

**AGREEMENT FOR FUEL DELIVERY SERVICE
BETWEEN MOULTON NIGUEL WATER DISTRICT AND
AAA Oil, Inc.
AGREEMENT NO. OM17-180.001**

THIS AGREEMENT is made and entered into on July 1, 2017 (the "Effective Date"), by and between the **MOULTON NIGUEL WATER DISTRICT**, hereinafter referred to as "**DISTRICT**", and **AAA Oil, Inc., dba California Fuels & Lubricants**, hereinafter referred to as "**Contractor**". DISTRICT and Contractor are sometimes hereinafter individually referred to as "Party" and hereinafter collectively referred to as the "Parties".

RECITALS

A. DISTRICT has determined there is a need for bulk fuel and motor oil delivery services.

B. DISTRICT desires to utilize the services of Contractor to provide bulk fuel and motor oil delivery services.

C. Contractor is qualified to accomplish the necessary Services and has agreed to provide such Services to DISTRICT.

NOW, THEREFORE, in consideration of the promises and mutual benefits, which will result to the Parties in carrying out the terms of this Agreement, it is mutually agreed as follows:

AGREEMENT

1. Scope of Agreement.

Contractor agrees to provide all Services as described in Exhibit A attached hereto and incorporated herein by reference. Contractor agrees that all Services will be performed in a competent, professional and satisfactory manner, and in accordance with this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state and federal laws, rules and regulations.

2. Term.

This Agreement shall be an initial two-year term, from July 1, 2017 to June 30, 2019, 2019, unless otherwise earlier terminated as provided herein. Fuel pricing, as stated in Exhibit B, was quoted on a cost-plus model using the current Oil Price Information Service (OPIS) daily average rack pricing as the base price. The quoted margin will remain firm for the entire term of the contract. This Agreement may be extended, at DISTRICT's sole option, for two additional 12-month terms. ~~This extension at the prices in the Fee Schedule listed in Exhibit "B". Subject to DISTRICT's sole discretion, an extension~~ will be based upon a satisfactory review of Contractor's performance, DISTRICT's needs, and appropriation of funds by the DISTRICT Board of Directors. ~~The parties~~ The parties will continue under the same fee schedule, Exhibit B, unless there are significant changes in the market that increase the cost of oil or the cost of delivery and transportation of wholesale fuel by the Contractor. If the market prices dictate a necessary re-negotiation

of fees, the parties will prepare a written amendment indicating the effective date, price, and length of the extended Agreement.

3. Time for Completion.

The time for completion of the Services to be performed by Contractor is an essential condition of this Agreement. Contractor shall prosecute regularly and diligently the work of this Agreement according to reasonable schedules established by DISTRICT. Contractor shall not be accountable for delays in the progress of its work caused by any condition beyond its control and without the fault or negligence of Contractor.

4. Compensation.

DISTRICT shall pay Contractor total compensation for Services in accordance with the rates set forth in Exhibit "B" attached hereto and by reference made a part of this Agreement. The total compensation paid for services pursuant to the Agreement shall not exceed **Three Hundred Sixty Thousand Dollars (\$360,000) per year** total payments under this agreement shall not exceed **Seven Hundred Twenty Thousand Dollars (\$720,000).**

Contractor shall submit detailed invoices, based upon services provided, accompanied by backup documentation as requested by DISTRICT. Contractor shall provide DISTRICT with a monthly itemization of all work performed, and the fees accrued thereon, in complete and sufficient detail to fully apprise DISTRICT thereof.

5. Termination.

DISTRICT may terminate this Agreement in whole or in part at any time, without cause, upon giving the other party ten (10) days' written notice. In the event of such termination, Contractor shall be entitled to compensation for work performed through and including the effective date of termination.

Additionally, DISTRICT may suspend performance by Contractor of any or all services listed in the Scope of Work under this Agreement by providing written notice to Contractor at least five (5) working days prior to the date on which DISTRICT wishes to suspend; provided, upon receipt of such notice, Contractor shall immediately suspend any work or services hereunder, unless otherwise instructed by DISTRICT in such notice.

Contractor shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from DISTRICT to resume performance. DISTRICT and Contractor agree that in the event DISTRICT suspends or terminates performance by Contractor for any cause other than the intentional or negligent error or omission of Contractor, Contractor shall be entitled to payment of compensation incurred prior to the effective date of the suspension or termination, as determined under Section 4 of this Agreement.

6. Relationship Between the Parties.

A. The relationship between the Parties hereto is that of an independent contractor, and nothing herein shall be deemed to make Contractor a DISTRICT employee. During the performance of this Agreement, Contractor and its officers, employees, agents, and subcontractors shall act in an independent capacity and shall not act as DISTRICT officers, employees, or agents. The personnel performing the Services under this Agreement on behalf of Contractor shall at all times be under Contractor's exclusive direction and control. Neither DISTRICT nor any of its officers, employees, agents, or subcontractors shall have control over the conduct of Contractor or any of its officers, employees, or agents, except as set forth in this Agreement. Contractor, its officers, employees, agents, or subcontractors shall not maintain an office or any other type of fixed business location at DISTRICT's offices.

B. Contractor shall not incur or have the power to incur any debt, obligation, or liability against DISTRICT, or bind DISTRICT in any manner.

C. No DISTRICT benefits shall be available to Contractor, its officers, employees, agents, or subcontractors in connection with any performance under this Agreement. Except for fees paid to Contractor as provided for in this Agreement, DISTRICT shall not pay salaries, wages, or other compensation to Contractor for the performance of Services under this Agreement. DISTRICT shall not be liable for compensation or indemnification to Contractor, its officers, employees, agents, or subcontractors for injury or sickness arising out of performing Services hereunder.

7. Insurance.

In addition to the requirements set forth herein, 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 7. Contractor shall not commence services under the Agreement until it has obtained all insurance required by the Agreement. Executed certificates of insurance and all required endorsements evidencing the required coverage detailed in this Section 7 shall be provided by Contractor with the Contractor's executed copy of this Agreement, and prior to commencement of any services. Contractor shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement.

- a. Commercial General Liability. Coverage for commercial general liability insurance shall be at least as broad as Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001). Contractor shall maintain limits no less than \$5,000,000 per occurrence, or the full per occurrence limits of the policies available, whichever is greater, for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit or product-completed operations aggregate limit is used, including but not limited to form CG 2503, either the general aggregate limit shall apply separately to this Agreement or the general aggregate limit shall be twice

- the required occurrence limit. The general liability policy shall include or be endorsed (amended) to state that: (1) DISTRICT, its directors, officials, officers,
- b. employees, agents, and volunteers shall be covered as additional insured with respect to the Services or operations performed by or on behalf of the Contractor, including materials, parts or equipment furnished in connection with such work using as broad a form as CG 20 10 11 85 or the latest versions of both CG 20 10 and CG 20 37; and (2) the insurance coverage shall be primary insurance as respects the DISTRICT, its directors, officials, officers, employees, agents, and volunteers using as broad a form as CG 20 01 04 13, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by the DISTRICT, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way.
- c. Automobile Liability. Coverage shall be at least as broad as the latest version of the Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto). Contractor shall maintain limits no less than \$5,000,000 per accident for bodily injury and property damage. The automobile liability policy shall include or be endorsed (amended) to state that: (1) DISTRICT, its directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Contractor or for which the Contractor is responsible; and (2) the insurance coverage shall be primary insurance as respects the DISTRICT, its directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by the DISTRICT, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way. The automobile liability policy shall cover all owned, non-owned, and hired automobiles.
- d. Worker's Compensation. By its signature hereunder, Contractor 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 Contractor will comply with such provisions before commencing the performance of work under this Agreement. Contractor and 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 DISTRICT 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 DISTRICT and its' directors, officers, employees and representatives.

- e. Contractor's Pollution Liability Coverage. Contractor shall provide pollution liability insurance in an amount not less than \$20,000,000 per occurrence and \$20,000,000 aggregate.

- f. Requirements of All Policies. All policies of insurance required under this Section 7 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 VII, and in either case are otherwise acceptable to DISTRICT. All such policies shall include a provision and executed endorsement for thirty (30) days prior written notice by certified mail, return receipt requested, to DISTRICT of any cancellation or material alteration of such insurance. Contractor shall provide original certificates and endorsements for all such insurance on forms approved by DISTRICT 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 Contractor's (and its subcontractor's) insurance, and shall not contribute to such insurance.

Any deductibles or self-insured retentions must be declared in writing and approved by DISTRICT. At the option of DISTRICT, either: the insurance provider(s) shall reduce or eliminate such deductibles or self-insured retentions as respects DISTRICT and its' directors, officers, employees and representatives; or the Contractor shall provide a financial guarantee satisfactory to DISTRICT 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.

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 7 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.

8. Indemnity.

To the fullest extent allowed by law, Contractor agrees to indemnify, defend and hold harmless DISTRICT, its Board Members, officers, officials, agents and employees, harmless against any and all liability, claims, judgments, costs, and demands, including demands arising from injuries or death of persons (Contractor's employees included) and damage to property, arising directly or indirectly out of the obligations herein undertaken or out of the operations conducted by Contractor, save and except claims or litigation arising through the sole negligence or sole willful misconduct of DISTRICT and will make good to and reimburse DISTRICT for any expenditures, including reasonable attorneys' fees, DISTRICT may incur by reason of such matters, and if requested by DISTRICT, will defend any such suits at the sole cost and expense of Contractor.

In the event Contractor or its insurer refuses or fails to provide a legal defense to DISTRICT after receiving written notice of the legal action and a tender and demand for defense, DISTRICT shall have the right to select counsel of its own choice to represent all DISTRICT's interests. Contractor agrees that the amount of legal costs and expenses including attorneys' fees may be withheld by DISTRICT from any Agreement amounts due and owing to Contractor until such time as a final determination is made as to the responsibility for payment of the fees and costs.

This indemnity obligation shall survive the expiration or termination of this Agreement and/or the performance or completion of the Services. This indemnity obligation shall apply to all liability regardless of whether any insurance is applicable, and the policy limits of any insurance shall not act as a limitation upon the indemnification, and amounts related thereto, to be provided by Contractor under this Agreement.

9. Compliance with Law.

A. Contractor certifies by the execution of this Agreement the following: that it pays employees not less than the minimum wage as defined by law and that it does not discriminate in its employment with regard to race, color, religion, sex, or national origin.

B. Contractor shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any Services, including but not limited to the satisfaction of any positive obligations required of Contractor thereby.

C. Contractor shall comply with all local, State and Federal environmental laws, including but not limited to any record keeping requirements and will make all records available to DISTRICT upon request. Further, and to the fullest extent allowable by law, Contractor hereby agrees to defend, indemnify, and hold harmless DISTRICT, pursuant to this Agreement, for noncompliance with any local, State and Federal environmental laws, including but not limited to reimbursement of any penalties or fines assessed against

DISTRICT for Contractor's noncompliance with any local, State and Federal environmental laws.

10. Notices.

All notices or other communications required or permitted hereunder shall be in writing and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, delivered or sent by electronic transmission, and shall be deemed received upon the earlier of: (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) three (3) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by electronic transmission. Any notice, request, demand, direction, or other communication sent by electronic transmission must be confirmed within forty-eight (48) hours by letter mailed or delivered. Notices or other communications shall be addressed as follows:

To DISTRICT: Attn: Asst. Director of Operations
 Moulton Niguel Water District
 27500 La Paz Road
 Laguna Niguel, CA 92677-3489

To CONTRACTOR: Attn: Jaime Duenas
 California Fuels & Lubricants
 11621 Westminster Ave.
 Garden Grove, CA 92843

Either Party may, by written notice to the other, designate a different address, which shall be substituted for that specified above.

11. Licenses and Qualifications.

Contractor represents and warrants to DISTRICT that it has obtained all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession. Contractor represents and warrants to DISTRICT that Contractor shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any license, permit or approval which is legally required for Contractor to perform its professional duties under this Agreement.

12. Agreement Execution Authorization.

Each of the persons executing this Agreement represent and warrant that they are authorized to sign this Agreement on behalf of the entity for which he/she is signing and empowered to bind such entity.

13. Jurisdiction.

This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California. 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 agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure 394. This Agreement shall be construed as a whole according to its fair language and common meaning to achieve the objectives and purposes of the Parties hereto, and the rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not be employed in interpreting this Agreement, all Parties having been represented by counsel in the negotiation and preparation hereof.

14. Waiver.

No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the Party against whom enforcement of a waiver is sought. Any waiver by the Parties of any default or breach of any covenant, condition, and term contained in this Agreement, shall not be construed to be a waiver of any subsequent or other default or breach, nor shall failure by the Parties to require exact, full, and complete compliance with any of the covenants, conditions, or terms contained in this Agreement be construed as changing the terms of this Agreement in any manner or preventing the Parties from enforcing the full provisions hereof.

15. Modifications and Amendments to Agreement.

No modification or amendment of this Agreement or any of the provisions hereof shall be effective for any purpose unless set forth in writing signed by duly authorized representatives of both Parties.

16. Successors in Interest.

This Agreement shall be binding upon and inure to the benefit of the Parties' successors and assignees.

17. Assignments.

No assignment by Contractor of this Agreement or any part hereof, or of funds to be received hereunder, will be recognized by DISTRICT unless such assignment has had prior written approval and consent of DISTRICT, which consent will not be unreasonably withheld.

18. Entire Agreement.

This Agreement and its Exhibits constitutes the entire understanding and agreement of the Parties hereto and supersedes all previous negotiations, discussions, and agreements between the Parties with respect to the subject matter hereof. No parol evidence shall be permitted to contradict or vary the terms of this Agreement.

19. Severability.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be invalid under the applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement.

20. Recitals.

The Recitals above are hereby incorporated into this section as though fully set forth herein and each Party acknowledges and agrees that such Party is bound, for purposes of this Agreement, by the same.

21. Conflicts.

To the extent that there is any conflict between the provisions of this Agreement and any other agreement or document between the parties regarding the subject matter of this Agreement, the terms and conditions of this Agreement shall govern.

22. Separate Contracts.

Contractor understands that this is not an exclusive Agreement and that DISTRICT shall have the right to negotiate with and enter into separate contracts with others providing the same or similar services as those provided by Contractor as DISTRICT desires.

23. Time is of the Essence.

Time shall be of the essence as to all dates and times of performance contained in this Agreement.

24. Third Party Rights.

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than CVWD and the Contractor.

[Intentionally left blank, signed on following page]

IN WITNESS WHEREOF, this Agreement has been executed in the name of DISTRICT, by its officers thereunto duly authorized, and Contractor as of the Effective Date of the Agreement as defined herein.

Moulton Niguel Water District

By: _____

Joone Lopez

General Manager

California Fuels & Lubricants

By: _____

Title: _____

EXHIBIT A

SCOPE OF WORK AND SPECIFICATIONS

Contractor shall provide DISTRICT with fuel delivery services subject to the following terms and specifications:

1.0 Contractor Responsibilities

The Contractor shall possess and maintain all Federal, State and Local permits, licenses and approvals necessary to provide goods / services as required in the Scope of Work, for the duration of the contract. Any associated fees shall be the responsibility of the Contractor.

The Contractor shall ensure that all delivery vehicles are in compliance with all current Federal, State and Local registration, licensing, insurance and maintenance requirements as mandated by the Department of Transportation (DOT), Federal Motor Carrier Safety Administration (FMCSA), Department of Toxic Substances (DTSC), California Air Resources Board (ARB), and California Highway Patrol (CHP), relating to the commercial transportation and delivery of bulk fuels and automotive lubricants in the State of California, for the duration of the contract.

The Contractor shall ensure that all of their fuel and oil delivery drivers are in compliance with current Federal, State and Local licensing, registration, training, communication, packaging, emergency response and security requirements, as mandated by the Department of Transportation (DOT), Federal Motor Carrier Safety Administration (FMCSA), California Air Resources Board (CARB), California Department of Motor Vehicles (DMV) and California Highway Patrol (CHP).

All drivers / delivery personnel shall be HAZMAT trained and certified in safety measures to prevent accidents endangering District personnel and property.

The Contractor's drivers / delivery personnel shall perform all deliveries in a safe and professional manner, adhering to all applicable Federal, State, Local regulations.

The Contractor shall ensure that the driver arrives at the fueling site with the proper equipment and the knowledge in the use of all equipment.

The Contractor shall supply to the District legible copies of State and Federally-required licenses, certifications and registrations for the business, vehicles and personnel with the submission of their proposal.

2.0 Fuel Usage and Storage

The District's annual fuel usage is approximately 53,000 gallons of unleaded and 40,000 gallons of diesel. The District's fuel delivery site contains one 10,000 gallon, double wall, double compartment underground storage tank, divided into 8000-gallon unleaded and 2000-diesel compartments. The District's fuel tank is electronically monitored with a Veeder-Root TLS-300C.

EXHIBIT A

3.0 Fuel Specifications

- a. Unleaded Gasoline provided shall have a minimum Octane rating of 89 as determined by using the standard R+M/2 method.
- b. Diesel fuel provided shall be Ultra Low Sulfur, #2, CARB-compliant.
- c. All fuel provided to the District must be in compliance with the State of California Air Resources Board (ARB) specifications as stated under the latest version of the California Reformulated Gasoline Regulations (CaRFG3), sections 2250 – 2273.5, including all amendments.
- d. All fuel content testing must comply with the American Society for Testing and Materials methods (D86-99, D287-82, D323-58, D613-84, D3231-73, D3237-79, D4629-96, D4814, D4815-09, D5186-03, D5453-93, D5580-02, D6079-02 and D7754-11).
- e. Fuel provided to the District must meet the latest flat limits of the Reid Vapor Pressure (RVP) requirements as set forth by the California Air Resources Board (ARB) in the California Reformulated Gasoline (CaRFG3) regulations.
- f. Diesel fuel provided must meet the content standards as specified under the California Air Resources Board, "California Diesel Fuel Regulations" (Title 13, Cal Code of Regulations, Sec 2281-2285 & Title 17, Cal Code of Regulations, Sec 93114).
- g. Contractor shall provide, upon request, Safety Data Sheet (SDS) at time of fuel delivery as required by law.
- h. Only products of new manufacture or distillation will be accepted. No refined or reclaimed products will be accepted. All fuel/gasoline shall have a minimum shelf life of one (1) year.
- i. All products furnished shall conform to all Federal, State, Local, American Society of Testing & Materials (ASTM), Department of Transportation (DOT) and Air Resources Board (ARB) regulations.

4.0 Motor Oil Usage and Storage

The District's annual automotive motor oil usage averages 400 combined gallons of two different weights/types of oil. The oil is stored in two 200 gallon tanks.

5.0 Motor Oil Specifications

- b. Guardol/ECT TI 15W/40CJ-4, ~~15w/40~~ oil is used for our diesel vehicles. Oil provided shall meet 2007 and later California emissions standards and be formulated to be compatible with Diesel Particulate Filters (DPF).
- c. 10w/30 is used for our gasoline vehicles. Oil must be a synthetic blend.
- d. Only high quality, branded oils will be accepted.

EXHIBIT A

- e. Recycled oil is NOT acceptable.

6.0 Orders, Deliveries and Invoices

Orders

Fuel orders are typically placed every other week, but may occur more or less frequent as usage dictates. Motor oil is ordered twice annually. Most fuel orders are placed 24 to 72 hours in advance of need.

Fuel orders should be fulfilled by the Contractor as soon as possible, unless otherwise stated at the time of the order, but no more than 48 hours after the request has been made. Contractor must be able to deliver fuel within 24-hours of a telephoned or emailed request, and delineated fuel pricing shall be made available to the fuel coordinator within one twenty four (24) hour period of standard working hours of the actual delivery of fuel.

Deliveries

Fuel deliveries may be made between the hours of 8AM and 4PM, Monday through Friday, or as specified at the time of the order. Weekend or holiday deliveries are not to be made, unless specifically requested at the time of the order.

The Contractor's driver shall run a fuel tank read from the District's Veeder- Root monitor system, both prior and after fueling, to confirm delivery amounts and provide bill of lading documentation to the District's responsible party (Purchasing or the Warehouse) of the delivery types and quantities. Bill of Lading should contain, at a minimum:

- Company Name & Address
- Sold-to Party (Moulton Niguel Water District) with delivery address
- Date of delivery
- Type and Gallon Quantity of Unleaded Gasoline delivered
- Type and Gallon Quantity of Diesel Fuel delivered
- Fuel truck driver's signature
- District personnel's signature

Invoices

Contractor's fuel delivery invoice shall reference the Purchase Order, date of delivery, type of fuel, amount of delivered gallons, base fuel price per gallon (including margin), with all applicable taxes and surcharges itemized separately. The Contractor shall submit with each invoice, a copy of the OPIS price sheet for Orange, California, for the week of delivery.

District motor oil tanks are filled twice each yearly. Driver should arrive equipped for filling indoor, above-ground oil tanks. After delivery, a bill of lading will be provided to the District's responsible party. Bill of lading should contain, at a minimum:

- Contractor's Name & Address
- Sold-to Party (Moulton Niguel Water District), with delivery address
- Date of delivery
- Type and Gallon Quantity of oil delivered
- Oil truck driver's signature
- District personnel's signature

EXHIBIT A

Contractor's oil delivery invoice shall reference the Purchase Order, date of delivery, type of oil, amount of delivered gallons, price per gallon, with all applicable taxes and surcharges itemized separately.

7.0 Fuel and Oil Spills

The Contractor will be responsible for any spills on the District's premises, which occur from the company's fuel delivery vehicle or as a result of any of the driver's activities while in the process of filling the District's underground tank. The Contractor shall be financially and legally liable for the complete containment, remediation, and disposal of all hazardous waste spills that may occur during the Contractor's fueling operations. The Contractor must arrive at the District's fueling site equipped to handle the containment, remediation, and proper clean-up of all spills up to 100 gallons. The Contractor shall immediately report any spillage to the District and clean up the spillage within one working day of the time of spillage, or other time period as specified by the District. In the event of a fuel spill, the Contractor is required to immediately notify Moulton Niguel Water District, cover all drains in the vicinity, prevent spill from entering storm drains, and attempt to contain the spill. Moulton Niguel Water District will supervise any and all fuel spill remediation and disposal of hazardous waste. In the event of an emergency, the Contractor must have a 24-hour emergency contact number. Clean up shall be performed in accordance with EPA, DTSC and State of California guidelines and requirements. The District will charge the Contractor for all costs incurred during the clean-up process including: labor and administrative costs, hazardous waste material handling fees, disposal fees or other clean-up supplies, and any fines resulting from violations of state, federal, or local regulations.

The following Best Management Practices will be followed by the Contractor to minimize the risk of spills during mobile refueling operations and to prevent any liquids spilled during dispensing operations from flowing into buildings or offsite:

- All fuel delivery trucks are equipped with a remote emergency shut-off button.
- Automatic shut-off nozzles will be used.
- Automatic shut-off nozzles will be replaced as necessary.
- Equipment on fueling vehicles, particularly hoses and nozzles, will be maintained and replaced as needed to prevent failures.
- The operator shall be prohibited from leaving the tank area while fueling it.
- The fill nozzle shall be removed and fueling shall be ceased when the automatic shut-off engages.
- "Topping off" shall be prohibited.
- Absorbent pads shall be kept under the nozzle and the nozzle shall be kept facing upwards while transferring it between the fueling vehicle and the vehicle being fueled.
- The act of dragging hoses shall be minimized.
- All fueling vehicles shall have a minimum of these spill clean-up materials:
 - Non-water absorbents capable of absorbing 16 gallons of fuel.
 - A contamination boom of a minimum 10 feet in length.
 - All fueling vehicles shall be equipped with adequate lighting systems at the filling point.
- All fuel-contaminated media shall be disposed of in accordance with any/all applicable Regulatory requirements by a licensed disposal company.

EXHIBIT A

8.0. Other Emergencies

The Contractor shall work with the District to develop alternative interim fuel delivery solutions in the advent of a natural disaster or other emergencies that may disrupt normal fueling operations. The Contractor shall provide the District with a 24-hour contact number.

9.0. Delivered Fuel Price

- a. The current Oil Price Information Service (OPIS) daily average rack pricing (Orange, California) shall be used as the base price.
- b. Contractor's price shall consist of the OPIS daily average cost per gallon, plus or minus a stated amount (margin). Additional fees, such as delivery charges and surcharges must be included into this margin. The Contractor's margin will be added to the most recent published rack average (Orange, CA) to establish the pre-tax delivered, complete cost per gallon of fuel. The quoted margin as entered on Attachment 3 shall remain firm for the term of the initial contract.
- c. Taxes are not to be included in the Contractor's margin, as entered on the Pricing Schedule.
- d. Margin pricing entered on the Pricing Schedule (Attachment 3) shall be enumerated four (4) decimal places to the right of the decimal (ex: 0.1234).

10.0. Delivered Motor Oil Price

Contractor's motor oil price shall be enumerated as per gallon, minus any state-mandated fees (recycling, motor oil fee) or taxes.

11.0. Federal Excise Tax

"Federal law provides a fuel excise tax exemption for the sale of any liquid used as a fuel in a motor vehicle, motorboat, or aircraft for the exclusive use of any state, or any political subdivision of a governmental entity, or the District of Columbia. This fuel excise tax exemption does not include Leaking Underground Storage Tank (LUST) tax." (Internal Revenue Service)

The Moulton Niguel Water District qualifies for this Federal excise tax exemption.

12.0. Fuel Quality Control & Testing

DISTRICT reserves the right to conduct spot check testing for fuel product quality assurance. DISTRICT will arrange testing through an independent laboratory. Fuels supplies shall be free from contamination.

DISTRICT and/or its authorized representative(s) reserves the right to test fuel quality before, during, and after unloading. Should test results show that the fuel contains contaminants, the fuel will be rejected. The vendor shall be responsible for the removal of the fuel from DISTRICT property within three working days after requested to do so should test results show that the fuel contains any contaminants. The vendor shall also be responsible for all cleanup required to all DISTRICT property, storage facilities, and equipment as a result of noncompliance with

EXHIBIT A

specifications. Furthermore, the vendor shall be fully responsible for any and all costs incurred by DISTRICT for any equipment sustaining damage that is attributed to a contaminated fuel that the vendor has delivered.

Any aftermarket additive used shall be identified by brand and/or trade name. The manufacturer's additive specifications shall be provided to DISTRICT, upon request. Failure to provide the manufacturer's additive specifications within seven working days of DISTRICT request will be grounds for purchase order cancellation without further cause. An additive, if used, shall comply with Environmental Protection Agency (EPA) regulations, and shall be compatible with the refiner's product. Additives, which increase emissions of sulfur and other substances proven to damage the environment, which are disallowed by EPA regulations, will not be accepted.

EXHIBIT A

EXHIBIT B

FEE SCHEDULE

Fuel pricing was quoted on a cost-plus model using the current Oil Price Information Service (OPIS) daily average rack pricing as the base price. Pricing consisted of the OPIS daily average cost per gallon, plus or minus Proposer’s stated margin. Additional fees, such as delivery charges and surcharges are included in this margin. The quoted margin will remain firm for the entire term of the contract. The oil pricing is quoted as per gallon.

Vendor	Unleaded (OPIS +)	Diesel (OPIS +)	Guardol/ECT TI 15W/40	10-30 Oil/gal
California Fuel and Lubricants	+\$0.0194	+\$0.0714	\$7.3800 1-250 Gallons	\$5.9100 1-250 Gallons
			\$6.6788 251-500 Gallons	\$5.2088 251-500 Gallons

EXHIBIT B

MOULTON NIGUEL WATER DISTRICT DEBT MANAGEMENT POLICY

Effective: July 1, 2017

Policy Statement

This policy documents Moulton Niguel Water District's (the "District" or "MNWD") goals and guidelines for the use of debt instruments for financing District water, recycled water, and wastewater infrastructure, projects, and other financing needs. The District recognizes the need to invest in ongoing capital replacement and rehabilitation of its facilities as well as new infrastructure to ensure future viability of services, and that the appropriate use of debt can facilitate the timely construction of such facilities.

The District expects to pay for infrastructure and other projects (e.g., water supply) from a combination of current revenues, available reserves, and prudently issued debt. MNWD recognizes that debt can provide an equitable means of financing projects for its customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs (i) if it meets the goals of equitable treatment of all customers, both current and future; (ii) if it is cost-effective and fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (iii) if there are other important policy reasons therefor. All District debt must be approved by the Board of Directors ("Board").

To endorse prudent financial management and achieve the highest practical credit ratings, the District is committed to systematic capital planning, and long-term financial planning. Evidence of this commitment to long term capital planning is demonstrated through adoption and periodic adjustment of the District's Capital Improvement Plan (CIP) identifying the benefits, costs and method of funding capital improvement projects over the planning horizon.

Purpose of Policy

The purpose of this debt management policy is to:

- To establish parameters for issuing debt, including the purposes for which debt can be issued
- Describe how debt and debt proceeds will be managed
- Provide guidance as to the type of debt to be issued
- Provide guidance as to the relationship between the capital improvement plan and debt issuance

Purpose and Use of Debt

The District will utilize reasonable debt financing to fund long-term improvements and thus ensure equitable allocation of costs. Long-term improvements may include the acquisition of land, facilities, infrastructure, and supplies of water; and enhancements or expansions to existing water, recycled water, and wastewater capacity and facilities. Debt can be issued to fund the planning,

MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
Effective: July 1, 2017

pre-design, design, land and/or easement acquisition, construction, and related fixtures, equipment and other costs as permitted by law. The District will not issue debt to cover operating needs.

The District may utilize short term financing (including leases) to finance certain essential equipment and vehicles. These assets can range from service vehicles to equipment. The underlying asset must have a minimum useful life of one year or more. Short-term financings, including loans, on bill financing and capital lease purchase agreements, are executed to meet such needs.

The Treasurer, Director of Planning and Financial Planning Manager will periodically evaluate the District's existing debt and recommend re-financings or prepayment (refunding) when economically beneficial. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other obligations, such as commercial paper or loans.

The General Manager, Treasurer, Director of Planning and Financial Planning Manager and District Financial Advisor as appropriate shall be responsible for analyzing any debt financing proposal to determine if it is beneficial to the District and if it complies with the District's long-term financial planning objectives, including maintaining or improving the current credit ratings assigned to outstanding debt by the major credit rating agencies.

The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized. Debt may only be issued upon Board authorization. No debt shall be issued with a maturity date greater than the expected weighted average useful life of the facilities or improvements being financed. The final maturity of bonds or state or federal loan debt shall be limited to 30 years after the date of issuance.

Debt Management

The District will provide for a periodic review of its financial performance and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting process. Necessary appropriations for annual debt service requirements will be routinely included in the District's annual budget. The District will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible interest rates.

The District's Debt Management Policy, Reserve Policy and Investment Policy are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such, the following principles outline the District's approach to debt management:

- The District will issue debt only in the case where there is an identified source of repayment. Debt will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with existing debt service

MOULTON NIGUEL WATER DISTRICT DEBT MANAGEMENT POLICY

Effective: July 1, 2017

covered by such existing revenues, (ii) additional revenues, as necessary, have been identified as a source of repayment in an amount sufficient to pay for the proposed debt, and (iii) bond covenants will be maintained.

- Debt will be structured for the shortest period possible, consistent with an equitable allocation of costs to current and future users. Borrowings by the District should be of a duration that does not exceed the useful life of the improvement that it finances and where feasible, should be shorter than the projected economic life. The standard term of long-term borrowing is typically 20-30 years.
- The District may issue bonds on a fixed or variable interest rate basis. Fixed rate securities ensure budget certainty through the life of the securities and can be advantageous in a low interest rate environment. When appropriate, the District may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. Such variable rate bonds will be limited to no more than 20% of outstanding debt.

The proceeds of the bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of safety. The District's Investment Policy and the specific bond indentures govern objectives and criteria for investment of bond proceeds. The Treasurer, Director of Planning and Financial Planning Manager will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance, while complying with arbitrage and tax provisions.

Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of District cash and investments. The District's trustee will administer the disbursement of bond proceeds pursuant to an Indenture of Trust. Requisition for the disbursement of bonds funds must be approved by the District's General Manager or Treasurer.

The Financial Planning Manager and Controller will monitor dedicated debt reserve fund balances and periodically review the advisability of prepayment or refunding of related debt. The financial advantages of a current refunding must outweigh the cost of reissuing new debt. A potential refunding will be assessed in combination with any new capital projects requiring financing, and the benefits of the refunding will be evaluated in relation to its costs and risks.

Debt can be refunded to achieve one or more of the following objectives:

- Reduce future interest costs;
- Restructure future debt service in response to evolving conditions regarding anticipated revenue sources;
 - Current refundings (that is, refinancings within 90 days of the call date) must meet a minimum net present value savings target of 3% of refunded bonds, while advance refundings (those refinancings executed more than 90 days prior to the call

MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
Effective: July 1, 2017

date) must meet a net present value savings target of at least 5% of refunded bonds and an escrow efficiency of 70%:

- Restructure the legal requirements, termed covenants of the original issue to reflect more closely the changing conditions of the District or the type of debt.

Debt Service Coverage Target

The District will not engage in debt financing unless the proposed obligation, when combined with all existing debts, will result in acceptable debt service coverage ratios. In determining the affordability of proposed revenue bonds, the District will perform an analysis comparing projected annual net revenues (after payment of operating and maintenance (O&M expense) to estimated annual debt service and estimated debt service coverage ratio (DCR). DCR is the amount of cash flow available to meet annual interest and principal payment on debt.

The District's objective is to maintain a DCR at or above 1.75 times to maintain its high quality credit rating.

Debt Instrument Rating

The General Manager, Director of Planning and Financial Planning Manager, with the District's Financial Advisor if appropriate, will assess whether a credit rating should be obtained for an issuance and make a recommendation to the Board. If it is determined that a credit rating is desirable, the probable rating of the proposed debt issuance is assessed before its issuance, and necessary steps are taken in structuring the debt issuance to ensure that the best possible rating is achieved.

Debt Structuring

In structuring a debt issuance, the district will manage the amortization of debt, and to the extent possible, match its cash flow to the anticipated debt service payments. The District will seek to structure debt with aggregate level principal and interest payments over the life of the borrowing. "Backloading" of debt service will be considered only when such structuring is beneficial to the District's aggregate overall debt payment schedule.

The Financial Planning Manager, Director of Planning and General Manager, with the advice of the District's Financial Advisor, will evaluate and recommend to the Board the use of a call option, if any, and call protection period for each issuance. A call option, or optional redemption provision, gives the District the right to prepay or retire debt prior to its stated maturity. This option may permit the District to achieve interest savings in the future through refunding of the bonds. Because the cost of call options can vary widely, depending on market conditions, an evaluation of factors,

MOULTON NIGUEL WATER DISTRICT DEBT MANAGEMENT POLICY

Effective: July 1, 2017

such as the call premium, time until the bonds may be called at a premium or at par, and interest rate volatility will guide the decision to issue bonds with a call option. Generally, 30-year tax exempt municipal borrowings are structured with a 10-year call. From time to time, shorter call options (5-9 years) may also be used.

Types of Debt

Revenue bonds, Certificates of Participation (COPs), variable rate bonds, state revolving fund (SRF) loans, federal loans, bank loans, notes, commercial paper, direct placements, capital leases, lease-purchase financing, and on bill financing. The weighted average useful life of the asset(s) or project shall exceed the payout schedule of any debt the District assumes. A definition on each type of debt is provided in Appendix A.

In addition to the aforementioned long and short term financing instruments, the District may also consider joint arrangements with other governmental agencies. Communication and coordination will be made with local governments regarding cost sharing in potential joint projects, including leveraging grants and funding sources.

The District is authorized to join with other special districts and/or municipal agencies to create a separate entity, a Joint Powers Authority (JPA), to issue debt on behalf of the District, the special district or municipality. The District will only be liable for its share of debt service, as specified in a contract executed in connection with the joint venture debt.

Credit Enhancement

Credit enhancement may be used to improve or establish a credit rating on District debt obligation. Types of credit enhancement include Letters of Credit, bond insurance or surety policies. The Treasurer and General Manager will recommend to the Board the use of credit enhancement if it reduces the overall cost of the proposed financing or if, in the opinion of the General Manager and/or Treasurer (with the advice of counsel and the District's Financial Advisor), the use of such credit enhancement furthers the District's overall financial objectives.

Debt Service Reserve Fund/Surety Policy

Unless there are market requirements or it is important to increase credit ratings, the District will not fund a debt service reserve fund as part of its debt issuance. To the extent the Treasurer, and/or Financial Planning Manager determine that a debt service reserve fund is advantageous, the debt reserves will be maintained in accordance with the District's Reserve Policy.

Capitalized Interest

MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
Effective: July 1, 2017

Generally, interest shall be capitalized for the construction period of a revenue-producing project, that debt service expense does not begin until the project is expected to be operational and producing revenues. In addition, for lease back arrangements, such as those used for lease revenue bond transactions interest may be capitalized for the construction period, until the asset is operational. Only under extraordinary circumstances, interest may be capitalized for a period longer than the construction period.

Credit Ratings

The District will seek to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the District's policy objectives. Ratings are a reflection of the general fiscal health of the District. By maintaining the highest possible credit ratings, the District can issue its debt at a lower interest cost. To enhance creditworthiness, the District is committed to prudent financial management, systematic capital planning, and long-term financial planning.

The District recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Each proposal for additional debt will be analyzed for its impact upon the District's debt rating on outstanding debt.

Rating Agency Relationships

The District may seek credit ratings from any or all of the major credit rating agencies - Standard & Poor's, Moody's Investors Service, and Fitch Investors Service, as appropriate. In addition, the District will evaluate the value of additional ratings on a case by case basis (e.g., Kroll Rating Services). District staff will provide periodic updates to the rating agencies, both formal and informal, on the District's general financial condition and coordinate meetings and presentations in conjunction with a new debt issuance when determined necessary.

The retention of a rating agency relationship will be based on a determination of the potential for more favorable interest costs as compared to the direct and indirect cost of maintaining that relationship.

Bond Ratings

The General Manager, Director of Planning, and Financial Planning Manager, working with the District's Financial Advisor, shall be responsible for determining whether a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
Effective: July 1, 2017

Method of Sale

The District will select the method of sale, which best fits the type of bonds being sold, market conditions, and the desire to structure bond maturities to enhance the overall performance of the entire debt portfolio. Three general methods exist for the sale of municipal bonds:

- I. Competitive sale. Bonds will be marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its best bid for its securities. The District will award the sale of the competitively sold bonds on a true interest cost (TIC) basis. Pursuant to this policy, the General Manager is hereby authorized to sign the bid form on behalf of the District fixing the interest rates on bonds sold on a competitive basis.

- II. Negotiated sale. The General Manager, Director of Planning and Financial Planning Manager select the underwriter, or team of underwriters, of its securities in advance of the bond sale, subject to Board approval. The District works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. In advance of the sale, the General Manager after approval from the Board of Directors, with advice from the District's Financial Advisor, will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted. Pursuant to this policy, the General Manager is hereby authorized to sign the bond purchase agreement on behalf of the District fixing the interest rates on bonds sold on a negotiated basis.

- III. Private placement. The District may elect to issue debt on a private placement bases. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or of it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

Roles and Responsibility

The primary responsibility for developing debt financing recommendations rests with the Financial Planning Manager. In developing such recommendations, the Financial Planning Manager shall consider the need for debt financing and assess progress on the current capital improvement program or plan (CIP) and any other program/improvement deemed necessary by the District. The Board authorizes and approves debt financing and/or debt service related recommendations and proposals.

All proposed debt financings shall be approved by the Board.

MOULTON NIGUEL WATER DISTRICT DEBT MANAGEMENT POLICY

Effective: July 1, 2017

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of California Government Code (CGC) §54300 et seq.

Bond Counsel

The District will retain external bond counsel for all debt issues. As part of its responsibility to oversee and coordinate the marketing of all District indebtedness, the General Manager, Director of Planning, and Financial Planning Manager shall make recommendations for approval by the Board on the retention of bond counsel.

Bond counsel will prepare the necessary authorizing resolutions, agreements and other documents necessary to execute the financing. All debt issued by the District will include a written opinion by bond counsel affirming that the District is authorized to issue the debt, stating that the District has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status.

District Financial Advisors

The District will select independent registered municipal advisors (District Financial Advisor) who may assist in planning and executing all bond and debt transactions. To avoid any appearance of conflict of interest, a District Financial Advisor may not also engage in the underwriting of the District's bonds. District Financial Advisors shall be selected through a competitive process after a review of proposals by the staff and approved by the Board.

The District Financial Advisor will advise the District on refunding opportunities for current outstanding debt, as well as assist in evaluating the merits of competitive, negotiated or private placement of new debt, and determining the most appropriate structure to ensure effective pricing that meets the District's near-term and long term cash flow needs. The District Financial Advisor will work with all parties involved in the financing transaction, including the District's bond counsel, trustee, underwriters, credit liquidity providers, to develop and monitor the financing schedule and preparation of the Official Statement. The District Financial Advisor will assist the District in developing and distributing bid specifications for desired services as, trustee and paying agents, printing, remarketing and credit liquidity service providers, and assist the District in its review process. The District also expects that its District Financial Advisor will provide objective advice and analysis, maintain confidentiality of the District's financial plans, and be free from any conflict of interest.

Underwriters

For negotiated sales, the District will generally select or pre-qualify underwriters through a competitive process. This process may include a request for proposal or qualifications to all firms considered appropriate for the underwriting of a particular issue or type of bonds. The Financial Planning Manager, in consultation with the District's Financial Advisor, will determine the appropriate method to evaluate the underwriter submittals and then recommend or qualify firms

MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
Effective: July 1, 2017

on that basis. The District will not be bound by the terms and conditions of any underwriting agreement; oral or written, to which it was not a party.

Federal Arbitrage and Rebate Compliance

The District will fully comply with federal arbitrage and rebate regulations. Concurrent with this policy, the Financial Planning Manager and Controller will take all permitted steps to minimize any rebate liability through proactive management in the structuring and oversight of its individual debt issues. All of the District's tax-exempt issues, including lease purchase agreements, are subject to arbitrage compliance regulations.

The Controller and Financial Planning Manager shall be responsible for the following:

- I. Monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the District shall meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be reasonably expected that 85% of the proceeds will be expended within the three-year temporary period.
- II. Monitoring the investment of bond proceeds with awareness of rules pertaining to yield restrictions. Maintaining detailed investment records, including purchase prices, sale prices and comparable market prices for all securities.
- III. Contracting the services of outside arbitrage consultants to establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of federal tax code.

To the extent any arbitrage rebate liability exists, the District will report such liability in its annual Comprehensive Annual Financial Report (CAFR).

Continuing Disclosure

The District will meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated by the Securities Exchange Commission (SEC) Rule 15c2-12 and consistent with the District's Disclosure Procedures Policy. The Financial Planning Manager shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) system, the central depository designated by the SEC for ongoing disclosures by municipal issuers. The District will provide financial information and operating data no later than 270 days following the end of the District's

MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
Effective: July 1, 2017

fiscal year each year, and will provide notice of certain enumerated events with respect to the bonds, if material, as defined in the District's bond covenants and as required by the SEC.

The District will keep current with any changes in both the administrative aspects of its filing requirements and the national repositories responsible for ensuring issuer compliance with the continuing disclosure regulations. In the event a 'material event' occurs requiring immediate disclosure, the Financial Planning Manager and Controller will ensure information flows to the appropriate disclosure notification parties.

Compliance with Bond Covenants

In addition to financial disclosure and arbitrage compliance, once the bonds are issued, the District is responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments
- Timely transfer of debt service payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Compliance with all other bond covenants

On an annual basis, the Controller will prepare all required debt related schedules and footnotes for inclusion in the District's CAFR. The CAFR shall describe in detail all funds and fund balances established as part of any direct debt financing of the District.

The CAFR may also contain a report detailing any material or rate covenants contained in any direct offering of the District and whether or not such covenants have been satisfied.

Policy Review

On an as needed basis, the General Manager will be responsible for updating and revising this Policy which shall be reviewed at the Board meeting and adopted by the Board of Directors.

MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
Effective: July 1, 2017

APPENDIX “A”

Definitions of Types of Debt

Bank Loans and Notes

Use of short-term borrowing, such as bank loans and notes, will be undertaken only if available cash or reserves are insufficient to meet both project needs and current obligations.

Capital Lease

Capital lease debt may be considered to finance capital improvements, including vehicles and equipment with an expected useful life of less than ten years. A capital lease is a lease in which the lessor finances the lease and all other rights of ownership transfer to the District.

Derivatives

The District may choose to enter into contracts and financing agreements involving interest rate swaps, floating/fixed rate auction or reset securities, or other forms of debt bearing synthetically determined interest rates as authorized under the applicable statutes. The District will only consider the use of derivative products on a case-by-case basis and consistent with state statute and financial prudence. Before entering into such contracts or agreements, the District will review the risks and benefits of such financing techniques and expected impacts on the District’s long-term financial operations and credit ratings. The District shall not execute derivative contracts with terms exceeding 10 years.

Lease-Purchase Financing

The use of lease-purchase agreements in the acquisition of vehicles, equipment and other capital assets shall be considered carefully relative to any other financing option. The lifetime cost of a lease may be higher than other financing options or pay-go purchases. Nevertheless, lease-purchase agreements may be used by the District as funding options for capital acquisitions if circumstances warrant.

On Bill Financing

The District may choose to enter into low or zero interest financing agreements with utility providers who offer On Bill Financing. This type of financing offers financing of business improvements at little to no interest and no fees or costs to the District. Repayment amounts will be based on projected savings associated with the project and will be part of the monthly bill received from the issuer. Financing terms can range from three to ten years depending on the project to be financed.

MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
Effective: July 1, 2017

Revenue Bonds

Revenue bonds issued by the District are long term obligations issued to fund a specific project or purpose. The District will generally issue revenue bonds on a fixed interest rate basis, wherein at the time of the bond sale all interest rates are known and do not change while those bonds are outstanding. Particular conditions may arise where the District would consider the use of variable interest rate bonds. Variable interest rate bonds have interest rates that reset on a periodic basis (e.g. daily, weekly, monthly, etc.). Revenue bonds are payable solely from District revenues in accordance with the agreed upon bond covenants.

Variable Rate Debt

Variable rate debt is an alternative to fixed rate debt. It may be appropriate to issue short-term or long-term variable rate debt to diversify the District's debt portfolio, reduce interest costs, provide interim funding for capital projects and improve the match of assets to liabilities.

Variable rate debt typically has a lower cost of borrowing than fixed rate financing and shorter maturities in the range of 7 to 35 days. The District may consider variable rate debt in certain instances. The District will maintain a conservative level of outstanding variable debt not exceeding 20% of outstanding debt. Under no circumstances will the District issue variable rate debt solely for the purpose of earning arbitrage.

Short Term Debt

Pending the issuance of bonds the Board may authorize the issuance of short term debt. The Financial Planning Manager will determine and utilize the least costly method for short-term borrowing. Such debt shall be authorized by resolution of the Board.

These short term notes may be structured as:

- Bond Anticipation Notes (BANs) - BANs are short term obligations that will be repaid by proceeds of a subsequent long-term bond issue. The District may choose to issue Bond Anticipation Notes as a source of interim construction financing. Before issuing such notes, financing for such notes must be planned for and determined to be feasible by the General Manager and Financial Planning Manager, in consultation with the District's Financial Advisor.
- Commercial Paper (CP) - CP is a form of debt that has maturities up to 270 days although it may be rolled to a subsequent maturity date. Tax Exempt Commercial Paper shall not be issued for District for capital programs unless it is of sufficient economic size, as determined by the General Manager and Financial Planning Manager, in consultation with the District's Financial Advisor.

MOULTON NIGUEL WATER DISTRICT
DEBT MANAGEMENT POLICY
Effective: July 1, 2017

- Tax and Revenue Anticipation Notes (TRANs) - TRANs are short term notes secured by a pledge of taxes and other revenues in the current fiscal year. TRANs, if issued, will constitute direct obligations of the District. All TRANs will be redeemed in the same fiscal year in which they are issued.

State Revolving Funds

A State Revolving Fund (SRF) loan is a low or zero interest loan program for the construction of wastewater treatment and sewage collection systems, water recycling facilities, storm water projects, implementation of nonpoint source and storm drainage pollution control management programs, and for the development and implementation of estuary conservation and management programs. SRF debt service payments are factored into debt service coverage ratios as defined by applicable water and wastewater indentures.

SRF loans are generally structured such that the District is required to contribute a percentage of the total project cost and receives loan proceeds from the State for the balance. The SRF loan interest rate is calculated by taking half of the True Interest Cost (TIC) of the most recent State of California General Obligation Bonds sale. The term of the loans can be 20 to 30 years. When compared to traditional bond financing, the District may realize substantial savings through the use of SRF loans.

SRF Loans may provide additional assistance in the form of principal forgiveness. Principal forgiveness must be specified at the execution of the loan agreement for the amount forgiven to be counted against the total loan required to be provided by the SRF.

Letters of Credit

The District shall have the ability to enter into a letter-of-credit agreement when such an agreement is deemed prudent and advantageous. Only those financial institutions with short-term credit ratings of VMIG 1/A-1, F1 by Moody's Investor Services, Standard & Poor's and Fitch IBCA, may participate in the District's letter of credit agreements.

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF INVESTMENT POLICY

Effective: July 1, 2017

I. BACKGROUND

A. Prudent management of the District includes the adoption of appropriate goals, objectives, policies and guidelines for the investment of available funds.

B. The District's cash management system is designed to monitor and forecast accurately expenditures and revenues, thus enabling the District to invest funds to the fullest extent possible.

C. This policy serves to organize and formalize the District's investment-related activities, while complying with all applicable statutes governing the investment of public funds.

D. This policy supersedes any previous Investment Policies of the Moulton Niguel Water District.

II. PURPOSE

A. This statement is set forth by the District for the following purposes:

1. To establish a clear understanding for the Board, District management, responsible employees and third parties of the objectives, policies, and guidelines for the investment of District funds.

2. To offer guidance to any investment adviser on the investment of District funds.

3. To establish a basis for evaluating investment results.

B. The general purpose of this Investment Policy is to outline a philosophy and attitude, which will guide the investment of District funds toward the desired investment goals. It is intended to be sufficiently specific to be meaningful, yet adequately flexible to be practical.

III. INVESTMENT AUTHORITY

A. In accordance with Section 53600 et seq. of the Government Code of the state of California, the authority to invest public funds is expressly delegated to the Board of Directors for subsequent delegation to the Treasurer. Investments are limited to those instruments specified by this Investment Policy.

B. The Moulton Niguel Water District may engage the services of one or more external investment advisers who are registered under the Investment Advisers Act of 1940 to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

IV. PRUDENCE

A. Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the Agency are trustees and therefore fiduciaries subject to the Prudent Investor Standard:

“...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

B. The Treasurer or designated investment advisor and other authorized persons responsible for managing District funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that the Treasurer or other authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the governing body in a timely fashion and appropriate action should be taken to control adverse developments.

V. STATEMENT OF OBJECTIVES

A. The District's investment program is based first upon the principals of safety and liquidity. The expected return on investments is considered only after the first two criteria are met.

B. In order of priority, three fundamental criteria shall be followed:

1. 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. To attain this objective, the District will diversify its investments by investing funds among a variety of securities with independent returns.

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

3. RETURN ON INVESTMENTS. 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.

C. Funds are divided into six categories:

1. Funds needed for current operating expenses and capital requirements, known as the "Liquid Fund,"

2. Funds needed over the next one to five years known as the "Limited Maturity Fund", and

3. Funds not currently needed, known as the "Operating Reserve Fund."

4. Funds required per bond trust indentures of the 2009 COPs, known as the "Debt Service Restricted 2009 COP Reserve Fund."

5. Funds required per bond trust indentures of the 2010 COPs, known as the "Debt Service Restricted 2010 COP Reserve Fund."

6. Funds required per bond trust indentures of the 2015 Revenue Refunding Bond, known as the "Debt Service Restricted 2015 Revenue Refunding Reserve Fund."

D. The District shall inform the investment adviser from time to time of amounts to be allocated to each of the six categories.

E. The investment goals of the Liquid Fund shall be:

1. To preserve principal,

2. To provide liquidity for operating and maintenance expenses, debt service payments, and capital requirements, and

3. To earn a total rate of return commensurate with the first two goals.

F. The investment goals of the Limited Maturity Fund shall be:

1. To preserve principal,

2. To provide liquidity for operating and maintenance expenses, debt service payments, and capital requirements within the next one to five years, and

3. To earn a total rate of return commensurate with the first two goals.

G. The investment goal of the Operating Reserve Fund shall be:

1. To preserve principal and

2. To provide growth over the long term by earning the rate of return available from the longer-term investments permitted under the California Government Code.

H. The investment goal of the Debt Service Restricted 2009 COP Reserve Fund shall be:

1. To preserve principal

2. To provide liquidity for debt service payments in the event of defaulting, and

3. To earn a total rate of return commensurate with the first two goals.

I. The investment goal of the Debt Service Restricted 2010 COP Reserve Fund shall be:

1. To preserve principal
2. To provide liquidity for debt service payments in the event of defaulting, and
3. To earn a total rate of return commensurate with the first two goals.

J. The investment goal of the Debt Service Restricted 2015 Revenue Refunding Reserve Fund shall be:

1. To preserve principal
2. To provide liquidity for debt service payments in the event of defaulting, and
3. To earn a total rate of return commensurate with the first two goals.

VI. INVESTMENT PERFORMANCE OBJECTIVES AND GUIDELINES

A. Liquid Fund

1. The investment performance objectives for the Liquid Fund shall be to earn a return over a market cycle, which equals or exceeds the return on 90-day Treasury Bills.
2. The average maturity of the Liquid Fund shall not exceed 90 days, and the maximum final stated maturity of individual securities in the Liquid Fund may not exceed one year.
3. The District's Treasurer shall communicate periodically with the investment adviser in order to keep the adviser informed as to the District's specific short-term liquidity requirements.
4. The Liquid Fund shall maintain a minimum fund balance sufficient to provide adequate cash reserves to pay current operating expenses.

B. Limited Maturity Fund

1. The investment performance objective of the Limited Maturity Fund is to earn a return that equals or exceeds the return of the Bank of America Merrill Lynch 0-3 Year Treasury Index.

C. Operating Reserve Fund

1. The investment performance objective for the Operating Reserve Fund shall be to earn a rate of return over a market cycle, which exceeds the return on the Bank of America Merrill Lynch 1-10 Year US Treasury and Agency Index, or an equivalent index determined by the District.

2. The maximum stated final maturity of individual investments in the Operating Reserve Fund is ten years.

D. Debt Service Restricted 2009 COP Reserve Fund

1. The investment performance objectives for the Debt Service Restricted 2009 COP Reserve Fund shall be to earn a return over a market cycle, which equals or exceeds the return on Bank of America Merrill Lynch 3-5 Year US Treasury & Agency Index.

E. Debt Service Restricted 2010 COP Reserve Fund

1. The investment performance objectives for the Debt Service Restricted 2010 COP Reserve Fund shall be to earn a return over a market cycle, which equals or exceeds the return on Bank of America Merrill Lynch 3-month US Treasury Bill Index.

F. Debt Service Restricted 2015 Revenue Refunding Reserve Fund

1. The investment performance objectives for the Debt Service Restricted 2015 Revenue Refunding Reserve Fund shall be to earn a return over a market cycle, which equals or exceeds the return on Bank of America Merrill Lynch 3-5 Year US Treasury & Agency Index.

VII. INVESTMENT POLICIES

- A. Investment of District funds is governed by California Government Code Section 53601 et seq., a copy of which is attached to this policy as Exhibit B. A Summary of Permitted Investments, prepared by District's current investment adviser is attached as Exhibit A.
- B. The District manages its investments under the prudent investor standard.
- C. The District's Treasurer is designated by the Board of Directors as the officer responsible for the investment of District funds; provided, the Board may designate such responsibility to investment advisers pursuant to Section VII.D. below. The investment function shall be overseen by the Finance and Information Technology Committee of the Board of Directors.
- D. Because the Operating Reserve Fund has the specific purpose of providing for long-term growth, and because cash flow requirements of the District are met through other investments, the Board of Directors hereby grants authority for the purchase of securities with maturities in excess of five years in the Operating Reserve Fund only.
- E. The maximum stated final maturity of individual investments in the Operating Reserve Fund is be ten years.
- F. No more than 40% of the Operating Reserve Fund may be invested in securities with maturities in excess of five years.
- G. Investment securities and cash shall be held in a bank custody account in the name of the District
- H. All investments shall be made as "delivery vs. payment" transactions.
- I. The Debt Service Restricted 2009 COP Reserve Fund, Debt Service Restricted 2010 COP Reserve Fund, and Debt Service Restricted 2015 Revenue Refunding Reserve Fund will be compliant with each of their respective bond trust indenture investment requirements.

VIII. Authorized Financial Institutions, Broker/Dealers, Depositories

A. The District shall work with financial institutions that are reputable and trustworthy, knowledgeable and experienced in Public Agency investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

B. In accordance with Section 53601.5, institutions eligible to transact investment business with the District include:

1. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
2. Nationally or state-chartered banks.
3. The Federal Reserve Bank.
4. Direct issuers of securities eligible for purchase.

C. Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the District, except where the District utilizes an external investment adviser in which case the District may rely on the adviser for selection.

D. Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

E. Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

IX. RISK MANAGEMENT AND DIVERSIFICATION

A. Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The District will mitigate credit risk by adopting the following strategies:

- a) The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.
- b) No more than 5% of the total portfolio may be invested in securities of any single issuer, except where the issuer is the US Government, its Agencies and Government-Sponsored Enterprises (GSEs), an authorized Supranational issuer or where the security is a Money Market Mutual Fund, Local Agency Investment Fund (LAIF) or other Local Government Investment Pool.
- c) The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or District’s risk preferences.
- d) If securities owned by the District are downgraded by a nationally recognized statistical rating organization (NRSRO) to a level below the quality required by this investment policy, it will be the District’s policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
 - (i) If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
 - (ii) If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board of Directors.

B. Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The

District will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- a) The District will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- b) The maximum percent of callable securities (does not include “make whole call” securities as defined in the Glossary) in the portfolio will be 20%.
- c) The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- d) The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the District based on the District’s investment objectives, constraints and risk tolerances.

X. AUTHORIZED INVESTMENTS

A. The District’s investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

B. Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy (with the exception of credit quality). At the time of the investment’s maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

C. An appropriate risk level shall be maintained by purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

D. The authorized investments are as listed below:

1. MUNICIPAL SECURITIES include obligations of the District, the State of California, any of the other 49 states, and any local District within the State of California, provided that:

a) *The securities are rated in a rating category of "A" or higher by at least one nationally recognized statistical rating organization ("NRSRO").*

b) *No more than 5% of the portfolio may be invested in any single issuer.*

c) *No more than 30% of the portfolio may be in Municipal Securities.*

d) *The maximum stated maturity does not exceed five (5) years, with the exception of securities that have a "put" feature of five years or less.*

2. U.S. TREASURIES and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage of the portfolio that the District may invest in U.S. Treasuries, provided that:

a) *The maximum maturity is five (5) years, with the exception of securities held in the Operating Reserve, which can have a stated maturity of 10 years.*

3. FEDERAL AGENCIES or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage of the portfolio that the District may invest in Federal District or GSEs, provided that:

- a) *No more than 25% of the portfolio may be invested in any single District/GSE issuer.*
 - b) *The maximum maturity does not exceed five (5) years, with the exception of securities held in the Operating Reserve, which may have a stated maturity of 10 years.*
4. BANKER'S ACCEPTANCES, provided that:
- a) *They are issued by institutions which have short-term debt obligations rated in a rating category of "A-1" or higher by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or higher by at least one NRSRO.*
 - b) *No more than 40% of the portfolio may be invested in Banker's Acceptances.*
 - c) *No more than 5% of the portfolio may be invested in any single issuer.*
 - d) *The maximum maturity does not exceed 180 days.*
5. COMMERCIAL PAPER, provided that:
- a) *The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million.*
 - b) *The securities are rated in a rating category of "A-1" or higher by at least one NRSRO.*
 - c) *The securities are issued by corporations which have long-term obligations rated in a rating category of "A" or higher by at least one NRSRO.*
 - d) *The District may purchase no more than 10% of the outstanding commercial paper of any single issuer.*
 - e) *No more than 25% of the portfolio may be invested in Commercial Paper.*
 - f) *No more than 5% of the portfolio may be invested in any single issuer.*
 - g) *The maximum maturity does not exceed 270 days.*
6. NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDS), issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- a) *The amount of the NCD insured up to the FDIC limit does not require any credit ratings.*
- b) *Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated in a rating category of "A-1" or higher by at least one NRSRO; or long-term obligations rated in a rating category of "A" or higher by at least one NRSRO.*
- c) *No more than 30% of the total portfolio may be invested in NCDs*
- d) *No more than 5% of the portfolio may be invested in any single issuer.*
- e) *The maximum maturity does not exceed five (5) years.*

7. FEDERALLY INSURED TIME DEPOSITS (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

- a) *The amount per institution is limited to the maximum covered under federal insurance.*
- b) *No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.*
- c) *The maximum maturity does not exceed five (5) years.*

8. COLLATERALIZED TIME DEPOSITS (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

- a) *No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.*
- b) *The maximum maturity does not exceed five (5) years.*

9. COLLATERALIZED BANK DEPOSITS. District deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651.

10. REPURCHASE AGREEMENTS collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that the District may invest, provided that:

- a) *Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third party custodian.*
- b) *Repurchase Agreements are subject to a Master Repurchase Agreement between the District and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).*
- c) *The maximum maturity does not exceed one (1) year.*

11. STATE OF CALIFORNIA LOCAL DISTRICT INVESTMENT FUND (LAIF), provided that:

- a) *The District may invest up to the maximum amount permitted by LAIF.*
- b) *LAIF's investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in LAIF itself from the District's list of allowable investments, provided LAIF's reports allow the Treasurer and the outside investment adviser to adequately judge the risk inherent in LAIF's portfolio.*

12. LOCAL GOVERNMENT INVESTMENT POOLS

- a) *The District may invest up to the maximum amount permitted by the following respective Local Government Investment Pools:*
 - (1) CALTRUST
 - (2) California Asset Management Program (CAMP)
- b) *Local Government Investment Pool investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in LGIPs itself from the District's list of allowable investments, provided the specific LGIP's reports allow the Treasurer and the outside investment adviser to adequately judge the risk inherent in LGIP's portfolio.*

13. CORPORATE MEDIUM TERM NOTES (MTNS), provided that:

- a) *The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.*
- b) *The securities are rated in a rating category of "A" or higher by at least one NRSRO.*
- c) *No more than 30% of the total portfolio may be invested in MTNs.*
- d) *No more than 5% of the portfolio may be invested in any single issuer.*
- e) *The maximum maturity does not exceed five (5) years.*

14. Mutual Funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940 that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:

- (1) *Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs;*
or
- (2) *Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.*
- (3) *No more than 10% of the total portfolio may be invested in shares of any one mutual fund.*
- (4) *No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.*

15. MONEY MARKET MUTUAL FUNDS that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

- a) *Such Funds meet either of the following criteria:*
 - (1) *Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or*
 - (2) *Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.*
 - (3) *No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.*
16. SUPRANATIONALS, provided that:
- a) *Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.*
 - b) *The securities are rated in a rating category of "AA" or higher by a NRSRO.*
 - c) *No more than 30% of the total portfolio may be invested in these securities.*
 - d) *No more than 10% of the portfolio may be invested in any single issuer.*
 - e) *The maximum stated maturity does not exceed five (5) years.*

17. ASSET-BACKED, MORTGAGE-BACKED. MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS, provided that:

- a) *The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.*
- b) *They are issued by an issuer having long-term debt obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.*
- c) *No more than 20% of the total portfolio may be invested in these securities.*
- d) *No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a Federal Agency/GSE.*
- e) *The maximum legal final maturity does not exceed five (5) years.*

18. Prohibited Investment Vehicles and Practices

- a) *State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.*
- b) *In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.*
- c) *Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.*
- d) *Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.*
- e) *Purchasing or selling securities on margin is prohibited.*
- f) *The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.*
- g) *The purchase of foreign currency denominated securities is prohibited.*

XI. Collateralization

A. CERTIFICATES OF DEPOSIT (CDs). The District shall require any commercial bank or savings and loan association to deposit eligible securities with an Agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

B. COLLATERALIZATION OF BANK DEPOSITS. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The District shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

C. REPURCHASE AGREEMENTS. The District requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

1. The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
2. Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
3. The District and its investment adviser shall receive monthly statements of collateral.

XII. Delivery, Safekeeping and Custody

A. DELIVERY-VERSUS-PAYMENT (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

B. **SAFEKEEPING AND CUSTODY.** To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the District's portfolio shall be held in safekeeping in the District's name by a third party custodian, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the District from the custodian listing all securities held in safekeeping with current market data and other information.

C. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable.

XIII. Maximum Maturity

A. To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

XIV. REPORTING AND REVIEWS

A. Transactions and portfolio holdings

1. The bank custodian and the investment adviser shall each provide monthly statements of holdings and account activity to the District's Treasurer. The bank custodian shall also provide such information to the District's Investment Adviser(s).

2. Confirmations of all transactions and movement of funds shall be forwarded promptly to the District by the investment adviser. The investment adviser shall ensure a duplicate confirmation is provided to the District by the broker.

B. Investment performance

1. The investment adviser shall meet at least quarterly with District management and/or with the Finance & Information Technology Committee of the Board of Directors to review account activity, economic conditions and investment performance.

XV. AMENDMENTS

- A. This Investment Policy is subject to amendment from time to time by the Board of Directors. Any changes must be approved by the Board of Directors and communicated in writing to the Treasurer and other responsible employees, appropriate third parties and investment advisers.
- B. It shall be the responsibility of the investment adviser to inform the District of changes to the California Government Code, which affect the investment of District funds. Such changes shall be considered promptly by the Board of Directors.
- C. The Investment Policy shall be reviewed and approved annually each fiscal year during the budget process.

XVI. GLOSSARY

AGENCIES. Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER’S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and

banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUNDS. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATINGS ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

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

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

Breakdown of Customer Portal Costs & Benefits

<i>Description</i>	<i>Price</i>
Base Module	\$53,550/ Year
<ul style="list-style-type: none"> • Provides AMI hourly usage & alerts to customers • Provides ability for customers to review historical bills • Required for grant compliance 	
Additional Module 1: Commercial Portfolio View	\$16,650/ Year
<ul style="list-style-type: none"> • Requested by Cities, HOAs <ul style="list-style-type: none"> ○ Ex: Customer w/ 260 meters • Provides consolidated water usage across multiple meters • Provides guest view access for landscape management companies 	
Additional Module 2: Efficiency Marketplace	\$11,250/ Year
<ul style="list-style-type: none"> • Provides streamlined water efficient device discount mechanism • Annual cost rebate administration from MWDOC = \$150k to \$250k • MWD charged approximately 10% of rebate dollar amount as an administration fee from their 3rd party vendor 	
One Time Implementation Fee for 2 new modules	\$19,500
One Time Implementation Fee Bill Pay integration	\$3,400
Total 3 Year Cost (Includes 10% discount)	\$267,250

Benefits

- \$300,000 Grant received for approximately \$900,000 AMI project including customer portal
- Water efficiency education- increased customer efficiency
 - Water savings from leak alerts (AMI Information)
 - Also potential avoided home damage (more timely leak response)
- Improved information for customers
 - Customers can download and review information on demand: self-service tool
 - Consolidated water usage across meters for customers w/ multiple meters
- Easier process for customers to participate in water efficiency programs
- Decreased paper billing with adoption: saves costs to District
- Reduced phone calls
- SUS waived \$17,020 in costs for customizations to portal to help MNWD customers
- Supports staff targeted marketing and supports better customer service with more information at staff's disposal
- Ongoing focus groups and feedback to respond to customer with information how they want it