

Moulton Niguel Water District

Period Ending
December 31, 2015



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Economic Update



SECTION 1

Consolidated Information



Investment Objectives

Safety – Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity – The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

Return – The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

Chandler Asset Management Performance Objectives

The performance objective for the District is to earn a return in excess of the strategy benchmarks:

Liquid Fund: 90-day Treasury bills.

Limited Maturity Fund: Bank of America Merrill Lynch 1-3 Year US Treasury/Agency Index.

Operating Reserve Fund: Bank of America Merrill Lynch 1-10 Year Government Index..



Moulton Niguel Water District Consolidated

December 31, 2015

COMPLIANCE WITH INVESTMENT POLICY

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

Category	Standard	Comment
Treasury/Agency issues	No Limit	Complies
Banker's Acceptances	≤40%; 180 days	Complies - 0.0%
Commercial Paper	A1/P1	Complies - 0.0%
Max. maturity < 270 days	25% maximum	Complies
Repurchase Agreements	≤10%; ≤1 year	Complies
Rev. Repo Agreements	≤10%; ≤90 days	Complies - 0.0%
Time CDs	110% collateral over \$100,000 or insured	Complies - 0.0%
Negotiable CDs	30% max; ≤2 yrs	Complies - 0.0%
Medium Term Notes	"A"-rated; 30% max	Complies - 20.4%
Mutual Funds	≤20%	Complies - 0.3%
LAIIF	Not used by outside adviser; \$50 million maximum imposed by LAIF	Complies
Mortgage Pass Through, including CMOs and ABS	"AA"-rated; 20% Maximum	Complies - 6.9%
Money Market Funds	"AAA"-rated or SEC reg.; 20% Maximum	Complies
Inverse floaters, range notes	Prohibited	Complies
Interest only strips	Prohibited	Complies
Zero interest accruals	Prohibited	Complies
Per issuer max	5% (except gov'ts)	Complies
Modified duration	+/- 20% of 1-10 Year benchmark duration	Complies - 2.60
% invested less than 2 years	≥10%	Complies - 37.3%
% invested beyond 5 years	≤40%	Complies - 19.6%
Maximum maturity	10 years	Complies
Maximum maturity of corp.	5 years	Complies



Portfolio Characteristics

Moulton Niguel Water District Consolidated

	12/31/2015	09/30/2015
	Portfolio	Portfolio
Average Maturity (yrs)	2.87	3.34
Modified Duration	2.60	3.04
Average Purchase Yield	1.59 %	1.82 %
Average Market Yield	1.37 %	1.21 %
Average Quality	AA/Aa1	AA/Aa1
Total Market Value	136,455,638	127,575,032

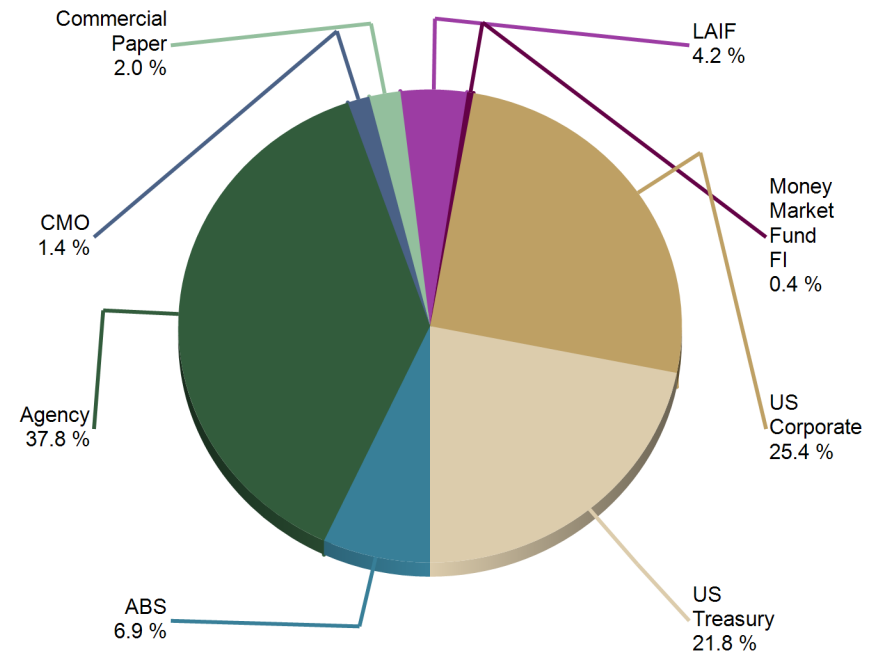
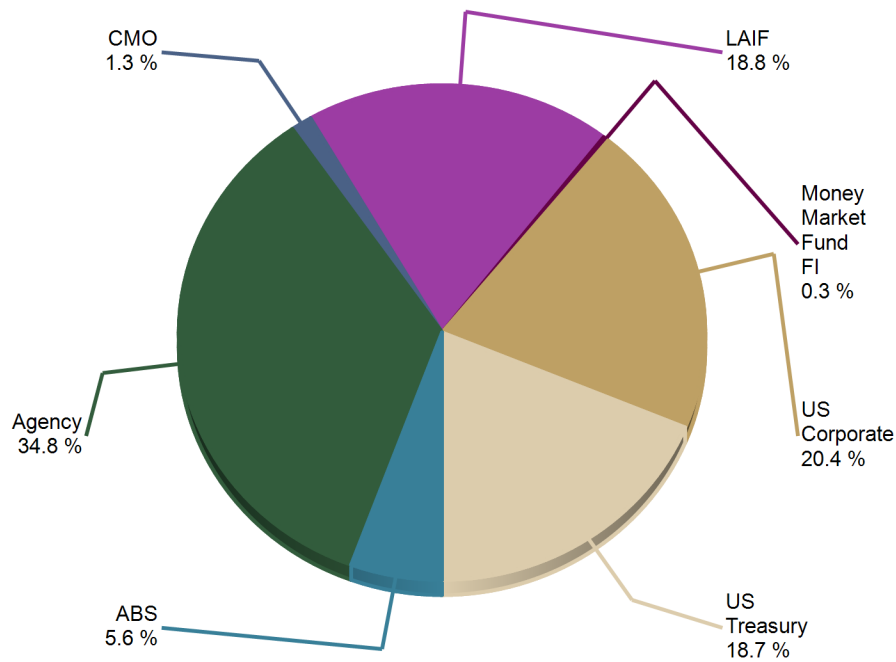


Sector Distribution

Moulton Niguel Water District Consolidated

December 31, 2015

September 30, 2015





Issue Name	Investment Type	% Portfolio
Local Agency Investment Fund	LAIF	18.85 %
Government of United States	US Treasury	18.73 %
Federal Home Loan Mortgage Corp	Agency	9.25 %
Federal Home Loan Bank	Agency	9.16 %
Federal National Mortgage Association	Agency	7.27 %
Tennessee Valley Authority	Agency	5.33 %
Federal Farm Credit Bank	Agency	3.74 %
John Deere ABS	ABS	2.02 %
Honda ABS	ABS	1.73 %
General Electric Co	US Corporate	1.57 %
ChevronTexaco Corp	US Corporate	1.41 %
Qualcomm Inc	US Corporate	1.31 %
Federal Home Loan Mortgage Corp	CMO	1.30 %
Bank of New York	US Corporate	1.22 %
Deere & Company	US Corporate	1.21 %
Charles Schwab Corp/The	US Corporate	1.19 %
Honda Motor Corporation	US Corporate	1.19 %
Intel Corp	US Corporate	1.15 %
Toyota ABS	ABS	0.96 %
Apple Inc	US Corporate	0.91 %
JP Morgan ABS	ABS	0.90 %
US Bancorp	US Corporate	0.89 %
Cisco Systems	US Corporate	0.89 %
JP Morgan Chase & Co	US Corporate	0.89 %
Toyota Motor Corp	US Corporate	0.89 %
Oracle Corp	US Corporate	0.85 %
Paccar Financial	US Corporate	0.82 %
Coca Cola Co.	US Corporate	0.79 %
Google Inc	US Corporate	0.72 %
Pepsico Inc	US Corporate	0.70 %
Wal-Mart Stores	US Corporate	0.61 %
HSBC USA Corp	US Corporate	0.58 %
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	0.35 %



Issuers Continued



Moulton Niguel Water District Consolidated
Account #43

Issuer Report

As of 12/31/2015

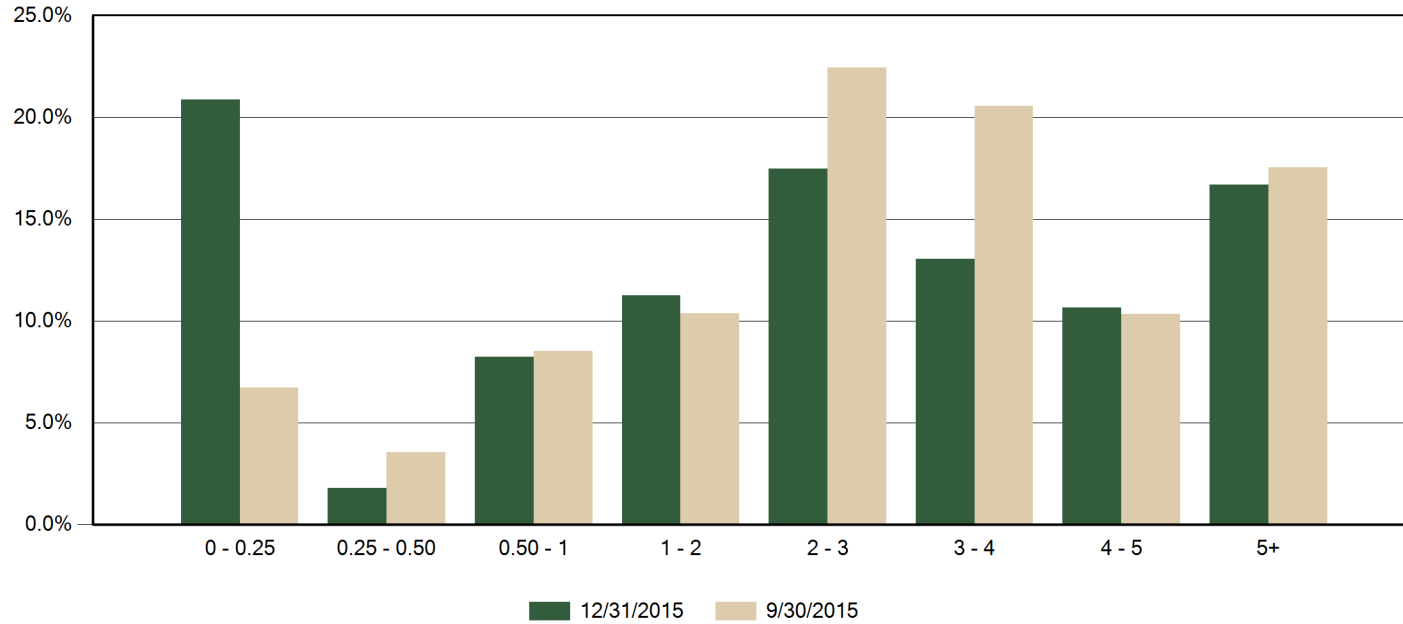
Issue Name	Investment Type	% Portfolio
Wells Fargo Corp	US Corporate	0.29 %
Air Products & Chemicals	US Corporate	0.22 %
United Technology Corp	US Corporate	0.08 %
Total		100.00 %



Duration Distribution

Moulton Niguel Water District Consolidated

December 31, 2015 vs. September 30, 2015



	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
12/31/15	20.9 %	1.8 %	8.2 %	11.2 %	17.5 %	13.0 %	10.7 %	16.7 %
9/30/15	6.7 %	3.6 %	8.5 %	10.4 %	22.4 %	20.5 %	10.3 %	17.5 %



SECTION 2

Account Profile



PORTFOLIO CHARACTERISTICS

Liquid Fund

	3-month T-Bills Benchmark* G001	Liquid Fund	
	12/31/2015	12/31/2015	9/30/2015
Portfolio book value	--	\$25,709,540	\$5,399,952
Market value	--	\$25,718,631	\$5,410,090
Average book yield	--	0.42%	0.34%
Average maturity (yrs)	0.15	0.00	0.00
Modified duration	0.16	0.00	0.00
\$ change in value for 1% change in rates	--	\$0	\$0
% maturing within one year	100%	100%	100%
Average credit quality	AAA	Not Rated	Not Rated

Limited Maturity Fund

	1-3 Year US Treasury/Agency Benchmark	Limited Maturity Fund	
	12/31/2015	12/31/2015	9/30/2015
Portfolio book value	--	\$19,209,387	\$26,989,254
Market value	--	\$18,899,083	\$27,004,033
Average book yield	--	0.99%	1.49%
Average maturity (yrs)	1.84	1.39	1.78
Modified duration	1.79	1.29	1.67
\$ change in value for 1% change in rates	--	\$243,798	\$450,967
% maturing within two years	55.9%	68.3%	56.6%
Average credit quality	AAA	AA/Aa1	AA/Aa1



PORTFOLIO CHARACTERISTICS

Operating Reserve Fund

	1-10 year Govt. Benchmark* G5A0	Operating Reserve Fund	
	12/31/2015	12/31/2015	9/30/2015
Portfolio book value	--	\$91,140,891	\$93,276,369
Market value	--	\$91,837,924	\$95,160,909
Average book yield	--	2.04%	2.00%
Average maturity (yrs)	3.93	3.97	3.98
Modified duration	3.69	3.60	3.59
\$ change in value for 1% change in rates	--	\$3,306,165	\$3,416,277
% maturing within two years	22.9%	13.4%	9.5%
Average credit quality	AAA	AA/Aa1	AA/Aa1



SECTION 3

Economic Update



■ Federal Open Market Committee (FOMC)

- As widely anticipated, the FOMC increased the fed funds target rate to a range of 0.25%-0.50% from a range of 0.0%-0.25%. Although the Fed took its first step toward normalizing monetary policy, the tone of the FOMC statement was dovish, suggesting the pace of additional policy tightening will be more gradual and slower than historical Fed tightening cycles.

■ Labor Markets

- Nonfarm payrolls rose by 292,000 in December, above the consensus forecast of 200,000 and the unemployment rate was unchanged at 5.0%. A broader measure of unemployment called the U-6, which includes those that are marginally attached to the labor force and employed part time for economic reasons, was 9.9%.

■ Inflation

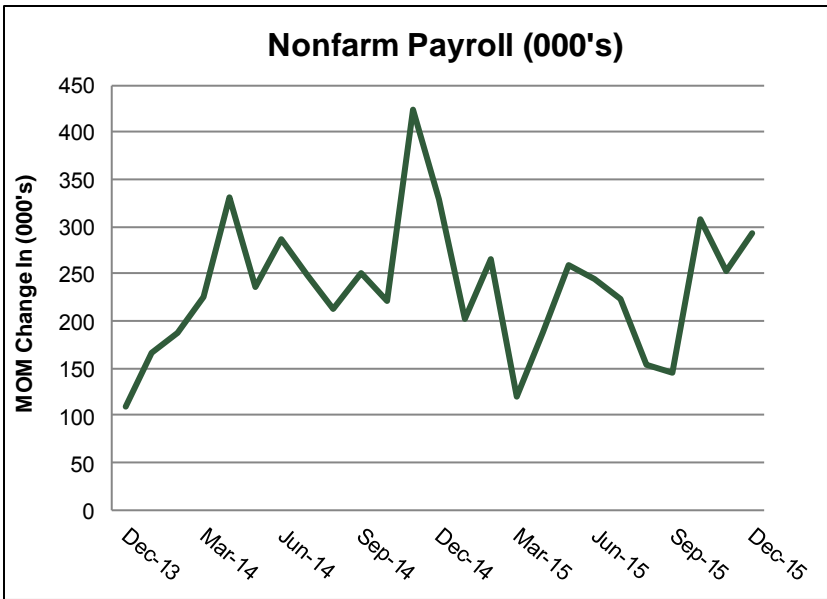
- Inflation remains benign as Core Personal Consumption Expenditures (PCE) remains below the Federal Reserve's 2% target.

■ Economic growth

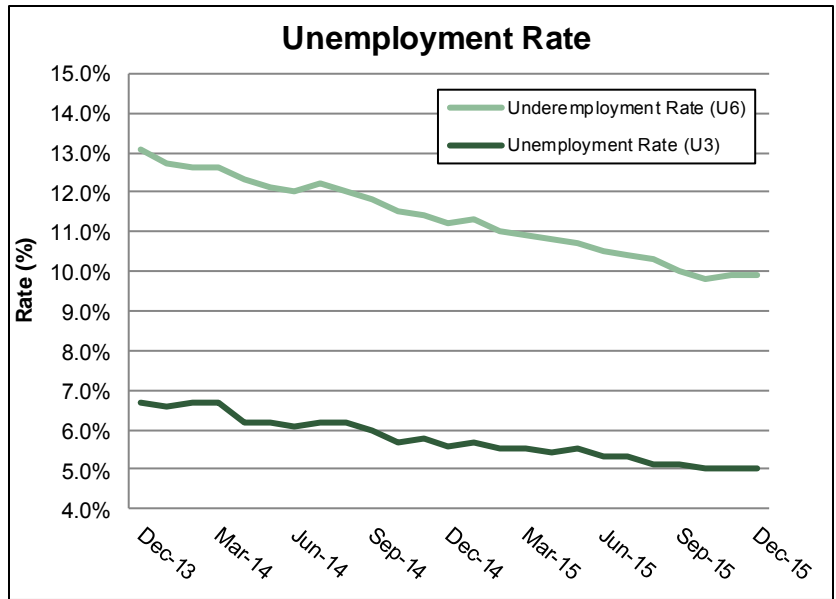
- The economy continues to grow at a moderate pace. Real annualized GDP growth was 0.8% in the fourth quarter of 2015. Market participants currently expect annualized GDP growth of about 2.0% in the fourth quarter and 2.5% in 2016.



Employment

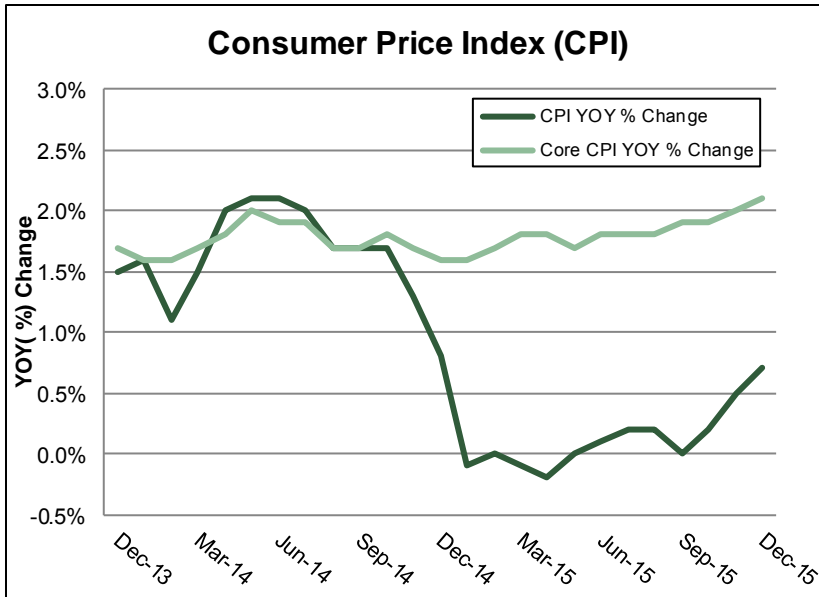


Source: US Department of Labor

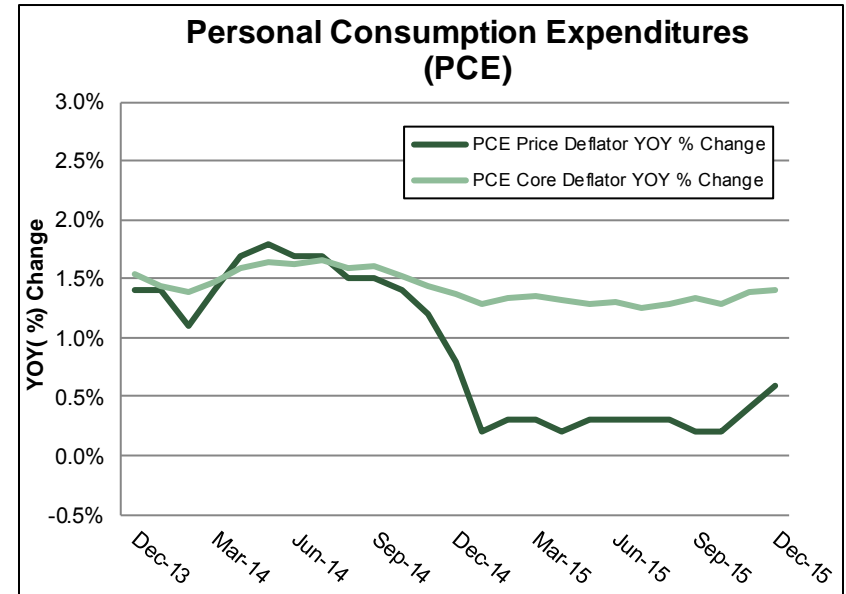


Source: US Department of Labor

- Nonfarm payrolls rose by 292,000 in December.
- The unemployment rate was unchanged at 5.0%.
- A broader measure of unemployment called the U-6, which includes those that are marginally attached to the labor force and employed part time for economic reasons, was 9.9%.



Source: US Department of Labor

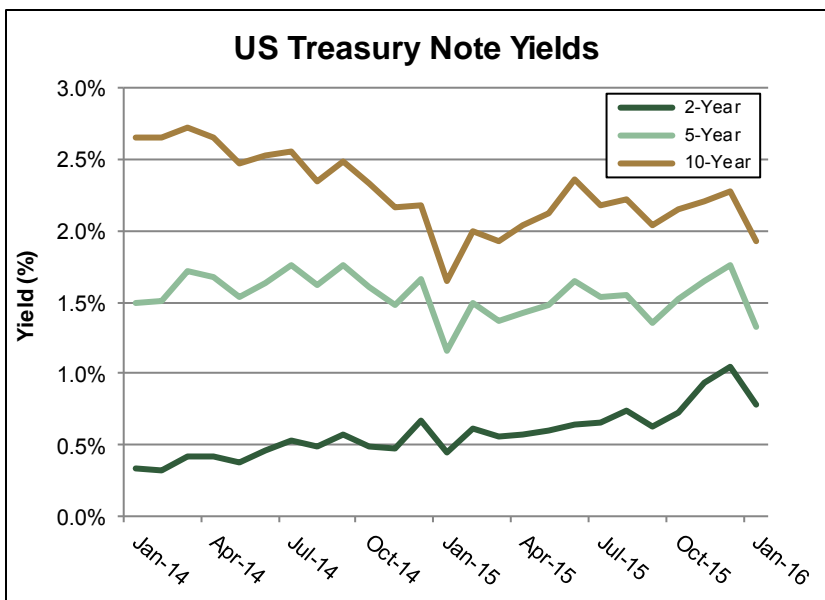


Source: US Department of Labor

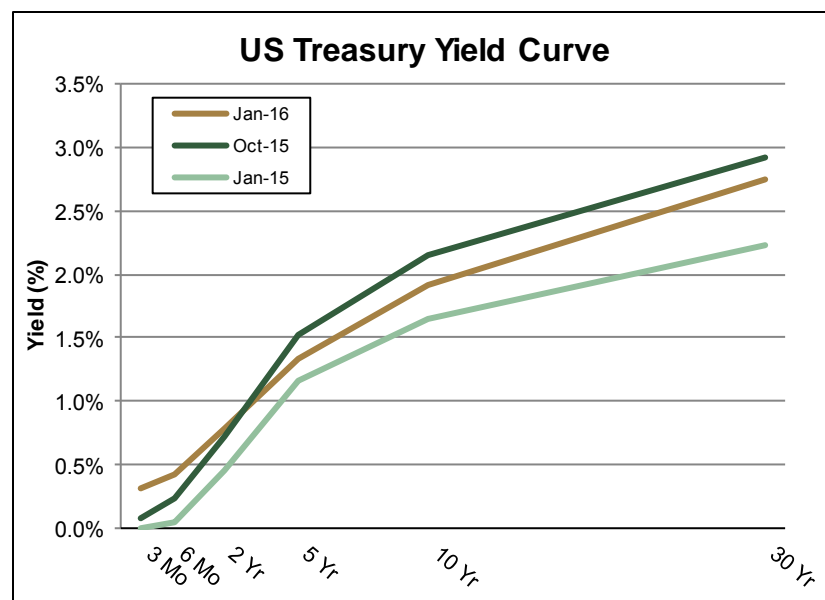
- In December, the Consumer Price Index (CPI) rose 0.7% on a year-over-year basis, up from 0.5% in November.
- Consumption Expenditures (PCE) price index was up 0.6% on a year-over-year basis in December, up from 0.4% in November.



Bond Yields



Source: Bloomberg



Source: Bloomberg

- Over the past 3 months, the yield curve flattened. The yield on 2-year Treasury securities increased roughly 5 basis points, while the yield on 10-year Treasuries decreased more than 20 basis points.
- Concerns about slowing global economic growth, the continued decline in oil prices and ongoing uncertainty about Fed monetary policy has fueled financial market turbulence.



FEE STUDY UPDATE

Finance and IT Board Meeting

February 16, 2016

FEE STUDY BACKGROUND

- Current fees out of date
- Request from Board to review
- 2 Categories:
 - Capacity Fees- charges for new development to “buy-into” existing system capacity and offset demand
 - User Fees- charges for use (Ex: turn on, turn off, late fee)

POLICY GOALS

- Develop fees based on cost of service
- Maintain equity between new and existing customers
- New development pays for impact to reliability
 - Demand Offset Fee

TIMELINE

- Issued RFP in November to 12 firms- 2 responses
- Raftelis Financial Consultants best price and understanding of project
- Work with consultant and internal team to develop fees
- Board status update in April
- New fee recommendations for adoption in June



2015 URBAN WATER MANAGEMENT PLAN UPDATE

Finance and IT Board Meeting

February 17, 2016

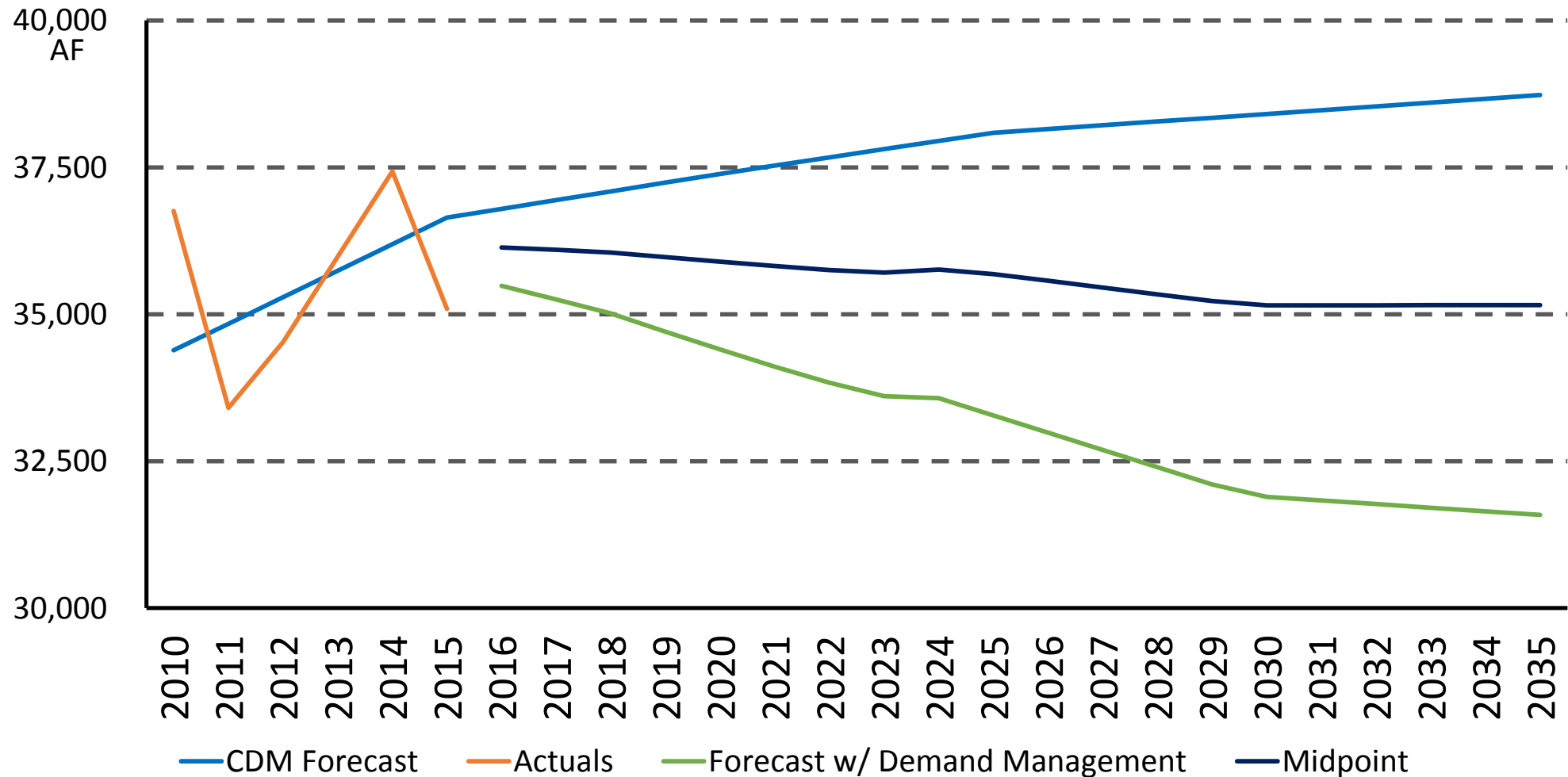
BACKGROUND

- Requirements:
 - Every urban water supplier > 3,000 connections
 - Every 5 years
 - Plan for 20 year time horizon
 - Report on meeting 20% by 2020
- 2015 Target: Meet 10% reduction target
(MNWD 2020 Target = 172 GPDC, 2015 GPCD = 140 GPCD)

WORK TO DATE

- Internal Coordination
- Demand forecast
 - CDM Forecast (Pre-Drought trend as upper bound)
 - Continued active demand management as lower bound
 - Median used as forecast demands

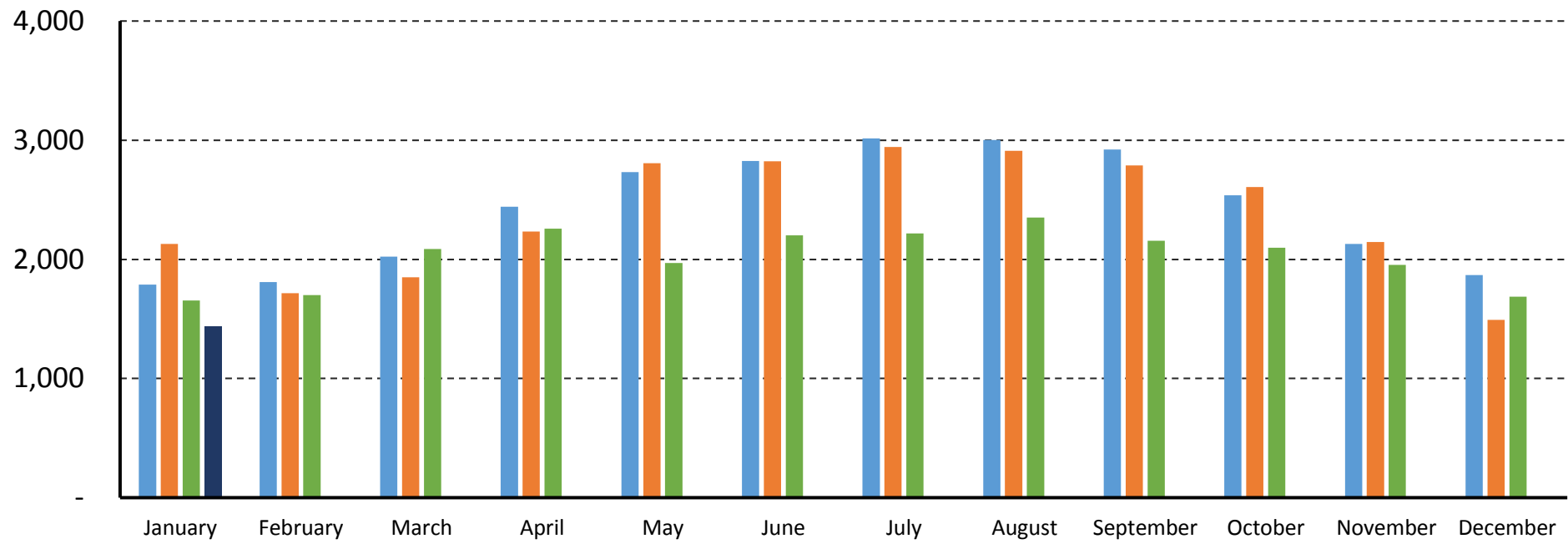
TOTAL WATER DEMAND FORECAST



FORECAST SCHEDULE

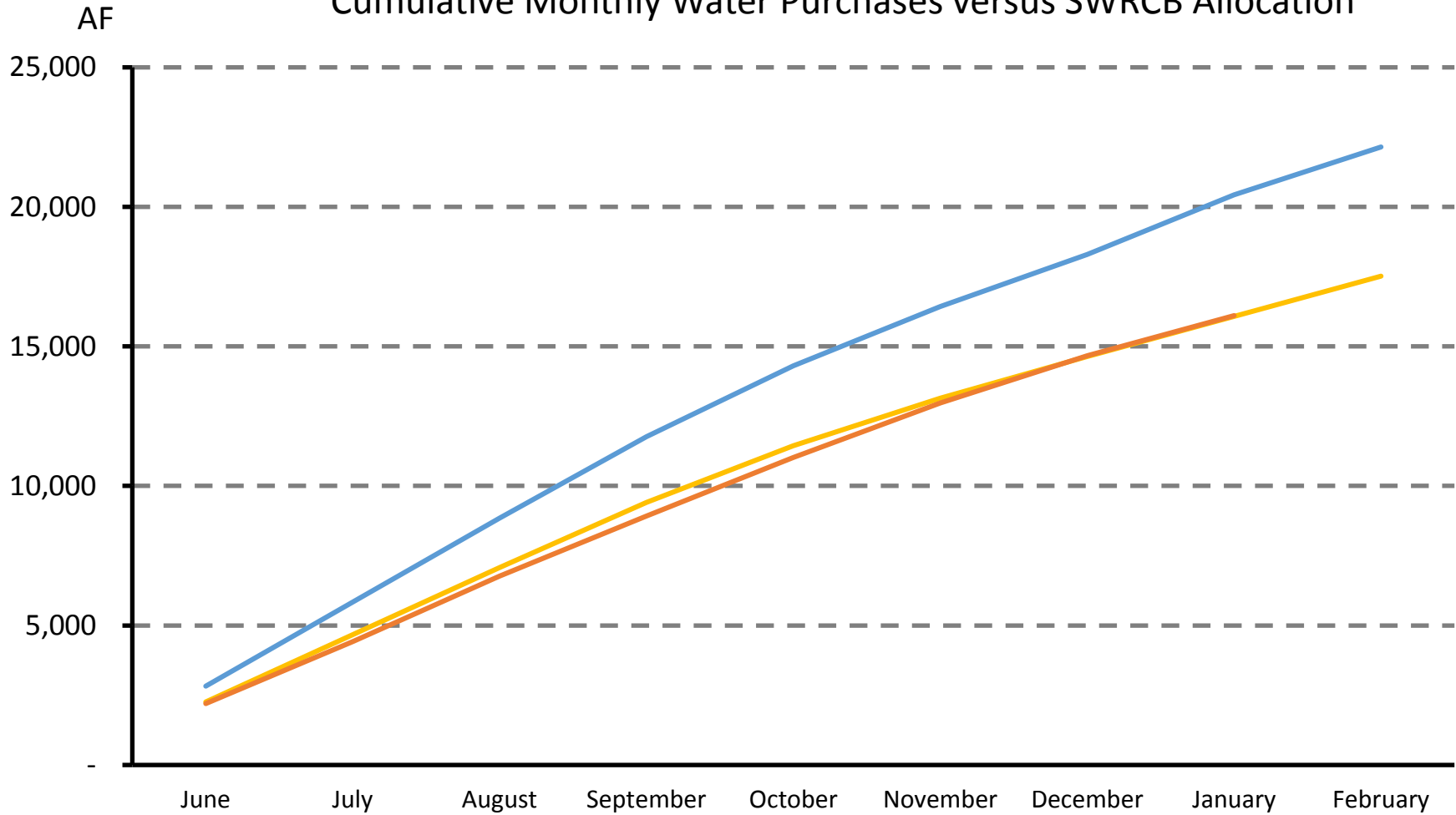
- April Board Meeting:
 - Issue Public Notice to cities and County of Orange
 - Draft UWMP submitted to Board
- May Board Meeting:
 - Post UWMP on website
 - Publish Notice in Newspaper
- June Board Meeting:
 - Adopt UWMP

AF Historical Monthly MNWD Water Purchases & Evapotranspiration



Year	ET (Inches)											
2013	2.54	2.88	4.08	4.79	5.99	6.07	5.81	6.53	5.26	3.92	2.52	2.49
2014	2.82	2.64	4.09	5.54	6.39	6.45	6.54	6.23	5.21	3.94	3.16	1.91
2015	2.52	3.02	4.96	5.31	4.48	5.75	5.69	6.27	5	3.88	3.24	2.35
2016	1.87											

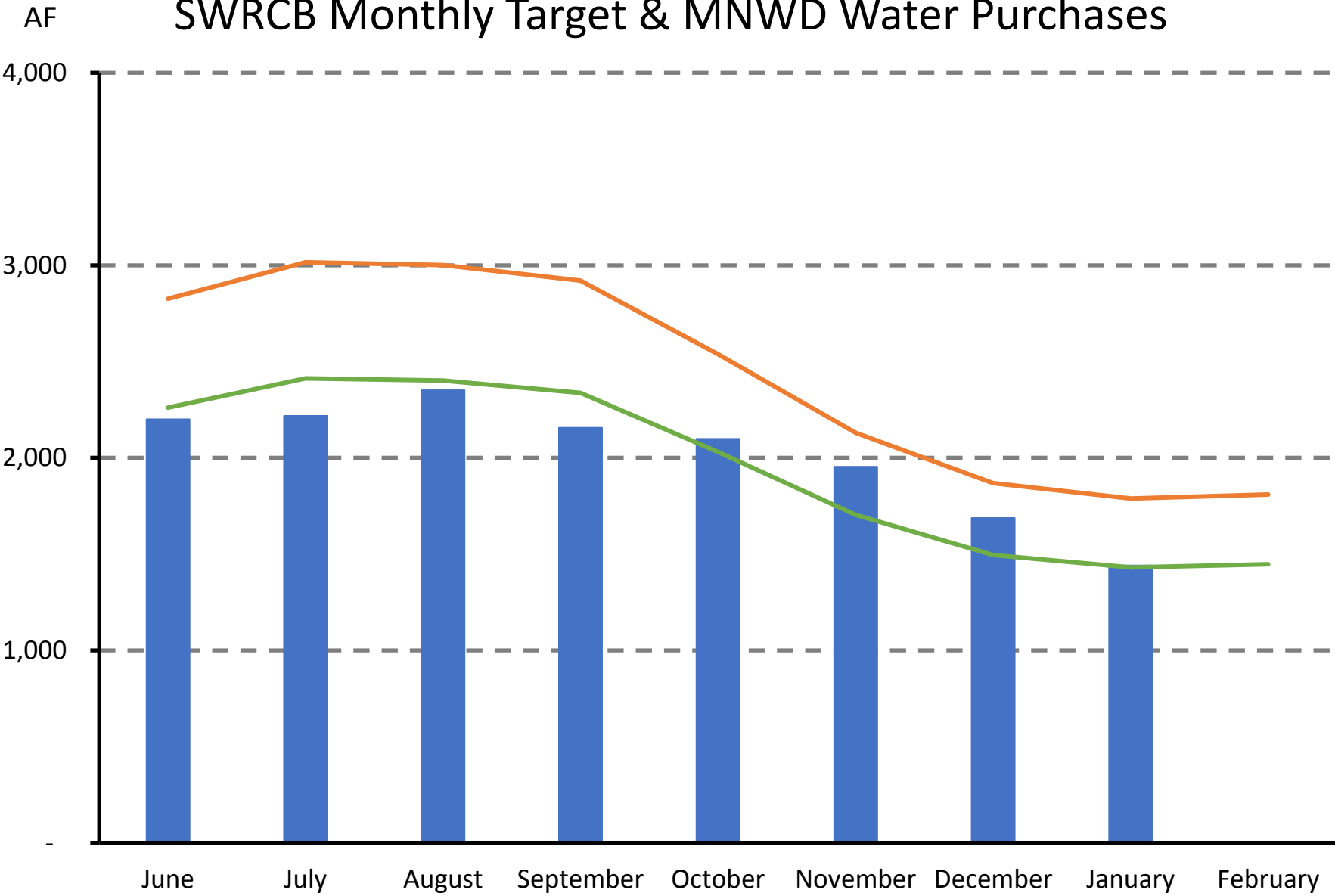
Cumulative Monthly Water Purchases versus SWRCB Allocation



— 2013/2014 Production — SWRCB Target — 2015/2016 Production

February 17, 2016

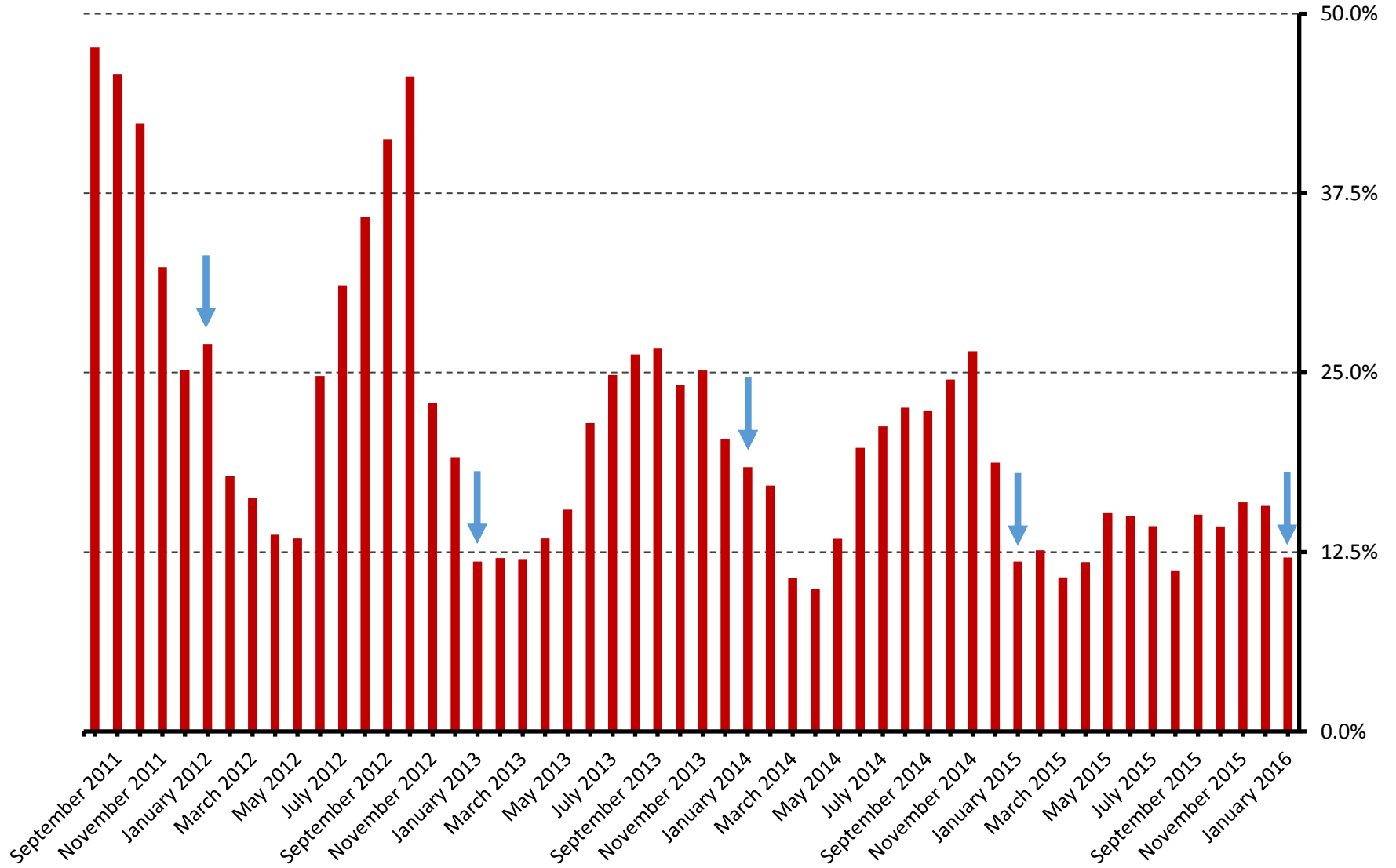
SWRCB Monthly Target & MNWD Water Purchases



■ 2015/2016 Production — 2013 Production — SWRCB Target

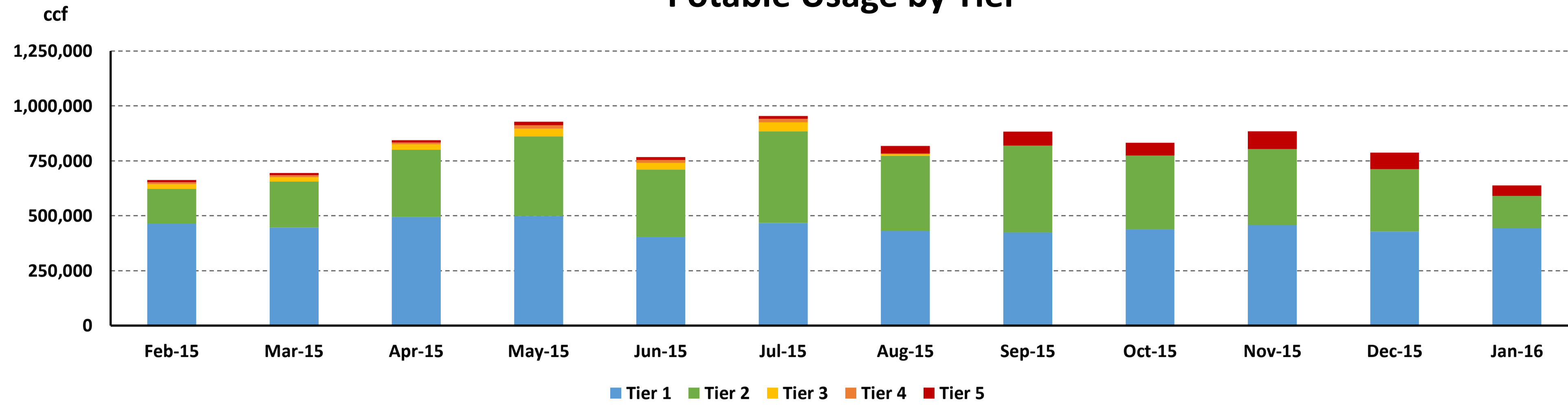
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Single Family Residential Accounts Above Tier 2



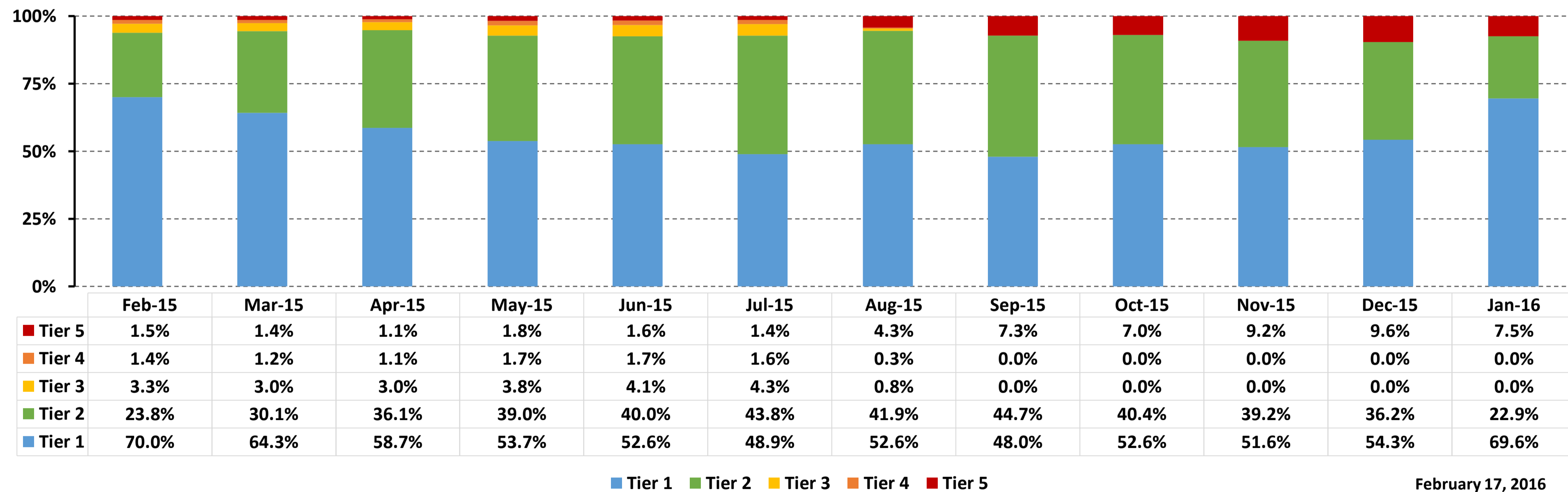
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Potable Usage by Tier



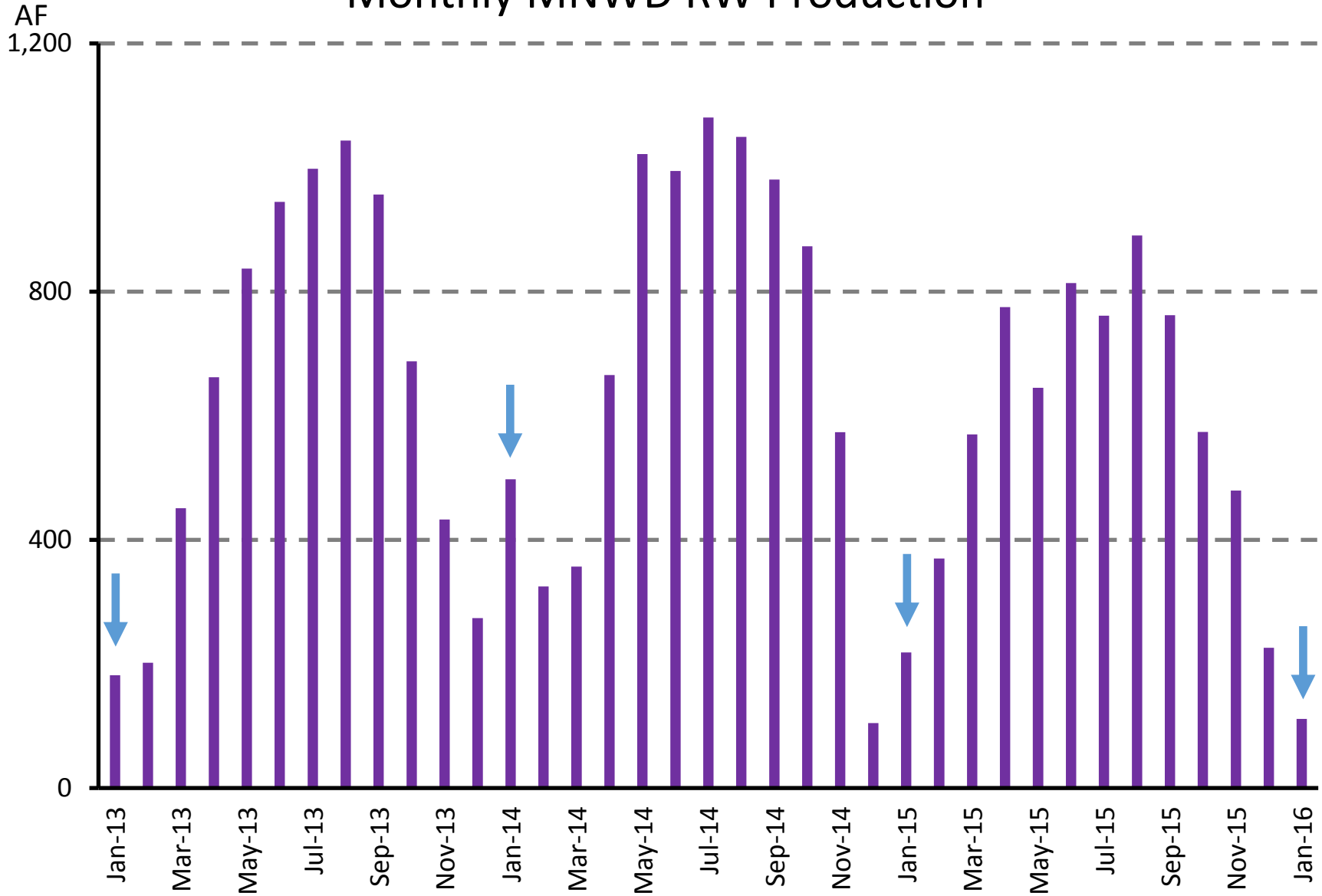
AF in Tier 3, 4, 5	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
	94	89	101	154	131	159	102	148	134	187	173	110

Percent Potable Usage by Tier



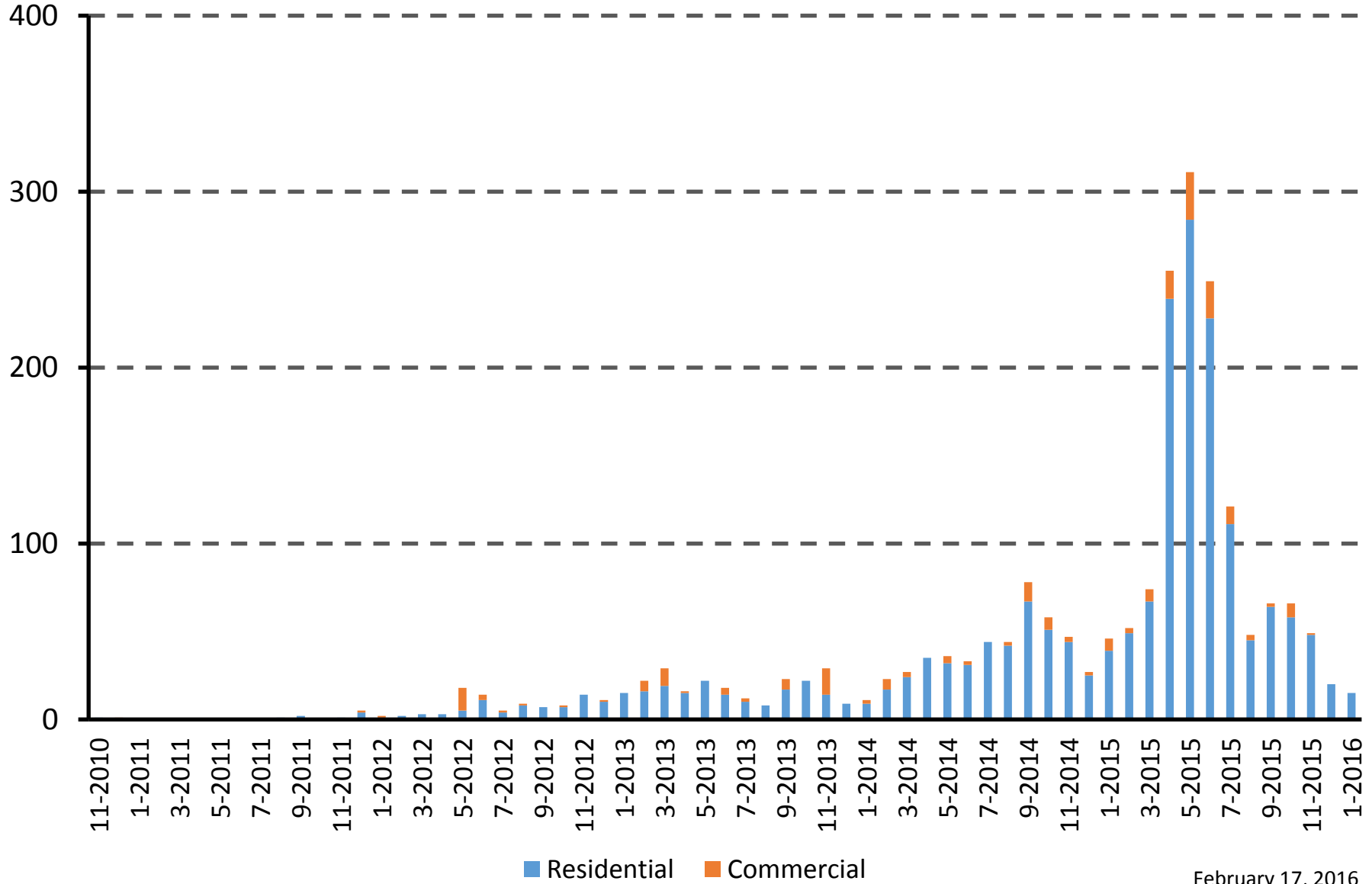
February 17, 2016

Monthly MNWD RW Production



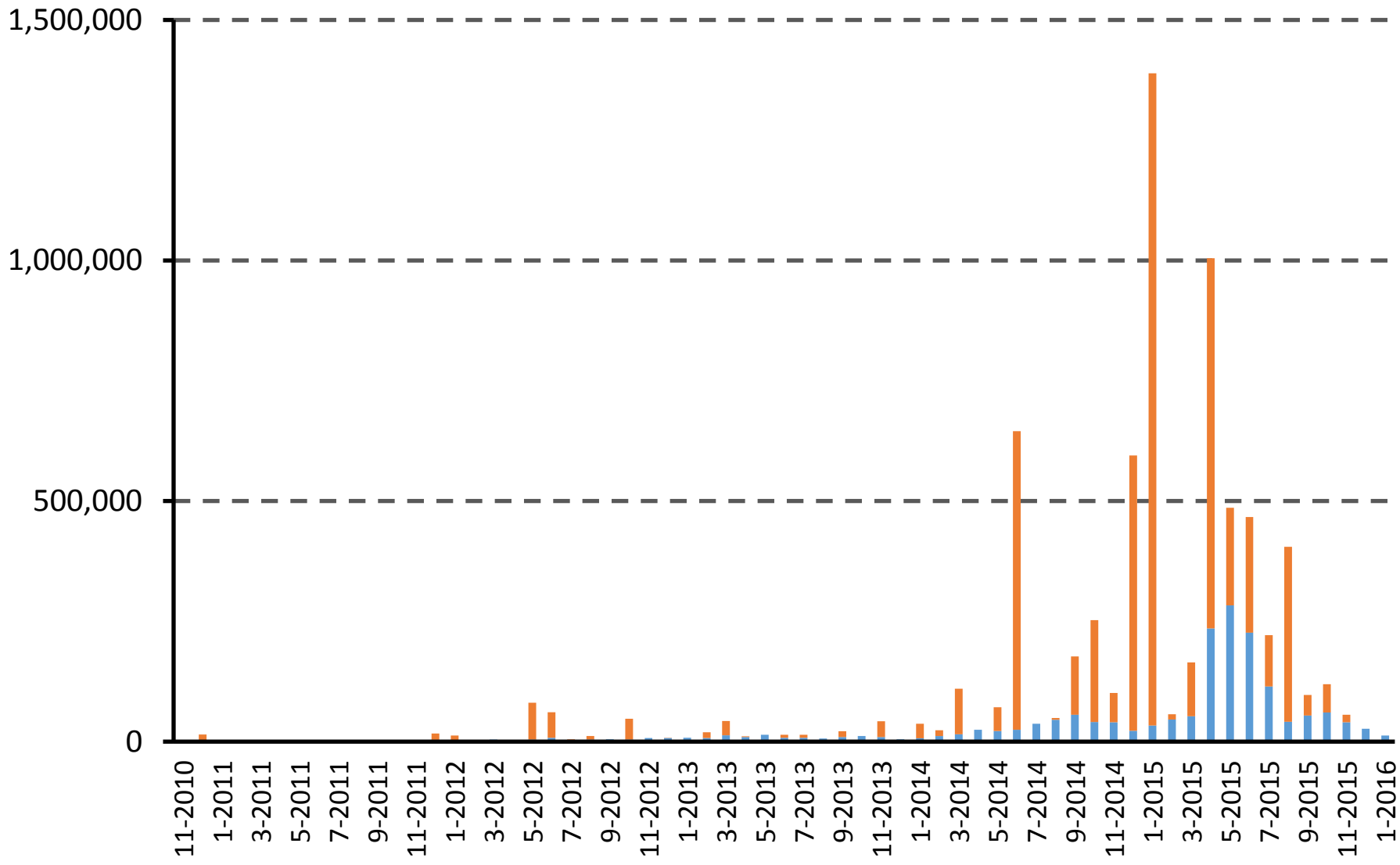
Total Turf Removal Applications by Month

Applications



February 17, 2016

Square Feet Total Turf Removal Application Size by Month



Residential Commercial

February 17, 2016



Moulton Niguel Water
Leading the Way in Service

MONTHLY FINANCIAL PRESENTATION

SIX MONTHS ENDED DECEMBER 31, 2015

Finance and Information Technology Meeting

February 17, 2016

FINANCIAL HIGHLIGHTS

- Net Income - General Fund and Water Efficiency Fund (WBBRS) - \$15.4 million
 - \$13.4 million in property taxes (50% of budget)
- WBBRS Revenues down \$0.6 million (19%) this year
 - Positive outreach response
- WBBRS Fund Net Position - \$7.3 million
 - \$3.8 million commitments, available balance - \$3.5 million

FINANCIAL HIGHLIGHTS

- Total unrestricted cash balance - \$136.9 million
- Total District Net Position - \$412.7 million
 - Increase of \$4.9 million fiscal year to date
- Net Investment in Capital Asset balance - \$282.4 million
 - Increased by \$15.0 million since June 30, 2015

FINANCIAL HIGHLIGHTS

- Total Long-Term Debt - \$109.4 million
 - \$9.4 million decrease since June 30, 2015
- All Debt reserves meet funding requirements
- Unrestricted Reserve Policy targets – Reviewed monthly
 - Replacement and Refurbishment is 95% funded
 - All other Unrestricted Reserve Policy targets are met