligence on the part of District, except to the extent that such claim is proximately caused by the active negligence or willful misconduct of District or its officers, agents, employees, contractors or subcontractors who are directly responsible to District. Licensee's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the Licensee or District.

Licensee's indemnification obligation hereunder and the provisions of this Section 13 shall survive any termination, revocation, expiration, or assignment of this License.

Section 14. Dispute Resolution

- (a) Dispute Resolution Process. Any claim, controversy, or dispute arising out of or relating to this License, or to the threatened, alleged, or actual breach thereof by any party, shall be resolved exclusively as set forth in this Section 14.
- (b) Invocation. Subject to the requirements of sub-sections (c) and (d) below, the resolution procedures shall be invoked when a party sends a written notice to the other party

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following the occurrence of any claim, controversy, or dispute arising out of or relating to this License, or to the threatened, alleged, or actual breach thereof. The notice shall describe the nature of the dispute and the party's position with respect to such dispute.

- (c) Field/Technical Representatives. Prior to invoking resolution procedures, the parties shall expeditiously schedule consultations or a meeting between field/technical representatives designated by each party in an effort to resolve the dispute informally.
- (d) Reference to Management Representatives. If the field/technical representatives appointed by each party are unable to resolve the dispute within fifteen (15) days, the management representatives designated by each party shall attempt to resolve such dispute through consultation and negotiation, within thirty (30) days (or such longer period as mutually agreed by the parties). The management representatives may request the assistance of an independent mediator if they believe that such a mediator would be of assistance to the efficient resolution of the dispute. Unless otherwise agreed, the cost of the mediator will be shared equally by the parties.
- (e) Binding Arbitration. If the management representatives cannot resolve the dispute as set forth herein, the matter shall be resolved by binding arbitration in the County of Orange, California, pursuant to the rules of Judicial Arbitration and Mediation Services ("JAMS"), as amended or as augmented in this Agreement (the "Rules"). Arbitration shall be initiated as provided by the Rules, although the written notice to the other party initiating arbitration shall also include a description of the claim(s) asserted and the facts upon which the claim(s) are based. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all claims subject hereto, including any award of attorney's fees and costs. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. All disputes shall be decided by a single arbitrator. The arbitrator shall be selected by mutual agreement of the parties within thirty (30) days of the effective date of the notice initiating the arbitration. If the parties cannot agree on an arbitrator, then the complaining party shall notify JAMS and request selection of an arbitrator in accordance with the Rules. The arbitrator shall have only such authority to award equitable relief, damages, costs, and fees as a court would have for the particular claim(s) asserted. In no event shall the arbitrator award punitive damages of any kind. The parties acknowledge that one of the purposes of utilizing arbitration is to avoid lengthy and expensive discovery and allow for prompt resolution of the dispute. The arbitrator shall have the power to limit or deny a request for documents or a deposition if the arbitrator determines that the request exceeds those matters which are directly relevant to the claims in controversy. The document demand and response shall conform to Code of Civil Procedure section 1282.6. The deposition notice shall conform to Code of Civil Procedure section 1283. The parties may make a motion for protective order or motion to compel before the arbitrator with regard to the discovery, as provided in Code of Civil Procedure. Notwithstanding the election by the parties to arbitrate their disputes, nothing contained herein shall prevent

a party from filing an action in a court of competent jurisdiction to seek any form of equitable remedy or relief.

Section 15. Program Fees. If not already paid by Licensee to District under the Program requirements, then concurrently with the execution of this License Agreement, Lessee shall pay to Lessor the applicable fees set forth under the terms of the Program.

Section 16. Entire Agreement; Amendment. This License Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and agreements made prior to the date hereof. In the event there is an existing lease or license between Licensee (or its predecessor-in-interest) and District covering the Leased Area, it is agreed and understood that this License shall cancel, supersede and terminate said prior lease or license as of the Execution Date of this License. This License may not be modified except in a writing executed by both parties.

Section 17. Paragraph Heading and Construction. The section headings contained in this License shall not be considered to be a part hereof for purposes of interpreting or applying this License, but are for convenience only.

Section 18. Governing Law/Venue. This License shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws rules. Any lawsuit brought in connection with this License (as may be permitted hereunder) shall be brought in the appropriate court of the County of Orange, California and the parties agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure section 394.

Section 19. Binding on Successors; No Third Party Beneficiaries. This License, and all of the provisions hereof, shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, and assigns. No customer, other person or entity other than parties shall be deemed to be a third party beneficiary hereof, and nothing in this License, either express or implied, is intended to confer upon any customer or other person or entity, other than the parties and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this License.

Section 20. Independent Contractors. Licensee's contractors, agents and representatives are independent contractors of Licensee, and are not employees or independent contractors of the District while on the Site, or while engaged in any work on the Site, including the construction, installation, maintenance or operation of the Communications Facility.

Section 21. Limited Assignment/ No Sub-licensing.

- (a) This License, or the license interest of Licensee in the Site, shall not be assigned by Licensee except with the prior written consent of District which consent may be withheld in the Licensor's sole discretion, notwithstanding sections 1995.260 and 1995.270 of the

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California Civil Code, and as they may be amended, or as allowed under subsection (b) hereof.

- (b) Licensee may, without District’s consent but upon at least sixty (60) days prior written notice to District, from time to time assign this License in its entirety (i) to any entity which has, directly or indirectly, a 51% or greater interest in Licensee (a “Parent”), or to any entity in which Licensee or a Parent has a 51% or greater interest (an “Affiliate”). Any such assignment shall not be effective unless and until the assignee executes and delivers to District a written assumption of all Licensee’s obligations under this License.
- (c) Subs-licensing is strictly prohibited.
- (d) Any attempted or unauthorized assignment or sub-license shall be void and shall be cause for immediate termination of this License by District. The acceptance of Annual License Fees by District from any person other than Licensee or an authorized assignee shall not be deemed to be a waiver by District of any provision hereof. Consent to one assignment shall not be deemed consent to any subsequent assignment.
- (e) Applications for consent to assignments shall be submitted to the District in accordance with the requirements set out in the Program.

Section 22. Waiver of District’s Lien. Subject to Licensee’s obligations otherwise set forth in this License, District waives any lien rights it may have concerning the Communications Facility which are deemed Licensee’s personal property and not fixtures, and Licensee has the right to remove the same at any time without District’s consent.

Section 23. Attorneys’ Fees. Should either party be compelled to institute arbitration or legal or other proceedings against the other for or on account of its failure or refusal to perform or fulfill any of the covenants or conditions of this License on its part to be performed or fulfilled, then the prevailing party in such action or proceeding shall receive from the other party attorney’s fees and costs as adjudged reasonable by the arbitrator, or court.

Section 24. Notice. Any notice, request, information or other document to be given hereunder to any of the parties by any other parties shall be in writing and shall be deemed given and served upon delivery, if delivered personally, or three (3) days after mailing if sent by certified mail, postage prepaid, as follows:

If to Licensee:

Attn: _____

If to Licensor:

Moulton Niguel Water District

27500 La Paz Road

Laguna Niguel, CA 92677

Attn.: Director of Engineering & Operations

With a copy to:

Attn: _____

Either party may change the address or persons to which notices are to be sent to it by giving the written notice that such change of address or persons to the other party in the manner provided for giving notice.

Section 25. Counterparts. This License may be executed in counterparts, each of which shall be deemed to be an original.

Section 26. Representations and Warranties.

- (a) Each party represents and warrants that this License constitutes a legal, valid and binding obligation of such party, and is enforceable against such party in accordance with the terms set forth in the License.
- (b) Licensee represents and warrants that it has received a complete copy of the Program from District, has read and understood the requirements of the Program, and is able to and will fully comply with the Program and the terms of this License, in connection with the Communication Facility, and in the exercise of its rights and obligations under this License.
- (c) Licensee acknowledges and agrees that the Program may be revised from time to time by the District, and all changes or revisions to the Program (except for Appendix A – Communications Facility License Agreement Template) will automatically apply to this License upon written notice of the revised Program by District in accordance with Section 24, without the need for any formal amendment of this License.
- (d) Licensee acknowledges and agrees that Licensee is not entitled to relocation assistance, or any other benefits under the Uniform Relocation Assistance Act, or any other applicable provision of law upon termination of this License.

Section 27. NO WARRANTY

LICENSEE’S RIGHT TO USE THE LICENSED AREA, DISTRICT IMPROVEMENTS AND THE SITE IS STRICTLY ON AN “AS IS” BASIS WITH ALL FAULTS. DISTRICT MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND AS TO THE PRESENT OR FUTURE CONDITION OF OR SUITABILITY OF THE SITE, DISTRICT IMPROVEMENTS OR THE LICENSED AREA FOR LICENSEE’S USE AND DISCLAIMS ANY AND ALL

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WARRANTIES EXPRESS OR IMPLIED WITH RESPECT TO THE PHYSICAL, STRUCTURAL, OR ENVIRONMENTAL CONDITION OF THE SITE, DISTRICT IMPROVEMENTS, AND LICENSED AREA AND THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. LICENSEE IS SOLELY RESPONSIBLE FOR INVESTIGATION AND DETERMINATION OF THE CONDITION AND SUITABILITY OF THE SITE, DISTRICT IMPROVEMENTS, AND LICENSED AREA FOR LICENSEE’S INTENDED USE.

Section 28 Taxes. District hereby provides notice pursuant to California Revenue and Taxation Code Section 107.6, and Licensee acknowledges that this License may create a possessory interest and Licensee may be subject to property taxes levied on such interest, as described in California Revenue and Taxation Code Section 107. Licensee shall pay, when due, all real and personal property taxes, fees and assessments, assessed against the Licensed Area and the Communications Facility.

Section 29. Time. Time is of the essence of this License.

Section 30 Survival. All terms that by their nature should survive termination of this License shall survive, including but not limited to payment of amounts owed and indemnification obligations.

Section 31. The following exhibits are incorporated in this License Agreement:

- Exhibit A** Site- Legal Description
- Exhibit B** Description - Communications Facility (equipment list)
- Exhibit C** Licensed Area (Survey & Design Drawings)
- Exhibit D** List of Prior User(s)

Section 32. Binding Authority/Authorized Representatives. Each of the parties represents and warrants that it has the full right, power, legal capacity, and authority to enter into and perform its obligations hereunder and that those obligations will be binding upon that party without the approval or consent of any other person or entity. Each person executing this License Agreement represents and warrants he/she has been duly authorized to execute the same.

IN WITNESS WHEREOF, the parties hereto have executed this License Agreement as of the day and year first written above.

“District”:

“Licensee”:

MOULTON NIGUEL WATER DISTRICT

By: _____
General Manager

By: _____

Title: _____

Appendix B
Amendment to Communication Facility License
Agreement Template

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Edit as appropriate. Select if it's a license or lease amendment. Delete as needed.

AMENDMENT NO. [REDACTED] TO COMMUNICATION FACILITY LEASE/LICENSE

(cell carrier name & MNWD site name)

This Amendment No. [REDACTED] to Lease/License (this "[REDACTED] Amendment") is made this ____ day of _____, 20__, by and between Moulton Niguel Water District ("District") a California water district existing and operating pursuant to Division 13 of the California Water Code, and [REDACTED] ("Lessee/Licensee"), with reference to the facts set forth in the Recitals below:

RECITALS

- A. District is the owner of that certain real property located at [REDACTED] ("District's Site"); and B. District and Lessee/Licensee are parties to that certain Lease/License dated [REDACTED] (the "Agreement"), pursuant to which Lessee/Licensee currently has installed and is operating Licensee's federally licensed communications facility at the Site;" and
- C. On (Insert date of First Amendment, if applicable), the Parties executed Amendment No. [REDACTED] to the Agreement to (insert description of First Amendment, if applicable); and
- D. (Insert Recitals for all other Amendments as applicable, using the above format) (the Agreement and the amendments collectively are referred to herein as the "Agreement"); and
- E. District has adopted a revised "Communications Facilities License Program - Policy and Procedures for Communications Facilities Licenses within Moulton Niguel Water District Properties" dated ____ 2015 (the "Program").

FOR EXPANSION OF SPACE ADD THE FOLLOWING RECITAL:

- F. Lessee/Licensee desires to amend the Agreement in order to (i) expand its use of the Site to install, operate, maintain, repair and replace a [describe proposed work to be completed] as specified in the attached Exhibit; and

FOR ADDITIONAL ANTENNAS ADD THE FOLLOWING RECITAL:

- G. Lessee/Licensee desires to amend the Agreement to allow for the installation of additional antennas, associated cables and other communications equipment as specified in the attached Exhibit; and

FOR SITE IMPROVEMENTS ADD THE FOLLOWING RECITAL:

H. Lessee/Licensee desires to amend the Agreement to permit Lessee/Licensee to add, modify and/or replace equipment in order to be in compliance with any current or future federal, state or local mandated requirement, including but not limited to emergency 911 communication services; and

FOR EXTENSION OF THE LEASE TERM ADD THE FOLLOWING RECITAL:

I. Lessee/Licensee desires to amend the Agreement to extend the term of the Agreement for (a period of _____, until _____ or another time period – please select one or modify as needed); and

FOR ADDITIONAL RENT ADD THE FOLLOWING RECITAL:

J. Lessee/Licensee desires to modify, as set forth herein, the Rent payable under the Agreement. In addition to Lessee’s annual rent obligations for the Existing Premises, lessee/licensee shall pay and additional rent in the amount of \$ _____ (\$xxxx.xx); and

K. District is willing to agree to such amendment(s) upon the terms and conditions specified herein.

AGREEMENT

NOW, THEREFORE, in consideration of the facts contained in the Recitals above, the mutual covenants and conditions below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Defined Terms. Any capitalized terms used in this Amendment No. _____ that are not defined herein shall have the meanings given those terms in the Agreement. Unless the context clearly indicates otherwise, all references to the “Agreement” in this Amendment No. shall hereinafter be deemed to refer to the Agreement, as amended hereby.

FOR EXPANSION OF EXISTING PREMISES ADD THE FOLLOWING PARAGRAPH:

#. Expansion of Use of Site. The description of the leased/licensed space (“Existing Space”) contained in the Agreement is hereby amended to hereinafter include additional ground space measuring approximately [incorporate this information] _____ (the “Additional Space”), all as more particularly described and depicted in the site drawing attached hereto as Exhibit A-1 and made a part hereof, together with such additional space as may be required for the installation of conduit and equipment, which shall be located within a non-exclusive utility easement to connect the Existing Space with the Additional Space. The parties acknowledge and agree that the attached Exhibit A-1 is intended to supplement the site drawing attached as Exhibit A-2 to the Agreement. Commencing on execution of this Amendment, the Additional Space and the Existing Space shall hereinafter be referred to collectively as the “Existing Space.”

FOR SITE IMPROVEMENTS ADD THE FOLLOWING PARAGRAPH:

#. Site Improvements. District acknowledges and agrees that Lessee/Licensee intends to construct and install certain additional improvements on the Existing space, which comprise, [describe proposed work to

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be completed] _____ as substantially depicted on Exhibit A-2 (collectively, the "Improvements"). District hereby consents to the construction, installation, operation, maintenance, repair and replacement of the Improvements as the same may be replaced and/or substituted from time to time during the Term, as it may be extended. **FOR ADDITIONAL RENT ADD THE FOLLOWING PARAGRAPH:**

#. **Additional Rent.** In addition to Lessee's/Licensee's existing obligations under the Agreement, Lessee/licensee shall pay additional rent in the amount of _____ (\$XXXX.XX) per month, commencing upon execution of the Amendment No. _____. Commencing on [New Rent Commencement Date], the total Rent payable under the Agreement No. _____ shall be \$[New Base Rent] per [month/annually,] and shall continue during the Term, subject to adjustment, if any, as provided in the Agreement.

FOR ADDITIONAL ANTENNAS ADD THE FOLLOWING PARAGRAPH:

#. **Additional Antennas.** In addition to the existing antennas permitted in the Agreement, District consents to the installation and operation of additional antennas, associated cables and equipment as more completely described on attached Exhibit A-2. District's execution of this Amendment will signify District's approval of Exhibit A-2. Exhibit A-2 hereby replaces Exhibit XX to the Agreement/Amendment No. _____ dated _____.

#. **District Notices.** District and Lessee/Licensee notice addresses for purposes of the Agreement are as follows:

District: Moulton Niguel Water District
P.O. Box 30203
Laguna Niguel, 92607-0203
Attention: _____.

Lessee/Licensee: _____

Attention: _____

#. **License Program.** Lessee/Licensee represents and warrants that it has received a complete copy of the Program from District, has read and understood the requirements of the Program, and is able to and will fully comply with the Program (excluding Appendix A – Communications Facility License Agreement Template) and the terms of this Agreement, in connection with the Communication Facility, and in the exercise of its rights and obligations under the Agreement from and after the date of this Amendment. Further, Lessee/Licensee acknowledges and agrees that the Program may be revised from time to time by the District, and all changes or revisions to the Program (excluding Appendix A – Communications Facility License Agreement Template) will be automatically apply to this Agreement upon written notice of the revised Program by District, without the need for any formal amendment of this Agreement.

#. Continued Effect. Except as specifically modified by this Amendment No. [redacted], all of the terms and conditions of the Agreement shall remain in full force and effect. In the event of a conflict between any term or provision of the Agreement and this Amendment No. [redacted], the terms and provisions of this Amendment No. [redacted] shall control. In the event of a material conflict between the terms of this Agreement and the Program (excluding Appendix A – Communications Facility License Agreement Template), the more stringent terms shall prevail. All captions are for reference purposes only and shall not be used in the construction or interpretation of this Amendment No. [redacted].

[Signature page follows]

IN WITNESS WHEREOF, **District** and **Lessee/Licensee** have caused this Amendment No. [redacted] to be executed by each party's duly authorized representative effective as of the date first above written.

DISTRICT:

MOULTON NIGUEL WATER DISTRICT,

A California water district existing and operating pursuant to Division 13 of the California Water Code

By: _____
General Manager or designee

ATTEST:

By: _____
Secretary

LESSEE:

By: _____

Name: _____

Title: _____

Proper notarial acknowledgment of execution by Lessee/Licensee must be attached.

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Appendix C

Application Procedures and Forms

Appendix C
Moulton Niguel Water District
Communication License Program
Application Procedures and Forms

Contents

Section C-1. Communications Facility License Application Procedures..... 1
Section C-2. Communications Facility Application Review 3

Form C-1: Application Form

Form C-2: Letter of Authorization

Form C-3: Letter of Consent

Section C-1. Communications Facility License Application Procedures

Applicants to the District seeking placement of communications facilities on District properties must submit an application with the applicable fees by separate checks for each required fee, payable to MNWD. The application form is provided in this Appendix and Appendix D contains the application fee schedule, which may be amended from time to time.

1. The applicant shall complete all necessary information on the application. Page 1 of the application shall be completed in its entirety. The applicant must provide this information:
 - a. licensee corporate name, state of incorporation, doing business as or trade name if any;
 - b. licensee corporate address and local address (if different);
 - c. contact information for licensee personnel responsible for the application;

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- d. drawings and/or plans depicting the location and dimensions of the proposed communication facilities, equipment specifications, engineering calculations showing that equipment will not impact District facilities as applicable, geotechnical reports, and any other information as necessary to determine full scope of the work;
 - e. map depicting the location of the proposed communications facility;
 - f. radio frequency analysis showing the current usage at the proposed site along with the new usage and providing detailed information regarding any precautions necessary for District employees to be aware of in the normal course of their business due to the placement of licensee's transmitters or equipment;
 - g. list of any other facilities of licensee previously installed on District property including the site number and location;
 - h. proposed date of installation;
 - i. structural analysis for brackets;
 - j. description and listing of the various local, State of California and federal public agency approvals required with expected approval date;
 - k. copy of any license or registration required of licensee to do business in California; and pertinent FCC license(s); and
 - l. any other information pertinent to the applicant, or as may be requested by District staff and/or District representative.
2. Applicants shall coordinate and comply with requirements of public agencies of the County of Orange, adjacent cities or any other public agencies as required by the permitting public agencies.
 3. All land use approvals, parcel map requirements, permits or any other regulations and conditions required by the County of Orange, the California Public Utilities Commission, the Federal Communications Commission or other municipalities and governmental agencies shall be satisfied by the applicant at its cost. Applicant shall provide the District with copies of any and all entitlement permits granted for installation and any conditions of approval for the operation of the communications facilities.

4. Applicant may make application at any time for a new License Agreement, with the understanding that the time remaining on the current agreement will not be added to the term of the new agreement. It is recommended, Licensee makes application for a new License Agreement at least one year prior to the end of the current agreement to ensure sufficient time for reviews and approvals.

Section C-2. Communications Facility Application Review

The following steps make up the Application Review process:

1. Staff shall review the contents of applicant's submission and determine whether the application is complete.
2. Once a completed application is received and application fees are paid, if the applicant's proposed improvements are outside any existing areas used by the applicant, Staff will verify that the property interest of the District at the locations proposed to be used in conjunction with the proposed development is not restricted to reservoir purposes only (or pump/lift station or other specified facility purposes, as the case may be), or uses "incidental" to reservoir (pump/lift station) purposes.
3. Upon a determination by Staff that the application is incomplete, Staff shall advise the applicant in writing of the deficiencies in the application, or request such additional information which, in the sole discretion of the District, would make the application complete. Applicants shall respond to the District and complete the submission requirements as soon as possible. Should the applicant fail to submit the supplemental information within a one year time frame, the application may be deemed abandoned at the District's discretion. Re-submission shall require a new application and application fees.
4. Staff or its agent shall review the application to determine whether the application meets all policies and requirements outlined in this Program document or as otherwise incorporated by reference herein.
5. Staff shall consider the safety of District employees and all invitees and authorized volunteers in evaluation of new communications facility applications.

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6. The District will not issue its consent letter for the construction of a site or for proposed improvements, unless and until all items requested by the District are provided and approved. These items include, but not limited to, the following:
 - a) Executed License Agreement or License Amendment
 - b) Adjoining land owners' Approval / Consent (when applicable)
 - c) Zoning Approval Documentation (when applicable)
 - d) Approved Construction Drawings (for District Signature)
 - e) Structural Analysis Report & Structural Mount Letter (when mounting to District tank facilities)
 - f) Building Permit / Encroachment Permit - Ready to Issue Memo (or Memo with supporting documentation indicating a permit is not require)
7. Upon receipt of the Consent Letter and signed drawings, Licensee has one year to complete its project, any extension to this time frame is at the discretion of the District. If not complete within one year, Licensee will be required to refile with the District for its project including all fees necessary to review the project.
8. The District reserves the right to deny any application at its sole discretion without liability.



MOULTON NIGUEL WATER DISTRICT
WIRELESS TELECOMMUNICATION APPLICATION

Required for all New & Existing Wireless Telecommunication Facilities

(Check all that apply)

- Application for Renewal or New License
- Application for License Amendment
- Application for Consent Letter for minor improvements (no excavation/plan approval)
- Application for Consent Letter for major improvements (site excavation/plan approval)
- Specialty field inspection (coating, welding, compaction, etc.), billed to licensee upon completion of construction
- Application for site decommission
- Application for insurance compliance, name change, assignment, change of ownership or entity

Please see the Fee Schedule in Appendix D of the MNWD Communication Facilities License Program
(Payments should be made payable to MNWD and shall accompany this application)

Total Fee: \$ _____

Check #: _____

MNWD Site Name: _____

Site Address: _____

APN#: _____

Wireless Service Provider Name (Carrier): _____

Carrier's Local Address: _____

Carrier Site Number/Name: _____

Correspondence regarding this application should be sent to:

Agent Name: _____

Agent Company: _____

Address: _____

Phone: _____

E-mail: _____

Applicant Signature

Date

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_____ New Build _____ Modified Build _____ Decommission

Detailed description of project: _____

Equipment:

(mark all that apply)

Antenna(s) (Y/N): _____ Number / Size: _____

Microwave dish (Y/N): _____ Number / Size: _____

RRH (Remote Radio Heads) (Y/N): _____ Number / Size: _____

Surge Suppressors (Y/N): _____ Number / Size: _____

TMA/LNA (Y/N): _____ Number / Size: _____

Trenching (Y/N): _____ Location/Length: _____

Location of the proposed BTS equipment (and existing equipment, if applicable): _____

Interior/ Exterior: _____ Size: _____ Square Feet: _____

Enclosure material: _____

Proposed screening material: _____

Site access to equipment: _____

Aesthetic mitigation measures: _____

<u>MNWD only</u>	
Payment Received: _____	Date: _____
Original Submittal Date: _____	
Re-submittal No.: _____	Date: _____



LETTER OF AUTHORIZATION
TO PROCEED WITH ZONING AND PERMITTING
FOR WIRELESS COMMUNICATIONS FACILITY INSTALLATION

Description of proposed communications facility installation (include site name/number):

MNWD Submittal Number: _____

Street Address: _____

Carrier's Site ID: _____

APN#: _____ **MNWD site name:** _____

Carrier: _____

California Address: _____

Carrier's Agent: _____

Address: _____

Phone: _____ **Fax:** _____

Email: _____

I hereby authorize Carrier and/or its agent to proceed to secure any permits or entitlements required by the appropriate jurisdiction associated with the installation of a wireless communications facility or appurtenances on the property described above. This authorization is not an agreement to lease or license space or rights to the Carrier and does not represent an agreement to do so. This authorization does not entitle the Carrier to use space of or initiate any type of construction on Moulton Niguel Water District property. The pursuit of required governmental approvals shall be at no cost to Moulton Niguel Water District.

Signed: _____

Title: _____

Dated: _____

THIS AUTHORIZATION EXPIRES 12 MONTHS FROM THE DATE OF SIGNATURE, UNLESS EXTENDED BY THE DISTRICT.

Additional Comments: _____

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Moulton Niguel Water
Leading the Way in Service

CONSENT LETTER

FOR WIRELESS COMMUNICATIONS FACILITY INSTALLATION

Description of improvements

MNWD Submittal Number:

Street Address: _____

Carrier's Site ID: _____

APN#: _____ MNWD site name: _____

Carrier: _____

California Address: _____

Carrier Agent: _____

Address: _____

Phone: _____ Fax: _____ Email: _____

Carrier and/or its agent is authorized to proceed with the construction and/or installation, modification, upgrade, removal or maintenance described above. Attached hereto as Exhibit A is a drawing or drawings depicting the installation before the project and as-complete following the activity authorized by this Consent Letter. Attached hereto as Exhibit B is a construction schedule and a list of personnel expected to complete the project. Carrier hereby represents that all contractors are properly insured, bonded, and licensed according to the applicable laws of the State of California.

This authorization is not an agreement to amend the lease or license agreement, and is no extension of any rights or obligations other than those itemized in the existing lease or license agreement. This authorization does not entitle Carrier to use space of Moulton Niguel Water District other than for construction staging. This consent letter is provided on the condition that the project work shall be at no cost whatsoever to Moulton Niguel Water District.

Carrier and/or its agent must notify MNWD inspector, Peggy Toal 949-425-3530, at least 2 working days before construction begins to coordinate a preconstruction meeting at the site.

MNWD CONSENT APPROVAL

Name _____ Title _____ Signed _____ Date _____

PROJECT COMPLETION

This authorization expires 12 months from the date of the MNWD Consent Approval signature. Any work not completed within this time frame may be stopped and subject to resubmittal fees unless prior authorization has been granted by MNWD to continue/complete the work. Once the Carrier deems the project complete the Carrier will provide "as-built" drawings, sign this form below and deliver to MNWD for final sign-off.

Carrier Agent's Name & Title _____ Signed _____ Date _____

MNWD Name & Title _____ Signed _____ Date _____

Appendix D
Fee Schedule

**Moulton Niguel Water District
Communication License Program
Application Fee Schedule¹**

Checks for site application fees should be made payable to the Moulton Niguel Water District. Separate checks must be made specifically for each District property and for each type of fee. Prior to cashing the checks, the District will review each application and determine whether the required application fees have been submitted. If a fee has been submitted that is not necessary, the District will return the check. If fees are missing, the District will advise the applicant. Once a fee is accepted, it is non-refundable and not assignable to another site or application. Failure to diligently pursue an application once submitted (for example, by not responding to a District request for information for several months) may result in denial of the application and require resubmittal.

Types of fees:

1. Application for a renewal or new License at a site - \$3,500.00 nonrefundable deposit and full reimbursement of District out-of-pocket and attorney fees above that amount.
2. Application for License Amendment - \$1,250.00 nonrefundable deposit and full reimbursement of District out-of-pocket and attorney fees above that amount.
3. Application for a Consent Letter for minor improvements (no excavation) - \$1,500.00 flat fee.
4. Application for a Consent Letter for major improvements (site excavation,) - \$1,750.00 flat fee.
5. Application for a letter of authorization to commence zoning and permitting - \$500.00 flat fee.
6. Specialty field inspections - \$75 per hour (coating, welding, compaction, etc), billed to licensee upon completion of installation.
7. Application for site decommission - \$2,000.00 nonrefundable deposit and full reimbursement of District out-of-pocket and attorney fees above that amount.
8. Application for insurance compliance, name change, assignment, change of ownership or entity - \$600.00 nonrefundable deposit and full reimbursement of District out-of-pocket and attorney fees above that amount.

¹ These processing application fees are in addition to the 'annual license fee' required under the License Agreement/Amendment.

Appendix E

Signature Block and Equipment Table Samples

#6.

Signature Block Sample and Equipment Schedule

Required on all title pages of drawings submitted to MNWD for approval for communication license holder's site improvements.

Moulton Niguel Water District	
Director of Engineering and Operations	Date
or	
Assistant Director of Engineering	
MNWD Site Name: _____	

EQUIPMENT SCHEDULE				
	ZONING APPROVED	LICENSED APPROVED	EXISTING ON SITE	NEW MOD
# OF ANTENNAS				
ANTENNA SIZE				
EQUIPMENT AREA				
RRU'S / LOCATION				

Appendix F

Construction Notes

#6.

These construction notes must appear on the notes sheet of every plan set submitted for District's review and approval:

MNWD construction notes:

1. The Moulton Niguel Water District inspector shall be notified at least two (2) working days prior to beginning of construction. Call (949) 425-3530 to arrange for inspection.
2. A preconstruction conference of representatives from applicable agencies shall be held on site at least one week prior to beginning construction at which time a construction schedule and 24-hour contact information shall be provided to MNWD.
3. Contractor shall maintain access to the site at all times for Moulton Niguel Water District personnel. Open trenches shall be properly plated at the end of each working day to allow for 24-hour MNWD access to the site.
4. The Contractor and Cell Carrier shall be responsible for any damage due to Construction activities to the existing site and shall return damaged facilities to existing condition or better at no cost to the District.
5. The Contractor shall notify underground service alert (DIG ALERT) at least two (2) working days prior to beginning construction at 1-800-422-4133. Any MNWD facilities to be crossed or paralleled within five feet shall be potholed to verify location prior to working in the vicinity of MNWD facilities. Contractor is responsible for providing gate access to DIG ALERT inspection(s).
6. The Contractor shall contact the District coating representative (inquire for current name) for coating requirements and inspections at (XXX) XXX-XXXX prior to any work on a steel tank. District coating representative shall to be present during the preconstruction conference if proposed project involves any work on the steel tank. The Contractor is responsible for paying District coating representative for their services.
7. All new and existing facilities owned by the represented cellular carrier shall be properly tagged identifying the owner's name and 24-hour phone number.

Contractor to ensure that RF and emergency contact signage is correct and meets the requirements from the City and FCC.

8. The Contractor shall have a copy of plans approved by the MNWD Assistant Director of Engineering and a Consent Letter on-site at all times.

9. The Contractor is responsible to ensure the site is secure at all times, during both working and non-working hours.

10. The Contractor shall provide the District with two (2) sets of approved construction plans prior to scheduling inspection, and submit record drawings to the District upon completion of the job.

11. The contractor shall saw cut all pavement. Backfill shall be one sack slurry or aggregate base to within 1" of existing AC.

12. The contractor shall provide a minimum cover of 30-inches on top of all conduits.

13. The contractor shall replace asphalt pavement with: 1st lift - 3/4" mix, relative compaction 95%, no more than 3" placed at any one time. 2nd lift - 1/2" fine, no more than 1 1/2" lift.

14. The contractor shall slurry seal the entire work area and any damaged areas curb to curb. The contractor may be required to slurry seal additional areas as required by District inspector.

14B. If applicable, see Section 3.7 Softscape Replacement of the Policy and Procedures for Communication Facilities.

15. The contractor and license holder shall perform a final walkthrough to for release and provide the District a copy of the District signed plans with field mark-ups (record drawings).



Communication Facilities License Program
Policy and Procedures
for
Communication Facilities Licenses
within
Moulton Niguel Water District Properties

#6.

~~March 2012~~

DRAFT

November 2015

EXHIBIT A

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Appendices

- Appendix A: Communication Facility License Agreement Template
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- Appendix C: Application [Form Procedures and Forms](#)
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- Appendix F: Construction Notes, [General Notes, Plan Notes & Requirements](#)

1. Introduction

Moulton Niguel Water District (“District” or “MNWD”) has a history dating back to 1986 of allowing installation of communication facilities on its properties compatible with District use. The District last amended its Policy and Procedures for Communication Facilities on District sites in March ~~2000~~2012 with Resolution No. ~~00-0512-03~~. This revised Program of Policies and Procedures (“Program”) ~~will revise the current program that permits leases to a license policy and further definedefines~~ and ~~also reviserevises~~ the District’s policies and procedures for granting communication licenses and approving licensee improvements.

Under this Program, the District will balance its interest in maximizing additional revenues from wireless communication companies with due consideration for operational needs related to use of District’s facility properties, flexibility to allow changes-in-use of its facilities, and adequate protection against safety concerns related to use of the sites for communications facilities.

The terms and requirements set forth in this Program shall apply to all ~~existing~~ communication facilities leases, licenses and arrangements, ~~except those. All new applications for communication facilities shall comply with the terms that relate onlyas outlined in this Program, and the authorizations to new applicants/new licenses-use District property shall be in substantially the form of the Communication Facility License Agreement attached in Appendix A.~~

Any existing leases for communication facilities may be replaced with a Communication Facility License Agreement permitted under this Program upon the expiration of the current communications facility arrangement, as determined by the District; or, earlier upon request, provided such lessee is not in default under the terms of such existing communications facility arrangement as determined by the District.

The terms and procedures outlined in this Program shall also apply to amendments or changes to existing communications facility arrangements. See Appendix B for the form of amendments to License Agreements.

This Program may be amended from time to time by the MNWD Board of Directors in its sole discretion. If the revision, in MNWD’s sole discretion, is material we will notify current lessees and licensees in writing of the revised Program. However, it is the responsibility of all applicants to comply with the most current version of the Program.

2. License Agreements and Amendments

1. All new applications for communications facilities shall be authorized in substantially the form of the Communications Facility License Agreement attached in Appendix A.
2. Key terms of the license agreement in Appendix A include:
 - a. The license term shall be for ten (10) years, and at the option of applicant for an additional five (5) year period (fifteen (15) years aggregate) provided Licensee is not currently in default under the License Agreement.
 - b. The license fee amount for the ten (10) year license period shall be negotiated between the District and the licensee and is payable in advance in annual payments. Payment schedule for license fees is listed in the Agreement in Appendix A.
 - c. Annual license fees shall begin immediately and be payable within 45 days of license agreement or amendment execution.
 - d. License fee amounts will be subject to an automatic yearly increase equal to 4 percent per annum during the ten (10) year license period and during any option period, as applicable. In addition, if applicable, a one-time catch-up inflation adjustment shall be made for the first year of the option period based on the consumer price index as described in Section 4 of the license agreement.
 - e. Should the agreement lapse, the District shall charge a holdover fee of 150% of the then current monthly fee rate.
3. The Board of Directors may delegate authority individually to the General Manager and the Director of Engineering & Operations, or their designees, to review all license applications and to enter into License Agreements and Amendments in accordance with this Program, including determination of the negotiated annual license fee.

3. Cell Carrier Facility Development Guidelines and Requirements

All ~~cell carrier~~wireless communications facilities on District properties shall be installed, operated, maintained, modified, ~~or~~and altered, according to this Program, and shall comply with the policies, procedures, guidelines and requirements outlined in this section and elsewhere in this Program. These Program guidelines and requirements apply to all sites and communications facilities installation, work and operations, whether under new licenses, or pursuant to existing lease arrangements.

3.1 Universal Installation Requirements

The following requirements apply to all ~~sites~~wireless communications facilities on District property, and any reference to “license” or “licensee” shall also be deemed to mean “lease” and “lessee,” as applicable.

No work shall commence 3.1.1 New Site Build and Site Modifications

1. ~~Prior to execution by the~~any formal request for a new unmanned wireless communications facility, or modifications to an existing facility, the applicant must submit a site application and the appropriate fees for consideration. The applicant is encouraged to engage the District early in the processes and perform an assessment site walk to determine if proposed improvements are feasible.
2. ~~Prior to commencement of any work by the licensee at a District property, the District must have:~~
 - a. Executed License Agreement or License Agreement Amendment, as applicable.
 - b. ~~No work shall commence prior to delivery to the District of a~~ Certificate of insurance with the proper entity name for the licensee and ~~also~~ for any contractor to be engaged in the installation of the communications facility, along with additional insured endorsements and other insurance required under the License Agreement.
 - c. ~~No work shall commence prior to the District receiving and accepting a~~ Set of working drawings and/or plans for the proposed communications facility signed and stamped by a licensed professional engineer, and received and accepted by the District.
 - d. Proof that licensee has complied with all applicable zoning and planning approvals from appropriate jurisdictions.

#6.

~~2.3.~~ No work shall commence prior to the issuance of a consent letter by the District. The District will issue a consent letter once all the requirements of this Program have been met by the applicant and the District has determined that work may commence. The consent letter shall accompany the drawings and/or plans reviewed and accepted by the District.

~~3.~~ No work shall commence prior to a pre-installation site walk.

4. No work shall commence without advance notice of proposed work on, or installation of, the communications facility. After the licensee receives a consent letter and accepted plans, the licensee or its contractor shall:

a. Contact the District's inspector to schedule a pre-construction conference. The conference shall be held at least one week prior to start of construction and attended by representative(s) of licensee, its contractor(s), the District's inspector and, if necessary, the District's coatings representative. A 24-hour contact information shall be provided to the District's inspector at the pre-construction conference.

a.b. If there are any changes to the construction schedule after a pre-construction conference was held, the District's inspector shall be notified at least two (2) working days prior to beginning any work or installation.

~~4.5.~~ The District reserves the right to not issue or withdraw its approval to commence work if the licensee or its contractor(s) have failed to satisfy the Program terms, at the sole discretion of the District.

6. If the District's facilities require maintenance work that may interfere with the Licensee's activities at the Site, The District reserves the right to require Licensee to postpone Licensee's activities at the Site until such District work is completed. The District will, wherever possible, give advance notice and coordinate its activities with the Licensee.

~~5.7.~~ No work shall be performed on the roof of any District reservoir. District staff will reserves the right to determine any work limits/limitations at all District facilities and sites.

~~6.8.~~ Any proposal for work upon a District facility must include stamped engineering drawings/structural analysis and ~~/or~~ a signed letter from a licensed engineer describing the work and assurance to the District that any equipment mounted to a reservoir or other

District facility will not compromise the structural integrity of that facility. and that mounts can adequately support the weight of all equipment.

~~7.9.~~ Licensee’s personnel, including contractors and subcontractors, must ensure that the District site and District facility is accessible at all times to District personnel, in accordance with the details under Section ~~23.3~~.

~~8.~~ ~~A pre-installation conference of representatives of licensee, its contractors and District shall be held on-site at least one (1) week prior to beginning installation at which time the work schedule and 24-hour contact information shall be provided to the District.~~

~~9.10.~~ The licensee shall be responsible for any damage due to ~~installation~~ any construction work or other activities to the existing site and District facilities and upon request by the District shall promptly return damaged facilities and/or sites to at least pre-existing condition, or better, at no cost to the District, and licensee shall ensure its contractors comply with the foregoing. In the event licensee does not comply, District may perform the necessary repairs and bill licensee which licensee shall pay within thirty (30) days.

~~10.11.~~ All new and existing communication facilities and equipment owned by the licensee shall be properly tagged identifying the licensee’s name, site name and/or number and 24-hour Emergency phone number.

~~11.12.~~ The licensee and its contractors shall have a copy of the District accepted drawings and/or plans approved by the District’s Director of Engineering & Operations (or designee) on-site at all times, while construction activities are occurring.

~~12.13.~~ The licensee and its contractors are both responsible to ensure the District site and facilities cannot be accessed by the public at all times while installation work is occurring. -

~~13.14.~~ The licensee or its contractors shall provide the District with two (2) sets of ~~approved installation~~ District accepted plans prior to scheduling a final inspection, ~~and submit as-built with field mark-ups, if any. These plans will represent “record drawings to”~~ for the District to close-out the project upon completion of the installation and/or related work activity.

~~14.15.~~ Trenching, as part of any work or installation, must conform to the requirements of Section ~~23.6~~ Trench Details.

#6.

16. The licensee and its contractors shall comply with all local, state, and federal health and safety requirements pertaining to the construction, installation, operation and maintenance of the cell carrier facility. Requirements of the Occupational Safety and Health Administration (OSHA) & FCC shall be adhered to at all times, including any safety and injury prevention program in place that is required under applicable laws and regulations. A copy of such program, if required by law or regulation, shall be on site at all times and employees and contractors of the licensee shall be trained accordingly.

3.1.2 Maintenance

Maintenance at licensee facilities is divided into two categories: routine and non-routine. If Licensee has uncertainty which category proposed work is defined as, licensee should contact the District.

Routine maintenance is defined as the following:

- 1. Any work performed by licensee to repair or service their facility which does not require entitlements from a jurisdictional body; and,
- 2. Any work within the equipment space that does not extend beyond the licensed area, in any direction, and does not require any excavation; and,
- 3. In the case of antennas, like-for-like replacement is acceptable, subject to the conditions of approvals imposed on the original antenna installation.

Non-routine maintenance is defined as the following:

- 1. If the sizes, weight, shape, appearance or other similar characteristics of a replacement component are changed, the licensee shall be required to submit a site application and plans for District review and approval (Consent Letter).
- 2. In the event work performed by licensee is expected to impact the use of District property, including property access, obstructing driving lanes, or similar impacts licensee must notify the District and submit a site application and plans for District review and approval (Consent Letter).

3.2 Requirements for Proposed Drawings, and Plans

The requirements for submitting drawings and plans is for the purpose of evaluating the location and other aspect of the project as it relates to the continued on-going operations of the District's facility. Any drawings and/or plans submitted for review to the District in conjunction with a proposed or existing communications facility must contain the following:

23.2.1 Signature Block

The title page of each drawing and/or plan set shall have a signature block for the District's Director of Engineering & Operations (or designee) with a date. Please see sample signature block in Appendix E.

23.2.2 Drawing/Plan Notes

Each drawing and/or plan set should include MNWD notes ~~on the first or second page of the drawing and/or plan set-~~ pursuant to Appendix F ~~lists the required drawing and/or plan notes-~~ MNWD Construction Notes, General Notes, Plan Notes & Requirements.

23.2.2. MNWD Contact

The title page of each drawing and/or plan set shall have a District contact listed for engineering and inspection. The licensee shall obtain the current contact information from the District ~~by calling 949-425-3532.~~

23.2.3 MNWD Facility Name

Each document submitted to the District for review should have the District's Facility Name listed prominently in addition to the licensee's designation for the site, ~~and the site's APN(s).~~

23.2.4 MNWD Project Number

Each document submitted to the District for review shall have the District's project number that has been assigned upon the submission of site application fee prominently displayed on the plans.

3.2.5 Equipment Table

Each document submitted to the District for review shall have the equipment schedule, showing what equipment is licensed approved, zoning approved, number of antennas, type and size of the antennas, number of remote radio units (heads) according the sample table depicted in Exhibit E.

3.3 District Personnel Access

Licensee and its contractors shall ~~maintain~~ ensure their activities do not block access to the site at ~~all times~~ any time for District personnel, ~~except with District's consent.~~ Open trenches shall be properly plated at the end of each working day to allow for 24-hour MNWD access to the site.

23.4 DIG ALERT

The ~~licensee's~~ licensee or its contractors shall notify underground service alert (DIG ALERT)), in accordance with the law, at least two (2) working days prior to beginning construction at 1-800-422-4133. Any MNWD facilities to be crossed shall be potholed to verify location prior to working in the vicinity of MNWD facilities.

23.5 Coating Requirements

For any work on a District reservoir, the licensee’s/licensee or its contractors shall coordinate with the District’s inspector and coatings representative for coating requirements and coating inspections prior to any work on a reservoir tank. The licensee is responsible for any inspection fees associated with the District’s coating inspector.

23.6 Trench Detail

Trench details must show:

- a. Depth and width of the trench
- b. Backfill material list
 - (i.) Paved areas - one-sack cement slurry shall be used to within 1-inch of existing pavement
 - (ii.) In unpaved areas – suitable native material shall be used with 90% minimum compaction; a compaction report must be provided to the District
- c. All hardscape to be saw cut.
- d. Minimum 30- inch depth to top of conduit or as directed by District.
- e. AC replacement - 1st lift ¾- inch mix, relative compaction 95%, no more than 3- inch placed at any one time. 2nd lift, ½- inch fine, no more than 1- ½ inch lift.
- f. Slurry seal the entire work area for the full width of the access road/paved areas or as directed by District’s inspector after work is completed.

23.7 Softscape Replacement

Drawings and/or plans must depict the replacement or repair of all landscaped areas. If work will be performed in unpaved areas, these notes must be present on the site plan (see, Appendix F):

- 1. Protect all landscaping in place.
- 2. Only remove trees and shrubs as marked on drawings and/or plans.
- 3. Any disturbed or damaged landscaping shall be replaced in-kind with 5-gallon minimum shrubs and 15-gallon minimum trees, as directed by the District inspector.
- 4. Areas exposed or disturbed by the work or installation shall be covered with District-approved mulch to a depth of 2-inches.
- 5. Contact the District’s landscape manager prior to installation for landscaping requirements.

23.8 Work Hours and Lighting

The licensee must obtain approved work hours and lighting restrictions, especially during night work, from the municipality which permitted the communications facility, ~~in accordance with the permit terms~~, which are further subject to the District's approval. The District reserves the right to restrict work hours at its sites depending on District needs. The use of night time flood lighting is strictly prohibited. In the event licensee determines that it is absolutely necessary, licensee may submit a lighting plan and schedule. District will review and determine at its sole discretion whether to allow the lighting.

23.9 Site Restoration

Sites shall be repaved per Section ~~23.6~~ Trench Details or restored per ~~2Section 3.7~~ Softscape Replacement. Any other features disturbed, removed, or damaged by licensee or its contractors shall be replaced with new features, or repaired, as determined by the District inspector. The site shall be restored to a condition equal or better.

3. License Fee and Term

~~The following license fee and term/option term provisions of this Program will be incorporated in each communication facility License Agreement, as applicable:~~

- ~~1. The license term shall be for ten (10) years, and at the option of applicant for an additional five (5) year period (fifteen (15) years aggregate) provided Licensee is not currently in default under the License Agreement.~~
- ~~2. The license fee amount for the ten (10) year license period shall be negotiated between the District and the licensee and is payable in annual payments by all licensees. Payment schedule for license fees is listed in the Agreement in Appendix A.~~
- ~~3. Annual license fees shall begin immediately payable upon execution of a license or amendment.~~
- ~~4. License fee amounts will be subject to an automatic yearly increase equal to the greater of 3%, or the "CPI" (Consumer Price Index as published by the United State Department of Labor, Bureau of Labor Statistics for All Consumers for the Los Angeles-Long Beach area), per annum during the ten (10) year license period and during any option period, as applicable.~~

5. ~~All applicant communications facility License Agreements shall contain the terms as outlined in this Program, and shall be in substantially the form of the Communications Facility License Agreement attached in Appendix A.~~
6. ~~The Board of Directors may delegate authority individually to the General Manager and the Director of Engineering & Operations, or their designees, to review and approve all license applications and to enter into License Agreements in accordance with this Program, including determination of the negotiated annual license fee.~~
7. ~~Any existing leases for communication facilities may be replaced with a license permitted under this Program and in accordance with the terms hereof upon the expiration of the term of the current communications facility arrangement, as determined by the District; or, upon a lessee's request, provided such lessee is not in default under the terms of such existing communications facility arrangement and as determined by the District.~~
8. ~~This Program may be amended from time to time by the MNWD Board of Directors in its discretion.~~
9. ~~The terms and procedures outlined in this Program shall apply to existing communication facility arrangements for the purpose of addressing amendments or changes to such existing communications facility arrangements. See, Appendix B for the form of amendments to License Agreements.~~

4. — Communications Facility License Application Procedures

~~Applicants to the District seeking placement of communications facilities on District properties must submit an application with the applicable fee. The application form is provided in Appendix C and the Appendix D contains the application fee schedule.~~

1. ~~The application shall include the following information:~~
 - a. ~~licensee corporate name, state of incorporation, trade name if any;~~
 - b. ~~licensee corporate address and local address (if different);~~
 - c. ~~contact information for licensee personnel responsible for the application;~~
 - d. ~~contact information for licensee representatives responsible for the application;~~

#6.

- e. ~~drawings and/or plans depicting the location and dimensions of the proposed communication facilities, equipment specifications, engineering calculations showing that equipment will not impact District facilities as applicable, geotechnical reports, and any other information as necessary to determine full scope of the work;~~
 - f. ~~map depicting the location of the proposed communications facility;~~
 - g. ~~radio frequency usage;~~
 - h. ~~emissions information;~~
 - i. ~~radio frequency analysis showing the current usage at the proposed site along with the new usage and providing detailed information regarding any precautions necessary for District employees to be aware of in the normal course of their business due to the placement of licensee's transmitters or equipment;~~
 - j. ~~check payable to District based on the application fee schedule in Appendix D;~~
 - k. ~~list of any other facilities of licensee previously installed on District property including the site number and location;~~
 - l. ~~proposed date of installation;~~
 - m. ~~description and listing of the various local, State of California and federal public agency approvals required with expected approval date;~~
 - n. ~~copy of any license or registration required of licensee to do business in California; FCC license;~~
 - o. ~~list of previous applications to District from the licensee in the last 12 months; and~~
 - p. ~~any other information pertinent to the applicant, or as may be requested by District staff and/or District representative.~~
2. ~~Applicants shall coordinate with respective agencies of the County of Orange, adjacent cities or any similarly involved public agencies as required by the permitting public agencies.~~
3. ~~All land use approvals, parcel map requirements, permits or any other regulations and conditions required by the County of Orange, the California Public Utilities Commission, the Federal Communications Commission or other municipalities and governmental agencies~~

shall be satisfied by the applicant at its cost. Applicant shall provide the District with copies of any and all permits granted for installation and operation of the communications facilities.

5. Communications Facility Application Review

The following steps make up the Application Review process:

1. Staff shall verify that the interest of the District in the land proposed to be used in conjunction with the communications facilities is not restricted to reservoir purposes only (or pump/lift station or other specified facility purposes, as the case may be), or that the language in any deed granting the site to the District may be construed to allow no other uses than those uses “incidental” to reservoir (pump/lift station) purposes.
2. Staff shall review the contents of applicant’s submission and determine whether the application is complete. Staff shall endeavor to complete such initial review for completeness within thirty (30) calendar days.
3. Upon a determination by Staff that the application is incomplete, Staff shall advise the applicant in writing of the deficiencies in the application, or request such additional information which, in the sole discretion of the District, shall make the application complete. Applicants shall then have thirty (30) calendar days to complete the submission requirements. Should the applicant fail to submit the supplemental information within this time frame, the application shall be deemed withdrawn. Re-submission shall require a new application and application fees.
4. Upon a finding that the application is complete, Staff shall notify the applicant in writing.
5. Upon notification to the applicant that the application is complete, Staff or its agent shall review the application to determine whether the application meets all policies and requirements outlined in this Program document or as otherwise incorporated by reference herein.
6. Staff shall consider the safety of District employees and all invitees and authorized volunteers in evaluation of new communications facility arrangements.

6. Site Access and Security -installation and subsequent maintenance, operations

64.1 Obtaining Keys

Work on site, such as ~~improvements~~ installation, maintenance, modifications and operation, will require use of a District issued cyber key. Licensee shall pay the District a Cyber Key Deposit in the amount of Five Hundred Dollars (\$500.00) ~~per key issued. If a key is lost or damaged, the deposit will be forfeited and a new deposit will be necessary for each additional key.~~ The key may be terminated at the sole discretion of the District in the event licensee or its employees, representatives, agents or contractors, or any of them, do not strictly adhere to all rules and requirements pertaining to the access of the site or safety at the site, including the requirements under this Program. Additional keys may be obtained as needed with applicable deposit fees.

The District ~~will~~may require a copy of licensee's safety rules and regulations and/or Policies for accessing any District facility for any purpose ~~and the release of the District's cyber key.~~

64.2 Security Measures and Access Regulations

The District is subject to local, State, and Federal law, including Homeland Security regulations. The District ~~reserves the right to require~~requires security measures and access regulations to comply with applicable laws and District requirements. ~~In addition~~ as follows, but not limited to:

1. Rules and guidelines for each District site are at the sole discretion of the District and must be adhered to by each licensee. Site-specific rules and regulations, and updates to them, will be effective upon written notice to licensee. Failure to follow the District's rules and guidelines are cause for revocation of the cyber keys.
2. Rules and guidelines may be established for each District site based on the unique characteristics of the site.
3. Each licensee will be required to have a cyber key. The cyber key tracks access to each District site for the District; notwithstanding the foregoing, in all cases, a licensee will be responsible for the activities of all their employees, agents, representatives and contractors while at a District site.
4. Licensee will be responsible for maintenance of the key. The key must be uploaded at District Operations facility on a periodic basis. If the key is not uploaded on a periodic basis, it will stop allowing access to the sites for the Licensee.

5. The Licensee shall provide the District a list of key holders and who will have access to the sites. No persons may access the sites except listed key holders and persons accompanying them on an as needed basis to perform work.
6. Licensee may not make any other attempt to enter a District property other than through the use of the cyber key.
7. Licensee may not leave the District property open and unattended for any reason.
8. In the event licensee discovers vandalism, whether to the Licensee's facilities or District property, Licensee must report it to the District immediately.
9. It is the responsibility of the Licensee to ensure the District property is properly locked upon leaving for any reason.
10. If District personnel are at a facility when Licensee arrives, it is the responsibility of Licensee to announce their presence and to let them know when they leave.
11. Licensee agrees to monitor the use of the cyber keys and to keep them in a safe and secure place at all times. Repeated loss of cyber keys may result in forfeiture of the use of the keys resulting in escorted access for a fee.
12. The District may in its sole discretion allow a licensee or its contractor to access a District property without a cyber key but reserves the right to charge an hourly fee for such access.
- 4.13. Wherever possible, each licensee shall design their equipment area on District property to allow for private access without going through the main gate of the District facility site.
14. Licensee shall provide at least 24 hours' prior written notice to the District when any activities by Licensee or its contractors will be occurring at a District site. The notification shall be by email sent to cellsitenotices@mnwd.com.
15. Employees of Licensee and its contractors accessing a District property shall carry name badges and picture identification and must present such to a District employee when requested. Persons without proper identification may be required to leave the site.
16. All vehicles of Licensee or its contractors shall be marked as such and be distinguishable from general public vehicles when on District sites.

17. The District may charge an escorted access fee for any requests by Licensee employees or contractors for access that are not due to a malfunctioning key.

4.3 Ongoing Operations

1. Ongoing operations and maintenance of the licensee's facility shall comply with all applicable local, state, and federal laws and regulations and the requirements of ~~an~~ this Program and the applicable executed license agreement.

2. In the event Licensee installs any equipment outside the parameters of the License agreement without the prior written authorization of the District, the District may, at its sole discretion, terminate the agreement with the Licensee, or charge an unauthorized facility fee equivalent to 200% (two hundred percent) of the rent that would have been due to the District for a similar increase in use had the District's prior consent been properly obtained. For the purposes of calculating the rent due for such unauthorized equipment, the District will assume the equipment was in place for the period which is the shorter of: two years prior to the date of discovery or the period from the effective date of the applicable license agreement to the date of discovery.

5. Decommission or Termination Process

Any Licensee that decides to decommission its Wireless Communications Facilities on any of District's properties must follow the process described herein.

Licensee shall submit a letter to the District, by certified mail or equivalent, indicating Licensee's intention to decommission its Wireless Communications Facility ("WCF") located on District property. The letter shall include Licensee's site name & number, District facility name, site address, contact person, mailing address, e-mail address, and intended time-frame for the decommission activity.

The District shall provide Licensee a return letter acknowledging Licensee's intention to decommission its WCF and directing Licensee to initiate the application process, payment of appropriate fees, and submission of necessary decommission plans.

Once fees are paid and decommission plans are approved, the Licensee shall remove all installed equipment and return the site to pre-existing conditions or better.

#6.

Appendix A

**Communication Facility License Agreement
Template**

**MOULTON NIGUEL WATER DISTRICT
COMMUNICATIONS FACILITY LICENSE AGREEMENT**

~~(X-[CARRIER] [SITE])~~

THIS LICENSE AGREEMENT (“License”) is made and entered into this ____ day of _____, 20__, (“Execution Date”) by and between **MOULTON NIGUEL WATER DISTRICT**, a California water district existing and operating pursuant to Division 13 of the California Water Code (“District”), and _____, a **California** _____ (“Licensee”). District and Licensee are sometimes referred to in this License Agreement individually as “party” or jointly as “parties.” The term “License” used in herein means this License Agreement and any amendments to this License Agreement as may be executed between the parties in accordance with the terms herein.

RECITAL

RECITALS

District adopted a revised “Communications Facilities License Program - Policy and Procedures for Communications Facilities Licenses within Moulton Niguel Water District Properties” dated ~~January 2012~~ 2015 (the “Program”).

District is the owner of that certain real property located at [insert name of District site and address of site], as legally described in Exhibit “A” attached hereto (“Site”).

[ALTERNATIVE LANGUAGE FOR RENEWALS]

Licensee (or its predecessor in interest) entered into that certain [insert name of lease agreement] with District dated _____, (“Original Agreement”), under which Licensee currently has installed and is operating Licensee’s federally licensed communications facility at the Site.

District and Licensee desire to enter into this new License to replace the Original Agreement.]

This License ~~Agreement~~ is being entered into by District and Licensee in accordance with the Program to allow Licensee ~~non-exclusive use of District’s _____ Site located at [address] _____, as more particularly described in **Exhibit A** hereto (“Site”), use of designated portions of the Site,~~ for installation and operation of Licensee’s federally licensed Communications Facility (as defined and described under Section 1 hereof), ~~such use to be consistent with the terms of the Program and this license. Licensee acknowledges it has received a complete copy of the Program from District and read and reviewed the Program, which is incorporated in this License Agreement by this reference as though fully set forth herein. Licensee covenants and warrants it has fully complied with the Program and all conditions contained therein precedent to execution of this License Agreement, and further covenants it shall comply with all terms, conditions and requirements of the Program, and the terms of this license, in connection with the Communication Facility, and in the exercise of this license. Licensee further acknowledges and agrees that the Program may be revised from time to time by the District, and all changes or revisions to the Program will be automatically incorporated in this license,~~

~~without any formal amendment of this License Agreement, and Exhibit B hereto), such use to be consistent with the terms of the Program and this License.~~

LICENSE

Section 1. Non-exclusive License. Subject to the terms and conditions hereinafter set forth ~~and the requirements of the Program,~~ District ~~agrees to permit~~ grants Licensee ~~a non-exclusive license to locate and install,~~ operate ~~and maintain~~ its Communication Facility, as particularly described in **Exhibit B** hereto, on a portion ~~or portions~~ of the Site ~~as designated and approved by District.~~ The plot plan attached as **Exhibit BC** depicts the dimensions and ~~approved~~ location of the Communications Facility ~~relative to~~ on the Site ~~space~~ to be used by Licensee under this License ~~(“Licensed Area”). The Licensed Area includes (i) designated space on the District’s existing surface infrastructure; (ii) approximately _____ square feet of designated surface ground space; and (iii) utility routes all as depicted in Exhibit C.~~ Notwithstanding District’s approval of Licensee’s use of the Licensed Area of the Site, nothing in this License may be deemed to grant, convey, create, or vest in Licensee a real property interest in land, ~~including any fee, leasehold interest, or easement.~~ The term “Communications Facility” as used in this License shall include all ~~antennas,~~ facilities, structures and equipment and ~~underground~~ utilities that Licensee erects, installs and/or uses on ~~or under~~ the Site, as ~~authorized and~~ listed in **Exhibit B**, ~~as may be modified from time to time in accordance with this License and the Program. In the event of a material conflict between the terms of this License and the Program (excluding Appendix A – Communications Facility License Agreement Template), the more stringent terms shall prevail.~~

~~**Section 1B. Access License** The License granted hereunder includes non-exclusive ingress and egress to the ~~Site~~ Licensed Area, seven (7) days a week, twenty-four (24) hours a day, via foot or motor vehicle (but not including vehicles with more than ~~xxx~~ axles/more than ~~xxx~~ feet in length) via the access area delineated as such in **Exhibit AC**, in order to install, ~~operate, and~~ maintain ~~and service~~ the Communications Facility. ~~Entrance~~ All access to the Site ~~will be permitted~~ Licensed Area by ~~providing~~ Licensee ~~with two (2) cyber keys to the locked gate enclosing the Site, Licensee to assume full responsibility for safeguarding such keys, with no duplicates to be made by Licensee except upon prior written approval of District, which approval shall not be unreasonably withheld. Licensee’s attention is drawn to additional terms in the~~ be subject in each instance to the Program (i.e. Section 6 thereof) rules and regulations governing the use of these cyber keys ~~access,~~ as well as ~~other required security measures related to this license and use of the Site by Licensee.~~~~

~~**Section 1B. Access Easement.** [alternative insert where District has only easement for Site access] District permits Licensee and its agent limited ingress to and egress any additional Site-specific rules from the Site on a non-exclusive basis to install, maintain and service the Communications Facility, subject to the additional limitations set forth hereafter. time to time in effect at the Site, of which District shall inform Licensee in writing. [IF APPLICABLE INCLUDE] Further, Licensee expressly acknowledges that ~~access to~~ District accesses the Site is permitted through Licensee’s use of District’s existing access easement ~~to the Site (“over third party property to the Site (“Access Easement”), and nothing herein shall be deemed to be a representation or warranty by District that its interest or other rights to use of the Access Easement”). Lessee~~ is sufficient to permit its use for Licensee’s purposes, and Licensee shall be~~

deemed to gain only those rights to use as are properly in District and as District may have the undisputed right and power to give Licensee. Licensee assumes the risk of any challenge, claim, litigation or damage, etc., asserted in connection with Lessee's/Licensee's use of the Access Easement for ingress and egress to the Site and releases District from any and all responsibility, claim, damage, etc., related to or in connection with Licensee's use of the Access Easement. Licensee agrees to indemnify District in connection with Licensee's use of the Access Easement as set forth more specifically in Section 13 of this License Agreement. If the District's continued use of the Access Easement is challenged or threatened in any way by the Licensee's use of the Access Easement, upon notice from the District the Licensee shall cease ingress and egress to the Site until such time as Licensee is able to obtain any necessary approvals, licenses or easements from the third party property owner at its sole cost and expense.]

Section 2. Permitted Use ~~of Space~~. Licensee may install, operate and maintain the Communications Facility ~~on~~ in the space on the Site/Licensed Area in accordance with the plot plan and dimension sketch of the Communications Facility in Exhibit C hereto, and the Program. Licensee may replace portions of its Communications Facility as part of Routine Maintenance (as defined in the Program) without the District's prior consent to the extent permitted by the Program. Licensee may not erect perform Non-Routine Maintenance (as defined in the Program) or install any other facilities or use any other equipment of any kind not otherwise described in Exhibit B and depicted on Exhibit C without execution of an amendment to this License Agreement, if agreed upon the District's prior written consent which may be granted or denied in the District's sole discretion. Applications for consent will only be considered by District, including the provision for an increased license fee, and any other applicable fee under the Program, as determined by District. Any amendment shall be entered into only if Licensee complies if submitted in accordance with all terms the procedures and requirements of the Program for such. Licensee acknowledges that the primary purpose of the Site is to provide water and/or wastewater services to District's customers, and Licensee's use of the Site shall be subject to District's paramount rights ("Paramount Rights") to use the Site for any and all current and future uses necessary for District's water or wastewater storage, conveyance or treatment purposes, including, but not limited to maintenance, repair, installation, construction, and replacement of any existing facilities or the construction or installation of any additional facilities or equipment, including but not limited to securing any permits or other approvals from the County of Orange, municipalities, or other federal, State of California ("State") or local agencies, as applicable additional subsurface and surface infrastructure. If District determines that Licensee is physically interfering with such use, District shall notify Licensee and Licensee shall cease such physical interference within twenty four (24) hours. In case of an emergency, District may take steps to eliminate such physical interference without prior notice to Licensee and Licensee shall reimburse District for any and all costs incurred to eliminate such physical interference.

Section 3. License Term; Option. This license shall be for a term of ten (10) years, referred to as the "License Term," commencing on the Execution Date as defined above. Provided Licensee is not in default under this License, Licensee shall have an option ("Option") to renew this License after upon the expiration of the License Term for ~~one (1)~~ additional five (5) year period, ("Option Period"), subject to all terms and conditions of this License. Licensee shall provide District with ~~sixty (60) days~~ written notice of its intent to exercise the Option at least sixty (60) days prior to expiration of the License Term ~~of its~~

~~intent to exercise the five (5) year option, referred. If Licensee fails to, respectively, as provide timely notice, the "Option" Option expires on the date that is sixty (60) days prior to the expiration of the License Term and the "Option Period" herein. any use or occupation of the Site by Licensee after the expiration of the License Term shall be subject to Section 5 below.~~

Section 4. Annual License Fee; Increases; Late Payments. For the first year of the License Term, Licensee ~~agrees to shall~~ pay District the total sum of _____ Dollars (\$ _____) ~~per year as ("Annual License Fee") not later than forty-five(45) days after the Execution Date.~~ The Annual License Fee for ~~this license, subsequent years shall be~~ payable annually in advance on the ~~execution date and thereafter annually at least thirty (30) days in advance of a date twelve months from the execution date and every anniversary date thereof during of~~ the License Term, which ~~amount Execution Date, and shall be increased increase~~ annually ~~every anniversary date~~ during the License Term (and the Option Period, if applicable) ~~in effective as of each anniversary of the Execution Date, by~~ an amount equal to ~~the greater of (i) three four percent (3%), or (ii) 4%~~ over the amount of the Annual License Fee in effect immediately prior to such increase. In addition, the Annual License Fee payable for the first year of the Option Period shall be increased by the amount (if any) which (i) the amount calculated by increasing the first Annual License Fee paid in the License Term by the increase in the Consumer Price Index (All Items, Base 1982-1984 = 100) as published by the United States Department of Labor, Bureau of Labor Statistics for All Urban Consumers for the Los Angeles-~~Long Beach area ("Riverside-Orange County (CPI) ("License Fee").~~

~~_____ If the Licensee exercises the Option pursuant to this license, effective on the commencement -U) over the License Term as measured in the month three months prior to the expiration of the License Term exceeds (ii) [\$ _____ insert the amount of the Annual License Fee payable for the first year of the Option Period, the License Fee for the Option Period shall be equal as calculated using the 4% annual escalator]. The Annual License Fee shall be payable without offset or deduction by check sent to the License Fee paid in the year immediately preceding the date the Option Period commences, increased by the greater of (i) the average annual increase, if any, in the CPI during the three-year period prior to commencement of the Option Period, District's address specified below or (ii) three to any other person or firm as District may, from time to time, designate in writing at least sixty (60) days in advance of any Annual License Fee due date. If, at any time, Licensee fails to make timely payment, interest shall accrue on the past due amount at the rate of one and one half percent (3%). The License Fee shall thereafter increase annually during the Option Period as set forth in the prior paragraph above. 1 1/2%) per month or the maximum allowable by law, whichever is less, until paid in full. This right to collect interest is in addition to all rights of District to terminate this License for non-payment pursuant to Section 7A of this License.~~

Section 5. Use Beyond the License Term Holdover. If the Communications Facility or any part thereof is still on the Site, or Licensee is still conducting any activities or operations on the Site, ~~after expiration of the License Term, or the Option Period, the District can terminate and revoke this license at any time upon sixty (60) days written notice, or as otherwise provided for under this License Agreement. During any such occupation of the Site by Licensee after expiration of the License Term or Option Period, Licensee shall pay a monthly fee, or a portion thereof for use of the Site, based on the pro-rata portion of annual License Fee amount in effect at expiration, payable on the first day of each month. or is otherwise~~

using the Site without a written agreement with the District after expiration of the License Term, or, if applicable, the Option Period, such possession or use shall be deemed a holdover use under the same terms and conditions of this License, except that the Annual License Fee shall be 150% of the Annual License Fee in effect at the expiration of the License Term or, if applicable, the Option Period, and shall be payable in advance in equal monthly installments. Nothing contained herein shall grant Licensee the right to holdover after the expiration of the License Term or, if applicable, the Option Period and notwithstanding the payment of rent during the holdover period, District shall have the right to require Licensee to vacate the Site at any time upon thirty (30) days written notice..

Section 6. Temporary Relocation. Licensee understands and agrees that from time to time during the License Term and/or the Option Period, ~~that District will be required~~may require Licensee to remove and/or relocate all or portions of the Communications Facility ~~(i.e. antennae, pole) installed on from the X Site~~Licensed Area temporarily at Licensee’s expense in order for District to ~~conduct repair and maintenance in connection with the X Site.~~ Licensee agrees to relocate the Communications Facilities at its cost in such cases during the period of repair and/or maintenance to another temporary location.~~exercise its Paramount Rights at the Site.~~ District shall use its best efforts to give Licensee at least sixty (60) days prior written notice of the necessity to relocate the Communications Facility for the temporary period, and will use good faith efforts to provide temporary space ~~on at~~ the Site, or another mutually acceptable District location ~~of District’s, for such temporary relocation;~~ provided Licensee is ~~in compliance~~not in default under this License. Licensee shall be responsible at its cost for obtaining any necessary permits and otherwise complying with all laws, permits, and other ~~applicable~~ rules and regulations of any public entity required for applicable in connection with the temporary relocation site and is not in default under this license. Licensee will pay for all costs of such compliance. ~~Except its Communication Facility. Licensee acknowledges that~~ in case of emergency (as determined by District in its sole discretion), ~~District will use its best efforts to give Licensee at least sixty (60) days prior written notice of the necessity to relocate the Communications Facilities for the temporary the notice period. for temporary relocation may be shortened.~~ Notwithstanding any relocation or any ~~lack of prior notice,~~ Licensee’s obligation for payment of the License Fee shall remain unchanged and unaffected. ~~shortened notice period, the License shall continue without abatement of the Annual License Fee unless District is unable to provide space for temporary relocation and as a result Licensee is required to cease to operate its Communications Facility for a period of more than fourteen (14) days in which event Licensee shall be entitled to an abatement of the Annual License Fee equivalent to the number of full days in excess of fourteen (14) days during which Licensee was unable to operate its Communications Facility multiplied by 1/365 of the Annual License Fee applicable during such period. The District will calculate and refund such abatement amount within sixty (60) days after the end of the temporary relocation period.~~

At the end of the temporary relocation period, Licensee shall at its cost return the relocated Communications Facility to the Licensed Area, unless the parties mutually agree that the Communications Facility may remain at the temporary location in which case the parties shall memorialize such agreement by an amendment to this License. Licensee shall have a right to terminate this License upon thirty (30) days prior written notice to District if any temporary relocation exceeds ~~sixty (60)~~ninety (90) days, or upon if the District ~~requiring~~requires Licensee to relocate the Communications Facility more than one (1) time

during the License Term, or more than one (1) time during ~~any~~the Option Period. If the License is terminated for such reason, the ~~portion~~District shall refund unused months of the Annual License Fee ~~for the unused time period will be refunded~~ on a proportionate basis, but Licensee ~~is~~shall not be entitled to reimbursement or payment by District of any further expenses or costs it may incur by reason of its election to terminate this License hereunder.

Section 7A. District's Termination. In addition to other rights of termination and revocation the District has under this License ~~Agreement~~, District may terminate and revoke this License prior to expiration of the License Term or Option Period, if applicable, ~~on~~in any ~~one~~of the following ~~conditions~~circumstances:

- (a) By giving Licensee twelve (12) months prior written notice, if District determines in its sole discretion that the space on the Site utilized by Licensee for the Communications Facility Licensed Area is necessary for its own operations.
- ~~(b) Upon the exercise of its Paramount Rights at the Site or the sale or conveyance~~District decides to sell or otherwise dispose of its ownership of the Site. ~~District may terminate and revoke this license under subsection (a) above or this subsection (b) by giving Licensee twelve (12) months prior written notice and returning to Licensee any proportionate amount of the License Fee. Upon~~ Upon notice of termination and revocation under ~~these subsections (a) or (b)~~this subsection (a), District shall make a good faith effort to permit Licensee to relocate the Communications Facility to another of District's sites prior to termination of the License, provided Licensee fully complies with the Program as to such relocated site and assumes all costs of any such relocation.
- ~~(c) A challenge to District's grant of ingress and egress to~~ (b) By giving Licensee ~~over the Access Easement referenced above in Section 1B. District will make a good faith effort to give Licensee at least sixty (60) days prior written notice, if Licensee fails to maintain and repair the Communications Facility according to the requirements of the License and the Program and fails to cure such non-compliance in response to any District request for such repairs within the time specified in such written request. Further, if the District in its sole discretion determines that the Communications Facility is in a state of termination and revocation under this subsection (c).~~
- ~~(d) District's determination of documented disrepair which imminently endangers the health and safety concerns as a result of District employees and other users of the installation or operation of the Communications Facility, whether alone or in conjunction with other existing communications facilities on the Site., District may terminate and revoke this license under this subsection (d)~~the License and take steps to address the situation immediately ~~and without any prior notice in the case of an emergency, to be determined by District in its sole discretion; in all other cases, District will make good faith efforts to give to~~ Licensee no less than sixty (60) days prior written notice.
- ~~(e) and~~ Licensee shall reimburse District for any and all costs incurred to take such action.

~~(c) If Licensee fails to pay the Annual License Fee as agreed by the terms of this license, or when due, District may, after giving ten (10) days prior written notice to Licensee terminate and revoke this License and seek other remedies, as appropriate, under the laws of the State, unless Licensee cures such default by payment of the Annual License Fee and accrued interest charges within such notice period.~~

~~(d) If Licensee fails to perform or observe any of the other material covenant terms or conditions of this License, which the parties agree include but are not limited to insurance requirements, emissions testing and compliance with FCC requirements and all other laws and regulations, the non-interference covenant as to Prior Users, environmental covenant, and the installation and maintenance requirements for the Communications Facility and Licensee’s use of the Site. Upon any such failure by Licensee, District may, after giving sixty (60) Sections 2, 8, 10, 11, 12 and 13, District may, after giving thirty (30) days prior written notice to Licensee terminate and revoke this License and seek other remedies, as appropriate, under the laws of the State; provided, however, should Licensee within sixty (60) days from the date of Licensee’s receipt of notice of default(s) remedy said, unless Licensee cures such default or defaults, District shall not be privileged to terminate or revoke this license for the defaults set forth in said within such notice period.~~

The parties agree that ~~upon District’s exercise of termination and revocation rights in this license there is a presumption that~~ it is presumed that any termination and revocation is exercised in good faith, in accordance with the terms hereof, and ~~exercised in good faith, and~~ in a fair and reasonable manner. In the event Licensee disputes District’s right to terminate or revoke this License in any proceeding, action, or otherwise, Licensee has the burden of proving District has breached the terms hereof, or that District has not exercised termination and revocation rights in good faith, fairly or in a reasonable manner.

Section 7B. Licensee’s Limited Termination Right. It is understood and agreed that Licensee’s ability to use the Site is contingent upon Licensee continually maintaining in full force and effect, after the Execution Date, all the certificates, permits, and other approvals that are required by any federal, State, or local authorities. In the event that any certificate, permit, license, or approval issued to Licensee is canceled, expires, lapses, or is otherwise withdrawn or terminated by any governmental authority so that Licensee is unable to use the Site for intended purposes, the Licensee may terminate this License ~~shall terminate~~ upon thirty (30) ninety (90) days written notice to District, except that those terms that by their nature survive termination such as Licensee’s obligations to remove the Communications Facility and restore the Site ~~pursuant to the terms of this license including Section 8 hereof~~, and the indemnity obligation ~~under Section 13~~ shall survive in accordance with the terms of this License. ~~See also, Licensee’s right of termination under Section 10(c).~~

Section 8. Licensee’s Installation, Ownership, Operation and Maintenance of Facilities; FCC Regulations, Emissions Testing, Compliance with Law.

#6.

(a) Licensee shall install ~~and~~, construct and maintain the Communications Facility in accordance with this License ~~Agreement~~, and ~~Licensee's attention is directed to~~ the terms of the Program that set forth specific requirements for such installation and work on the Site ~~(see, Section 2 of the Program)~~.

~~(b)~~ It is expressly understood and agreed that any and all fixtures and equipment of whatsoever nature at any time constructed or placed on the Site by Licensee shall be and remain the ~~property of Licensee~~ personal property of Licensee. Licensee shall have the right at any time during the License Term, and the Option Period, if applicable, to remove any and all fixtures and equipment owned or placed by Licensee in, under, or upon the Licensed Area.

~~(b)~~ ~~Licensee shall have the right at any time during Licensee's use of the Site, or within a reasonable time thereafter, to remove any and all fixtures and equipment owned or placed by Licensee in, under, or upon the Site, but Licensee shall not be obligated to do so. Upon termination of this license by expiration of the License Term, or the Option Period, or otherwise as permitted by the terms hereof, Licensee shall remove the Communications Facility including all fixtures and equipment and shall restore the portion of the Site used by Lessee to the condition existing on the execution date, at Licensee's sole cost, except in cases where the restoration required is due to acts of God, or natural disasters beyond Licensee's control (i.e. landslides, earthquakes, floods).~~

(c) Licensee, at Licensee's cost and expense ~~at all times during the License Term, agrees to~~ shall keep and maintain, or cause to be kept and maintained, the Communications Facility in a state of good appearance and repair, reasonable wear and tear excepted. Licensee shall pay, when due, all claims for labor or materials furnished to or for Licensee for the use on the ~~Site~~ Licensed Area which claims are or may be secured by any mechanic's or materialmen's liens against the Communications Facility, or ~~space utilized on the Site~~ Licensed Area, or any interest of Licensee therein. Licensee agrees that District has no greater obligation to repair and maintain the Site, due to Licensee's presence at the Site than it would have in the space utilized by Licensee ordinary course of its business, and District has no obligation to repair or maintain the Licensed Area, or the Communications Facility.

~~(ed)~~ Licensee shall, at its own cost, protect, replace and provide any landscaping ~~of~~ required in its permits to shield the Communications Facility on the Site ~~that District and shall reasonably require during the initial installation of such facilities and thereafter during promptly replace any District landscaping damaged by Licensee's use of the Site. Licensee's attention is called to Section 2 activities consistent with the requirements~~ of the Program.

~~(e) Licensee shall have a separate meter installed for specific requirements Licensee's electrical power consumption, whereupon Licensee shall be solely responsible for payment of all utilities costs.~~

~~(f) Licensee agrees to be solely responsible for payment of all utilities costs and applicable personal property and/or property taxes on all facilities erected by Licensee on the licensed space as well as any property or other tax on the interest of Licensee under this license. Pursuant to Revenue and Taxation Code Section 107.6, District advises Licensee that the interest created under this license may be subject to property taxation, and that Licensee may be subject to the payment of property taxes levied on the license or other interests created hereunder.~~

(g) Upon completion of the installation of the Communications Facility, Licensee shall arrange for a Radio Frequency ("RF") emissions test to be performed by a FCC-certified third party reasonably approved by District, in accordance with FCC Regulations, which results shall be provided to District in a written report including the monitoring results prior to commencement of any operations or use of the Communications Facility by Licensee. Licensee shall be responsible for all costs of the RF test, the written report and the monitoring results. During the License Term and Option Period if applicable, Licensee shall conduct all RF tests or other emissions tests as required by FCC Regulations and shall provide all results to District within thirty (30) days of completion in a written report. ~~Failure of the All~~ RF test ~~to results shall~~ meet FCC Regulations and ~~emission~~emissions exposure limits. If results indicate RF emissions exceed the applicable FCC exposure limits or fail to meet applicable FCC standards, such failure shall be a material breach of these license termsthis License, and cause forsubject the License to termination and revocation procedures pursuant to Section 7A.

(h) In addition to compliance with specific laws otherwise described in this License Agreement, Licensee ~~covenants toshall~~ comply, and will ensure that its contractors and representatives will comply, with all ~~FCC Regulations~~regulations and requirements of the Federal Communications Commission and the California Public Utilities Commission, and all other local, State and federal laws, ordinances, rules and regulations, including health and safety requirements, pertaining to the construction, installation, operation and maintenance of the Communications Facility and work on the Site during the License Term and Option Period, and in conjunction with any activities undertaken on the Site by Licensee either prior to the Execution Date, or after expiration of this License. Requirements of the Occupational Safety and Health Administration (OSHA) shall be adhered to at all times during any activities on the Site by Licensee and its contractors or other representatives. The Licensee shall have a safety and injury prevention program in place for the construction, installation, operation and maintenance of the Communications Facility and work on the Site, ~~as may beif~~ required by laws or regulations. If required by law or regulation, a copy of any such program shall be on the Site at all times.

~~Section 9. (reserved)~~

Section 9. Removal/Restoration/Bond. Licensee shall remove all of the Communication Facility at its sole expense upon the expiration or earlier termination of the License. Licensee shall repair any damage to the Licensed Area caused by such removal and shall return the Licensed Area to the condition which existed before the Execution Date, reasonable wear and tear excepted. On or before the Execution Date, Licensee shall obtain a faithful performance bond, in the amount of *[amount to be determined based on two quotes for removal costs obtained by Licensee]* Thousand Dollars (\$XX,000.00), from a bond company duly licensed to do business in California in favor of District (the "Bond"). The Bond shall secure Licensee's removal of its equipment from the Licensed Area following the expiration or earlier termination of the License, and shall be maintained in force by Licensee throughout the License Term and Option Period if applicable. Licensee agrees to deliver to District a copy of the Bond prior to commencement of construction activities on the Licensed Area. Prior to the commencement of any Option Period, District and Licensee shall review the amount of the Bond to assess whether the amount of the Bond is reasonably sufficient to cover removal and restoration costs. If it is reasonably determined to be insufficient, Licensee shall obtain and maintain in force a Bond for such additional amount that District reasonably determines to be sufficient.

Section 10. Prior Communications Facilities on Site, District Communications Systems; Non-interference ~~Covenant.~~

- (a) Licensee acknowledges and understands that the communications facilities providers listed in **Exhibit D** hereto (referred to as the "Prior User(s)") has(ve) entered into an agreement(s) (the "Prior Use Agreement(s)") with District, pursuant to which the Prior User(s) has(ve) been permitted to install and operate communications equipment on the Site. Licensee represents and warrants that, prior to the execution ~~and delivery~~ of this License ~~Agreement,~~ Licensee has ~~reviewed the Prior Use Agreement(s) together with all amendments or modifications thereto; and has visually inspected the communications facilities installed and operated by~~ determined that the Prior Users ~~present no material interference with Licensee's intended use within the Licensed Area.~~
- (b) Licensee ~~covenants that it~~ shall operate the Communications Facility ~~and related equipment~~ in a manner that will not cause harmful interference to (i) any ~~current or future~~ communications equipment operated and/or owned by the District as of the Effective Date, or (ii) any ~~current~~ communications equipment operated and/or owned by the Prior User(s); as of the Effective Date, provided that the Prior User(s) operates its communications equipment in accordance with the terms of the Prior Use Agreement(s). ~~All operations by Licensee shall be lawful and in compliance with all regulations and requirements of the Federal Communications Commission and the California Public Utilities Commission, as well as any other State, federal or local~~

~~regulations and requirements. If the Communications Facility causes~~ If the Licensee's Communications Facility causes harmful interference to the communications equipment operated and/or owned by District under (i) above or the Prior User(s) under (ii) above, ~~and such interference cannot be eliminated within a reasonable time by Licensee, District may terminate this license by providing the sixty (60) days written notice~~ Licensee will take all steps necessary to correct and eliminate the interference, including but not limited to, at Licensee's option, powering down such equipment and later powering up such equipment for intermittent testing. If such interference cannot be corrected within two (2) days after Licensee is advised of such interference, District may require that Licensee cease (or cause the cessation of) operation of the interfering equipment until such interference can be so corrected at which time the operation of such equipment may resume.

(bc) Licensee further acknowledges that District assumes no risk or liability for any interference with Licensee's use of the Site which results from the operation of communications equipment on the Site by the Prior User(s) under the Prior Use Agreement(s) ~~including, but not limited to, frequency interference,~~ and agrees that District shall be held harmless ~~for from claims due to~~ any such interference, pursuant to the indemnification terms set forth in Section 13 herein.

~~(e)~~ ~~d) District reserves the right to license other portions of the Site to third parties during the term of this License.~~ Subsequent to the installation of the Communications Facility, District will not knowingly permit ~~any subsequent users to install~~ the installation of new equipment on the Site if such equipment will cause harmful interference with the Communications Facility. If any such harmful interference occurs, Licensee shall use its best efforts to resolve the interference issues in cooperation with the owner and operator of the new equipment without involving District personnel. If any such subsequent users cannot correct ~~any such~~ harmful interference within ten (10) business days of Licensee's written notification thereof to District, Licensee may terminate this License upon sixty (60) days written notice to District and obtain a refund of prepaid unused amounts of the Annual License Fee, or seek injunctive or other legal relief against/from such subsequent users. ~~Upon such termination, District shall return any unearned License Fee to Licensee. Licensee agrees that upon any such action against subsequent users seeking to enjoin harmful interference, or upon termination hereunder, the recovery of any unearned portion of the License Fee~~ The refund shall be Licensee's sole and exclusive remedy and recovery as against District, and Licensee hereby waives any other rights or remedies it may have at law or in equity against District related thereto. The parties recognize and agree that it is the intention of this Section 10 that District not become embroiled in any disputes or proceedings between Licensee and subsequent users, and/or expend funds as a result thereof; therefore, Licensee agrees to pay all of District's costs and attorney's fees that may be incurred by District related to any disputes or proceedings between Licensee and subsequent users.

~~(d) Accordingly, Licensor agrees that any other person or entity who may install equipment subsequent to the Execution Date in and/or on the Site will be permitted to install only such communications equipment that is of the type and frequency that will not cause any interference to Licensee or persons or entities claiming through or under Licensee. In the event any such person or entity's equipment causes such interference, District will cause the interfering party to take all steps necessary to correct and eliminate the interference or such interfering party will be required to cease operations until such interference is removed.~~

~~(e) Nothing contained in this Section 10 or elsewhere in this License is intended to confer any rights or remedies under, or by reason of this License on, or waive any claims against, or adversely affect any rights of, any person or entity other than the parties hereto.~~

~~**Section 11. Environmental.** Licensee shall not bring upon, or permit any other person or entity to bring upon, the Site any hazardous materials, hazardous substances, hazardous wastes, pollutants, asbestos, polychlorinated biphenyls (PCBs), petroleum or other fuels (including crude oil or any fraction or derivative thereof), except for the limited purpose of (i) providing materials or substances for emergency power generators or backup batteries required to operate the Communications Facility on a temporary emergency basis or (ii) using small quantities of solvents to clean the Communications Facility. In the event (i) or (ii) of the preceding sentence is applicable, Licensee shall use the materials and substances and solvents in compliance with all applicable laws and regulations. Notwithstanding the foregoing, Licensee is prohibited from storing any such materials and substances or solvents at the Site, or disposing of any by-products or waste from such fuels, substances and materials and solvents at the Site.~~

~~**Section 11. Environmental.**~~

~~(a) For purposes of this License, the term "Hazardous Substances" means: (a) any substance, products, waste, or other material of any nature whatsoever which is or becomes listed, regulated, or addressed pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 United States Code Section 9601 et seq.; the Resources Conservation and Recovery Act, 42 United States Code Section 6901 et seq.; the Hazardous Materials Transportation Conservation and Recovery Act, 42 United States Code Section 1801 et seq.; the Clean Water Act, 33 United States Code Section 1251 et seq.; the Toxic Substances Control Act, 15 United States Code Section 2601 et seq.; the California Hazardous Waste Control Act, Health and Safety Code Section 25100 et seq.; the Hazardous Substance Account Act, Health and Safety Code Section 25330 et seq.; the California Safe Drinking Water and Toxic Enforcement Act, Health and Safety Code Section 25249.5 et seq.; California Health and Safety Code Section 25280 et seq. (Underground Storage of Hazardous Substances); the California Hazardous Waste Management Act, Health and Safety Code Section 25170.1 et seq.; California Health and Safety Code Section 25501 et seq. (Hazardous Materials Release Response Plans and Inventory); or the California Porter-Cologne Water Quality Control Act, Water Code Section 13000 et seq.,~~

all as amended (the above cited California state statutes are hereinafter collectively referred to as the "State Toxic Substances Law"); or any other federal, state, or local statute, law, ordinance, resolution, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Substance, now or at any time hereinafter in effect; (b) any substance, product, waste or other material of any nature whatsoever which may give rise to liability under any of the above statutes or under any statutory or common law theory based on negligence, trespass, intentional tort, nuisance or strict liability or under any reported decisions of a state or federal court; (c) petroleum or crude oil, other than petroleum and petroleum products which are contained within regularly operated motor vehicles; and (d) asbestos.

- (b) Except as otherwise specifically permitted under the terms of this License, Licensee shall not use, create, generate, store, deposit, dispose of or allow any Hazardous Substances on, under, about or within the Premises or Licensed Land in violation of any federal, state, or local law, rule, regulation, order, decree or other requirement listed in this Section 11. Storage batteries for emergency power and fuel for temporary generators during power outages may only be used or stored on-site with the prior written approval of District. On site use, but not storage, of ordinary paints, solvents and similar substances commonly used in small quantities and necessary for maintenance of the Licensee's Facilities are excepted from the preceding prohibition of use by Licensee of Hazardous Substances on Licensed Area, so long as Licensee complies with all applicable federal, state and local laws rules and regulations governing the use of such items.
- (c) No permanent underground or above ground storage tanks shall be installed on Licensed Area.
- (d) District or its officers, employees, contractors, or agents shall at all times have the right to go upon and visually inspect Licensed Area the operations conducted thereon to assure compliance with the requirements herein stated. This inspection may also include taking samples for chemical analysis of substances and materials present and/or testing soils on Licensed Area and taking photographs. Except in case of emergency, District will not take samples or test soils on Licensed Area without providing Licensee with notice and the opportunity to have a representative present.
- (e) Licensee shall, within forty-eight (48) hours of the discovery by Licensee of the presence of, or believed presence of, a Hazardous Substance as defined herein, give written notice to District in the event that Licensee knows or has reasonable cause to believe that any release of Hazardous Substance has come or will come to be located on, under, about or within the Licensed Area. The failure to disclose in a timely manner the release of a Hazardous Substance by Licensee, including but not limited to, an amount which is required to be reported to a state or local agency pursuant to law (e.g., California's Hazardous Materials Storage and Emergency Response Act, Health and Safety Code Section 25550 et seq.) shall be grounds for termination of this License by District in

addition to actual damages and other remedies provided by law. Licensee shall immediately clean up and completely remove all Hazardous Substances placed by Licensee on, under, about or within Licensed Area, in a manner that is in all respects safe and in accordance with all applicable laws, rules and regulations.

(f) In the event Hazardous Substances are discovered, Licensee shall disclose to District the specific information regarding Licensee's discovery of any Hazardous Substances placed on, under, about or within Licensed Area by Licensee, and provide written documentation of its safe and legal disposal.

(g) Breach of any of these covenants, terms, and conditions, and Licensee's failure to cure within thirty (30) days of Licensee's receipt of written notice from District, shall give District the authority to either immediately terminate this License or to shut down Licensee's operations thereon, at the sole discretion of District. In either case, Licensee will continue to be liable under this License to remove and mitigate all Hazardous Substances placed by Licensee on, under, about or within Licensed Area or Site. Licensee shall be responsible for, and bear the entire cost of removal and disposal of, all Hazardous Substances introduced to Licensed Area by Licensee during Licensee's period of use and possession of Licensed Area. Upon termination of this License, Licensee shall, in accordance with all laws, remove from Licensed Area any equipment or improvements placed on Licensed Area by Licensee that may be contaminated by Hazardous Substances.

Section 12. Insurance. Licensee agrees to maintain in full force and effect a suitable policy or policies of Commercial General Liability insurance throughout the duration of the license. Such insurance shall be in amounts not less than \$5,000,000 per occurrence. If a general aggregate limit is used, either the general aggregate limit shall apply separately to the Communications Facility and Site (with the ISO CG 2501 or insurer's equivalent endorsement provided to District), or the general aggregate limit shall be twice the required occurrence limit of \$5,000,000. Coverage shall be broad enough to insure the indemnity obligation set forth in this license under Section 13. Licensee also agrees to maintain in full force and effect Automobile Liability coverage (equivalent in coverage to ISO form CA 00 01) of not less than \$1,000,000 combined single limit, each accident, covering all owned, hired and non-owned autos; and, workers' compensation insurance and employer's liability insurance with respect to all employees, if any, engaged in the performance of work on the Site. Coverage must include a waiver of subrogation endorsement in favor of District.

All insurance required under this lease shall be issued as a primary policy and contain an endorsement requiring thirty (30) days written notice from the insurer to both parties hereto before cancellation or change in coverage, scope or amount of any policy. District, its directors, officers, agents, employees, volunteers and consultants, shall be designated as additional named insureds by separate endorsement under the foregoing policies. Concurrently with the execution of this License Agreement and prior to installing the Communications Facility or any portion thereof on the Site, Licensee will provide District with a certificate(s) verifying such insurance and the terms described herein, as well as the additional insured and/or other specified endorsement(s), and shall provide proof of continuing insurance

as required herein on an annual basis thereafter in conjunction with payment of the annual license fee. Licensee shall ensure, in accordance with the Program, that its contractors performing any installation of the Communications Facility, including modifications to the Communications Facility as applicable or other work on the Site, will provide insurance that satisfies the same terms and conditions set forth in this Section 12, in accordance with the Program, and shall ensure that all insurance certificates and endorsements are provided by its contractors.

Section 13. Indemnification. Licensee shall be responsible, and District shall not be answerable or accountable in any manner, for any loss or expense by reason of any damage or injury to person or property, or both, arising out of the acts of Licensee, its agents, officers, employees, or invitees (collectively with Licensee referred to in this Section 13 as "Licensee") resulting from Licensee's activities on the Site or on and over the Access Easement, the design or installation of the Communications Facility and any related equipment, including but not limited to razor ribbon, the operation, maintenance or removal of its Communications Facility, any harmful interference caused by Licensee which interferes with the ability of the Prior Users to operate their communications equipment in accordance with the terms of the Prior Use Agreements, and, any other use of and operations on the Site or the Access Easement by Licensee, or otherwise pursuant to this license.

To the fullest extent permitted by law, Licensee shall indemnify and defend (using counsel reasonably satisfactory to District) District and its directors, officers, agents, employees, contractors, volunteers, and invitees (collectively with District referred to as "District" in this Section 13) against and will hold and save them and each of them harmless from any and all actions, claims, damages to persons or property, penalties, ~~attorneys fines, attorney's fees, administrative and judicial proceedings and orders, judgments, obligations or liabilities, including but not limited to liability associated with existence and maintenance and all costs and expenses incurred in connection therewith, including attorneys' fees and costs of razor ribbon, that may be asserted or claimed by any person, firm, association, entity, corporation, political subdivision, or other organization~~ defense (collectively, the "Losses") arising ~~out of from, resulting from~~ or ~~in connection with (i) caused by~~ Licensee's activities ~~on the Site or on and over the Access Easement; (ii) any breach or default in the performance of any obligation on Licensee's part to be performed under this license; (iii) the design or installation of the Communications Facility and any related equipment; (iv) the operation, maintenance, or removal of the Communications Facility; (v) any harmful interference caused by Licensee which interferes with the ability of the Prior Users to operate their communications equipment in accordance with the terms of the Prior Use Agreements; and (vi) any other use of and operations on the Site or the Access Easement, or undertaken~~ pursuant to this license, ~~by Licensee Agreement including activities undertaken by its employees, officers, agents and contractors, whether or not there is concurrent passive negligence on the part of District, and in connection therewith:~~

~~(a) Licensee shall defend any action or actions filed in connection with any of said claims, damages, penalties, obligations or liabilities, and will pay all costs and expenses, including attorneys' fees incurred in connection therewith, using counsel satisfactory to District.~~

~~(b) Licensee shall promptly pay any judgment rendered against Licensee or except to the extent that such claim is proximately caused by the active negligence or willful misconduct~~

~~of District or its officers, agents, employees, contractors or subcontractors who are directly responsible to District covering such claims, damages, penalties, obligations and liabilities arising out of or in connection with such use of and operations on the Site by Licensee, and agrees to save and hold District harmless therefrom.~~

~~_____ (c) _____ In the event District is made a party to any action or proceeding filed or prosecuted against Licensee for such damages or other claims arising out of Licensee's use of and operations on the Site, Licensee agrees to pay District any and all costs and expenses incurred by District in such action or proceeding together with reasonable attorneys' fees.~~

~~_____ (d) _____ Licensee's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the Licensee or District.~~

Licensee's indemnification obligation hereunder and the provisions of this Section 13 shall survive any termination, revocation, expiration, or assignment of this License.

~~_____ **Section 14. Arbitration of Disputes.** The parties desire to quickly and cost-effectively resolve any disputes arising out of or relating to the interpretation or enforcement of this License Agreement including, but not limited to, the arbitrability of such disputes. Therefore, each party shall use its best efforts to resolve informally any such disputes. If, not less than ten (10) calendar days after first making informal attempts to resolve any such dispute, the attempts have been unsuccessful, either party may thereafter initiate binding arbitration as specified below:~~

~~_____ A. _____ All disputes pursuant to this License Agreement shall be resolved by binding arbitration conducted within the County of Orange ("Arbitration") and may be initiated by a party by providing written notice to the other party ("Arbitration Notice"). The Arbitration Notice must: (i) contain a description of the dispute; (ii) specify the disputed amount, if any; and (iii) specify the remedy sought. The dispute shall then be resolved by a mutually agreed upon retired judge of the Superior Court for the County of Orange ("Arbitrator"), in accordance with the provisions set forth in this License Agreement. If the parties are unable to agree on the Arbitrator within ten (10) days after receipt of the Arbitration Notice, they shall request that the presiding judge of the Superior Court for the County of Orange designate the Arbitrator. The parties shall, initially, equally bear the cost of any such Arbitration; however, the prevailing party shall be entitled to recover such initial costs, in addition to other costs as specified herein, as an item of damage and/or recoverable cost. In addition to any other damages, award, or other relief, such prevailing party shall be entitled to recover its reasonable costs and expenses, including, but not limited to, attorneys' fees, disbursements, and court costs.~~

~~_____ Upon selection or designation of an Arbitrator, the parties shall execute a submission agreement in the form provided by the Arbitrator. The submission agreement shall set forth the rights and responsibilities of the parties with respect to the conduct of the Arbitration, as set forth herein, and shall contain the following elements in addition to any other rules and procedures for the Arbitration that are established by the Arbitrator.~~

~~_____ B. _____ The Arbitration hearing shall commence no later than sixty (60) days from the effective date of the submission agreement.~~

~~_____ C. _____ Discovery in aid of Arbitration shall be allowed in accordance with Code of Civil Procedure (“CCP”) Section 1283.05, which is hereby incorporated into, made a part of, and made applicable to this License Agreement pursuant to CCP Section 1283.1. The Arbitrator’s permission shall not be required to take any deposition(s) or propound any written discovery.~~

~~_____ D. _____ The Arbitrator shall follow and comply with all applicable substantive and procedural State case and statutory law in arriving at a decision.~~

~~_____ E. _____ The Arbitrator shall issue a written statement of decision, explaining the factual and legal basis for the decision with respect to each of the principal controverted issues, and shall deliver such statement of decision to the parties via registered or certified U.S. mail, return receipt requested.~~

~~_____ F. _____ All applicable evidentiary privileges and the work-product doctrine shall be available for purposes of the Arbitration and Arbitration hearing, and shall not be deemed to have been waived by entering into this License Agreement or by any conduct or actions of the parties undertaken in connection with any subsequent Arbitration pursuant hereto.~~

~~_____ G. _____ Any petition by a party to confirm, correct or vacate a decision of the Arbitrator must be filed within forty five (45) days following the receipt of the decision via registered or certified U.S. mail.~~

~~_____ H. _____ Not less than ten (10) calendar days prior to commencement of the Arbitration hearing, each party must make a full disclosure to the other party of: (i) all documents to be presented by such party as evidence during the Arbitration hearing; and (ii) any witness to be called by such party during the Arbitration hearing. Except for purposes of impeachment, only documents and witnesses so disclosed may be presented and called during the Arbitration hearing, or may be considered by the Arbitrator in reaching a decision.~~

~~_____ I. _____ Either party may apply to a court in the County of Orange having jurisdiction hereof and seek injunctive relief to maintain the status quo until the arbitration award is rendered or the dispute is otherwise resolved.~~

~~_____ J. _____ FINALITY OF AWARD: THE AWARD OF THE ARBITRATOR(S) SHALL BE FINAL AND BINDING UPON THE PARTIES WITHOUT APPEAL OR REVIEW EXCEPT AS PERMITTED BY CCP SECTION 1285 *et. seq.* EITHER PARTY MAY APPLY TO ANY COURT OF GENERAL JURISDICTION FOR ENTRY AND ENFORCEMENT OF JUDGMENT BASED ON SAID AWARD.~~

~~_____ K. _____ Notwithstanding the foregoing, at Licensee’s option, the following claims, disputes, and other matters in question need not be resolved by arbitration: any action by Licensee seeking an injunction or temporary restraining order against subsequent users under Section 10 of this License Agreement.~~

Section 14. Dispute Resolution

- (a) Dispute Resolution Process. Any claim, controversy, or dispute arising out of or relating to this License, or to the threatened, alleged, or actual breach thereof by any party, shall be resolved exclusively as set forth in this Section 14.
- (b) Invocation. Subject to the requirements of sub-sections (c) and (d) below, the resolution procedures shall be invoked when a party sends a written notice to the other party following the occurrence of any claim, controversy, or dispute arising out of or relating to this License, or to the threatened, alleged, or actual breach thereof. The notice shall describe the nature of the dispute and the party's position with respect to such dispute.
- (c) Field/Technical Representatives. Prior to invoking resolution procedures, the parties shall expeditiously schedule consultations or a meeting between field/technical representatives designated by each party in an effort to resolve the dispute informally.
- (d) Reference to Management Representatives. If the field/technical representatives appointed by each party are unable to resolve the dispute within fifteen (15) days, the management representatives designated by each party shall attempt to resolve such dispute through consultation and negotiation, within thirty (30) days (or such longer period as mutually agreed by the parties). The management representatives may request the assistance of an independent mediator if they believe that such a mediator would be of assistance to the efficient resolution of the dispute. Unless otherwise agreed, the cost of the mediator will be shared equally by the parties.
- (e) Binding Arbitration. If the management representatives cannot resolve the dispute as set forth herein, the matter shall be resolved by binding arbitration in the County of Orange, California, pursuant to the rules of Judicial Arbitration and Mediation Services ("JAMS"), as amended or as augmented in this Agreement (the "Rules"). Arbitration shall be initiated as provided by the Rules, although the written notice to the other party initiating arbitration shall also include a description of the claim(s) asserted and the facts upon which the claim(s) are based. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all claims subject hereto, including any award of attorney's fees and costs. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. All disputes shall be decided by a single arbitrator. The arbitrator shall be selected by mutual agreement of the parties within thirty (30) days of the effective date of the notice initiating the arbitration. If the parties cannot agree on an arbitrator, then the complaining party shall notify JAMS and request selection of an arbitrator in accordance with the Rules. The arbitrator shall have only such authority to award equitable relief, damages, costs, and fees as a court would have for the particular claim(s) asserted. In no event shall the arbitrator award punitive damages of any kind. The parties acknowledge that one of the purposes of utilizing arbitration is to avoid lengthy and expensive discovery and allow for prompt resolution of the dispute. The arbitrator shall have the power to limit or deny a request for documents or a deposition if the arbitrator determines that the request exceeds

those matters which are directly relevant to the claims in controversy. The document demand and response shall conform to Code of Civil Procedure section 1282.6. The deposition notice shall conform to Code of Civil Procedure section 1283. The parties may make a motion for protective order or motion to compel before the arbitrator with regard to the discovery, as provided in Code of Civil Procedure. Notwithstanding the election by the parties to arbitrate their disputes, nothing contained herein shall prevent a party from filing an action in a court of competent jurisdiction to seek any form of equitable remedy or relief.

Section 15. Program Fees–Deposit. If not already paid by Licensee to District under the Program requirements, then concurrently with the execution of this License Agreement, Lessee shall pay to Lessor the sum of _____ Dollars (\$ _____) covering applicable fees set forth under the terms of the Program.

Section 16. Entire Agreement; Amendment. This License Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and ~~preliminary~~ agreements made prior to the date hereof. In the event there is an existing lease or license between Licensee (or its predecessor-in-interest) and District covering the Leased Area, it is agreed and understood that this License shall cancel, supersede and terminate said prior lease or license as of the Execution Date of this License. This License may not be ~~changed~~ modified except in a writing executed by both parties.

Section 17. Paragraph Heading and Construction. The section headings contained in this License ~~Agreement~~ shall not be considered to be a part hereof for purposes of interpreting or applying this License, but are for convenience only.

Section 18. Governing Law/Venue. This License shall be governed by and construed in accordance with the laws of the State ~~of California without regard to its conflicts of laws rules.~~ Any lawsuit brought in connection with this License (as may be permitted hereunder) shall be brought in the appropriate court of the County of Orange, California and the parties agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure section 394.

Section 19. Binding on Successors; No Third Party Beneficiaries. This License ~~Agreement~~, and all of the provisions hereof, shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, and assigns. No customer, other person or entity other than parties shall be deemed to be a third party beneficiary hereof, and nothing in this ~~Agreement~~ License, either express or implied, is intended to confer upon any customer or other person or entity, other than the parties and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this ~~Agreement~~ License.

Section 20. Independent Contractors. Licensee's contractors, agents and representatives are independent contractors of Licensee, and are not employees or independent contractors of the District while on the Site, or while engaged in any work on the Site, including the construction, installation, maintenance or operation of the Communications Facility.

Section 21. Limited Assignment/ No Sub-licensing.

(a) This License ~~Agreement~~, or the license interest of LesseeLicensee in the Site, shall not be assigned by ~~Lessee voluntarily or by operation of law~~ Licensee except with the prior written consent of District which consent may be withheld in the Licensor's sole discretion, notwithstanding sections 1995.260 and 1995.270 of the California Civil Code, and as they may be amended, or as allowed under subsection (b) hereof.

(b) Licensee may, without District's consent but upon at least sixty (60) days prior written notice to District, from time to time assign this License ~~Agreement~~ in its entirety (i) to any entity which has, directly or indirectly, a 51% or greater interest in lesseeLicensee (a "Parent"), or to any entity in which Licensee or a Parent has a 51% or greater interest (an "Affiliate"); ~~(ii) to any entity with which Licensee and/or any Affiliate may merge or consolidate; or (iii) to a buyer of substantially all of the outstanding ownership units or assets of Licensee or any Affiliate.~~). Any such assignment shall not be effective unless and until the assignee executes and delivers to District (A) a representation that assignee is Licensee's successor under the License Agreement pursuant to clause (i), (ii) or (iii) of this Section 20(b); and (B) assignee's written assumption of all Licensee's obligations under this License ~~Agreement arising from and after the effective date of assignment.~~

~~(c) Notwithstanding subsection (a) above, Licensee may, without District's approval and in Licensee's sole discretion, from time to time grant to any person or entity a financing security interest in some or all of the Communications Facility.~~

~~(c) Sub-licensing is strictly prohibited.~~

~~(d) Any attempted or unauthorized assignment or sub-license shall be void and shall be cause for immediate termination of this License by District. The acceptance of Annual License Fees by District from any person other than Licensee or an authorized assignee shall not be deemed to be a waiver by District of any provision hereof. Consent to one assignment shall not be deemed consent to any subsequent assignment.~~

~~(e) Applications for consent to assignments shall be submitted to the District in accordance with the requirements set out in the Program.~~

Section 22. Waiver of District's Lien. Subject to Licensee's obligations otherwise set forth in this License ~~Agreement (i.e. see, Section 8),~~

~~(a) District waives any lien rights it may have concerning the Communications Facility which are deemed Licensee's personal property and not fixtures, and Licensee has the right to remove the same at any time without District's consent; and,~~

~~(b) District acknowledges that Licensee has entered into or may enter into a financing arrangement including promissory notes and financial and security agreements for the financing of the Communications Facility (the "Collateral") with a third party financing~~

~~entity (and may in the future enter into additional financing arrangements with other financing entities). In connection therewith, District (i) disclaims any interest in the Collateral, as fixtures or otherwise; and (ii) agrees that the Collateral shall be exempt from execution, foreclosure, sale, levy, attachment, or distress for any License Fee due or to become due and that such Collateral may be removed at any time without recourse to arbitration or other legal proceedings.~~

Section 23. Attorney's Attorneys' Fees. Should either party be compelled to institute arbitration or legal or other proceedings against the other for or on account of its failure or refusal to perform or fulfill any of the covenants or conditions of this License ~~Agreement~~ on its part to be performed or fulfilled, then the prevailing party in such action or proceeding shall receive from the other party attorney's fees and costs as adjudged reasonable by the arbitrator, or court.

Section 24. Notice. Any notice, request, information or other document to be given hereunder to any of the parties by any other parties shall be in writing and shall be deemed given and served upon delivery, if delivered personally, or three (3) days after mailing if sent by certified mail, postage prepaid, as follows:

If to Licensee:

Attn: _____

If to Licensor:

Moulton Niguel Water District
27500 La Paz Road
Laguna Niguel, CA 92677

Attn.: Director of Engineering & Operations

With a copy to:

Attn: _____

Either party may change the address or persons to which notices are to be sent to it by giving the written notice that such change of address or persons to the other party in the manner provided for giving notice.

Section 25. Counterparts. This License ~~Agreement~~ may be executed in counterparts, each of which shall be deemed to be an original.

Section 26. ~~Recital/ Exhibits.~~ The parties agree the ~~Recital is true~~ **Representations and** correct **Warranties.**

- (a) Each party represents and is incorporated as part of warrants that this License constitutes a legal, valid and binding obligation of such party, and is enforceable against such party in accordance with the terms set forth in the License.
- (b) Licensee represents and warrants that it has received a complete copy of the Program from District, has read and understood the requirements of the Program, and is able to and will fully comply with the Program and the terms of this License, in connection with the Communication Facility, and in the exercise of its rights and obligations under this License.
- (c) Licensee acknowledges and agrees that the Program may be revised from time to time by the District, and all changes or revisions to the Program (except for Appendix A – Communications Facility License Agreement— Template) will automatically apply to this License upon written notice of the revised Program by District in accordance with Section 24, without the need for any formal amendment of this License.
- (d) Licensee acknowledges and agrees that Licensee is not entitled to relocation assistance, or any other benefits under the Uniform Relocation Assistance Act, or any other applicable provision of law upon termination of this License.

Section 27. NO WARRANTY

LICENSEE’S RIGHT TO USE THE LICENSED AREA, DISTRICT IMPROVEMENTS AND THE SITE IS STRICTLY ON AN “AS IS” BASIS WITH ALL FAULTS. DISTRICT MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND AS TO THE PRESENT OR FUTURE CONDITION OF OR SUITABILITY OF THE SITE, DISTRICT IMPROVEMENTS OR THE LICENSED AREA FOR LICENSEE’S USE AND DISCLAIMS ANY AND ALL WARRANTIES EXPRESS OR IMPLIED WITH RESPECT TO THE PHYSICAL, STRUCTURAL, OR ENVIRONMENTAL CONDITION OF THE SITE, DISTRICT IMPROVEMENTS, AND LICENSED AREA AND THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. LICENSEE IS SOLELY RESPONSIBLE FOR INVESTIGATION AND DETERMINATION OF THE CONDITION AND SUITABILITY OF THE SITE, DISTRICT IMPROVEMENTS, AND LICENSED AREA FOR LICENSEE’S INTENDED USE.

Section 28 Taxes. District hereby provides notice pursuant to California Revenue and Taxation Code Section 107.6, and Licensee acknowledges that this License may create a possessory interest and Licensee may be subject to property taxes levied on such interest, as described in California Revenue and Taxation Code Section 107. Licensee shall pay, when due, all real and personal property taxes, fees and assessments, assessed against the Licensed Area and the Communications Facility.

Section 29. Time. Time is of the essence of this License.

Section 30 Survival. All terms that by their nature should survive termination of this License shall survive, including but not limited to payment of amounts owed and indemnification obligations.

Section 31. The following exhibits are incorporated in this License Agreement:

Exhibit A Site- Legal Description

Exhibit B Description - Communications Facility (equipment list)

Exhibit C ~~Dimension Sketch, Plot Plan – Communications Facility~~ Licensed Area (Survey & Design Drawings)

Exhibit D List of Prior User(s)

~~Section 27. Authorized Representatives.~~ Section 32. Binding Authority/Authorized Representatives. Each of the parties represents and warrants that it has the full right, power, legal capacity, and authority to enter into and perform its obligations hereunder and that those obligations will be binding upon that party without the approval or consent of any other person or entity. Each person executing this License Agreement represents and warrants he/she has been duly authorized to execute the same.

IN WITNESS WHEREOF, the parties hereto have executed this License Agreement as of the day and year first written above.

“District”:

“Licensee”:

MOULTON NIGUEL WATER DISTRICT

By: _____

By: _____

General Manager

Title: _____

#6.



Appendix B
Amendment to Communication Facility License
Agreement Template

Edit as appropriate. Select if it's a license or lease amendment. Delete as needed.

AMENDMENT NO. [redacted] TO COMMUNICATION FACILITY LEASE/LICENSE

(cell carrier name & MNWD site name)

This Amendment No. [redacted] to Lease/License (this "[redacted] Amendment") is made this ___ day of _____, 20___, by and between Moulton Niguel Water District ("District") a California water district existing and operating pursuant to Division 13 of the California Water Code, and [redacted] ("Lessee/Licensee"), with reference to the facts set forth in the Recitals below:

RECITALS

A. District is the owner of that certain real property located at [redacted] ("~~Lessor's/Licensor's Property~~ District's Site"); and B. District and Lessee/Licensee are parties to that certain Lease/License dated [redacted] (the "~~Lease/License Agreement~~"), pursuant to which Lessee/Licensee ~~District from District~~ currently has installed and is operating Licensee's federally licensed communications facility at the Premises, as more particularly described in the Lease/License. For purposes of this [redacted] Amendment, such Premises shall be referred to as the "~~Existing Premises Site~~;" and

C. On (Insert date of First Amendment, if applicable), the Parties executed Amendment No. [redacted] to the Agreement to (insert description of First Amendment, if applicable); and

~~D. The District's D. (Insert Recitals for all other Amendments as applicable, using the above format) (the Agreement and the amendments collectively are referred to herein as the "Agreement"); and~~

~~E. District has adopted a revised "Communications Facilities License Program -- Policy and Procedures for Communication Communications Facilities Licenses within Moulton Niguel Water District Properties" dated March 2012, as if may be revised from time to time, is incorporated by this amendment to the [Lease/License], if not already made a party thereof. 2015 (the "Program").~~

~~E. (Insert Recitals for all other Amendments as applicable, using the above format); and~~

FOR EXPANSION OF SPACE ADD THE FOLLOWING RECITAL:

F. ~~District and Lessee/Licensee have agreed~~ desires to amend the Lease/License Agreement in order to (i) expand ~~the Existing Premises,~~ (ii) allow Lessee/Licensee its use of the Site to install, operate, maintain, repair and replace a [describe proposed work to be completed], (iii) ~~revise as specified in the~~ rent calculation for the term of the Lease/License (the "~~Term~~") to account for the expansion of the Existing Premises, and (iv) ~~make certain other modifications to the Lease/License,~~ all as set forth more fully below ~~attached Exhibit~~; and

FOR ADDITIONAL ANTENNAS ADD THE FOLLOWING RECITAL:

G. ~~District and Lessee/Licensee desire~~ desires to amend the Agreement to allow for the installation of additional antennas, associated cables and other communications ~~instrument~~ equipment as specified in the attached Exhibit; and

FOR SITE IMPROVEMENTS ADD THE FOLLOWING RECITAL:

H. ~~District and Lessee/Licensee desire~~ desires to amend the Agreement to permit Lessee/Licensee to add, modify and/or replace equipment in order to be in compliance with any current or future federal, state or local mandated ~~application~~ requirement, including but not limited to emergency 911 communication services; and

FOR EXTENSION OF THE LEASE TERM ADD THE FOLLOWING RECITAL:

I. ~~District and Lessee/Licensee desire~~ desires to amend the Agreement to extend the term of the Agreement for (a period of _____, until _____ or another time period – please select one or modify as needed); and

FOR ADDITIONAL RENT ADD THE FOLLOWING RECITAL:

J. ~~District and Lessee/Licensee desire~~ desires to modify, as set forth herein, the Rent payable under the Agreement. In addition to Lessee’s annual rent obligations for the Existing Premises, lessee/licensee shall pay and additional rent in the amount of \$ _____ (\$xxxx.xx); and

K. District is willing to agree to such amendment(s) upon the terms and conditions specified herein.

AGREEMENT

NOW, THEREFORE, in consideration of the facts contained in the Recitals above, the mutual covenants and conditions below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Defined Terms. Any capitalized terms used in this Amendment No. _____ that are not defined herein shall have the meanings given those terms in the ~~Lease/License or all previous amendments Agreement.~~ Unless the context clearly indicates otherwise, all references to the ~~“Lease/License Agreement”~~ in the ~~Lease/License and in~~ this Amendment No. shall hereinafter be deemed to refer to the ~~Lease/License Agreement~~, as amended hereby.

FOR EXPANSION OF EXISTING PREMISES ADD THE FOLLOWING PARAGRAPH:

#. Expansion of ~~Existing Premises Use of Site.~~ The description of the leased/licensed space (“Existing Space”) contained in the ~~Lease/License Agreement~~ is hereby amended to hereinafter include additional ground space measuring approximately [incorporate this information] _____ (the “Additional Space”), all as more particularly described and depicted in the site drawing attached hereto as Exhibit A-1 and made a part hereof, together with such additional space as may be required for the installation of conduit and equipment,

#6.

which shall be located within a non-exclusive utility easement to connect the Existing PremisesSpace with the Additional Space. The parties acknowledge and agree that the attached Exhibit A-1 is intended to supplement the site drawing attached as Exhibit A-2 to the Lease/License Agreement. Commencing on execution of this Amendment, the Additional Space and the Existing Space shall hereinafter be referred to collectively as the "Communications Facility Existing Space."

FOR SITE IMPROVEMENTS ADD THE FOLLOWING PARAGRAPH:

#. Site Improvements. District acknowledges and agrees that Lessee/Licensee intends to construct and install certain additional improvements on the leased/licensed Existing space, which include, but are not limited to comprise, [describe proposed work to be completed] _____ as substantially depicted on Exhibit A-2 (collectively, the "Improvements"). District hereby consents to the construction, installation, operation, maintenance, repair and replacement of the Improvements as the same may be modified, added to replaced and/or substituted from time to time during the Term, as it may be extended. District further acknowledges and consents to the improvements as substantially depicted on Exhibit A-2.

FOR ADDITIONAL RENT ADD THE FOLLOWING PARAGRAPH:

FOR ADDITIONAL RENT ADD THE FOLLOWING PARAGRAPH:

4.#. Additional Rent. In addition to Lessee's/Licensee's annual rent existing obligations for under the leased/licensed space Agreement, Lessee/licensee shall pay additional rent in the amount of _____ (\$XXXX.XX) per month, commencing upon execution of the Amendment No. _____. Commencing on [New Rent Commencement Date], the total Rent payable under the Agreement No. _____ shall be \$[New Base Rent] per [month/annually,] and shall continue during the Term, subject to adjustment, if any, as provided below in the Agreement.

FOR ADDITIONAL ANTENNAS ADD THE FOLLOWING PARAGRAPH:

5.#. Additional Antennas. In addition to the other existing antennas permitted in the Agreement, District consents to the installation and operation of additional antennas, associated cables and equipment as more completely described on attached Exhibit A-2. Landlord's District's execution of this Amendment will signify Landlord's District's approval of Exhibit A-2. Exhibit A-2 hereby replaces Exhibit XX to the Agreement/Amendment No. _____ dated _____.

District Notices.#. District Notices. District and Lessee/Licensee notice addresses for purposes of the Lease/License Agreement are as follows:

District: Moulton Niguel Water District
P.O. Box 30203
Laguna Niguel, 92607-0203
Attention: _____.

Lessee/Licensee: _____

Attention: _____

#. License Program. Lessee/Licensee represents and warrants that it has received a complete copy of the Program from District, has read and understood the requirements of the Program, and is able to and will fully comply with the Program (excluding Appendix A – Communications Facility License Agreement Template) and the terms of this Agreement, in connection with the Communication Facility, and in the exercise of its rights and obligations under the Agreement from and after the date of this Amendment. Further, Lessee/Licensee acknowledges and agrees that the Program may be revised from time to time by the District, and all changes or revisions to the Program (excluding Appendix A – Communications Facility License Agreement Template) will be automatically apply to this Agreement upon written notice of the revised Program by District, without the need for any formal amendment of this Agreement.

#. Continued Effect. Except as specifically modified by this Amendment No. _____, all of the terms and conditions of the ~~Lease/License and previous Amendments Agreement~~ shall remain in full force and effect. In the event of a conflict between any term or provision of the ~~Lease/License Agreement~~ and this Amendment No. _____, the terms and provisions of this Amendment No. _____ shall control. In the event of a material conflict between the terms of this Agreement and the Program (excluding Appendix A – Communications Facility License Agreement Template), the more stringent terms shall prevail. All captions are for reference purposes only and shall not be used in the construction or interpretation of this Amendment No. _____.

[Signature page follows]

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IN WITNESS WHEREOF, District and Lessee/Licensee have caused this Amendment No. to be executed by each party's duly authorized representative effective as of the date first above written.

DISTRICT:

MOULTON NIGUEL WATER DISTRICT,
A California water district existing and operating pursuant to Division 13 of the California Water Code

By: _____
General Manager or designee

ATTEST:

By: _____
Secretary

LESSEE:

By: _____

Name: _____

Title: _____

Proper notarial acknowledgment of execution by Lessee/Licensee must be attached.

#6.

Appendix C

Application Form

Appendix C
Moulton Niguel Water District
Communication License Program
Application Procedures and Forms

Contents

Section C-1. Communications Facility License Application Procedures..... 1
Section C-2. Communications Facility Application Review 3

Form C-1: Application Form

Form C-2: Letter of Authorization

Form C-3: Letter of Consent

Section C-1. Communications Facility License Application Procedures

Applicants to the District seeking placement of communications facilities on District properties must submit an application with the applicable fees by separate checks for each required fee, payable to MNWD. The application form is provided in this Appendix and Appendix D contains the application fee schedule, which may be amended from time to time.

1. The applicant shall complete all necessary information on the application. Page 1 of the application shall be completed in its entirety. The applicant must provide this information:
 - a. licensee corporate name, state of incorporation, doing business as or trade name if any;
 - b. licensee corporate address and local address (if different);
 - c. contact information for licensee personnel responsible for the application;

#6.

- d. drawings and/or plans depicting the location and dimensions of the proposed communication facilities, equipment specifications, engineering calculations showing that equipment will not impact District facilities as applicable, geotechnical reports, and any other information as necessary to determine full scope of the work;
 - e. map depicting the location of the proposed communications facility;
 - f. radio frequency analysis showing the current usage at the proposed site along with the new usage and providing detailed information regarding any precautions necessary for District employees to be aware of in the normal course of their business due to the placement of licensee's transmitters or equipment;
 - g. list of any other facilities of licensee previously installed on District property including the site number and location;
 - h. proposed date of installation;
 - i. structural analysis for brackets;
 - j. description and listing of the various local, State of California and federal public agency approvals required with expected approval date;
 - k. copy of any license or registration required of licensee to do business in California; and pertinent FCC license(s); and
 - l. any other information pertinent to the applicant, or as may be requested by District staff and/or District representative.
2. Applicants shall coordinate and comply with requirements of public agencies of the County of Orange, adjacent cities or any other public agencies as required by the permitting public agencies.
 3. All land use approvals, parcel map requirements, permits or any other regulations and conditions required by the County of Orange, the California Public Utilities Commission, the Federal Communications Commission or other municipalities and governmental agencies shall be satisfied by the applicant at its cost. Applicant shall provide the District with copies of any and all entitlement permits granted for installation and any conditions of approval for the operation of the communications facilities.

4. Applicant may make application at any time for a new License Agreement, with the understanding that the time remaining on the current agreement will not be added to the term of the new agreement. It is recommended, Licensee makes application for a new License Agreement at least one year prior to the end of the current agreement to ensure sufficient time for reviews and approvals.

Section C-2. Communications Facility Application Review

The following steps make up the Application Review process:

1. Staff shall review the contents of applicant's submission and determine whether the application is complete.
2. Once a completed application is received and application fees are paid, if the applicant's proposed improvements are outside any existing areas used by the applicant, Staff will verify that the property interest of the District at the locations proposed to be used in conjunction with the proposed development is not restricted to reservoir purposes only (or pump/lift station or other specified facility purposes, as the case may be), or uses "incidental" to reservoir (pump/lift station) purposes.
3. Upon a determination by Staff that the application is incomplete, Staff shall advise the applicant in writing of the deficiencies in the application, or request such additional information which, in the sole discretion of the District, would make the application complete. Applicants shall respond to the District and complete the submission requirements as soon as possible. Should the applicant fail to submit the supplemental information within a one year time frame, the application may be deemed abandoned at the District's discretion. Re-submission shall require a new application and application fees.
4. Staff or its agent shall review the application to determine whether the application meets all policies and requirements outlined in this Program document or as otherwise incorporated by reference herein.
5. Staff shall consider the safety of District employees and all invitees and authorized volunteers in evaluation of new communications facility applications.

#6.

6. The District will not issue its consent letter for the construction of a site or for proposed improvements, unless and until all items requested by the District are provided and approved. These items include, but not limited to, the following:
 - a) Executed License Agreement or License Amendment
 - b) Adjoining land owners' Approval / Consent (when applicable)
 - c) Zoning Approval Documentation (when applicable)
 - d) Approved Construction Drawings (for District Signature)
 - e) Structural Analysis Report & Structural Mount Letter (when mounting to District tank facilities)
 - f) Building Permit / Encroachment Permit - Ready to Issue Memo (or Memo with supporting documentation indicating a permit is not require)
7. Upon receipt of the Consent Letter and signed drawings, Licensee has one year to complete its project, any extension to this time frame is at the discretion of the District. If not complete within one year, Licensee will be required to refile with the District for its project including all fees necessary to review the project.
8. The District reserves the right to deny any application at its sole discretion without liability.

MNWD

WIRELESS TELECOMMUNICATION APPLICATION

Required for all New/ Existing Wireless Telecommunication Facilities

The purpose of this form is to ensure that the goals and objectives outlined in Telecommunications Policies and Procedures will be met with each submitted project. Specifically, this form shall be used to ensure each application for installation of or modification to wireless communication infrastructure on MNWD property demonstrates that reasonable design and site location alternatives have been explored and evidence of such is presented to the approving authority prior to the final tower, location, and design being approved. An application shall not be deemed complete nor processed until the entire application is submitted in full and accepted by the MNWD staff.

NEW SUBMITTAL: _____ (Y/N) RE-SUBMITTAL: _____ (Y/N)
RESUBMITTAL NO.: _____ PREV. SUB. DATE: _____

MNWD Site Name: _____

Site Address: _____

APN# _____

Carrier: _____ Local Address: _____

Carrier Site Name/Number: _____

New Build: _____ Modified Build: _____

Proposed Design or Modification:

Height: _____ Material: _____ Color: _____

Antenna Size HxWxD: _____ Number /Weight: _____

Microwave dish (Y/N): _____ Number / Size: _____

RRH (Remote Radio Heads) (Y/N): _____ Number / Size: _____

Surge suppressors (Y/N): _____ Number / Size: _____

TMA/LNA (Y/N): _____ Location: _____ Number / Size: _____

#6.

Brief description of project: _____

Equipment:

Location of the proposed equipment (and existing equipment, if applicable): _____

Size: _____ Square Feet: _____ Interior/ Exterior: _____
Enclosure material: _____ Height of enclosure: _____
Proposed screening material: _____
Site access to equipment: _____
Aesthetic mitigation measures: _____

Correspondence regarding this application should be sent to:

Agent Name: _____
Agent Company: _____
Address: _____
Phone: _____
E-mail: _____

• **X** _____
Applicant Signature _____ Date

<u>MNWD only</u>	
Payment Received: \$ _____	Date: _____
Original Submittal Date: _____	
Re-submittal No.: _____	Date: _____
Tracking No.: _____ (Original Receipt No.)	
Rev. 7/2012	-248-



**MOULTON NIGUEL WATER DISTRICT
WIRELESS TELECOMMUNICATION APPLICATION**

Required for all New & Existing Wireless Telecommunication Facilities

(Check all that apply)

- Application for Renewal or New License
- Application for License Amendment
- Application for Consent Letter for minor improvements (no excavation/plan approval)
- Application for Consent Letter for major improvements (site excavation/plan approval)
- Specialty field inspection (coating, welding, compaction, etc.), billed to licensee upon completion of construction
- Application for site decommission
- Application for insurance compliance, name change, assignment, change of ownership or entity

Please see the Fee Schedule in Appendix D of the MNWD Communication Facilities License Program
(Payments should be made payable to MNWD and shall accompany this application)

Total Fee: \$ _____

Check #: _____

MNWD Site Name: _____

Site Address: _____

APN#: _____

Wireless Service Provider Name (Carrier): _____

Carrier's Local Address: _____

Carrier Site Number/Name: _____

Correspondence regarding this application should be sent to:

Agent Name: _____

Agent Company: _____

Address: _____

Phone: _____

E-mail: _____

Applicant Signature

Date

#6.

_____ New Build _____ Modified Build _____ Decommission

Detailed description of project: _____

Equipment:

(mark all that apply)

Antenna(s) (Y/N): _____ Number / Size: _____

Microwave dish (Y/N): _____ Number / Size: _____

RRH (Remote Radio Heads) (Y/N): _____ Number / Size: _____

Surge Suppressors (Y/N): _____ Number / Size: _____

TMA/LNA (Y/N): _____ Number / Size: _____

Trenching (Y/N): _____ Location/Length: _____

Location of the proposed BTS equipment (and existing equipment, if applicable): _____

Interior/ Exterior: _____ Size: _____ Square Feet: _____

Enclosure material: _____

Proposed screening material: _____

Site access to equipment: _____

Aesthetic mitigation measures: _____

<u>MNWD only</u>	
Payment Received: _____	Date: _____
Original Submittal Date: _____	
Re-submittal No.: _____	Date: _____



LETTER OF AUTHORIZATION
TO PROCEED WITH ZONING AND PERMITTING
FOR WIRELESS COMMUNICATIONS FACILITY INSTALLATION

Description of proposed communications facility installation (include site name/number):

MNWD Submittal Number: _____

Street Address: _____

Carrier's Site ID: _____

APN#: _____ **MNWD site name:** _____

Carrier: _____

California Address: _____

Carrier's Agent: _____

Address: _____

Phone: _____ **Fax:** _____

Email: _____

I hereby authorize Carrier and/or its agent to proceed to secure any permits or entitlements required by the appropriate jurisdiction associated with the installation of a wireless communications facility or appurtenances on the property described above. This authorization is not an agreement to lease or license space or rights to the Carrier and does not represent an agreement to do so. This authorization does not entitle the Carrier to use space of or initiate any type of construction on Moulton Niguel Water District property. The pursuit of required governmental approvals shall be at no cost to Moulton Niguel Water District.

Signed: _____

Title: _____

Dated: _____

THIS AUTHORIZATION EXPIRES 12 MONTHS FROM THE DATE OF SIGNATURE, UNLESS EXTENDED BY THE DISTRICT.

Additional Comments: _____

#6.



Moulton Niguel Water
Leading the Way in Service

CONSENT LETTER

FOR WIRELESS COMMUNICATIONS FACILITY INSTALLATION

Description of improvements

MNWD Submittal Number:

Street Address: _____

Carrier's Site ID: _____

APN#: _____ **MNWD site name:** _____

Carrier: _____

California Address: _____

Carrier Agent: _____

Address: _____

Phone: _____ **Fax:** _____ **Email:** _____

Carrier and/or its agent is authorized to proceed with the construction and/or installation, modification, upgrade, removal or maintenance described above. Attached hereto as Exhibit A is a drawing or drawings depicting the installation before the project and as-complete following the activity authorized by this Consent Letter. Attached hereto as Exhibit B is a construction schedule and a list of personnel expected to complete the project. Carrier hereby represents that all contractors are properly insured, bonded, and licensed according to the applicable laws of the State of California.

This authorization is not an agreement to amend the lease or license agreement, and is no extension of any rights or obligations other than those itemized in the existing lease or license agreement. This authorization does not entitle Carrier to use space of Moulton Niguel Water District other than for construction staging. This consent letter is provided on the condition that the project work shall be at no cost whatsoever to Moulton Niguel Water District.

Carrier and/or its agent must notify MNWD inspector, Peggy Toal 949-425-3530, at least 2 working days before construction begins to coordinate a preconstruction meeting at the site.

MNWD CONSENT APPROVAL

Name _____ Title _____ Signed _____ Date _____

PROJECT COMPLETION

This authorization expires 12 months from the date of the MNWD Consent Approval signature. Any work not completed within this time frame may be stopped and subject to resubmittal fees unless prior authorization has been granted by MNWD to continue/complete the work. Once the Carrier deems the project complete the Carrier will provide "as-built" drawings, sign this form below and deliver to MNWD for final sign-off.

Carrier Agent's Name & Title _____ **Signed** _____ **Date** _____

MNWD Name & Title _____ **Signed** _____ **Date** _____

|

#6.

Procedures and Forms

Appendix D
Fee Schedule

**Moulton Niguel Water District
Communication License Program
Application Fee Schedule¹**

Checks for site application fees should be made payable to the Moulton Niguel Water District. Separate checks must be made specifically for each District property and for each type of fee. Prior to cashing the checks, the District will review each application and determine whether the required application fees have been submitted. If a fee has been submitted that is not necessary, the District will return the check. If fees are missing, the District will advise the applicant. Once a fee is accepted, it is non-refundable and not assignable to another site or application. Failure to diligently pursue an application once submitted (for example, by not responding to a District request for information for several months) may result in denial of the application and require resubmittal.

Types of fees:

1. Application for a renewal or new License at a site - \$3,500.00 nonrefundable deposit and full reimbursement of District out-of-pocket and attorney fees above that amount.
2. Application for License Amendment - \$1,250.00 nonrefundable deposit and full reimbursement of District out-of-pocket and attorney fees above that amount.
3. Application for a Consent Letter for minor improvements (no excavation, ~~no plans~~) - \$) - \$1,500.00 flat fee.
4. Application for a Consent Letter for major improvements (site excavation, ~~plan approval~~) - \$) - \$1,750.00 flat fee.
5. Application for a letter of authorization to commence zoning and permitting - \$200500.00 flat fee.
6. Specialty field inspections - \$75 per hour (coating, welding, compaction, etc), billed to licensee upon completion of installation.
7. Application for site decommission - \$2,000.00 nonrefundable deposit and full reimbursement of District out-of-pocket and attorney fees above that amount.
8. Application for insurance compliance, name change, assignment, change of ownership or entity - \$600.00 nonrefundable deposit and full reimbursement of District out-of-pocket and attorney fees above that amount.

¹ These processing application fees are in addition to the 'annual license fee' required under the License Agreement/Amendment.

Appendix E

**Signature Block Sample and Equipment Table
Samples**

#6.

Signature Block Sample –and Equipment Schedule

Required on all title pages of drawings submitted to MNWD for approval for communication license holder’s site improvements.

Moulton Niguel Water District	
Director of Engineering and Operations	Date
<u>or</u> <u>Assistant Director of Engineering</u>	
MNWD Site Name: _____	

<u>EQUIPMENT SCHEDULE</u>				
	<u>ZONING</u> <u>APPROVED</u>	<u>LICENSED</u> <u>APPROVED</u>	<u>EXISTING ON</u> <u>SITE</u>	<u>NEW</u> <u>MOD</u>
<u># OF</u> <u>ANTENNAS</u>	-	-	-	-
<u>ANTENNA</u> <u>SIZE</u>	-	-	-	-
<u>EQUIPMENT</u> <u>AREA</u>	-	-	-	-
<u>RRU'S /</u> <u>LOCATION</u>	-	-	-	-

Appendix F

Construction Notes

#6.

These construction notes must appear on the notes sheet of every plan sheetset submitted for District's review and approval:

MNWD construction notes:

1. The Moulton Niguel Water District inspector shall be notified at least two (2) working days prior to beginning of construction. Call (949) 425-~~3532~~3530 to arrange for inspection.

2. A preconstruction conference of representatives from applicable agencies shall be held on site at least one ~~(1)~~ week prior to beginning construction at which time a construction schedule and 24-hour contact information shall be provided to MNWD.

3. Contractor shall maintain access to the site at all times for Moulton Niguel Water District personnel. Open trenches shall be properly plated at the end of each working day to allow for 24-hour MNWD access to the site.

4. The Contractor and Cell Carrier shall be responsible for any damage due to Construction activities to the existing site and shall return damaged facilities to existing condition or better at no cost to the District.

5. The Contractor shall notify underground service alert (DIG ALERT) at least two (2) working days prior to beginning construction at 1-800-422-4133. Any MNWD facilities to be crossed or paralleled within five feet shall be potholed to verify location prior to working in the vicinity of MNWD facilities. Contractor is responsible for providing gate access to DIG ALERT inspection(s).

6. The Contractor shall contact the District coating representative (inquire for current name) for coating requirements and inspections at (XXX) XXX-XXXX prior to any work on a steel tank. District coating representative shall to be present during the preconstruction conference if proposed project involves any work on the steel tank. The Contractor is responsible for paying District coating representative for their services.

7. All new and existing facilities owned by the represented cellular carrier shall be properly tagged identifying the owner'sowner's name and 24-hour phone

number. Contractor to ensure that RF and emergency contact signage is correct and meets the requirements from the City and FCC.

8. The Contractor shall have a copy of plans approved by the MNWD Assistant Director of Engineering and ~~Operation and~~ a Consent Letter on-site at all times.

9. The Contractor is responsible to ensure the site is secure at all times, during both working and non-working hours.

10. The Contractor shall provide the District with two (2) sets of approved construction plans prior to scheduling inspection, and submit ~~as-built~~record drawings to the District upon completion of the job.

11. The contractor shall saw cut all pavement. Backfill shall be one sack slurry or aggregate base to within 1" of existing AC.

12. The contractor shall provide a minimum cover of 30-inches on top of all conduits.

13. The contractor shall replace asphalt pavement with: 1st lift - 3/4" mix, relative compaction 95%, no more than 3" placed at any one time. 2nd lift - 1/2" fine, no more than ~~1-11~~1/2" lift.

14. The contractor shall slurry seal the entire work area and any damaged areas curb to curb. The contractor may be required to slurry seal additional areas as required by District inspector.

14B. If applicable, see, Section 23.7 Softscape Replacement of the Policy and Procedures for Communication Facilities.

15. The contractor and license holder shall perform a final walkthrough to for release. and provide the District a copy of the District signed plans with field mark-ups (record drawings).

MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results

Results of operations for the three months ended September 30, 2015, as compared to the three months ended September 30, 2014, are summarized below. Please note that the unaudited statements presented for fiscal year end June 30, 2015, are in the draft phase and not yet finalized. Therefore, actual audited financial statements will differ from what is presented here.

Summary Budget Comparison Report

The Summary Budget Comparison Report is a high-level statement of the operating activities of the District over the past three months compared to the budget. The report includes total revenues and expenses, as well as line item revenues and expenses for the General Fund and the Water Efficiency Fund. As shown in the summary report, operating revenues were approximately \$14.4 million, or 27% of the annual \$52.6 million budget, while operating expenses were \$17.8 million, or 26% of the annual \$68.1 million budget.

Non-operating revenues are approximately at 9% of budget for the Fiscal Year due to the timing of receipt of property tax revenue.

Statement of Net Position

The Statement of Net Position shows the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources as of September 30, 2015, compared to the balances at fiscal year ended June 30, 2015. Overall, assets and deferred outflows of resources were about \$15.7 million lower than at June 30, 2015, primarily due to the planned reduction in current cash and investments as a result of recent debt service payments, and to fund ongoing capital projects.

Liabilities and deferred inflows have decreased by approximately \$12.8 million since June 30, 2015, also due to debt service payments and a reduction in accounts payable. As a result, the District's net position decreased by approximately \$2.9 million for the month ending September 30, 2015, compared to fiscal year ending June 30, 2015.

Revenues

Total revenues for the three months ended September 30, 2015 were \$17.3 million, approximately \$0.4 million less than September 30, 2014. Total Operating Revenues for the month ended September 30, 2015 were \$14.4 million, a decrease of \$1.3 million compared to September 30, 2014. This was due to a decrease in water purchases and Water Efficiency Fund revenues as compared to last year, resulting from customers' response to the drought actions and messaging.

Expenses

Total expenses for the three months ended September 30, 2015 were \$20.4 million, a decrease of \$1.7 million or 7.8% as compared to \$22.2 million on September 30, 2014. Total operating expenses were \$14.4 million, a decrease of \$1.6 million from last year. Other operating expenses for the three months ended September 30, 2015 were \$4.6 million, representing no change when compared to \$4.6 million on September 30, 2014. Other non-operating expenses for the three

#12.a.

MOULTON NIGUEL WATER DISTRICT Summary of Financial Results

months ended September 30, 2015 totaled \$1.4 million, a decrease of approximately \$0.1 million compared to \$1.5 million on September 30, 2014.

Restricted Cash and Investments with Fiscal Agent

Restricted cash includes funds held by the trustee. The use of these funds is restricted by law or bond covenants. Funds in these accounts were \$8.8 million at September 30, 2015, representing no change when compared to June 30, 2015.

Unrestricted and Restricted Fund Balances

The unrestricted and restricted fund balances reflect the funds in each of the District's unrestricted and restricted funds that are not held by the Fiscal Agent. The unrestricted fund balances are further broken down by designated and undesignated funds. As shown in the report, the District has seven funds that are designated by District policy for specific purposes, including Self Insurance, Water Efficiency, Replacement and Refurbishment, Water Supply Reliability, Planning and Construction, Rate Stabilization, and Emergency Reserve. Total unrestricted funds decreased by approximately \$12.6 million since June 30, 2015, due to spending on budgeted capital projects funded from unrestricted, undesignated fund balances. Restricted fund balances are \$2.9 million, a decrease of \$5.7 million compared to June 30, 2015. This decrease is due to debt service payments.

Moulton Niguel Water District
Summary - Budget Comparison Report
Three Months Ended September 30, 2015

Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
<u>GENERAL FUND & WATER EFFICIENCY FUND:</u>				
Operating Revenues	\$ 52,634,952	\$ 14,379,909	\$ 38,255,044	27%
Operating Expenses	68,057,352	17,845,345	50,212,007	26%
Operating Income (Loss)	(15,422,400)	(3,465,436)	(11,956,964)	22%
Non-Operating Revenues (Expenses)	30,256,991	2,868,111	27,388,880	9%
Total Change in Funds	\$ 14,834,591	\$ (597,325)	\$ 15,431,916	
<u>GENERAL FUND:</u>				
Operating Revenues	\$ 49,236,079	\$ 13,527,591	\$ 35,708,488	27%
Operating Expenses	63,292,562	14,073,189	49,219,373	22%
Operating Income (Loss)	(14,056,483)	(545,597)	(13,510,886)	4%
Non-Operating Revenues (Expenses)	30,097,199	2,797,058	27,300,141	9%
Change in General Fund	\$ 16,040,716	\$ 2,251,461	\$ 13,789,255	
<u>WATER EFFICIENCY FUND:</u>				
Operating Revenues	\$ 3,398,873	\$ 852,317	\$ 2,546,556	25%
Operating Expenses	4,764,790	3,772,156	992,634	79%
Operating Income (Loss)	(1,365,917)	(2,919,839)	1,553,922	214%
Non-Operating Revenues (Expenses)	159,792	71,053	88,739	44%
Change in Water Efficiency Fund	\$ (1,206,125)	\$ (2,848,786)	\$ 1,642,661	

Note: Totals may not sum due to rounding.

#12.b.

Moulton Niguel Water District
General Fund - Budget Comparison Report
Three Months Ended September 30, 2015

Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
GENERAL FUND				
<u>Operating Revenues</u>				
Water Sales	\$ 25,449,137	\$ 6,733,548	\$ 18,715,589	26%
Recycled Water Sales	5,249,795	1,638,538	3,611,257	31%
Sewer Sales	18,053,647	4,577,686	13,475,961	25%
Other Operating Income	483,500	577,819	(94,319)	120%
Total Operating Revenue	49,236,079	13,527,591	35,708,488	27%
<u>Operating Expenses</u>				
Salaries	10,307,516	2,440,911	7,866,605	24%
PERs Employer Contributions	1,306,049	201,259	1,104,790	15%
PERs Employee Contributions	149,890	30,415	119,475	20%
PERs 401A	250,770	5,749	245,020	2%
Educational Courses	44,270	5,371	38,899	12%
Travel & Meetings	238,644	43,248	195,396	18%
Employee Relations	15,000	6,351	8,649	42%
General Services	458,095	52,822	405,273	12%
Annual Audit	48,080	14,102	33,978	29%
Member Agencies O&M	1,542,495	180,691	1,361,804	12%
Dues & Memberships	96,510	19,901	76,609	21%
Consulting Services	2,248,900	134,591	2,114,309	6%
Equipment Rental	65,000	15,701	49,299	24%
District Fuel	340,000	52,958	287,042	16%
Insurance - District	561,275	119,256	442,019	21%
Insurance - Personnel	438,275	85,004	353,271	19%
Insurance - Benefits	2,587,061	548,538	2,038,524	21%
Legal Services - Personnel	50,000	98	49,903	0%
Legal Services - General ¹	200,000	33,922	166,078	17%
District Office Supplies	475,400	104,742	370,658	22%
District Operating Supplies	392,967	86,470	306,496	22%
Repairs & Maintenance - Equipment	738,469	143,728	594,741	19%
Repairs & Maintenance - Facilities	4,135,970	462,746	3,673,224	11%
Safety Program & Compliance Requirements	309,450	37,529	271,921	12%
SOCWA	9,204,735	2,030,286	7,174,449	22%
Special Outside Assessments	225,000	23,141	201,859	10%
Utilities	2,258,900	482,755	1,776,145	21%
Water Purchases	23,697,842	6,627,260	17,070,581	28%
Meter / Vault Purchases	906,000	83,643	822,357	9%
Total Operating Expenses	63,292,562	14,073,189	49,219,373	22%
Operating Income (Loss)	(14,056,483)	(545,597)	(13,510,886)	4%
<u>Non-Operating Revenues (Expenses)</u>				
Property Tax Revenue	26,501,190	617,495	25,883,695	2%
Investment Income	1,867,913	1,190,992	676,921	64%
Property Lease Income	1,660,096	291,046	1,369,050	18%
Misc. Non-Operating Income	68,000	697,525	(629,525)	1026%
Total Non-Operating Revenue (Expenses)	30,097,199	2,797,058	27,300,141	9%
Change in General Fund	\$ 16,040,716	\$ 2,251,461	\$ 13,789,255	

Note: Totals may not sum due to rounding.

1. Detail of Legal Services - General can be found on the next page.

Moulton Niguel Water District
General Fund - Budget Comparison Report
Three Months Ended September 30, 2015

Legal Services - General

Firm	General	Water Use Efficiency	Capital	Total
Bowie, Arneson, Wiles & Giannone	\$ 31,465	\$ -	\$ 6,478	\$ 37,944
Best Best & Krieger LLP	1,863	1,207	-	3,070
Downey Brand, Attorneys	594	-	3,064	3,658
Total	\$ 33,922	\$ 1,207	\$ 9,542	\$ 44,671

Note: Totals may not sum due to rounding.

#12.b.

**Moulton Niguel Water District
Water Efficiency Fund - Budget Comparison Report
Three Months Ended September 30, 2015**

Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
WATER EFFICIENCY FUND				
<u>Operating Revenue</u>				
Water Efficiency	\$ 3,398,873	\$ 852,317	\$ 2,546,556	25%
Total Operating Revenue	3,398,873	852,317	2,546,556	25%
<u>Operating Expenses</u>				
Labor	668,156	167,820	500,336	25%
Educational Courses	500	-	500	0%
Travel & Meetings	14,700	30	14,670	0%
General Services	5,000	30	4,970	1%
Dues & Memberships	500	-	500	0%
Consulting Services	850,000	-	850,000	0%
Legal Services	-	1,207	(1,207)	n/a
Conservation supplies	92,810	88,267	4,543	95%
Repairs and Maintenance - Equipment	3,500	-	3,500	0%
Water Efficiency	3,129,624	3,514,802	(385,178)	112%
Total Operating Expenses	4,764,790	3,772,156	992,634	79%
Operating Income (Loss)	(1,365,917)	(2,919,839)	1,553,922	214%
<u>Non-Operating Revenue</u>				
Investment Income	159,792	71,053	88,739	44%
Total Non-Operating Revenue	159,792	71,053	88,739	44%
Change in Water Efficiency Fund	\$ (1,206,125)	\$ (2,848,786)	\$ 1,642,661	

Note: Totals may not sum due to rounding.

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION

	<u>(Unaudited)</u> <u>September 30, 2015</u>	<u>(Unaudited)</u> <u>June 30, 2015</u>
CURRENT ASSETS:		
Cash and investments	\$ 22,158,021	\$ 22,824,739
Restricted cash and investments with fiscal agent	8,754,588	8,777,679
Accounts receivables:		
Water and sanitation charges	3,579,643	3,392,611
Taxes and acreage assessments	-	300,842
Grant Reimbursements	405,067	405,068
Other accounts receivable	27,142	222,169
Interest receivable	594,614	620,930
Current portion of AMP receivable	656	1,302
Inventory	1,627,720	1,703,635
Prepaid expenses	1,075,345	480,124
TOTAL CURRENT ASSETS	<u>38,222,796</u>	<u>38,729,099</u>
NONCURRENT ASSETS:		
Investments	106,975,835	127,305,643
Retrofit loans receivable	574,337	597,037
AMP Receivable	-	-
Capital assets, net of accumulated depreciation	338,442,156	343,111,410
Capital assets not being depreciated:		
Land	1,091,910	1,091,910
Construction in progress	41,578,519	31,642,242
TOTAL NONCURRENT ASSETS	<u>488,662,757</u>	<u>503,748,242</u>
TOTAL ASSETS	<u>526,885,553</u>	<u>542,477,341</u>
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Charges on Refunding	1,350,964	1,488,900
Deferred items related to pension	1,431,577	1,431,577
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,782,541</u>	<u>2,920,477</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 529,668,093</u>	<u>\$ 545,397,818</u>

#12.c.

CURRENT LIABILITIES:

Accounts payable	\$	5,904,161	\$	8,162,699
Interest payable		436,744		1,830,740
Compensated absences		(92,872)		373,162
Current portion of long-term debt:				
Bonds payable		6,060,000		5,685,000
Loans Payable		1,112,597		2,110,606
Certificates of participation		1,855,000		1,780,000
TOTAL CURRENT LIABILITIES		<u>15,275,630</u>		<u>19,942,207</u>

LONG-TERM LIABILITIES

Compensated absences		130,338		124,386
Long-term debt:				
Bonds payable		4,105,000		10,165,000
Loans payable		10,688,013		10,688,012
Certificates of participation		74,190,000		76,045,000
Net pension liability		12,251,838		12,251,838
TOTAL LONG-TERM LIABILITIES		<u>101,365,188</u>		<u>109,274,236</u>

Bond Discount/Premium		3,268,006		3,483,309
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TOTAL LIABILITIES		<u>119,908,825</u>		<u>132,699,752</u>
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DEFERRED OUTFLOW OF RESOURCES:

Deferred items related to pension		4,936,619		4,936,619
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TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>4,936,619</u>		<u>4,936,619</u>
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NET POSITION:

Net investment in capital assets		276,835,900		267,393,560
Restricted for capital projects and GOB Refunding		1,767,982		1,508,109
Unrestricted		126,218,767		138,859,778

TOTAL NET POSITION		<u>404,822,649</u>		<u>407,761,447</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	\$	<u>529,668,093</u>	\$	<u>545,397,818</u>
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Note: Totals may not sum due to rounding.

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	(Unaudited)	
	Three Months Ended September 30,	
	2015	2014
Operating Revenues:		
Water Sales	\$ 6,733,548	\$ 7,767,335
Recycled Water Sales	1,638,538	1,796,276
Sewer Sales	4,577,686	4,598,940
Water Efficiency Funds (WBBRS)	852,317	1,434,860
Other Operating Income	577,819	103,420
Total Operating Revenues	14,379,909	15,700,831
Non-Operating Revenues:		
Investment Income ¹	1,262,045	(70,321)
Property Tax Revenue	617,495	808,865
GOB Assessment	18,946	71,890
Other Non-Operating Revenues	978,141	1,144,076
Total Non-Operating Revenues	2,876,627	1,954,511
TOTAL REVENUES	17,256,536	17,655,342
Operating Expenses:		
Water Purchases	6,627,260	8,092,357
Meter Purchases	83,643	138,745
Operating Supply and Maintenance	799,132	886,056
Salaries and Benefits	2,816,687	2,801,012
Election Expenses	-	-
Professional Services	280,578	275,225
Member Agencies O&M	180,691	166,803
Insurance	782,765	766,966
SOCWA	2,030,286	2,239,198
Utilities	482,755	456,531
General, Administrative, and Other	343,874	244,629
Total Operating Expenses	14,427,671	16,067,522

#12.c.

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	(Unaudited)	
	Three Months Ended September 30,	
	2015	2014
Other Operating Expenses:		
Depreciation and Misc. Operating Revenue	4,252,406	4,150,012
Water Efficiency	391,462	436,369
Total Other Operating Expenses	\$ 4,643,868	\$ 4,586,381
Non Operating Expenses:		
Interest Expense	\$ 1,443,542	\$ 1,548,357
Amortization and Misc. Non-Operating Expense	(76,957)	(31,022)
Total Non Operating Expenses	1,366,586	1,517,335
TOTAL EXPENSES	20,438,124	22,171,237
Capital Contributions:		
Connection Fees	242,800	541,446
Donated Facilities	-	-
Contributed Revenue	-	-
Total Capital Contributions	242,800	541,446
CHANGE IN NET POSITION	\$ (2,938,788)	\$ (3,974,450)
Net Position, Beginning	\$ 407,761,447	\$ 418,278,857
Change in Net Position	(2,938,788)	(3,974,450)
Net Position, Ending	\$ 404,822,659	\$ 414,304,407

Note: Totals may not sum due to rounding.

1. Investment income is comprised of realized income of \$660,063 and unrealized income loss of \$601,982.

MOULTON NIGUEL WATER DISTRICT
RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT
As Of September 30, 2015

	(Unaudited) Balance 9/30/2015	Net Change	(Unaudited) Balance 6/30/2015
<u>Restricted Cash and Investments:</u>			
DWR Trust Reserves	\$ 615,755	\$ 16	\$ 615,739
2009 COPS Trust Reserve	6,000,311	(23,053)	6,023,364
2010 COPS Trust Reserves	896,052	(127)	896,180
2014 Refunding Bonds	16	16	-
2015 (03) COPS Trust Reserve	1,226,556	56	1,226,500
2015 (03) DS and COPS Issuance Fund	15,897	1	15,896
Total Restricted Trust Accounts	<u>\$ 8,754,588</u>	<u>\$ (23,091)</u>	<u>\$ 8,777,679</u>

Note: Totals may not sum due to rounding.

MOULTON NIGUEL WATER DISTRICT
UNRESTRICTED AND RESTRICTED FUND BALANCES
As Of September 30, 2015

	Reserve Policy Target	(Unaudited) Balance		(Unaudited) Balance
		9/30/2015	Net Change	6/30/2015
<u>Unrestricted Fund Balances:</u>				
Designated for Self Insurance Reserves	\$ 250,000	\$ 251,875	\$ 2,020	\$ 249,855
Designated for Water Efficiency (WBBRS) ¹	n/a	7,358,117	177,926	7,180,191
Designated for Replacement and Refurbishment	17,061,912	16,555,786	(533,029)	17,088,815
Designated for Water Supply Reliability	n/a	-	(801,631)	801,631
Designated for Planning and Construction	n/a	29,202,060	73,177	29,128,883
Designated for Rate Stabilization	11,000,281	11,107,539	107,258	11,000,281
Designated for Emergency Reserve	6,884,925	6,884,925	-	6,884,925
Unrestricted, undesignated ²	20,262,901	54,858,464	(11,666,733)	66,525,197
Total Unrestricted Fund Balance	55,460,019 ³	126,218,767	(12,641,011)	138,859,778
<u>Restricted Fund Balances:</u>				
Restricted 2014 GOB Consolidated Refunding		1,147,107	(5,989,577)	7,136,684
Restricted for Capital Facilities (Projects)		1,767,982	259,873	1,508,109
Total Restricted Fund Balance		2,915,089	(5,729,704)	8,644,793
Total Unrestricted and Restricted Fund Balance		\$ 129,133,856	\$ (18,370,715)	\$ 147,504,571

Note: Totals may not sum due to rounding.

1. In addition to realized expenditures, there is \$1,072,751 in project commitments, reducing the available fund balance to \$6,285,366.
2. Unrestricted, undesignated funds include the General Operating Reserve as well as the regular District cash flows.
3. All funds in excess of reserve policy targets will be used to fund capital projects and operations.

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF OCTOBER 2015**

Summary of Disbursements in October 2015:

General Fund Disbursements		7,228,945
Restricted Fund Disbursements:		
Water Efficiency Fund	295,904	
Replacement & Refurbishment Fund	331,896	
Water Supply Reliability Fund	83,463	
Planning & Construction Fund	34,960	
DWR Loan	153,927	
1998 SRF LOAN	816,563	1,716,712
Total Disbursements for all Funds		\$ 8,945,657

Detail of Major Expenditures in October 2015:

1. Municipal Water District of Orange County (MWDOC)		
August Water Purchases 2,357.7 AF	2,176,157	
August Readiness to Serve	146,965	
August Turf, Nozzles, and Smart Timer Rebates	108,158	
August SoCal WaterSmart Residential Rebate Program	44,404	
August Capacity Charge	40,196	
August SCP Operation Surcharge	12,137	
July Reclaimed Rebate 222.8 AF	(34,311)	2,493,705
2. South Orange County Wastewater Authority (SOCWA)		
FY 2015/16 Quarterly O&M Budget Deposit		1,977,981
3. City of Mission Viejo		
C# 2012037 Oso Parkway 12" RW Main Relocation	173,275	
Encroachment Permit Inspection Fees	13,550	186,825
4. Aqua-Metric Sales, Co.		
Meter inventory		139,500
5. South Coast Water District (SCWD)/Joint Regional Water Supply System (JRWSS)		
FY 2015/16 Quarterly O&M Charges		113,624
6. Denovo Ventures LLC		
E1 Implementation 5% Retention payment for Phases 1 & 3	55,562	
Utility Billing 5% Retention payment for Phase 2	30,538	
October Managed & September Ad-Hoc Support Services	19,580	105,680

