

Popular Annual Financial Report

Customer Financial Transparency Report

Fiscal Year Ended
JUNE 30, 2024



moulton niguel water district

26161 GORDON ROAD, LAGUNA HILLS, CALIFORNIA

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To Our Valued Customers:

BOARD OF DIRECTORS

Duane D. Cave
PRESIDENT

Brian S. Probolsky
VICE PRESIDENT

Diane Rifkin
VICE PRESIDENT

Richard S. "Dick" Fiore
DIRECTOR

Donald R. Froelich
DIRECTOR

William "Bill" Moorhead
DIRECTOR

Sherry Wanninger
DIRECTOR

Moulton Niguel Water District is committed to open and transparent financial reporting.

To deliver on that commitment, we are pleased to share our 2024 Popular Annual Financial Report. This report provides our customers and the general public with a brief and more accessible summary of our Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024.

For all of our financial reports, Moulton Niguel follows Generally Accepted Accounting Principles (GAAP), which are the gold standard for excellence in financial reporting. It's just one of the reasons why Moulton Niguel continues to maintain the highest-possible AAA credit rating from two of the world's leading credit rating agencies.

If you are looking for more detailed information about the District's finances, please check out our 2024 Annual Comprehensive Financial Report, which is available online at mnwd.com/finance.

On behalf of the Moulton Niguel Board of Directors, staff and management team, we are honored to serve as your safe and reliable water service provider.

Sincerely,

A handwritten signature in blue ink that reads 'Joone K Lopez'.

JOONE KIM-LOPEZ
CEO & General Manager,
Moulton Niguel Water District



MEET OUR TEAM

BOARD OF DIRECTORS



Duane D. Cave
President



Brian S. Probolsky
Vice President



Diane Rifkin
Vice President



Richard S. "Dick" Fiore
Director



Donald R. Froelich
Director



William "Bill" Moorhead
Director



Sherry Wanninger
Director

EXECUTIVE MANAGEMENT



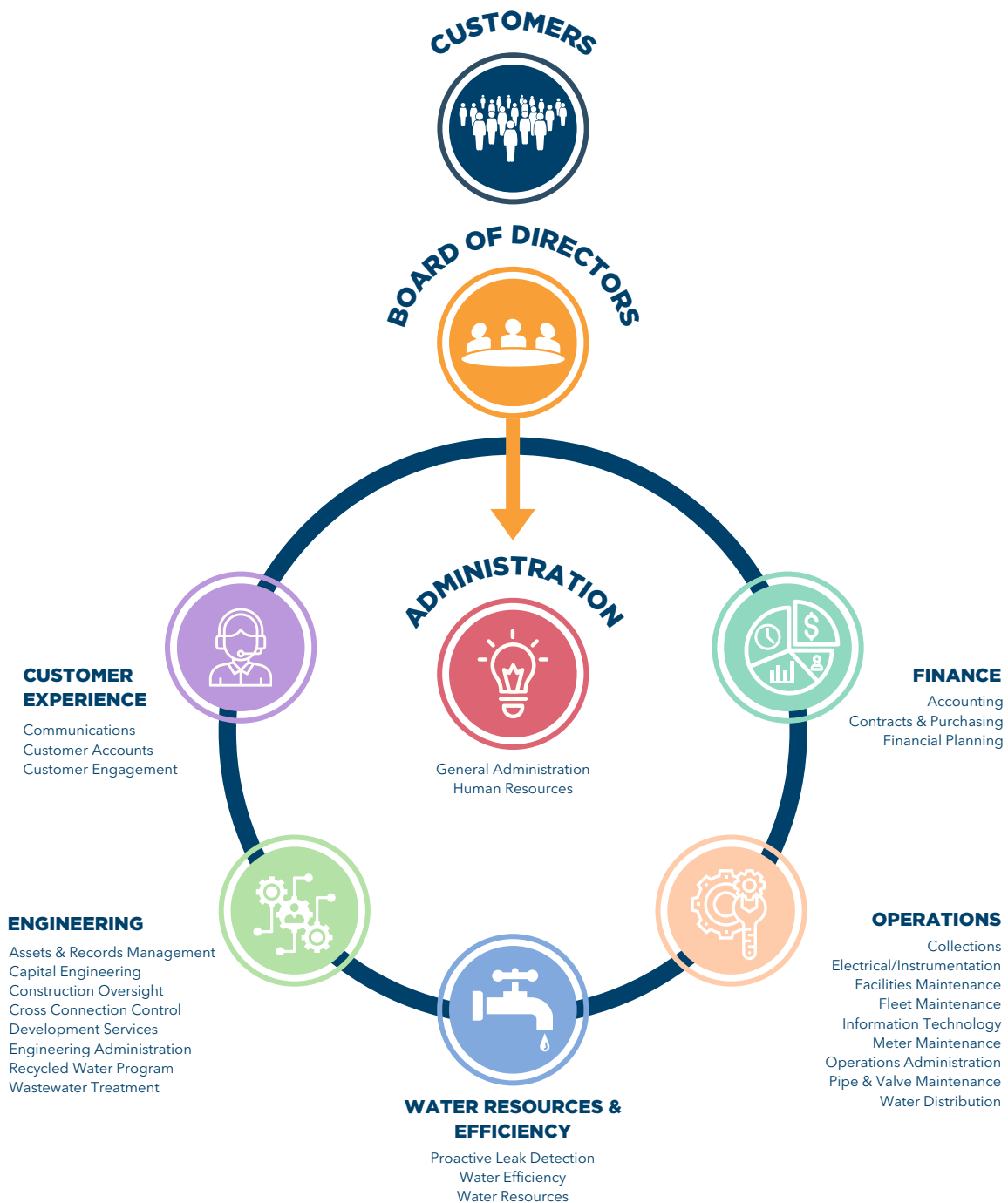
Joone Kim-Lopez
General Manager &
Chief Executive Officer



Matt Collings
Assistant General Manager

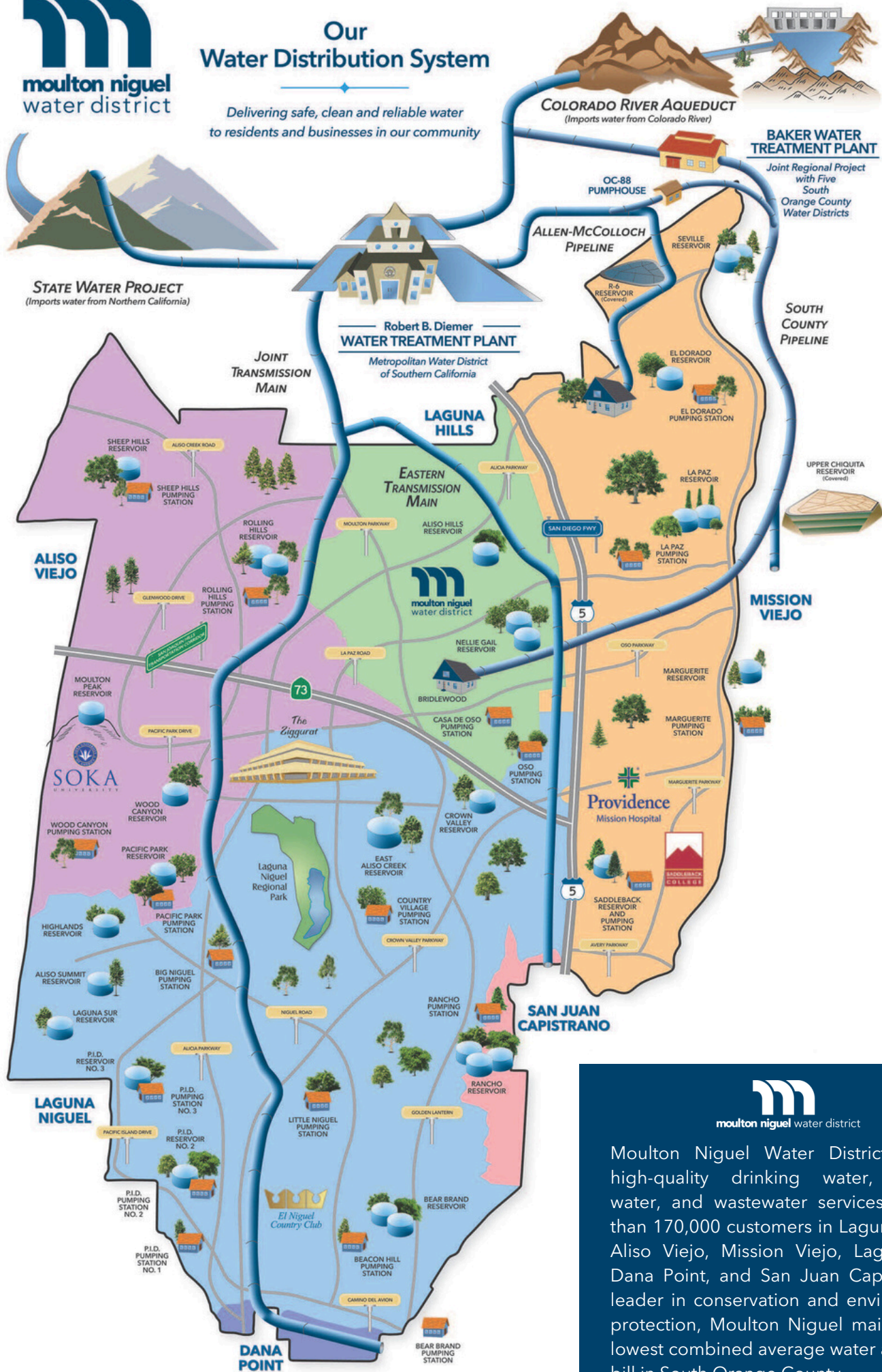


ORGANIZATIONAL CHART



Our Water Distribution System

Delivering safe, clean and reliable water to residents and businesses in our community



Moulton Niguel Water District delivers high-quality drinking water, recycled water, and wastewater services to more than 170,000 customers in Laguna Niguel, Aliso Viejo, Mission Viejo, Laguna Hills, Dana Point, and San Juan Capistrano. A leader in conservation and environmental protection, Moulton Niguel maintains the lowest combined average water and sewer bill in South Orange County.



DISTRICT BY THE NUMBERS

37

**Total Service Area
in Square Miles**

170K+

**Customers Served
Daily**

100

**Percent of Potable
(Drinking) Water
imported**

500

**Miles of
Wastewater
Pipelines**

140

**Miles of
Recycled Water
Pipelines**

700

**Miles of
Potable Water
Pipelines**

32

**Days of Available
Water Supply
Storage**

25

**Percent of Total
Water Supply that is
Recycled Water**

28

**Potable Water
Storage Reservoirs**



STRATEGIC PLAN

Every year, the Moulton Niguel Board of Directors, General Manager, and staff conduct an annual strategic planning session to identify the District's key goals, objectives, and priorities for the upcoming fiscal year.

Key goals focus on five (5) areas: Fiscal Responsibility, Operational Optimization, Community and Government Relations, Unified Workforce, and Secure and Reliable Service.





PROJECT HIGHLIGHTS

The District maintains more than \$2 billion worth of water and wastewater infrastructure assets. To help manage these assets and assist with capital planning, the District recently completed implementation of an advanced asset management system. The development of the Capital Improvement Program is an ongoing and iterative process. As part of the budget process, staff conducts workshops to develop a risk-based prioritization of capital projects for the next ten years utilizing advanced data tools. Key project highlights from Fiscal Year 2023-24 include:

Advanced Water Treatment Filter Retrofit



The Regional Treatment Plant and its Advanced Wastewater Treatment system helps us meet our recycled water demands, producing nearly 85 percent of our recycled water. The Advanced Water Treatment Filter Retrofit project upgraded the existing tertiary treatment system with a modern cloth-media disk filter system that enhances reliability and resiliency. Key elements of the project included installing disc filters, piping, valves, and associated electrical and controls. The project was completed in July 2024, and received the Excellence in Innovation & Resiliency Award from the California Association of Sanitation Agencies. The District spent approximately \$3,800,000 on this project during the fiscal year and approximately \$4,400,000 since project inception.

Crown Valley Pipeline Replacements



The Crown Valley Pipeline Replacements Project, currently in progress, is upgrading essential water and sewer infrastructure located beneath Crown Valley Parkway within the cities of Laguna Niguel and Dana Point. Key elements of the project include replacing approximately two miles of an existing sewer force main and water transmission main, as well as relocating and reconstructing a master meter facility that draws water from a regional supply pipeline. The project is on schedule to be completed by the Spring of 2025 and will help to ensure continued safe and reliable water and wastewater services for the District's customers for many years to come. The District spent approximately \$1,000,000 on this project during the fiscal year and approximately \$1,400,000 since project inception. The District anticipates an additional \$4,100,000 to be spent on this project through completion in 2025.



PROJECT HIGHLIGHTS



Helicopter Hydrant

The District recently installed pipeline infrastructure to provide water service to a helicopter hydrant, a water source where firefighting helicopters can efficiently refill their onboard water tanks without having to land. The project established a reliable water source adjacent to wildland areas that border the cities of Aliso Viejo, Laguna Niguel, and Laguna Beach. Through a connection to the District's water system, the facility allows for a steady supply of firefighting water. The project was a collaboration between the District, Orange County Fire Authority, County of Orange, City of Aliso Viejo, and the Aliso Viejo Community Association. By dramatically decreasing turnaround times between water drops, the helicopter hydrant system is a gamechanger in emergency response for our community. The District spent approximately \$200,000 on this project during the fiscal year.




Plant 3A Subsidence Mitigation


The District's Plant 3A facility treats wastewater in the northeast portion of the District's service area. The facility was built in the late 1980s. Over the last 35 years, the ground surface has settled in some areas, resulting in stress on buried infrastructure. Completed in May 2024, the Subsidence Mitigation project recompacted the soil in the settled areas, replaced buried pipelines, installed new pavement, and improved drainage throughout the facility. These improvements will safeguard against future settlement and ensure continued reliable wastewater treatment at this facility. The District spent approximately \$2,600,000 on this project during the fiscal year and approximately \$5,300,000 since project inception.



FINANCIAL PERFORMANCE



moulton niguel water district
**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**
For the Fiscal Year Ended
June 30, 2024



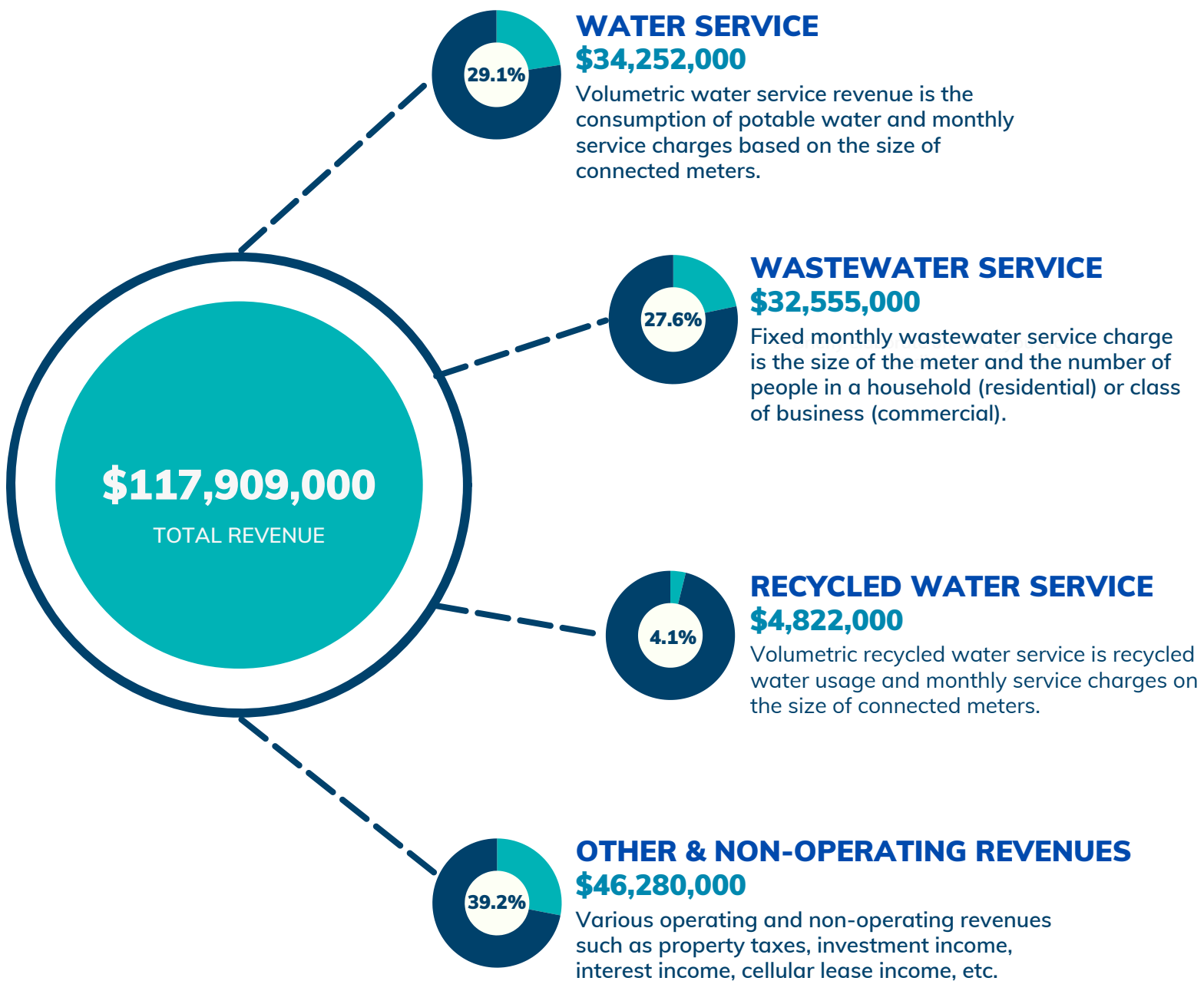
26161 Gordon Rd, Laguna Hills, CA 92653 | (949) 831-2500 | mnwd.com

All financial information and data are based on the District's Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2024.

www.mnwd.com/finance

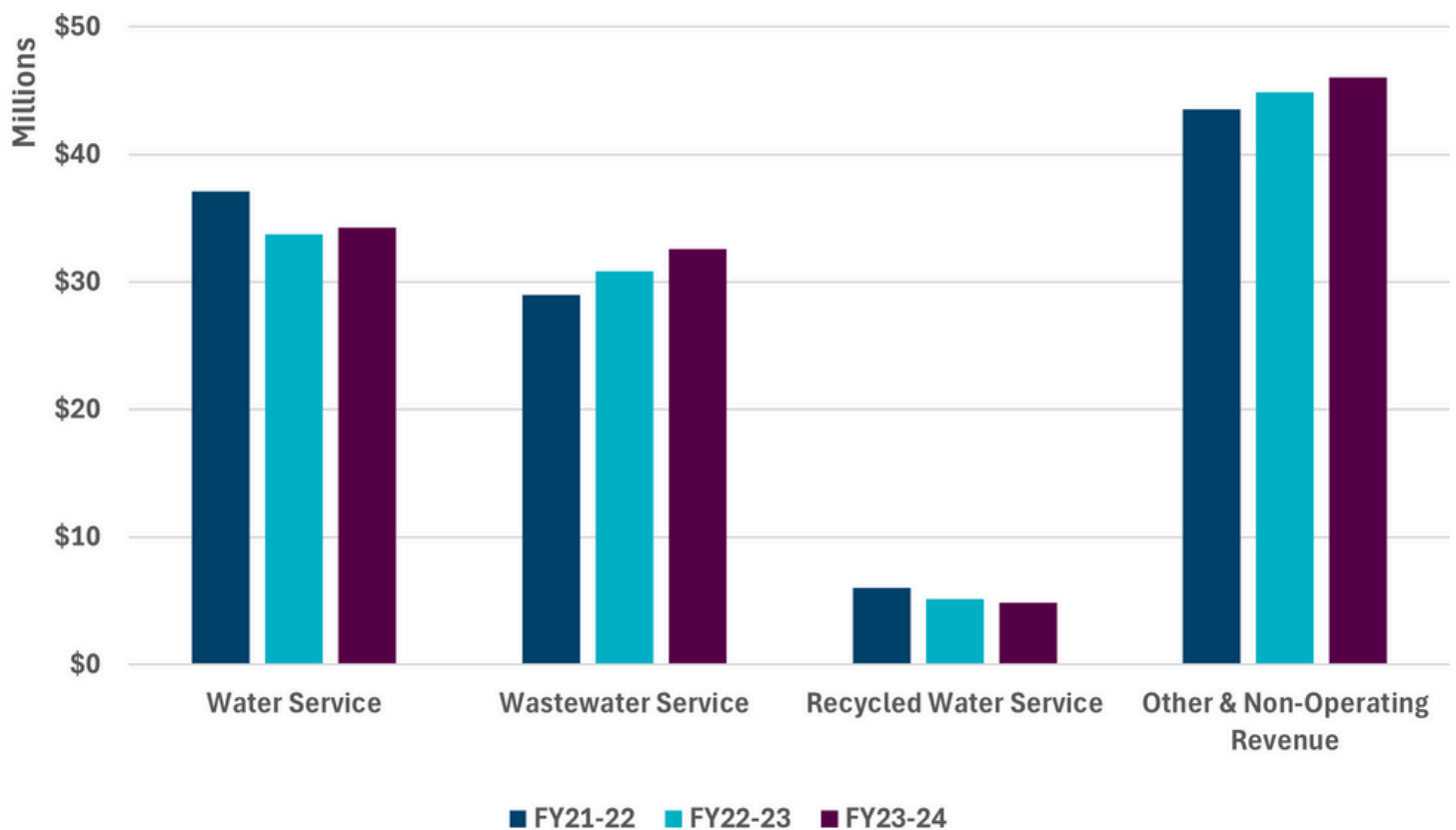


SOURCES OF REVENUE





REVENUE TRENDS



In comparison to the prior fiscal year, water service revenues increased \$0.5 million (1.6%), and wastewater service revenues increased by \$1.7 million (5.5%). Both revenue increases are due to scheduled rate increases. Recycled water service revenues decreased by \$0.3 million (6.3%) over the prior fiscal year due to decreased consumption. In the winter months of the fiscal year, our service area received heavy rainfall, reducing the need for recycled water.

Other and non-operating revenues increased by \$1.4 million (3.2%). This increase was primarily due to an increase in investment income of \$3.4 million (104.4%). Compared to the prior fiscal year, the District had lower unrealized losses on investments. Property tax revenue increased by \$1.2 million (3.4%). The increases were offset by \$2.8 million (74.8%) decrease in intergovernmental revenue due to timing of grant-funded capital projects.



OPERATING EXPENSES

WATER SUPPLY

Expenses related to the purchase of imported water conveyed from the Colorado River or Sacramento Bay Delta.

\$30,893,000 | 27.2%

WASTEWATER TREATMENT

Operating expenses related to the treatment of wastewater and conversion to recycled water.

\$19,416,000 | 17.1%

WATER EFFICIENCY

Expenses to support customers' efficient use of water, meet conservation goals/ policies and develop new sources of supply to meet District water reliability objectives.

\$4,201,000 | 3.7%

\$113,583,000
TOTAL
OPERATING
EXPENSES

GENERAL OPERATIONS & MAINTENANCE

Expenses related to supporting the day-to-day management and staffing of the District to provide reliable water and wastewater services.

\$31,550,000 | 27.8%

UTILITIES

Electric, natural gas, and water expenses related to operating facilities, etc.

\$3,025,000 | 2.7%

AMORTIZATION & DEPRECIATION

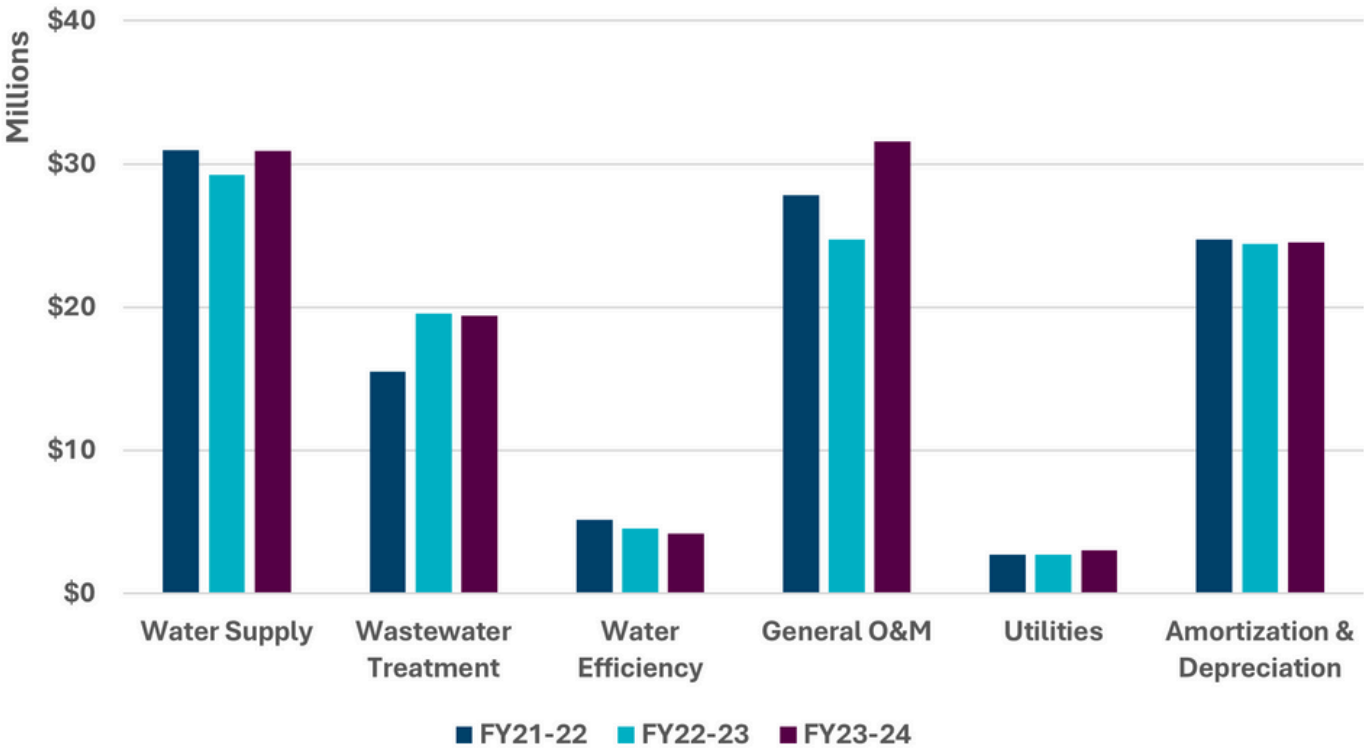
Accounting practice of spreading the cost of an asset over its useful life and expensing of fixed assets over its useful life.

This is a non-cash expenditure.

\$24,498,000 | 21.5%



OPERATING EXPENSES TRENDS



Water supply purchases increased by \$1.5 million (5.6%), primarily due to increased cost per acre foot of water purchased. General operations and maintenance expenses increased \$6.4 million (22.0%) from the previous fiscal year. The primary increase of general operations and maintenance expense (\$4.8 million) is due to changes in actuarial assumptions and investment returns associated with the net pension liability. The balance of the increase is a result of inflationary impacts on materials and equipment, among other factors.

Wastewater treatment, water efficiency, utilities, amortization, and depreciation were relatively consistent with the prior fiscal years.



LONG TERM DEBT

The District utilizes long-term debt to fund approved and budgeted capital expenditures. Like a personal credit score, public agencies receive ratings to determine debt risk and fiscal stability. Credit rating agencies, Fitch Ratings and S&P Global Ratings, have assigned Moulton Niguel a AAA rating, the highest possible credit rating, due to its affordable rates, healthy financial profile, and successful long-term planning to secure a diversified and reliable water supply for its customers. The AAA rating lowers financing costs for major infrastructure projects and saves our customers money.

2019 **\$48,605,000**
REVENUE
REFUNDING BONDS:

Proceeds from the issuance were used to refinance the 2009 “Build America Bonds” which were originally issued to construct the Baker Water Treatment Plant, Upper Chiquita Reservoir, Emergency Interconnection with the Orange County groundwater basin and additional projects that provide greater water system reliability for the distribution of potable and recycled water. By refinancing, the District saved approximately \$11.0 Million.

2019 **\$59,830,000**
CERTIFICATES OF
PARTICIPATION:

Proceeds from the Certificates were used for the replacement and upgrade of the District’s reservoir management systems, pump stations, lift stations, pipeline improvements, and other infrastructure. Due to the historically low interest rates, District staff advanced a planned future issuance, which ultimately reduced total issuance costs by \$14 million compared to if the certificates were issued when originally planned.

2021 **\$54,695,000**
CERTIFICATES OF
PARTICIPATION:

\$163,130,000
**TOTAL OUTSTANDING REVENUE BONDS/
CERTIFICATES OF PARTICIPATION**

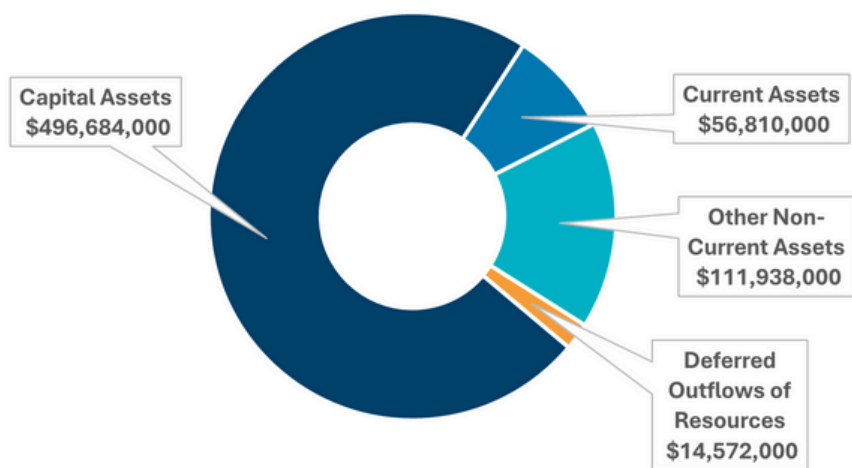
AAA

FitchRatings
S&P Global



NET POSITION

ASSETS & DEFERRED OUTFLOWS: \$680,004,000



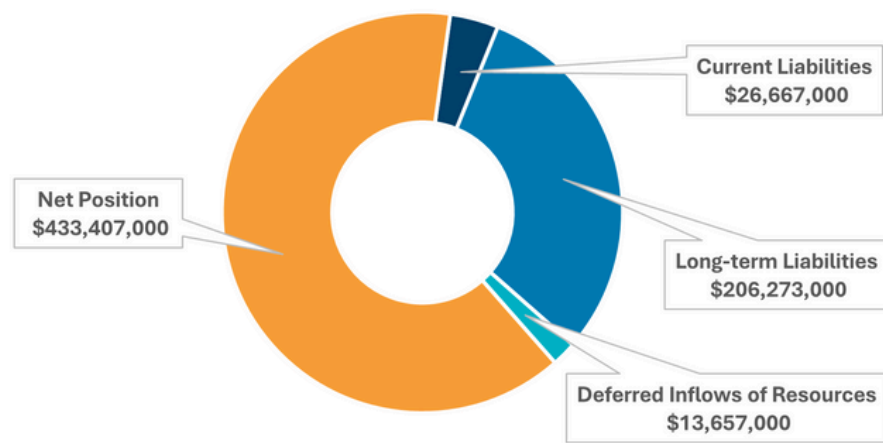
Current Assets: Includes cash and cash equivalents, short-term investments, receivables, inventory, prepaid items, short-term leases receivable and other liquid assets that can be readily convertible to cash.

Capital Assets: Includes land, buildings, water and wastewater systems, capacity rights, equipment, automobiles, software and information technology infrastructure.

Other Non-Current Assets: Includes investments, regulated assets, loans and long-term leases receivable.

Deferred Outflow of Resources: Resources consumed by the District that are used in a future period.

LIABILITIES & DEFERRED INFLOWS: \$246,597,000



Current Liabilities: Present obligations and payments due, including debt service payments, amounts owed to vendors, and payments due for payroll and employee benefits. Also includes the current portion of lease and subscription liabilities.

Long-Term Liabilities: Long-term financial obligations including payments for bonds, certificates of participation, and employee retirement benefits. Also includes the long-term portion of lease and subscription liabilities.

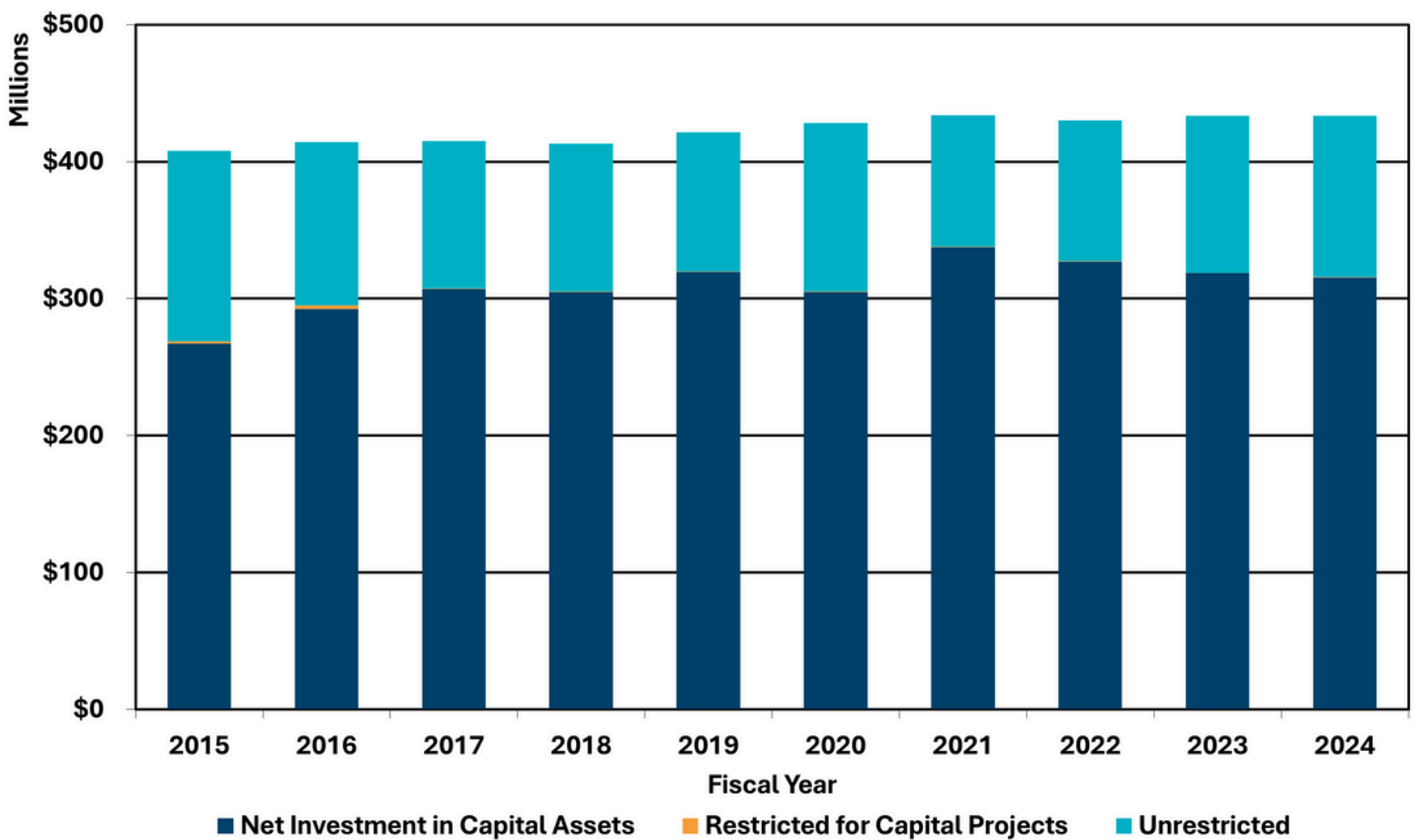
Deferred Inflow of Resources: Resources acquired by the District that are used in a future period.

NET POSITION: \$433,407,000

The District's fiscal position after assets, liabilities, and deferred outflows/inflows have been balanced. Net position includes net investment in capital assets, restricted, and unrestricted amounts.



NET POSITION TRENDS



The District's total ending net position at June 30, 2024 was \$433.4 million, relatively unchanged from the prior fiscal year. The balance in net investment in capital assets decreased by \$3.2 million (1.0%), primarily due to increased capital-related liabilities in accounts payable. Unrestricted net position increased \$3.2 million (2.8%) from the prior year. This was due to the decrease in net investment in capital assets of \$3.2 million and capital contributions of \$1.5 million, offset by the net loss of \$1.5 million. Restricted net position ended the fiscal year at \$0.2 million, and was relatively consistent with the prior fiscal year.



CONTACT INFORMATION



moulton niguel
water district

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