



moulton niguel water district

**ENGINEERING & OPERATIONS
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT**

27500 La Paz Road, Laguna Niguel

December 12, 2016

8:30 AM

Approximate Meeting Time: 3 Hours

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE NOVEMBER 14, 2016 ENGINEERING AND OPERATIONS 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.

DISCUSSION ITEMS

4. Audit Reports for the Fiscal Year Ended June 30, 2016
5. Smart Timer Program Contract Award
6. Crown Valley Reservoirs Re-coating Construction Contract Adjustment
7. Plant 3A Flood Protection Contract Award
8. Rebate Applications for Turf Removal

INFORMATION ITEMS

9. Monthly Financials
 - a. Summary of Financial Results
 - b. Budget Comparison Report
 - c. Statement of Net Position

- d. Restricted Cash and Investments with Fiscal Agent
 - e. Net Position
 - f. Summary of Disbursements November 2016
- 10. Water Usage Update
 - 11. Operations Center Consolidation Improvement Project
 - 12. Future Agenda Items (Any items added under this section are for discussion at future meetings only)
 - 13. 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]

CLOSED SESSION

14. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant exposure to litigation and initiation of litigation pursuant to paragraphs (2) and (4) of subdivision (d) of Government Code Section 54956.9

One potential case

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.



moulton niguel water district

DRAFT

MINUTES OF THE REGULAR MEETING OF THE ENGINEERING & OPERATIONS BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT

November 14, 2016

A Regular Meeting of the Engineering & Operations 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 November 14, 2016. There were present and participating:

DIRECTORS

Scott Colton	Vice President/Chair
Richard Fiore	Director
Donald Froelich	President
Gary Kurtz	Director
Larry Lizotte	Director
Brian Probolsky	Vice President (arrived at 8:44 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
Drew Atwater	Director of Planning
Jake Vollebregt	Director of Regional & Legal Affairs
Jeff Ferre	Best, Best, & Krieger (General Counsel)
Paige Gulck	Board Secretary
Tim Bonita	Recording Secretary
Trevor Agrelius	MNWD
Todd Dmytryshyn	MNWD
David Larsen	MNWD
Steve Merk	MNWD
Mark Mountford	MNWD
Todd Novacek	MNWD

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Medha Patel	MNWD
Alex Thomas	MNWD
Rod Woods	MNWD

1. CALL MEETING TO ORDER

The meeting was called to order by Scott Colton at 8:30 a.m.

2. APPROVE THE MINUTES OF THE OCTOBER 17, 2016 ENGINEERING AND OPERATIONS BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY LARRY LIZOTTE AND SECONDED BY RICHARD FIORE, MINUTES OF THE OCTOBER 17, 2016 ENGINEERING AND OPERATIONS 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 GARY KURTZ ABSTAINED FROM THE VOTE. DIRECTOR BRIAN PROBOLSKY WAS ABSENT.

3. PUBLIC COMMENTS

None.

DISCUSSION ITEMS

4. Sewer Lining Construction Contract Award

Todd Dmytryshyn provided information on the item. Staff recommends that the Board of Directors award the construction services contract to Insituform Technologies, LLC in the amount of \$99,800; authorize the General Manager to execute the contract; and authorize the General Manager or designee to approve change orders up to 15% of the contract value. Discussion ensued regarding the contract.

5. Agreement Amendments for On-Call Professional Engineering Services

Rod Woods provided details on the agreement amendments. Staff recommended that the Board of Directors approve Amendment No. 1 with Tetra Tech, Inc. for \$200,000 for a total contract value not-to-exceed \$700,00; approve Amendment No. 2 with Lee & Ro, Inc. for \$200,000 for a total contract value not-to-exceed \$950,000; and approve Amendment No. 2 with AKM Consulting Engineers for \$200,000 for a total contract value not-to-exceed \$950,000. Discussion ensued regarding the amendments.

INFORMATION ITEMS

6. Easement and Quitclaim Policy

Brian Probolsky arrived at 8:44 a.m. Mark Mountford provided information on the Easement and Quitclaim Policy. Discussion ensued regarding the policy.

7. Quarterly Construction Progress Report

Steve Merk presented the Quarterly Construction Progress Report.

8. Quarterly Capital Improvement Program Report

Rod Woods presented the Quarterly Capital Improvement Program Report.

9. Legislative & Regulatory Update

Joone Lopez provided a brief introduction to the item. Jake Vollebregt presented the Legislative & Regulatory Update.

10. Operations Center Consolidation Improvement Project Update

Matt Collings provided the Operations Center Consolidation Improvement Project Update. At the request of the Board, this item will be agendized for further discussion at the November 17, 2016 Board of Directors meeting.

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

None.

12. Late Items (Appropriate Findings to be Made)

Staff has none.

CLOSED SESSION

13. **CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Significant exposure to litigation and initiation of litigation pursuant to paragraphs (2) and (4) of subdivision (d) of Government Code Section 54956.9

One potential case

The Board entered closed session at 10:25 a.m. and exited at 11:15 a.m. Scott Colton stated that there was no reportable action.

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ADJOURNMENT

The meeting was adjourned at 11:15 a.m.

Respectfully submitted,

Tim Bonita
Recording Secretary

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STAFF REPORT

TO: Board of Directors **MEETING DATE:** December 15, 2016
FROM: Trevor Agrelius, Controller
SUBJECT: Audit Reports for the Fiscal Year Ended June 30, 2016
DIVISION: District-wide

SUMMARY:

Issue: Final Audited Reports for the Fiscal Year Ended June 30, 2016.

Recommendation: It is recommended that the Board receive and file the following reports:

- Comprehensive Annual Financial Report (“CAFR”), including auditors’ opinion on the fair presentation of the financial statements
- Single Audit Report, including auditors’ report on internal control
- Audit communication letter
- Article XIII-B Appropriations Limit Calculation report.

Fiscal Impact: No fiscal impact to the District.

BACKGROUND:

Each year, the District undergoes an annual audit, in adherence to Section 26909 of the California Government Code. The audit is comprised of several components, and the reports listed are required per the Governmental Accounting Standards Board (“GASB”).

DISCUSSION:

The audit reports for the Fiscal Year Ended June 30, 2016, have been finalized and are available to receive and file. Vavrinek, Trine, Day & Co., LLP, have conducted the independent audit and have issued an unmodified opinion for the District’s financial statements for fiscal year ended June 30, 2016. The District also received an unmodified opinion on the Single Audit, and the letter on internal control contained no significant deficiencies or material weaknesses. The Comprehensive Annual

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Audit Reports for the Fiscal Year Ended June 30, 2016

December 15, 2016

Page 2 of 2

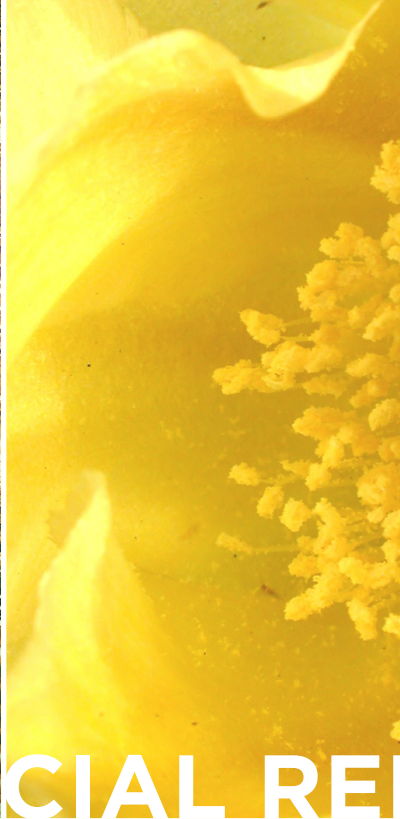
Financial Report (“CAFR”) will be posted on the District’s website, accompanied by the Single Audit Report.

Attachments:

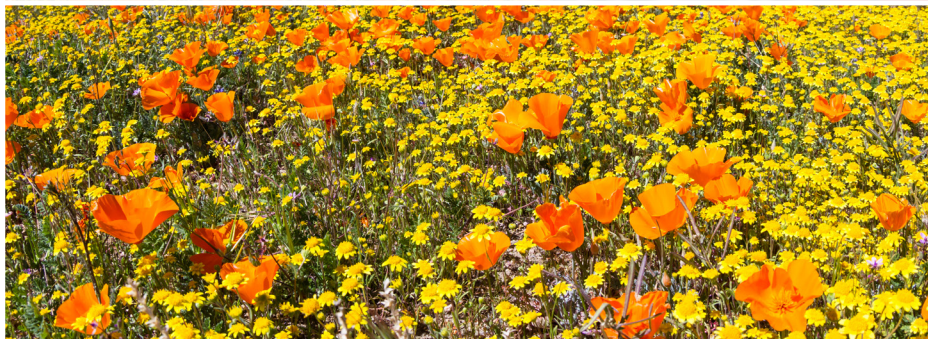
1. CAFR for the Fiscal Year Ended June 30, 2016 (pg. 7-16)
2. Single Audit Report for the Fiscal Year Ended June 30, 2016 (pg. 117-130)
3. Audit Communication Letter for the audited period (pg. 131-134)
4. Article XIII-B Appropriations Limit Calculation Report for the Fiscal Year Ended June 30, 2016 (pg. 135-138)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



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**Moulton Niguel Water District
Laguna Niguel, California**

Comprehensive Annual Financial Report

Year Ended June 30, 2016

**Prepared By:
The Finance Department**

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

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moulton niguel water district

Moulton Niguel Water District
Comprehensive Annual Financial Report
Year Ended June 30, 2016

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Moulton Niguel Water District
Comprehensive Annual Financial Report
Year Ended June 30, 2016

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December 5, 2016

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, 2016. 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. Management at the District is responsible for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. 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. We believe we have included all disclosures that are necessary to enhance your understanding of the financial condition of the District.

The District’s financial statements have been audited by Vavrinek, Trine, Day & Co., LLP, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending June 30, 2016, 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, 2016, 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 the District

Authority, Services, and Customers

The District was formed on November 16, 1960, under the provisions of the California Water District Law, Division 13, of the Water Code of the State of California, commencing with Section 34000. The District was formed for the purposes of providing a water supply to the communities within its service area. In 1963, the California Water District Act was amended, allowing California water districts to provide 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 customers. The District’s water and

BOARD OF DIRECTORS

Duane D. Cave
DIRECTOR

Scott Colton
VICE PRESIDENT

Richard Fiore
DIRECTOR

Donald Froelich
PRESIDENT

Gary R. Kurtz
DIRECTOR

Larry Lizotte
DIRECTOR

Brian S. Probolsky
VICE PRESIDENT



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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 ("Board"), 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. The Board has the authority to set rates and charges for water, recycled water, and wastewater services. The Board is responsible for, among other things, 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, for overseeing the day-to-day operations of the District, and for hiring staff for the various divisions (e.g. Finance/Planning, Human Resources, and Engineering & Operations).

Service Area

The District's service area, located in South Orange County, California, encompasses approximately 37 square miles, serving over 170,000 in population within the cities of Laguna Niguel, Aliso Viejo, Laguna Hills, Mission Viejo, and Dana Point. The District distributes water to approximately 55,000 meters, 51,000 of which also receive wastewater service. Elevation within the District ranges from 230 to 904 feet above sea level. Climate is typical of the coastal plains of Southern California, with temperatures mild and relatively uniform. The assessed net taxable valuation of the District has grown to \$32.8 billion as of June 30, 2016.

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"). In the fall of 2016, the Baker Water Treatment Plant ("WTP") will provide approximately one-third of the treated potable water to the District. The Baker WTP will provide a secondary treatment plant that will treat imported MET water and improve local water reliability.

The District continues to exert 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 evaluate 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 Allen McColloch Pipeline 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. The District has adopted a policy to evaluate and develop reliability projects and demand management measures that will provide 31 days of average demand water supply to District customers. The District has achieved more than 75% of the stated target (24 days) with the implementation of the Baker WTP, and other water reliability projects and demand management programs, since 2008.

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 for 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 providing contract operations services for the treatment plant.

Recycled Water Supply and Services

The District promotes the use of recycled water to reduce dependence on imported water and maximize the reuse of available resources. The District encourages the utilization of recycled water 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 5 pre-stressed concrete and 6 steel storage reservoirs to service the recycled water system. In addition, the District owns 1,000 acre-feet of capacity rights in the Upper Oso recycled water reservoir owned by the Santa Margarita Water District. 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.

Factors Affecting Financial Conditions

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

Local Economy

The District serves affluent communities within South Orange County 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



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numerous community parks. Future growth will primarily occur on a redevelopment basis of existing property and land. The Gateway Development in Laguna Niguel is the first significant redevelopment project in the District's service area. The Gateway Development is redeveloping areas that were predominantly commercial with mixed-use development of multi-family residential and retail sites.

California Drought

California continues to remain in the midst of a historic drought, with some of the warmest periods on record. These conditions caused the Governor to issue the first ever statewide mandatory reductions on April 1, 2015. As a result of those reductions, the District was required to reduce its water consumption during the majority of the 2016 fiscal year by 20% as compared to usage in 2013. The District adopted a Water Shortage Contingency Plan ("WSCP") to manage supply and demand as a response to the conditions of the drought and to address the mandates from the State Water Resources Control Board. The WSCP uses a five-stage, phased approach based on the availability of water supplies. Each stage requires heightened levels of water conservation. The District implemented Stage 1 and 2 of its WSCP during the fiscal year to promote efficient water use and re-evaluates implementation every 120 days while monitoring the drought conditions to ensure there is sufficient water for customer needs. With the implementation of the WSCP and through effective customer communication and outreach initiatives, the District and its customers were able to meet the mandatory reduction requirements. This past year, the District saw more customers use water efficiently and remain in their individual water budgets than in any previous year.

The most recent Executive Order was issued on May 9, 2016, and called for long-term improvements to local drought preparation across the state, and directed state agencies to develop proposed permanent water efficiency actions, due in January 2017. The SWRCB followed this Order by initiating a self-certification policy for supply reliability at the local agency level, which included permanent monthly water use reporting and bans on wasteful water practices. Agencies were required to report their individual conservation standard to the SWRCB by June 15, 2016. The District self-certified water supply figure was 0% based on the certification formula; however, the District has targeted a minimum conservation standard of 15%, citing the prevailing water supply conditions in the Colorado Basin and long-term trends of the diminished Sierra Nevada snowpack. As a result, the District has elected to remain in Stage 1 and 2 of the WSCP.

Budget Process

The Board adopts an operating and capital budget prior to each new fiscal year, commencing on July 1st. The development of the operating and the capital budgets are guided by the Ten-Year Cash Flow and the Ten-Year Capital Improvement Program. The operating and capital budgets serve as the foundation for the District's financial planning and control of District operations and enterprise functions. The District reports its water, wastewater, and recycled water services as a single enterprise fund. On a monthly basis, a budget comparison report is submitted to the Board to provide a year-to-date comparison of the revenues and expenses against the adopted budget.

The District's annual budget process includes refining District policies that govern financial affairs, such as the Reserve Policy, the Investment Policy, and the Capital Financing Policy. In June 2016, the Board approved updates to the Reserve Policy, the Investment Policy, and the Capital Financing Policy. The main objective of the Reserve Policy is to set target levels for cash reserves to establish a nexus between current and anticipated future risks. The District's reserve categories are discussed in Note 14 of the Notes to Financial Statements. The Board receives monthly updates on the status of the established reserve targets. The Investment Policy is used to direct the purchasing of securities, while also maintaining the flexibility to fund necessary infrastructure improvements. The Capital Financing Policy is used to guide funding for infrastructure improvements, and includes use of reserves, debt issuances, refunding and other financing sources.



Long-term Financial Planning

The District uses various planning documents, i.e. Urban Water Management Plan (“UWMP”), Long Range Water Reliability Plan, and Long Range Financial Plan (“LRFP”) to forecast the District’s needs for water use and demand, capital improvement projects, water supply reliability projects, and financial resources. These financial models are significant assets to the District and have been built internally by District staff, meaning the models can be updated under a variety of different scenarios to anticipate and plan for changes to the economic environment, operational requirements, or capital investments.

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

The SWRCB has recognized the District’s specific rate design as a best practice amongst the 411 urban water utilities statewide. The rate design focuses on the cost of service for the efficient use of water as the primary basis for setting rates and identifying costs associated with conservation and water-use efficiency programs as the basis for conservation pricing. The rates are also structured to ensure that an appropriate level of fixed expenses are recovered with fixed revenue. A conservation based rate design has proven to be the most effective tool for the District in reducing water usage, while still providing the necessary revenues to recover the District’s expenses regardless of changing water demands. As a result, the District has managed to remain financially strong despite a 20% reduction in water use while continuing to maintain low water rates and smooth out potential future increases. The Board annually reviews the financial plan and projected rates through the ten-year cash flow model to ensure the District’s financial forecasts are consistent with District policy and objectives while providing a strong foundation.

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 Board and District staff continue to evaluate the District’s internal control framework to determine areas that can be improved, and implement and welcome feasible recommendations

Major Initiatives

The District had a productive year, but one of the most beneficial accomplishments the District achieved in 2016 was the Long Range Strategic Planning Session, which identified ten key priorities for the Board and District staff to focus efforts on. The identified goals were Financial Planning, Labor Relations, Operations Center Consolidation, Outreach and Customer Communication, Drought Response and Demand Management, Data and Document Management, Asset Management, Water Reliability, Wastewater Treatment, and Government Affairs.

The District also launched a major outreach campaign during the year in order to better educate customers and other regional and state neighbors about the drought, and measures that can be taken to achieve sustainability in the near term and future. The District developed a 10-week education campaign



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with the Orange County Register to demonstrate actions customers could implement to use water more efficiently. Additionally, the District encouraged customer participation and interactions through Homeowners Association Lunch and Learning events, the District Live Smart event, and participation in local community events. The District is updating its website to better serve our customers, and successfully created a YouTube channel utilized to post internally created instructional videos such as troubleshooting a sprinkler system and looking for leaks. The District has engaged in research studies with Stanford University and Facebook to understand the most effective tools for communicating with our customers and with the University of California Riverside to evaluate water conservation rebates in order to maximize customer participation and encourage conservation and efficient water use. These studies will help to ensure the District's programs achieve the maximum impact while remaining cost-effective. In response to the outreach efforts, District customers have replaced approximately 4 million square feet of turf since November 2011, with over 1 million being replaced during this fiscal year. District customers alone account for approximately 25% of all turf removed in the entire County of Orange. This significant response will provide a framework for sustained conservation in future years, and exhibits a supportive and educated attitude from District customers.

The District also facilitated the California Data Collaborative ("CaDC"), which was created to better educate and inform decision makers on water issues and policies. The CaDC has seen notable interest from surrounding agencies, as well as statewide and regional entities such as the Association of California Water Agencies ("ACWA"), SWRCB, and MET. As a result of the extreme drought conditions, the interest in the CaDC hasn't been limited to water agencies, with both the private sector and academic institutions providing support. Most notably, the CaDC also received national recognition at the White House Water Summit in March of 2016.

The District was awarded a grant from the United States Bureau of Reclamation through its WaterSmart program for an Advanced Meter Infrastructure pilot program to enhance available demand management programs and improve drought response, as well as provide better information to customers to increase awareness of water use. This program has allowed the District to install a fixed base meter on potable and recycled water irrigation customer meters, providing hourly water usage information through a customer portal. The pilot phase of this project is scheduled to be operational in early 2017, and will allow the District to evaluate the effectiveness of the program before investing in future phases.

Another major accomplishment was the in-house development of the UWMP 2015 Update. With a new approach to developing the UWMP, the District was able to effectively integrate critical water resources initiatives with demand management strategies and articulate the impacts to future water supply sources and demand needs. As part of the UWMP, the District identified expansion of its recycled water system as a critical component of its portfolio of demand management and supply development. The expansion will ensure long-term supply reliability for the District's service area. The District is evaluating alternative resources that can reduce imported water from MET, which would reduce dependence on the State Water Project and Colorado River Basin. The UWMP will serve as a guide in developing future water resource policies and support the District's involvement in various local water supply projects. These projects aim to provide supply and system reliability during droughts, natural disasters, or other supply reductions to 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.

The District has identified recycled water as its highest priority alternative water supply source, and is developing a comprehensive Recycled Water Master Plan ("RWMP") to identify further opportunities to expand the system to new customers and the necessary infrastructure to support the expansion, as well as to encourage and open the door to regional cooperation and involvement. The RWMP includes model development, supply and storage assessments, and identification of new recycled water users, along with all associated capital needs.

The District has implemented an extensive 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. This approach to comprehensive asset management will ensure the District maximizes the investment in its assets.

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, which are over 30 years old, including a lack of critical spaces to manage the District's day-to-day business. The new structures will allow the District staff to operate more efficiently and better serve the District's customers. The project will be constructed on an existing District site to simplify the transition to new facilities and reduce project costs. The District has initiated planning contracts to further design concepts, completed an environmental review, and obtained the necessary permits for a new administration building along with additional site elements, i.e. maintenance shops, warehouse upgrades, fleet maintenance building, and site improvements. The District expects to initiate design contracts during the upcoming fiscal year.

The District continues to collaborate and work with other south Orange County water providers, displaying effective drought response, demand management programs, planning capabilities, and forward-thinking policies. The recent challenges involving the drought, economy and regulations have provided further opportunities for the District to lead by example and have provided an avenue that the business practices and services can be recognized, as well as the great customers that we have the pleasure to serve.

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 CAFR for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the 2016 CAFR 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**

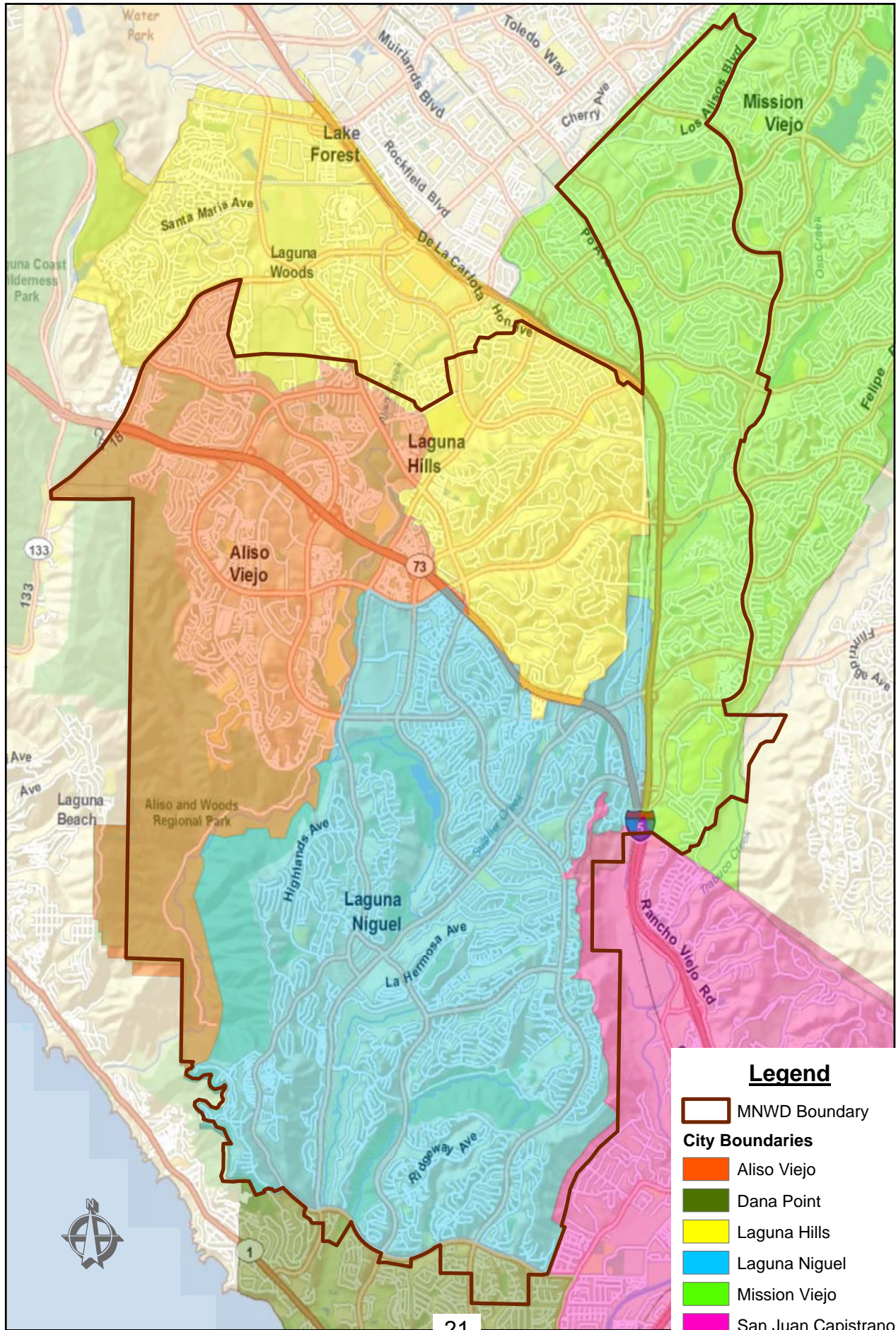
Presented to

**Moulton Niguel Water District
California**

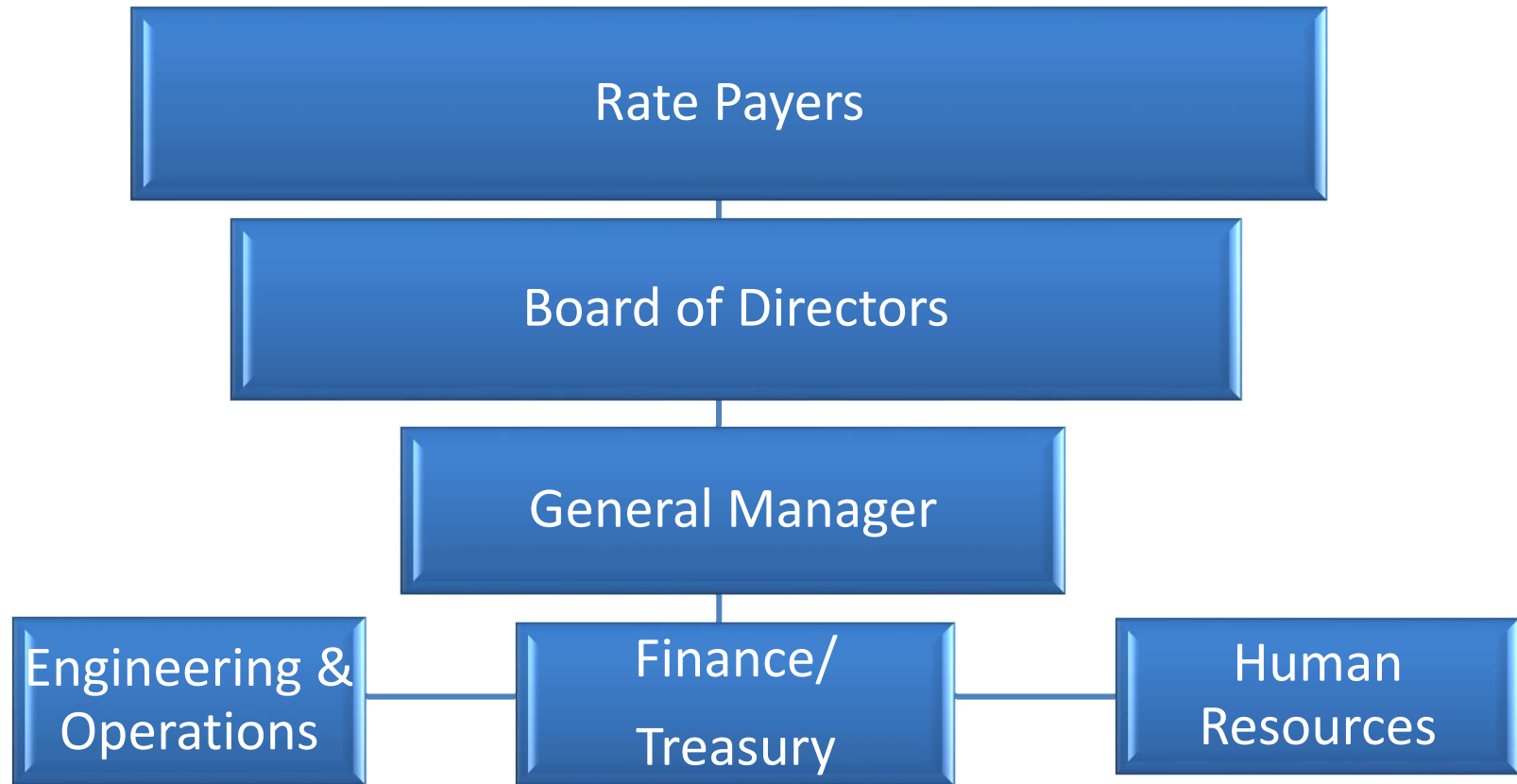
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

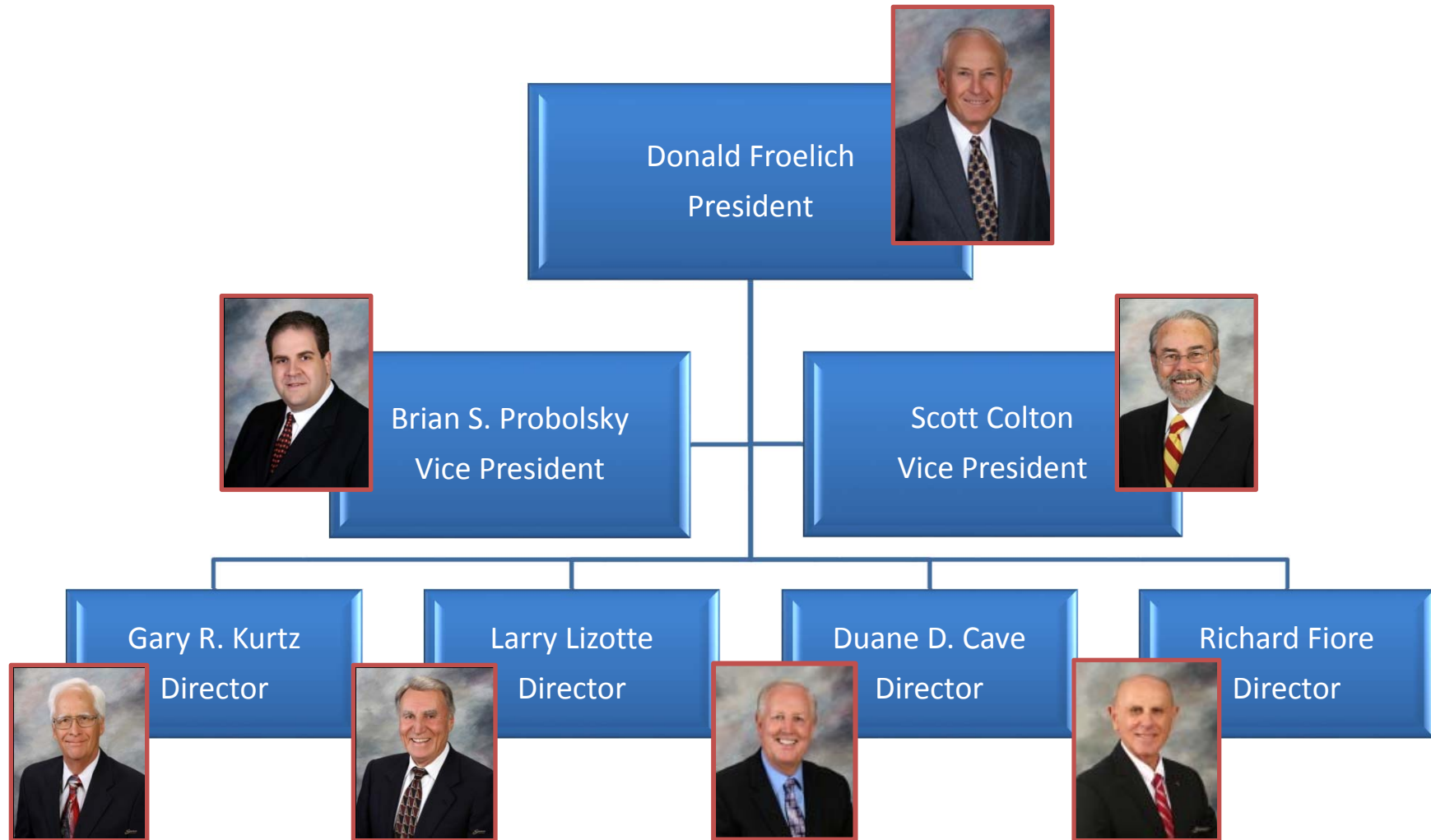
Executive Director/CEO



Moulton Niguel Water District Organization Chart



Moulton Niguel Water District Board of Directors



#4.



moulton niguel water district

INDEPENDENT AUDITORS' REPORT

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Moulton Niguel Water District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2016, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#4.

Emphasis of Matter

As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, as of July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, schedule of funding progress on page 58, schedule of proportionate share of the net pension liability on page 59, and schedule of plan contributions on page 60 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, schedule of revenues, expenses, and other sources (uses) of funds, operations & maintenance (O&M) budget comparison report, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenses, and other sources (uses) of funds and operations & maintenance (O&M) budget comparison report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses, and other sources (uses) of funds, and operations & maintenance (O&M) budget comparison report are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information

We did not previously audit the 2015 financial statements of the District. Those statements were audited by other auditors whose report has been furnished to us, and who expressed an unmodified opinion on the financial statements in their report dated December 3, 2015. The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2015, from which such summarized information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Laguna Hills, California

December 5, 2016

#4.



moulton niguel water district

**Moulton Niguel Water District
Management's Discussion & Analysis**

Year Ended June 30, 2016

Overview of the Financial Statements

The Moulton Niguel Water District ("District") financial statements are prepared in conformity with Generally Accepted Accounting Principles ("GAAP") and include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Readers should evaluate the financial statements with the accompanying Notes to Financial Statements. The Notes to Financial Statements are an integral part of the financial statements and provide useful explanations and detailed information on the financial statements. 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, the District is currently under Stages I and II of its Water Shortage Contingency Plan ("WSCP"). The WSCP is a tool used to encourage efficient use of water, and to eliminate or discourage wasteful use of water.

In the fiscal year ended June 30, 2016, the District implemented three new accounting standards, GASB Statement No. 72, *"Fair Value Measurement and Application"*, GASB Statement No. 76 *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, and GASB Statement No. 82 *"Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73"*. The implementation of these standards resulted in changes to disclosures, which can be found in Note 1 and Note 2 in the Notes to Financial Statements, and in the Required Supplementary Information.

Other highlights for the year include:

- Total net income, including capital contributions, was \$6.4 million during the year, improving the District's financial position, and can be attributed to an increase in property tax revenues and intergovernmental revenues.
- The District invested \$32.3 million towards water and wastewater infrastructure during the year, resulting in total capital assets, net of accumulated depreciation, of \$391.0 million.
- Total long-term debt was \$99.5 million, a decrease of \$10.4 million since June 30, 2015, primarily due to scheduled principal payments.
- The District received \$2.4 million in grant funding that was used to fund several capital projects.

Required Financial Statements

The *Statement of Net Position* states the financial position of the District at June 30, 2016. This statement includes five components: District assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, with the remaining difference between those items being reported as net position. The assets and liabilities are listed in order of their liquidity. Therefore, assets readily convertible to cash, such as cash and investments, appear first.

#4.

Moulton Niguel Water District Management's Discussion & Analysis (Continued)

Year Ended June 30, 2016

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

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

**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2016

District Financial Analysis

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

Statement of Net Position:

Condensed Statement of Net Position (in thousands), June 30:				
	2016	2015	Dollar Change	Percent Change
Current and noncurrent assets	\$ 148,656	\$ 166,632	\$ (17,976)	-10.8%
Capital assets, net	390,974	375,845	15,129	4.0%
Total Assets	539,630	542,477	(2,847)	-0.5%
Deferred outflows of resources ¹	2,357	2,921	(564)	-19.3%
Total Deferred outflows of Resources	2,357	2,921	(564)	-19.3%
Total Assets and Deferred Outflows of Resources	541,987	545,398	(3,411)	-0.6%
Current liabilities	21,563	19,942	1,621	8.1%
Long-term liabilities	102,738	112,758	(10,020)	-8.9%
Total liabilities	124,301	132,700	(8,399)	-6.3%
Deferred inflows of resources ¹	3,530	4,937	(1,407)	-28.5%
Total Deferred Inflows of Resources	3,530	4,937	(1,407)	-28.5%
Net investment in capital assets	292,404	267,393	25,011	9.4%
Restricted for capital projects	2,633	1,508	1,125	74.6%
Unrestricted net position	119,119	138,860	(19,741)	-14.2%
Total Net Position	\$ 414,156	\$ 407,761	\$ 6,395	1.6%

¹ The deferred outflows and deferred inflows of resources amounts can be volatile on an annual basis. This is because these amounts are affected by various actuarial assumptions, including pension plan investment earnings vs. projected, the change in the District's proportionate share of contributions, and changes in the District's proportionate share of the collective net pension liability of the CalPERS risk pool.

**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2016

Revenues

	Condensed Total Revenues (in thousands), Year Ended June 30:			
	2016	2015	Dollar Change	Percent Change
Operating Revenues:				
Water charges	\$ 29,812	\$ 28,605	\$ 1,207	4.2%
Recycled charges	4,850	4,881	(31)	-0.6%
Sanitation charges ¹	18,964	16,182	2,782	17.2%
Other	416	330	86	26.1%
Total Operating Revenues	54,042	49,998	4,044	8.1%
Non-operating Revenues:				
Property taxes	25,298	24,012	1,286	5.4%
GOB assessment	5,306	4,935	371	7.5%
Investment income ²	4,139	2,624	1,515	57.7%
Cellular lease income	1,624	1,731	(107)	-6.2%
Intergovernmental revenue ³	3,383	6,401	(3,018)	-47.1%
Other ⁴	-	3,662	(3,662)	-100.0%
Total Non-operating Revenues	39,750	43,365	(3,615)	-8.3%
Capital Contributions ⁵	1,361	845	516	61.1%
Total Revenues	\$ 95,153	\$ 94,208	\$ 945	1.0%

The District finances operations through user charges, property tax receipts, and other income. Total revenue increased by \$0.9 million as compared to the prior year.

¹ The District adopted changes to the rate structure related to residential sanitation charges, moving from a more volumetric based charge to a fixed rate based charge that became effective on April 1, 2015. As part of that adoption, the District implemented an additional rate change that became effective on January 1, 2016.

² Investment income consists of \$1.7 million in unrealized gains as of June 30, 2016, compared to a \$0.2 million unrealized loss in the prior year. The District carries its investments at fair value on the statement of net position, and any change in value related to those securities is recognized as a gain or a loss.

³ The District received \$4.9 million in State funding in the prior year related to the Prop 50 grant for the IRWD Interconnection and Upper Chiquita Reservoir. In the current fiscal year, the District did receive \$2.4 million in grants, primarily related to the San Juan Creek Effluent Transmission Main ("ETM") project.

⁴ The District received a one-time \$3.5 million refund in the prior year related to MET meter inaccuracies at the South County Pump Station.

⁵ The increase in the capital contributions can be attributed to \$0.3 in reimbursements from Santa Margarita Water District related to the San Juan Creek ETM project. Santa Margarita Water District and the District have an agreement to share in the project costs that exceed grant funding.

**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2016

Expenses

	Condensed Total Expenses (in thousands), Year Ended June 30:			
	2016	2015	Dollar Change	Percent Change
Operating Expenses:				
Water purchases	\$ 23,730	\$ 25,978	\$ (2,248)	-8.7%
Meters	723	662	61	9.2%
Utilities	1,905	1,970	(65)	-3.3%
Wastewater treatment & pumping ¹	13,883	12,116	1,767	14.6%
Water transmission & distribution ²	1,341	959	382	39.8%
General, administrative & other ³	25,133	21,375	3,758	17.6%
Depreciation	17,123	16,708	415	2.5%
Total Operating Expenses	83,838	79,768	4,070	5.1%
Non-operating Expenses:				
Interest on long-term debt	4,911	6,161	(1,250)	-20.3%
Other	10	-	10	-
Total Non-operating Expenses	4,921	6,161	(1,240)	-20.1%
Total Expenses	\$ 88,759	\$ 85,929	\$ 2,830	3.3%

Total operating expenses increased by \$2.8 million.

¹ The District's portion for O&M charges at South Orange County Water District, a joint powers authority that the District participates in, increased by \$1.0 million as compared to the prior fiscal year.

² The increase in the water transmission and distribution expenses during the current year can be attributed to repairs and maintenance of facilities that are involved in distribution of water to District customers. These are repairs did not add substantial value or materially extend the useful life of the facilities and were not capitalized.

³ The District expanded its outreaching efforts this year as a result of the ongoing drought, and continued to offer rebates to customers. The District spent an additional \$3.1 million on rebates and other water efficiency and conservation programs, as compared to the prior year.

#4.

**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2016

Changes in Net Position

	Condensed Changes in Net Position (in thousands), Year Ended June 30:			
	2016	2015	Dollar Change	Percent Change
Beginning Net Position	\$ 407,761	\$ 418,279	\$ (10,518)	-2.5%
Restatement due to change in accounting principle ¹	-	(18,796)	18,796	-100.0%
Income (loss) before capital contributions	5,034	7,433	(2,399)	-32.3%
Donated facilities	-	294	(294)	-100.0%
Capacity fees ²	1,046	551	495	89.8%
Other contributions	315	-	315	0.0%
Change in Net Position	<u>6,395</u>	<u>(10,518)</u>	<u>16,913</u>	<u>-160.8%</u>
Ending Net Position	<u>\$ 414,156</u>	<u>\$ 407,761</u>	<u>\$ 6,395</u>	<u>1.6%</u>

¹ The beginning net position in the prior year was restated by \$18.8 million to implement GASB 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". There was no such restatement required in the current year as the standard had already been implemented.

² The District received a larger quantity of capacity fees in the current year as a result of new developments that were completed during the year. This revenue depends on projects approved by cities within the District service area and will fluctuate on an annual basis.

**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2016

Capital Assets

	Condensed Capital Asset Summary (in thousands), Year Ended June 30:			
	2016	2015	Dollar Change	Percent Change
Net Depreciable Assets:				
Water systems ¹	\$ 271,113	\$ 311,409	\$ (40,296)	-12.9%
Capacity rights - infinite	18,908	19,172	(264)	-1.4%
Capacity rights - limited ¹	45,085	6,892	38,193	554.2%
Buildings	2,408	2,690	(282)	-10.5%
Equipment and automobiles ²	7,233	2,948	4,285	145.4%
Total Net Depreciable Assets	344,747	343,111	1,636	0.5%
Non-Depreciable Assets:				
Land	1,092	1,092	-	0.0%
Construction in Progress ³	45,135	31,642	13,493	42.6%
Total Non-Depreciable Assets	46,227	32,734	13,493	41.2%
Capital Assets, Net	\$ 390,974	\$ 375,845	\$ 15,129	4.0%

The District's net capital assets increased by \$15.1 million (net of \$17.1 million of depreciation) during the current fiscal year. See Note 5 in the Notes to Financial Statements for detail on capital asset activities.

¹ The District transferred \$38,470 of net capitalized water systems assets to capacity rights - limited, as those assets were remitted in relation to the District's capacity obligations in joint facilities. The transfer had no effect on the financial statements and was done to move the asset to the appropriate class.

² The District transferred the completed District software project from construction in progress to equipment and automobiles, totaling \$3.0 million during the fiscal year ended June 30, 2016.

³ The District adopts a Ten-Year Cash flow as part of the budget process each year, and \$46.8 million was budgeted for 67 capital projects for the current year. The construction in progress balance represents projects that have started but have yet to be placed into service. Many projects will include activity that span multiple fiscal years.

#4.

Moulton Niguel Water District Management's Discussion & Analysis (Continued)

Year Ended June 30, 2016

Long-term Liabilities

	Condensed Long-term Liabilities Summary (in thousands), Year Ended June 30:			
	2016	2015	Dollar Change	Percent Change
Bonds Payable	\$ 24,891	\$ 31,326	\$ (6,435)	-20.5%
Certificates of Participation (COP)	63,929	65,836	(1,907)	-2.9%
Loans	10,688	12,794	(2,106)	-16.5%
Total Long-term Liabilities	\$ 99,508	\$ 109,956	\$ (10,448)	-9.5%

The District's total long-term liabilities as of June 30, 2016, was comprised of \$99.5 million in Bonds, COPs, and loans. The District did not issue any new debt during the fiscal year or refund any prior issuances. Annual principal payments during the year were primarily responsible for the \$10.4 million reduction in the outstanding balance. See Note 6 in the Notes to Financial Statements for detail on long-term liabilities.

Contacting the District

This financial report is designed to provide the District's elected officials, customers, investors, employees, and creditors with an assessment of the District's financial condition and an accounting of the public's funds. An electronic copy of the 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.



moulton niguel water district

Moulton Niguel Water District

Statement of Net Position
June 30, 2016
(With Comparative Totals for June 30, 2015)

	2016	2015
Assets:		
Current:		
Cash and investments (Note 2)	\$ 21,149,580	\$ 22,824,739
Accounts receivable:		
Water and sanitation charges	4,023,360	3,392,611
Taxes and acreage assessments	255,190	300,842
Other accounts receivable	347,088	222,169
Grants receivable	1,771,918	405,068
Interest receivable	589,339	620,930
AMP receivable (Note 3)	656	1,302
Inventory	1,322,755	1,703,635
Prepaid expenses	566,095	480,124
	30,025,981	29,951,420
Noncurrent:		
Investments (Note 2)	109,982,071	127,305,643
Restricted cash and investments with fiscal agent (Note 2)	8,086,043	8,777,679
Retrofit loans receivable (Note 3)	561,582	597,037
Capital assets - net of accumulated depreciation (Note 5)	344,747,326	343,111,410
Capital assets not being depreciated (Note 5):		
Land	1,091,910	1,091,910
Construction in progress	45,135,106	31,642,242
	509,604,038	512,525,921
	539,630,019	542,477,341
Deferred Outflows of Resources:		
Deferred charges on refundings (Note 6)	937,158	1,488,900
Deferred items related to pension (Note 8)	1,419,676	1,431,577
	2,356,834	2,920,477
	\$ 541,986,853	\$ 545,397,818

Statement of Net Position
June 30, 2016
(With Comparative Totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Liabilities:		
Current:		
Accounts payable	\$ 9,107,383	\$ 8,162,699
Interest payable	1,880,732	1,830,740
Unearned revenue	45,572	-
Compensated absences (Note 6)	618,807	373,162
Current portion of long-term debt (Note 6):		
Bonds payable	6,060,000	5,685,000
Certificates of participation	1,855,000	1,780,000
Loans payable	1,994,998	2,110,606
Total Current Liabilities	21,562,492	19,942,207
Long-Term Liabilities:		
Compensated absences (Note 6)	206,269	124,386
Long-term debt (Note 6):		
Bonds payable	18,830,785	25,641,483
Certificates of participation	62,073,642	64,056,049
Loans payable	8,693,015	10,683,789
Net pension liability (Note 8)	12,934,337	12,251,838
Total Long-Term Liabilities	102,738,048	112,757,545
Total Liabilities	124,300,540	132,699,752
Deferred Inflows of Resources:		
Deferred items related to pension (Note 8)	3,530,389	4,936,619
Total Deferred Inflows of Resources	3,530,389	4,936,619
Net Position:		
Net investment in capital assets	292,404,060	267,393,560
Restricted for capital projects (Note 14)	2,632,947	1,508,109
Unrestricted (Note 15)	119,118,917	138,859,778
Total Net Position	414,155,924	407,761,447
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 541,986,853	\$ 545,397,818

#4.



moulton niguel water district

Moulton Niguel Water District
Statement of Revenues, Expenses,
and Changes in Net Position
Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Water charges	\$ 29,812,128	\$ 28,604,894
Recycled charges	4,850,326	4,880,742
Sanitation charges	18,963,978	16,182,197
Other	415,565	329,755
Total Operating Revenues	<u>54,041,997</u>	<u>49,997,588</u>
Operating Expenses:		
Source of supply:		
Water purchases	23,729,595	25,978,276
Meter purchases	723,310	662,151
Utilities	1,904,437	1,969,712
Pumping water	3,177,393	2,596,544
Wastewater treatment	10,705,495	9,519,199
Water transmission and distribution	1,341,220	959,193
Customer service	3,047,070	2,839,137
Water efficiency	6,749,664	3,472,838
General, administrative, and other	14,947,755	14,702,063
Post retirement medical benefits (OPEB)	388,058	361,057
Depreciation	17,123,278	16,708,439
Total Operating Expenses	<u>83,837,275</u>	<u>79,768,609</u>
Operating Income (Loss)	<u>(29,795,278)</u>	<u>(29,771,021)</u>
Non-Operating Revenues (Expenses):		
Investment income (Note 2)	4,063,731	2,573,621
Investment income - restricted (Note 2)	75,353	50,685
Property tax revenue and acreage assessments	25,298,065	24,011,516
General obligation bond assessments	5,306,117	4,934,793
Interest on long-term debt	(4,910,737)	(6,160,882)
Intergovernmental revenue	3,382,555	6,401,510
Cellular lease and license income (Note 4)	1,623,544	1,731,352
Other non-operating revenues (expenses)	(9,718)	3,661,818
Total Non-Operating Revenues (Expenses)	<u>34,828,910</u>	<u>37,204,413</u>
Income (Loss) Before Capital Contributions	<u>5,033,632</u>	<u>7,433,392</u>
Capital Contributions:		
Developer donated capital facilities	-	294,000
Capacity fees	1,046,335	551,179
Other contributions	314,510	-
Change in Net Position	<u>6,394,477</u>	<u>8,278,571</u>
Net Position:		
Beginning of fiscal year, as originally reported	407,761,447	418,278,862
Restatements	-	(18,795,986)
Beginning of fiscal year, restated	<u>407,761,447</u>	<u>399,482,876</u>
End of Fiscal Year	<u>\$ 414,155,924</u>	<u>\$ 407,761,447</u>

Moulton Niguel Water District

Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 54,900,155	\$ 57,563,965
Cash paid to suppliers	(50,138,591)	(47,136,211)
Cash paid to employees	(15,534,122)	(16,092,918)
Net Cash Provided By (Used For) Operating Activities	<u>(10,772,558)</u>	<u>(5,665,164)</u>
Cash Flows from Non-Capital Financing Activities:		
Cash received from property taxes	25,343,717	24,065,800
Net Cash Provided By (Used For) Non-Capital Financing Activities	<u>25,343,717</u>	<u>24,065,800</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(32,252,058)	(25,400,041)
Proceeds from capital debt	-	14,481,517
Cash received from general obligation bond assessments	5,306,117	4,934,793
Repayment of notes receivable	36,101	98,397
Capital contributions	1,360,845	551,179
Principal payments on long-term debt	(10,635,480)	(24,538,691)
Interest payments on long-term debt	(4,309,003)	(6,139,195)
Intergovernmental revenue	2,061,277	5,996,442
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(38,432,201)</u>	<u>(30,015,599)</u>
Cash Flows from Investing Activities:		
Investment earnings received	4,170,675	2,935,640
Proceeds from sales and maturities of investments	86,033,928	33,321,926
Purchases of investments	(68,710,356)	(48,638,010)
Net Cash Provided By (Used For) Investing Activities	<u>21,494,247</u>	<u>(12,380,444)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,366,795)</u>	<u>(23,995,407)</u>
Cash and Cash Equivalents, Beginning of Year	31,602,418	55,597,825
Cash and Cash Equivalents, End of Year	<u>\$ 29,235,623</u>	<u>\$ 31,602,418</u>
Reconciliation of Cash and Cash Equivalents		
Cash and investments	\$ 21,149,580	\$ 22,824,739
Restricted cash and investments with fiscal agent	8,086,043	8,777,679
Total Cash and Cash Equivalents	<u>\$ 29,235,623</u>	<u>\$ 31,602,418</u>

Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating income (loss)	\$ (29,795,278)	\$ (29,771,021)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	17,123,278	16,708,439
Other non-operating revenue	1,613,826	5,393,170
Contributions made after measurement date to net pension liability	(525,837)	(997,427)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, water and sanitation	(630,749)	2,163,158
(Increase) decrease in accounts receivable, other	(124,919)	10,049
(Increase) decrease in inventory	380,880	(191,886)
(Increase) decrease in prepaid expenses	(85,971)	(177,480)
Increase (decrease) in accounts payable	944,684	1,230,205
Increase (decrease) in compensated absences	327,528	(32,371)
Net Cash Provided By (Used For) Operating Activities	<u>\$ (10,772,558)</u>	<u>\$ (5,665,164)</u>
Non-cash Investing, Capital, and Financing Activities:		
Unrealized gain (loss) on investments	\$ 1,740,527	\$ (227,454)
Developer donated capital facilities	-	294,000
Amortization of deferred charges on refundings	551,742	(352,586)
Bad debt expense	(284,100)	(67,318)
Amortization of (premiums) discounts	(873,882)	(617,398)
Changes in net pension liability	(711,830)	(93,209)

#4.



moulton niguel water district

Moulton Niguel Water District**Notes to Financial Statements
June 30, 2016****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 ("GAAP") applicable to governmental-type organizations. The following is a summary of the District's significant accounting policies.

a. Description of the Reporting Entity

The District was established on November 16, 1960, under the provisions of the California Water District Law, Division 13 of the Water Code. The District provides water and collects, treats and recycles wastewater to the communities of Aliso Viejo, Laguna Niguel, Laguna Hills, Mission Viejo, 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 Governmental Accounting Standards Board ("GASB") Statement 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.

Moulton Niguel Water District**Notes to Financial Statements (Continued)****June 30, 2016****Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

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.

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. To obtain complete financial information from the Corporation, please contact the District at 27500 La Paz Street, Laguna Niguel, CA, 92677, or via telephone at (949) 831-2500.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB 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. In accordance with those Statements, a component unit should be included in the reporting entity financial statements using the blending method in any of these circumstances:

- i. The component unit's governing body is substantively the same as the governing body of the primary government and (1) there is a financial benefit or burden relationship between the primary government and the component unit, or (2) management of the primary government has operational responsibility for the component unit. Management of a primary government has operational responsibility for a component unit if it manages the activities of the component unit in essentially the same manner in which it manages its own programs, departments, or agencies.
- ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. Usually the services provided by a blended component unit are financing services provided solely to the primary government.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

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

- iii. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. Repayment generally occurs through a continuing pledge and appropriation by the primary government to the component unit that, in turn, pledges those appropriation payments as the primary source of repayment for its debt.

Because the Corporation meets the requirements in circumstances i, ii, and iii, the Corporation has been reported as a blended component unit. In accordance with GASB Statement 61, condensed financial information is reported in Note 10.

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 remitted to the District throughout the year.

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 acquisition value on the date received in accordance with GASB Statement 72, *Fair Value Measurement and Application*. 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

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. Vacation accrual schedules vary depending on length of employment and begin on the date of employment. Once employees reach the maximum accrual limit, they cease to accrue vacation until vacation is reduced to an amount below the limit. Employees are eligible to be compensated in cash for up to a maximum of 120 hours of accrued vacation, upon meeting certain criteria. In addition, an employee is eligible to transfer up to 80 hours of accrued vacation into his/her deferred compensation plan, under certain conditions.

All regular full-time employees are eligible to accrue 96 hours of sick leave per year from the date of employment. Prior to December 31 of each year, employees who have accumulated more than 176 hours of sick leave are eligible to receive compensation equal to 75% of the hours over 176 hours.

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

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

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.

Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 1: Organization and Summary of Significant Accounting Policies (Continued)****i. Investments**

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

j. Fair Value Measurement

The District has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

k. 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.

l. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. 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. 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

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

m. Net Position

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

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

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 included in Note 15.

n. Use of Estimates

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

o. New GASB Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define which assets and liabilities should be measured at fair value, and determine the fair value information that should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-16 fiscal year. This pronouncement was implemented effective July 1, 2015.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement 55. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. This pronouncement was implemented effective July 1, 2015.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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 Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The District elected to implement GASB Statement No. 82 for the 2015-2016 fiscal year to maintain consistency in the required supplementary information reported amounts.

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, 2016:

Statement of Net Position:	
Cash and Investments-Current	\$ 21,149,580
Investments-Noncurrent	109,982,071
Cash and Investments with Fiscal Agent	<u>8,086,043</u>
Total Cash and Investments	<u>\$ 139,217,694</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 2: Cash and Investments (Continued)

Cash and Investments held by the District at June 30, 2016, consisted of the following:

Cash:	
Petty Cash on Hand	\$ 800
Deposits with Financial Institutions	254,204
Total Cash	<u>255,004</u>
Investments:	
State Treasurer's Investment Pool	20,907,555
US Treasury Notes	29,314,594
Federal Agency Securities	48,678,878
Medium Term Notes	28,021,901
Asset Backed Securities	9,173,281
Commerical Paper	1,885,521
Money Market Funds	<u>980,960</u>
Total Investments	<u>138,962,690</u>
Total Cash and Investments	<u><u>\$ 139,217,694</u></u>

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. The table below 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, 2016

Note 2: Cash and Investments (Continued)

	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Municipal Securities	5 years	30%	5%
U.S. Treasury Obligations	10 years**	None	None
Federal Agency Securities	10 years**	None	25%
Bankers Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	None	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Asset Backed Securities***	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	\$25M	None
Local Government Investment Pools	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive, except for maturities in excess of 5 years, as described below.

**5 years for the limited maturity fund, up to 10 years and a maximum of 40% exceeding 5 years for the operating reserve fund, as allowed by the investment policy.

***The District's investment policy currently does not allow for the purchase of new asset backed securities, but the policy does allow securities purchased prior to changes to the policy. These securities were previously authorized per the District policy and are authorized per the California Government Code. The District plans to align its policy to the California Government Code in the next fiscal year. During the fiscal year, the District's investment advisors purchased two new asset backed securities, totaling \$1,671,966. The District has sold these securities to ensure compliance with the investment policy, resulting in slight gains.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
Federal Agency Securities	None	None	None
Bankers Acceptances	360 days	None	None
Municipal Obligations	None	None	None
Money Market Mutual Funds	120 days	None	None
Investment Agreements	None	None	None

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 2: Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk attributable to changes in market interest rates that will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater sensitivity to fair value when market interest rates fluctuate. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Total	12 Months or Less	13 to 36 Months	37 to 60 Months	More Than 60 Months
State Investment Pool	\$ 20,907,555	\$ 20,907,555	\$ -	\$ -	\$ -
US Treasury Notes	24,019,685	1,802,346	3,136,237	4,712,268	14,368,834
Federal Agency Securities	46,255,456	6,872,460	5,928,670	21,974,303	11,480,023
Medium Term Notes	28,021,901	1,853,045	18,506,803	7,662,053	-
Asset Backed Securities	9,173,281	-	6,253,901	2,919,380	-
Commercial Paper	1,885,521	1,885,521	-	-	-
Money Market Funds	613,248	613,248	-	-	-
Held by Fiscal Agent:					
US Treasury Notes	5,294,909	275,319	2,292,160	2,727,430	-
Federal Agency Securities	2,423,422	-	851,755	1,571,667	-
Money Market Funds	367,712	367,712	-	-	-
Total	<u>\$ 138,962,690</u>	<u>\$ 34,577,206</u>	<u>\$ 36,969,526</u>	<u>\$ 41,567,101</u>	<u>\$ 25,848,857</u>

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 Standard and Poor's as of year-end for each investment type:

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 2: Cash and Investments (Continued)

Investment Type	Total	Minimum Legal Rating	Rating as of Year-End			
			AAA	AA	A	Not Rated
State Investment Pool	\$ 20,907,555	N/A	\$ -	\$ -	\$ -	\$ 20,907,555
US Treasury Notes	24,019,685	N/A	24,019,685	-	-	-
Federal Agency Securities	46,255,456	N/A	41,983,066	4,272,390	-	-
Medium Term Notes	28,021,901	A	1,268,191	6,352,788	20,400,922	-
Asset Backed Securities*	9,173,281	AA	9,173,281	-	-	-
Commerical Paper	1,885,521	A	-	-	1,885,521	-
Money Market Funds	613,248	Highest rated	613,248	-	-	-
Held by Fiscal Agent:						
US Treasury Notes	5,294,909	A	5,294,909	-	-	-
Federal Agency Securities	2,423,422	A	2,423,422	-	-	-
Money Market Funds	367,712	Highest rated	-	-	-	367,712
Total	<u>\$ 138,962,690</u>		<u>\$ 84,775,802</u>	<u>\$ 10,625,178</u>	<u>\$ 22,286,443</u>	<u>\$ 21,275,267</u>

* Minimum legal rating according to California Government Code

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:

Investment Type	Year-end Balance
Federal Home Loan Bank	\$ 14,951,133
Federal Home Loan Mortgage Co.	12,622,178
Federal National Mortgage Assoc.	11,692,486
Tennessee Valley Authority	7,356,554

Disclosures Relating to Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 2: Cash and Investments (Continued)

The District had the following recurring fair value measurements as of June 30, 2016:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Uncategorized
State Investment Pool	\$ 20,907,555	\$ -	\$ -	\$ 20,907,555
US Treasury Notes	24,019,685	-	24,019,685	-
Federal Agency Securities	46,255,456	-	46,255,456	-
Medium Term Notes	28,021,901	-	28,021,901	-
Asset Backed Securities	9,173,281	-	9,173,281	-
Commerical Paper	1,885,521	-	1,885,521	-
Money Market Funds	613,248	613,248	-	-
Held by Fiscal Agent:				
US Treasury Notes	5,294,909	-	5,294,909	-
Federal Agency Securities	2,423,422	-	2,423,422	-
Money Market Funds	367,712	-	367,712	-
Total	<u>\$ 138,962,690</u>	<u>\$ 613,248</u>	<u>\$ 117,441,887</u>	<u>\$ 20,907,555</u>

Money market funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those money market funds. Corporate bonds and securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing model and evaluated based on various market and industry inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The State Investment Pool is managed by the State Treasurer, and by law is regulated by the California Government Code.

Deposits and withdrawals in State Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the District's investments in LAIF at June 30, 2016, of \$20,907,555 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

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).

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2016

Note 2: Cash and Investments (Continued)

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 Federal Deposit Insurance Corporation (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. Investment earnings consist of the following for the year ended June 30, 2016:

Interest income	\$	2,337,284
Realized gain (loss)		61,273
Unrealized gain (loss)		<u>1,740,527</u>
Total	\$	<u>4,139,084</u>

Note 3: Other ReceivablesAllen-McColloch Pipeline ("AMP")

Before fiscal year 1995, the District was a part owner and participant in the 27-mile AMP used by the Municipal Water District of Orange County ("MWDOC") to deliver potable water to the participants. In fiscal year 1995, the participants sold the AMP to Metropolitan Water District of Southern California ("MET"). Under the Sale agreement the District will receive \$16,158,563 over 22 years. This represents an approximate 13.6% ownership of AMP. During the year, the District received \$646, leaving the year end AMP receivable of \$656. The Sale agreement also provides for the District to continue to have AMP flow capacity rights, but MWDOC has no obligation to deliver an actual quantity of water.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 3: Other Receivables (Continued)**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 23 loans outstanding totaling \$561,582 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 30+ years from the date of the agreement.

Note 4: Operating Leases and Licenses

The District leases a portion of its facilities for cellular tower antenna sites. Lessees purchase and install the wireless equipment. These leases are non-cancelable for a period of 10 years, with one renewal period of 5 years. Inception dates range from 1996 to the present. 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. Since the start of fiscal year 2015-2016, any new agreement or renewal is classified as a license. The combined cost of District facilities that are included as part of these agreements was \$36,355,063, with a carrying value at June 30, 2016, of \$19,531,462, and the difference of \$16,823,601 being accumulated depreciation. The total cellular lease and license revenue for the fiscal year was \$1,623,544. Future minimum lease payments are as follows:

Fiscal Year Ended June 30	Amount
2017	\$ 1,569,878
2018	1,546,570
2019	1,476,486
2020	1,494,355
2021	1,521,016
Thereafter	<u>8,020,467</u>
Total	<u>\$ 15,628,772</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2016, is as follows:

Capital Assets	Balance at June 30, 2015	Transfers	Additions	Deletions	Balance at June 30, 2016
Depreciable assets					
Water systems	\$ 596,724,235	\$ (34,567,028)	\$ -	\$ (54,151)	\$ 562,103,056
Capacity rights - Infinite	19,972,448	-	-	-	19,972,448
Capacity rights - Limited	8,279,403	48,023,143	-	-	56,302,546
Building	5,755,374	-	-	-	5,755,374
Automobiles and equipment	12,615,726	4,259,654	1,046,587	(203,838)	17,718,129
Total cost of depreciable assets	643,347,186	17,715,769	1,046,587	(257,989)	661,851,553
Less accumulated depreciation					
Water systems	(285,315,731)	9,552,656	(13,703,990)	51,259	(289,415,806)
Capacity rights - Infinite	(798,899)	-	(266,299)	-	(1,065,198)
Capacity rights - Limited	(1,387,890)	(9,552,656)	(1,850,015)	-	(12,790,561)
Buildings	(3,065,505)	-	(281,811)	-	(3,347,316)
Automobiles and equipment	(9,668,021)	-	(1,021,163)	203,838	(10,485,346)
Total accumulated depreciation	(300,236,046)	-	(17,123,278)	255,097	(317,104,227)
Net depreciable assets	343,111,140	17,715,769	(16,076,691)	(2,892)	344,747,326
Capital assets not depreciated					
Land	1,091,910	-	-	-	1,091,910
Construction in progress	31,642,242	(17,715,769)	31,208,633	-	45,135,106
Capital assets net	\$ 375,845,292	\$ -	\$ 15,131,942	\$ (2,892)	\$ 390,974,342

Depreciation expense for the year ended June 30, 2016, was \$17,123,278.

The District transferred \$38,470,487 of net capitalized assets from Water systems to Capacity rights – limited, related to capital payments made to South Orange County Wastewater Authority (“SOCWA”) and the Joint Regional Water Supply System (“JRWSS”), which includes \$48,023,143 of original cost, less \$9,552,656 of accumulated depreciation. These amounts were remitted to the respective agencies to satisfy the District’s obligation related to capacity rights at joint facilities, and the transfer results in no effect on the financial statements.

The District incurred a total of \$5,648,881 in interest related to outstanding debt issuances disclosed in Note 6, and \$342,099 of that amount was capitalized and included as part of the historical cost of acquiring certain assets. The remaining interest of \$5,306,782 was charged to non-operating expenses.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 6: Long-Term Liabilities**

Long-Term liabilities for the year ended June 30, 2016, are as follows:

	Balance at June 30, 2015	Addition	Deletion	Ending June 30, 2016	Due Within One Year
Bonds payable:					
2014 GOB	\$ 15,850,000	\$ -	\$ (5,685,000)	\$ 10,165,000	\$ 6,060,000
Add: Premium	1,017,130	-	(484,716)	532,414	-
2015 Refunding	12,265,000	-	-	12,265,000	-
Add: Premium	2,194,353	-	(265,982)	1,928,371	-
Total Bonds	<u>31,326,483</u>	<u>-</u>	<u>(6,435,698)</u>	<u>24,890,785</u>	<u>6,060,000</u>
Certificates of Participation:					
2009 COPs	60,000,000	-	-	60,000,000	-
2010 COPs	5,560,000	-	(1,780,000)	3,780,000	1,855,000
Add: Premium	276,049	-	(127,407)	148,642	-
Total COPs	<u>65,836,049</u>	<u>-</u>	<u>(1,907,407)</u>	<u>63,928,642</u>	<u>1,855,000</u>
Loans Payable:					
CIEDB	1,216,840	-	(159,260)	1,057,580	163,885
Dept. of Water Resources	152,020	-	(152,020)	-	-
Less: Discount	(4,223)	4,223	-	-	-
State Revolving Fund	<u>11,429,758</u>	<u>-</u>	<u>(1,799,325)</u>	<u>9,630,433</u>	<u>1,831,113</u>
Total Loans	<u>12,794,395</u>	<u>4,223</u>	<u>(2,110,605)</u>	<u>10,688,013</u>	<u>1,994,998</u>
Compensated Absences:					
Vacation pay	132,695	661,671	(337,153)	457,213	342,910
Sick Pay	<u>364,853</u>	<u>385,149</u>	<u>(382,139)</u>	<u>367,863</u>	<u>275,897</u>
Total Compensated Absences	<u>497,548</u>	<u>1,046,820</u>	<u>(719,292)</u>	<u>825,076</u>	<u>618,807</u>
Total:	<u>\$ 110,454,475</u>	<u>\$ 1,051,043</u>	<u>\$ (11,173,002)</u>	<u>\$ 100,332,516</u>	<u>\$ 10,528,805</u>

Bonds Payable2014 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. Proceeds from the issuance were used to refund the 2003 Consolidated Refunding Bonds and to pay costs of issuing the Bonds. The Bonds constitute the consolidated 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 remaining deferred charges related to this refunding at June 30, 2016, is \$106,214, and will be amortized over the life of the bonds.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 6: Long-Term Liabilities (Continued)

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 were 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 remaining deferred charges related to this refunding at June 30, 2016, is \$708,797, and will be amortized over the life of the bonds. As of June 30, 2016, \$14,520,000 of the refunded 2003 Certificates were outstanding, and \$14,728,604 was held in escrow to fund the redemption.

As of June 30, 2016, the Reserve Requirement for the 2015 Revenue Refunding Bond was \$1,226,500 and the District had \$1,231,804 in the reserve account.

Certificates of Participation

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 ("MET") 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") will range from 4.49% to the serial rates mentioned. The TIC 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.

Moulton Niguel Water District**Notes to Financial Statements (Continued)**
June 30, 2016**Note 6: Long-Term Liabilities (Continued)**

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 6.8% reduction as of October 1, 2015, through September 30, 2016, resulting in a refundable credit equal to 32.62%

As of June 30, 2016, the Reserve Requirement for the 2009 COPs was \$6,000,000. At June 30, 2016, the District had \$6,033,813 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 COPs. 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. The remaining deferred charges related to this refunding at June 30, 2016, is \$122,147, and will be amortized over the life of the certificates.

As of June 30, 2016, the Reserve Requirement for the 2010 Refunding COPs was \$378,000. At June 30, 2016, the District had \$555,767 in the reserve account.

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.

Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 6: Long-Term Liabilities (Continued)**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 recycled 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. As of June 30, 2016, the loan was paid in full.

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 September 3, 2022.

Compensated Absences

All accrued vacation and sick leave pay is recorded as an expense and a liability at the time the benefit is earned. As of June 30, 2016, the District's compensated absences liability was \$825,076.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 6: Long-Term Liabilities (Continued)

Remaining Amortization on Long-Term Liabilities

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2016, are as follows:

	Bonds Payable	
June 30	Principal	Interest
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	1,990,000	378,500
2022-2026	6,575,000	503,875
Total	<u>\$ 22,430,000</u>	<u>\$ 3,713,275</u>
	Certificates of Participation	
June 30	Principal	Interest
2017	\$ 1,855,000	\$ 4,213,076
2018	1,925,000	4,137,476
2019	-	4,098,976
2020	-	4,098,976
2021	-	4,098,976
2022-2026	5,395,000	20,172,541
2027-2031	15,690,000	16,340,466
2032-2036	19,650,000	10,262,280
2037-2041	19,265,000	2,761,688
Total	<u>\$ 63,780,000</u>	<u>\$ 70,184,455</u>
	Loans Payable	
June 30	Principal	Interest
2017	\$ 1,994,998	\$ 200,784
2018	2,032,109	163,673
2019	1,572,589	125,851
2020	1,283,260	95,960
2021	1,307,912	71,307
2022-2026	2,497,145	66,668
Total	<u>\$ 10,688,013</u>	<u>\$ 724,243</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

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, 2016:

Debt Service Coverage

Operating Revenues:

Water sales and service charges	\$ 34,662,454
Wastewater service charges	18,963,978
Meter sales & other	<u>415,565</u>
Total Operating Revenues	<u>54,041,997</u>

Non-Operating Revenues:

Capacity fees	1,046,335
Cellular lease income	1,623,544
Investment income	4,139,084
Intergovernmental revenue	3,382,555
Other contributions	314,510
Other income (expense)	<u>(9,718)</u>
Total Non-Operating Revenues	<u>10,496,310</u>
Total Revenues	<u>64,538,307 (A)</u>

Operations & Maintenance Expenses:

Source of supply	26,357,342
Pumping water	3,177,393
Wastewater treatment	10,705,495
Water transmission & distribution	1,341,220
Customer service	3,047,070
Water efficiency	6,749,664
General, administrative & other	<u>15,335,813</u>
Total Operations & Maintenance Expenses	<u>66,713,997 (B)</u>

Net Revenues **(2,175,690) (A-B)**

Property Tax Revenues **25,298,065**

Sum of Net & Tax Revenues **\$ 23,122,375 (C)**

Debt Service On Parity Obligations

2009 COP	\$ 4,098,976
2010 Refunding COP	1,966,800
Governmental loans	2,349,709
2015 Refunding Revenue Bonds	<u>444,606</u>
Total Existing Parity Obligations	\$ 8,860,091 (D)

Calculated Debt Service Coverage Percentage 261% (C/D)

Moulton Niguel Water District**Notes to Financial Statements (Continued)**
June 30, 2016**Note 8: Pension Plans**Defined Benefit Plan***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Defined Benefit Pension Plan ("Plan"), a cost-sharing, multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). Board members are not eligible for participation in CalPERS. The CalPERS Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employers miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees' Retirement Fund C ("PERF C"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. The District's Board of Directors has authority over the District's participation in CalPERS, plan amendments and the choice of plan options within CalPERS. The CalPERS annual financial report may be obtained from their website at www.calpers.ca.gov 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 ("PERL"). Each plan has a 3% annual cost-of-living allowance increase benefit.

The District has three different tiers that employees participate in: First Tier Miscellaneous Plan (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). 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. First and Second Tier plans have a highest 12 consecutive months' compensation period and the PEPRA plan has a highest 36 consecutive months' compensation period.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 8: Pension Plans (Continued)

	Miscellaneous cost-sharing plans		
	Tier 1	Tier 2	PEPRA
		July 28, 2009 but	
Hire date	Prior to July 28, 2009	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	7.000%	7.000%	6.500%
Required employer contribution rates	10.386%	9.454%	6.724%

Contribution Description

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary, and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, contributions to the plan were \$1,351,327, which includes \$525,753 excess contributions.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the collective net pension liability as \$12,934,337.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 8: Pension Plans (Continued)**

The District's net pension liability for each plan was measured as the proportionate share of the collective cost-sharing plan. The District's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard actuarial update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the actuarially determined projected contributions of all participating employers. The District's proportion of the collective net pension liability as of June 30, 2014 and 2015, was as follows:

	<u>Pension Plans</u>
Proportion - June 30, 2014	0.1969%
Proportion - June 30, 2015	0.1884%
Change - Increase (Decrease)	(0.0085%)

Recognition of Gains and Losses

Under GASB Statement 68, gains and losses related to changes in total pension liability are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions, and are to be recognized in future pension expense.

For the year ended June 30, 2016, the District recognized pension expense of \$639,498. At June 30, 2016, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ -	\$ (646,642)
Difference between expected and actual experience	68,349	-
Changes in proportion and difference between District's contributions and proportionate share of contributions:		
2014	-	(187,363)
2015	-	(2,372,215)
Net difference between projected and actual earnings on pension plan investments	-	(324,169)
Contribution subsequent to measurement date	1,351,327	-
Total	\$ 1,419,676	\$ (3,530,389)

\$1,351,327 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, 2017.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 8: Pension Plans (Continued)**

Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

June 30:	Deferred Outflows/(Inflows) of Resources	
2017	\$	(1,238,886)
2018		(1,218,068)
2019		(924,044)
2020		(81,042)
Total	\$	<u>(3,462,040)</u>

The amortization period differs depending on the source of the deferred inflow or outflow of resources. The difference between projected and actual earnings is amortized straight-line over 5 years. All other deferred amounts are amortized straight-line over the expected average remaining service life ("EARSL") of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The EARSL is calculated by dividing the total future service years of active employees by the total number of plan participants in PERF C. Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund. As of the June 30, 2015, measurement period, the EARSL was 3.8 years.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2014 valuation was rolled forward to determine the June 30, 2015, measurement date total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses, includes Inflation
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.75% thereafter

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report on the CalPERS website.

Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 8: Pension Plans (Continued)**

All other actuarial assumptions used in the June 30, 2014, 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.

Change of Assumptions

GASB Statement 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense, in accordance with GASB Statement 68.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund ("PERF"). 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 Statement 68 section.

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 PERF 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 PERF 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 8: Pension Plans (Continued)**

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	Current Target Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

¹ An expected inflation of 2.5% was used for this period.

² An expected inflation of 3.0% was used for this period.

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

The following table presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

District's proportionate share of the Net Pension Liability:	Discount Rate - 1% 6.65%	Current Discount 7.65%	Discount Rate +1% 8.65%
	\$ 21,119,333	\$ 12,934,337	\$ 6,203,068

Pension Plan Fiduciary Net Position

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

Moulton Niguel Water District**Notes to Financial Statements (Continued)**
June 30, 2016**Note 8: Pension Plans (Continued)**Defined Contribution Plan

The District sponsors the Moulton Niguel Water District 401(a) Plan and Trust ("401(a) Plan"), a single employer defined contribution pension plan. The District's Board of Directors established the 401(a) Plan and is authorized to amend the 401(a) Plan and to name its trustees. All employees participating in the Deferred Compensation Plan and all members of executive management are eligible to participate in the 401(a) Plan. Plan investments are held in trust by Lincoln Financial.

The District matches up to 2% of an employees' salary to the 401(a) Plan if the employee elects to participate in the District's 457 Deferred Compensation Plan. Employer contributions were \$161,217 and recognized as pension expense for the year ended June 30, 2016. All contributions are fully vested. The trustee maintains individual accounts for each participant. Each participant provides direction for investment of their account balance. Contributions, plus investment returns, are distributed to participants after separation from employment.

Note 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 health 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 health benefits for themselves and their dependents.

Under the authority of the District's Board of Directors, post-retirement health 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 as a single employer defined benefit OPEB plan 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 health 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. Board members elected after January 1, 1995, are not eligible for retiree health coverage, regardless of age and years of service at retirement. 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

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

Membership of the plan as of the most recent valuation report consisted of the following at June 30, 2016:

Active plan members	116
Retired (age 55-65) HMO/PPO Participants & Dependents	21
Retired (age 65+) Medicare Participants (No Dependents)	<u>17</u>
Total	<u><u>154</u></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 2016, the required contribution rates for the District was 5.9% of covered payroll (.6494% per member), and the District contributed a total of \$417,834, which includes premiums and the implicit rate subsidy. The District provides health retirement benefits to OPEB Participants, which are equal to the value of the health benefit provided to active employees, until the retiree is eligible for Medicare. OPEB Participants electing coverage through the Health Maintenance Organization ("HMO") contributed approximately 4%, or \$4,329 toward the cost of coverage and participants electing coverage through the Preferred Provider Organization ("PPO") contributed approximately 18%, or \$14,996 toward the cost of the coverage during the fiscal year. 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 GASB Statement 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 Statement 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)	\$ 417,834
Contribution made (including premium paid)	<u>(417,834)</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u><u>\$ -</u></u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

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

As of June 30, 2016, the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 621,148	100%	\$ -
6/30/2015	402,959	100%	-
6/30/2016	417,834	100%	-

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 included as required supplementary information immediately following the Notes to Financial Statements, presents 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 are 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 7.5%, 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 14 years as of June 30, 2015. It is assumed the District's payroll will increase 3% per year. 75% percent of future retirees are assumed to have a spouse. The valuation as of June 30, 2015, 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

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

As of June 30, 2015, the most recent actuarial valuation date, the plan was 50.8% funded. The actuarial accrued liability for benefits was \$5,584,821, and the actuarial value of assets was \$2,964,517, resulting in an unfunded liability (UAAL) of \$2,877,304. The covered payroll (annual payroll of active employees covered by the plan) was \$8,727,000, and the ratio of the UAAL to the covered payroll was 33.0%.

Note 10: Blended Component Unit

The Corporation has been included as part of the District financial statements as a blended component unit. In accordance with GASB 61, the following summarized information as of June 30, 2016, for the Corporation is required:

Corporation Condensed Statement of Net Position at June 30, 2016:

Assets:	
Current (due from the District)	\$ 3,271,725
Noncurrent (due to the District)	62,073,642
Total Assets:	<u>65,345,367</u>
Liabilities:	
Current	3,271,725
Long-term	62,073,642
Total Liabilities	<u>65,345,367</u>
Net Position:	
Total Net Position	<u>-</u>
Total Liabilities and Net Position	<u>\$ 65,345,367</u>

Corporation Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2016:

Nonoperating revenues	<u>\$ 3,995,523</u>
Nonoperating expenses	<u>3,995,523</u>
Change in net position	<u>-</u>
Net Position, beginning of year	<u>-</u>
Net Position, end of year	<u>\$ -</u>

Corporation Condensed Statement of Cash Flows for the Year Ended June 30, 2016:

Net Cash Provided by (Used for):	
Operating activities	\$ -
Capital and related financing activities	(5,879,197)
Investing activities	<u>5,879,197</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>-</u>
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>

Moulton Niguel Water District**Notes to Financial Statements (Continued)**
June 30, 2016**Note 11: Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority ("ACWA JPIA"), which offers risk management and self-insurance and insured programs. The program provides workers' compensation, property, and employment liability and general liability coverage for the District. The membership includes 363 public water agencies within California. A Board of Directors consisting of representatives from member agencies governs the ACWA JPIA. The general Board of Directors elects Executive Board members to provide oversight of the operations of the ACWA JPIA, including selection of management and approval of the operating budget.

The District maintains \$60,000,000 in comprehensive general liability insurance, auto liability, and public official's error & omissions. The property damage insurance program provided for up to \$150 million 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 ACWA JPIA 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 the ACWA JPIA Rate Stabilization Fund. The District also maintains a self-insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000. See Note 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, 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 \$2,000,000 commercial blanket bond for employee dishonesty, forgery and alteration and computer fraud, and a \$30,000 bond for Notary Errors and Omissions that covers four notaries.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 12: Commitments and Contingencies**

The following material commitments related to Capital Improvement Projects existed at June 30, 2016:

Project Name	Total Project Budget	Cumulative Expenses as of June 30, 2016	Remaining Budget	Outstanding Commitments
San Juan Creek 30 Effluent TM	\$ 4,226,054	\$ 2,618,504	\$ 1,607,550	\$ 1,320,000
Replace Digital Lines with Wireless Network	2,020,630	1,571,845	448,785	350,000
FY 2015-16 Valve Replacement	1,470,000	38,047	1,431,953	1,062,191
Pradera 850 Zone Loop	812,000	59,848	752,152	658,118

Note 13: Joint Powers Authorities and Joint VenturesSouth Orange County Wastewater Authority (a California Joint Powers Authority)

The District is one of ten member agencies that participate in SOCWA. SOCWA treats, beneficially reuses, and disposes of wastewater in South Orange County. SOCWA operates three wastewater treatment plants ("WWTP") and two ocean outfalls 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 governs 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. The District remitted \$17,948,563 related to SOCWA for the year ended June 30, 2016, consisting of \$9,942,336 for capital projects and \$8,006,227 for operations and maintenance ("O&M").

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.

Moulton Niguel Water District**Notes to Financial Statements (Continued)**
June 30, 2016**Note 13: Joint Powers Authorities and Joint Ventures (Continued)**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. 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. The District remitted \$642,972 related to JRWSS for the year ended June 30, 2016, consisting of \$188,477 for capital projects and \$454,495 for O&M.

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

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 ("Basin") is best classified as an underground stream. It holds a capacity of 40,000 acre-feet, with about half as usable storage, where storm flows are recharged and withdrawn by various production wells. The state has granted 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 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. The District remitted \$218,160 related to SJBA for the year ended June 30, 2016, consisting entirely of O&M.

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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 13: Joint Powers Authorities and Joint Ventures (Continued)

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. The District remitted \$21,030 related to SAC for the year ended June 30, 2016, consisting entirely of O&M.

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

The relationships between the District and 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 14: Restricted Net Position

At year-end the District held \$2,632,947 in unspent capacity fee revenue. By State law the capacity fees must be spent on capital projects. All interest earned in these funds are added to the total restricted fund balance.

Note 15: 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	\$ 13,657,484
Designated for replacement and refurbishment	9,729,765
Designated for self-insurance reserves	254,759
Designated for planning and construction	28,491,469
Designated for water efficiency	5,158,320
Designated for emergency reserves	35,510,000
Designated for operating reserves	15,820,000
Unrestricted, undesignated	<u>10,497,120</u>
Total unrestricted net position	<u>\$ 119,118,917</u>

Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 15: Unrestricted Net Position (Continued)**Rate Stabilization

The Rate Stabilization reserves were established to provide funds to be used specifically for stabilizing potential fluctuation in District water and wastewater service rates that may result from losses or reductions of ad valorem property tax revenues.

Replacement & Refurbishment

The Replacement & Refurbishment fund ("R&R") was established to fund ongoing costs related to the replacement and refurbishment of existing assets in conjunction with the District's Capital Improvement Plan. Funding for the R&R fund will be provided from new debt issuances or fund transfers as part of the District annual budget process.

Self-Insurance

The District maintains a Self-Insurance reserve to provide funding for property and liability insurance deductibles, losses exceeding insurance limits, and unemployment benefit payments.

Planning and Construction Reserves

Planning and Construction reserves were established to provide funding for the development of new capital facilities that do not result in new water or recycled water supplies as identified in the District Capital Improvement Plan. Funding for the Planning and Construction reserve will be provided from debt issuances or fund transfers as part of the District annual budget process.

Water Efficiency Fund

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

Emergency Reserve

The Emergency Reserve was created to provide funds to enable the District to quickly repair critical assets in the event of a natural disaster or facility failure. The target balance of the Emergency Reserve is equal to 2% of the replacement costs of the District's assets as outlined in current guidelines from the Federal Management Agency (FEMA).

Moulton Niguel Water District**Notes to Financial Statements (Continued)****June 30, 2016****Note 15: Unrestricted Net Position (Continued)**General Operating Reserve

The District will maintain a General Operating Reserve in order to provide sufficient liquidity for funding the day-to-day operating expenses and District cash flow needs during normal operations due to standard delays between the receipt of revenues and the payment of expenses. The target balance in the General Operating Reserve will equal three months of operating expenses, consistent with best practices in the industry for agencies with monthly rate revenue.

Note 16: Subsequent Event

In December 2009, the District became part of a joint effort among south county water agencies to construct, operate, and maintain water facilities to treat untreated water supplied through the Baker Pipeline. On October 25, 2016, the Baker Water Treatment Plant ("WTP") was completed and placed into operation. The Baker WTP is a joint facility owned by Irvine Ranch Water District that will provide approximately one-third of the treated potable water to the District, and will serve to increase water supply reliability by providing an alternative source of treated water to the District.

#4.

**Moulton Niguel Water District
Other Post Employment Benefits
Schedule of Funding Progress
Year Ended June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entity Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
06/30/11	\$ 1,131,224	\$ 6,857,673	\$ 5,726,449	16.50%	\$ 6,819,000	83.98%
06/30/13	2,115,096	5,539,489	3,424,393	38.18%	6,730,000	50.88%
06/30/15	2,964,517	5,841,821	2,877,304	50.75%	8,727,000	32.97%

Notes to Schedule:

This information is intended to help users assess the District's OPEB plan status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

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, 2016

Last Ten Fiscal Years ¹

	<u>2015</u>	<u>2016</u>
Proportion of the Net Pension Liability		
All Plans	0.19721%	0.18844%
Proportionate Share of the Net pension Liability		
All Plans	\$ 12,251,838	\$ 12,934,337
Covered Payroll ²		
All Plans	\$ 7,060,907	\$ 7,735,097
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll		
All Plans	174%	167%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability ³	79.82%	78.40%

Notes to Schedule:

Benefit Changes:

None.

Changes of Assumptions:

Discount rate changed from 7.5% at the June 30, 2014, measurement date, to 7.65% at the June 30, 2015, measurement date.

¹ Historical information is required only for measurement to which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown. Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

In accordance with GASB Statement No. 82, we have restated the schedule to show covered payroll based ² on pensionable earnings received by CalPERS.

³ Plan represents the total CalPERS risk pool.

#4.

**Moulton Niguel Water District
Miscellaneous Plan - Cost Sharing Multiple Employer Benefit Plan
Schedule of Plan Contributions
As of June 30, 2016**

Last Ten Fiscal Years ¹

	<u>2015</u>	<u>2016</u>
All Plans		
Actuarially Determined Contribution	\$ 997,427	\$ 825,574
Contribution in Relation to the Actuarially Determined Contribution	(997,427)	(1,351,327)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (525,753)</u>
Covered Payroll ²	\$ 7,735,097	\$ 8,936,374
Contributions as a Percentage of Covered Payroll	12.89%	9.24%

¹ Historical information is required only for measurement to which GASB 68 is applicable. Fiscal year 2015 was the first year of implementation, therefore only two years are shown. Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

In accordance with GASB Statement No. 82, we have restated the schedule to show covered payroll based ² on pensionable earnings received by CalPERS.

Notes to Schedule:

Valuation Date: June 30, 2014

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	3.3% to 14.2% depending on Age, Service, and type of employment
Investment Rate of Return	7.65% net of pension plan investment expense, including inflation
Retirement Age	55 to 62 years
Mortality	Derived using CalPERS Membership Data for all funds



moulton niguel water district

Schedule of Revenues, Expenses, and Other Sources (Uses) of Funds
Year Ended June 30, 2016

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.

	2015-16 Final Budget*	2015-16 Actual*	Variance with Budget Over (Under)	% Variance with Budget Over (Under)
Revenues				
Potable Water Sales	\$ 25,449,137	\$ 25,277,296	\$ (171,841)	-0.68%
Wastewater Sales	18,053,647	18,963,978	910,331	5.04%
Recycled Water Sales	5,249,795	4,850,326	(399,469)	-7.61%
WBBRS Efficiency Funds ¹	3,398,873	4,534,832	1,135,959	33.42%
Ad Valorem Property Tax	26,501,190	25,298,065	(1,203,125)	-4.54%
General Obligation Bond Assessment ²	4,368,197	5,306,117	937,920	21.47%
Investment Income ³	2,027,705	4,139,084	2,111,379	104.13%
Other Income ⁴	342,860	1,766,692	1,423,832	415.28%
Cellular Lease Income	1,660,096	1,623,544	(36,552)	-2.20%
Intergovernmental Revenue ⁵	-	3,382,555	3,382,555	-
Total Revenues	\$ 87,051,500	\$ 95,142,489	\$ 8,090,989	
Expenses, Debt Obligations, and Capital Improvement Projects				
Operations and Maintenance	70,174,294	66,713,997	(3,460,297)	-4.93%
Capital Outlay	1,075,652	1,046,587	(29,065)	-2.70%
General Obligation Bonds Debt Service	6,240,500	6,240,500	-	0.00%
Other Debt Service	8,929,991	9,145,135	215,144	2.41%
Depreciation ⁵	-	17,123,278	17,123,278	-
Replacement and Refurbishment Projects ⁶	11,467,886	5,406,682	(6,061,204)	-52.85%
Wastewater Treatment & JRWSS Capital Projects ⁶	15,137,939	11,123,678	(4,014,261)	-26.52%
Water Supply Reliability Projects ⁶	10,636,193	13,179,094	2,542,901	23.91%
Planning and Construction Projects ⁶	9,572,481	1,499,033	(8,073,448)	-84.34%
Total Expenses, Debt Obligations, and Capital Improvement Projects	\$ 133,234,936	\$ 131,477,984	\$ (1,756,952)	
Net Income (Deficit)	\$ (46,183,436)	\$ (36,335,495)	\$ 9,847,941	

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

¹ The District implemented Stage II of its Water Shortage Contingency Plan on June 1, 2015, which still remains in effect.

² The General Obligation Rates are impacted by the County assessed value for homes in Improvement District Nos. 6 and 7. The assessed values were higher than anticipated.

³ Investment income was impacted by a gain of \$1.7 million due to the GASB standard of recording investments at market value.

⁴ The District received \$1.4 million for connection fees and contributed capital related to joint projects with neighboring agencies. To remain conservative, those items were not included in the budget.

⁵ Intergovernmental revenue and depreciation are not included as part of the budget. Intergovernmental revenue varies on an annual basis based on the amount of grants the District receives, and depreciation is not an activity involving cash.

⁶ The adopted budget included 67 projects for the fiscal year. At the end of fiscal year 2015-16, 31 projects were closed out and 36 projects will be carried forward into fiscal year 2016-17.

Operations & Maintenance (O&M) Budget Comparison Report
Year Ended June 30, 2016

The Operations and Maintenance (O&M) Budget Comparison Report was designed to compare the expenses of the District to the budget and/or the adjusted budget figures used by the District to monitor performance during the year. The Notes to the O&M Budget Comparison Report provides explanations for noteworthy items in this report.

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual Expense</u>	<u>Remaining Budget</u>
General Fund				
Salaries	\$ 10,307,516	\$ 10,307,516	\$ 9,978,255	\$ 329,261
Retirement Program ¹	1,706,709	1,706,709	893,722	812,987
Educational Courses	44,270	44,270	25,975	18,295
Travel and Meetings	238,644	238,644	192,368	46,276
Recruitment and Employee Relations	15,000	15,000	19,753	(4,753)
General Services	458,095	458,095	355,609	102,486
Annual Audit	48,080	48,080	61,139	(13,059)
Member Agencies O&M ²	1,542,495	1,542,495	1,193,413	349,083
Dues and Memberships	96,510	96,510	109,033	(12,523)
Consulting Services	2,248,900	2,248,900	1,865,061	383,839
Equipment Rental	65,000	65,000	58,111	6,889
District Fuel ³	340,000	340,000	200,596	139,404
Insurance - District	561,275	561,275	378,516	182,759
Insurance - Personnel	438,275	438,275	365,547	72,728
Insurance - Benefits	2,587,061	2,587,061	2,469,634	117,428
Legal Services	250,000	250,000	254,079	(4,079)
District Office Supplies	475,400	475,400	443,370	32,029
District Operating Supplies	392,967	392,967	389,549	3,418
Repairs and Maintenance - Equipment	738,469	738,469	672,764	65,705
Repairs and Maintenance - Facilities	4,135,970	4,135,970	3,539,854	596,116
Safety Program and Compliance Requirements	309,450	309,450	332,064	(22,614)
Wastewater Treatment	9,204,735	9,204,735	9,504,261	(299,526)
Special Outside Assessments	225,000	225,000	188,136	36,864
Utilities	2,258,900	2,258,900	2,104,023	154,877
Water Purchases	23,697,842	23,697,842	23,729,595	(31,753)
Meter/Vault Purchases	906,000	906,000	723,310	182,690
Miscellaneous Operating Expenses	-	-	20,573	(20,573)
WBBRS Fund				
Labor	668,156	668,156	788,784	(120,628)
Educational Courses	500	500	1,224	(724)
Travel and Meetings	14,700	14,700	14,725	(25)
General Services	5,000	5,000	-	5,000
Dues and Memberships	500	500	-	500
Consulting Services	850,000	850,000	762,023	87,977
Legal Services	-	-	17,314	(17,314)
Conservation Supplies	92,810	489,751	324,126	165,625
Repairs and Maintenance - Equipment	3,500	3,500	226	3,274
Water Efficiency	3,129,624	4,849,624	4,737,268	112,356
Total O&M	\$ 68,057,354	\$ 70,174,294	\$ 66,713,997	\$ 3,460,297

¹ Balance includes adjustments related to GASB 68 which decreased pension expense by \$1.5 million.

² The Budget included anticipated O&M costs related to the joint Baker Water Treatment Plant, however the project was not completed during fiscal year 2015-16.

³ Fuel costs were impacted by the economy and remained significantly lower the entirety of the fiscal year.

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moulton niguel water district

Moulton Niguel Water District

Statistical Section Overview

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

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#4.**Moulton Niguel Water District****Net Position by Component
Last Ten Fiscal Years**

	2007	2008	2009	2010	2011
Assets:					
Current & other assets	\$ 135,253,605	\$ 141,180,151	\$ 126,077,279	\$ 182,990,924	\$ 174,874,392
Capital assets	361,206,238	361,582,353	368,009,569	371,543,848	373,881,504
Total Assets	496,459,843	502,762,504	494,086,848	554,534,772	548,755,896
Deferred Outflows of Resources: ¹					
	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	496,459,843	502,762,504	494,086,848	554,534,772	548,755,896
Liabilities:					
Current and other liabilities	15,838,853	15,849,444	17,165,769	20,038,911	18,166,398
Long-term liabilities	117,038,604	111,527,615	94,335,405	145,122,499	136,276,375
Total Liabilities	132,877,457	127,377,059	111,501,174	165,161,410	154,442,773
Deferred Inflows of Resources: ¹					
	-	-	-	-	-
Net Position:					
Net investment in capital assets	245,841,042	253,165,739	270,849,808	268,089,986	267,962,257
Restricted for capital projects	3,928,653	4,143,149	98,855	119,402	312,742
Unrestricted	113,812,691	118,076,557	111,637,011	121,163,974	126,038,124
Total Net Position ²	\$ 363,582,386	\$ 375,385,445	\$ 382,585,674	\$ 389,373,362	\$ 394,313,123

¹ GASB 65 modified the presentation of the statement of net position. Deferred inflows of resources and deferred outflows of resources are reported prospectively from 2013.

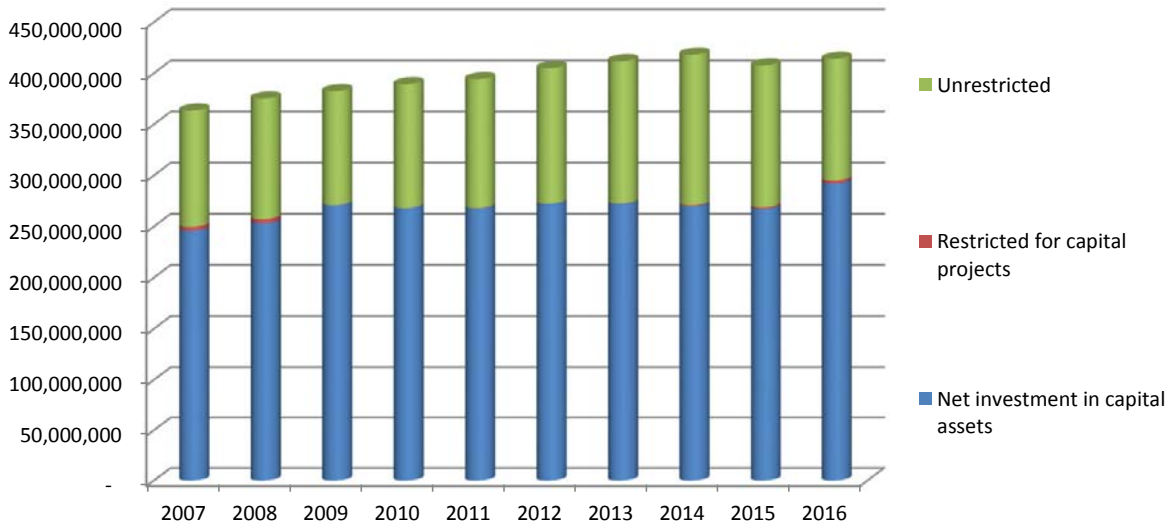
² Beginning net position was restated for FY 2007, FY 2008, FY 2013 and FY 2015.

Source: Moulton Niguel Water District Audited Financial Statements.

Moulton Niguel Water District

Net Position by Component
Last Ten Fiscal Years

2012	2013	2014	2015	2016	
					Assets:
\$ 178,970,721	\$ 180,037,968	\$ 179,892,333	\$ 166,631,779	\$ 148,655,677	Current & other assets
373,802,210	371,840,527	366,859,960	375,845,562	390,974,342	Capital assets
552,772,931	551,878,495	546,752,293	542,477,341	539,630,019	Total Assets
-	1,318,562	1,136,314	2,920,477	2,356,834	Deferred Outflows of Resources: ¹
552,772,931	553,197,057	547,888,607	545,397,818	541,986,853	Total Assets and Deferred Outflows of
					Liabilities:
20,048,452	21,174,407	19,459,691	19,942,207	21,768,761	Current and other liabilities
127,632,200	120,022,562	110,150,054	112,757,545	102,531,779	Long-term liabilities
147,680,652	141,196,969	129,609,745	132,699,752	124,300,540	
-	-	-	4,936,619	3,530,389	Deferred Inflows of Resources: ¹
					Net Position:
272,169,901	272,287,164	269,994,246	267,393,560	292,404,060	Restricted for capital projects
326,175	424,363	931,603	1,508,109	2,632,947	Unrestricted
132,596,203	139,288,561	147,353,013	138,859,778	119,118,917	
\$ 405,092,279	\$ 412,000,088	\$ 418,278,862	\$ 407,761,447	\$ 414,155,924	Total Net Position ²



Moulton Niguel Water District

Changes in Net Position
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Revenue:					
Water charges	\$ 21,366,541	\$ 20,642,013	\$ 19,860,752	\$ 20,578,666	\$ 22,520,064
Recycled water charges	4,464,604	4,201,937	3,968,090	4,446,515	4,340,197
Sanitation charges	11,515,601	11,425,324	11,261,857	12,542,595	14,448,835
Other	604,746	337,489	323,684	572,611	444,346
Total Operating Revenue	37,951,492	36,606,763	35,414,383	38,140,387	41,753,442
Operating Expenses:					
Source of supply ¹	20,230,917	18,944,598	20,972,373	22,505,838	22,088,538
Pumping water	393,556	390,681	360,363	349,221	419,633
Sewage treatment	7,367,708	8,179,717	8,962,772	9,093,471	8,588,172
Water transmission and distribution	2,707,991	2,958,395	3,277,410	4,267,727	3,752,224
Customer service	285,213	335,049	351,151	332,685	311,483
Water efficiency	-	-	-	-	-
General, administrative and other	10,838,062	11,407,703	13,069,750	12,788,639	13,130,167
Post retirement medical benefits (OPEB)	-	-	-	-	-
Depreciation	13,602,765	13,783,963	14,097,033	14,572,711	15,162,538
Total Operating Expenses	55,426,212	56,000,106	61,090,852	63,910,292	63,452,755
Operating Income (Loss)	(17,474,720)	(19,393,343)	(25,676,469)	(25,769,905)	(21,699,313)
Non-Operating Revenues (Expenses):					
Interest income ²	6,589,646	9,477,382	7,118,974	6,846,996	4,009,900
Property tax revenue & GOB assessments	26,370,628	26,755,228	28,320,274	27,407,480	27,250,759
Interest on long-term debt	(5,474,668)	(5,340,125)	(5,097,414)	(6,766,600)	(7,897,888)
Intergovernmental Revenue	-	-	-	-	-
Cellular lease income	1,115,941	1,203,720	1,349,901	1,491,862	1,498,290
Other non-operating revenues (expenses)	(80,023)	19,422	54,270	1,438,137	1,480,660
Total Non-operating Revenues (Expenses)	28,521,524	32,115,627	31,746,005	30,417,875	26,341,721
Income (Loss) before Capital Contributions	11,046,804	12,722,284	6,069,536	4,647,970	4,642,408
Capital Contributions:					
Grant funding	-	144,899	930,379	54,212	20,530
Developer donated capital facilities	876,334	970,889	156,511	2,069,786	94,332
Connection fees	932,325	13,169	43,800	15,723	182,491
Other contributions	-	-	-	-	-
Change in Net Position	12,855,463	13,851,241	7,200,226	6,787,691	4,939,761
Net Position - Beginning of Year³	350,726,923	361,534,204	375,385,445	382,585,671	389,373,362
Net Position - End of Year	\$ 363,582,386	\$ 375,385,445	\$ 382,585,671	\$ 389,373,362	\$ 394,313,123

¹ Source of Supply includes: water purchases, meter purchases and utilities.² Interest income is combined with unrealized gain/loss on investments.
For FY 2013, the unrealized loss on investments exceeded investment income.³ Beginning Net Position was restated for FY 2007, 2008, 2013 and 2015.

Source: Moulton Niguel Water District Audited Financial Statements.

**Changes in Net Position
Last Ten Fiscal Years**

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
					Operating Revenue:
\$ 28,866,153	\$ 30,633,036	\$ 30,503,803	\$ 28,604,894	\$ 29,812,128	Water charges
4,530,175	4,612,874	17,135,446	4,880,742	4,850,326	Recycled water charges
16,826,066	16,941,327	5,005,391	16,182,197	18,963,978	Sanitation charges
429,064	1,035,873	562,871	329,755	415,565	Other
50,651,458	53,223,110	53,207,511	49,997,588	54,041,997	Total Operating Revenue
					Operating Expenses:
24,415,284	28,049,259	29,770,326	28,610,139	26,357,342	Source of supply ¹
1,593,316	2,135,266	2,100,550	2,596,544	3,177,393	Pumping water
8,665,958	9,841,299	9,647,000	9,519,199	10,705,495	Sewage treatment
1,020,852	2,299,355	2,138,767	959,193	1,341,220	Water transmission and distribution
1,202,302	2,711,672	2,750,999	2,839,137	3,047,070	Customer service
-	1,446,759	1,448,498	3,472,838	6,749,664	Water efficiency
16,481,929	10,652,698	11,236,876	14,702,063	14,947,755	General, administrative and other
-	-	591,372	361,057	388,058	Post retirement medical benefits (OPEB)
15,566,287	13,472,995	16,554,024	16,708,439	17,123,278	Depreciation
68,945,928	70,609,303	76,238,412	79,768,609	83,837,275	Total Operating Expenses
(18,294,470)	(17,386,193)	(23,030,901)	(29,771,021)	(29,795,278)	Operating Income (Loss)
					Non-Operating Revenues (Expenses):
6,271,001	(533,131)	2,931,831	2,624,306	4,139,084	Interest income ²
27,221,147	28,528,175	29,083,747	28,946,309	30,604,182	Property tax revenue & GOB assessments
(7,608,336)	(5,850,174)	(6,781,711)	(6,160,882)	(4,910,737)	Interest on long-term debt
-	-	-	6,401,510	3,382,555	Intergovernmental Revenue
1,562,383	1,642,410	1,694,478	1,731,352	1,623,544	Cellular lease income
1,557,431	1,522,360	1,361,984	3,661,818	(9,718)	Other non-operating revenues (expenses)
29,003,626	25,309,640	28,290,329	37,204,413	34,828,910	Total Non-operating Revenues (Expenses)
10,709,156	7,923,447	5,259,428	7,433,392	5,033,632	Income (Loss) before Capital Contributions
					Capital Contributions:
-	-	-	-	-	Grant funding
70,000	60,000	495,000	294,000	-	Developer donated capital facilities
-	83,038	489,346	551,179	1,046,335	Connection fees
-	-	35,000	-	314,510	Other contributions
10,779,156	8,066,485	6,278,774	8,278,571	6,394,477	Change in Net Position
394,313,123	403,933,603	412,000,088	399,482,876	407,761,447	Net Position - Beginning of Year³
\$ 405,092,279	\$ 412,000,088	\$ 418,278,862	\$ 407,761,447	\$ 414,155,924	Net Position - End of Year

Moulton Niguel Water District

Water and Wastewater Sold by Type of Customer
Last Ten Fiscal Years

Water & Wastewater Sales	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	\$ 21,202,036	\$ 20,536,190	\$ 19,960,314	\$ 21,661,402	\$ 24,489,400
Commercial	3,559,177	3,598,135	3,484,263	3,691,101	4,131,299
Multi-Family Commercial	4,193,311	4,157,669	4,082,323	4,615,167	5,293,520
Irrigation ¹	3,870,441	3,725,795	3,551,458	3,118,258	3,013,689
Recycled Water ¹	4,464,604	4,201,937	3,968,090	4,446,515	4,340,197
Hydrant ¹	57,177	49,548	44,251	35,333	40,992
Total Water & Wastewater Sales	\$ 37,346,746	\$ 36,269,274	\$ 35,090,699	\$ 37,567,776	\$ 41,309,097

Metered Accounts	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	46,170	46,367	46,479	46,649	46,840
Commercial	4,732	4,793	4,804	4,824	4,839
Irrigation	1,376	1,380	1,414	1,395	1,387
Recycled Water	1,196	1,206	1,218	1,244	1,262
Hydrant	40	42	37	32	34
Total Metered Accounts	53,514	53,788	53,952	54,144	54,362

¹ Irrigation, Hydrant, and Recycled Water sales do not include wastewater sales.

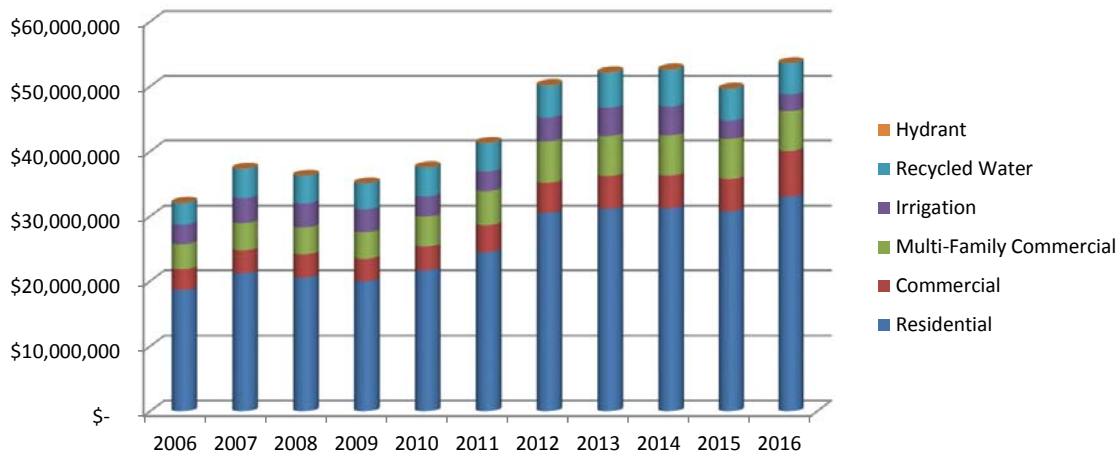
Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

Water and Wastewater Sold by Type of Customer
Last Ten Fiscal Years

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	Water & Wastewater Sales
\$ 30,493,294	\$ 31,138,646	\$ 31,233,677	\$ 30,767,071	\$ 33,081,103	Residential
4,672,173	5,049,139	5,043,859	4,983,870	7,029,909	Commercial
6,373,846	6,171,180	6,165,998	6,154,836	6,126,794	Multi-Family Commercial
3,705,286	4,392,099	4,499,879	2,842,933	2,516,562	Irrigation ¹
4,894,136	5,369,133	5,633,000	4,880,742	4,850,326	Recycled Water ¹
83,659	65,027	68,229	38,381	21,738	Hydrant ¹
\$ 50,222,394	\$ 52,185,224	\$ 52,644,642	\$ 49,667,833	\$ 53,626,432	Total Water & Wastewater Sales

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	Metered Accounts
46,996	47,197	47,305	47,339	47,372	Residential
4,841	4,901	4,898	4,977	4,984	Commercial
1,395	1,369	1,367	1,368	1,336	Irrigation
1,265	1,292	1,299	1,315	1,329	Recycled Water
36	33	30	34	43	Hydrant
54,533	54,792	54,899	55,033	55,064	Total Metered Accounts



#4.**Moulton Niguel Water District****Annual Domestic Consumption in Acre Feet (AF)
Last Ten Fiscal Years**

Fiscal Year	Usage (AF)	Purchase Price ¹	Average cost per AF	Metered Accounts	Average AF per Metered Account	Average Cost per Metered Account
2007	36,679	15,949,424	435	53,514	0.69	300
2008	35,083	16,975,357	484	53,788	0.65	315
2009	33,744	18,933,932	561	53,952	0.63	353
2010	29,635	20,131,901	679	54,144	0.55	373
2011	27,360	19,908,518	728	54,362	0.50	364
2012	27,610	21,625,497	783	54,533	0.51	399
2013	29,704	24,434,327	823	54,792	0.54	444
2014	31,010	25,689,087	828	54,899	0.56	464
2015	27,285	24,257,752	889	55,033	0.50	445
2016	28,762	21,829,003	759	55,064	0.52	395

¹ Purchase price does not include any charges for services.

Source: Moulton Niguel Water District Accounting Department.

**Water Rates
Last Ten Fiscal Years**

Residential & Multi-Family Potable Water Rate by Fiscal Year						
Consumption Tiers	2006-2009 (Note 1)	2010 (Note 1)	2011 (Note 1)	2012-2014 (Note 2)	2015 (Note 3)	2016
Tier 1	\$ 0.86	\$ 1.00	\$ 1.16	\$ 1.38	\$ 1.41	\$ 1.49
Tier 2	0.96	1.12	1.30	1.54	1.61	1.70
Tier 3	1.16	1.35	1.57	2.75	2.49	2.62
Tier 4	1.36	1.58	1.84	5.51	4.25	4.38
Tier 5	1.46	1.70	1.97	11.02	9.04	9.17

Commercial & Irrigation Potable Water Rate by Fiscal Year ⁴						
Consumption Tiers	2006-2009 (Note 1)	2010	2011	2012-2014 (Note 3)	2015 (Note 3)	2016
Former Irr. Uniform Rate	\$ 1.46	\$ 1.70	\$ 1.97	\$ 2.29	\$ -	\$ -
Former Comm. Tier 1	0.86	1.00	1.16	1.38	-	-
Tier 1	0.96	1.12	1.30	1.54	1.61	1.70
Tier 2	1.16	1.35	1.57	2.75	2.49	2.62
Tier 3	1.36	1.58	1.84	5.51	4.25	4.38
Tier 4	1.46	1.70	1.97	11.02	9.04	9.17

Fire Protection Water Rates by Fiscal Year						
Consumption Tiers	2006-2009	2010	2011	2012-2014	2015	2016
All B.U.'s	\$ 1.46	\$ 1.70	\$ 1.97	\$ 2.29	\$ -	\$ -
5/8"	-	-	-	-	3.58	3.78
3/4"	-	-	-	-	3.58	3.78
1"	-	-	-	-	3.58	3.78
1.5"	-	-	-	-	11.94	12.61
2"	-	-	-	-	19.11	20.18
2.5"	-	-	-	-	30.45	32.16
3"	-	-	-	-	41.80	44.14
4"	-	-	-	-	71.65	75.66
6"	-	-	-	-	149.27	157.63
8"	-	-	-	-	214.95	226.99
10"	-	-	-	-	346.31	365.70

¹ Prior to 2011, water usage was billed according to an inclining tier based rate structure. The first 10 BU were considered Tier 1 usage, while 11-20 B.U., 21-30 B.U., and 31-50 B.U. were considered Tiers 2, 3, and 4, respectively. Any usage above 50 B.U. was considered Tier 5.

² A Water Budget Based Rate Structure was implemented July 2011. Tiers 1 and 2 of budgets are based on the number of persons in the household; amount of irrigated acreage; evapotranspiration rate; and the number of days in the billing cycle. Tiers 3, 4 and 5 apply to usage that exceeds budget.

³ A revised Water Budget Based Rate Structure was implemented April 2015. Indoor allowance was lowered to 60 R-GPCD and the Outdoor Allowance was lowered to reflect a plant factor of 0.7.

Meter Size	Monthly Basic Service Charge for Potable Water ⁴							
	Uniform Charge							
	2007	2008	2009	2010	2011	2012	2013	2014
5/8"	\$ 6.60	\$ 6.60	\$ 6.60	\$ 7.67	\$ 8.91	\$ 10.36	\$ 10.36	\$ 10.36
3/4"	6.60	6.60	6.60	7.67	8.91	10.36	10.36	10.36
1"	6.60	6.60	6.60	7.67	8.91	10.36	10.36	10.36
1.5"	11.60	11.60	11.60	13.48	15.66	34.53	34.53	34.53
2"	19.60	19.60	19.60	22.78	26.46	55.25	55.25	55.25
3"	26.60	26.60	26.60	30.91	35.92	120.87	120.87	120.87
4"	36.60	36.60	36.60	42.53	49.42	207.20	207.20	207.20
6"	56.60	56.60	56.60	65.77	76.42	431.67	431.67	431.67
8"	76.60	76.60	76.60	89.01	103.43	621.60	621.60	621.60
10	56.60	56.60	56.60	65.77	76.42	431.67	431.67	431.67

Meter Size	Monthly Basic Service Charge for Potable Water ⁴									
	2015					2016				
	Residential	Multifamily	Commercial	Irrigation	Fire Protection	Residential	Multifamily	Commercial	Irrigation	Fire Protection
5/8"	\$ 10.79	\$ 6.64	\$ 5.93	\$ 16.88	\$ 3.58	\$ 11.39	\$ 7.01	\$ 6.26	\$ 17.83	\$ 3.78
3/4"	10.79	6.64	5.93	16.88	3.58	11.39	7.01	6.26	17.83	3.78
1"	10.79	6.64	5.93	16.88	3.58	11.39	7.01	6.26	17.83	3.78
1.5"	35.97	22.13	19.77	56.27	11.94	37.98	23.37	20.88	59.42	12.61
2"	57.55	35.41	31.63	90.03	19.11	60.77	37.39	33.40	95.07	20.18
3"	125.89	77.47	69.19	196.94	41.80	132.94	81.81	73.06	207.97	44.14
4"	215.80	132.80	118.60	337.60	71.65	227.88	140.24	125.24	356.51	75.66
6"	449.94	276.89	247.28	703.90	149.27	475.14	292.40	261.13	743.32	157.63
8"	647.40	398.40	355.80	1,012.80	214.95	683.65	420.71	375.72	1,069.52	226.99
10	1,043.39	642.09	573.43	1,632.30	346.31	1,101.82	678.05	605.54	1,723.71	365.70

⁴ Prior to the April 2015 rate change all potable water meters were charged the same meter size based charge. Monthly service charges are now determined by both customer class and meter size.

Note: 1 Billing Unit (B.U.) is = 100 Cubic Feet = 748 gallons.

Source: Moulton Niguel Water District Billing Department.

#4.**Moulton Niguel Water District****Principal Water Customers
Current Fiscal Year and Nine Years Ago****Fiscal Year 2016**

<u>Customer</u>	<u>Type of Property</u>	Total Water Sales ¹	Percentage of Total Water Sales
Moritz Associates LLC	Multi Family Residential	\$ 167,088	0.56%
Barcelona LLC	Parks, Slopes, Medians	144,179	0.48%
Soka University of America	Private University	139,401	0.47%
Quail Creek-La Paz HOA	Residential Landscapes	138,092	0.46%
Mission Hospital Regional Medical Center	Medical Facility	137,512	0.46%
FPA-Reit Holdings LLC	Multi Family Residential	135,674	0.46%
BRE Properties	Multi Family Residential	130,732	0.44%
City of Laguna Niguel	Parks, Slopes, Medians	128,906	0.43%
City of Mission Viejo	Parks, Slopes, Medians	117,693	0.39%
Shea Properties/City Lights	Multi Family Residential	<u>109,003</u>	<u>0.37%</u>
		\$ 1,348,280	4.52%
Total Water Sales for FY 2015-16		\$ 29,812,128	

Fiscal Year 2007

<u>Customer</u>	<u>Type of Property</u>	Total Water Sales ¹	Percentage of Total Water Sales
Moritz Associates LLC	Multi Family Residential	\$ 48,069	0.22%
City of Mission Viejo	Parks, Slopes, Medians	47,413	0.22%
Aliso Meadows Condo Association	Multi Family Residential	44,586	0.21%
Barcelona LLC	Multi Family Residential	42,437	0.20%
Shea Properties	Multi Family Residential	37,600	0.18%
Mission Hospital Regional Medical Center	Medical Facility	37,260	0.17%
City of Laguna Niguel	Parks, Slopes, Medians	35,566	0.17%
Hidden Hills Apartments	Multi Family Residential	34,653	0.16%
Aliso Creek Sares	Multi Family Residential	34,309	0.16%
The Promenade Apartments	Multi Family Residential	<u>33,088</u>	<u>0.15%</u>
		\$ 394,981	1.84%
Total Water Sales for FY 2006-07		\$ 21,366,541	

¹Total water sales includes only potable water sales.

Source: Moulton Niguel Water District Billing Department.

**Wastewater Rates
Last Ten Fiscal Years**

RESIDENTIAL WASTEWATER RATES										
	2007	2008	2009	2010	2011	2011	2013	2014	2015	2016
Basic Service Charges	\$ 7.10	\$ 7.10	\$ 7.10	\$ 8.25	\$ 9.59	\$ 11.14	\$ 11.14	\$ 11.14	\$ 22.68	\$ 24.83
Volumetric Charge										
1-25 B.U.	0.56	0.56	0.56	0.65	0.76	0.88	0.88	0.88	-	-
26+ B.U.										
Maximum per month	21.10	21.10	21.10	24.50	28.59	33.14	33.14	33.14	-	-

COMMERCIAL AND MULTI-FAMILY WASTEWATER RATES								
	2007	2008	2009	2010	2011	2012	2013	2014
Basic Service Charge	\$ 14.20	\$ 14.20	\$ 14.20	\$ 16.50	\$ 19.18	\$ 22.28	\$ 22.28	\$ 22.28
Volumetric Charge - All B.U.'s								
Class 1	0.56	0.56	0.56	0.65	0.76	0.88	0.88	0.88
Class 2	0.76	0.76	0.76	0.88	1.03	1.19	1.19	1.19
Class 3	0.96	0.96	0.96	1.12	1.30	1.51	1.51	1.51
Class 4	1.16	1.16	1.16	1.35	1.57	1.82	1.82	1.82

COMMERCIAL AND MULTI-FAMILY WASTEWATER RATES										
	2015					2016				
	MFR	Comm 1	Comm 2	Comm 3	Comm 4	MFR	Comm 1	Comm 2	Comm 3	Comm 4
Basic Service Charge	\$ 22.28	\$ -	\$ -	\$ -	\$ -	\$ 22.28	\$ -	\$ -	\$ -	\$ -
Volumetric Charge - All B.U.'s										
Class 1	-	-	-	-	-	-	-	-	-	-
Class 2	-	-	-	-	-	-	-	-	-	-
Class 3	-	-	-	-	-	-	-	-	-	-
Class 4	-	-	-	-	-	-	-	-	-	-
Meter Size										
5/8"	24.72	17.87	38.07	78.32	84.49	27.07	19.56	41.69	85.76	92.52
3/4"	24.72	17.87	38.07	78.32	84.49	27.07	19.56	41.69	85.76	92.52
1"	24.72	17.87	38.07	78.32	84.49	27.07	19.56	41.69	85.76	92.52
1.5"	75.90	53.05	120.39	254.54	275.11	83.11	58.09	131.83	278.72	301.25
2"	119.77	83.22	190.96	405.60	438.53	131.15	91.12	209.10	444.14	480.19
2.5"	119.77	83.22	190.96	405.60	438.53	131.15	91.12	209.10	444.14	480.19
3"	258.72	178.75	414.46	884.04	956.06	283.30	195.73	453.84	968.02	1,046.88
4"	441.52	304.43	708.50	1,513.46	1,636.92	483.47	333.35	775.81	1,657.24	1,792.43
6"	916.83	631.22	1,473.04	3,150.05	3,407.27	1,003.93	691.18	1,612.98	3,449.31	3,730.96
8"	1,319.01	907.72	2,119.93	4,534.81	4,905.21	1,444.31	993.95	2,321.33	4,965.62	5,371.20
10"	2,123.37	1,460.74	3,413.76	7,304.41	7,901.16	2,325.09	1,599.51	3,738.07	7,998.33	8,651.77

Wastewater Classes:

Class 1 : Typical users include residential, banks, car washes, churches, department and retail stores, laundromats, professional offices, schools and colleges.

Class 2: Typical users includes beauty and barber shops, hospitals and convalescent facilities, commercial laundry, repair shops, service stations and veterinary hospitals.

Class 3: Typical users include hotels with dining facilities, markets with garbage disposals, mortuaries and fast-food restaurants.

Class 4: Typical users include restaurants, auto steam cleaning facilities and bakeries. Classifications are subject to change upon inspection by the District in order to comply with the intent of MNWD's rules and regulations and regulatory mandates.

Source: Moulton Niguel Water District Billing Department.

#4.**Moulton Niguel Water District****Principal Wastewater Customers
Current Fiscal Year and Nine Years Ago****Fiscal Year 2016**

<u>Customer</u>	<u>Type of Property</u>	Total Wastewater Sales	Percentage of Total Wastewater Sales
Moritz Associates LLC	Multi-family Residential	\$ 223,143	1.18%
Barcelona LLC	Multi-family Residential	137,429	0.72%
Heather Ridge Condo Assn	Multi-family Residential	108,562	0.57%
Laguna Gardens Apartments	Multi-family Residential	95,607	0.50%
BRE Properties	Multi-family Residential	85,964	0.45%
FPA-Reit Holdings LLC	Multi Family Residential	82,993	0.44%
Aliso Creek - Sares	Multi Family Residential	79,542	0.42%
Seabrook Apartments	Multi Family Residential	77,235	0.41%
Alize at Aliso Viejo	Multi Family Residential	74,951	0.40%
Seaside Meadows Apartments	Multi Family Residential	<u>72,658</u>	<u>0.38%</u>
		\$ 1,038,084	5.47%

Total Wastewater Sales for FY 2015-16 \$ 18,963,978

Fiscal Year 2007

<u>Customer</u>	<u>Type of Property</u>	Total Wastewater Sales	Percentage of Total Wastewater Sales
Shea Properties	Multi Family Residential	\$ 47,061	0.41%
Moritz Associates LLC	Multi Family Residential	41,352	0.36%
Barcelona LLC	Multi Family Residential	36,653	0.32%
Aliso Creek Sares	Multi Family Residential	33,053	0.29%
The Promenade Apartments	Multi Family Residential	26,947	0.23%
ERP Operating LP LN	Multi-Family Residential	23,909	0.21%
Quail Creek - LA Paz HOA	Multi-Family Residential	23,882	0.21%
Pointe Niguel 505	Multi-Family Residential	22,679	0.20%
Aliso Meadows Condo Association	Multi Family Residential	22,628	0.20%
Hidden Hills Apartments	Multi Family Residential	<u>22,097</u>	<u>0.19%</u>
		\$ 300,261	2.62%

Total Wastewater Sales for FY 2006-07 \$ 11,515,601

Source: Moulton Niguel Water District Billing Department.

**Recycled Water Rates
Last Ten Fiscal Years**

Recycled Water Rates by Fiscal Year								
Consumption Tiers (Note 1)	2006-2009	2010	2011	2012 (Note 2)	2013 (Note 2)	2014 (Note 2)	2015 (Notes 2&3)	2016
All B.U.'s	\$ 1.17	\$ 1.36	\$ 1.58	\$ -	\$ -	\$ -	\$ -	\$ -
1 - 50 B.U.	-	-	-	-	-	-	-	-
51+ B.U.	-	-	-	-	-	-	-	-
Tier 1	-	-	-	1.23	1.23	1.23	1.17	1.24
Tier 2	-	-	-	1.23	1.23	1.23	1.66	1.74
Tier 3	-	-	-	2.20	2.20	2.20	3.42	3.50
Tier 4	-	-	-	4.41	4.41	4.41	8.21	8.29
Tier 5	-	-	-	8.81	8.81	8.81	-	-

¹ Billing Unit (B.U.) is = 100 Cubic Feet = 748 gallons

² A Water Budget Based Rate Structure was implemented July 2011. Tiers 1 and 2 apply to usage within budget, while Tiers 3, 4 and 5 apply to usage in excess of budget.

³ A revised Water Budget Based Rate Structure was implemented April 2015. Outdoor Allowance was lowered to reflect a plant factor of 0.7.

Recycled Water Basic Service Charge								
Meter Size	2006-2009	2010	2011	2012	2013	2014	2015	2016
5/8"	\$ 6.60	\$ 7.67	\$ 8.91	\$ 10.36	\$ 10.36	\$ 10.36	\$ 16.88	\$ 17.83
3/4"	6.60	7.67	8.91	10.36	10.36	10.36	16.88	17.83
1"	6.60	7.67	8.91	10.36	10.36	10.36	16.88	17.83
1.5"	11.60	13.48	15.66	34.53	34.53	34.53	56.27	59.42
2"	19.60	22.78	26.47	55.25	55.25	55.25	90.03	95.07
3"	26.60	30.91	35.92	120.87	120.87	120.87	196.94	207.97
4"	36.60	42.53	49.42	207.20	207.20	207.20	337.60	356.51
6"	56.60	65.77	76.42	431.37	431.37	431.37	703.90	743.32
8"	76.60	89.01	103.43	621.60	621.60	621.60	1,012.80	1,069.52
10"	96.60	112.25	130.43	1,001.47	1,001.47	1,001.47	1,632.30	1,723.71

Source: Moulton Niguel Water District Billing Department.

#4.**Mouton Niguel Water District****Principal Recycled Water Customers
Current Fiscal Year and Nine Years Ago****Fiscal Year 2016**

<u>Customer</u>	<u>Type of Property</u>	<u>Total Recycled Water Sales</u>	<u>Percentage of Total Sales</u>
Aliso Viejo Comm Assn	Parks, Slopes, Medians	\$ 645,764	13.31%
City of Laguna Niguel	Parks, Slopes, Medians	279,653	5.77%
City of Mission Viejo	Parks, Slopes, Medians	255,123	5.26%
Mission Viejo Country Club	Golf Course	231,100	4.76%
Aliso Viejo Country Club	Golf Course	201,120	4.15%
El Niguel Country Club	Golf Course	177,471	3.66%
Arroyo Trabuco Golf Club	Golf Course	153,106	3.16%
City of Laguna Hills	Parks, Slopes, Medians	147,042	3.03%
Marina Hills PCA	Golf Course	140,811	2.90%
Soka University of America	Private University	<u>93,746</u>	<u>1.93%</u>
		\$ 2,324,936	47.93%

Total Recycled Water Sales for Fiscal Year 2015-16 \$ 4,850,326

Fiscal Year 2007

<u>Customer</u>	<u>Type of Property</u>	<u>Total Recycled Water Sales</u>	<u>Percentage of Total Sales</u>
Aliso Viejo Community Association	Parks, Slopes, Medians	\$ 416,002	9.32%
El Niguel Country Club	Golf Course	148,745	3.33%
Marina Hills PCA	Golf Course	114,199	2.56%
City of Mission Viejo	Parks, Slopes, Medians	105,429	2.36%
Soka University of America	Private University	103,173	2.31%
Caltrans District 12	Slopes, Medians	65,678	1.47%
El Niguel Heights Community Assn.	Landscape	56,660	1.27%
City of Laguna Niguel	Parks, Slopes, Medians	54,941	1.23%
City of Laguna Hills	Parks, Slopes, Medians	53,224	1.19%
Beacon Hill Planned Community	Parks, Slopes, Medians	<u>52,411</u>	<u>1.17%</u>
		\$ 1,170,462	26.21%

Total Recycled Water Sales for Fiscal Year 2006-07 \$ 4,464,604

Source: Moulton Niguel Water District Billing Department.

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Levy Year	Total Tax Levy	Collected within the Levy Year		Collections from Prior Years	Total Collections to Date	
		Amount ¹	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 21,254,653	\$ 20,560,187	96.73%	\$ 425,393	\$ 20,985,580	98.73%
2008	22,283,832	21,583,776	96.86%	587,508	22,171,284	99.49%
2009	22,245,697	21,285,866	95.69%	721,593	22,007,459	98.93%
2010	21,679,649	20,656,502	95.28%	968,078	21,624,580	99.75%
2011	21,638,200	20,835,460	96.29%	511,337	21,346,797	98.65%
2012	22,143,993	20,666,470	93.33%	475,230	21,141,700	95.47%
2013	22,511,515	21,304,598	94.64%	555,032	21,859,630	97.10%
2014	22,890,247	22,311,794	97.47%	211,474	22,523,268	98.40%
2015	24,520,773	23,957,232	97.70%	54,284	24,011,516	97.92%
2016	25,996,107	25,252,413	97.14%	45,652	25,298,065	97.31%

¹ Property Tax revenue is the District's second major revenue source.

² Collections from prior years does not include penalty revenue.

Source: Moulton Niguel Water District Finance Department and Orange County Auditor-Controller's office.

Moulton Niguel Water District

Assessed Valuations and Largest Local Secured Taxpayers
Current Fiscal Year and Nine Years Ago

<u>Land Use</u>	<u>Assessed Values by Land Use</u>	
	<u>FY 2016</u>	<u>FY 2007</u>
	<u>Secured Assessed Value</u>	
Residential	\$ 16,223,170,917	\$ 10,583,018,637
Commercial	1,628,380,344	1,390,568,672
Industrial	381,274,206	254,501,705
Vacant/Other	17,945,916	503,361,979
Total	<u>\$ 18,250,771,383</u>	<u>\$ 12,731,450,993</u>

Principal Local Secured Taxpayers

For Fiscal Year 2016

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	BRE-FMCA LLC	Apartments	\$ 73,642,556	0.40%
2	Moritz Associates LLC	Apartments	45,501,015	0.25%
3	Innovation Institute LLC	Commercial	41,100,000	0.23%
4	Barcelona LLC	Apartments	39,317,650	0.22%
5	Sequoia Equities-Alicante	Apartments	36,073,834	0.20%
6	Vista Real Apartments MV LLC	Apartments	35,410,488	0.19%
7	Vista Bella Apartments AV	Apartments	34,801,337	0.19%
8	Sequoia Equities-Alize	Apartments	33,653,193	0.18%
9	Shops at Mission Viejo LLC	Commercial	33,155,899	0.18%
10	Costco Wholesale Corp.	Commercial	30,526,728	0.17%
			<u>\$ 403,182,700</u>	<u>2.21%</u>

Fiscal Year 2015-16 Total Local Secured Valuation: \$ 18,250,771,383

Principal Local Secured Taxpayers

For Fiscal Year 2007

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	Mission Viejo Associates	Residential	\$ 157,087,919	1.23%
2	City Lights - Aliso Viejo LLC	Apartments	95,553,556	0.75%
3	Moritz Associates LLC	Apartments	94,843,408	0.74%
4	Northwestern Mutual Life Ins. Co.	Apartments	85,135,994	0.67%
5	Barcelona, LLC	Apartments	81,759,049	0.64%
6	OTR	Commercial	81,445,653	0.64%
7	Wilmington Co.	Commercial	70,222,025	0.55%
8	Monarch Bay Two	Apartments	67,009,095	0.53%
9	Sequoia Equities - Alicante	Apartments	66,901,141	0.53%
10	BRE Properties Inc.	Apartments	64,605,584	0.51%
			<u>\$ 864,563,424</u>	<u>6.79%</u>

Fiscal Year 2006-07 Local Secured Assessed Valuation: \$ 12,731,450,993

Source: California Municipal Statistics, Inc.

**Outstanding Debt by Type and Debt per Customer
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds ¹	Certificates of Participation ¹	Loans Payable	Operating Lease	Total Debt	Total			
						Total Customer Accounts	Debt per Customer Accounts	Est. District Population	Debt per Capita
2007	\$ 53,080,000	\$ 32,718,416	\$ 45,691,949	\$ 5,596,000	\$ 137,086,365	53,514	\$ 2,562	166,168	\$ 825
2008	49,565,000	31,433,831	42,865,904	5,149,000	129,013,735	53,788	2,399	166,677	774
2009	45,765,000	24,096,239	30,174,053	4,667,000	104,702,292	53,952	1,941	166,964	627
2010	41,740,000	88,672,820	23,489,486	-	153,902,306	54,144	2,842	167,408	919
2011	37,400,000	87,590,679	21,432,781	-	146,423,460	54,362	2,693	164,450	890
2012	32,755,000	85,873,271	19,336,551	-	137,964,822	54,533	2,530	165,272	835
2013	27,775,000	84,065,864	17,160,816	-	129,001,680	54,792	2,354	168,174	767
2014	22,816,846	82,198,457	14,998,798	-	120,014,101	54,899	2,186	169,212	709
2015	31,326,483	65,836,049	12,794,395	-	109,956,927	55,033	1,998	170,326	646
2016	24,890,785	63,928,642	10,688,013	-	99,507,440	55,064	1,807	172,324	577

¹ 2015 Revenue Refunding Bonds refunded the 2003 Certificates of Participation, and are listed under the Certificates of Participation column by California Municipal Statistics, Inc.

Source: Moulton Niguel Water District Finance Department.
California Municipal Statistics, Inc.

#4.**Moulton Niguel Water District****Ratio of Net Direct General Obligation Debt
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total General Obligation Bonds Outstanding</u> ¹	<u>Net Direct General Obligation Debt</u>	<u>Assessed Value</u> ²	<u>Percent of General Obligation Debt to Assessed Value</u>	<u>Population</u> ³	<u>Net General Obligation Debt per Capita</u>
2007	\$ 53,080,000	\$ 5,737,513	\$ 6,256,186,514	0.09%	52,936	\$ 108
2008	49,565,000	5,855,913	6,746,635,752	0.09%	53,223	110
2009	45,765,000	5,982,738	6,734,350,793	0.09%	53,437	112
2010	41,740,000	6,022,175	6,193,574,675	0.10%	56,919	106
2011	37,400,000	6,159,813	6,062,288,925	0.10%	58,503	105
2012	32,755,000	6,263,016	6,051,286,544	0.10%	56,114	112
2013	27,775,000	6,416,000	6,093,356,189	0.11%	56,675	113
2014	22,816,846	6,466,700	6,300,950,763	0.10%	57,236	113
2015	16,867,130	6,227,747	5,749,154,516	0.11%	57,613	108
2016	10,697,414	6,240,500	6,159,717,218	0.10%	58,289	107

¹ The repayment of the General Obligation Bonds debt is a voter approved property tax assessment to the property owners residing in the service areas in which the debt applies.

² Assessed valuations are only property related to the General Obligation Bond debt (GOB).

³ The District population is estimated by the California State University at Fullerton Center for Demographic Research (CDR).

Source: Orange County Auditor-Controller, CDR and Moulton Niguel Water District Accounting Department

**Direct and Overlapping Debt
Current Fiscal Year**

2015-16 Assessed Valuations: \$17,048,211,000 (Land only)

Direct & Overlapping Tax and Assessment Debt: (Based on all property assessed valuation of \$32,790,354,178)

	Total Debt		District's Share
	06/30/2016	% Applicable ¹	of Debt 06/30/2016
Metropolitan Water District	\$ 92,865,000	1.338%	\$ 1,242,534
Capistrano Unified School District School Facilities Improvement Distri	29,882,520	31.589%	9,439,589
Laguna Beach Unified School District	26,090,000	1.878%	489,970
Saddleback Valley Unified School District	117,270,000	22.318%	26,172,319
City of San Juan Capistrano	27,965,000	0.063%	17,618
Moulton-Niguel Water District, I.D. No. 6	4,880,000	100.000%	4,880,000
Moulton-Niguel Water District, I.D. No. 7	5,285,000	100.000%	5,285,000
South Coast Water District	810,000	6.209%	50,293
City of Aliso Viejo Community Facilities District No. 2005-01	31,615,000	100.000%	31,615,000
City of Mission Viejo Community Facilities District No. 92-1	690,000	100.000%	690,000
Capistrano Unified School District Community Facilities District No. 87-	26,020,000	75.287%	19,589,677
<i>Total Direct & Overlapping Tax and Assessment Debt</i>			<u>\$ 99,472,000</u>

Direct & Overlapping General Fund Debt:

Orange County General Fund Obligations	\$ 124,614,000	6.571%	\$ 8,188,386
Orange County Pension Obligation Bonds	353,417,858	657.100%	23,223,087
Orange County Board of Education Certificates of Participation	14,840,000	657.100%	975,136
Capistrano Unified School District Certificates of Participation	15,320,000	3201.400%	4,904,545
City of Laguna Hills Certificates of Participation	10,035,000	7027.700%	7,052,297
City of Mission Viejo Certificates of Participation	13,805,000	3484.400%	4,810,214
City of San Juan Capistrano Judgment Obligations	1,685,000	6.300%	1,062
Municipal Water District of Orange County Water Facilities Corporatio	2,770,000	784.200%	217,223
Moulton-Niguel Water District General Fund Obligations²	76,045,000	10000.000%	<u>76,045,000</u>
<i>Total Gross Direct & Overlapping General Fund Debt</i>			125,416,950
Less: MWDOC Water Facilities Corporation (100% supported obligations)			217,223
<i>Total Net Direct & Overlapping General Fund Debt</i>			<u>\$ 125,199,727</u>

OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$ 26,947,326	94.157%	\$ 25,372,794
TOTAL DIRECT DEBT			\$ 86,210,000
TOTAL GROSS OVERLAPPING DEBT			164,051,744
TOTAL NET OVERLAPPING DEBT			163,834,521
Gross Combined Total Debt ³			\$ 250,261,744
Net Combined Total Debt			250,044,521

Ratios to Land Only Assessed Valuation:

Direct Debt (\$15,850,000) ⁴	0.06%
Total Direct and Overlapping Tax and Assessment Debt	0.54%

Ratios to All Property Assessed Valuation:

Total Direct Debt (\$86,210,000)	0.26%
Gross Combined Total Debt	0.76%
Net Combined Total Debt	0.76%

Ratios to All Property Redevelopment Successor Agency Incremental Valuation (\$801,235,054):

Total Overlapping Tax Increment Debt	3.17%
--------------------------------------	-------

¹ The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the water district divided by the overlapping district's total taxable assessed value.

² Excludes accreted value.

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

⁴ Moulton Niguel Improvement Districts.

#4.

Moulton Niguel Water District

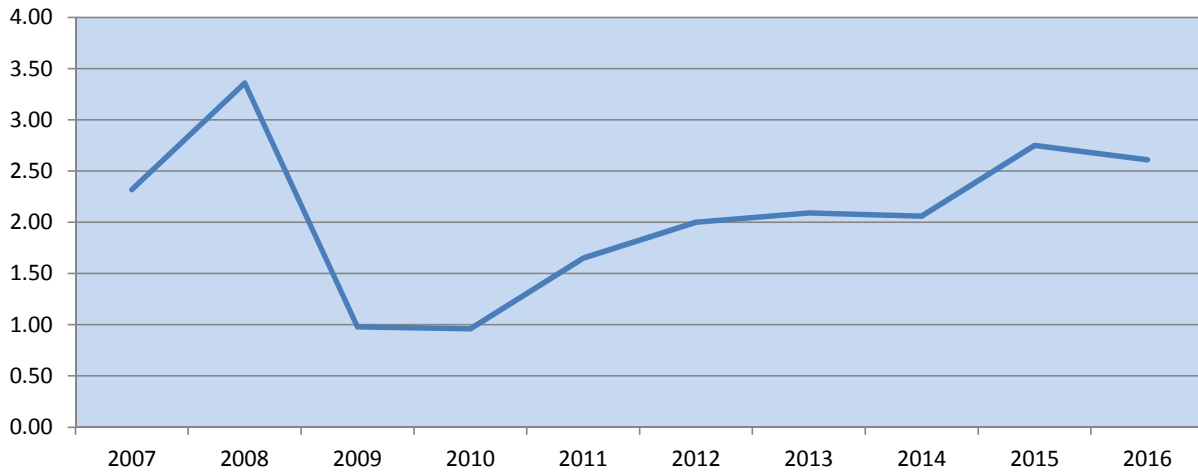
Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Total Revenues ¹	Operating Expenses ²	Net Available Revenues	Annual Debt Service ³			Coverage Ratio
				Principal	Interest	Total	
2007	\$ 65,783,315	\$ 42,216,143	\$ 23,567,172	\$ 7,491,753	\$ 2,667,114	\$ 10,158,867	2.32
2008	65,783,315	42,216,143	23,567,172	4,331,069	2,675,483	7,006,552	3.36
2009	63,008,926	46,993,818	16,015,108	14,261,828	2,163,186	16,425,014	0.98
2010	67,240,733	55,611,741	11,628,992	8,309,566	3,787,050	12,096,616	0.96
2011	71,267,139	55,783,588	15,483,551	3,681,716	5,701,425	9,383,141	1.65
2012	72,127,432	53,336,041	18,791,391	3,686,551	5,727,264	9,413,815	2.00
2013	76,664,834	57,089,327	19,575,507	3,572,972	5,790,836	9,363,808	2.09
2014	78,969,108	59,633,768	19,335,340	3,918,909	5,475,003	9,393,912	2.06
2015	88,604,859	63,060,170	25,544,689	3,821,389	5,478,923	9,300,312	2.75
2016	89,836,372	66,713,997	23,122,375	3,766,711	5,093,380	8,860,091	2.61

¹ Total Revenues include all operating revenues, interest income and other non-operating revenues, but excludes general obligation bond assessment revenues used to repay the general obligation bond debt.

² Operating expenses exclude depreciation and amortization expense.

³ Principal and Interest amounts do not include debt obligations related to general obligation bonds.



Source: Moulton Niguel Water District Finance Department.

Moulton Niguel Water District

Demographic and Economic Statistics
Last Ten Fiscal Years

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2007	166,168
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	168,402
2013	168,174
2014	169,212
2015	170,326
2016	172,324

City of Laguna Niguel ¹					
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate	
2007	65,959	3,445,757	49,815	2.6%	
2008	66,058	3,506,042	52,162	3.0%	
2009	66,522	3,423,303	52,705	4.1%	
2010	67,117	3,235,788	51,005	7.0%	
2011	67,666	3,880,866	47,820	7.5%	
2012	63,691	3,172,067	49,804	6.8%	
2013	64,065	3,236,436	50,518	4.4%	
2014	64,460	3,280,305	50,889	3.9%	
2015	64,449	3,215,232	49,888	5.0%	
2016	66,142	3,327,443	50,308	4.1%	

Source: CSUF Center for Demographic Research. 1 The District serves 100% of the City of Laguna Niguel which represents approximately 38% of the total District population.

Source: City of Laguna Niguel Finance Department

City of Aliso Viejo ²				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2007	44,924	1,791,257	39,773	1.8%
2008	45,037	1,857,155	41,043	2.0%
2009	45,249	2,052,309	44,925	2.7%
2010	45,683	1,977,869	43,342	4.8%
2011	45,634	2,059,354	43,062	4.9%
2012	47,823	2,002,825	40,884	4.6%
2013	48,988	2,100,002	42,444	3.0%
2014	49,951	2,100,839	42,058	2.6%
2015	49,939	2,181,535	43,684	3.5%
2016	50,509	2,223,991	44,032	3.6%

2 The District serves approximately 98% of the City of Aliso Viejo which represents approximately 30% of the total District population.

Source: City of Aliso Viejo Finance Department

Note: The District boundaries encompass five cities: Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel and Mission Viejo. Aliso Viejo, Laguna Hills, Laguna Niguel, and Mission Viejo represent approximately 99% of the total District population.

#4.**Moulton Niguel Water District****Demographic and Economic Statistics
Last Ten Fiscal Years**

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2007	166,168
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	168,402
2013	168,174
2014	169,212
2015	170,326
2016	172,324

City of Laguna Hills ³				
Calendar Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2007	33,129	1,384,623	41,813	2.9%
2008	33,143	1,425,961	43,058	2.9%
2009	33,421	1,441,089	43,346	4.0%
2010	33,280	1,417,282	42,444	7.0%
2011	33,593	1,500,666	44,672	8.0%
2012	30,341	1,445,996	47,227	6.6%
2013	30,410	1,363,858	44,421	4.8%
2014	30,857	1,320,001	42,778	4.2%
2015	30,848	1,336,181	43,315	5.0%
2016	30,681	1,373,184	44,757	4.1%

Source: CSUF Center for Demographic Research.

³ The City of Laguna Hills represents approximately 18% of the total District population.
Source: City of Laguna Hills Finance Department.

City of Mission Viejo ⁴				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2007	98,030	153,300,000	55,172	2.8%
2008	99,781	155,000,000	53,552	3.8%
2009	100,122	148,300,000	51,374	6.8%
2010	93,297	153,300,000	52,124	6.9%
2011	93,483	154,100,000	50,440	6.7%
2012	94,196	161,700,000	52,342	5.7%
2013	94,824	165,300,000	53,032	4.7%
2014	95,334	172,400,000	55,096	3.9%
2015	96,652	185,400,000	57,133	4.2%
2016	96,701	189,800,000	59,303	4.1%

⁴ The City of Mission Viejo represents approximately 56% of the total District population.

Source: City of Mission Viejo Finance Department

Note: The District boundaries encompass five cities: Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel and Mission Viejo. Aliso Viejo, Laguna Hills, Laguna Niguel and Mission Viejo represent 99% of District population.

Moulton Niguel Water District

Demographic and Economic Statistics
Last Ten Fiscal Years

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2007	166,168
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	168,402
2013	168,174
2014	169,212
2015	170,326
2016	172,324

Source: CSUF Center for Demographic Research.

City of Dana Point ⁵				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2007	36,884	1,736,000	47,066	2.8%
2008	36,441	1,858,000	50,987	3.8%
2009	35,822	1,681,000	46,926	6.4%
2010	35,561	1,706,000	47,974	6.9%
2011	35,109	1,816,000	51,725	6.3%
2012	33,054	1,663,000	50,312	5.5%
2013	33,398	1,723,000	51,590	5.9%
2014	33,625	1,699,000	50,528	5.5%
2015	33,710	1,649,000	48,917	5.2%
2016	33,415	1,742,949	52,161	4.2%

⁵ The City of Dana Point represents approximately 19% of the total District population.
Source: City of Dana Point Finance Department.

#4.**Moulton Niguel Water District****Principal Employers
Current Fiscal Year and Nine Years Ago**FY 2016^{1,2}

<u>Rank</u>	<u>Employer</u>	<u>Operating City</u>	<u>Number of Employees</u>	<u>Percent of Each City's Employment</u>
1	Saddleback College	City of Mission Viejo	3,033	6.00%
2	Mission Hospital Regional Medical Center	City of Mission Viejo	2,200	4.00%
3	Saddleback memorial medical Center	City of Laguna Hills	1,707	10.04%
4	Saddleback Valley Unified School District	City of Mission Viejo	1,200	2.00%
5	United parcel Service	City of Aliso Viejo	1,000	4.08%
6	Ritz-Carlton-Laguna Niguel	City of Dana Point	970	5.00%
7	Pacific Life Insurance	City of Aliso Viejo	811	3.31%
8	Monarch Beach Resort	City of Dana Point	800	5.00%
9	Capistrano Unified School District	City of Mission Viejo	691	1.00%
10	Capistrano Unified School District	City of Aliso Viejo	679	2.77%

FY 2007^{1,2}

<u>Rank</u>	<u>Employer</u>	<u>Operating City</u>	<u>Number of Employees</u>	<u>Percent of Each City's Employment</u>
1	Saddleback College	City of Mission Viejo	2,130	3.94%
2	Mission Hospital Regional Medical Center	City of Mission Viejo	1,349	2.50%
3	Costco Wholesale Corporation	City of Laguna Niguel	1,136	7.17%
4	Unisys Corporation	City of Mission Viejo	1,000	1.85%
5	Saddleback Valley Unified School District	City of Mission Viejo	640	1.19%
6	Quest Software Inc.	City of Aliso Viejo	600	4.05%
7	Fluor Daniel Construction Co.	City of Aliso Viejo	500	3.38%
8	Wal-Mart Stores, Inc.	City of Laguna Niguel	500	3.15%
9	Macy's Department Stores	City of Mission Viejo	475	0.88%
10	Capistrano Unified School District	City of Laguna Niguel	400	2.52%

¹ Principal Employers represents blended data from the four cities the District serves: Aliso Viejo, Laguna Hills Laguna Niguel and Mission Viejo.

² The District used data from the FYE 2007 - 2015 CAFRs for the cities of Aliso Viejo, Laguna Niguel, Mission Viejo, Laguna Hills.

**Full Time Employees by Function
Last Ten Fiscal Years**

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Office of the General Manager	3	3	3	3	3	2	3	6	6	7
Human Resources	-	-	1	1	1	2	2	2	2	2
Administration	2	2	-	-	-	-	-	-	-	-
Customer Service	-	-	2	2	2	2	3	2	1	1
Utility Billing	5	5	6	6	7	7	7	6	6	6
Customer Service - Field	19	19	17	19	17	18	19	16	16	16
Customer Service - Office	6	6	5	6	6	7	5	6	6	6
Engineering - Field	10	10	10	11	9	8	9	12	11	12
Engineering - Office	3	3	3	3	7	9	14	11	9	8
Purchasing	1	1	1	2	2	2	2	3	3	3
Information Technology	3	3	3	3	3	3	3	3	3	4
Financial Services	2	2	2	2	3	2	2	2	3	3
Accounting	5	5	5	5	5	7	7	7	6	6
Operations Administration	6	6	6	6	6	6	6	4	6	8
Operations - Plant	18	18	18	14	9	10	11	17	18	19
Operations - Field	17	17	17	17	24	22	20	18	19	22
Water Use Efficiency	-	-	-	-	-	-	-	-	3	6
Total	100	100	99	100	104	107	113	115	118	129

Source: Moulton Niguel Water District Human Resources Department.

Moulton Niguel Water District

Operating Indicators
Last Ten Fiscal Years

FISCAL YEAR	SERVICE CONNECTIONS	NET INCREASE PIPELINE (MILES)	MONTH OF PEAK CONSUMPTION	PEAK MONTHLY CONSUMPTION (M.G.D.)	AVERAGE DAILY CONSUMPTION (M.G.D.)	AVG. DAILY SEWAGE (M.G.D.)	AVG. DAILY POTABLE IMPORT (M.G.D.)	TAKEOUTS
2007	53,520	< 1,400	July	41.56	32.20	13.6	32.20	14
2008	53,804	< 1,400	July	41.21	30.69	14.6	30.69	14
2009	53,938	< 1,400	August	39.30	29.24	14.6	29.24	14
2010	54,174	< 1,400	August	34.20	26.15	14.6	26.15	14
2011	54,374	< 1,400	August	31.30	24.16	12.5	24.16	13
2012	54,597	< 1,400	August	34.31	24.43	13.4	20.54	13
2013	54,790	< 1,400	August	43.50	25.10	13.6	25.19	13
2014	54,899	< 1,400	July	35.30	25.58	11.9	25.6	13
2015	55,559	< 1,400	August	39.94	29.10	11.2	24.03	13
2016	56,382	< 1,400	June	31.66	24.75	11.2	20.72	13

FISCAL YEAR	PUMP STATIONS ¹			RESERVOIRS ¹		NO. OF FIRE HYDRANTS	TREATMENT PLANTS ¹	MILES OF WATER	MILES OF WASTEWATER	MILES OF RECYCLED
	RECYCLED	POTABLE	LIFT	RECYCLED	POTABLE					
2007	12	30	19	12	28	7,150	4	700	530	140
2008	12	30	19	12	28	7,170	4	700	530	140
2009	12	30	19	12	28	7,200	4	700	530	140
2010	12	30	19	12	28	7,250	4	700	530	144
2011	12	30	19	13	28	7,256	4	700	537	148
2012	12	30	19	13	28	7,258	4	700	537	148
2013	12	30	19	13	28	7,211	4	700	537	148
2014	12	30	19	13	28	7,141	4	700	537	148
2015	10	25	18	11	28	7,112	4	663	504	140
2016	10	25	18	11	28	7,149	4	668	505	141

Note: MGD = Millions of Gallons per Day.

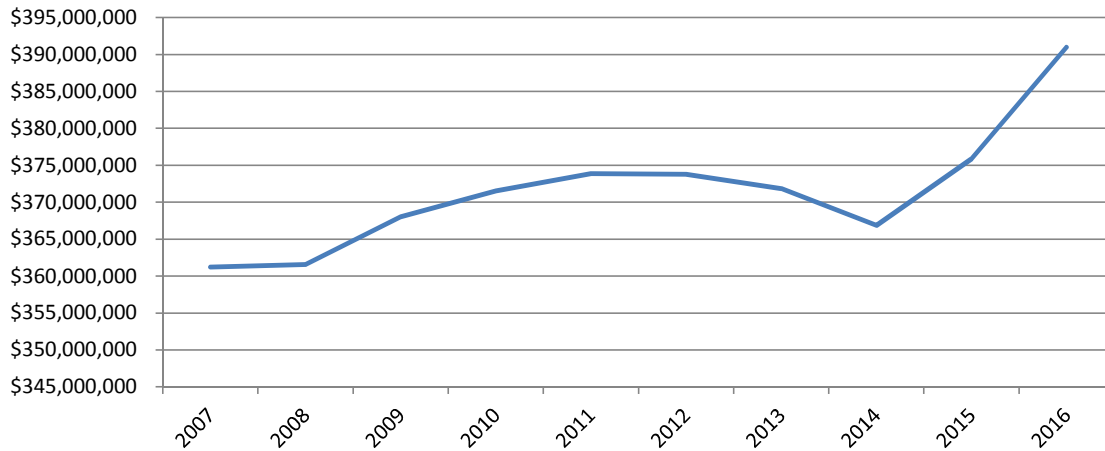
¹ The District wholly owns or has capacity rights in its pump stations, reservoirs, and treatment plants.

Source: Moulton Niguel Water District Operations and Billing Department.

**Capital Asset Statistics
Last Ten Fiscal Years**

Fiscal Year	Water Systems	Capacity Rights	Buildings	Automobiles & Equipment	Land	Construction in Progress	Capital Assets, Net of Depreciation
2007	\$ 343,948,637	\$ -	\$ 3,617,740	\$ 3,878,408	\$ 1,091,910	\$ 8,669,543	\$ 361,206,238
2008	341,989,768	-	3,455,277	3,622,842	1,091,910	11,422,556	361,582,353
2009	343,943,064	-	3,365,172	4,145,584	1,091,910	15,463,838	368,009,568
2010	341,293,660	8,551,999	3,538,659	3,484,082	1,091,910	13,583,539	371,543,849
2011	335,560,748	7,995,119	3,401,805	3,448,555	1,091,910	22,383,367	373,881,504
2012	329,278,513	27,691,901	3,217,693	2,949,815	1,091,910	9,572,378	373,802,210
2013	330,699,738	27,149,621	3,119,398	2,722,514	1,091,910	7,057,346	371,840,527
2014	319,084,402	26,607,341	2,864,432	2,426,058	1,091,910	14,785,817	366,859,960
2015	311,408,504	26,065,062	2,689,869	2,947,705	1,091,910	31,642,242	375,845,292
2016	271,113,215	63,993,270	2,408,058	7,232,783	1,091,910	45,135,106	390,974,342

Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department

MOULTON NIGUEL WATER DISTRICT
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

#4.

MOULTON NIGUEL WATER DISTRICT

FOR THE YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR’S 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 (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 5, 2016. Our report included an emphasis of matter regarding the District’s adoption of Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, as of July 1, 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 opinion 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.

#4.

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*.

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.



Laguna Hills, California
December 5, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

Report on Compliance for Each Major Federal Program

We have audited the Moulton Niguel Water District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

#4.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 5, 2016, which contained an unmodified opinion on those financial statements. Our report included an emphasis of matter regarding the District's adoption of Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, as of July 1, 2015. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinch, Train, Day & Co, LLP

Laguna Hills, California
December 5, 2016

#4.

**MOULTON NIGUEL WATER DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Federal grantor / pass-through grantor / program title</u>	<u>Federal CFDA Number</u>	<u>Program / Project Identification Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>U.S. Department of the Interior - Bureau of Reclamation</u>				
Direct Assistance:				
Water SMART (Sustaining and Managing America's Resources for Tomorrow)	15.507	R15AP00128	\$ 297,365	\$ -
<u>U.S. Department of Homeland Security</u>				
Passed through the State of California-Governor's Office of Emergency Services:				
Hazard Mitigation Grant	97.039	FEMA-1968-DR-CA	1,336,577	-
Total Federal Awards			<u>\$ 1,633,942</u>	<u>\$ -</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

**MOULTON NIGUEL WATER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs of the Moulton Niguel Water District (District). The District's reporting entity is defined in Note 1 of the District's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using an accrual basis of accounting, which is described in Note 1 of the District's Financial Statements. The District has elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance, when applicable.

C. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

#4.

**MOULTON NIGUEL WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material Weaknesses identified?	<u>No</u>
Significant Deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material Weaknesses identified?	<u>No</u>
Significant Deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section 200.516(a)?	<u>No</u>
Identification of major federal programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>97.039</u>	<u>Hazard Mitigation Grant</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**MOULTON NIGUEL WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

II. FINANCIAL STATEMENT FINDINGS

None Reported.

#4.

**MOULTON NIGUEL WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

**MOULTON NIGUEL WATER DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

None reported.



Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

We have audited the financial statements of the Moulton Niguel Water District (District) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 May 24, 2016, as well as at our meeting with members of the Ad Hoc Committee on August 16, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application* and No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, as of July 1, 2015. 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 estimates affecting the District’s financial statements were:

Management’s estimate of the:

- Fair value measurements for investments are based on observable market inputs and information from the District’s safekeeping custodian bank,
- Amounts related to depreciation expense are based on estimated useful lives of capital assets,
- Amounts related to the net pension liability, deferred outflows of resources and deferred inflows of resources, pension expense, and the related disclosures, are based on actuarial valuations.

We evaluated the key factors and assumptions used to develop these estimates in determining that they appeared reasonable in relation to the financial statements taken as a whole.

#4.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 2 to the financial statements disclose authorized investments, interest rate and credit risks, and fair value measurements. Additionally, it was noted that while Asset Backed Securities, which are authorized by *Government Code Section 53600*, are not specifically authorized by the District's investment policy adopted September 2015, two such securities were purchased and part of the District's investments as of June 30, 2016, totaling \$1,671,966.

Note 8 to the financial statements disclose the District's cost-sharing employer pension plan's net pension liability, and related deferred outflows and inflows of resources, and pension expense. The valuation of the net pension liability and related deferred outflows and inflows are sensitive to the underlying actuarial assumptions used, including but not limited to, the investment rate of return and discount rates. As disclosed in Note 8, a 1% increase or decrease in the discount rate has a material effect on the District's net pension liability.

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

Difficulties Encountered in Performing the Audit

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

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Adjustments identified as part of the audit and corrected by management include:

- Capital payments to SOCWA and JRWSS were reclassified from Water Systems to Capacity Rights. The Water Systems and Capacity Rights classifications both comprise the District's capital assets however, the reclassification was made to better present the payments as intangible assets, and not physical assets, owned by the District. The amount of the reclassification was \$38.4 million, net of accumulated amortization of \$9.5 million.
- The beginning balance of Deferred Inflows of Resources related to pensions was reduced by \$192 thousand to account for the amortization of the difference between the actual contributions and proportionate share of contributions. The corresponding offset was to Pension expense.

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 December 5, 2016.

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 District’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 applied certain limited procedures to management’s discussion and analysis, schedule of funding progress, schedule of proportionate share of the net pension liability, and schedule of plan contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of revenues, expenses, and other sources (uses) of funds, operations & maintenance (O&M) budget comparison report, and the schedule of expenditures of federal awards, 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.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Varinich, Train, Day & Co., LLP

Laguna Hills, California
December 5, 2016

MOULTON NIGUEL WATER DISTRICT

Independent Accountants' Report on Applying
Agreed-Upon Procedures Related to the
Article XIII-B Appropriations Limit Calculation

For the Fiscal Year Ended June 30, 2016



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES
RELATED TO THE ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION**

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

We have performed the procedures enumerated below to the Appropriations Limit Calculation of the Moulton Niguel Water District (District) for the fiscal year ended June 30, 2016. These procedures, which were agreed to by the District, were performed solely to assist the District in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The District's management is responsible for the Appropriations Limit calculation. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained completed worksheets setting forth the calculations necessary to establish the District's appropriation limit and compared the 2015-2016 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Board of Directors.

Findings: No exceptions were noted as a result of our procedures.

2. We added last year's limit to the total adjustments and compared the resulting amount to this year's limit.

Findings: No exceptions were noted as a result of our procedures.

3. We compared the current year information to the worksheets described in No. 1 above.

Findings: No exceptions were noted as result of our procedures.

4. We compared the prior year appropriations limit used in the worksheets to the prior year appropriations limit adopted by the District's Board of Directors for the prior year.

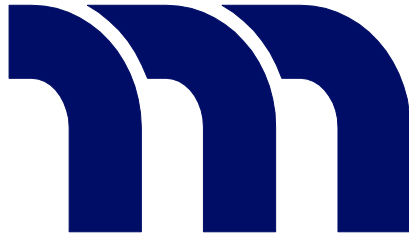
Findings: The limit adopted by the District's Board of Directors in the prior year was \$6,764,550, however the prior year limit used in the worksheets was \$6,763,210, resulting in a difference of \$1,340. The District amended the calculation of the prior year limit to correct for an error in the prior year calculation, based on recommendations from the previous agreed-upon procedures report, dated September 9, 2015.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Appropriations Limit worksheets. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report 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.



Laguna Hills, California
December 5, 2016



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** December 12, 2016
FROM: Drew Atwater, Director of Planning
SUBJECT: Smart Timer Program Contract Award
DIVISION: District-wide

SUMMARY:

Issue: Based on the evaluation of historical smart irrigation timer adoption by District customers, smart timers have shown to be the most cost effective water conservation program for the District to implement.

Recommendation: It is recommended that the Board of Directors approve the agreement for 12 months with Valley Soil, Inc. with the subcontractor of Rachio for the not exceed amount of \$480,113 to administer the new Regional Smart Timer Program. It is also recommended that the Board of Directors direct staff to engage in program agreements with Santa Margarita Water District and Irvine Ranch Water District for the District to administer the new regional smart timer program.

Fiscal Impact: The Water Efficiency Fund Budget contains funding allocated for this program in the fiscal year 2016/17 Water Efficiency Fund operating budget.

BACKGROUND:

In the spring of 2016, UC Riverside presented preliminary results of the evaluation of conservation program efficacy. Smart Timers were shown to have the greatest cost effectiveness and the results justified expanded marketing as well as additional funding to increase participation. The evaluation of the program also showed that driving customers to participate in an “easy” program can increase participation in other conservation programs, further increasing a program’s effectiveness. Over the past 20 years, District and regional conservation programs have saturated the market with high efficiency indoor technologies. Hence, making outdoor conservation actions “easy” has been identified as a key strategy for the District’s portfolio of conservation programs.

#5.

Smart Timer Regional Program Award

Page 2 of 3

More than half of the water used at the District is for outdoor landscapes. Water efficient landscapes can decrease irrigation water use up to 70 percent through a combination of proper plant selection and irrigation technology. The District offers a variety of rebates for outdoor water efficient devices as well as for the removal of turf grass and replacement with climate appropriate plants. The current programs provide funding after the device or project has been completed, which can present a cash flow barrier for some customers. Also, the process of choosing a product and vendor to install the product can be overwhelming.

In order to meet the identified needs, Staff is proposing a new residential direct install smart timer program to meet the gaps in current conservation programs as discussed over the past 6 months and during the budget process. The overall proposed process for the program is as follows:

1. Customers who meet program criteria apply on a new web portal. In order to make the program cost effective, customers must have a yard greater than 2,500 square feet and use an average of 15 ccf of water per month.
2. Landscape Inspection Company performs survey and either installs the smart timer device or provides all the information necessary for the customer to install the smart timer device on their own.
3. The District will receive shared access to verify that the timer has been installed and is active.
4. The landscape inspection vendor will follow-up with customers a few months later to answer any further questions.

DISCUSSION:

In September 2016, the District issued a Request for Proposals to 14 firms which included both smart timer manufacturers and vendors who perform landscape audits and smart timer installations. The table below has a list of the firms:

Hunter
Rachio
Rainbird
Toro
Blossom
Ecotech Services
Valley Soil
Blue Watchdog
Waterwise
G3
Glen's Landscape
OnPoint Systems
Bottom Line
BrightView

Initially, the program was designed such that the District would cover the cost of installation for the Smart Timers. However, the cost structure made the program not cost effective as proposed. The program was restructured to provide customers with

Smart Timer Regional Program Award

Page 3 of 3

a smart timer and a landscape survey at the time of installation. The survey provides customers with all the information needed to accurately setup the controller or the option for customers to pay for the installation through a negotiated rate with the selected vendor.

Two firms responded to the initial RFP: Water Wise Inc. and Valley Soil Inc. District staff negotiated with the responding firms over changes in program structure to get the best price and highest level of service for our customers. Valley Soil has had success working with Irvine Ranch Water District in the past on a similar program and provided the lowest cost for program administration. Rachio smart timers were selected for the program based on ease of use, project understanding, and the device quality. Rachio has developed similar successful programs for Southern Nevada Water Authority and Redwood City. Additionally, Rachio is offering their devices at a discount of 50% off retail prices due to their interest in partnering with the District to save water in South Orange County through the increased adoption of their smart timer. The component fees for the contract are broken out below:

Description	Paid By	Provided By	Unit Cost
Site Irrigation Survey	District	Valley Soil	\$152.50
Rachio 8-Zone Smart Timer	District	Rachio	\$99
Rachio 16-Zone Smart Timer	District	Rachio	\$125
Outdoor Enclosure (if needed)	District	Rachio	\$34
Smart Timer Install	Customer	Valley Soil	\$165
District Cost Per Timer and Survey			\$251.50 to \$311.50

The Program is structured to make adoption of smart timers simple and easy for the District’s customers. As Staff developed the program, both Santa Margarita Water District and Irvine Ranch Water District expressed interest in participating with the District to make the program regional in nature. The District saves money through shared joint costs for the new web portal and administration, as well as economies of scale in jointly marketing the program. Additionally, while the District has participated in regional projects historically, this is the first Moulton Niguel Water District-led regional program which underscores the success and innovation in the District’s approach to demand management.

Staff is recommending the Board authorize the General Manager to engage with Valley Soil Inc. for \$480,113 and authorize the General Manager to execute program agreements with Santa Margarita Water District and Irvine Ranch Water District.

Attachments:

1. Agreement with Valley Soil Inc.
2. Program Agreement
3. Customer Participation Agreement

**AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN
MOULTON NIGUEL WATER DISTRICT AND VALLEY SOIL, INC.
MNWD PROJECT: SMART TIMER PROGRAM ADMINISTRATION
CONTRACT NO. OM16-17.025**

THIS AGREEMENT (the "Agreement") is dated as of _____, _____, (the "Effective Date") by and between Valley Soil, Inc., hereinafter referred to as the "CONSULTANT" and Moulton Niguel Water District hereinafter referred to as "MNWD." MNWD and CONSULTANT may sometimes be referred to in this Agreement individually as "party" and together as "parties."

RECITALS

CONSULTANT proposes to provide certain professional services to MNWD in connection with the Smart Timer Direct Install Program Administration project (the "Project"). The scope of work to be performed by CONSULTANT under this Agreement is described in **Exhibit A** attached hereto, which is incorporated herein by reference (the "Scope of Work").

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

AGREEMENT

SECTION I – SCOPE OF WORK

Section 1.1 Scope of Services. CONSULTANT shall furnish all necessary management, supervision, labor, materials, tools, supplies, equipment, services, engineering, testing and/or any other act or thing required to diligently and fully perform and complete the Project ("Services") in accordance with this Agreement and as described in the Scope of Work attached hereto as **Exhibit A**. MNWD may request or CONSULTANT may recommend, that CONSULTANT perform work in addition to or different from that delineated in the original Scope of Work, or delete services from the Scope of Work. Upon MNWD's request for additional or changed work, CONSULTANT shall provide a cost estimate and written description of the additional or changed work. Prior to any such addition, changes, or deletion to the Scope of Work, MNWD and CONSULTANT shall negotiate an adjustment of the compensation and time for completion and shall execute a written addendum to this Agreement. Upon execution of each addendum, (i) the Scope of Work shall thereafter be as described in **Exhibit A**, respectively, as modified by the addendum and any previously executed addendum; and (ii) the time for completing the work shall be as set forth in the addendum. Following execution of any addendum, all terms and provisions of the Agreement, except as expressly modified by such addendum, shall remain in full force and effect. MNWD will not be required to pay for any additional or changed work rendered in advance of the execution of an addendum covering the additional or changed work.

Section 1.2 Schedule of Services. CONSULTANT shall perform its work hereunder in a prompt and timely manner. Time is of the essence in this Agreement. CONSULTANT agrees to coordinate the work to ensure its timely completion and shall promptly notify MNWD of any anticipated delays or causes or casualties beyond CONSULTANT'S control which may affect the work schedule. In the event the time for completing the Scope of Work is projected to be exceeded due to circumstances beyond the control of CONSULTANT, CONSULTANT shall have an additional amount of time to be agreed upon in writing between the parties pursuant to Section 1.1 and an executed addendum, in which to complete the work. CONSULTANT shall not begin

#5.

work on any Services pursuant to this Agreement until receipt of MNWD'S written direction to proceed. Upon receipt of such notice, CONSULTANT shall immediately commence the work described in Exhibit A.

Section 1.3 Consultant's Representative. CONSULTANT hereby designates Eric Anderson to act as its representative for the performance of this Agreement ("Consultant's Representative"). Consultant's Representative shall have full authority to represent and act on behalf of CONSULTANT for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services under this Agreement, using his or her best skill and attention, and shall be responsible for all means, methods, techniques, sequences, and procedures and for the satisfactory coordination of all portions of the Services to be performed under this Agreement. Should the Consultant's Representative need to be substituted for any reason, the proposed new Consultant's Representative shall be subject to the prior written approval of MNWD. CONSULTANT shall not assign any representative to whom MNWD has a reasonable objection.

As part of the Project, if CONSULTANT wishes to subcontract certain services for the Project, separate subcontracts may be entered into between CONSULTANT and the subcontractors/subconsultants which shall be listed Exhibit B attached hereto and incorporated herein by reference. Any additional subcontractors/ subconsultants CONSULTANT proposes to use are subject to prior written approval by MNWD.

Without prior written approval of MNWD, CONSULTANT will not make any changes in the Consultant's Representative, in consultants, in outside labor arrangements, or associations or joint ventures which are required to accomplish any part of the Scope of Work. CONSULTANT is responsible to MNWD for the acts and omissions of its subcontractors as it is for persons directly employed by CONSULTANT. Nothing contained in this Agreement creates any contractual relationship between any subconsultant/subcontractor and MNWD. CONSULTANT shall not allow any subconsultant/subcontractor to commence work or services under any subcontract until all insurance required of CONSULTANT has been obtained for the subconsultant/subcontractor.

Section 1.4 Coordination of Services. CONSULTANT agrees to work closely with MNWD staff in the performance of the Services and shall be available to MNWD staff at all reasonable times. MNWD shall make available to CONSULTANT at no cost all technical data in MNWD's possession, including maps, past reports, prior studies, prior plan operating data, and other information reasonably required by CONSULTANT and relating to the work to be performed under this Agreement.

Section 1.5 Licenses and Permits. CONSULTANT represents that it, its employees and subconsultants, have all licenses, permits qualifications and approvals of whatever nature that are legally required to perform the Services and that such licenses and approvals shall be maintained throughout the term of this Agreement, at CONSULTANT'S sole cost and expense.

SECTION II - COMPENSATION

Section 2.1 In consideration for providing the scope of work referred to in Section 1 herein, MNWD agrees to compensate CONSULTANT in accordance with the pricing listed in Exhibit C, which is attached hereto and incorporated herein by reference, with a not-to-exceed maximum total amount of **Four Hundred Eighty Thousand One Hundred Thirteen Dollars (\$480,113)**.

Section 2.2 Labor costs shall be the total number of hours worked by each employee multiplied by the applicable hourly billing rate. The Schedule of Charges/Payments set forth in **Exhibit C** sets forth the current billing rates of CONSULTANT. CONSULTANT shall provide MNWD with advance written notice at least one billing cycle prior to any change in the Schedule of Costs and Fees.

Section 2.3 CONSULTANT shall be reimbursed only those expenses that are directly attributable to services rendered in relation to the creation of the customer portal pursuant to this Agreement. A list of reimbursable expenses is set forth in **Exhibit C**. Such costs shall be itemized on CONSULTANT'S invoices.

Section 2.4 Monthly progress payments will be made based on submittal of invoices by CONSULTANT which reflect the work performed. Only one bill per month shall be submitted by CONSULTANT, showing invoices for CONSULTANT and each subconsultant utilized during the monthly billing period.

Section 2.5 MNWD reserves the right to withhold payment from CONSULTANT on account of Services not performed satisfactorily, unexcused delays in CONSULTANT'S performance of Services past the milestones agreed to between the Parties or other defaults hereunder. CONSULTANT shall not stop or delay performance of Services under this Agreement on account of payment disputes with MNWD, provided that MNWD continues to make payment of undisputed amounts.

Section 2.6 CONSULTANT must maintain adequate records to permit inspection and audit of CONSULTANT's time and material charges under this Agreement. CONSULTANT will make such records available to MNWD during normal business hours upon reasonable notice.

SECTION III – TERM

Section 3.1 The term of the Agreement is from the Effective Date to and including December 31, 20F1 (“expiration”), unless otherwise terminated earlier by either party pursuant to Section 7.

SECTION IV - WARRANTY/DISCLAIMER

Section 4.1 Standard of Care; Performance of Employees. CONSULTANT shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California with experience performing services similar in size, scope and complexity to the Project. CONSULTANT represents and maintains that it is skilled in the type of professional services necessary to perform the Services. CONSULTANT warrants that all employees and subconsultants shall have sufficient skill and experience to perform the Services assigned to them. CONSULTANT shall perform, at its own cost and expense and without reimbursement from MNWD, any services necessary to correct errors or omissions which are caused by the CONSULTANT'S failure to comply with the standard of care provided for herein. Any employee of CONSULTANT or its subconsultants who is determined by MNWD to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to MNWD, shall be promptly removed from the Project by CONSULTANT and shall not be re-employed to perform any of the Services or to work on the Project.

Section 4.2 CONSULTANT warrants to MNWD that all materials and equipment furnished shall be new, free from faults and defects and of good quality and conform to the requirements of this

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Agreement. CONSULTANT hereby warrants its work against all deficiencies and defects for the period required by this Agreement and applicable warranties or the longest period permitted by California law, whichever is greater. Unless otherwise stated in this Agreement, warranty periods shall begin upon the filing of the Notice of Completion and shall be for one year. This Section shall not limit MNWD'S rights under this Agreement or with respect to latent defects, gross mistakes, or fraud. MNWD specifically reserves all rights related to defective work, including but not limited to defect claims pursuant to California Code of Civil Procedure Section 337.15.

Section 4.3 In performing Services under this Agreement, CONSULTANT shall observe and abide by the terms and conditions of all applicable laws, regulations, ordinances, or other rules of the United States, of the State of California, or any political subdivisions thereof, or of any other duly constituted public authority or agency including but not limited to MNWD.

SECTION V – INSURANCE AND INDEMNIFICATION

Section 5.1 Professional Liability Insurance. CONSULTANT and each of its sub-consultants/subcontractors shall maintain throughout the term of this Agreement a professional liability (errors and omissions) policy of insurance having coverage of not less than One Million Dollars (\$1,000,000) for each claim and in annual aggregate. This insurance shall be endorsed to include contractual liability applicable to this Agreement and shall be written on a policy form coverage specifically designed to protect against acts, errors or omissions of CONSULTANT. "Covered Professional Services" as designated in the policy must specifically include work performed under this Agreement. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defense. The following provisions shall apply if the professional liability coverage is written on a claims-made basis:

- (a) The retroactive date of the policy must be shown and must be before the date of this Agreement.
- (b) Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of this Agreement or the Services hereunder.
- (c) If coverage is canceled or not renewed and it is not replaced with another claims made policy form with a retroactive date that precedes the date of this Agreement, CONSULTANT must provide extended reporting coverage for a minimum of five (5) years after completion of the Services. MNWD shall have the right to exercise at the CONSULTANT'S cost any extended reporting provisions of the policy should the CONSULTANT cancel or not renew the coverage.
- (d) A copy of the claims reporting requirements must be submitted to MNWD prior to the commencement of any work under this Agreement.

Section 5.2 Commercial General Liability Insurance. CONSULTANT and each of its subconsultants shall maintain throughout the term of this Agreement a commercial general liability policy of insurance for which shall be at least as broad as the following: Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 00 01) or exact equivalent.

Automobile Liability. CONSULTANT and each of its subconsultants shall maintain throughout the term of this Agreement Automobile Liability Insurance for bodily injury and property damage including coverage for owned, non-owned and hired vehicles, in a form and with insurance companies acceptable to MNWD. Coverage for automobile liability insurance shall be at least as broad as Insurance Services Office Form Number CA 00 01 covering automobile liability

(Coverage Symbol 1, any auto).

All insurance provided under this Section shall name MNWD and its directors, officers, employees and representatives as additional insureds under each such policy (“additional insureds”) and an additional insured endorsement shall be provided in form acceptable to MNWD.

Requirements as to the types and limits of insurance coverage to be maintained by CONSULTANT, and any approval of said insurance by MNWD, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by CONSULTANT pursuant to this Agreement, including but not limited to the provisions concerning indemnification

Section 5.3 Worker’s Compensation. By its signature hereunder, CONSULTANT certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers’ compensation or to undertake self-insurance in accordance with the provisions of that code, and that CONSULTANT will comply with such provisions before commencing the performance of work under this Agreement. CONSULTANT and subconsultants/subcontractors shall maintain throughout the term of this Agreement workers’ compensation insurance with limits no less than the statutory limits, and Employer’s Liability insurance with limits no less than One Million Dollars (\$1,000,000) per accident and per disease for their employees and shall file with MNWD the certificate required by Labor Code Section 3700. The workers compensation/Employer’s Liability insurance shall be endorsed with a waiver of subrogation in favor of MNWD and its’ directors, officers, employees and representatives.

Section 5.4 Requirements of All Policies. All policies of insurance required under this Section 5 shall be from insurance providers who are either admitted or licensed to do business in California, or are Surplus Lines Carriers authorized to do business in California, and who have financial size and ratings of no less than A-, Class XIII, and in either case are otherwise acceptable to MNWD. All such policies shall include a provision and executed endorsement for thirty (30) days prior written notice by certified mail, return receipt requested, to MNWD of any cancellation or material alteration of such insurance. CONSULTANT shall provide original certificates and endorsements for all such insurance on forms approved by MNWD in conformity with all requirements of this Agreement prior to commencement of any work or professional services. The policies required hereunder shall be endorsed to include contractual liability.

In the case of additional insured provisions, any insurance afforded the additional insureds by this Agreement is primary insurance as to the additional insureds. Any insurance or self-insurance maintained by the additional insureds shall be excess of the CONSULTANT’S (and its subconsultant’s/subcontractor’s) insurance, and shall not contribute to such insurance.

Any deductibles or self-insured retentions must be declared in writing and approved by MNWD. At the option of MNWD, either: the insurance provider(s) shall reduce or eliminate such deductibles or self-insured retentions as respects MNWD and its directors, officers, employees and representatives; or the CONSULTANT shall provide a financial guarantee satisfactory to MNWD guaranteeing payment of losses and related investigations, claim administration and defense expenses. Maintenance of insurance coverage as specified in this Agreement is a material term of this Agreement, and any failure to maintain or renew coverage, or to provide evidence thereof, as required by the terms is a material breach of this Agreement.

Section 5.5 Indemnity.

To the fullest extent permitted by law, CONSULTANT shall defend (with counsel reasonably approved by MNWD), indemnify and hold MNWD, its officials, officers, employees, agents and

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volunteers free and harmless from any and all claims, demands, causes of action, suits, actions, proceedings, costs, expenses, liability, judgments, awards, decrees, settlements, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, (collectively, "Claims") in any manner arising out of, pertaining to, or incident to any alleged acts, errors or omissions, or willful misconduct of CONSULTANT, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the CONSULTANT'S services, the Project or this Agreement, including without limitation the payment of all consequential damages, expert witness fees and attorneys' fees and other related costs and expenses. Notwithstanding the foregoing, to the extent CONSULTANT's services are subject to Civil Code Section 2782.8, the above indemnity shall be limited, to the extent required by Civil Code Section 2782.8, to Claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the CONSULTANT. CONSULTANT'S obligation to indemnify shall not be restricted to insurance proceeds, if any, received by MNWD, its officials, officers, employees, agents or volunteers.

SECTION VI – CALIFORNIA LABOR CODE REQUIREMENTS

Section 6.1 CONSULTANT is aware of the requirements of California Labor Code Sections 1720 et seq and 1770 et seq., which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" and "maintenance" projects. If the services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, CONSULTANT agrees to fully comply with such Prevailing Wage Laws, if applicable. CONSULTANT shall defend, indemnify, and hold MNWD, its elected officials, officers, employees, and agents free and harmless from any claims, liabilities, costs, penalties, or interest arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon CONSULTANT and all subconsultants to comply with all California Labor Code provisions, which include, but are not limited to, prevailing wages, employment of apprentices, hours of labor, and debarment of contractors and subcontractors.

Section 6.2 If the services are being performed as part of an applicable "public works" or "maintenance" project, in addition to the foregoing, then pursuant to Labor Code sections 1725.5 and 1771.1, CONSULTANT and all subconsultants must be registered with the Department of Industrial Relations ("DIR"). CONSULTANT shall maintain registration for the duration of the project and require the same of any subconsultants. This project may also be subject to compliance monitoring and enforcement by the DIR. It shall be CONSULTANT'S sole responsibility to comply with all applicable registration and labor compliance requirements, including the submission of payroll records directly to the DIR.

Section 6.3 Pursuant to Labor Code Section 1776, CONSULTANT and each subcontractor shall maintain weekly certified payroll records showing the name, address, social security number, work classification, straight time and overtime hours paid each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker or other employee employed in connection with the work. CONSULTANT shall certify under penalty of perjury that records maintained and submitted by CONSULTANT are true and accurate. CONSULTANT shall also require subcontractor(s) to certify weekly payroll records under penalty of perjury. In the event of noncompliance with the requirements of this Section, CONSULTANT shall have ten (10) days in which to comply subsequent to receipt of written notice specifying any item or actions necessary to achieve compliance with this section. If CONSULTANT or subcontractor does not comply after such ten (10)-day period, CONSULTANT shall, as a penalty to District, forfeit One Hundred Dollars (\$100) for each day, or portion thereof, for each worker until strict compliance is effectuated.

Section 6.4 CONSULTANT shall post, at appropriate conspicuous points on the Project site, a

schedule showing all determined general prevailing wage rates and all authorized deductions, if any, from unpaid wages actually earned.

Section 6.5 CONSULTANT is advised that eight (8) hours labor constitutes a legal day's work. Pursuant to Section 1813 of the California Labor Code, CONSULTANT shall forfeit a penalty of \$25.00 per worker for each day that each worker is permitted to work more than eight (8) hours in any one calendar day and forty (40) hours in any one calendar week, except when payment for overtime is made at not less than one and one-half (1-1/2) times the basic rate for that worker.

SECTION VII - TERMINATION OR ABANDONMENT

Section 7.1 This Agreement may be terminated in whole or in part in writing by MNWD provided that no such termination may be effected unless MNWD has given not less than ten (10) calendar day's written notice (deliver by certified mail, return receipt requested) of intent to terminate. Additionally, MNWD may suspend performance by CONSULTANT of any or all services listed in the Scope of Work under this Agreement by providing written notice to CONSULTANT at least five (5) working days prior to the date on which MNWD wishes to suspend; provided, upon receipt of such notice, CONSULTANT shall immediately suspend any work or services hereunder, unless otherwise instructed by MNWD in such notice.

Section 7.2 CONSULTANT shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from MNWD to resume performance. MNWD and CONSULTANT agree that in the event MNWD suspends or terminates performance by CONSULTANT for any cause other than the intentional or negligent error or omission of CONSULTANT, CONSULTANT shall be entitled to payment of compensation incurred prior to the effective date of the suspension or termination, as determined under Section 2 of this Agreement. MNWD shall not be liable for any costs other than the charges or portions thereof which are specified herein. CONSULTANT shall not be entitled to payment for unperformed services, and shall not be entitled to damages or compensation for termination of work. CONSULTANT may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to MNWD only in the event of substantial failure by MNWD to perform in accordance with the terms of this Agreement through no fault of CONSULTANT.

Section 7.3 In the event of any suspension or termination herein, MNWD shall have the right to take possession and shall immediately own all original drawings and other documents developed for that portion of the work completed and/or being suspended or abandoned.

SECTION VIII – OWNERSHIP OF MATERIALS AND CONFIDENTIALITY

Section 8.1 Documents and Data; Licensing of Intellectual Property. This Agreement creates an exclusive and perpetual license for MNWD to copy, use, modify, reuse, or sublicense any and all documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings, designs, graphic representations and data, which are prepared or caused to be prepared, and delivered to MNWD, by CONSULTANT under this Agreement based on MNWD data ("Documents & Data"). All Documents & Data shall be and remain the property of MNWD, and shall not be used in whole or in substantial part by CONSULTANT on other projects without MNWD'S express written permission. Within thirty (30) days following the completion, suspension, abandonment or termination of this Agreement, or at any time upon five (5) days written notice, CONSULTANT shall provide to MNWD reproducible copies of all Documents & Data, in a form and quantity requested by MNWD. MNWD reserves the right to select the method of document reproduction and to establish where the reproduction will be accomplished. The reproduction expense shall be borne by MNWD at the actual cost of duplication. In the event of a

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dispute regarding the amount of compensation to which CONSULTANT is entitled under the termination provisions of this Agreement, CONSULTANT shall provide all Documents & Data to MNWD upon payment of the undisputed amount. CONSULTANT shall have no right to retain or fail to provide to MNWD any such Documents & Data pending resolution of the dispute. In addition, CONSULTANT shall retain copies of all Documents & Data on file for a minimum of four (4) years following completion of the Project or termination of this Agreement, whichever is earlier, and shall make copies available to MNWD upon the payment of actual reasonable duplication costs. Before destroying the Documents & Data following this retention period, CONSULTANT shall make a reasonable effort to notify MNWD and provide MNWD with the opportunity to obtain the documents.

Section 8.2 Subconsultants. CONSULTANT shall require all subconsultants to agree in writing to provide any intellectual property rights that are necessary for CONSULTANT to provide to MNWD the ownership and license rights set forth in Sections 8.1 above with respect to any Documents & Data the subconsultant prepares under this Agreement. CONSULTANT represents and warrants that CONSULTANT has the legal right to license any and all Documents & Data prepared by CONSULTANT or its subconsultants. CONSULTANT makes no such representation and warranty in regard to documents and data which were prepared by design professionals other than CONSULTANT or its subconsultants, or those provided to CONSULTANT by MNWD.

Section 8.3 Right to Use. MNWD shall not be limited in any way in its use or reuse of the Documents & Data or any part of them at any time for purposes of this Project or another project, provided that any such use not within the purposes intended by this Agreement or on a project other than this Project without employing the services of CONSULTANT shall be at MNWD'S sole risk. If MNWD uses or reuses the Documents & Data on any project other than this Project, it shall remove CONSULTANT'S seal from the Documents & Data and indemnify and hold harmless CONSULTANT and its officers, directors, agents and employees from claims arising out of the negligent use or re-use of the Documents & Data on such other project. CONSULTANT shall be responsible and liable for its Documents & Data, pursuant to the terms of this Agreement, only with respect to the condition of the Documents & Data at the time they are provided to MNWD upon completion, suspension, abandonment or termination. CONSULTANT shall not be responsible or liable for any revisions to the Documents & Data made by any party other than CONSULTANT, a party for whom CONSULTANT is legally responsible or liable, or anyone approved by CONSULTANT.

Section 8.4 Indemnification. CONSULTANT shall defend, indemnify and hold MNWD, its directors, officials, officers, employees, volunteers and agents free and harmless, pursuant to the indemnification provisions of this Agreement and in accordance with the language of Section 5.5, for any alleged infringement of any patent, copyright, trade secret, trade name, trademark, or any other proprietary right of any person or entity in consequence of the use on the Project by MNWD of the Documents & Data, including any method, process, product, or concept specified or depicted.

Section 8.5 Personally Identifiable Information. Any personally identifiable information relating to MNWD customers obtained as a result of CONSULTANT'S Services provided pursuant to this Agreement is confidential and shall be maintained with reasonable care, subject to and in accordance with applicable law.

Section 8.6 Confidentiality. All Documents & Data, either created by or provided to CONSULTANT in connection with the performance of this Agreement, shall be held confidential by CONSULTANT. All Documents & Data shall not, without the prior written consent of MNWD, be used or reproduced by CONSULTANT for any purposes other than the performance of the

Services. CONSULTANT shall not disclose, cause or facilitate the disclosure of the Documents & Data to any person or entity not connected with the performance of the Services or the Project. Notwithstanding the foregoing, Documents & Data and any other information from MNWD shall not be deemed confidential if within any of the following exceptions: (i) information furnished to CONSULTANT that is otherwise known to CONSULTANT or is generally known, or has become known, to the related industry or public; (ii) information CONSULTANT can demonstrate was independently developed by it or a third party and that was not obtained, in whole or in part, from MNWD; or (iii) information that CONSULTANT is legally required or compelled by a court to disclose.

SECTION IX – GENERAL

Section 9.1 This Agreement represents the entire understanding of MNWD and CONSULTANT as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may not be amended, modified or altered except in writing, signed by the parties. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared it. Nothing in this Agreement shall be construed to give any rights or benefits to anyone or benefits to anyone other than MNWD and CONSULTANT. None of the provisions of this Agreement shall be considered waived by either party unless such waiver is specified in writing.

Section 9.2 Any notice required or permitted to be given hereunder if not otherwise specified herein may be given or delivered by depositing the same in the United States Post Office, registered or certified, postage prepaid, or by personal service a hand delivery, and addressed to:

To MNWD - Attn: Director of Planning
 Moulton Niguel Water District
 27500 La Paz Road
 Laguna Niguel, CA 92677-3489

To CONSULTANT - Attn: Eric Anderson, President
 Valley Soil, Inc.
 P.O. Box 890595
 Temecula, CA 92589

Section 9.3 California law shall govern the interpretation of this Agreement. In the event of any legal action to enforce or interpret this Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure 394. If any disputes should arise between the parties concerning the Services to be done under this Agreement, the payments to be made, or the manner of accomplishment of the work, CONSULTANT shall nevertheless proceed to perform the work as directed by MNWD pending settlement of the dispute.

Section 9.4 In the event an action is commenced by either party to enforce its rights or obligations arising from this Agreement, the prevailing party in such action, in addition to any other relief and recovery awarded by the court, shall be entitled to recover all costs and expenses, including court costs, plus a reasonable amount for attorney's fees.

Section 9.5 If any section of this Agreement or provision of this Agreement as applied to either party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect (to the maximum extent permissible

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by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

Section 9.6 It is expressly understood and agreed that CONSULTANT is an independent contractor and not an employee of MNWD while engaged in carrying out this Agreement. CONSULTANT warrants that it will not represent, at any time or in any manner, that CONSULTANT is an employee or agent of MNWD. CONSULTANT shall have no authority to, and shall not, incur any debt, obligation or liability on behalf of MNWD.

Section 9.8 The person signing this Agreement on behalf of each party hereto represents he/she has authority to sign on behalf of, respectively, MNWD or CONSULTANT.

Section 9.9 This Agreement and all of the terms, conditions, and provisions hereof shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and assigns; provided, however, that no assignment of this Agreement or any interest herein shall be made by CONSULTANT without prior written consent of MNWD.

Section 9.10 This Agreement may be executed in counterparts, each of which shall be deemed an original.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on this _____ day of _____ 2016,

Moulton Niguel Water District

By: _____
Joone Lopez
General Manager

Valley Soil, Inc.

By: _____

Title: _____

EXHIBIT A
SCOPE OF WORK

Understanding of the Project and Specific Approach: Exhibit A
Revised 12/2/2016 – Valley Soil, Inc.

Scope of Work - Administration:

Data Base and Customer Portal:

- It is understood that each Water Agency; MNWD, IRWD, SMWD (Agency) has criteria for this Program that may differ from each other but has the same goals.
- It is understood that each Agency shall require full access to all Valley Soil and Rachio documentation, shared calendars and data base information within their customer base which needs to be obtained through independent secure logins.
- It is understood that each Agency shall provide Valley Soil their customer eligibility requirements, that Valley Soil shall adapt them with the trigger being the Agency's account number and Rachio shall incorporate them in the customer portal. 3 individual files and 1 master file shall be kept.
- It is understood that each Agency may want different reporting and billing information.
- It is understood that Rachio shall work through Valley Soil for the Program and Program payments.
- It is understood that Rachio may collect Program payments through the cloud portal and distribute them accordingly.
- It is understood that the Agencies have approved through the MNWD payment for an initial drop shipment for Rachio products: 16 station and 8 station controllers plus outdoor encloses before the installs.
- It is understood that Valley Soil shall bill after for work has been performed.
- It may be a good idea to mention, within the website and waivers, that WiFi bridges or range extenders might be needed/ installed, at Owner's expense, if WiFi signal strength needs to be increased.
- It is understood that this is a project requiring ease of customer portal interface and agency/ Consultant use; detailed use analysis, field data collection and exemplary Agency recording & reporting for the purpose of maximizing water savings potentials for a customer when using modern weather based controllers and conservation techniques that includes Wi-Fi based irrigation controllers operated in the cloud by the customer or their representatives with ease of use being a major part of controller acceptance and long term use.
- For General Program purposes: it is understood that the first year shall target 1,285 residential customers with lot sizes of 2,500 square feet, up to 1 acre, or as specified; that no more than 2 Wi-Fi enabled weather based irrigation controllers (WBIC) are allowed for each home or as specified; that the participating agency shall be notified if these conditions differ and the annual Budget is not to exceed \$450,000.00. Specifics may vary per Agency.
- **Valley Soil shall:**
- Meet the contract business standards and documentation requirements to allow us to perform the work.
 - Submit all insurances, protections, submittals and deliverables from Valley Soil and others.
- Meet with MNWD, SMWD and IRWD Project Representatives to obtain customer information:
 - Discuss Project goals, products to be used, methodologies, educational video requirements, the demonstration workshops and record keeping.
 - Acknowledge that the Projects success and educational value hinges upon:
 - The ease of installation
 - How to self identify and correct future issues
 - The ease of controller management
 - The benefits received through lower water use, energy also
 - That landscape quality is not impacted
 - The money saved

- And, that their buy in to the technology makes for a successful Program
 - Modify internal and online data base tracking formats and grant all Agency's access to their Customers through a secure login.
 - Develop a waiver outlining the Programs goals, Agency limited liabilities, right-to-access, hold harmless, pre and post inspection process, customer liabilities, financial liability if a post audit is denied, independent contractor clauses, contacts and other items, Valley Soil can provide sample waivers for review,
 - Through the portal; obtain customer names, account numbers, email addresses, site addresses, phone numbers, 3 year historical usage, lot size or other Agency specifics.
 - Each Agency shall submit accounts with Agency specific rules and eligibility requirements.
 - Meet with the Agencies or Customer anytime requested for at least 2 years after contract completion.
- A master monthly invoice shall be submitted broken into an Agency specific workbook specifically formatted for each. The MNWD shall bill each agency for their portion.
 - A Program/ Safety Handbook will be developed for use in tail gate meetings and field use for the Project:
 - Staff and Field Personnel noting the Project requirements; Field goals, procedures and directions; approved products, contact numbers and information; vehicle and personal safety procedures, emergency locations and reporting forms.
 - Develop targeted marketing materials, if requested, and preliminary customer packages highlighting:
 - The funding agents logo and statement,
 - Projects reduction goals and methods of implementation;
 - The Projects costs to the customer;
 - Why the customer has been selected to participate and customer benefits;
 - Explain where the funding sources;
 - Describe any water restrictions;
 - Include the MNWD, SMWD, IRWD and Valley Soil's contact information.
 - This information should also be on the website.
 - Explain that the customer must be present during the evaluation and WBIC installation.
 - Prioritize and contact selected customers by direct mail, direct calling and through the portal via email blasts to schedule audit appointments.
 - Calling shall be done by our trained Customer Coordinators (CC) which is experienced in obtaining Program interest and buy-in for these programs.
 - Our Customer Coordinators have an 82% participation rate.
 - Initial customer calls shall begin by the CC's after any mailings have been sent out and at least three contact attempts are given.
 - Customer meeting schedules shall transfer into the data base and shared view calendar, all participating Agencies shall have full access,
 - Arrange meeting dates and times, enter the meetings into a cloud based calendar to be shared with all agencies with respect to their participating customers,
 - Supply all customer product installation data needed for the Agencies in an approved format to minimize Agency overhead and turnkey participant agency submittals.
 - Submit invoices and deliverables in a timely manner.
 - Keep Valley Soil's schedule flexible for Agency inquiries and meetings.

Understanding of the Project and Specific Approach: Exhibit A

Scope of Work - Field Services:

- Valley Soil shall coordinate via the Customer portal for customer contact, site evaluations and installation. Valley Soil shall verify that do it yourself installed sites meet with the Programs standards.
- Arrive in a professional manner and in professional attire with Company names on shirts and vehicles.
 - Present photo identification, business cards and credentials.
- Present: waivers/ consent agreement, Project Summary, benefits and customer participation requirements; Agency and Company contact information; and toll free numbers.

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- Agreements, Program Summary and contact information are sent by e-mail or fax prior to the meeting time and are collected before going onsite.
- If the Pre-Project package information was not able to be delivered via e-mail or fax: the information is presented, reviewed, discussed, and signed at time of the audit.
- Present any “goody bags” and other interior/ exterior information, if supplied.
 - The Agencies shall provide to Valley Soil a list of approved local irrigation conservation device vendors and or California Friendly plant material suppliers for their customers to use for additional water savings ideas.
- Audit sites to determine and document:
 - Valve conditions and issues; static pressures, general landscape condition, general run off times for valves next to hardscape per head type, microzone or irrigation locations and mismatches; plant types, controller original settings and location; what brand of sprinkler heads are being used; system issues: heads to low, broken or damaged items or other corrections, brass to plastic body changes; determine soil types and estimated precipitation rates (P.R.),
 - Contact the customer if low head drainage is noted and consider using pressure compensating stems with check valves to hold back 5 feet of head pressure,
 - Program or irrigation eligibility issues per Agency for correction prior to Program inclusion or after a D.I.Y. inspection/ evaluation– manual systems, shrubs/ turf on the same valve, severe irrigation repairs needed, what these issues may cost to repair, existing WBIC’s or high efficiency nozzles in use or previously rebated;
 - Discuss the reasons for practicing water conservation – any tiered rate or billing structure questions shall be courteously directed back to the proper Agency,
 - Present and discuss the Wi-Fi based WBIC’s addressing what Wi-Fi security concerns the customer may have, what products may aid in additional water or energy conservation such as inline or point drip irrigation systems, high efficiency nozzles, standardizing large rotor nozzles, soil moisture sensors, flow sensors, master valves,
 - Notify the customer if repairs will need to be made or verify made prior to WBIC installation and after D.I.Y installations,
 - Discuss other water or energy saving devices, if approved, such as: variable frequency drive pump motors for pools and landscaped areas, 1.28 or 0.8 gpf toilets, faucet aerators, low flow shower nozzles, efficient washers and dishwashers,
 - If approved: discuss potential energy savings obtained by the reduction in water delivery charges or improved methods. If requested by a Customer: formulate an estimated return on investment for the products outside the Project.
 - If a customer’s system repairs requires repairs that prevent a full audit, has inoperable valves, broken heads, no WiFi source, etc, the customer will be notified that they have 60 days to enact the repairs then contact us for a follow up inspections and verification to begin the work,
 - We understand that the MNWD data base is to be updated within 3 days of this discovery,
 - Valley Soil shall not do any work outside of this program even at the customer’s request. This helps maintain the District’s and our reputation as a reliable conservation source who keeps customers and their service providers relationship intact,
- Present Agency and Valley Soil contact information including; field and office contact names, the toll free number and other office numbers. Encourage the customers to contact their local Agency or Valley Soil for any questions or concerns and Agency for questions outside this Project.
- Explain that all documentation and waivers are to be logged into a secure database and viewed/ forwarded the Agencies for their use only.
- Explain how the WiFi system works, how only certain numbers are given for the installer to log the new system in and that there is no “back door” that can be used to infiltrate/ obtain a customer’s web or computer information.
- Optional, go over the Re-Install form, its timelines and specifics. Remind the customer to keep their old controller until after this period.
- **Present their Water Use Score**, a 1 to 10 general evaluation is scored before installing products. This gives them a reference point of where they are now to the score of where they will be after the upgrades. 10 is the highest score possible,
- Contact the MNWD Representative if Program deal breakers are discovered and what resolutions were presented to the customer; respond to customers within 24 hours of Agency directions/ decisions.

• Installations:

- Participating Agencies may customize installation specifics.
- Rachio Weather Based Wi-Fi irrigation controllers are to be used for this Project. Rachio shall coordinate directly with Valley Soil for product procurement. Valley Soil shall be coordinating with the Rachio team for product pick up.
- Product deliverables include: up to 2 controllers per home and outdoor cabinets as required.
- Valley Soil shall log the serial numbers and enter the information for each Customer for tracking purposes in the data base and within the monthly reports.
- Schedule an installation date; complete an online or will call product order in the customer's name, for tracking and rebate purposes. Enter this information into the database.
- Pick up the products as per Rachio agreements.
- Deliver the free controllers and install at Customer expense up to 2 Wi-Fi based WBIC's and install per Agency, I.A. Industry and manufacturer specifications; contact the Agency if over 2 controllers are discovered,
- Program and connect the Wi-Fi signal for the WBIC's per product manufacturer's instructions, Agency restrictions and site specific audit data with no times exceeding run off potential,
- The programming shall focus on: vegetation type, soil structure, solar alignment, nozzle type and slope gradients,
- Determine if a Wi-Fi booster or controller relocation is needed to increase or maintain signal strength; issues have been – controller is located too far from the Wi-Fi source, next to a 200 amp or more electrical panel, installed with a concrete/ block wall between signal/source, has too many shrubs/ trees blocking the signal (a green wall). Valley Soil uses mobile Wi-Fi analyzers to check for signal strength before any installation and corrective action may need to taken,
- Valley Soil shall have at installation time: controllers, outdoor cabinets, expansion modules, WiFi boosters, electrical pigtailed and hard-wire solutions; NEMA rated outdoor electrical boxes and covers; GFI plugs, direct burial wire and all tools or items needed to analyze systems, complete the job, minimize customer inconvenience and get it done in one move-in,
- System high head pressures: explain how a pressure compensating riser operates with high head pressures providing consistent head pressures and uniform systems across the valve. Explain that 7% (IA) more water can be saved by regulating misting, fogging and over spray from each 10 lbs in pressure drop, down to the head pressures recommended by the manufacturer as optimal,
- Enter the local GPS coordinates, zip code or group numbers into the WBIC to activate the weather adjustment services,
- Adjust the WBIC's online or in the manufacturers mobile application for the new high efficiency nozzle precipitation rates and distribution uniformities, plant material microzones, etc;
- Document the controller and Wi-Fi settings for future reference and AGENCY tracking as well as any service issues or maintenance,
- Enter the appropriate controller data based on the evaluation of each valves specifics and run off times. Run off times are the baseline, if longer run times are needed, activate the cycle/ start features, document the new settings,
- Re-test all valves to verify the programming matches up with the evaluation data.
- As part of the final training before leaving the site: have the Customer operate every aspect of the new controller: verify that the customers home and mobile devices have the manufacturers web applications with the customers passwords, verify Wi-Fi connections, have the customer login to the system with both the home computer and mobile phone,
- Have the Customer interface and enact controller adjustments (set it back to the original settings before logging off); show how their mobile device can be used for manually turning valves on and off or how it can be used in yard lighting, or fountain features; if a flow sensor is or will be installed, demonstrate how the flow sensor features work and how they can help save additional water by alerting them to high flow or other events,
- Explain the ramifications of over adjusting run times to cover or flood irrigate weak spots that have less than adequate coverage rather than repairing the issue; low/ leaning heads, shrubs blocking spray patterns, broken heads/ pipes, leaking seals or over spraying an area/ nozzle adjustments,
- Explain what could happen if the Wi-Fi or system went down: that the system holds the last schedule if the connection is lost, then how, if not reconnected when the system is restored, to reconnect the

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controller, leave a note with the manufacturers technical support line, Valley Soil's contact information and Agency's phone number for their easy reach and reference, store connections; enter into their devices the Apps needed to connect and set them up; provide any additional training with the customer,

- Train the Customer in how to spot irrigation deficiencies before they become serious and generally teach them what the resolutions are and how timely contact with their service provider will keep their landscape from long term damage, explain that the customer owns the system and that all adjustments remain their responsibility but we will provide phone or email support for 90 days, or more and may be available for discounted service calls any time. Or, if we are in the area, there may not be a charge,
- Re-evaluate the site for their final Water Use Score and, if the Agency desires, have printed stickers, with contact numbers, for their controllers that can be written on that show their new score – a point of pride with most customers,
- Obtain a digital signature receipt for the liability waiver, the customers ownership of the products, 4 year use agreement, failure to use terms, authority to post inspect, the 90 day opt out/ reinstall option at no cost to the customer, toll free numbers and contact information along with other Agency specifics,
- Leave the replaced controller(s) and warn again about the 4 year use agreement, leave written contact information, all manuals and warranty notifications, technical support information and assistance or malfunction directions, Valley Soil's agreement to provide for 90 days of all service or support (or longer on a case by case basis) and respond within 48 hours of every request (the online portal can include this option); document all contacts,
- Also, let them know that we will be calling on them within the next 1-2 weeks to check up on them and see how they like and are getting used to their new upgrades (the contact will be documented) or re-visit as per the Contract. Let them contact us at any time for assistance. , place the date/ time on the Agency/ Valley Soil cloud based scheduler,
- Maintain Customer information and data; enter into the Agency portal, and ask the Customer if we can monitor use alongside them until we know they are proficient. Or as long as permitted,
- Have the customer sign the completion/ work acceptance form; deliver all product manuals, enter the work sign off form and documentation into the database as above,.
- Present a "Landscape Tune Up" conservation list (self populating), if needed, with written documentation and approval. All corrections or items to be modified shall be documented and presented to the Customer along with anticipated estimated item costs that are based on industry information to give to their gardener or others. Savings potential from the upgrades could be discussed. The reports shall be saved in the customers data base,
- The simple customer report shall have a summary of the work, a picture of their property, audit and conservation notes, their account number, address, Agency specific customer pertinent information, and landscaped area along with additional notes, recommendations and comments: this shall be part of the Agency database records,
- The final customer report shall have the above plus audit details of each valve, plant types, soil types, sun orientation, nozzle types, slope grades, and issues along with the installer form of controller details, locations; the simple report and contact information,
- Our toll free number has been established and active for 10 years and will remain so,
- With the customer's permission, review controller settings, alerts and adjustments online from our office as part of the service or agreement.
- The site shall be left debris free and removed controllers/ products recycled or as per contract.

Rachio Deliverables

1. Rachio development of landing page
 - a. Application section
 - i. Applicant ability to select district (e.g. Moulton Niguel)
 - ii. Account number and eligibility verification
 1. See "Backend"
 - iii. Submittal of contact information
 1. Preferred name, home phone number, email address
 - iv. Qualifying questions
 1. To be determined by agencies
 - v. Selection of installation preference
 1. Payment page if professional installation selected; Shopify
 - vi. Agreement to terms and conditions; checkbox
 - b. Content
 - i. Program information
 - ii. Applicant eligibility requirements
 - iii. Rachio product features and support / community site links
 - iv. Installation information
 - v. Valley Soil contact information / support information
 - c. Email reminder
 - i. Entry for customers to enter their email to be reminded of promotion should they decide to not complete application
 - d. Backend
 - i. Tables containing eligible account numbers, updated monthly by each District
 - ii. Email notification to Valley Soil
 1. Preferred name, home phone number, email address
 - e. Examples
 - i. <http://www.rachiovegas.com/>
 - ii. <http://go.rachio.com/rwc/>
2. Rachio development of confirmation page
 - a. Confirmation page to confirm applicant's eligibility
 - i. Information on contact from Valley Soil
 - b. Rejection page to deny applicant's eligibility
 - i. Agency phone numbers to route inquiries about ineligibility
 - ii. List of potential reasons for ineligibility to reduce agency inquiries
3. Audit and / or installation
 - a. Serialization
 - i. Serialization of all controllers delivered to Valley Soil
 - ii. Assignment of participants to serialized controller

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1. Allows Rachio / Valley Soil to determine which serial numbers are associated with any given participant. Ensures ability to detect activation and warranty product.
- b. Product
 - i. Rachio 8- and 16-zone units
 1. "Pro" units with extended 4-year warranty
 - ii. Outdoor enclosures
- c. Installation instruction (consumer / existing contractor installation)
 - i. Audit and end-to-end Rachio installation instructions
 - ii. Support document / reference
 1. Warranty info
 2. Link to Rachio community and support site
 3. FAQ
 - iii. Recycling information
 1. If the user, after 90 days, decides that they want to recycle their controller, they can contact Rachio who will provide shipping label for old controller. Rachio employs Blue Star Recyclers (<http://bluestarrecyclers.org/>), and covers all costs associated with recycling.
4. Post-install audit
 - a. Shared access
 - i. District-specific credentials for Shared Access; email notifications to district upon controller activation

EXHIBIT B
LIST OF SUBCONSULTANTS

- 1) Rachio, Inc.
2040 Larimer Street
Denver, CO 80205

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**EXHIBIT C
COSTS AND FEES**

Regional Smart Timer Program Administration

Data Base Integration:	<u>Unit</u>	<u>Quantity</u>				TOTALS
Rachio shall be providing the customer and Agency web portal to this project: fixed price	\$5,000.00	1			Web Portal	\$5,000.00
	-	-	-	-	-	
	<u>Price</u>	<u>Count</u>	<u>Tax</u>	<u>Unit Total</u>	<u>Qty</u>	TOTALS
Audits: Includes Project set up, meetings, contacts, forms, reports & admin. Option to Audit at time of install:\$85.50	\$152.50	1	\$0.00	\$152.50	1630	\$248,575.00
					Evaluations	\$248,575.00
Controllers: Add-Ons will be billed separately	<u>Price</u>	<u>Count</u>	<u>Tax</u>	<u>Unit Total</u>	<u>Qty</u>	
8 - station Rachio	\$99.00	1	\$7.92	\$106.92	815	\$87,139.80
16 - station Rachio	\$125.00	1	\$10.00	\$135.00	815	\$110,025.00
Outdoor Cabinet: w/ labor	\$34.00	1	\$2.04	\$36.04	815	\$29,372.60
Labor: includes Wi-Fi set up on computer/ smart phone and education/ training ; Paid for by the Customer. Includes pigtails, nuts and 18 ga wire.	\$165.00				Cost at Applicants Expense	
					Controllers	\$226,537.40
Payment Terms: the process shall include Agency Pre-payment of Valley Soil Stock Delivery for 125 - 16 station controllers and 125 - 8 station controllers plus 150 outdoor cabinets. Valley Soil shall only bill labor for units installed. This initial pre-payment shall be for: \$40,194.00, including taxes.					Evaluation and WiFi Smart Controller Installation	\$475,112.40
					Web Portal	\$5,000.00
					Video and Workshops	\$0.00
					COST TO AGENCIES:	\$480,112.40
Summary: Budget for Year 1 Cost Not To Exceed					TOTAL BUDGET	\$480,112.40
Includes: Estimated Evaluations, Controller/ Cabinet Costs/ Counts & Web Portal		<u>Est. Customers</u>				
		1630				

The true signature below is by a Valley Soil, Inc. Officer, authorized to sign this Agreement.

Signature:



Print:

Eric
Anderson

Title:

President

Date:

12/2/2016

Memorandum of Understanding

Moulton Niguel Water District (“MNWD”)

and

_____ Water District (“Participant”)

Participation In Smart Timer Distribution Program (“Program”)

Program:

1. MNWD and Participant hereby enter into this Memorandum of Understanding (“MOU”) in order to partner for the sole purpose of extending MNWD’s Program to the residential customers within Participant’s service area.
2. Implementation of the Program within Participant’s service area, funded by Participant, will seek to incentivize the installation and programming of smart irrigation timers (“Smart Timers”), pre-installation irrigation audits and customer training for long term operation of Smart Timers to assist Participant’s customers in efficient outdoor water usage. The Program offering period will be from _____, 2016 to _____, 201__.
3. Participant shall notify MNWD by [date TBD] as to the maximum budget (“Maximum Amount”) it is willing to commit to participation in the Program which will take into account the number of Participation Agreements submitted to Participant by its customers prior to said deadline. However, if Participant modifies its Maximum Amount for its Participation Agreements after the above-mentioned deadline, Participant shall notify MNWD promptly in writing of any increase or decrease in the Maximum Amount and shall be responsible for any additional payments.
 - a. The maximum budget, not to be exceeded shall be \$_____.
4. A sample Participation Agreement to be used by Participant is attached hereto as Exhibit A. Participant shall decide the eligibility criteria for its customers, which information Participant will provide to MNWD and such criteria will be included by Participant in the Participation Agreement. In no event shall MNWD be responsible for obtaining information from or otherwise implementing the Participation Agreements with Participant’s customers, and MNWD’s sole source of contact shall be Participant. MNWD and Participant hereby agree to work together and coordinate the implementation of the Program as described in this MOU and as further set forth in applicable MNWD policies and documents (“Informational Materials”) as said Informational Materials may be revised from time to time.

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5. Nothing in this MOU shall be deemed to be the provision of any service or other activity outside of each party's respective service area, and to the extent the performance of any aspect of this MOU can be considered a "service," California Government Code Section 54981 permits a local agency to contract with another local agency for performance by the latter of municipal services or functions within the territory of the former. The purpose of this MOU is to facilitate implementation of the Program in order to further each party's conservation goals. In addition, in consideration of efficiencies and economies of scale that can be fostered by extending MNWD's Program to Participant and its service area, MNWD desires to enter into this MOU in order to obtain funding and other operational support toward recovery of the cost and requirements for implementation of the Program.

Understandings and Agreements:

1. MNWD's website and a web-based customer and utility portal will be utilized to administer the Program and will include the Informational Materials. MNWD also plans to promote the Program to specific customers through its participation in the California Data Collaborative which is a partnership project with other private and public entities consisting of a study on targeted digital advertising. In addition to the details of the Program set forth in the Informational Materials, the Program is described as follows.
2. The current version of the Program offers a rebate program which is administered by the Municipal Water District of Orange County ("MWDOC") through the SoCal WaterSmart website, with funding provided by MNWD, MWDOC and the Metropolitan Water District of Southern California ("Metropolitan"). Under this current version of the Program, MNWD offers rebates up to \$150 per Smart Timer in addition to the base Metropolitan rebate of \$85, for a maximum of two devices per residential property. Eligible residential properties under the Program must be less than 1 acre in size.
3. MNWD will retain a contractor (the "Contractor") for the purpose of performing pre-installation audits of the landscaping of customers identified to MNWD by Participant. In the event the audit concludes that a participating customer's site qualifies for the Program, the customer will have the following options for installation and programming of the Smart Timer: (a) customer may contract separately with the Contractor for performance of such work; (b) customer may contract separately with an installation contractor of its own choosing for performance of such work; or (c) e customer may perform such work on a do-it-yourself basis. Neither MNWD nor Participant will pay for, nor be responsible for, sub-standard work. The customer

shall be solely responsible for, and/or shall look solely to the Contractor or customer's own contractor , whichever performs installation and programming, for correcting any errors in programming, at no expense to MNWD nor Participant . The Contractor or customer's own contractor, as applicable, will provide training to the customer on how to program and maintain the Smart Timer. The customer must agree to operate and maintain the Smart Timer for at least 4 years or reimburse the Participant the full amount of the device.

4. For every audit which is performed and Smart Timer distributed under the Program, MNWD will invoice Participant, and Participant shall pay the amounts shown in the applicable fee schedule of Contractor or any other amounts which may be in effect as of the date of the applicable invoice as determined by MNWD under the Program. The amount payable by Participant shall not exceed the Maximum Amount set forth in this MOU, provided that Participant has promptly notified MNWD of any change in the Maximum Amount.
5. MNWD will, on a monthly or quarterly basis, as determined by MNWD, prepare a fully documented invoice, stating the amount due for the number of audits performed and devices distributed during the previous period. Participant shall pay each invoice within thirty (30) days from the date of said invoice.
6. Participant will coordinate and participate in the overall administrative oversight of, and foster the multiple-agency participation in, the Program within the Participant's service area. Participant will be responsible for providing information as may be requested by customers.
7. The term of this MOU shall extend from the date of full execution until _____, 20___. This MOU shall remain in effect during the term unless earlier terminated under the following procedures:
 - (a) If either party believes that the other party has failed to perform any obligation of that party in accordance with the terms of this MOU ("Default"), the party alleging the Default shall provide written notice ("Default Notice") to the other party, setting forth the nature of the alleged Default. The party claimed to be in Default shall have: (i) With respect to a Default involving the payment of money, ten (10) days after its receipt of the Default Notice to completely cure such Default; and (ii) With respect to any other type of Default, thirty (30) days from the receipt of the Default Notice to completely cure such Default or, if such Default cannot reasonably be cured within such thirty (30) day period, to commence the cure of such Default within the thirty (30) day period and diligently prosecute the cure to completion thereafter. If the party claimed to be in Default does not cure such Default within the time periods and procedures as

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set forth herein, the party alleging Default may then pursue the applicable legal and equitable remedies. In the event such results in termination, the parties will remain obligated to perform and pay for any obligation incurred prior to the effective date of said termination unless otherwise prohibited by law or regulation.

(b) In the event either party determines it is not feasible or permissible to continue to perform this MOU due to legal or regulatory restrictions, either party may terminate this MOU upon ten (10) days prior written notice to the other party. In the event of any such termination, the parties will remain obligated to perform and pay for any obligation incurred prior to the effective date of said termination unless otherwise prohibited by law or regulation.

(c) Either party may terminate this MOU for convenience at any time upon thirty (30) days written notice. In the event of any such termination, the parties will remain obligated to perform and pay for any obligation incurred prior to the effective date of said termination unless otherwise prohibited by law or regulation.

(d) Upon termination of this MOU, MNWD shall immediately stop using any data provided by Participant to MNWD and shall, as directed by Participant, return or destroy such data and certify the destruction of same. In the event Participant exercises its right to terminate its participation in the Program, MNWD will be compensated for costs incurred up to the effective date of such termination. Obligations with respect to confidentiality, use, and destruction of data, indemnification, and payment shall survive the termination of this Agreement.

8. Confidentiality and Usage of Data.

(a) Pursuant to California Government Code Section 6254.5(e), Participant agrees to provide MNWD with Participant's customer names, addresses and account numbers ("Confidential Data") solely for the purpose of allowing Participant's customers to participate in the Program ("Authorized Use"). Confidential Data will remain the property of Participant and its customers. MNWD shall use Confidential Data solely for the Authorized Use. MNWD shall not use Confidential Data for commercial purposes or for any use other than the Authorized Use.

(b) Any confidential information, including Confidential Data, disclosed by the disclosing party (the "Disclosing Party") to the receiving party (the "Receiving Party") shall be treated as confidential and maintained in confidence by the Receiving Party. The Receiving Party shall not disclose any confidential

information of the Disclosing Party except to its own personnel who have a need to know. Without limiting the foregoing, the Receiving Party shall take at least the same steps and use the same methods to prevent the unauthorized use or disclosure of any confidential information of the Disclosing Party as it takes to protect its own confidential or proprietary information.

(c) In the event a public records request is made to the Receiving Party for the Disclosing Party's Confidential Data, or to the Receiving Party for other information obtained from the Disclosing Party, the Receiving Party shall provide notice to the Disclosing Party in order to provide the Disclosing Party with the opportunity to pursue actions as it may deem appropriate for withholding any such records from disclosure.

9. General Provisions

(a) Indemnification Each party ("Indemnitor") hereby agrees to defend, indemnify and hold free and harmless the other party, its officers, employees and agents (collectively, the "Indemnitees") from and against any and all liability, including legal fees, and claims for damages of any nature whatsoever, arising from or connected with Indemnitor's activities under this MOU, including any Worker's Compensation suits, liability, or expense. Indemnitor's duty to indemnify the Indemnitees shall survive the expiration or other termination of this MOU as to any injuries, occurrences or claims occurring or alleged to have occurred prior to its expiration or termination.

(b) Relationship of the Parties Nothing contained in this MOU shall be deemed or construed by the parties or by any third person to create the relationship of principal and agent, or partnership or joint venture, or any association between the parties, and none of the provisions contained in this MOU or any act of the parties shall be deemed to create any relationship other than as specified herein, nor shall this MOU be construed, except as expressly provided herein, to authorize either of the parties to act as the agent for the other.

(c) Notices All notices or other communications to either party by the other will be deemed given when made in writing and delivered or mailed to such party at their respective addresses as follows:

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To MNWD:

To Participant:

(d) Incorporation of Recitals The Recitals set forth above are incorporated herein and made an operative part of this MOU.

(e) Complete Agreement This MOU constitutes the entire agreement between the parties, both written and oral, with respect to the subject matter hereof. Any prior agreements respecting the subject matter hereof, written or oral, express or implied, between the parties, are hereby canceled.

[signatures are on the following page]

“MNWD”

MOULTON NIGUEL WATER DISTRICT

By: _____

Title: _____

Date: _____

“PARTICIPANT”

_____ WATER DISTRICT

By: _____

Title: _____

Date: _____

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EXHIBIT A

Sample Customer Participation Agreement

Customer Participation Agreement

Water District

Smart Timer Distribution Program

The Smart Timer Distribution Program (“Program”) is a partnership between the _____ Water District (“District”) and the Moulton Niguel Water District. The District and Moulton Niguel Water District are sometimes referred to as “Agencies” or “Agency.” The goal of the Program is to provide customers with a simple, time-saving approach to Smart Timer installation and achieve measurable water savings. Customers receive: (i) an irrigation system audit, (ii) up to two Smart Timers, (iii) the option to self-install or receive installation of the Smart Timer(s) (iv) programming instruction by a landscape professional (“Contractor”) or a landscape professional of his/her own choosing, and (v) training on the operation and maintenance of the device(s). The audit, programming instruction and training will be provided by a Contractor selected for the Program by the District. Applicant will have the option to hire Contractor to install the Smart Timer(s) at a price that has been negotiated by District, to hire a landscape professional of his/her own choosing, or to self-install. The anticipated benefits of this Program are reduced water use, improved irrigation efficiency, and money savings on the water bills.

Program Eligibility Requirements Applicants are required to meet certain criteria in order to participate in the Program. Eligibility requirements will include, but are not necessarily limited to, the following, as determined from time to time in the sole discretion of the Agencies:

1. Applicant must be a residential customer of District in good financial standing. (No delinquencies on District bills in the last 12 months.)
2. Applicant must own the home located at the service address requesting the Smart Timer.
3. Applicant must not have received a prior rebate for turf removal, synthetic turf, or Smart Timers.
4. Applicant must currently have an existing in-ground irrigation system and non-weather-based automatic sprinkler timer installed at the property.
5. Applicant must have live irrigated landscape of 2,500 square feet or larger (subject to change by District).
6. Applicant must have used a minimum of 15 billing units (BU’s) on average (1 billing unit = 100 cubic feet of water) per month for the previous 12 months (subject to change by District).
7. Applicant is limited to 2 Smart Timers per service address.

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8. Applicant will be required to be present during the landscape audit when the Contractor will make a determination if Applicant qualifies for the Program and installation of the Smart Timer and also receive instruction and training from Contractor on programming and maintenance of the Smart Timer device. Applicant will have the option to: (i) hire Contractor to install the Smart Timer(s); (ii) self-install; or (iii) hire a third party contractor of his/her own choosing to perform the installation.

9. Applicant must consent to receive a pre-installation irrigation system audit, as well as post-installation verification. (Any Applicant not allowing a post-installation verification will be subject to a reimbursement fee applied to their monthly water bill equal to the cost of the Smart Timer and installation charge.)

10. Applicant shall provide District and Contractor, all as defined herein, with the right of ingress and egress to and from Applicant's property and access to Applicant's property for the pre-installation audit, post-installation verification and access to Applicant's irrigation system including, but not limited to, electrical lines and outlets, Wi-Fi internet access, irrigation lines, valves and sprinkler heads ("Irrigation System").

11. Applicant further consents to monitoring of the Smart Timer(s) through data which is collected and reported back to District. District will have the right to make use of such data for any purpose, subject to District's privacy policy for Smart Timer data collection.

Pre-Installation Irrigation System Audit Prior to installation of the Smart Timer at the service location, Applicant shall allow Contractor to inspect and audit the service location to confirm the site satisfies the minimum eligibility requirement of the Program. Contractor will make a determination in the audit whether the proper installation and operation of the Smart Timer is possible at the service location. Pre-installation procedures are listed below.

1. Applicant will be contacted by Contractor to schedule the irrigation audit of the existing system and installation eligibility of the Smart Timer. At the appointed date and time, Contractor will meet Applicant at Applicant's service address and perform the irrigation audit.

2. If Contractor determines that the property does not qualify for the Program, Applicant will have 60 days to make the necessary repairs and corrections and may then contact Contractor for a follow-up appointment to reconsider the eligibility determination. Site conditions that may prevent participation in the Program include, but are not limited to, broken irrigation lines, broken sprinkler heads, broken nozzles, broken valves, or the absence of Wi-Fi.

Eligibility for Smart Timer If the irrigation system audit concludes that Applicant is eligible for a Smart Timer, then Applicant will be required to acknowledge his or her approval of the terms of the Program in writing and Contractor will provide the following:

1. At the request of Applicant, Contractor will perform the installation of the smart timer(s) for the fee of ___ to be paid by the customer either at the time of application or the time of the audit.
2. Certain Smart Timers require an enclosure if placed outdoors. If the wiring and outlet for the timer is outdoors, an enclosure will be provided by Contractor.
3. The Agencies will not pay for, nor be responsible for, sub-standard work. District's Conservation staff will perform quality control inspections after Smart Timers are installed and programmed to insure proper installation and programming.
4. Contractor will provide training to Applicant on how to program and maintain the Smart Timer. Contractor will leave with Applicant a copy of manufacturers' warranty documentation, user manual for the Smart Timer, phone number for technical assistance and/or product malfunction.
5. Applicant agrees to operate and maintain the Smart Timer for at least 4 years or reimburse District the full amount of the device. Proper use of the Smart Timer requires the device to be connected to the Internet at all times via a Wi-Fi connection provided by Applicant and Applicant consents to the collection of data from the Smart Timer by District. Said reimbursement may be made by adding the amounts due and owing to Applicant's account with the District.

Applicant Responsibility

1. Participation in the Program is voluntary. Regular supervision of landscape water use or the day-to-day operation of the installed equipment remains the responsibility of Applicant.
2. The Smart Timer will be programmed with default or estimated scheduling criteria based on a professional assessment of the existing landscape. To ensure appropriate water is applied to the landscape, Applicant is responsible for fine-tuning and adjusting all Smart Timer scheduling criteria including but not limited to: plant type, climate exposure, soil type, root depth, precipitation rate, irrigation efficiency, and degree of slope.
3. Upon installation, ownership and operation of the new Smart Timer and all peripheral equipment becomes the responsibility of Applicant. The controller(s), replaced by the Smart Timer(s), along with any and all existing mounting components will remain with Applicant. Applicant will be responsible for properly disposing of the removed materials.

Agreement By signing below and participating in the Program, you ("Applicant") agree to all of the terms in this Customer Participation Agreement and applicable policies and documents of the Agencies which apply to this Program, as said materials may be revised from time to time.

#5.

1. You agree that any and all equipment, including the Smart Timer(s), ("Equipment"), which you obtain through the Program, shall be deemed to be solely owned by you and are not the Agencies' property. The Agencies do not make any representation or warranty as to the condition or performance of the Equipment.
2. You agree that you are solely responsible for the proper installation, operation, maintenance and repair of your irrigation system and the Equipment received through this Program. You agree that it will be your responsibility to contact the product manufacturer, distributor or installer for any assistance or regarding any defect, failure of performance or warranty.
3. You understand that you are solely liable for any damage to you and your property and any other person(s) or property(ies) which may be caused by the installation, maintenance, operation or repair, improvement, alteration or use of the Equipment.
4. You agree that the Agencies have no liability associated with your voluntary participation in this Program.
5. You understand that the Agencies do not endorse, recommend or make any representations as to specific brands, products, contractors or dealers nor do they guarantee material or workmanship.
6. You agree to waive and release the Agencies and their respective officers, agents and employees from, and agree to indemnify, defend and hold the Agencies and their respective officers, agents and employees harmless from, any and all claims and causes of action, damages, injuries or other liabilities related to or arising out of the installation, improvement, alteration, use, maintenance or repair of the Equipment distributed as part of this Program, or any other activities in connection with this Program.
7. You agree that it is your responsibility to keep the Smart Timer(s) connected to the Internet via a local Wi-Fi network and that District has the right to collect and use data from the Smart Timer(s).
8. You understand that the Contractor has been selected to conduct the audit for Agencies and any use of the Contractor for installation is at your sole risk and expense. Agencies are not responsible for the acts of Contractor or its personnel while present on your property.

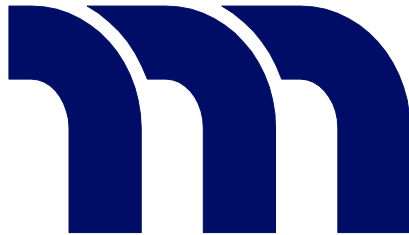
Name of Applicant: _____

Service Address: _____

Account Number: _____

Signature: _____

Date: _____



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** December 12, 2016

FROM: Marc Serna, Director of Engineering and Operations
 Todd Dmytryshyn, Principal Engineer

SUBJECT: Crown Valley Reservoirs Re-coating Construction Contract Adjustment

DIVISION: 2

SUMMARY:

Issue: Board action is required to increase the construction contract for the Crown Valley Reservoirs Re-coating, Project Nos. 2015.004 and 2015.022.

Recommendation: It is recommended that the Board of Directors increase the construction contract for J. Colon Coatings, Inc. by \$336,101 for a total contract amount of \$1,762,141.

Fiscal Impact: Project Nos. 2015.004 and 2015.022 are budgeted in Fund 7, Rehabilitation and Replacement with an original combined project budget of \$1,950,000. The proposed project budget is \$2,129,745. The additional \$179,745 will be covered by savings in other projects.

BACKGROUND:

The Crown Valley No. 1 and No. 2 Reservoirs are each 1.5 million gallon (MG) steel tanks and serve the District’s 450-zone recycled water system. The Crown Valley No. 3 Reservoir is a 4.3 MG steel tank and serves the District’s 450-zone potable water system. The reservoirs are located at the easternmost end of Rancho Niguel Road in the City of Laguna Niguel. The tanks are currently being re-coated and are undergoing various structural, safety, and operational improvements.

A construction contract was awarded to J. Colon Coatings, Inc. in September 2016 in the amount of \$1,426,040. The current contract award includes a 10% contingency in the amount of \$142,604. Construction work began in November 2016. To date, a total

#6.

Crown Valley Reservoirs Re-coating Construction Contract Adjustment

December 12, 2016

Page 2 of 2

of \$66,036 in change orders has been approved.

DISCUSSION:

In early November 2016, the District's specialty inspection firm for this project, Corpro, informed District staff that the existing floor of the Crown Valley No. 1 Reservoir is severely corroded and will need to be replaced. Evidence of the corrosion was not visible prior to removal of the existing coating. Further investigation revealed that the corrosion is primarily occurring on the underside of the floor. Staff and the District's design engineer for this project, Harper & Associates Engineering, have reviewed Corpro's findings and agree with their determination that the floor will need to be replaced.

Staff plans to utilize J. Colon Coatings, Inc. and its structural subcontractor, Paso Robles Tank, to perform the floor replacement as they are on-site performing related construction work for the Crown Valley Reservoirs Re-coating Project. In order to cover the additional expenses associated with the floor replacement, additional funds will be required for the project. The Contractor provided a quotation of \$336,101 for the floor replacement. Staff performed a thorough review of this quotation and has determined that that it is fair and reasonable.

Staff requests an increase in construction contract to include the floor replacement. Staff anticipates that the current remaining contingency is adequate for completing the construction work. Staff intends to procure additional specialty inspection services related to the floor replacement under the existing As-Needed Coating Inspection Services Agreements.

SUMMARY OF PROJECT BUDGET:

	Project Budget	Proposed / Approved Contract	Proposed / Authorized Contingency	Total Proposed / Authorized Amount
Project Items				
Engineering	\$45,000	\$45,000	\$0	\$45,000
Construction	\$1,750,000	\$1,426,040	\$142,604	\$1,568,644
Additional Contract Value		\$336,101		\$336,101
Specialty Inspection	\$150,000	\$150,000	\$0	\$150,000
Additional Specialty Inspection	\$25,000	\$25,000	\$0	\$25,000
Legal & District Labor	\$5,000	\$5,000	\$0	\$5,000
Totals	\$1,950,000	\$1,987,141	\$142,604	\$2,129,745

\$24,663 has been expended to date.

Currently Proposed Amount



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** December 12, 2016

FROM: Marc Serna, Director of Engineering and Operations
David Larsen, Principal Engineer

SUBJECT: Plant 3A Flood Protection Contract Award

DIVISION: 1

SUMMARY:

Issue: Board action is required for the Notice Inviting Proposals (Bids) for the Plant 3A Flood Protection Contract, Project No. 2016.016.

Recommendation: It is recommended that the Board of Directors award the vegetation management contract to Habitat Restoration Sciences, Inc. in the amount of \$152,500; authorize the General Manager to execute the contract; and authorize the General Manager or designee to approve change orders up to 10% of the contract value.

Fiscal Impact: Project No. 2016.016 is budgeted in Fund 14, Planning and Construction with a current project budget of \$500,000.

BACKGROUND:

Plant 3A is located immediately adjacent to the La Paz Creek. There have been several instances of flooding at the northerly end of Camino Capistrano Road near the entrance gate to Plant 3A. The flooding is primarily due to the buildup of sedimentation and dense vegetation within the boundaries of the La Paz Creek.

The flooding of Camino Capistrano Road near the entrance of Plant 3A has the potential to cause Plant 3A to flood, which could contaminate La Paz Creek and waters downstream. Additionally, past flooding events near the entrance of Plant 3A have caused staff to be unable to enter and exit the facility due to the accumulation of water at the entrance to the site.

#7.

Plant 3A Flood Protection Contract Award

December 12, 2016

Page 2 of 3

To mitigate the potential flooding of the Facility, LSA Associates, Inc. developed site specific Vegetation Management Guidelines for the removal of non-native vegetation, debris and dead material, and the maintenance of the creek boundaries to encourage regrowth of native plant species. The District subsequently contacted the California Department of Fish and Wildlife and obtained a Streambed Alteration Agreement to allow the vegetation removal and management in accordance with these Guidelines.

This contract includes an initial clearing of debris and vegetation followed by a 5-year maintenance period to encourage regrowth with native plant species. This initial clearing includes the removal of select vegetative material covering approximately 5 acres centered on La Paz Creek. Performance of this work will be in accordance with the approved Vegetation Management Guidelines and Streambed Alteration Agreement. LSA Associates, Inc. will continue its contributions to this project by providing management and oversight of the contractor on the District's behalf.

The vegetation management associated with this project is the initial phase to achieve flood protection of the Plant 3A facility. The final phase will likely include a barrier wall or equivalent structure to direct any flood-waters downstream and away from the entrance of the Plant, which is planned to be completed within the next two years.

DISCUSSION:

A request for bids was issued to four qualified vegetation management contractors. The District received three bids for the subject contract on November 10, 2016. The table below summarizes the bids received:

Firm	Bid
Habitat Restoration Sciences, Inc.	\$152,500
Habitat West, Inc.	\$321,260
Natures Image	\$698,245

Staff has determined that the lowest responsible and responsive bidder was Habitat Restoration Sciences, Inc. Staff has completed its review of the bidding documents and has determined that they are in order. Habitat Restorations Sciences, Inc. is well-qualified to perform this type of work.

This project is part of the common costs for the Plant 3A facility, of which Santa Margarita Water District's proportionate share is 28-percent.

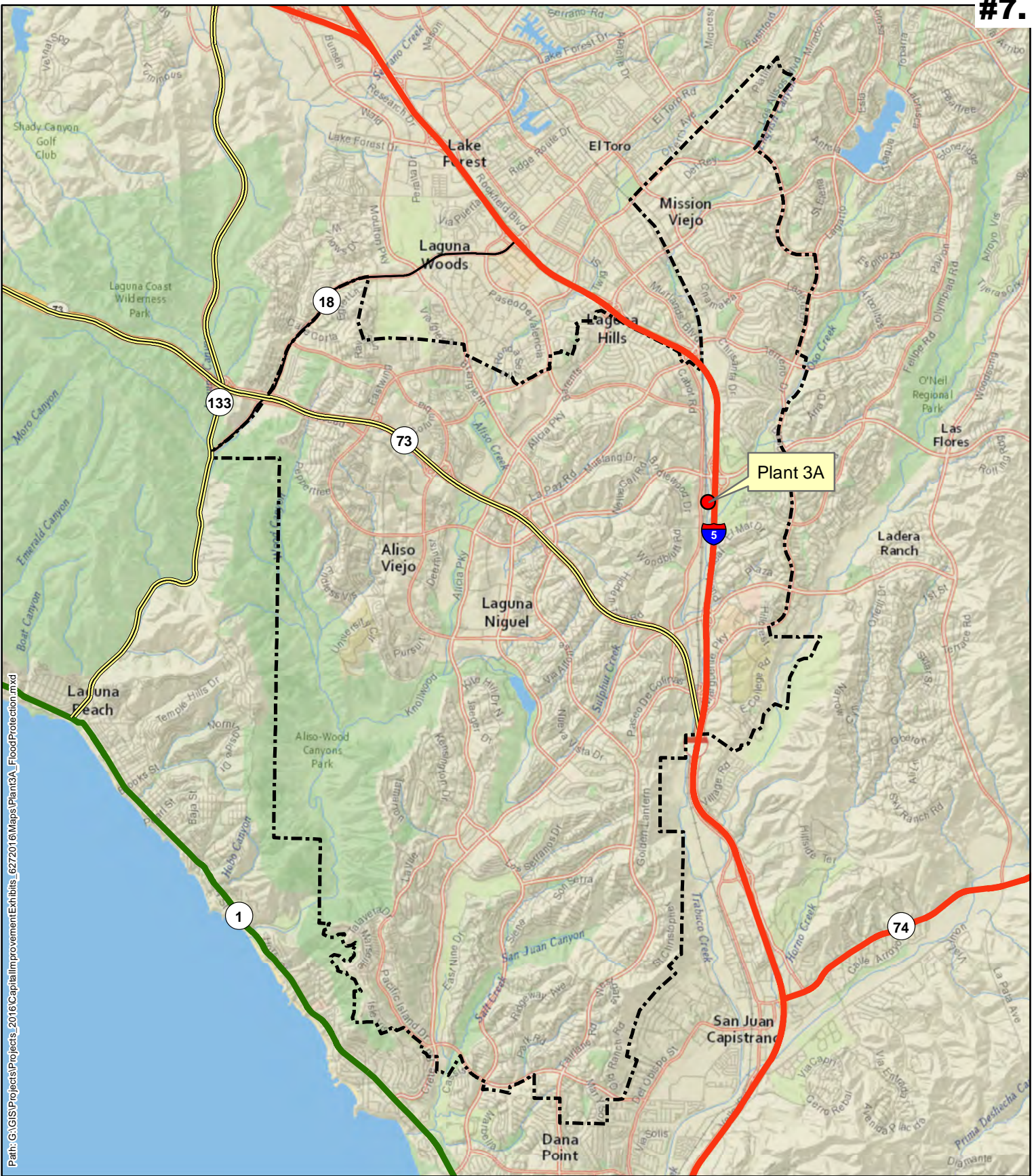
SUMMARY OF PROJECT BUDGET:

	Project Budget	Proposed / Approved Contract	Proposed / Authorized Contingency	Total Proposed / Authorized Amount
Project Items				
PHASE I: Flood Protection				
Environmental Consultant	\$75,000	\$75,000	\$0	\$75,000
Vegetation Management Contractor	\$170,000	\$152,500	\$15,250	\$167,750
Legal, District Labor, Other	\$5,000	\$5,000	\$0	\$5,000
PHASE II Flood Protection	\$250,000	\$252,250	\$0	\$252,250
Totals	\$500,000*	\$484,750	\$15,250	\$500,000

*\$0 has been expended to date.

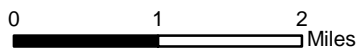
 Currently Proposed Amount

Attachment: Exhibit A – Location Map
Exhibit B – Agreement



Path: G:\GIS\Projects\Projects_2016\CapitalImprovement\Exhibits_6272016\Maps\PlantsA_FloodProtection.mxd

● Project Location



Scale = 1:84,500

**Exhibit "A" Location Map
Plant 3A Flood Protection
Contract No. 2016.016**

CONTRACTOR AGREEMENT

**MOULTON NIGUEL WATER DISTRICT
LA PAZ CREEK VEGETATION REMOVAL
Project No. 2016.016**

THIS AGREEMENT is approved and entered into as of _____, 2016 (the “Effective Date”), by and between the MOULTON NIGUEL WATER DISTRICT, hereinafter called “District”, and HABITAT RESTORATION SCIENCES, INC., hereinafter called “Contractor”. District and Contractor are sometimes referred to in this Agreement individually as a “party” or jointly as the “parties.”

RECITALS

A. District requires removal of vegetation at La Paz Creek in accordance with its Streambed Alteration Agreement and LSA’s Vegetation Management Guidelines for La Paz Creek. This Agreement establishes the Agreement terms and procedures that will apply to this work.

B. Contractor has submitted a cost proposal and schedule of work items to District for the vegetation removal work (the “Work”), and Contractor is willing to perform the Work in accordance with that proposal.

NOW, THEREFORE, District and Contractor for the consideration stated herein agree as follows:

1. **SCOPE OF WORK, PERFORMANCE STANDARDS.**

(a) Contractor shall perform the Work in accordance with the Scope of Work, attached hereto and incorporated herein by reference as **Exhibit 1**, which consists of the Streambed Alteration Agreement (Exhibit 1.1), the Vegetation Management Guidelines (Exhibit 1.2), and the terms of this Agreement. Contractor acknowledges and agrees that District does not guarantee any minimum or maximum amount of Work, and District may use other contractors for the Work, in its sole discretion. This Agreement, including all attached Exhibits, as well as the terms and conditions of any municipal permits or licenses issued or applicable in connection with the Work, if any, form the Agreement between the parties (“Agreement”). Except as otherwise specified under **Exhibit 1**, Contractor shall provide all labor, materials, tools, equipment, supplies, utilities and transportation services required to perform the Work, subject to compliance with the Agreement requirements, and complete all Work in a thorough, professional and workmanlike manner, and in accordance with generally accepted industry standards, to the satisfaction of District.

(b) The Work shall be done in accordance with the terms of this Agreement, the Work specifications, and the permitting or other requirements of any governmental entity within whose jurisdiction the Work is performed, including municipal storm water ordinances, which are by this reference incorporated into this Agreement. It shall be the Contractor’s responsibility to ascertain and keep informed of all such existing and future requirements of other governmental entities concerning the Work performed under this Agreement, including acquisition of necessary permits and licenses by municipalities related to Work in public right of way and payment of the fees or costs thereof.

#7.

2. PUBLIC SAFETY.

(a) Contractor shall be solely and completely responsible for conditions at the Work sites, including safety of all persons and property during performance of the Work. Contractor's operations for the Work shall be conducted so as to provide maximum safety to Contractor's employees, to the general public and District's representatives, and in compliance with all safety laws, rules and regulations of the State of California ("State"), federal, and local agencies. It is Contractor's responsibility to have a current safety program on file with District prior to commencement of any Work under this Agreement.

(b) Contractor shall so conduct its operations as to offer the least possible obstruction and inconvenience to the public, and shall have no greater length or amount of Work than it can prosecute properly with due regard to the safety of the public. Convenient access to driveways, houses and buildings in proximity to the Work shall be maintained. Contractor shall provide and maintain such fences, barriers, directional signs, and lights as are necessary to give adequate warning to the public at all times of any conditions to be encountered as a result of the Work and to give directions to the public.

3. COMPLIANCE WITH LAW, LICENSE.

(a) Contractor shall at all times observe and comply with, and cause its agents, employees and representatives to observe and comply with, all State, federal, and local existing and future laws, rules, regulations and orders in the performance of the Work or this Agreement, including any permits issued for the Work. Contractor shall hold all applicable licenses and permits as required by City, County, State and/or Federal regulations to perform the service.

(b) Contractor must be registered with the Department of Industrial Relations pursuant to the requirements of Sections 1725.5 and 1771.1 of the California Labor Code. Contractor must provide its DIR Registration number to the District.

(c) Contractor is an independent contractor and not an employee of District. No permitted or required approval of District's representatives of costs, schedules, documents, or services of Contractor, or investigations thereof, will be construed as making District responsible for the manner in which Contractor performs the Work. Such approvals and investigations are intended only to give District the right to satisfy itself with the quality of work performed by Contractor.

4. TIME FOR COMPLETION. Contractor shall prosecute the Work in an expeditious manner, and shall complete all Work in accordance with the timelines in **Exhibit 1**. Time is of the essence in the performance of the Work. Performance of any Work must be coordinated with District and local municipality to ensure minimal disruption both to the public use of right of way and to the operation of District's facilities.

5. DISTRICT OBSERVATION. Contractor's performance of Work is subject to observation and inspection by District's representatives. The observation, if any, by the District's representative of the Work shall not relieve Contractor of any of obligations under the Agreement

as prescribed, or Contractor’s obligations to perform the Work in accordance with all terms and provisions required by municipal permits.

6. AGREEMENT PRICE; TERM.

(a) Contractor shall perform all Work pursuant to the Agreement at the cost listed on the Fee Proposal, attached hereto and incorporated herein by reference as **Exhibit 2**. There shall be no increase in cost if an adjustment to the number of Contractor’s staff or service hours is needed to meet the Agreement requirements for the Work. The total compensation paid to Contractor during the term of this Agreement shall not exceed **One Hundred Fifty-Two Thousand Five Hundred Dollars (\$152,500)** (the “Agreement Maximum Amount”). Contractor is responsible for and shall pay all sales, consumer, use, and other taxes in connection with materials for the Work, except for those materials provided by District in accordance with **Exhibit 1**, if any.

(b) Work will be billed by Contractor in accordance with District’s invoicing requirements, including sufficient detail on work items under the Agreement pricing. District will make payment to the Contractor within thirty (30) calendar days of receipt and approval of an invoice by District, provided District may withhold amounts as necessary to satisfy properly filed claims for labor or material; estimated actual costs for correcting defective work; amounts claimed by District as forfeiture due to offsets. No certificate given or payment made under the Agreement shall be conclusive evidence of performance of the Agreement and no payment shall be an acceptance of any defective work or improper materials.

(c) Summary of Public Contract Code Section 20104.50. If a local public agency fails to pay an undisputed and properly submitted payment request within thirty (30) days, the agency must pay interest at the legal rate set forth in subdivision (a) of Section 685.010 of the Code of Civil Procedure. Each agency must review payment requests as soon as practicable to determine if they are proper and suitable for payment. If a payment request is not proper, the agency must return it to the contractor within seven (7) days, specifying in writing the reasons why it is not proper. If the agency returns an improper payment request to the contractor more than seven (7) days after receipt, the number of days available to the agency to make payments without incurring interest will be reduced by the number of days by which the agency exceeds the seven (7)-day return requirement.

(d) Acceptance and payment by District for the Work will not in any way relieve Contractor of its responsibility to perform the Work and the Agreement in strict accordance with State, federal, and local law. Neither District's acceptance of, nor payment for, any Work will be construed to operate as a waiver of any rights under the Agreement, or of any cause of action arising out of the performance of the Agreement.

(e) The term of the Agreement is from the Effective Date to and including December 31, 2021 (“expiration”), unless otherwise terminated earlier by either party pursuant to Section 14.

7. PUBLIC LAW REQUIREMENTS; PREVAILING WAGE.

(a) District is a public agency in the State and is subject to the provisions of law relating to public contracts. It is agreed that all provisions of law applicable to public contracts are a part of this Agreement to the same extent as though set forth herein. Contractor represents and warrants

#7.

that it is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 1600, et seq., (“Prevailing Wage Laws”), which require the payment of prevailing wage rates and the performance of other requirements on “Public Works” and “Maintenance” projects, and will be comply with the Prevailing Wage Laws, including but not limited to the payment of prevailing wages. A copy of these prevailing wage rates are on file with the Department of Industrial Relations and can be found online with the State of California at <http://www.dir.ca.gov/dlsr/pwd>. A copy of such prevailing wage rates shall be posted on the jobsite by Contractor. It shall be mandatory Contractor to pay not less than the specified rates to all workers employed by them in the execution of the Work.

(b) Contractor must be registered with the Department of Industrial Relations pursuant to the requirements of Sections 1725.5 and 1771.1 of the California Labor Code. Contracts/subcontracts shall not be entered into with any contractor without proof of current registration to perform work consistent and in compliance with the requirements of Sections 1725.5 and 1771.1. Contractor acknowledges that this project is subject to compliance monitoring and enforcement by the Department of Industrial Relations. Contracts entering into with any Contractor or subcontractor, in violation of Section 1771.1(a), shall be subject to cancellation by the DISTRICT at the sole discretion of the DISTRICT consistent with Section 1771.1(e).

(c) Contractor is responsible for furnishing those records specified in Section 1776 of the Labor Code directly to the Labor Commissioner, pursuant to the procedures set forth in Section 1771.4 of the Labor Code. Contractor’s DIR Registration No. is 1000003125.

(d) Contractor acknowledges that it is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

(e) The Contractor shall post job site notices, pursuant to the requirements set forth in the Labor Code and related applicable regulations, including but not limited to, those provisions addressing the posting of notice relating to prevailing wage compliance.

8. AGREEMENT DOCUMENTS. The Agreement includes all of the Agreement documents as follows: this Agreement, and all exhibits and attachments to the foregoing documents.

9. NO SUBCONTRACTORS. Contractor agrees and represents that none of the Work will be subcontracted, and that Contractor will perform all Work. It is agreed and acknowledged that should Contractor fail to conform hereto or with any of the requirements of Section 4100 *et seq.* of the Public Contract Code, Contractor shall be subject to the applicable statutory penalties, and to the requirements of Labor Code Sections 1777.1 or 1777.7 relating to payment of wages to ineligible subcontractors’ employees, and the corresponding return of all subcontracting payments to District.

10. BONDS

(a) All bonds required hereunder shall be in the amount of 100% of the Agreement Maximum Amount, and shall be in such form, and with such California corporate surety, as are satisfactory to the District, in the District’s sole discretion. The amount of the bonds shall be increased in accordance with any increase in the Agreement Maximum Amount as established by a Change Order to the Agreement. Contractor shall deliver all bonds required hereunder to the

District prior to the commencement of Work, or if the Work is commenced prior thereto in response to a notice to proceed, the Contractor shall, prior to commencement of the Work, submit evidence satisfactory to the District that such bonds will be issued.

(b) Contractor shall furnish a payment bond approved by District as required by Section 9550 of the Civil from a single surety licensed and admitted in the State with an agent for service of process in California. Contractor shall pay the cost of obtaining the payment bond and Contractor shall use District's form for the payment bond, which is attached hereto and incorporated herein by reference as **Exhibit 3**.

(c). Contractor shall furnish a performance bond securing the faithful performance of the Agreement covering the Work. Contractor shall pay the cost of obtaining the performance bond and Contractor shall use District's form for the performance bond, which is attached hereto and incorporated herein by reference as **Exhibit 4**.

11. INSURANCE

(a) In addition to the requirements set forth below, during the entire term of the Agreement, Contractor will pay for and maintain, in full force and effect, all insurance required by any governmental agency having jurisdiction to require particular insurance of Contractor in connection with or related to the Work provided under the Agreement.

(b) During the entire term of the Agreement, Contractor will pay for and maintain, in full force and effect, all insurance required by District as listed in this Section. Contractor shall not commence Work under the Agreement until it has obtained all insurance required by the Agreement. Two (2) sets of originally executed certificates of insurance and all required endorsements evidencing the required coverage detailed in this Section shall be provided by Contractor with the Contractor's executed copy of this Agreement, and prior to commencement of any Work.

(c) The general liability and business automobile insurance will be comprehensive in form, and be for the term of this Agreement and on a 'per occurrence' basis. All policies will have a clause providing that thirty (30) calendar days written notice will be given to District prior to any cancellation of such policies. All insurance will be issued and underwritten by insurance companies having at least an "A-" policyholder's rating and a financial rating not less than Class VII in accordance with the most current Best's Rating Guide - Property/Casualty, or better, or as otherwise approved by District. Contractor may satisfy the limit requirements set forth below in a single policy or multiple policies, provided, however, that any such additional policies written as excess insurance will not provide any less coverage than that provided by Contractor's first or primary policy. All policies shall name Moulton Niguel Water District, City of Laguna Niguel, and each of their directors, elected officials, officers, employees and agents, and any other public entities issuing permits for entry in public right of way to perform the repair work, and Districts of record of all property on which entry will be made to perform the repair work as additional insureds thereunder ("Additional Insureds"). All of the policies of insurance provided hereunder shall be primary insurance and not contribute with any other insurance maintained by the Additional Insureds, and the insurer shall waive all rights of subrogation and contribution it may have against the Additional Insureds; these requirements shall be set forth in endorsements to policies. In the event any of said policies of insurance are canceled, Contractor shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 11 to District.

#7.

(d) In the event District consents, and Contractor subcontracts any portion of the Work under the Agreement, the Agreement between Contractor and such subcontractor shall require the subcontractor to maintain the same policies, limits and terms of insurance that Contractor is required to maintain pursuant to this Section 11, in accordance with all of the requirements of this Section 11.

(e) Contractor shall take out and maintain at all times during the Agreement the following policies of insurance, which shall comply with the other terms of Section as well as the following:

- (i) Workers Compensation Insurance and Employers Liability Insurance. Worker's compensation insurance as required by State laws, and employer's liability insurance with limits not less than \$1,000,000 each accident and \$1,000,000 for disease per employs, **which will include the subrogation and additional insured terms and endorsements described under subsection (c) above.** This insurance shall be in strict accordance with the requirements of the most current and applicable state Workers' Compensation insurance laws. Contractor shall execute the *Certificate* required by Section 1861 of the Labor Code on **Exhibit 5** attached to this Agreement prior to commencement of any Work.
- (ii) Commercial General Liability Insurance. Commercial general liability in a combined limit of not less than \$1,000,000 per occurrence, \$2,000,000 aggregate with such aggregate to apply separately to the Work. Commercial General Liability insurance coverage shall be equivalent to Insurance Services Office Form CG 00 01. Included in such insurance shall be contractual coverage sufficiently broad to insure the matters set forth in Section 12 of this Agreement, **as well as the subrogation, primary insurance/non-contribution and Additional Insureds terms and endorsements described under subsection (c) above.** This insurance shall name the Additional Insureds using ISO endorsement CG 20 10 11 85, or both CG 20 10 and CG 23 37 forms if later revisions are used.
- (iii) Business Automobile Insurance. Business automobile insurance with a liability limits of not less than \$1,000,000 each accident. The policy shall include coverage for owned, non-owned, and hired vehicles, **and include the subrogation, primary insurance/non-contribution and Additional Insureds terms and endorsements described under subsection (c) above.**

(f) Nothing in the insurance requirements set forth in this Agreement is to be construed as limiting the liability of Contractor or Contractor's insurers or sureties. Contractor agrees that the provisions of this Section 11 shall not be construed as limiting in any way the extent to which Contractor may be held responsible for the payment of damages or other costs to District, or any persons or property, resulting from Contractor's activities or the activities of any person or persons for which Contractor is otherwise responsible, including Contractor's subcontractors, if any.

12. INDEMNIFICATION

(a) To the fullest extent permitted by law, Contractor shall indemnify, hold harmless and defend District, City of Laguna Niguel, and their directors, elected officials, officers, employees and agents from and against all claims, damages, losses and expenses, and costs including costs of defense and attorneys' fees, arising out of, in connection with, or resulting from, or alleged to have arisen out of or resulted from, the performance of the Work hereunder, provided that any such claim, damage, losses and expenses is: (a) attributable to bodily injury, personal injury, sickness, disease, or death, or for damage to, or loss or destruction of, property including the loss of use resulting therefrom, and (b) caused or alleged to have been caused in whole or in part by any act or omission of the Contractor, any subcontractor, anyone directly or indirectly employed by any of them or anyone whose acts any of them may be liable, regardless of whether or not it is caused in part by a party indemnified hereunder (except, to the extent of the sole negligence, active negligence or willful misconduct of such indemnified party, in which case Contractor's indemnification obligation shall be reduced in proportion to the indemnified party's share of liability for its sole or active negligence or willful misconduct, if any); **or** (c) due to failure, neglect or refusal of the Contractor to faithfully perform the Work and any of the Contractor's obligations under the Agreement. Such obligation shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of indemnity which would otherwise exist as to any party or person indemnified in this Section 12. It is expressly acknowledged by the Contractor that the foregoing obligations of Contractor include the duty to defend the indemnified parties against any claims, proceedings and demands within the scope of the foregoing indemnity terms.

(b) In any and all claims against the indemnified parties by any employee of the Contractor, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the indemnification obligation shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for the Contractor, or any subcontractor, or other person under workers' compensation acts, disability benefit acts, or other employee acts.

(c) This indemnity obligation shall survive the termination or expiration of the Agreement and the completion of the Work hereunder.

13. WARRANTY.

(a) Contractor shall and hereby does warranty all Work, including materials and installation, for a period of twelve (12) months from completion of the Work under this agreement ("Warranty Period"), and shall repair and replace any and all Work, together with any other work which may be displaced in so doing, that may prove defective in workmanship and/or materials, or that does not meet the requirements set forth in any applicable specifications, within the Warranty Period, without expense whatsoever to District and with ordinary wear and tear and unusual abuse or neglect excepted. In the event of Contractor's failure to comply with the above-mentioned conditions within seven (7) days after being notified in writing, District is hereby authorized to proceed to have the defects repaired or replaced and made good at the expense of Contractor who hereby agrees to pay the cost of and charges therefore immediately on demand. If, in the opinion of District, defective work creates a dangerous condition or requires immediate correction or attention to prevent further loss to District or to prevent interruption of operations of District, District will attempt to give the notice required by this Section 13. If Contractor cannot be contacted or does not comply with District's request for correction within a reasonable time as

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determined by District, District may, notwithstanding the provisions of this Section 13, proceed to make such correction or provide such attention, and the costs of such corrections or attention shall be charged against Contractor. Such action by District will not relieve Contractor of the guarantees provided in this Section 13 or elsewhere in the Agreement.

(b) This section does not in any way limit the warranty on any items for which a longer warranty is specified or on any items for which Contractor or a manufacturer or supplier gives a warranty for a longer period. The Contractor agrees to furnish District with all appropriate warranty certificates upon completion of the Work. No warranty whether provided for in this Section or elsewhere shall in any way limit the liability of Contractor or its sureties or insurers under the indemnity or insurance provisions of the Agreement. This warranty obligation shall survive the termination or expiration of the Agreement as to all completed Work.

14. TERMINATION. Either party may terminate this Agreement by providing written notice to the other party ten (10) business days in advance of the date of termination; provided, District may terminate the Agreement without any advance notice in the event Contractor is in material breach of any of the terms of this Agreement, as determined by District in its discretion. In the event Contractor terminates this Agreement, Contractor is responsible for the completion of any Work still outstanding in accordance with the terms of the Agreement. Contractor's indemnity and warranty obligations shall survive the expiration or termination of this Agreement, as well as any outstanding obligations of Contractor at the time of termination. On any termination, Contractor will be entitled to the reasonable value of the Work performed for which it has not received prior compensation under this Agreement, subject to any offset from such payment representing District's damages from any material breach of the terms of the Agreement by Contractor or as otherwise provided for under Section 6. In no event, will Contractor be entitled to receive compensation in excess of the compensation specified under Section 6 of this Agreement. The foregoing provisions are in addition to and not in limitation of any other rights or remedies available to District.

15. RECORDS. Contractor shall preserve and retain any and all records of or related to the Work, including all records of or related to this Agreement and the Work and obligations contained herein, for a period of no less than four (4) years commencing upon final payment to Contractor under the Agreement or, if an examination, review or audit is commenced but not completed within such period, until such examination, review or audit has been completed. Additionally, pursuant to Government Code Section 8546.7, the State has the right to examine, review, audit and/or copy such records during the three (3) year period following final work order and payment to Contractor pursuant to the Agreement. Contractor, upon request, shall make the records of the work available for the purposes described in this section at all reasonable times during the period Contractor is required to preserve and maintain such records.

16. SUCCESSORS; ASSIGNMENT. This Agreement is binding on the successors of the parties. This Agreement may not be assigned by Contractor except upon written consent of District.

17. ATTORNEYS' FEES. In the event of any declaratory or other legal or equitable action instituted between District and Contractor in connection with this Agreement, the prevailing party shall be entitled to recover from the losing party all of its attorneys' fees, and costs and expenses.

18. THIRD-PARTY CLAIMS/DISTRICT NOTICE. Contractor agrees that it will process and administer any and all claims from third parties received in connection with Contractor’s performance of the Work, consistent with the terms of Sections 11 and 12 of this Agreement. In accordance with Public Contract Code Section 9201, District shall timely notify Contractor if District receives any third-party claim relating to the Work or the Agreement. District shall be entitled to recover from Contractor District’s reasonable costs incurred in providing such notification.

19. NOTICE. Any notice, request, demand, consent, approval or other communication required or permitted hereunder or by law shall be validly given or made only if in writing and delivered in person or to an officer or duly authorized representative of the other party or deposited in the United States mail, duly certified or registered (return receipt requested), postage prepaid, and addressed to the party for whom intended, as follows:

If to Contractor: Habitat Restoration Sciences, Inc.
 Attn: Jon Stafford
 1217 Distribution Way
 Vista, CA 92081

If to District: Notices:

 Moulton Niguel Water District
 27500 La Paz Road
 Laguna Niguel, CA 92677
 Attn: Director of Engineering and Operations

If to District: Billing:

 Moulton Niguel Water District
 P.O. Box 30203
 Laguna Niguel, CA 92607-0203
 Attn: Purchasing
 (949) 831-2500

Any notices shall be addressed to the addresses provided in the Agreement or such substitute addresses in accordance with the terms provided herein. Any party may from time to time, by written notice to the other, designate a different address which shall be substituted for that specified above. If any notice or other document is sent by mail as aforesaid, the same shall be fully delivered and received 24 hours after mailing as provided above.

20. INTEGRATION; ATTACHMENTS. This Agreement supersedes any and all agreements between the parties hereto which are prior in time to this Agreement. Neither District nor Contractor shall be bound by any understanding, agreement, promise, representation or stipulation expressed or implied not specified herein. The Exhibits attached hereto are incorporated herein as part of this Agreement, and all executed job orders are deemed to form part of the Agreement terms upon execution.

21. PARTIAL INVALIDITY. If any section of this Agreement or provision of the Agreement as applied to either party or to any circumstance shall be adjudged by a court of

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competent jurisdiction to be void or enforceable for any reason, the same shall in no way affect (to the maximum extent permissible by law) any other provision of the Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of the Agreement as a whole.

22. AMENDMENTS. No addition to or modification of any provision contained in the Agreement shall be effective unless fully set forth in a writing signed by both District and Contractor.

23. GOVERNING LAW; VENUE. The Agreement shall be construed in accordance with and governed by the laws of the State. In the event of any legal action to enforce or interpret the Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure 394.

24. DUE AUTHORITY OF SIGNATORIES; COUNTERPARTS. Each person signing this Agreement represents and warrants that he or she has been duly authorized by appropriate action of the party he or she represents to execute, and thereby bind such party to, this Agreement. This Agreement may be executed in counterparts, each of which, when executed and delivered, shall be an original and both of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

“DISTRICT”:

MOULTON NIGUEL WATER DISTRICT

By: _____
Title: General Manager

DATE: _____

“CONTRACTOR”:

HABITAT RESTORATION SCIENCES, INC.

By: _____
Title: Authorized Officer/Representative*

DATE: _____

* Complete and attach one of the following: Corporate Certificate executed by Corporate Secretary; or, Notarization of Authorized Officer/Representative signature

CORPORATE CERTIFICATE*

I, _____, certify that I am the Secretary of the corporation named as Contractor in the foregoing Agreement; that _____, who signed said Agreement on behalf of Contractor, was then President of said corporation; and that said Agreement was duly signed for and on behalf of said corporation by authority of its Governing Body and is within the scope of its corporate powers.

[_____] , Secretary

(CORPORATE SEAL)

*To be completed if Contractor is a corporation. If Contractor is a joint venture or partnership that includes a corporation(s), a certificate must be obtained from District's office, completed and attached to this page.

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EXHIBIT 1

Scope of Work

See Attachments



State of California – Natural Resources Agency
DEPARTMENT OF FISH AND WILDLIFE
South Coast Region
3883 Ruffin Road
San Diego, California 92123
(858) 467-4201
www.wildlife.ca.gov

EDMUND G. BROWN, Jr., Governor
CHARLTON H. BONHAM, Director



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March 17, 2016

Matt Collings
Moulton Niguel Water District
26161 Gordon Road
Laguna Hills, California 92653

Subject: Final Lake or Streambed Alteration Agreement
Notification No. 1600-2015-0084-R5
La Paz Creek Vegetation Management

Dear Mr. Collings:

Enclosed is the final Streambed Alteration Agreement (Agreement) for La Paz Creek Vegetation Management (Project). Before the California Department of Fish and Wildlife (Department) may issue an Agreement, it must comply with the California Environmental Quality Act (CEQA). In this case, the Department determined the Project is exempt from CEQA and filed a Notice of Exemption (NOE) within 5 days of signing the Agreement.

Under CEQA, the filing of an NOE triggers a 35-day statute of limitations period during which an interested party may challenge the filing agency's approval of the Project. You may begin the Project before the statute of limitations expires if you have obtained all necessary local, state, and federal permits or other authorizations. However, if you elect to do so, it will be at your own risk.

If you have any questions regarding this matter, please contact Kevin Hupf, Environmental Scientist at (858) 467-4223 or kevin.hupf@wildlife.ca.gov.

Sincerely,

Gail K. Sevens
Environmental Program Manager

Conserving California's Wildlife Since 1870

CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE
SOUTH COAST REGION
3883 RUFFIN ROAD
SAN DIEGO, CALIFORNIA 92123



STREAMBED ALTERATION AGREEMENT
NOTIFICATION No. 1600-2015-0084-R5
LA PAZ CREEK

MOULTON NIGUEL WATER DISTRICT
LA PAZ CREEK VEGETATION MANAGEMENT

This Streambed Alteration Agreement (Agreement) is entered into between the California Department of Fish and Wildlife (CDFW) and Moulton Niguel Water District (Permittee) as represented by Matt Collings.

RECITALS

WHEREAS, pursuant to Fish and Game Code (FGC) section 1602, Permittee notified CDFW on May 20, 2015, that the Permittee intends to complete the project described herein.

WHEREAS, pursuant to FGC section 1603, CDFW has determined that the project could substantially adversely affect existing fish or wildlife resources and has included measures in the Agreement necessary to protect those resources.

WHEREAS, Permittee has reviewed the Agreement and accepts its terms and conditions, including the measures to protect fish and wildlife resources.

NOW THEREFORE, Permittee agrees to complete the project in accordance with the Agreement.

PROJECT LOCATION

The project is located within La Paz Creek, tributary to Oso Creek, in the City of Mission Viejo, County of Orange, State of California; Latitude 33.57382, Longitude -117.67308; U.S. Geological Survey 7.5-minute map San Juan Capistrano quadrangle, Section 12, Township 7 south, Range 8 west, San Bernardino meridian; Assessor's Parcel Numbers 636-012-11, 636-012-12, 636-012-14, 636-012-17, and 784-661-32. The project is generally bounded by Interstate 5 to the east, Oso Parkway to the north, and a railroad right-of-way adjacent to Moulton Niguel Water District's wastewater treatment facility to the west.

PROJECT DESCRIPTION

The project is limited to stream impacts associated with the La Paz Creek Vegetation Management project. Selective removal of above ground portions of vegetation will

occur within the stream to increase storm water capacity and reduce flooding frequency. Excavation or other similar disturbances to the soil layer will be avoided. Accordingly, vegetation root systems will be left intact. All native and non-native vegetation other than native herbaceous species will be removed from a 16-foot wide linear swath at the center of the stream channel ('Channel Clearance Area' in Exhibit A and Exhibit B), as determined necessary. However, any native canopy cover over 10 feet above the dry-season perennial water level extending into the 16-foot clearance area will be avoided. Non-native vegetation will be removed from the entire project area ('Channel Clearance Area' and 'Enhancement Area' in Exhibit A and Exhibit B). The majority of vegetation removal activities will be conducted through the use of hand tools such as machetes or chainsaws. However, some tree removal activities may occur through the use of a bucket truck staged on existing access roads.

PROJECT IMPACTS

Existing fish or wildlife resources the project could substantially adversely affect include: AMPHIBIANS – southern California slender salamander (*Batrachoseps major*), western toad (*Anaxyrus boreas*), Pacific treefrog (*Pseudacris regilla*); REPTILES – California legless lizard (*Anniella pulchra*), western pond turtle (*Emys marmorata* ssp. *pallida*), western fence lizard (*Sceloporus occidentalis*), common side-blotched lizard (*Uta stansburiana*); BIRDS – rufous-crowned sparrow (*Aimophila ruficeps*), long-eared owl (*Asio otus*), Anna's hummingbird (*Calypte anna*), wrentit (*Chamaea fasciata*), common yellowthroat (*Geothlypis trichas*), yellow-breasted chat (*Icteria virens*), California towhee (*Melospiza crissalis*), song sparrow (*Melospiza melodia*), northern mockingbird (*Mimus polyglottos*), black-crowned night heron (*Nycticorax nycticorax*), phainopepla (*Phainopepla nitens*), Nuttall's woodpecker (*Picoides nuttallii*), bushtit (*Psaltriparus minimus*), black phoebe (*Sayornis nigricans*), Allen's hummingbird (*Selasphorus sasin*), yellow-rumped warbler (*Setophaga coronata*), yellow warbler (*Setophaga petechial*), lesser goldfinch (*Spinus psaltria*), Bewick's wren (*Thryomanes bewickii*), California thrasher (*Toxostoma redivivum*), Cassin's kingbird (*Tyrannus vociferans*), least Bell's vireo (*Vireo bellii pusillus*); MAMMALS – pallid bat (*Antrozous pallidus*), striped skunk (*Mephitis mephitis*), California ground squirrel (*Ostospermophilus beecheyi*), raccoon (*Procyon lotor*), Audubon's cottontail (*Sylvilagus audubonii*); PLANTS – California sagebrush (*Artemisia californica*), mugwort (*Artemisia douglasiana*), coyote brush (*Baccharis pilularis*), mulefat (*Baccharis salicifolia*), saltgrass (*Distichlis spicata*), goldenbush (*Isocoma menziesii*), Mexican rush (*Juncus mexicanus*), laurel sumac (*Malosma laurina*), western sycamore (*Platanus racemosa*), black willow (*Salix gooddingii*), red willow (*Salix laevigata*), arroyo willow (*Salix lasiolepis*), black sage (*Salvia mellifera*), elderberry (*Sambucus nigra*), California bulrush (*Scirpus californicus*), cattail (*Typha* spp.); and other riparian/wetland vegetation which provides habitat for those species, and all other aquatic and wildlife resources in the project vicinity.

The adverse effects the project could have on the fish or wildlife resources identified above include: change in contour of bed, channel or bank; degradation or aggradation of channel; accelerated channel scour; change in composition of channel materials;

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restriction or increase in sediment transport; increased turbidity; loss or decline of riparian and/or emergent marsh habitat; colonization by exotic plant or animal species; loss or decline of instream channel habitat; loss or decline of instream woody material; disruption to nesting birds and other wildlife; direct take of terrestrial species; change in stream flow (Q); and, change in flow depth, width or velocity.

The project area consists of 5.14 acres of stream bed, bank, channel, and/or associated wetland/riparian vegetation. Up to 0.87 acre of southern willow riparian forest may be impacted due to vegetation removal within the 16-foot wide Channel Clearance Area. Up to 4.27 acres of southern willow riparian forest may be impacted through the removal of non-native vegetation scattered throughout the existing native riparian habitat.

MEASURES TO PROTECT FISH AND WILDLIFE RESOURCES

1. Administrative Measures

Permittee shall meet each administrative requirement described below.

- 1.1 Documentation at Project Site. Permittee shall make the Agreement, any extensions and amendments to the Agreement, and all related notification materials and California Environmental Quality Act (CEQA) documents, readily available at the project site at all times and shall be presented to CDFW personnel, or personnel from another state, federal, or local agency upon request.
- 1.2 Providing Agreement to Persons at Project Site. Permittee shall provide copies of the Agreement and any extensions and amendments to the Agreement to all persons who will be working on the project at the project site on behalf of Permittee, including but not limited to contractors, subcontractors, inspectors, and monitors.
- 1.3 Notification of Conflicting Provisions. Permittee shall notify CDFW if Permittee determines or learns that a provision in the Agreement might conflict with a provision imposed on the project by another local, state, or federal agency. In that event, CDFW shall contact Permittee to resolve any conflict.
- 1.4 Project Site Entry. Permittee agrees that CDFW personnel may enter the project site at any time to verify compliance with the Agreement.
- 1.5 Agreed Work Activities. The agreed work includes activities associated with the Project Location and Project Description provided above. Specific work areas and mitigation measures are described in the plans and documents submitted with Notification of Lake or Streambed Alteration 1600-2015-0084-R5 for the La Paz Creek Vegetation Management project as well as the *Vegetation*

Management Guidelines for La Paz Creek dated December 2015, and shall be implemented as proposed unless directed differently by this Agreement.

2. Avoidance and Minimization Measures

To avoid or minimize adverse impacts to fish and wildlife resources identified above, Permittee shall implement each measure listed below.

Resource Protection

- 2.1 **On-site Education.** Permittee shall conduct an education program for all persons employed or otherwise working on the project site prior to performing any work on-site. The program shall consist of a presentation from a qualified biologist that includes a discussion of the biology of the habitats and species identified in this Agreement and present at the site. The qualified biologist shall also include as part of the education program information about the distribution and habitat needs of any special status species that may be present, legal protections for those species, penalties for violations and project-specific protective measures included in this Agreement. Interpretation shall be provided for non-English speaking workers, and the same instruction shall be provided for any new workers prior to their performing work on-site.
- 2.2 **Demarcate Work Area Boundary.** In consultation with a qualified biologist, Permittee shall demarcate the outer perimeter of the work area to prevent damage to adjacent habitat and to provide visual orientation to its limits. Marking shall be in place during all periods of maintenance activities. All persons employed or otherwise working on the project site shall be instructed about the restrictions that the marking represents.
- 2.3 **Biological Monitor during Vegetation Removal.** Due to the presence of native riparian vegetation, all vegetation clearing shall be conducted under the direct on-site supervision of a qualified biologist.
- 2.4 **Qualified Biologist.** For the purposes of this Agreement, a qualified biologist is one who has met all of the following minimum qualifications: (a) bachelor's degree in biological sciences, zoology, botany, ecology, or a closely related field; (b) at least 3 years of experience in field biology or current certification of a nationally recognized biological society; and (c) at least 1 year of field experience with biological resources found in or near the project area. In lieu of the following qualifications, a resume shall demonstrate to the satisfaction of CDFW that the proposed biologist(s) has the appropriate training and background to effectively implement the measures of this Agreement.
- 2.5 **Staging and Storage Areas.** Staging and storage areas for equipment, materials, fuels, lubricants, and solvents shall be located outside of the stream channel and

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banks. All equipment and fuel stored on site shall be bermed to contain any spilled material and shall be protected from rain.

- 2.6 Removal and Disposal of Non-Native Vegetation. Any removed non-native vegetation shall be disposed of in a manner which prevents its reestablishment and in a manner that does not adversely affect other sensitive native habitat.
- 2.7 No Grubbing of Root Zone. No vegetation shall be removed by excavation, grubbing or cutting below the ground level.
- 2.8 Stockpiling Removed Vegetation. Vegetation removed from the stream shall not be stockpiled in the stream bed or on its bank. All removed vegetation and debris shall be disposed of according to State and local laws and ordinances.
- 2.9 Native Planting and Revegetation. If non-native vegetation removal results in significant areas of bare ground, planting and/or seeding of native species shall occur in order to maintain erosion control and to reduce the potential for non-native vegetation from colonizing those bare areas.
- 2.10 Herbicide Use and Non-Native Vegetation. Whenever possible, non-native vegetation shall be removed by hand or by hand tools rather than by chemical means. Any herbicide used where there is the possibility that the herbicide could come into direct contact with water shall be approved for use in an aquatic environment. Great care shall be taken to avoid contact with native vegetation, and herbicide shall only be applied on calm days to prevent airborne transfer. Herbicide use to kill native vegetation is prohibited.
- 2.11 Herbicide Mixing. Herbicide mixing sites shall only be located in areas devoid of vegetation, and where there is no potential of a spill reaching a vegetated area or a stream, for example avoid mixing at a storm drain.

Wildlife and Habitat Protection

- 2.12 Protected Species. This Agreement does not authorize take, incidental or otherwise, of any protected species. For the purpose of this Agreement, "protected species" means the following: a species fully protected under state law; a candidate species or species listed as threatened or endangered under the California Endangered Species Act (CESA; Fish & G. Code § 2050 et seq.) and/or Endangered Species Act (ESA; 16 U.S.C. § 1531 et seq.); a species identified by CDFW as a species of special concern; or any other species for which take is prohibited under state or federal law.
- 2.13 Avian Nesting Avoidance. If the avian nesting season cannot be avoided and construction or vegetation removal occurs between March 1st to September 15th (January 1st to July 31st for raptors), the restricted time period, a qualified biologist with experience in conducting bird breeding surveys shall conduct

focused surveys for nesting birds before work, including a survey completed within 48 hours prior to the work in the area, to ensure no nesting birds in the project area would be impacted by the project. If an active nest is identified Permittee shall do one of the following to avoid and minimize impacts to nesting birds. This Agreement does not authorize Permittee to take birds or other animals or to destroy the nest or eggs of any bird.

a) Implement a 300 foot minimum avoidance buffers for all passerine bird nests (500 foot for protected species) and 500 foot minimum avoidance buffer for all raptors species. The breeding habitat/nest site shall be fenced and/or flagged in all directions. The nest site area shall not be disturbed until the nest becomes inactive, or, the young have fledged, and the young are no longer being fed by the parents, and the young have left the area, and the young will no longer be impacted by the project.

b) Develop a project specific Nesting Bird Management Plan (NBMP). The site-specific nest protection plan shall be submitted to CDFW prior to commencement of project activities subject to this Agreement within the minimum avoidance buffers described above. The NBMP should include detailed methodologies and definitions to enable a qualified avian biologist to monitor and implement nest-specific buffers based upon the life history of the individual species; species sensitivity to noise, vibration, and general disturbance; individual bird behavior; current site conditions (screening vegetation, topography, etcetera), ambient levels of human activity; the various project-related activities necessary, and other pertinent features. Each nest buffers shall be a minimum of 100 feet. The NBMP shall be supported by survey documentation including: dates of survey, total field time of survey efforts, map of survey routes, names of investigators, and if any active nests were found. The NBMP shall include verification of full-time nest monitoring during work and the authority for the biological monitor to halt work if necessary to further avoid nesting activity. The NBMP shall also be supported by a weekly Nest Log which monitors each nest and associated buffer. The Nest Log shall be submitted to CDFW at the end of each week during project activities subject to this Agreement.

c) Permittee may propose an alternative plan for avoidance of nesting birds for CDFW concurrence.

- 2.14 Least Bell's Vireo (Vireo; Vireo bellii pusillus) Avoidance. Vireo are listed as endangered under CESA and have the potential to occur in the mature riparian communities associated with the project site. To prevent adverse impacts to Vireo, construction or vegetation removal activities shall be conducted outside of the breeding season for Vireo (March 15 through August 31).
- 2.15 Passive Habitat Restoration Activities. The following habitat restoration activities may occur without the time restrictions described in Measures 2.13 and 2.14 given that the activity does not disrupt nesting birds: a) hand application of native

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seed mix; b) trash and debris removal by hand; c) non-native vegetation removal using non-motorized hand tools; and, d) herbicide application using non-motorized backpack or hand-carried sprayers.

- 2.16 Minimize Impacts to Western Pond Turtle. Permittee shall minimize adverse impacts to western pond turtle (*Emys marmorata* ssp. *pallida*), a protected species (see Measure 2.12) which may occur within the project area, during all project activities through the following: a) sediment removal or excavation activities shall not occur within the project area; b) wheeled or tracked equipment shall not be operated within the stream bed, bank, channel, or associated riparian vegetation; c) wheeled or tracked equipment use shall be minimized to the maximum extent practicable within terrestrial upland habitat suitable for western pond turtle nesting or aestivation.
- 2.17 Leave Wildlife Unharmd. If any life stage of any wildlife (invertebrate, amphibian, reptile, mammal, or bird) is encountered during the course of construction, said wildlife shall be allowed to leave the work area unharmed. A qualified biologist may also relocate non-protected species out of harm's way to appropriate avoided habitat immediately adjacent to the work site. Exclusionary devices shall be erected to prevent the migration into or the return of species into the work site. If any protected wildlife (see Measure 2.12) is encountered, Permittee shall immediately inform CDFW of the observation and additional measures taken to ensure the safety of the wildlife.
- 2.18 No Night Work. Maintenance activities shall be limited to the period of daylight hours; no night work is authorized unless otherwise agreed to by the CDFW.

Equipment and Access

- 2.19 Clean All Equipment Before Entering Stream. Permittee shall clean all equipment of soil containing seed and/or plant material prior to entry into the work area as well as prior to the removal of equipment from the work area to prevent the spread of invasive exotic plant and animal species.
- 2.20 Speed Limit. A 15-mile per hour speed limit shall be observed on dirt access roads to reduce dust and allow reptiles and small mammals to disperse.
- 2.21 Hand Tools Defined. Hand tools for this Agreement are described as: shears, clippers, machetes, scythes, sickles, knives, loppers, trimmers, chainsaws or other equipment carried into the stream by hand.
- 2.22 Access Impacts. Disturbance, removal or trimming of vegetation for work crews or equipment access shall not exceed the impact limits reviewed by CDFW.

Fill and Spoil

- 2.23 Deposition of Fill. Depositing fill into the stream is not a covered activity of this Agreement, thus is subject to separate notification pursuant to FGC 1600 et seq.

Structures

- 2.24 Authorized Structures. This Agreement does not authorize the construction of any temporary or permanent dam, structure, flow restriction or fill.

Erosion, Turbidity, and Siltation

- 2.25 Erosion Control Measures. Permittee shall utilize erosion control measures throughout all phases of operation where sediment runoff from exposed slopes threatens to enter the stream.
- 2.26 Erosion Control Monitoring. Permittee shall monitor erosion control measures before, during, and after each storm event and repair and/or replace ineffective measures immediately.

Pollution, Litter, and Clean-Up

- 2.27 Litter and Pollution. Permittee shall comply with all litter and pollution laws. All contractors, subcontractors and employees shall also obey these laws and it shall be the responsibility of the Permittee to ensure compliance.
- 2.28 Secure Trash Receptacles. Permittee shall use fully covered trash receptacles with secure lids (wildlife-proof) to contain all food, food scraps, food wrappers, beverage and other miscellaneous trash.
- 2.29 Stationary Equipment. Stationary equipment such as motors, pumps, generators, and welders located within or near the stream shall be positioned over drip pans. Stationary heavy equipment shall have suitable containment to handle a catastrophic spill/leak.
- 2.30 Equipment Maintenance and Fueling. No equipment maintenance or fueling shall be done within or near any stream channel where petroleum products or other pollutants from the equipment may enter these areas.
- 2.31 Equipment and Vehicle Spills and Contaminants. Any equipment or vehicles driven or operated within or near the stream shall be checked daily to prevent leaks of materials that if introduced to water could be deleterious to aquatic life. Permittee shall maintain all vehicles and equipment in proper working condition to minimize fugitive emissions and accidental spills from motor oil, antifreeze, hydraulic fluid, grease, and other fluids or hazardous materials. All fuel or hazardous waste leaks, spills, or releases shall be stopped or repaired immediately and cleaned up at the time of occurrence. Permittee shall be responsible for spill material removal and disposal to an approved offsite landfill and spill reporting to the permitting agencies. Service construction equipment

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shall be stored at designated areas only. Maintenance vehicles shall carry appropriate equipment and materials to isolate and remediate leaks or spills. A spill containment kit shall be available on site for all maintenance activities.

- 2.32 Site Cleanup. When operations are completed, any excess materials or debris shall be removed from the work area.

3. Restoration and Revegetation

Permittee shall implement each measure listed below.

- 3.1 Habitat Enhancement. Permittee shall remove non-native vegetation within the 4.27-acre 'Enhancement Area' and the 0.87-acre 'Channel Clearance Area' as well as conduct native habitat enhancement in the 'Enhancement Area' identified in Exhibit A and Exhibit B. Vegetation management shall be accomplished according to the *Vegetation Management Guidelines for La Paz Creek* dated December 2015, unless otherwise noted in this Agreement. Permittee shall notify CDFW of any modifications made to the project plans submitted to CDFW. At the discretion of CDFW, minor plan modifications may require an amendment to this Agreement. At the discretion of CDFW, if substantial changes are made to the original plans this Agreement becomes void and Permittee must submit a new Notification.
- 3.2 Success Criteria. All planting or seeding within the 'Enhancement Area' shall have a minimum of 90% survival the first year and 80% survival thereafter. Planted/seeded areas shall attain 75% absolute cover of native species after 3 years and 90% absolute cover of native species after 5 years. If the survival or cover requirements have not been met, Permittee is responsible for replacement planting to achieve these requirements. By February 1 of each year, non-native vegetation shall not make-up more than 5% of the project area, no more than 5% of the project site shall consist of bare ground and the project site shall be free of perennial non-native invasive vegetation.
- 3.3 Mitigation for Unauthorized Impacts. Permittee shall mitigate at a minimum 5:1 ratio for impacts beyond those authorized in this Agreement. In the event that additional mitigation is required, the type of mitigation shall be determined in cooperation with CDFW, and may include creation, restoration, enhancement and/or preservation.

4. Reporting Measures

Permittee shall meet each reporting requirement described below. Permittee shall submit reporting measures to CDFW's South Coast Office at the address on page 1, ATTN: Streambed Alteration Program – SAA # 1600-2015-0084-R5 or alternatively by electronic mail to R5LSACompliance@wildlife.ca.gov.

- 4.1 Notification Prior to Work. Permittee shall notify CDFW, in writing, at least 5 days prior to the initial vegetation removal activity subject to this Agreement.
- 4.2 Annual Mitigation, Maintenance and Monitoring Reports. Mitigation, maintenance, and monitoring reports shall be submitted annually to CDFW during the maintenance and monitoring period. Annual reports shall include at a minimum: a) maps identifying the project area and any native revegetation areas; b) a list of names and companies of all persons who prepared content of the annual report or participated in monitoring activities; c) photographs taken from established photopoints; d) survival and percent cover at native revegetation areas; e) percent cover of native vegetation in the project area; f) percent cover of non-native and invasive vegetation in the project area; and, g) recommended remedial or adaptive maintenance.
- 4.3 Sensitive Species Observations. Permittee shall report all observations of threatened/endangered species or species of special concern to CDFW's Natural Diversity Data Base (CNDDDB) within 60 days of each sighting. Instructions for submitting the information are available at http://www.dfg.ca.gov/biogeodata/cnddb/submitting_data_to_cnddb.asp. In addition to sending the information to CNDDDB a copy of the data provided should be sent to CDFW's South Coast Office, ATTN: Streambed Alteration Program – SAA #1600-2015-0084-R5.

CONTACT INFORMATION

Any communication that Permittee or CDFW submits to the other shall be in writing and any communication or documentation shall be delivered to the address below by U.S. mail, email, or to such other address as Permittee or CDFW specifies by written notice to the other.

To Permittee:

Moulton Niguel Water District
Eva Plajzer
26161 Gordon Road
Laguna Hills, California 92653
(949) 425-3554
eplajzer@mnwd.com

To CDFW:

California Department of Fish and Wildlife
South Coast Region
3883 Ruffin Road
San Diego, California 92123
Attn: Lake and Streambed Alteration Program

#7.

Notification #1600-2015-0084-R5
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Page 11 of 16

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LIABILITY

Permittee shall be solely liable for any violations of the Agreement, whether committed by Permittee or any person acting on behalf of Permittee, including its officers, employees, representatives, agents or contractors and subcontractors, to complete the project or any activity related to it that the Agreement authorizes.

This Agreement does not constitute CDFW's endorsement of, or require Permittee to proceed with the project. The decision to proceed with the project is Permittee's alone.

SUSPENSION AND REVOCATION

CDFW may suspend or revoke in its entirety the Agreement if it determines that Permittee or any person acting on behalf of Permittee, including its officers, employees, representatives, agents, or contractors and subcontractors, is not in compliance with the Agreement.

Before CDFW suspends or revokes the Agreement, it shall provide Permittee written notice by certified or registered mail that it intends to suspend or revoke. The notice shall state the reason(s) for the proposed suspension or revocation, provide Permittee an opportunity to correct any deficiency before CDFW suspends or revokes the Agreement, and include instructions to Permittee, if necessary, including but not limited to a directive to immediately cease the specific activity or activities that caused CDFW to issue the notice.

ENFORCEMENT

Nothing in the Agreement precludes CDFW from pursuing an enforcement action against Permittee instead of, or in addition to, suspending or revoking the Agreement.

Nothing in the Agreement limits or otherwise affects CDFW's enforcement authority or that of its enforcement personnel.

OTHER LEGAL OBLIGATIONS

This Agreement does not relieve Permittee or any person acting on behalf of Permittee, including its officers, employees, representatives, agents, or contractors and subcontractors, from obtaining any other permits or authorizations that might be required under other federal, state, or local laws or regulations before beginning the project or an activity related to it.

This Agreement does not relieve Permittee or any person acting on behalf of Permittee, including its officers, employees, representatives, agents, or contractors and

subcontractors, from complying with other applicable statutes in the FGC including, but not limited to, FGC sections 2050 et seq. (threatened and endangered species), 3503 (bird nests and eggs), 3503.5 (birds of prey), 5650 (water pollution), 5652 (refuse disposal into water), 5901 (fish passage), 5937 (sufficient water for fish), and 5948 (obstruction of stream).

Nothing in the Agreement authorizes Permittee or any person acting on behalf of Permittee, including its officers, employees, representatives, agents, or contractors and subcontractors, to trespass.

AMENDMENT

CDFW may amend the Agreement at any time during its term if CDFW determines the amendment is necessary to protect an existing fish or wildlife resource.

Permittee may amend the Agreement at any time during its term, provided the amendment is mutually agreed to in writing by CDFW and Permittee. To request an amendment, Permittee shall submit to CDFW a completed CDFW "Request to Amend Lake or Streambed Alteration Agreement" form and include with the completed form payment of the corresponding amendment fee identified in CDFW's current fee schedule (see Cal. Code Regs., tit. 14, § 699.5).

TRANSFER AND ASSIGNMENT

This Agreement may not be transferred or assigned to another entity, and any purported transfer or assignment of the Agreement to another entity shall not be valid or effective, unless the transfer or assignment is requested by Permittee in writing, as specified below, and thereafter CDFW approves the transfer or assignment in writing.

The transfer or assignment of the Agreement to another entity shall constitute a minor amendment, and therefore to request a transfer or assignment, Permittee shall submit to CDFW a completed CDFW "Request to Amend Lake or Streambed Alteration" form and include with the completed form payment of the minor amendment fee identified in CDFW's current fee schedule (see Cal. Code Regs., tit. 14, § 699.5).

EXTENSIONS

In accordance with FGC section 1605(b), Permittee may request one extension of the Agreement, provided the request is made prior to the expiration of the Agreement's term. To request an extension, Permittee shall submit to CDFW a completed CDFW "Request to Extend Lake or Streambed Alteration" form and include with the completed form payment of the extension fee identified in CDFW's current fee schedule (see Cal. Code Regs., tit. 14, § 699.5). CDFW shall process the extension request in accordance with FGC 1605(b) through (e).

#7.

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Streambed Alteration Agreement
Page 13 of 16

If Permittee fails to submit a request to extend the Agreement prior to its expiration, Permittee must submit a new notification and notification fee before beginning or continuing the project the Agreement covers (FGC section 1605(f)).

EFFECTIVE DATE

The Agreement becomes effective on the date of CDFW's signature, which shall be: 1) after Permittee's signature; 2) after CDFW complies with all applicable requirements under the California Environmental Quality Act (CEQA); and 3) after payment of the applicable FGC section 711.4 filing fee listed at http://www.wildlife.ca.gov/habcon/ceqa/ceqa_changes.html.

TERM

This Agreement shall expire on March 15, 2021, unless it is terminated or extended before then. All provisions in the Agreement shall remain in force throughout its term. Permittee shall remain responsible for implementing any provisions specified herein to protect fish and wildlife resources after the Agreement expires or is terminated, as FGC section 1605(a)(2) requires.

EXHIBITS

The documents listed below are included as exhibits to the Agreement and incorporated herein by reference.

Exhibit A. *La Paz Creek Vegetation Management*; Proposed Vegetation Removal Areas; Sheet 1 of 2

Exhibit B. *La Paz Creek Vegetation Management*; Proposed Vegetation Removal Areas; Sheet 2 of 2

AUTHORITY

If the person signing the Agreement (signatory) is doing so as a representative of Permittee, the signatory hereby acknowledges that he or she is doing so on Permittee's behalf and represents and warrants that he or she has the authority to legally bind Permittee to the provisions herein.

AUTHORIZATION

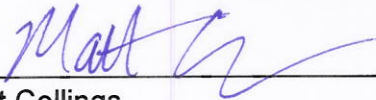
This Agreement authorizes only the project described herein. If Permittee begins or completes a project different from the project the Agreement authorizes, Permittee may be subject to civil or criminal prosecution for failing to notify CDFW in accordance with FGC section 1602.

Notification #1600-2015-0084-R5
Streambed Alteration Agreement
Page 14 of 16

CONCURRENCE

The undersigned accepts and agrees to comply with all provisions contained herein.

FOR MOULTON NIGUEL WATER DISTRICT




Matt Collings
Assistant General Manager

3/17/16

Date

FOR DEPARTMENT OF FISH AND WILDLIFE



Gail K. Sevrens
Environmental Program Manager

3/17/16

Date

Prepared March 2016 by Kevin Hupf, Environmental Scientist

#7.

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Page 15 of 16



Sheet 1 of 2

La Paz Creek Vegetation Management
Proposed Vegetation Removal Areas

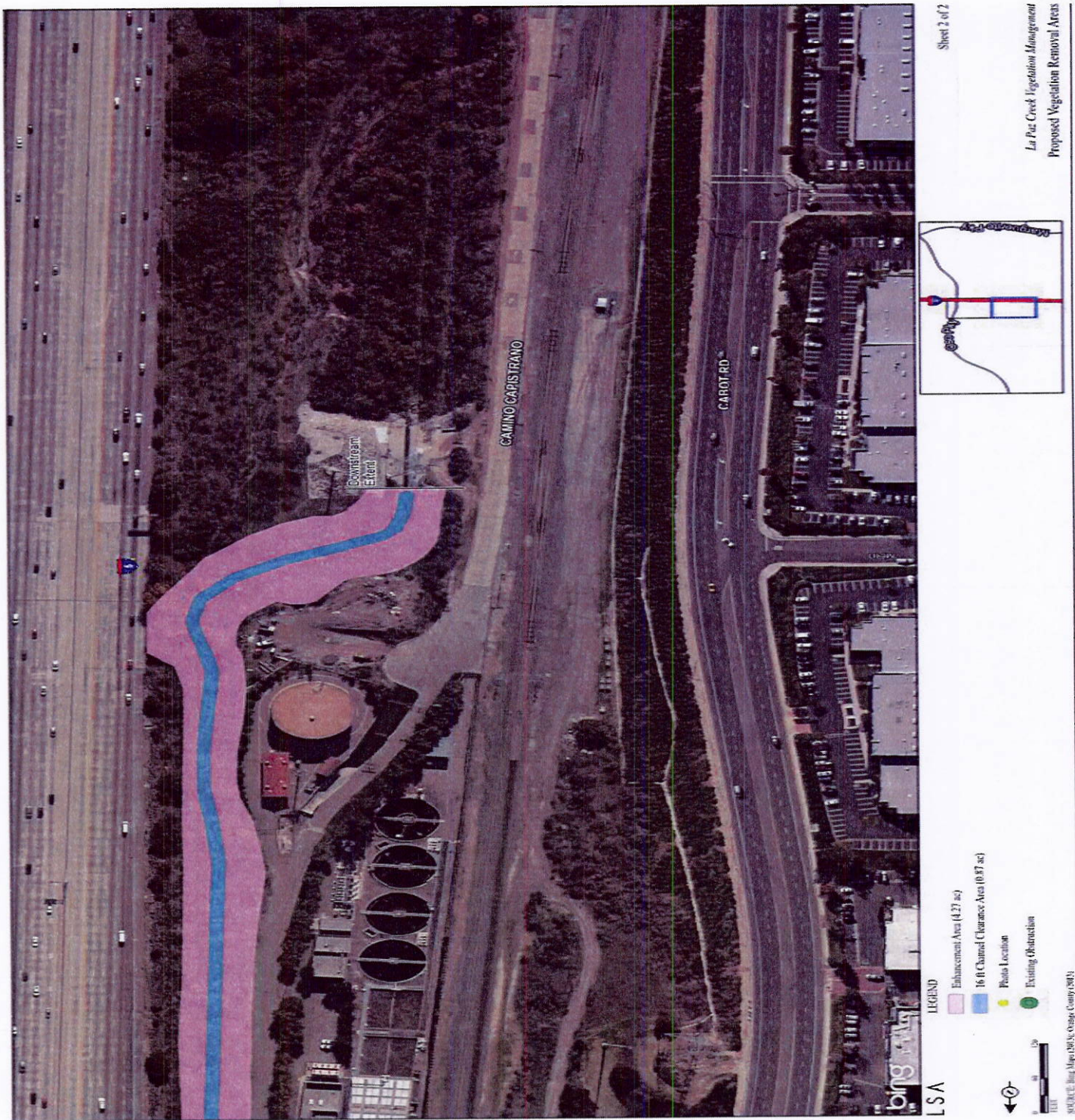
LEGEND

- Enhancement Area (4.27 ac)
- 16 ft Channel Clearance Area (0.17 ac)
- Photo Location
- Existing Obstruction

Scale: 0 10 20 feet

North Arrow

DATE: 08/14/15
PROJECT: 1600-2015-0084-R5



#7.

**VEGETATION MANAGEMENT GUIDELINES
FOR LA PAZ CREEK**

CITY OF LAGUNA NIGUEL, CALIFORNIA

Submitted to:

Eva Plajzer
Moulton-Niguel Water District
27500 La Paz Road
Laguna Niguel, California 92677

Prepared by:

LSA Associates, Inc.
20 Executive Park, Suite 200
Irvine, California 92614-4731
(949) 553-0666

Project No. MNW1401

LSA

December 2015

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APPENDIX

A: SITE ASSESSMENT AND RECOMMENDATIONS LETTER

INTRODUCTION

The purpose of these Vegetation Management Guidelines (Guidelines) is to provide the Moulton-Niguel Water District (MNWD) with guidelines consistent with local, State, and federal regulations for the maintenance of vegetation within La Paz Creek at the Plant 3A Wastewater Treatment Plant/Advanced Water Treatment facility (Facility) in Laguna Niguel (Figure 1). These Guidelines are for maintenance of the portion of La Paz Creek between Oso Parkway and the La Paz Creek/Oso Creek confluence. Environmental regulatory agencies with potential oversight of the management of vegetation within La Paz Creek include the California Department of Fish and Wildlife (CDFW) and Orange County Flood Control District (OCFCD). Additionally, portions of the creek are potentially owned by the California Department of Transportation (Caltrans).

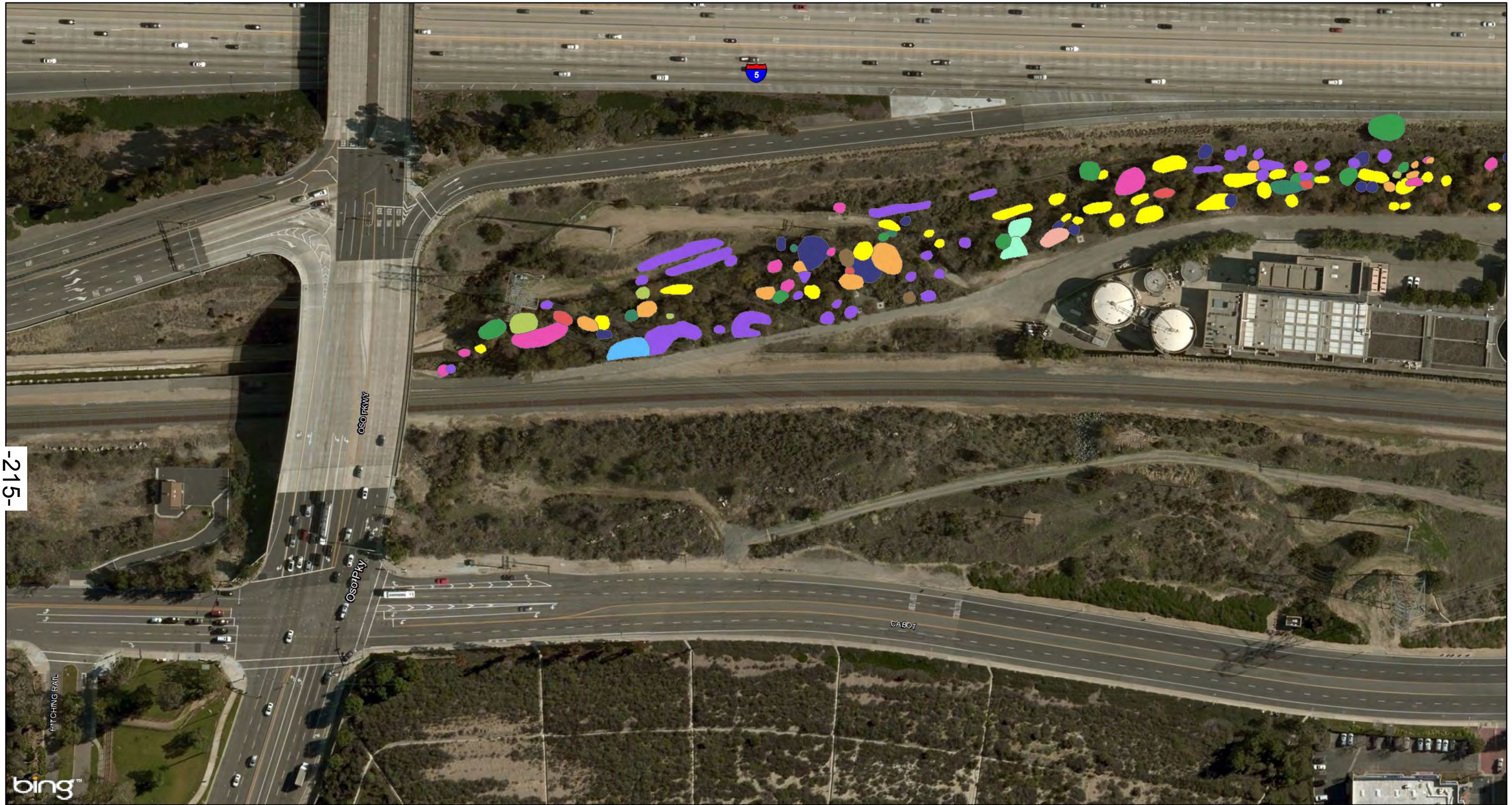
Limited capacity within La Paz Creek between Oso Parkway and Oso Creek due to sedimentation and dense native and nonnative vegetation periodically results in the flooding of Camino Capistrano Road, which is adjacent to the Facility, during high-flow events. Flooding of Camino Capistrano Road has the potential to not only adversely affect Facility operations but also for the Facility to flood. Flooding of the Facility would likely result in significant contamination of La Paz Creek and waters downstream, including the Pacific Ocean. Management of the vegetation within La Paz Creek will serve to increase channel capacity, thereby reducing the potential for flooding and contamination.

These Guidelines are designed to be a user-friendly document that may be utilized by all parties (MNWD, the biological monitor [Monitor], and the vegetation management contractor [Contractor]) involved with vegetation management.

This document uses the term “vegetation clearing” as the overall designation for management activities involving the removal of vegetation, debris, and dead material. It is appropriate at this time to introduce and define more specific terms associated with these activities:

- **Cutting:** For the purposes of these Guidelines, the cutting of vegetation will involve a hand crew utilizing machetes and chainsaws who will cut or chop vegetation down to a definite point (i.e., less than 6 inches) within the area being worked. Stumps and root material will be left in place so as to maintain soil stability and minimize erosion.
- **Removal:** The removal of vegetation involves the removal of all cut or dead vegetation from the project area and its transference to an appropriate disposal area (i.e., green waste facility).
- **Tree Removal:** For the purposes of these Guidelines, tree removal refers to those instances in which cutting/removal of a tree cannot be accomplished by utilizing the cutting methods described above. Large trees may require the use of a bucket truck or a specialized tree removal crew with climbers. The removal of large trees may pose a significant risk of collateral damage to adjacent native vegetation. Tree removal will only be undertaken under circumstances in which collateral damage to native adjacent vegetation can be adequately avoided or minimized.

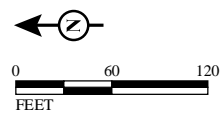
All of these activities will likely be employed as part of vegetation management.



LSA

LEGEND

Nonnative Vegetation	Castor Bean	Mexican Fan Palm	Poison Hemlock
Acacia	Common Olive	Myoporum	Pride of Madeira
Bottlebrush	Edible Fig	Pampas Grass	Shamel Ash
Brazilian Pepper	Eucalyptus	Peruvian Pepper	Tamarisk



SOURCE: Bing Maps (2013)
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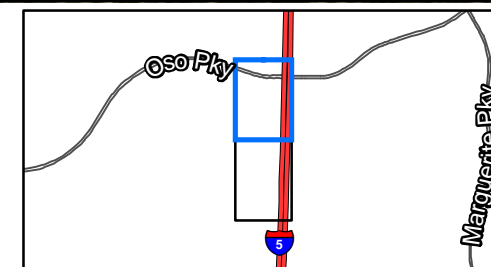
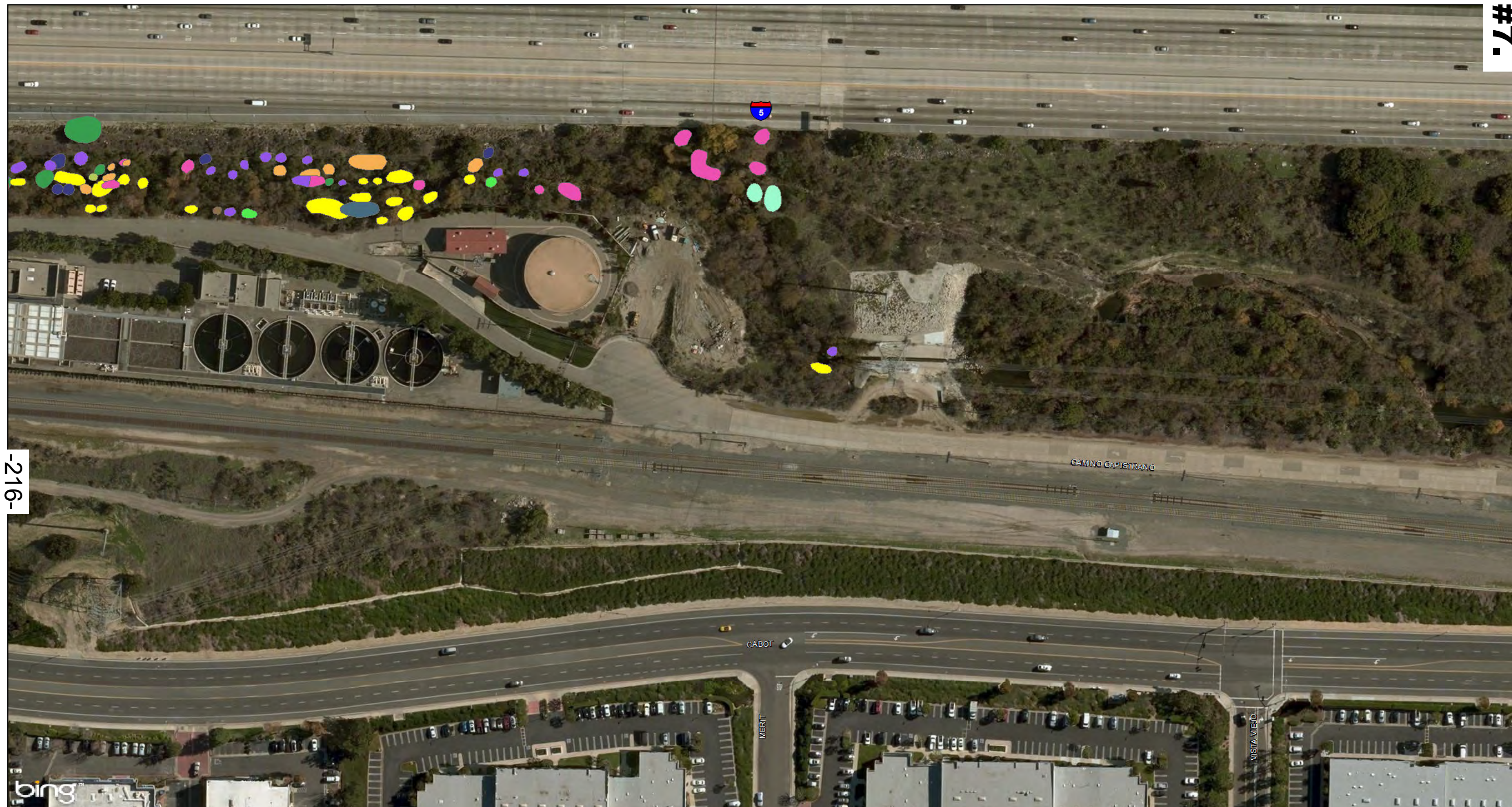


FIGURE 1
 Sheet 1 of 2

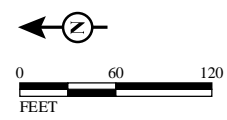


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LSA

LEGEND

Nonnative Vegetation	Castor Bean	Mexican Fan Palm	Poison Hemlock
Acacia	Common Olive	Myoporum	Pride of Madeira
Bottlebrush	Edible Fig	Pampas Grass	Shamel Ash
Brazilian Pepper	Eucalyptus	Peruvian Pepper	Tamarisk



SOURCE: Bing Maps (2013)
I:\MNW1401\GIS\NonnativeVeg.mxd (5/4/2015)

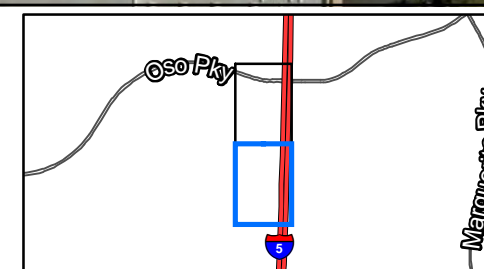


FIGURE 1
Sheet 2 of 2

La Paz Creek Vegetation Management
Nonnative Vegetation

PRIOR TO MANAGEMENT

Prior to the commencement of management activities, there are four things that need to be considered: (1) the area to be worked, (2) the vegetation to be cleared, (3) the timing of the clearing, and (4) the contractors that are going to be performing and monitoring the clearing activities.

Area to be Worked

Prior to clearing the project area, the MNWD or its representative will be responsible for identifying the area(s) that require vegetation management in order to ensure there is sufficient capacity within the channel, and for reviewing the permits issued by the regulatory agencies.

There are two areas from which vegetation will be cleared, the Channel Clearance Area and the Enhancement Area (Figure 2). The Channel Clearance Area is a 16-foot (ft) wide by 10-ft high area (i.e., 8 ft on either side of the La Paz Creek centerline) that stretches from just south of the Oso Parkway Bridge to approximately 250 ft south of the Facility Entrance Gate. The Enhancement Area averages approximately 30 ft in width and is located on either side of the Channel Clearance Area.

Vegetation to be Cleared

The MNWD or its representative will be responsible for identifying what vegetation will need to be cleared.

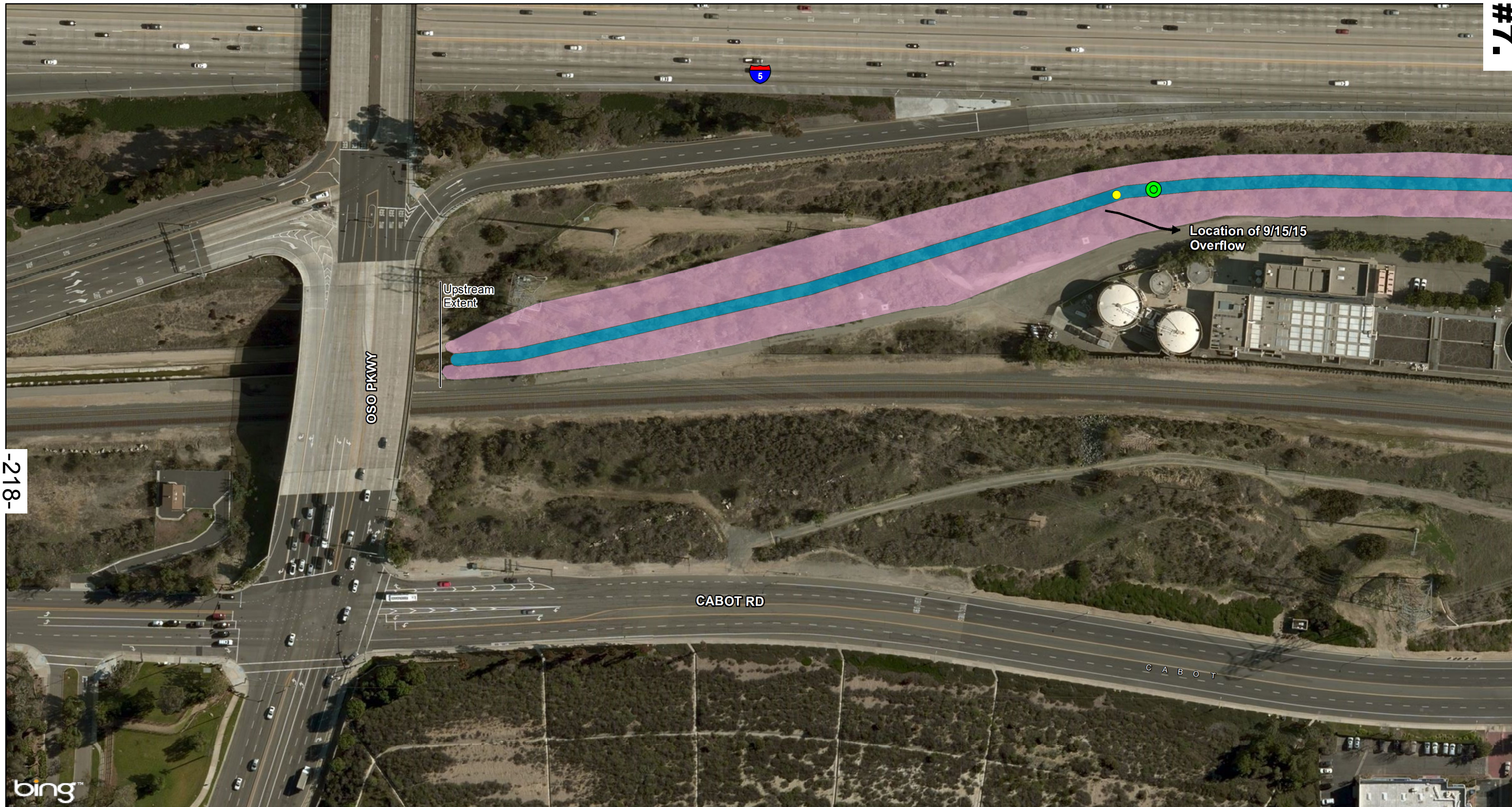
Removal of all vegetation, with the exception of native herbaceous species, within the Channel Clearance Area is allowed. Refer to Figures 3 and 4 for representative cross-sections and site photographs. Native canopy shall be maintained in-place where it is over 10 ft above the dry-season water level. For example, native willow branches between the dry-season water level and 10 ft above it may be cut; however, branches more than 10 ft above the water level shall be left intact.

The Enhancement Area shall be kept clear (less than 5 percent cover) of woody nonnative species (e.g., palms, Brazilian pepper, acacia, bottlebrush, castor bean, tamarisk, eucalyptus) during the term of this permit. It is anticipated that maintenance of the Enhancement Area by a habitat restoration crew will have to occur once or twice annually to remove new infestations of woody nonnative species. No native vegetation, alive or dead, will be removed from the Enhancement Area.

Timing

The MNWD shall notify the regulatory agencies when vegetation-clearing activities within the Channel Clearance Area are going to occur at least 7 calendar days (preferably 14 calendar days) prior to the onset of vegetation clearing. Notifications are required for coordination/information purposes. Notification shall be in the form of an answered telephone call (voicemail is not sufficient notification), email, or by U.S. mail.

To the maximum extent practicable, no clearing activities within the Channel Clearance Area will occur during the general bird breeding season (February 15 through August 31). Take of any nesting bird is prohibited by the federal Migratory Bird Treaty Act (MBTA). The procedure for the clearing



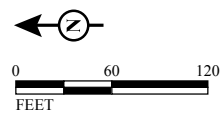
-218-

bing

LSA

LEGEND

- Enhancement Area (4.27 ac)
- 16 ft Channel Clearance Area (0.87 ac)
- Photo Location
- Existing Obstruction



SOURCE: Bing Maps (2013); Orange County (2013)
 F:\MNW1401\GIS\RecNonnativeRemoval.mxd (11/24/2015)

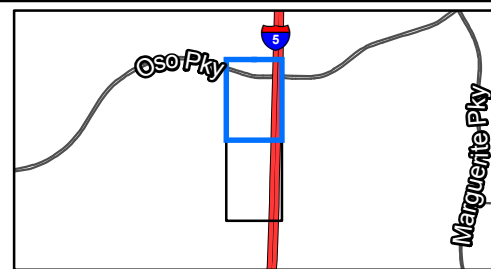
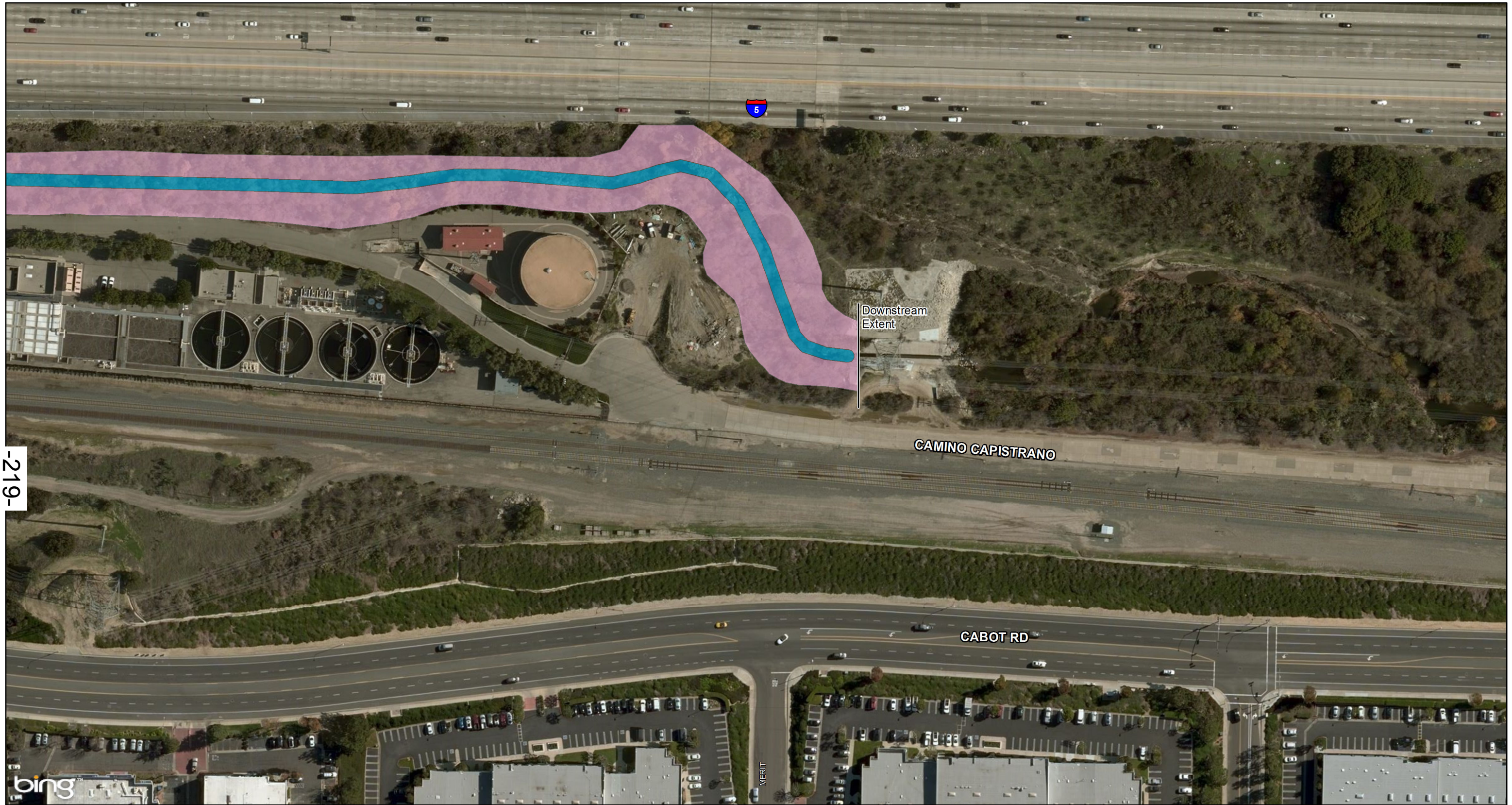


FIGURE 2
Sheet 1 of 2

La Paz Creek Vegetation Management
Proposed Vegetation Removal Areas

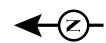


-219-

LSA

LEGEND

- Enhancement Area (4.27 ac)
- 16 ft Channel Clearance Area (0.87 ac)
- Photo Location
- Existing Obstruction



0 60 120
FEET

SOURCE: Bing Maps (2013); Orange County (2013)

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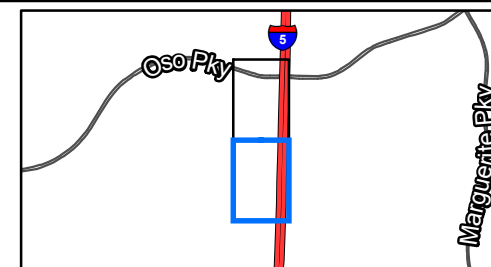


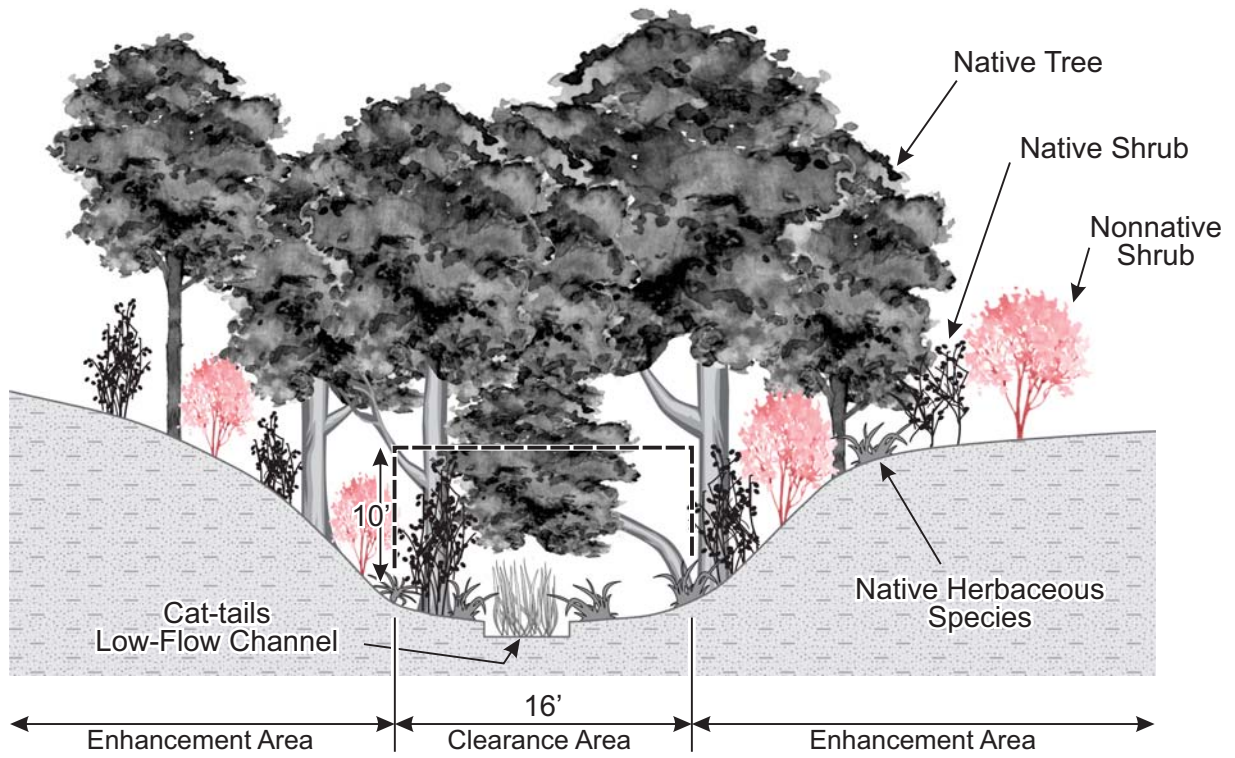
FIGURE 2
Sheet 2 of 2

La Paz Creek Vegetation Manag
Proposed Vegetation Removal

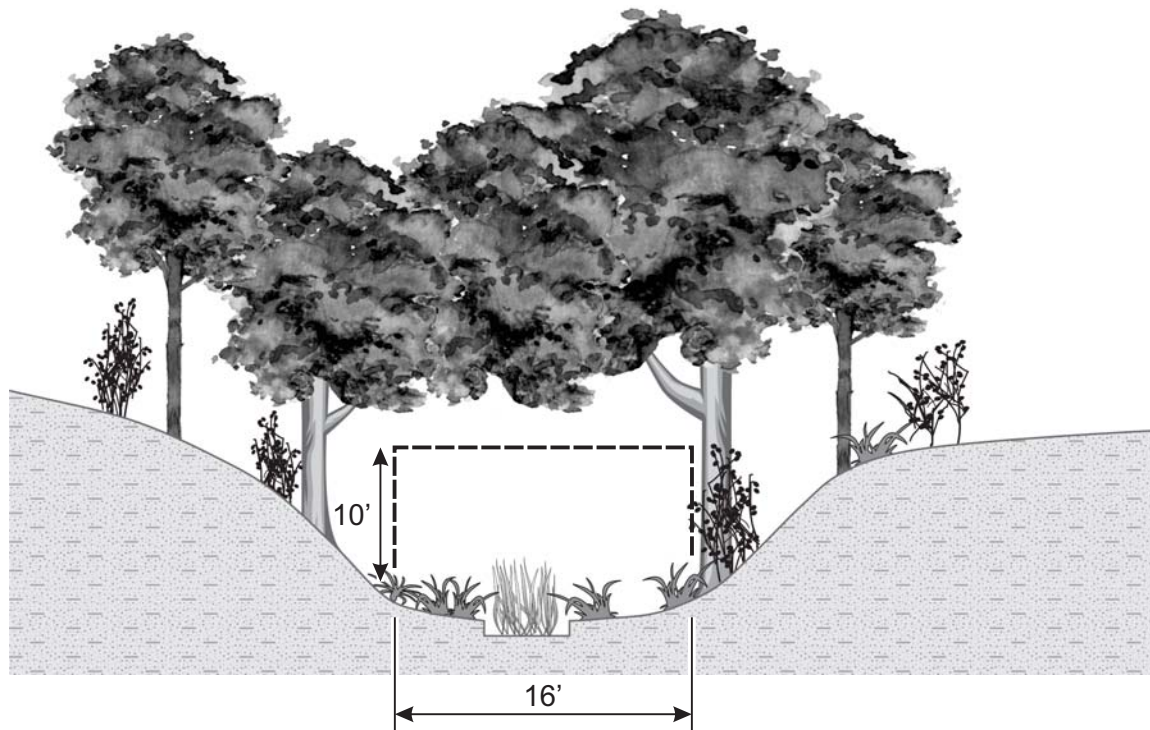
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EXISTING CONDITION



CONDITIONS FOLLOWING VEGETATION REMOVAL



L S A

FIGURE 3

*La Paz Creek Vegetation Management
Proposed Vegetation Removal Plan*



Existing condition of the channel upstream of the obstruction that caused the September 15, 2015 flood (September 17, 2015).



Existing condition of the obstruction that caused the September 15, 2015 flood (September 17, 2015).

L S A

FIGURE 4

*La Paz Creek Vegetation Management
Site Photographs*

of vegetation during the breeding season is as follows. The MNWD must inform the regulatory agencies of the need to clear vegetation during the breeding season. In the past, and only for very small areas, the regulatory agencies have allowed clearing during the breeding season if a qualified biologist performed a detailed nesting survey of the area that is to be worked. If the biologist finds any species of nesting bird within the work area, work will be delayed until there are no birds nesting within the area. For larger areas, the agencies have required that protocol surveys for least Bell's vireo (*Vireo bellii pusillus*) and coastal California gnatcatchers (*Poliptilla californica californica*) be conducted by a qualified biologist prior to the clearing of vegetation. If any nesting birds are found during the protocol surveys (even species other than least Bell's vireo and coastal California gnatcatcher), clearing activities will be delayed.

It is imperative that the MNWD provide the Monitor and Contractor with ample time to complete the job prior to February 15. Many factors can delay the completion of the vegetation clearing, the main factor being the weather.

Monitor and Contractor

The Monitor, the Contractor and foreperson(s), and MNWD shall participate in a preliminary field meeting to review the work limits, access roads, and potential safety issues associated with the work area. The Monitor and the Contractor shall be qualified and have successfully performed or monitored vegetation clearing activities of similar scope in natural habitats.

Monitor. The Monitor's duties prior to the onset of vegetation clearing will include the following:

- Review the work area(s) and recommend ways to minimize impacts to biological resources.
- Review the access routes to the work area(s) and confirm that no unauthorized take will result from access.
- Plan the number of monitors required to sufficiently monitor the work based on the Contractor's estimates of the crew size to be used during vegetation clearing.

Contractor. The Contractor's duties prior to the onset of vegetation clearing will include the following:

- Become familiar with the access routes, topography, and vegetation of the area(s) to be worked.
- Plan and inform the MNWD and the Monitor of the number of personnel that will be needed to complete the job within the project deadline.
- Appoint at least one English-speaking foreman who will be present at all times during clearing activities in order to allow for better communication with the Monitor. This will ultimately result in less confusion and lessen the likelihood for potential errors.

DURING CLEARING

Monitor

A qualified biologist shall be on site during all clearing activities within the Channel Clearance Area and shall be responsible for ensuring that vegetation-clearing activities are completed in accordance with the regulatory agency permit conditions. The Monitor's duties and responsibilities shall include the following:

- Be on site at all times when vegetation clearing activities take place.
- Make sure there are adequate monitors on site to effectively monitor the work. The number of monitors on site will depend on the number of workers the Contractor is employing, the distribution of workers, and the type of habitat being cleared. In general, one monitor is needed for each 20-person hand crew.
- If machinery is to be used, review the machinery being employed by the Contractor and the terrain on which it is to be used (e.g., a bucket truck for tree removal). The Monitor may prohibit the use of machinery if the Monitor determines that use of the machinery is likely to result in an unacceptable amount of ground disturbance and/or impacts to native vegetation.
- Remain a safe distance from pieces of machinery being used, and do not work beneath or downhill from machinery.
- Be visible to the machinery operator at all times (e.g., wear a safety vest).
- Devise (along with the machine operator) a "Stop" signal prior to the onset of work (e.g., utilize radios, whistles, flags, or hand signals).
- Insist that a specialist be employed to remove a beehive if the Monitor believes the hive is occupied by Africanized bees. Vegetation around beehives shall be cleared in the early morning.
- Inform all workers of the location of poison oak.
- Review the vegetation to be removed with the Contractor foreman and crew.
- Be familiar with the special-interest species that have the potential to occur or are known to occur within the project area and/or immediate vicinity.
- Inspect the work area immediately prior to and during clearing activities in order to flush wildlife species (avian or other mobile species) from habitat within the work area.
- Ensure that wildlife species will not be directly impacted by clearing activities in a manner that also allows for the completion of clearing activities in a timely manner. Species that refuse to be flushed will be avoided or captured, if feasible, and safely relocated to areas outside the work area. The handling of special-interest species may require project-specific permission/coordination with the resource agencies.
- Avoid potentially occupied nests (most often older raptor nests when outside the breeding season) until it can be determined they are not currently occupied.
- Provide MNWD with regular updates on the progress of the vegetation clearing in the form of field memoranda.

Contractor

The Contractor shall be responsible for ensuring that the vegetation-clearing activities are completed on time and in accordance with these Guidelines and associated regulatory permits. The Contractor's duties shall include the following:

- Inform the Monitor of all clearing activities.
- Unless specified, no clearing activities may take place without the Monitor being present.
- Inform the Monitor at least 48 hours prior to any work scheduled on a Saturday. No work shall take place on Sunday or federal holidays.
- At least 24 hours prior to commencing work, inform the Monitor of the number of crew members and pieces of machinery that are to be employed.
- Keep ground disturbance to a minimum.
- If machinery is to be utilized in tree removal activities, provide the Monitor 48 hours to review the machinery prior to its use. The machinery will be subject to approval by the Monitor.
- Prohibit machinery from use on steep slopes where such use of the machinery would result in excessive soil disturbance or would be hazardous to the operator or Monitor.
- Supply enough resources (e.g., equipment or hand crew personnel) to complete the work in a timely manner.
- Direct the field crew each day as to what work is to be completed. It is not the responsibility of the Monitor to instruct the crews.
- Provide at least one English-speaking person, who shall be present at all times during vegetation-clearing activities. This person will need to have the ability to communicate with the Monitor and to direct the crew.
- Cut all vegetation within the work area as indicated by the Monitor. All vegetation shall be cut to within 6 inches above ground level. Large tree stumps may be left taller than 6 inches, subject to review and approval by the Monitor.
- Remove all cut vegetation from the site area and transfer it to an appropriate off-site disposal location.
- Adhere to the directions of the Monitor.
- Replace or sharpen chains on chainsaws as often as necessary to lessen the chance of fire.
- Equip each piece of machinery and the hand crew with a 5-gallon, Class 2-A fire extinguisher.

FOLLOWING CLEARING

If indicated within the permits issued by the regulatory agencies, the Monitor or the MNWD with the aid of the Monitor shall submit a construction monitoring report summarizing the vegetation-clearing activities to the resource agencies. If required, the report will include the dates on which vegetation clearing took place, the names of the monitoring biologist(s) Contractor, the number of workers and pieces of machinery utilized by the Contractor, total acreage by habitat type that was impacted, wildlife species observed, and any other noteworthy occurrences.

As appropriate, in areas where the clearing of vegetation resulted in the ground becoming overly disturbed, the MNWD or the Contractor shall be responsible for the installation of all required erosion control measures (e.g., sand bags, water bars, straw wattles, silt fences, or jute netting) as soon as possible. The erosion control measures shall be maintained as long as necessary.

Cleared terrestrial areas (i.e., outside the low-flow channel) shall be hand-seeded with a native herbaceous seed mix composed of species suitable for the existing habitat type(s) (e.g., mugwort [*Artemisia douglasiana*], beardless wild-rye [*Leymus triticoides*], and salt heliotrope [*Heliotropium currasavicum*] for shady, wetter areas, or needlegrass [*Stipa* spp.], ragweed [*Ambrosia psilostachya*], and California plantain [*Plantago erecta*]) for drier areas higher up the banks), prepared by, or subject to approval by, the Monitor prior to purchase and installation.

EXISTING CONDITIONS

On January 14, 2015, LSA Associates, Inc. (LSA) biologists Blake Selna and Chris Meloni assessed La Paz Creek between Oso Parkway and the confluence with Oso Creek. The purpose of the assessment was to map nonnative vegetation within the creek and identify potential obstructions within the creek that may contribute to the creek overflowing during peak flows. The results of the assessment and recommendations were presented within LSA's *Site Assessment and Recommendations* letter dated March 23, 2015 (Appendix A). Included within the letter are figures depicting the locations of the project area, nonnative species within the vicinity, native and nonnative species recommended for removal, and notable hydrology features. Also included within the letter are a list of nonnative species found in abundance, a description of drainage features observed, a brief discussion of regulatory issues, and further recommendations.

APPENDIX A

SITE ASSESSMENT AND RECOMMENDATIONS LETTER



LSA ASSOCIATES, INC.
20 EXECUTIVE PARK, SUITE 200
IRVINE, CALIFORNIA 92614

949.553.0666 TEL
949.553.8076 FAX

BERKELEY
CARLSBAD

FRESNO
PALM SPRINGS
PT. RICHMOND

RIVERSIDE
ROCKLIN
SAN LUIS OBISPO

March 23, 2015

Eva Plajzer
Moulton-Niguel Water District
27500 La Paz Road
Laguna Niguel, CA 92677

Subject: Site Assessment and Recommendations

Dear Ms. Plajzer:

On January 14, 2015, LSA Associates, Inc. (LSA) biologists Blake Selna and Chris Meloni assessed the La Paz Channel between Oso Parkway and the confluence with Oso Creek (Study Area, Figures 1–3; all figures attached). Oso Parkway is approximately 800 feet (ft) north of the Plant 3A Wastewater Treatment Plant/Advanced Water Treatment facility (Facility). The La Paz Channel/Oso Creek confluence is approximately 200 ft south of the Facility. The purpose of the assessment was to map nonnative vegetation within the channel and identify potential obstructions within the channel that may contribute to the channel overflowing during peak flows.

METHODS AND FINDINGS

The locations of nonnative species, noteworthy drainage features, and potential obstructions were mapped using orthographically rectified aerial photographs at a scale of 1 inch = 120 ft.

Nonnative Vegetation

A significant amount of nonnative vegetation was identified within the Study Area (Figure 1). Nonnative species found in abundance within the Study Area include Mexican fan palm (*Washingtonia robusta*), castor bean (*Ricinus communis*), pampas grass (*Cortaderia sellona*), bottlebrush (*Callistemon* sp.), tamarisk (*Tamarix* sp.), and Brazilian pepper (*Schinus terebinthifolius*). Other nonnative species mapped within the Study Area include acacia (*Acacia* sp.), eucalyptus (*Eucalyptus* sp.), poison hemlock (*Conium maculatum*), Peruvian pepper (*Schinus molle*), pride of Madeira (*Echium candicans*), edible fig (*Ficus carica*), shamel ash (*Fraxinus uhdei*), myoporum (*Myoporum laetum*), tree tobacco (*Nicotiana glauca*), and common olive (*Olea europaea*). The locations of nonnative species within the channel that likely obstruct flow and/or whose removal would increase channel capacity are depicted on Figure 2.

Drainage Features

LSA did not conduct a technical hydrologic analysis; however, noteworthy drainage features within the Study Area are depicted on Figure 3.

The stretch of La Paz Channel north of the Southern California Edison (SCE) crossing appears to have adequate capacity, with the exception of the area immediately upstream of the SCE crossing. Debris, sediment, and nonnative and native vegetation (cat-tails [*Typha* sp.] and willows [*Salix* sp.]) immediately north of the SCE crossing appear to be constricting flows; however, the channel does not appear to overflow its banks at any point upstream of the SCE crossing.

Immediately south of the SCE crossing the low-flow channel is constricted and channel capacity is limited by sediment deposits on both banks. There is also a significant amount of dead native and nonnative vegetation on the eastern bank that reduces channel capacity and likely obstructs flow during peak flows.

Conversations with Water District personnel indicate that the channel may overflow its banks during peak flows at the SCE crossing on the west side of the channel. The constriction immediately south of the SCE crossing may contribute to or cause the overflow.

Approximately 250 ft south of the SCE crossing there are a series of significant obstructions (i.e., sedimentation, native vegetation [willows and cat-tails], and debris) within the low-flow channel. The sedimentation and vegetation impede the low flows within the channel so that there is a pool of standing water that stretches back to the SCE crossing. Conversations with Facility personnel indicate that the channel overflows its western bank during peak flows less than 50 ft north of the northernmost obstruction.

Approximately 500 ft south of the SCE crossing there is a significant stretch of the channel (approximately 250 ft) that appears to have limited capacity due to channel width constriction and significant sedimentation that limits channel depth. The low-flow channel within this stretch is narrow, incised, and has low capacity. The area between the low-flow channel and Camino Capistrano Road has been significantly filled in with sediment and in most places is less than 5 ft below the grade of Camino Capistrano Road.

There are two grade stabilization structures (i.e., riprap weirs) located at the upstream and downstream ends of the water tank on the east side of Camino Capistrano. There is a moderate area of sedimentation north of the northern riprap weir within the channel. The area between the two riprap weirs has a significant amount of sedimentation and establishment of vegetation within the low-flow channel. There is a significant decrease in elevation immediately south of the southern riprap weir.

REGULATORY CONSIDERATIONS

The creek and the associated vegetation are regulated by State and federal regulations. The following section briefly describes the jurisdiction of the following regulatory agencies: the California Department of Fish and Wildlife (CDFW), the United States Army Corps of Engineers (Corps), and the Regional Water Quality Control Board (RWQCB).

CDFW

The CDFW regulates impacts to watercourses and the associated vegetation under its Streambed Alteration Program. Substantial modification to the bed and bank of the channel and/or the associated vegetation require a Streambed Alteration Agreement (SAA). For the purpose of this project, LSA anticipates that the CDFW would require an SAA for physical alteration of the channel and/or banks, but may choose to not regulate removal of nonnative species. Along the same lines, the CDFW may choose not to regulate a very limited impact to native vegetation, such as the three or four instances where native vegetation is growing within the channel and constricting flow, as shown on Figure 3. Removal of bedload sediment and/or bank material would definitely require an SAA. MNWD would need to submit the SAA notification (application) in order for CDFW to decide whether or not to regulate the removal of nonnative vegetation and a limited amount of native vegetation.

Corps

In general, the Corps regulates fill or deposition of material within the Ordinary High Water Mark (OHWM) and associated wetland areas within the creek corridor. Excavation, if accomplished with no more than incidental fallback and no mechanized impacts to vegetation, would not be regulated by the Corps; however, such careful excavation, especially without vegetation impacts, is rarely achievable. Removal of sediment from most areas of the creek would require a Corps permit. It is possible that some

limited sediment removal activities, such as would be feasible from the SCE crossing, may qualify for a Letter of Permission (LOP) from the Corps. The project area is within the San Juan/Western San Mateo Creek Special Area Management Plan (SAMP) and is within an area designated for abbreviated permit processing for some project types. The time frame for a Corps LOP is dependent upon the nature of the proposed activities. The Corps has a goal of 45 days; however, staffing/budget cuts have lengthened most Corps processing times.

RWQCB

The RWQCB certifies the Corps action (issuance of permits), documenting its consistency with the Clean Water Act, on behalf of the United States Environmental Protection Agency (EPA). The 401 Certification is required in order to validate a provisional Corps permit that the Corps will issue if the RWQCB processing time exceeds the Corps processing time.

CONCLUSIONS AND RECOMMENDATIONS

LSA recommends removal of vegetation, focusing on nonnative species but including some limited native removal where the vegetation obviously affects flow. Amelioration of flooding by this vegetation removal may be reevaluated next rainy season. Based on the field conditions and the regulatory framework associated with this project, LSA recommends initiating the SAA process with the CDFW for permission to remove vegetation (nonnative and limited native) as shown on Figure 2.

Thank you for the opportunity to work with you on this project. Please call or email any time to discuss the next steps.

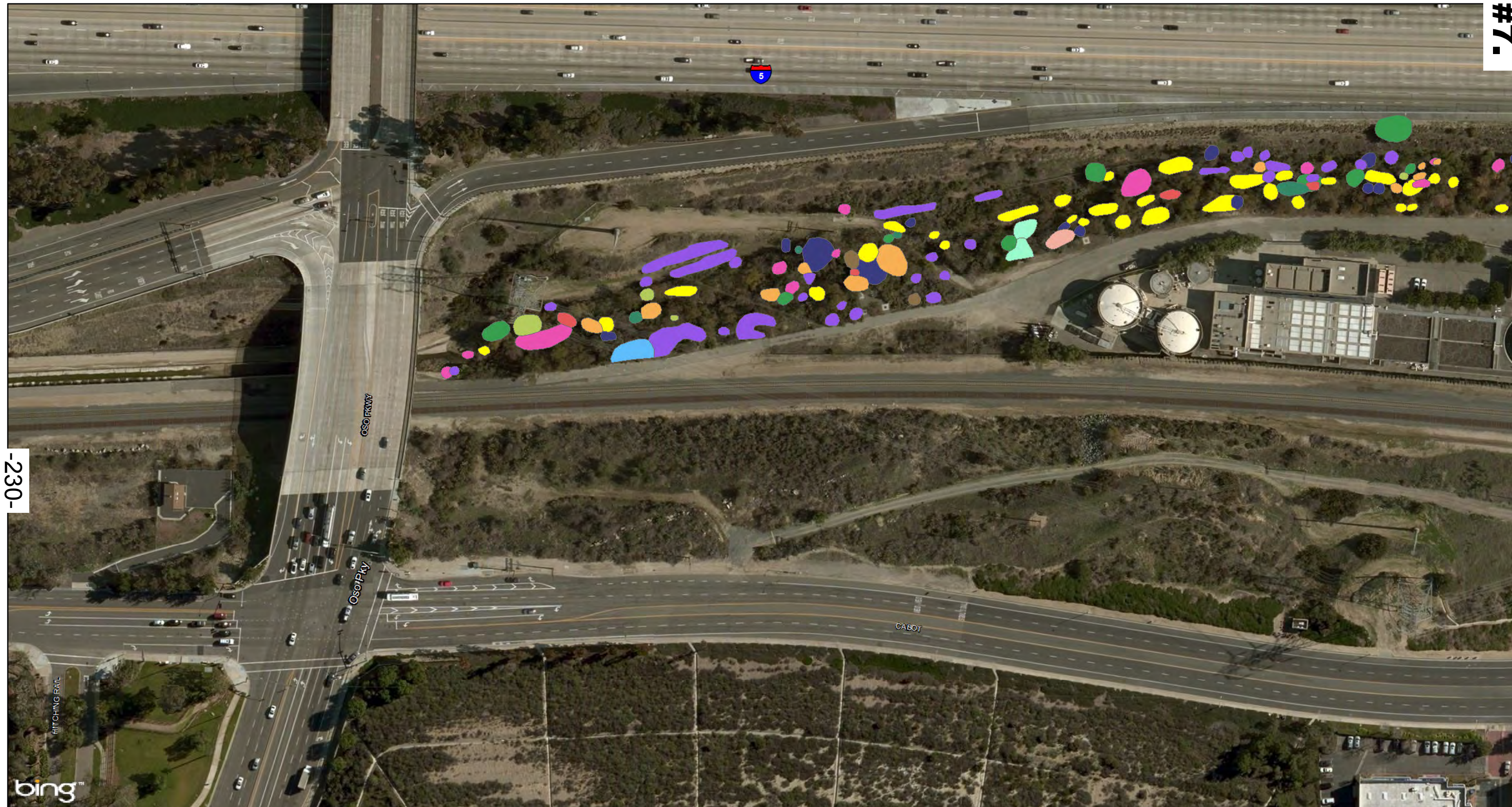
Sincerely,

LSA ASSOCIATES, INC.



Blake Selna
Principal, Biologist

Attachments: Figures 1–3



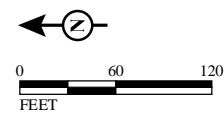
-230-

LSA

LEGEND

Nonnative Vegetation

- | | | |
|--|--|--|
|  Castor Bean |  Mexican Fan Palm |  Poison Hemlock |
|  Acacia |  Common Olive |  Pride of Madeira |
|  Bottlebrush |  Edible Fig |  Shamel Ash |
|  Brazilian Pepper |  Eucalyptus |  Tamarisk |
| |  Myoporum | |
| |  Pampas Grass | |
| |  Peruvian Pepper | |



SOURCE: Bing Maps (2013)
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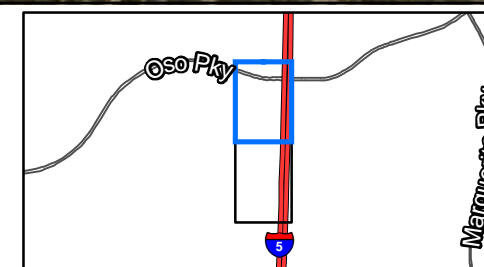
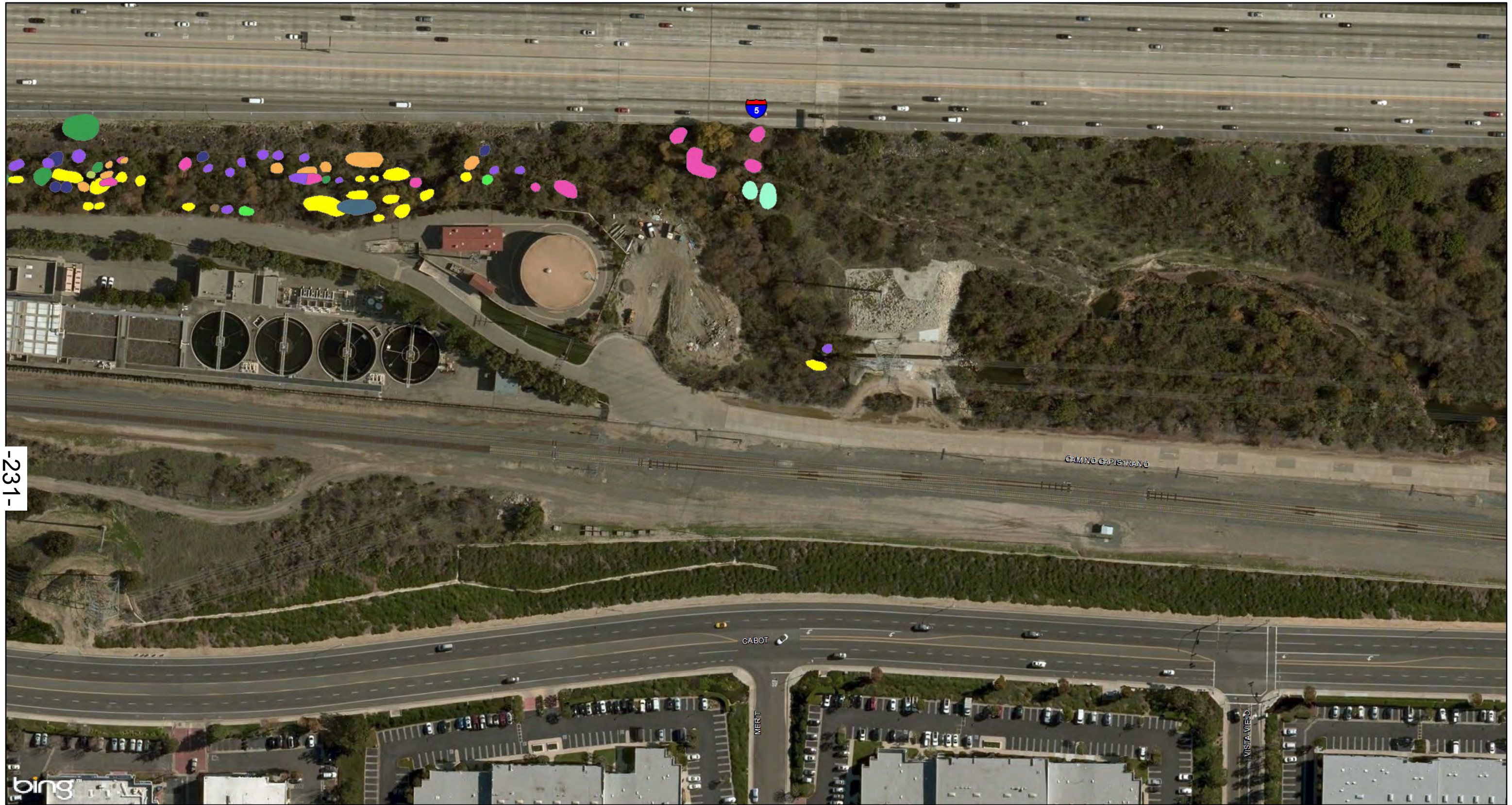


FIGURE 1
Sheet 1 of 2

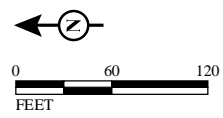


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LSA

LEGEND

Nonnative Vegetation	Castor Bean	Mexican Fan Palm	Poison Hemlock
Acacia	Common Olive	Myoporum	Pride of Madeira
Bottlebrush	Edible Fig	Pampas Grass	Shamel Ash
Brazilian Pepper	Eucalyptus	Peruvian Pepper	Tamarisk



SOURCE: Bing Maps (2013)
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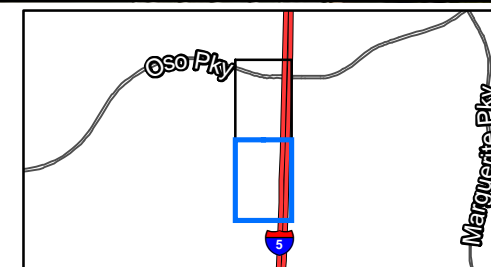
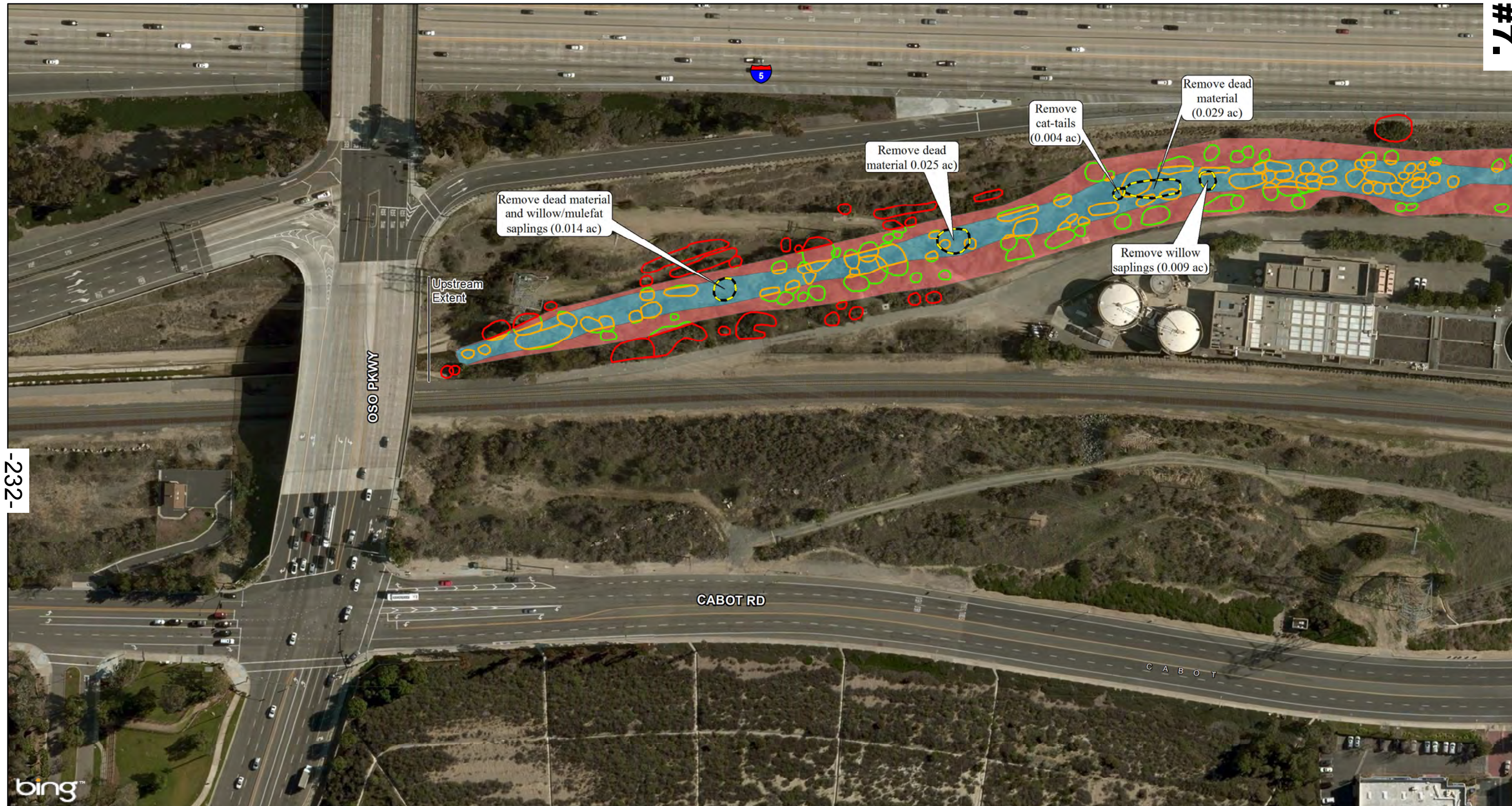


FIGURE 1
 Sheet 2 of 2

La Paz Creek Vegetation Manag
 Nonnative Veget

#7



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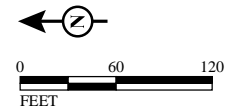
LSA

LEGEND

- Primary nonnative vegetation removal area
- Compensatory nonnative vegetation removal area
- Nonnative vegetation outside compensatory removal area

Vegetation Recommended for Removal

- Nonnative vegetation likely to restrict flow (0.51 ac)
- Compensatory nonnative vegetation removal area (0.42 ac)
- Native/dead material (0.08 ac)



SOURCE: Bing Maps (2013)

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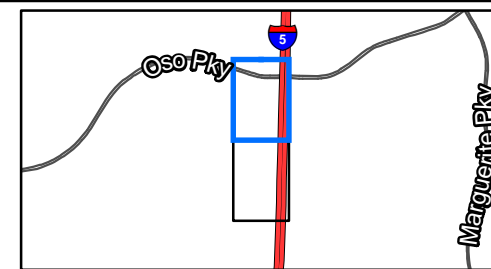
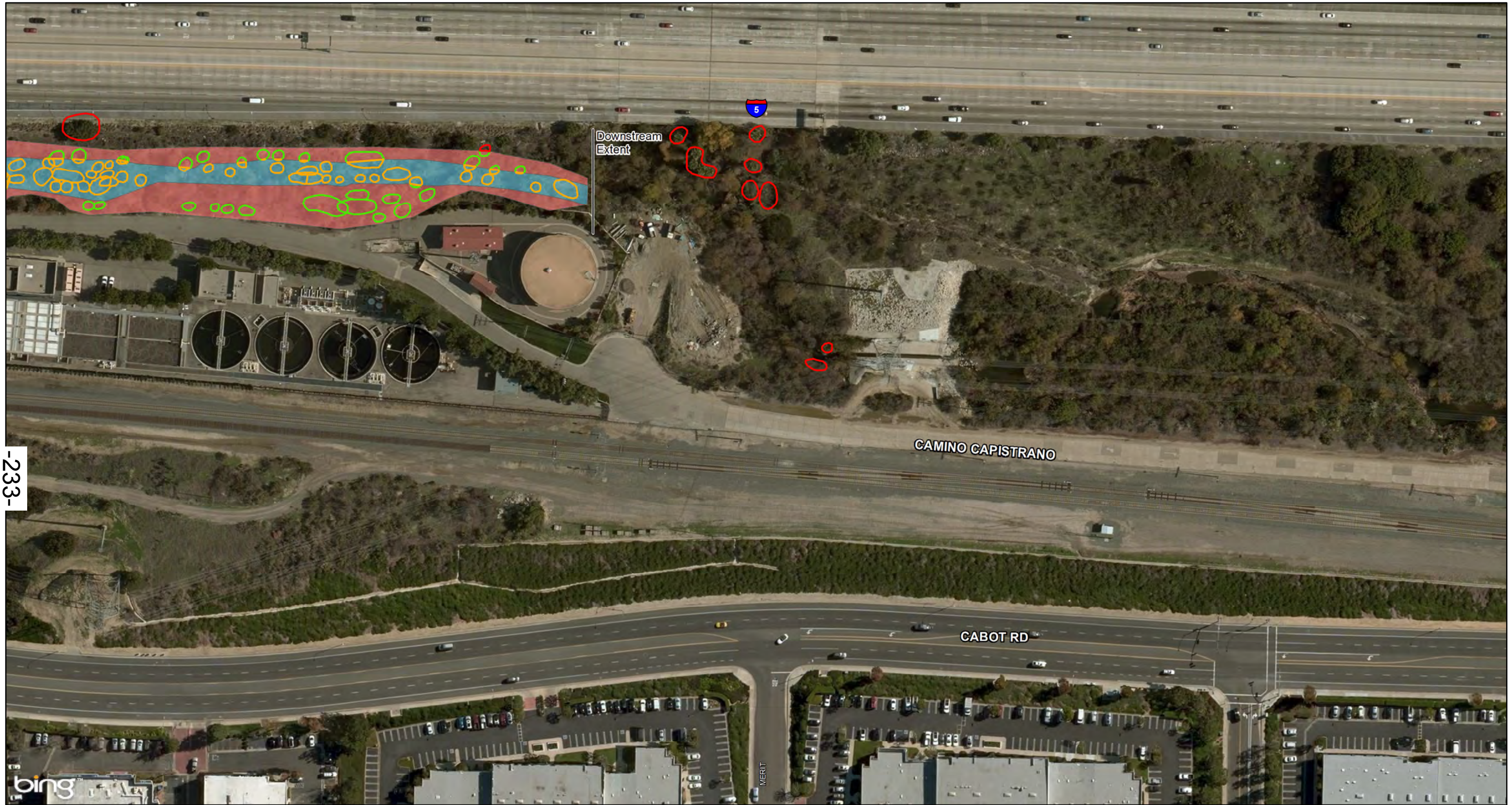


FIGURE 2
Sheet 1 of 2

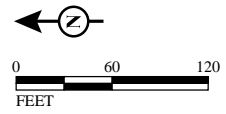
La Paz Creek Vegetation Management
Proposed Nonnative Removal



LSA

LEGEND

- Primary nonnative vegetation removal area
 - Compensatory nonnative vegetation removal area
 - Nonnative vegetation outside compensatory removal area
-
- Vegetation Recommended for Removal
- Nonnative vegetation likely to restrict flow (0.51 ac)
 - Compensatory nonnative vegetation removal area (0.42 ac)
 - Native/dead material (0.08 ac)



SOURCE: Bing Maps (2013)
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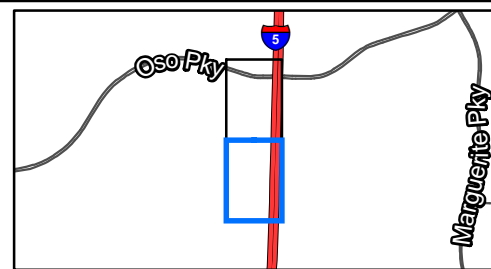
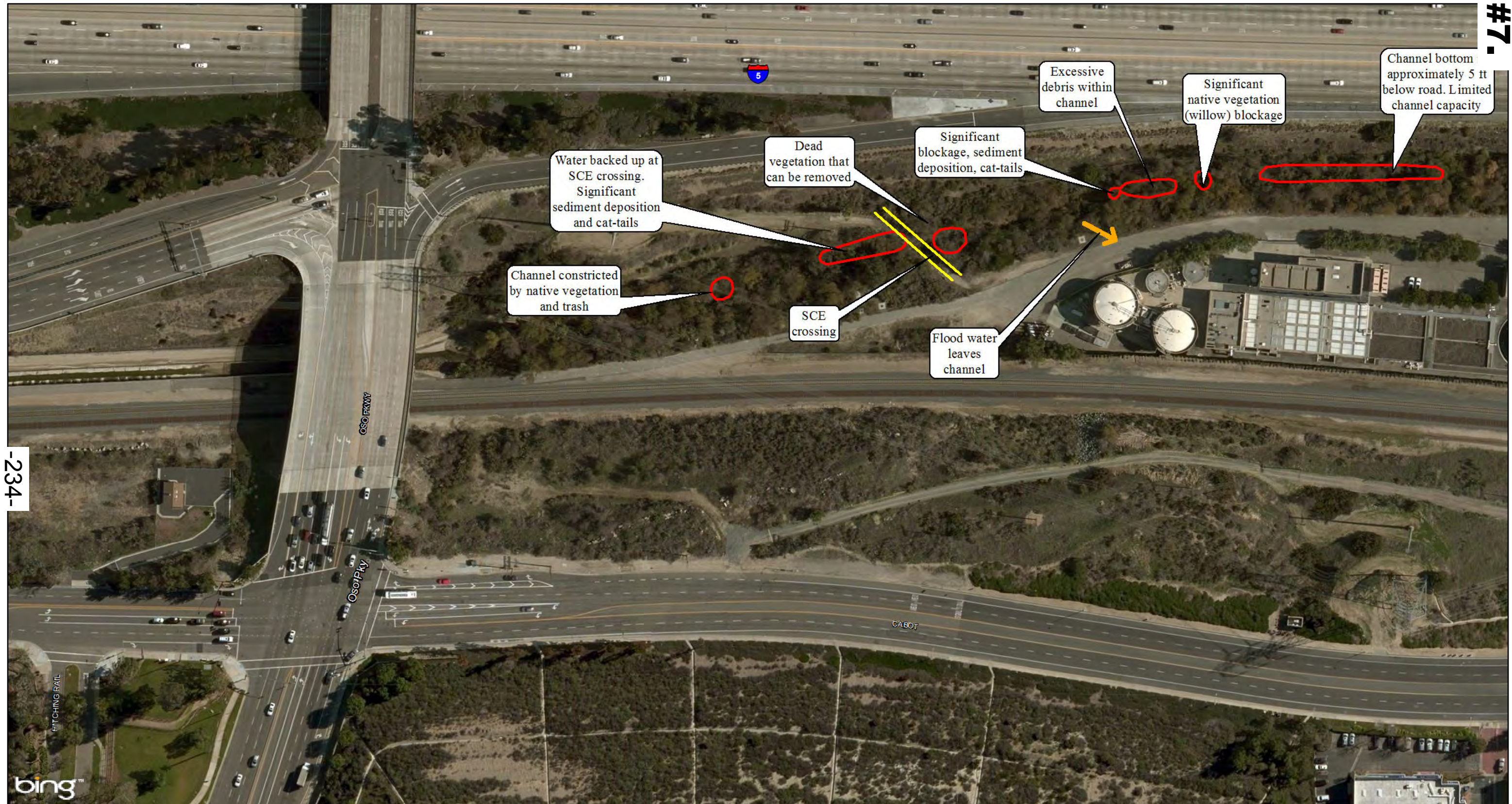


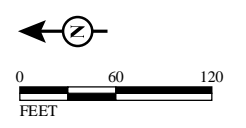
FIGURE 2
 Sheet 2 of 2

La Paz Creek Vegetation Manag
 Proposed Nonnative Rer



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LSA



SOURCE: Bing Maps (2013)
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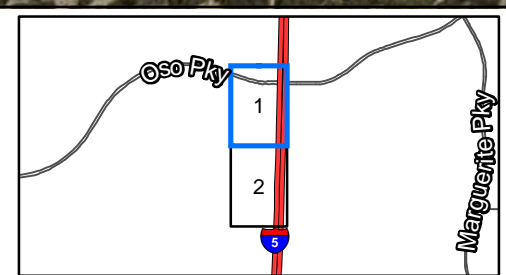
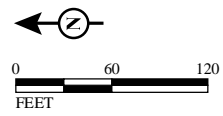


FIGURE 3
 Sheet 1 of 2



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LSA



SOURCE: Bing Maps (2013)
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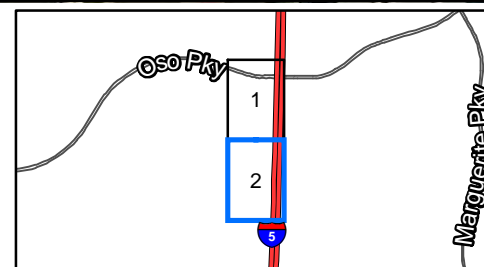


FIGURE 3
 Sheet 2 of 2

#7.

EXHIBIT 2

Fee Proposal

La Paz Creek

HABITAT RESTORATION SCIENCES, INC.

Bid Sheet

Description (Whole Area)			Lump Sum
1.	Mobilization		\$ 5,000.00
2.	Channel Vegetation Removal (0.87 ac)		\$ 7,500.00
3.	Nonnative Vegetation Removal (4.27 ac)		\$ 8,500.00
4.	Tree Removal	\$/tree_____	\$ 42,500.00
5.	Disposal (initial clearing)		\$ 5,000.00
6.	Collect and install Approx. 300 Cuttings	\$/cutting_____	\$ 3,000.00
7.	Handseed Approx. 3.0 ac with Approx. 100 lbs. of Seed	\$/ac_____	\$ 3,000.00
8.	Maintain 5.14 ac until the Performance Standards are Met (5 years)		\$ 75,000.00
9.	Seed		\$ 3,000.00
Total			\$ 152,500.00

Description (Reduced Area)			Lump Sum
1.	Mobilization		\$ 2,500.00
2.	Channel Vegetation Removal (0.20 ac)		\$ 3,800.00
3.	Nonnative Vegetation Removal (1 ac)		\$ 4,000.00
4.	Tree Removal	\$/tree_____	\$ 19,000.00
5.	Disposal (initial clearing)		\$ 2,000.00
6.	Collect and install Approx. 75 Cuttings	\$/cutting_____	\$ 750.00
7.	Handseed Approx. 0.75 ac with Approx. 25 lbs. of Seed	\$/ac_____	\$ 750.00
8.	Maintain 1.2 ac until the Performance Standards are Met (5 years)		\$ 22,000.00
9.	Seed		\$ 750.00
Total			\$ 55,550.00

Notes: Cost of water is not included
Monitoring and reporting are not included
The number of trees to be removed shall be counted by the contractor
The project areas are approximately 2,400 ft and 500 ft long, respectively
A POC for cutting installation is available

#7.

EXHIBIT 3

**Payment Bond
(District's Form)**

PAYMENT BOND

KNOW ALL PERSONS BY THESE PRESENTS:

THAT WHEREAS, the Moulton Niguel Water District (hereinafter referred to as "District") has awarded to _____, (hereinafter referred to as the "Contractor") an agreement for _____ (hereinafter referred to as the "Project").

WHEREAS, the work to be performed by the Contractor is more particularly set forth in the Contract Documents for the Project dated _____, (hereinafter referred to as "Contract Documents"), the terms and conditions of which are expressly incorporated herein by reference; and

WHEREAS, Principal is required to furnish a bond in connection with the contract described above; providing that if Principal or any of its Subcontractors shall fail to pay for any materials, provisions, provender, equipment, or other supplies used in, upon, for or about the performance of the work contracted to be done, or for any work or labor done thereon of any kind, or for amounts due under the Unemployment Insurance Code or for any amounts required to be deducted, withheld, and paid over to the Employment Development Department from the wages of employees of Principal and its Subcontractors with respect to such work or labor the Surety on this bond will pay for the same to the extent hereinafter set forth.

NOW THEREFORE, we, the Principal and _____ as Surety, are held and firmly bound unto the District in the penal sum of _____ Dollars (\$_____) lawful money of the United States of America, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH that if Principal, his or its subcontractors, heirs, executors, administrators, successors or assigns, shall fail to pay any of the persons named in Section 9100 of the Civil Code, fail to pay for any materials, provisions or other supplies, used in, upon, for or about the performance of the work contracted to be done, or for any work or labor thereon of any kind, or amounts due under the Unemployment Insurance Code with respect to work or labor performed under the contract, or for any amounts required to be deducted, withheld, and paid over to the Employment Development Department or Franchise Tax Board from the wages of employees of the contractor and his subcontractors pursuant to Section 18663 of the Revenue and Taxation Code, with respect to such work and labor the Surety or Sureties will pay for the same, in an amount not exceeding the sum herein above specified, and also, in case suit is brought upon this bond, all litigation expenses incurred by the District in such suit, including reasonable attorneys' fees, court costs, expert witness fees and investigation expenses.

This bond shall inure to the benefit of any of the persons named in Section 9100 of the Civil Code so as to give a right of action to such persons or their assigns in any suit brought upon this bond.

It is further stipulated and agreed that the Surety on this bond shall not be exonerated or released from the obligation of this bond by any change, extension of time for performance, addition,

#7.

alteration or modification in, to, or of any contract, plans, specifications, or agreement pertaining or relating to any scheme or work of improvement herein above described, or pertaining or relating to the furnishing of labor, materials, or equipment therefore, nor by any change or modification of any terms of payment or extension of the time for any payment pertaining or relating to any scheme or work of improvement herein above described, nor by any rescission or attempted rescission or attempted rescission of the contract, agreement or bond, nor by any conditions precedent or subsequent in the bond attempting to limit the right of recovery of claimants otherwise entitled to recover under any such contract or agreement or under the bond, nor by any fraud practiced by any person other than the claimant seeking to recover on the bond and that this bond be construed most strongly against the Surety and in favor of all persons for whose benefit such bond is given, and under no circumstances shall Surety be released from liability to those for whose benefit such bond has been given, by reason of any breach of contract between the District and original contractor or on the part of any obligee named in such bond, but the sole conditions of recovery shall be that claimant is a person described in Section 9100 of the Civil Code, and has not been paid the full amount of his claim.

The Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract to be performed thereunder, shall in any way affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of Contract. including but not limited to the provisions of Sections 2819 and 2845 of the California Civil Code.

IN WITNESS WHEREOF, two (2) identical counterparts of this instrument, each of which shall for all purposes be deemed an original thereof, have been duly executed by the Principal and Surety above named, on the _____ day of _____ 20____ the name and corporate seal of each corporate party being hereto affixed and these presents duly signed by its undersigned representative pursuant to authority of its governing body.

(Corporate Seal of Principal,
if corporation)

Principal (Property Name of Contractor)

By _____
(Signature of Contractor)

(Seal of Surety)

Surety

By _____
Attorney in Fact

Signatures of those signing for the Contractor and Surety must be notarized and evidence of corporate authority attached. A Power-of-Attorney authorizing the person signing on behalf of the Surety to do so must be attached hereto.

EXHIBIT 4

**Performance Bond
(District's Form)**

PERFORMANCE BOND

KNOW ALL PERSONS BY THESE PRESENTS:

THAT WHEREAS, the Moulton Niguel Water District (hereinafter referred to as "District") has awarded to _____, (hereinafter referred to as the "Contractor") an agreement for _____ (hereinafter referred to as the "Project").

WHEREAS, the work to be performed by the Contractor is more particularly set forth in the Contract Documents for the Project dated _____, (hereinafter referred to as "Contract Documents"), the terms and conditions of which are expressly incorporated herein by reference; and

WHEREAS, the Contractor is required by the Contract Documents to perform the terms thereof and to furnish a bond for the faithful performance of the Contract Documents.

NOW, THEREFORE, we, _____, the undersigned Contractor and _____ as Surety, a corporation organized and duly authorized to transact business under the laws of the State of California, are held and firmly bound unto the District in the sum of _____ DOLLARS, (\$_____), the sum being not less than one hundred percent (100%) of the total amount of the Contract, for which amount well and truly to be made, we bind ourselves, our heirs, executors and administrators, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH, that, if the Contractor, his or its heirs, executors, administrators, successors or assigns, shall in all things stand to and abide by, and well and truly keep and perform the covenants, conditions and agreements in the Contract Documents and any alteration thereof made as therein provided, on its part, to be kept and performed at the time and in the manner therein specified, and in all respects according to their intent and meaning; and shall faithfully fulfill all obligations including the one-year guarantee of all materials and workmanship; and shall indemnify and save harmless the District, its officers and agents, as stipulated in the Contract Documents, then this obligation shall become null and void; otherwise it shall be and remain in full force and effect.

As a condition precedent to the satisfactory completion of the Project, unless otherwise provided for in the Contract Documents, the guarantee obligation shall hold good for a period of one (1) year after the acceptance of the work by District, during which time if Contractor shall fail to make full, complete, and satisfactory repair and replacements and totally protect the District from loss or damage resulting from or caused by defective materials or faulty workmanship the above obligation in penal sum thereof shall remain in full force and effect. However, anything in this paragraph to the contrary notwithstanding, the obligations of Surety hereunder shall continue so long as any obligation of Contractor remains. Nothing herein shall limit District's rights or the Contractor or Surety's obligations under the Contract, law or equity, including, but not limited to, California Code of Civil Procedure section 337.15.

As a part of the obligation secured hereby and in addition to the face amount specified therefor, there shall be included costs and reasonable expenses and fees including reasonable attorney's fees, incurred by the District in enforcing such obligation.

Whenever Contractor shall be, and is declared by the District to be, in default under the Contract Documents, the Surety shall remedy the default pursuant to the Contract Documents, or shall promptly, at the District's option:

1. Take over and complete the Project in accordance with all terms and conditions in the Contract Documents; or
2. Obtain a bid or bids for completing the Project in accordance with all terms and conditions in the Contract Documents and upon determination by Surety of the lowest responsive and responsible bidder, arrange for a Contract between such bidder, the Surety and the District, and make available as work progresses sufficient funds to pay the cost of completion of the Project, less the balance of the contract price, including other costs and damages for which Surety may be liable. The term "balance of the contract price" as used in this paragraph shall mean the total amount payable to Contractor by the District under the Contract and any modification thereto, less any amount previously paid by the District to the Contractor and any other set offs pursuant to the Contract Documents.
3. Permit the District to complete the Project in any manner consistent with California law and make available as work progresses sufficient funds to pay the cost of completion of the Project, less the balance of the contract price, including other costs and damages for which Surety may be liable. The term "balance of the contract price" as used in this paragraph shall mean the total amount payable to Contractor by the District under the Contract and any modification thereto, less any amount previously paid by the District to the Contractor and any other set offs pursuant to the Contract Documents.

Surety expressly agrees that the District may reject any contractor or subcontractor which may be proposed by Surety in fulfillment of its obligations in the event of default by the Contractor.

Surety shall not utilize Contractor in completing the Project nor shall Surety accept a bid from Contractor for completion of the Project if the District, when declaring the Contractor in default, notifies Surety of the District's objection to Contractor's further participation in the completion of the Project.

The Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the Contract to be performed thereunder, shall in any way affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of Contract. including but not limited to the provisions of Sections 2819 and 2845 of the California Civil Code.

[Remainder of Page Left Intentionally Blank.]

#7.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this _____ day of _____, 20____.

CONTRACTOR/PRINCIPAL

Name

By _____

SURETY:

By: _____

Attorney-In-Fact

Signatures of those signing for the Contractor and Surety must be notarized and evidence of corporate authority attached.

The rate of premium on this bond is _____ per thousand. The total amount of premium charges, \$_____.
(The above must be filled in by corporate attorney.)

THE FOLLOWING INFORMATION IS MANDATORY

Any claims under this bond may be addressed to:

(Name and Address of Surety)

(Name and Address of Agent or Representative for service of process in California, if different from above)

(Telephone number of Surety and Agent or Representative for service of process in California)

EXHIBIT 5

**MOULTON NIGUEL WATER DISTRICT
LA PAZ CREEK VEGETATION REMOVAL**

WORKERS' COMPENSATION DECLARATION

I hereby affirm under penalty of perjury one of the following declarations:

(ONE OF THE BOXES BELOW MUST BE CHECKED, AND FORM SIGNED BELOW)

I have and will maintain a certificate of consent from the California Labor Commission to self-insure for workers' compensation, as provided for by Section 3700 of the Labor Code, for the performance of the repair work to be performed under this Agreement.

I have and will maintain workers' compensation insurance, as required by Section 3700 of the Labor Code, for the performance of the repair work to be performed under this Agreement. My workers' compensation insurance carrier and policy number are:

Carrier _____

Policy Number _____

I certify that, in the performance of the repair work on this Agreement, I shall not employ any person in any manner so as to become subject to the workers' compensation laws of California, and agree that, if I should become subject to the workers' compensation provisions of Section 3700 of the Labor Code, I shall forthwith comply with those provisions.

Date: _____

Contractor: _____

Authorized Officer/ Representative

WARNING: FAILURE TO SECURE WORKERS' COMPENSATION COVERAGE IS UNLAWFUL, AND SHALL SUBJECT AN EMPLOYER TO CRIMINAL PENALTIES AND CIVIL FINES UP TO ONE HUNDRED THOUSAND DOLLARS (\$100,000), IN ADDITION TO THE COST OF COMPENSATION, DAMAGES AS PROVIDED FOR IN SECTION 3706 OF THE LABOR CODE, INTEREST, AND ATTORNEY'S FEES.



moulton niguel water district

STAFF REPORT

TO: Board of Directors **MEETING DATE:** December 15, 2016

FROM: Drew Atwater, Director of Planning

SUBJECT: Rebate Applications for Turf Removal

DIVISION: District-wide

SUMMARY:

Issue: The District has received exemption requests for rebate applications that exceeded the maximum allowable acreage for turf removal as defined in the approved Board policy.

Recommendation: It is recommended that the Board of Directors consider the rebate applications for the identified projects without a limitation on the maximum allowable acreage for the project and direct staff accordingly.

Fiscal Impact: Sufficient funds are available within the Water Use Efficiency Fund to fund the identified rebate applications. Additional information is provided within the staff report.

BACKGROUND:

More than half of the water used at the District is for outdoor landscapes. Water efficient landscapes can decrease water use up to 70 percent through a combination of proper plant selection and irrigation technology. However, the cost of installing climate-applicable plants is sometimes an obstacle to turning traditional grass landscapes into more water-efficient environments. The District's turf replacement program is designed to help residents, businesses, and public agencies make that conversion.

The proposed project is eligible to receive \$2 per square foot from the District for turf removal and replacement with low water use plants or synthetic turf. The program provides limitations on the amount of turf removal that qualifies for the rebate. The relevant cap for the applicants is 3,000 square feet for residential projects and 10,000 square feet for commercial projects.

#8.

Rebate Applications for Turf Removal

Page 2 of 2

All rebates from the District are funded through the Water Efficiency Fund using the incremental revenue generated from the higher consumption tiers (Tiers 3, 4 and 5) in the water budget-based rate structure.

DISCUSSION:

Over the past year, the District has expanded its outreach efforts to promote water use efficiency in response to the drought emergency. Customers have responded with requests for more than 5 million square feet of turf removal. The District has received additional requests from customers to remove 56,049 square feet of turf. Table 1 identifies the customers and the rebate requests.

Table 1 – Rebate Request

Customer	Division	Proposed Turf Removal (Sq. Feet)	Proposed Rebate Value (\$)
Residential – Acct #1-59571	2	3,882	\$7,764
Residential – Acct #8-05203	3	4,054	\$8,108
Nellie Gail Ranch HOA – Acct #98-04860	3	19,907	\$37,814
Barcelona Resort Apartments – Acct #96-47555	6	29,206	\$58,412
Total		56,049	\$112,098

The value provided above is based on the project estimates and may vary as the projects become more defined. The proposed rebate incentives for the identified projects would be funded from the Water Efficiency Fund.

Staff is recommending the Board remove the maximum allowable acreage to allow the General Manager or her designee to consider each application based on the overall project objectives, various funding sources, and current available budget for rebate funding. Removal of the maximum acreage by the Board of Directors for the specifically identified applications do not constitute an approval of the rebate applications, but allows the specifically identified applications to be considered for the full amount of turf removal and replacement with low water use plants.

MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results
December 12, 2016

Unaudited results of operations for the four months ended October 31, 2016, are summarized below.

Total operating revenues were \$22.6 million through October 2016, which is tracking at 40% of the budget. Total operating expenses were \$21.1 million through the month of October, which amounted to 30% of the approved budget. Total Net Income for the four months ended is at (\$3.7) million. The negative balance is due to cash flow differences, primarily related to payments for debt service and capital projects as well as the timing of property tax receipts, which are typically received in December and April of each fiscal year.

Water efficiency revenues continue to track high at \$3.5 million, already exceeding the fiscal year budget of \$3.3 million. The District does not budget for penalty revenues, which accounts for approximately 70% of the water efficiency revenue total. The District remains in Stage 2 of the Water Shortage Contingency Plan in light of the ongoing drought. District staff continues to review as the State Water Resources Control Board finalizes the long-term efficiency framework.

Miscellaneous non-operating income came in at \$1.6 million, which is on track at 43% of the budget, but almost double the amount at this point in the prior year. The Build America Bonds Federal Sequester revenues are recorded in this line, which amounted to \$0.7 million, and the District has received an additional \$0.7 million in contributions related to the Effluent Transmission Main project, which accounts for the increase.

The District currently has \$5.5 million available in the Water Efficiency Fund for new projects, rebate applications or additional programs. The remaining fund balance takes into account \$2.2 million in efficiency commitments already approved. The Board can track the historical Water Efficiency Fund balance over the past 12 months with the chart at the bottom of the Water Efficiency Budget to Actual schedule.

The District's total cash balance has decreased by approximately \$21 million since June 30, 2016. This planned decrease is mostly the result of capital expenses of \$9 million, and scheduled debt service payments of \$10 million.

The Board has established a target reserve level of \$64.8 million. The current reserve balances amount to \$59.8 million. This is not unusual as the District expects to receive \$27 million in property taxes during the fiscal year, but due to the timing of those receipts, in these early months the cash balances appear lower. The Net Position schedule can also be used to track the progress of the District's capital improvement program and spending, as the current cash of \$37.1 million represents cash still available to be spent on capital projects this fiscal year.

Moulton Niguel Water District
All Funds - Budget Comparison Report
Four Months Ended October 31, 2016

	Description	Fiscal Year to Date Actuals	Prior Fiscal Year to Date Actuals	Current Year Approved Budget	Current Year Budget Balance	% of Actuals to Budget
ALL FUNDS						
Operating Revenues						
	Water Sales	\$ 9,979,324	\$ 8,799,582	\$ 28,338,290	\$ 18,358,966	35%
	Recycled Water Sales	2,384,026	2,052,882	5,489,814	3,105,788	43%
	Sewer Sales	6,560,696	5,995,885	18,911,865	12,351,169	35%
	Water Efficiency	3,494,518	1,297,532	3,303,844	(190,674)	106%
	Other Operating Income	154,915	601,176	491,585	336,670	32%
A	Total Operating Revenue	22,573,479	18,747,058	56,535,398	33,961,919	40%
Operating Expenses						
	Salaries	3,760,534	3,448,884	11,950,943	8,190,409	31%
	PERs Employer Contributions	502,187	490,856	1,564,665	1,062,478	32%
	Defined Contribution 401A	55,187	55,408	281,004	225,817	20%
	Educational Courses	5,121	6,476	54,080	48,959	9%
	Travel & Meetings	72,032	55,753	278,020	205,988	26%
	Recruitment & Employee Relations	11,494	7,535	78,397	66,903	15%
	General Services	84,413	66,048	394,750	310,337	21%
	Annual Audit	163	34,040	53,000	52,837	0%
	Member Agencies O&M	175,854	304,218	692,228	516,374	25%
	Dues & Memberships	30,232	38,715	101,745	71,513	30%
	Consulting Services	587,566	371,265	2,615,400	2,027,834	22%
	Equipment Rental	4,581	20,291	69,000	64,419	7%
	District Fuel	54,469	61,163	340,000	285,531	16%
	Insurance - District	120,221	146,513	443,170	322,949	27%
	Insurance - Personnel	98,908	117,430	480,546	381,638	21%
	Insurance - Benefits	846,978	781,276	3,106,144	2,259,166	27%
	Legal Services - Personnel	11,305	-	50,000	38,695	23%
	Legal Services - General ¹	62,081	41,977	430,000	367,919	14%
	District Office Supplies	147,951	253,440	853,750	705,799	17%
	District Operating Supplies	135,555	125,687	390,450	254,895	35%
	Repairs & Maintenance - Equipment	225,711	214,541	628,769	403,058	36%
	Repairs & Maintenance - Facilities	904,735	669,396	3,447,205	2,542,470	26%
	Safety Program & Compliance Requirements	68,806	44,932	191,650	122,844	36%
	SOCWA	4,170,622	4,008,267	9,480,876	5,310,254	44%
	Special Outside Assessments	25,186	23,141	240,000	214,814	10%
	Utilities	671,880	682,693	2,373,260	1,701,380	28%
	Water Purchases	7,519,898	8,720,569	25,826,808	18,306,910	29%
	Meter / Vault Purchases	8,109	102,349	615,000	606,891	1%
	Water Efficiency	396,934	544,485	2,898,457	2,501,523	14%
	Other Operating Expenses ²	345,797	5,095	-	(345,797)	n/a
B	Total Operating Expenses	21,104,509	21,442,441	69,929,317	49,170,605	30%
A-B	Operating Income (Loss)	1,468,970	(2,695,383)	(13,393,919)	(15,208,686)	-11%
Non-Operating Revenues (Expenses)						
	Property Tax Revenue	738,090	718,689	27,069,573	26,331,483	3%
	Investment Income ³	(439,777)	1,073,318	2,348,860	2,788,637	-19%
	Property Lease Income	587,256	582,920	1,569,878	982,622	37%
	Interest Expense	(1,792,291)	(1,902,762)	(5,466,157)	(3,673,866)	33%
	Misc. Non-Operating Income	1,590,423	836,767	3,718,464	2,128,041	43%
	Capacity fees	-	242,800	468,818	468,818	0%
C	Total Non-Operating Revenue (Expenses)	683,701	1,551,732	29,240,618	28,556,917	2%
A-B+C	Change in All Funds	\$ 2,152,671	\$ (1,143,651)	\$ 15,846,699	\$ 13,348,231	
Other Non Cash Expenses						
	Depreciation	5,838,212	5,660,075	-	(5,838,212)	n/a
D	Total Change in Net Position	\$ (3,685,542)	\$ (6,803,725)	\$ 15,846,699	\$ 19,186,444	

Note: Totals may not sum due to rounding.

1. Detail of Legal Services - General can be found on the next page.
2. The District performed an inventory inspection and removed over \$200k as obsolete in July.
3. Investment income is comprised of realized income of \$346,460 and unrealized income of (\$786,238).

#9.b.

Moulton Niguel Water District
All Funds - Budget Comparison Report
Four Months Ended October 31, 2016
Legal Services - General

Firm	General ⁴	Water Use Efficiency ⁴	Capital ⁵	Total
Best Best & Krieger LLP	\$ 52,913	\$ 9,168	\$ 4,528	\$ 66,609
Budget Amount	420,000	10,000	-	430,000
Budget Balance	\$ 367,087	\$ 832	\$ (4,528)	\$ 363,391

Note: Totals may not sum due to rounding.

4. Legal Services - General on the previous page is made up of the General balance of \$52,913 and the \$9,168 Water Use Efficiency balance, for a total of \$62,081.
5. Capital legal services represent legal services rendered during construction and are capitalized by the District as part of the project. Each project budgets for legal expenses separately and are not included as part of this schedule.

Moulton Niguel Water District
General Fund - Budget Comparison Report
Four Months Ended October 31, 2016

	Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
GENERAL FUND					
<u>Operating Revenues</u>					
	Water Sales	\$ 28,338,290	\$ 9,979,324	\$ 18,358,966	35%
	Recycled Water Sales	5,489,814	2,384,026	3,105,788	43%
	Sewer Sales	18,911,865	6,560,696	12,351,169	35%
	Other Operating Income	491,585	154,915	336,670	32%
A	Total Operating Revenue	53,231,554	19,078,962	34,152,592	36%
<u>Operating Expenses</u>					
	Salaries	11,181,396	3,508,917	7,672,479	31%
	PERs Employer Contributions	1,480,783	474,060	1,006,723	32%
	Defined Contribution 401A	267,655	51,603	216,052	19%
	Educational Courses	51,580	4,506	47,074	9%
	Travel & Meetings	253,320	66,496	186,824	26%
	Recruitment & Employee Relations	78,397	11,494	66,903	15%
	General Services	394,750	84,413	310,337	21%
	Annual Audit	53,000	163	52,837	0%
	Member Agencies O&M	692,228	175,854	516,374	25%
	Dues & Memberships	101,245	30,232	71,013	30%
	Election Expenses	83,000	-	83,000	0%
	Consulting Services	1,315,400	363,133	952,267	28%
	Equipment Rental	69,000	4,581	64,419	7%
	District Fuel	340,000	54,469	285,531	16%
	Insurance - District	443,170	120,221	322,949	27%
	Insurance - Personnel	460,266	94,247	366,019	20%
	Insurance - Benefits	2,924,922	791,655	2,133,267	27%
	Legal Services - Personnel	50,000	11,305	38,695	23%
	Legal Services - General	420,000	52,913	367,087	13%
	District Office Supplies	473,250	118,434	354,816	25%
	District Operating Supplies	390,450	135,555	254,895	35%
	Repairs & Maintenance - Equipment	626,269	225,489	400,780	36%
	Repairs & Maintenance - Facilities	3,447,205	904,735	2,542,470	26%
	Safety Program & Compliance Requirements	191,650	67,430	124,220	35%
	SOCWA	9,480,876	4,170,622	5,310,254	44%
	Special Outside Assessments	240,000	25,186	214,814	10%
	Utilities	2,373,260	671,880	1,701,380	28%
	Water Purchases	25,826,808	7,519,898	18,306,910	29%
	Meter / Vault Purchases	615,000	8,109	606,891	1%
	Other Operating Expenses ¹	-	345,797	(345,797)	n/a
B	Total Operating Expenses	64,324,880	19,747,601	44,577,279	31%
A-B	Operating Income (Loss)	(11,093,326)	(668,639)	(10,424,687)	6%
<u>Non-Operating Revenues (Expenses)</u>					
	Property Tax Revenue	27,069,573	738,090	26,331,483	3%
	Investment Income	2,242,424	(203,893)	2,446,317	-9%
	Property Lease Income	1,569,878	587,256	982,622	37%
	Misc. Non-Operating Income (Expense)	3,718,464	18,700	3,699,764	1%
C	Total Non-Operating Revenue (Expenses)	34,600,339	1,140,154	33,460,185	3%
A-B+C	Change in General Fund	\$ 23,507,013	\$ 471,515	\$ 23,035,498	8%
<u>Other Non Cash Expenses</u>					
	Depreciation	-	5,838,212	(5,838,212)	n/a
D	Total Change in Net Position	\$ 23,507,013	\$ (5,366,697)	\$ 17,197,286	\$ 5,838,212

Note: Totals may not sum due to rounding.

¹ The District has been reviewing the items in the Warehouse and removing obsolete items from the inventory totals.

#9.b.

Moulton Niguel Water District
Water Efficiency Fund - Budget Comparison Report
Four Months Ended October 31, 2016

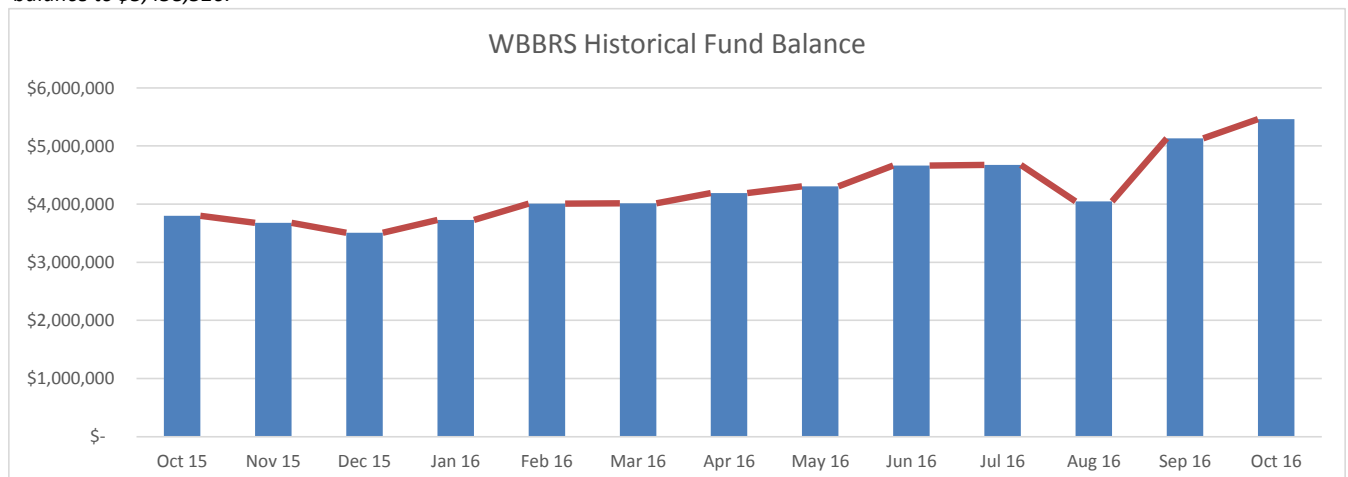
	Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
WATER EFFICIENCY FUND					
Projected Operating Revenue					
	Water Efficiency	\$ 3,303,844	\$ 3,494,518	\$ (190,674)	106%
A	Projected Total Operating Revenue	3,303,844	3,494,518	(190,674)	106%
Projected Operating Expenses					
	Labor	1,068,280	343,311	724,970	32%
	Educational Courses	2,500	615	1,885	25%
	Travel & Meetings	24,700	5,536	19,164	22%
	Dues & Memberships	500	-	500	0%
	Consulting Services	1,300,000	224,433	1,075,567	17%
	Legal Services	10,000	9,168	832	92%
	Conservation supplies	380,500	29,738	350,762	8%
	Repairs and Maintenance - Equipment	2,500	-	2,500	0%
	Water Efficiency	2,898,457	397,156	2,501,301	14%
B	Projected Total Operating Expenses	5,687,437	1,009,956	4,677,481	18%
A-B	Projected Operating Income (Loss)	(2,383,593)	2,484,561	(4,868,154)	-104%
Projected Non-Operating Revenue					
C	Investment Income	106,436	(4,370)	110,806	-4%
	Projected Total Non-Operating Revenue	106,436	(4,370)	110,806	-4%
A-B+C	Projected Change in Water Efficiency Fund	(2,277,157)	2,480,191	(4,757,348)	

Note: Totals may not sum due to rounding.

Water Efficiency Available Net Position¹

Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance
Fund Net Position, Beginning of Year	5,158,320	5,158,320	5,158,320
Projected Change in Water Efficiency Fund	(2,277,157)	2,480,191	(4,757,348)
Fund Net Position, Four Months Ended October 31, 2016	\$ 2,881,163	\$ 7,638,511	

1. In addition to realized expenditures, there is approximately \$2,179,991 in project commitments, reducing the available WBBRS reserve balance to \$5,458,520.



MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION

	(Unaudited) October 31, 2016	(Unaudited) June 30, 2016
CURRENT ASSETS:		
Cash and investments	\$ 14,018,231	\$ 21,149,580
Restricted cash and investments with fiscal agent	7,796,801	8,086,043
Accounts receivables:		
Water and sanitation charges	4,089,013	4,023,360
Taxes and acreage assessments	-	255,190
Grant Reimbursements	395,863	1,771,918
Other accounts receivable	517,627	347,088
Interest receivable	560,564	589,339
AMP receivable	-	656
Inventory	1,008,992	1,322,755
Prepaid expenses	1,562,345	566,095
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	29,949,436	38,112,024
	<hr/>	<hr/>
NONCURRENT ASSETS:		
Investments	95,359,644	109,982,071
Retrofit loans receivable	549,207	561,582
Capital assets, net of accumulated depreciation	339,664,867	344,747,326
Capital assets not being depreciated:		
Land	1,091,910	1,091,910
Construction in progress	53,838,681	45,135,106
	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	490,504,308	501,517,995
	<hr/>	<hr/>
TOTAL ASSETS	520,453,744	539,630,019
	<hr/>	<hr/>
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Charges on Refunding	804,031	937,158
Deferred Items related to Pension	1,419,676	1,419,676
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOW OF RESOURCES	2,223,707	2,356,834
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES \$	522,677,451	\$ 541,986,853
	<hr/> <hr/>	<hr/> <hr/>

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION

	(Unaudited)	(Unaudited)
	October 31, 2016	June 30, 2016
CURRENT LIABILITIES:		
Accounts payable	\$ 4,435,335	\$ 9,107,383
Interest payable	837,790	1,880,732
Unearned Revenue	-	45,572
Compensated absences	729,787	618,807
Current portion of long-term debt:		
Bonds payable	1,275,000	6,060,000
Loans Payable	2,027,347	1,994,998
Certificates of participation	1,925,000	1,855,000
TOTAL CURRENT LIABILITIES	11,230,259	21,562,492
LONG-TERM LIABILITIES		
Compensated absences	243,262	206,269
Long-term debt:		
Bonds payable	15,095,000	16,370,000
Loans payable	6,829,554	8,693,015
Certificates of participation	60,000,000	61,925,000
Net Pension Liability	12,934,337	12,934,337
TOTAL LONG-TERM LIABILITIES	95,102,153	100,128,621
Bond Discount/Premium	2,344,267	2,609,427
TOTAL LIABILITIES	108,676,679	124,300,540
DEFERRED INFLOW OF RESOURCES:		
Deferred Items related to Pension	3,530,389	3,530,389
TOTAL DEFERRED INFLOW OF RESOURCES	3,530,389	3,530,389
NET POSITION:		
Net investment in capital assets	305,903,320	292,404,060
Restricted for capital projects	21,416	2,632,947
Unrestricted	104,545,646	119,118,917
TOTAL NET POSITION	410,470,383	414,155,924
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 522,677,451	\$ 541,986,853

Note: Totals may not sum due to rounding.

**MOULTON NIGUEL WATER DISTRICT
RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT
As of October 31, 2016**

	Reserve Requirement	(Unaudited) Balance 10/31/2016	Over (Under) Requirement	(Unaudited) Balance 6/30/2016
<u>Restricted Cash and Investments:</u>				
2009 COPS Trust Reserve	\$ 6,000,000	\$ 6,010,143	\$ 10,143	\$ 6,033,813
2009 COPS Installment	-	39	39	39
2010 Installment Payment	-	179,353	179,353	264,609
2010 COPS Trust Reserves	378,000	378,054	54	555,767
2014 Consolidated Ref Bonds	-	120	120	4
2015 Refunding Bonds	-	6	6	8
2015 Refunding Reserve	1,226,500	1,229,085	2,585	1,231,804
Total Restricted Trust Accounts	\$ 7,604,500	\$ 7,796,801	\$ 192,301	\$ 8,086,043

Note: Totals may not sum due to rounding.

MOULTON NIGUEL WATER DISTRICT
NET POSITION
As of October 31, 2016

	Reserve Policy Target	(Unaudited)		(Unaudited)
		Balance	Net Change	Balance
		10/31/2016		6/30/2016
Adopted Reserve Targets				
Designated for Self Insurance Reserve	\$ 250,000	253,708	\$ (1,052)	\$ 254,759
Designated for Rate Stabilization	13,250,000	13,609,223	(48,261)	13,657,484
Designated for Emergency Reserves	35,510,000	35,510,000	-	35,510,000
Designated for Operating Reserves	15,820,000	10,408,420	(15,908,700)	26,317,120
Total Adopted Reserve Targets	\$ 64,830,000	59,781,351	(15,958,012)	75,739,363
Designated for FY 16-17 Capital Projects				
Designated for Replacement and Refurbishment	n/a	23,517,829	13,788,064	9,729,765
Designated for Water Supply Reliability	n/a	4,318,711	4,318,711	-
Designated for Planning and Construction	n/a	9,289,245	(19,202,224)	28,491,469
Total Designated for FY 16-17 Capital Projects		37,125,785	(1,095,449)	38,221,234
Other amounts				
Designated for Water Efficiency (WBBRS) ²	n/a	7,638,511	2,480,191	5,158,320
Restricted for Capital Facilities (Projects)		21,416	(2,611,531)	2,632,947
Net Investment in Capital Assets ⁵		305,903,320	13,499,260	292,404,060
Total Other amounts		313,563,247	13,367,920	300,195,327
Total Net Position		\$ 410,470,383	\$ (3,685,541)	\$ 414,155,924

Note: Totals may not sum due to rounding.

1. Board designated balances represent available cash in that fund.
2. In addition to realized expenditures, there is approximately \$2,179,991 in project commitments, reducing the available WBBRS reserve balance to \$5,458,520.
3. Unrestricted, undesignated balance include the General Operating Reserve and other general District accrued cash flows. This amount includes the remaining total cash balance of \$15,063,670.
4. All funds in excess of reserve policy targets will be used to fund capital projects and operations.
5. Net Investment in Capital Assets calculated as follows:

Total capital assets	\$ 394,595,457
Less capital related debt	(89,496,168)
Add deferred charges related to debt	804,031
Total Net Investment in Capital Assets	\$ 305,903,320

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF NOVEMBER 2016**

Summary of Disbursements in November 2016:

General Fund Disbursements		4,158,642
 <u>Restricted Fund Disbursements:</u>		
Self Insurance Fund	75	
Water Efficiency Fund	58,954	
Replacement & Refurbishment Fund	408,500	
Water Supply Reliability Fund	85,465	
Planning & Construction Fund	58,699	611,694
Total Disbursements for all Funds		\$ 4,770,336

Detail of Major Expenditures in November 2016:

1. Municipal Water District of Orange County (MWDOC)		
September Water Purchases 2360 AF	2,223,120	
September Turf, Nozzles, and Smart Timer Rebates	96,834	
September Readiness To Serve and Adjustment	91,683	
September Capacity Charge	38,599	
September SCP Operation Surcharge	11,972	
June and August Reclaimed Rebate 1719 AF	(264,726)	2,197,482
2. Santa Margarita Water District (SMWD)		
FY 16/17 Q1 Plant 3A O&M Charges	400,348	
FY 16/17 Q1 O&M Charges	48,734	
FY 16/17 Q1 Upper Chiquita Reservoir Expenses	1,317	450,399
3. Paulus Engineering, Inc.		
C# 2015002 Valve Replacements, progress payment #2	288,493	
C# 2014010 Aliso Village RW Extension, progress payment #1	80,863	
Mainline Emergency Repairs in Mission Viejo on 8/20/16	65,255	434,611

