

PRELIMINARY OFFICIAL STATEMENT DATED MARCH [29], 2024**NEW ISSUE—BOOK-ENTRY-ONLY****RATINGS:**

Moody's "___"

S&P: "___"

Fitch: "___"

(See "RATINGS" herein.)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Revenue Obligations and requirements of the Internal Revenue Code of 1986, as described herein, the portion of each Installment Payment representing interest and distributed in respect of any Revenue Obligation is excluded from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributed in respect of any Revenue Obligation is not an item of tax preference for purposes of the federal alternative minimum tax on individuals. Special Counsel is also of the opinion that, under existing law, the portion of each Installment Payment representing interest and distributed in respect of any Revenue Obligation is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.

[District Logo]

\$ _____ *

[DAC Logo]

**ORANGE COUNTY SANITATION DISTRICT
WASTEWATER REFUNDING REVENUE OBLIGATIONS
SERIES 2024A**

Dated: Date of Delivery**Due: as shown on the inside cover**

The \$ _____ * Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the "Revenue Obligations") are **certificates of participation that evidence direct, fractional undivided interests of the Owners thereof in certain installment payments** (the "Installment Payments"), and the interest thereon, to be made by the Orange County Sanitation District (the "District") pursuant to the Installment Purchase Agreement, dated as of May 1, 2024 (the "Installment Purchase Agreement"), by and between the District and the Orange County Sanitation District Financing Corporation (the "Corporation"). Pursuant to the Master Agreement for District Obligations, dated as of August 1, 2000 (the "Master Agreement"), by and between the District and the Corporation, the District has established conditions and terms upon which obligations such as the Installment Payments, and the interest thereon, will be incurred and secured. Installment Payments under the Installment Purchase Agreement are payable solely from Net Revenues (as more fully described in the Master Agreement, the "Net Revenues") as provided in the Installment Purchase Agreement, consisting primarily of all income and revenue received by the District from the operation or ownership of the Wastewater System of the District (the "Wastewater System") remaining after payment of Maintenance and Operation Costs, as further described in "SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS" herein. The Installment Purchase Agreement provides that the obligation of the District to pay the Installment Payments, and payments of interest thereon, and certain other payments required to be made in accordance with the Installment Purchase Agreement, solely from Net Revenues, is absolute and unconditional. See "SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS" herein.

The proceeds of the Revenue Obligations, together with other funds of the District, will be used to (i) prepay all of the District's Wastewater Refunding Revenue Obligations, Series 2014A outstanding in the aggregate principal amount of \$30,095,000 (the "Refunded 2014A Obligations"), (ii) prepay all of the District's Wastewater Refunding Revenue Obligations, Series 2015A outstanding in the aggregate principal amount of \$127,510,000 (the "Refunded 2015A Obligations" and, together with the Refunded 2014A Obligations, the "Refunded Obligations") and (iii) pay the costs incurred in connection with the execution and delivery of the Revenue Obligations. See "REFUNDING PLAN" herein.

Interest evidenced by the Revenue Obligations will be payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2024. See "THE REVENUE OBLIGATIONS" herein. The Revenue Obligations

* Preliminary, subject to change.

initially will be delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Revenue Obligations. Individual purchases of the Revenue Obligations will be made in book-entry form only. Purchasers of Revenue Obligations will not receive physical certificates representing their ownership interests in the Revenue Obligations purchased. The Revenue Obligations will be delivered in denominations of \$5,000 and any integral multiple thereof. Payments of principal and interest evidenced by the Revenue Obligations are payable directly to DTC by U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”). Upon receipt of payments of such principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Revenue Obligations. See APPENDIX E — “BOOK-ENTRY SYSTEM” herein.

The Revenue Obligations will be subject to prepayment prior to their stated maturity dates as described herein. See “THE REVENUE OBLIGATIONS—Prepayment Provisions.”

THE OBLIGATION OF THE DISTRICT TO PAY THE INSTALLMENT PAYMENTS, AND THE INTEREST THEREON, AND OTHER PAYMENTS REQUIRED TO BE MADE BY IT UNDER THE INSTALLMENT PURCHASE AGREEMENT IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE, IN THE MANNER PROVIDED IN THE INSTALLMENT PURCHASE AGREEMENT, SOLELY FROM NET REVENUES AND OTHER FUNDS PROVIDED FOR IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA, OR OF ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE INSTALLMENT PAYMENTS, OR THE INTEREST THEREON, OR OTHER PAYMENTS REQUIRED TO BE MADE UNDER THE INSTALLMENT PURCHASE AGREEMENT. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS” HEREIN.

This cover page contains information intended for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

BIDS FOR THE PURCHASE OF THE REVENUE OBLIGATIONS WILL BE RECEIVED BY THE DISTRICT UNTIL __:__ A.M. NEW YORK TIME ON APRIL [9], 2024 UNLESS POSTPONED OR CANCELLED AS SET FORTH IN THE OFFICIAL NOTICE INVITING BIDS.

The Revenue Obligations are offered when, as and if executed and delivered and received by _____, the Initial Purchaser, subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel and Disclosure Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District and the Corporation by Woodruff & Smart, APC, Costa Mesa, California. Public Resources Advisory Group, Los Angeles, California, has served as municipal advisor to the District in connection with the execution and delivery of the Revenue Obligations. It is anticipated that the Revenue Obligations in definitive form will be available for delivery through the book-entry facilities of DTC on or about May __, 2024.

Dated: _____, 2024

MATURITY SCHEDULE*

Maturity Date <u>(February 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	<u>Price</u>	CUSIP[†] <u>(Base No. 68428T)</u>
--	--	---------------------------------------	---------------------	---------------------	---

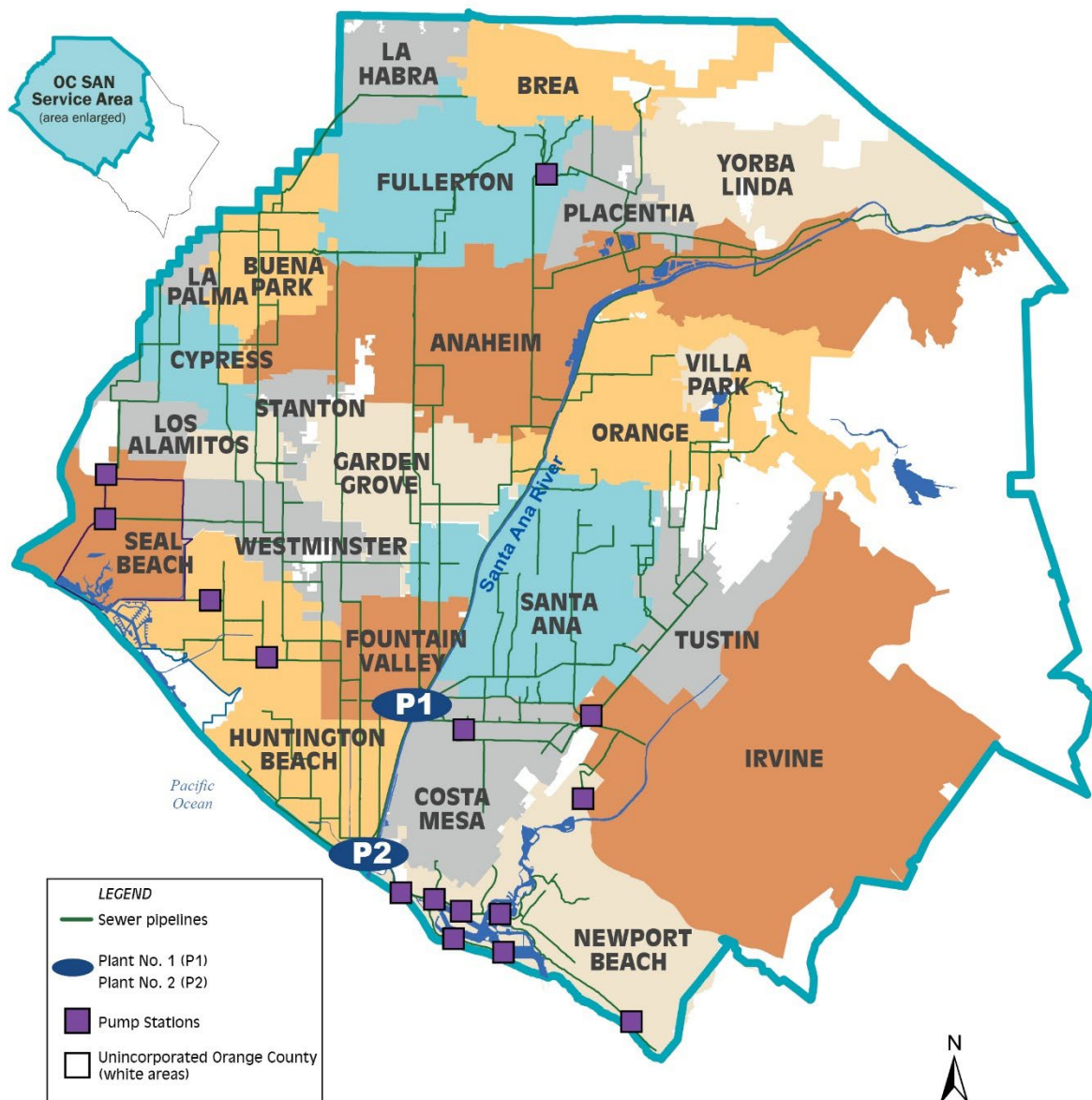
* Preliminary, subject to change.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the registered owners of the Revenue Obligations. None of the District, the Initial Purchaser or the Municipal Advisor are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Revenue Obligations or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Revenue Obligations as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Revenue Obligations.

Orange County Sanitation District

Service Area and Treatment Plant Locations

in Orange County, California



DISCLAIMER: Map prepared by the Orange County Sanitation District. This map is intended for graphical representation only. No level of accuracy is claimed. Portions of this derived product contain geographical information copyrighted by Rand McNally 2013. All Rights Reserved. REVISED: 2018

ORANGE COUNTY SANITATION DISTRICT

Board of Directors

Chad P. Wanke — (Chairperson) — *Placentia*
Ryan Gallagher — (Vice Chairperson) — *Tustin*

Stephen Faessel — <i>Anaheim</i>	Brad Avery — <i>Newport Beach</i>
Christine Marick — <i>Brea</i>	Jon Dumitru — <i>Orange</i>
Joyce Ahn — <i>Buena Park</i>	Johnathan Ryan Hernandez — <i>Santa Ana</i>
Scott Minikus — <i>Cypress</i>	Schelly Sustarsic — <i>Seal Beach</i>
Glenn Grandis — <i>Fountain Valley</i>	David Shawver — <i>Stanton</i>
Bruce Whitaker — <i>Fullerton</i>	Robbie Pitts — <i>Villa Park</i>
Stephanie Klopfenstein — <i>Garden Grove</i>	Robert Ooten — <i>Costa Mesa Sanitary District</i>
Pat Burns — <i>Huntington Beach</i>	Andrew Nguyen — <i>Midway City Sanitary District</i>
Farrah N. Khan — <i>Irvine</i>	John Withers — <i>Irvine Ranch Water District</i>
Rose Espinoza — <i>La Habra</i>	Phil Hawkins — <i>Yorba Linda Water District</i>
Debbie Baker — <i>La Palma</i>	Doug Chaffee — <i>Member of the Orange County Board of Supervisors</i>
Jordan Nefulda — <i>Los Alamitos</i>	

Executive Management of the District

Robert Thompson, *General Manager*
Lorenzo Tyner, *Assistant General Manager*
Wally Ritchie, *Director of Finance*
Michael Dorman, *Director of Engineering*
Lan Wiborg, *Director of Environmental Services*
Laura Maravilla, *Director of Human Resources*
Riaz Moinuddin, *Director of Operations & Maintenance*

Special Services

Special Counsel and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

District General Counsel

Bradley R. Hogin
Woodruff & Smart, APC
Costa Mesa, California

Municipal Advisor

Public Resources Advisory Group
Los Angeles, California

Trustee

U.S. Bank Trust Company, National
Association
Los Angeles, California

Verification Agent

Samuel Klein and Company, Certified Public
Accountants
New York, New York

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Revenue Obligations by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the Orange County Sanitation District (the "District") and other sources that are believed by the District to be reliable. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the District, the Corporation or the Initial Purchaser in connection with any reoffering.

This Official Statement is not to be construed as a contract with the purchasers of the Revenue Obligations. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Corporation since the date hereof. This Official Statement is submitted with respect to the sale of the Revenue Obligations referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the District and the Corporation.

In connection with the offering of the Revenue Obligations, the Initial Purchaser in connection with any reoffering may over-allot or effect transactions which stabilize or maintain the market price of the Revenue Obligations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Initial Purchaser in connection with any reoffering may offer and sell the Revenue Obligations to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover page hereof and such public offering prices may be changed from time to time by the Initial Purchaser.

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General	1
The District	2
Security and Sources of Payment for the Revenue Obligations	2
Continuing Disclosure	3
Miscellaneous	3
REFUNDING PLAN	4
ESTIMATED SOURCES AND USES OF FUNDS	6
THE REVENUE OBLIGATIONS	6
General	6
Prepayment Provisions	7
SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS	8
Installment Payments	8
Available Funds of the District	9
Net Revenues	10
Rate Stabilization Account	11
Allocation of Revenues	11
Rate Covenant	12
Limitations on Issuance of Additional Obligations	12
Insurance	14
Allocation of Installment Payments	15
THE DISTRICT	16
Background	16
Organization and Administration	17
Services	18
Service Area	19
Employees	20
Retirement Plan	21
Other Post-Employment Benefits	23
Risk Management	23
Existing Facilities	24
Permits, Licenses and Other Regulations	26
District Planning	27
Capital Improvement Program	27
Groundwater Replenishment System	29
Biosolids Management	29
Urban Runoff	31
Integrated Emergency Response Program	31
Strategic Planning	33
Climate Issues	34
DISTRICT REVENUES	35
Sewer Service Charges	35

TABLE OF CONTENTS

(continued)

	<u>Page</u>
Additional Revenues.....	38
Wastewater Treatment History	40
Customers	40
Assessed Valuation.....	42
Tax Levies and Delinquencies	43
Budgetary Process.....	44
Reserves	45
Summary of Operating Data	46
Forecasted Operating Data.....	48
Management's Discussion and Analysis of Operating Data.....	50
Investment of District Funds.....	51
FINANCIAL OBLIGATIONS	51
Existing Indebtedness	51
Anticipated Financings	52
THE CORPORATION	52
LIMITATIONS ON TAXES AND REVENUES.....	52
Article XIII A of the California Constitution.....	52
Legislation Implementing Article XIII A	53
Article XIII B of the California Constitution.....	53
Proposition 1A and Proposition 22	54
Article XIII C and Article XIII D of the California Constitution	55
Other Initiative Measures.....	57
RISK FACTORS	57
Limited Obligations	58
Wastewater System Maintenance and Operation Costs and Net Revenues.....	58
Environmental Laws and Regulations	59
Natural Disasters.....	59
Cybersecurity	60
Limitations on Remedies; Bankruptcy.....	60
Rate Setting Process Under Proposition 218	60
Loss of Tax-Exemption.....	61
LEGAL MATTERS.....	61
MUNICIPAL ADVISOR.....	61
ABSENCE OF LITIGATION	61
FINANCIAL STATEMENTS	62
TAX MATTERS.....	62
Federal Tax Exemption.....	62
Tax Accounting Treatment of Bond Premium and Original Issue Discount.....	63
Information Reporting and Backup Withholding	64
State Tax Exemption.....	64
Future Developments	64

TABLE OF CONTENTS
(continued)

	<u>Page</u>
VERIFICATION OF MATHEMATICAL COMPUTATIONS	65
CONTINUING DISCLOSURE	65
RATINGS	65
PURCHASE AND REOFFERING	65
MISCELLANEOUS	S-1
APPENDIX A – ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE ORANGE COUNTY SANITATION DISTRICT FOR THE YEAR ENDED JUNE 30, 2023.....	A-1
APPENDIX B – THE COUNTY OF ORANGE – ECONOMIC AND DEMOGRAPHIC INFORMATION	B-1
APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS	C-1
APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT.....	D-1
APPENDIX E – BOOK-ENTRY SYSTEM.....	E-1
APPENDIX F – FORM OF APPROVING OPINION OF SPECIAL COUNSEL	F-1

OFFICIAL STATEMENT

\$ _____ *

ORANGE COUNTY SANITATION DISTRICT WASTEWATER REFUNDING REVENUE OBLIGATIONS SERIES 2024A

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Revenue Obligations being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the “State”) and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Trust Agreement, the Installment Purchase Agreement and the Master Agreement (each, as hereinafter defined). See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions” herein.

General

This Official Statement, including the cover page and all appendices hereto, provides certain information concerning the sale and delivery of \$ _____ * aggregate principal amount of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”), which are certificates of participation evidencing direct, fractional undivided interests in certain installment payments (the “Installment Payments”) and the interest thereon, to be made by the Orange County Sanitation District (the “District”) pursuant to the Installment Purchase Agreement, dated as of May 1, 2024 (the “Installment Purchase Agreement”), by and between the District and the Orange County Sanitation District Financing Corporation (the “Corporation”). Unless the context clearly indicates to the contrary, a reference herein to either of the Installment Purchase Agreement or the Revenue Obligations is intended to refer to the corresponding interest in the Installment Purchase Agreement. Pursuant to the Master Agreement for District Obligations, dated as of August 1, 2000 (the “Master Agreement”), by and between the District and the Corporation, the District has established and declared the conditions and terms upon which obligations such as the Installment Purchase Agreement, and the Installment Payments and the interest thereon, will be incurred and secured. Installment Payments under the Installment Purchase Agreement are payable solely from Net Revenues (as defined hereinafter) as provided in the Installment Purchase Agreement, consisting primarily of all income and revenue received by the District from the operation or ownership of the Wastewater System of the District (the “Wastewater System”) remaining after payment of Maintenance and Operation Costs, as further described in “SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS” herein.

The Revenue Obligations are to be executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2024 (the “Trust Agreement”), by and among the District, the Corporation and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”). Proceeds from the sale of the Revenue Obligations, together with other funds of the District, will be used to (i) prepay all of the District’s Wastewater Refunding Revenue Obligations, Series 2014A outstanding in the aggregate principal amount of \$30,095,000 (the “Refunded 2014A Obligations”), (ii) prepay all of the District’s Wastewater Refunding Revenue Obligations, Series 2015A outstanding in the aggregate principal amount of \$127,510,000 (the “Refunded 2015A Obligations” and, together with the Refunded 2014A Obligations, the “Refunded

* Preliminary, subject to change.

Obligations”) and (iii) pay the costs incurred in connection with the execution and delivery of the Revenue Obligations. See “REFUNDING PLAN” herein.

The Revenue Obligations will be executed and delivered in the form of fully registered certificates of participation, dated as of the date of initial delivery thereof and will mature on February 1 in each such year as set forth on the inside cover page hereof. Interest evidenced by the Revenue Obligations will be payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2024. See “THE REVENUE OBLIGATIONS” herein. The Revenue Obligations initially will be delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Revenue Obligations. The Revenue Obligations will be delivered in denominations of \$5,000 and any integral multiple thereof. So long as the Revenue Obligations are in the DTC book-entry system, the interest, principal, purchase price and prepayment premiums, if any, due with respect to the Revenue Obligations will be payable by the Trustee, or its agent, to DTC or its nominee. DTC, in turn, will make payments pursuant to its procedures as described under APPENDIX E – “BOOK-ENTRY SYSTEM” herein.

The District

The District is a public agency responsible for regional wastewater collection, treatment and disposal. The District is the third largest regional wastewater agency west of the Mississippi River. The District provides service to an area with a population of approximately 2.5 million people in the central and northwest portion of the County of Orange (the “County”), in a service area of approximately 479 square miles, treating an average of 186 million gallons per day (“mgd”) of wastewater in Fiscal Year 2022-23. See “THE DISTRICT,” “DISTRICT REVENUES” and “FINANCIAL OBLIGATIONS” herein.

Security and Sources of Payment for the Revenue Obligations

The Revenue Obligations, which are certificates of participation, evidence direct, fractional undivided interests in the Installment Payments, and the interest thereon, paid by the District pursuant to the Installment Purchase Agreement. The obligation of the District to pay the Installment Payments and the interest thereon and other payments required to be made by it under the Installment Purchase Agreement is a special obligation of the District payable, in the manner provided under the Installment Purchase Agreement, solely from Net Revenues, and other funds as provided in the Installment Purchase Agreement. Net Revenues generally consist of all income and revenue received by the District from the operation or ownership of the Wastewater System remaining after payment of Maintenance and Operation Costs, all as further provided in the Master Agreement. The Installment Purchase Agreement constitutes a Senior Obligation and, as such, is subject to the provisions of the Master Agreement and is afforded all of the advantages, benefits, interests and security afforded Senior Obligations pursuant to the Master Agreement.

The District currently has Outstanding Senior Obligations payable from Net Revenues on a parity with the Installment Payments under the Installment Purchase Agreement. See “ESTIMATED SOURCES AND USES OF FUNDS,” “FINANCIAL OBLIGATIONS – Existing Indebtedness” and “THE DISTRICT” herein and APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Master Agreement” attached hereto. The District has no Subordinate Obligations currently outstanding.

Pursuant to the Master Agreement, the District will, to the extent permitted by law, fix, prescribe and collect fees and charges for the services and facilities of the Wastewater System which will be at least sufficient to yield during each Fiscal Year (a) Net Revenues equal to 125% of Debt Service on Senior Obligations for such Fiscal Year and (b) Net Operating Revenues equal to 100% of Debt Service on all Obligations for such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the fees and

charges then in effect unless the Revenues and Net Revenues from such reduced fees and charges will at all times be sufficient to meet the requirements of the Master Agreement. See “SECURITY AND SOURCE OF PAYMENT FOR THE REVENUE OBLIGATIONS – Rate Covenant” herein.

The obligation of the District to pay the Installment Payments and the interest thereon, and other payments required to be made by it under the Installment Purchase Agreement is a special obligation of the District payable, in the manner provided in the Installment Purchase Agreement, solely from Net Revenues and other funds provided for in the Installment Purchase Agreement, and does not constitute a debt of the District or of the State, or of any political subdivision thereof, in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of the District or the State or any political subdivision thereof, is pledged to the payment of the Installment Payments, or the interest thereon, or other payments required to be made under the Installment Purchase Agreement. The Installment Purchase Agreement constitutes a Senior Obligation and, as such, is subject to the provisions of the Master Agreement and is afforded all of the advantages, benefits, interests and security afforded Senior Obligations pursuant to the Master Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS” herein.

Continuing Disclosure

The District has covenanted for the benefit of holders and beneficial owners of the Revenue Obligations (a) to provide certain financial information and operating data (the “Annual Report”) relating to the District and the property in the District not later than eight months after the end of the District’s Fiscal Year (which currently would be March 1), commencing with the report for the 2023-24 Fiscal Year, and (b) to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See “CONTINUING DISCLOSURE” herein and APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Miscellaneous

The descriptions herein of the Trust Agreement, the Master Agreement, the Installment Purchase Agreement, the Continuing Disclosure Agreement and any other agreements relating to the Revenue Obligations are qualified in their entirety by reference to such documents. Copies of the Trust Agreement, the Master Agreement and the Installment Purchase Agreement are on file and available for inspection at the corporate trust office of U.S. Bank Trust Company, National Association, Los Angeles, California Attention: Corporate Trust.

[Remainder of page intentionally left blank.]

REFUNDING PLAN

A portion of the net proceeds from the sale of the Revenue Obligations, together with other funds of the District, will be used to prepay the remaining installment payments to be made by the District in connection with the Refunded 2014A Obligations (the “Refunded 2014A Installment Payments”). The Refunded 2014A Obligations are further described in the table related below.

Under the terms of the Trust Agreement, dated as of August 1, 2014 (the “2014A Trust Agreement”), by and between the District and U.S. Bank Trust Company, National Association, as successor trustee (the “2014A Trustee”), pursuant to which the Refunded 2014A Obligations were executed and delivered, and an Escrow Agreement, dated as of May 1, 2024 (the “2014A Escrow Agreement”), between the District and the 2014A Trustee, the prepayment of the Refunded 2014A Installment Payments will be effected by depositing a portion of the proceeds of the Revenue Obligations, together with other available moneys, into the Escrow Fund established under the 2014A Escrow Agreement (the “2014A Escrow Fund”).

A portion of the net proceeds from the sale of the Revenue Obligations, together with other funds of the District, will be used to prepay the remaining installment payments to be made by the District in connection with the Refunded 2015A Obligations (the “Refunded 2015A Installment Payments” and, together with the Refunded 2014A Installment Payment, the “Refunded Installment Payments”). The Refunded 2015A Obligations are further described in the table below.

Under the terms of the Trust Agreement, dated as of February 1, 2015 (the “2015A Trust Agreement” and, together with the 2014A Trust Agreement, the “Prior Trust Agreements”), by and between the District and U.S. Bank Trust Company, National Association, as successor trustee (the “2015A Trustee”), pursuant to which the Refunded 2015A Obligations were executed and delivered, and an Escrow Agreement, dated as of May 1, 2024 (the “2015A Escrow Agreement” and, together with the 2014A Escrow Agreement, the “Escrow Agreements”), between the District and the 2015A Trustee, the prepayment of the Refunded 2015A Installment Payments will be effected by depositing a portion of the proceeds of the Revenue Obligations, together with other available moneys, into the Escrow Fund established under the 2015A Escrow Agreement (the “2015A Escrow Fund” and, together with the 2014A Escrow Fund, the “Escrow Funds”).

The District will cause the 2014A Escrow Fund and the 2015A Escrow Fund deposits to be invested in Government Obligations (as defined in the Prior Trust Agreements). The Government Obligations in each Escrow Fund will pay principal and interest, together with cash on deposit therein, sufficient to pay the interest on the related Refunded Installment Payments, and to make scheduled distributions thereof with respect to the Refunded Obligations, due and payable through August 5, 2024, and on August 5, 2024 to prepay without premium the unpaid related Refunded Installment Payments, and through distribution of such prepayment to prepay the remaining related Refunded Obligations, all in accordance with the terms of the related Installment Purchase Agreement, the related Prior Trust Agreement and the applicable Refunded Obligations. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein. The amounts deposited in each Escrow Fund will be held in trust solely for the related Refunded Obligations and will not be available to pay the principal and interest evidenced by the Revenue Obligations or any obligations other than the related Refunded Obligations.

Refunded 2014A Obligations
Prepayment Date: August 5, 2024

Maturity Date (February 1)	Principal Amount Outstanding	CUSIP Number (68428T)	Prepayment Price
2025	9,545,000	BN6	100%
2026	10,025,000	BP1	100
2027	10,525,000	BQ9	100

Refunded 2015A Obligations
Prepayment Date: August 5, 2024

Maturity Date (February 1)	Principal Amount Outstanding	CUSIP Number (68428T)	Prepayment Price
2028	\$ 15,240,000	BR7	100%
2029	16,045,000	BS5	100
2030	15,965,000	BT3	100
2031	6,215,000	BU0	100
2034	17,180,000	BV8	100
2035	18,040,000	BW6	100
2036	18,940,000	BX4	100
2037	19,885,000	BY2	100

[Remainder of page intentionally left blank.]

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the execution and delivery of the Revenue Obligations are presented below.

Sources

Principal Amount of Revenue Obligations	\$
[Net] Premium	
District Equity Contribution	
Total Sources	\$

Uses

Deposit to 2014A Escrow Fund	\$
Deposit to 2015A Escrow Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	\$

⁽¹⁾ Costs of Issuance include, among other things, the Initial Purchaser's discount, fees and expenses of rating agencies, Special Counsel and Disclosure Counsel, Municipal Advisor, verification agent and the initial fees of the Trustee.

THE REVENUE OBLIGATIONS

General

The Revenue Obligations will be prepared in the form of fully registered certificates of participation in denominations of \$5,000 and any integral multiple thereof. The Revenue Obligations will be dated as of the date of initial delivery thereof and will mature on February 1 in such years as set forth on the inside cover page hereof. Interest evidenced by the Revenue Obligations will be payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2024. The Revenue Obligations initially will be delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Revenue Obligations. Individual purchases of the Revenue Obligations will be made in book-entry form only. Purchasers of Revenue Obligations will not receive physical certificates representing their ownership interests in the Revenue Obligations purchased.

The interest evidenced by the Revenue Obligations shall be payable on each Interest Payment Date to and including their respective Principal Payment Dates, and shall represent the sum of the interest on the Installment Payments coming due on the Interest Payment Dates in each year. The principal evidenced by the Revenue Obligations shall be payable on their respective Principal Payment Dates in each year and shall represent the Installment Payments coming due on the Principal Payment Dates in each year. Each Revenue Obligation shall evidence interest from the Interest Payment Date next preceding its date of execution to which interest has been paid in full, unless such date of execution shall be after a Record Date and on or prior to the following Interest Payment Date, in which case such Revenue Obligation shall evidence interest from such Interest Payment Date, or unless such date of execution shall be on or prior to July 15, 20__, in which case such Revenue Obligation shall represent interest from its date of initial delivery. Notwithstanding, the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Revenue Obligations shall be in default, each Revenue Obligation shall evidence interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for. Interest evidenced by the Revenue Obligations shall be computed on the basis of a 360-day year consisting of twelve 30-day

months. See APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Trust Agreement.”

Payments of principal and interest evidenced by the Revenue Obligations are payable directly to DTC by U.S. Bank Trust Company, National Association, as successor trustee. Upon receipt of payments of such principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Revenue Obligations. So long as the Revenue Obligations are held in the DTC book-entry system, the interest, principal, purchase price and prepayment premiums, if any, due with respect to the Revenue Obligations will be payable by the Trustee, or its agent, to DTC or its nominee. DTC, in turn, will make payments pursuant to its procedures as described under APPENDIX E – “BOOK-ENTRY SYSTEM” herein.

Prepayment Provisions

Optional Prepayment. The Revenue Obligations maturing on or after February 1, 20__, are subject to optional prepayment prior to their stated Principal Payment Dates, on any date on or after February 1, 20__, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Installment Payments paid pursuant to the Installment Purchase Agreement or from any other source of available funds, any such prepayment to be at a price equal to the principal evidenced by the Revenue Obligations to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

Mandatory Sinking Account Prepayment. The Term Revenue Obligations maturing on February 1, 20__ are subject to prepayment prior to their stated maturity, in part, by lot, on any February 1 on and after February 1, 20__, at the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium, from Mandatory Sinking Account Payments deposited in the Principal Account. The Term Revenue Obligations maturing on February 1, 20__ shall be prepaid (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates set forth below:

Term Revenue Obligations Maturing February 1, 20__

Mandatory Sinking Account Payment Dates (February 1)	Mandatory Sinking Account Payments
	\$

*

* Maturity

Selection of Revenue Obligations for Prepayment. Whenever less than all the Outstanding Revenue Obligations are to be prepaid on any one date pursuant to the provisions of the Trust Agreement, with respect to optional prepayment of Revenue Obligations, the Trustee shall select the Revenue Obligations to be prepaid among Revenue Obligations with different Principal Payment Dates as directed in a Written Request of the District. Whenever less than all the Outstanding Revenue Obligations with the same stated Principal Payment Date are to be prepaid on any one date pursuant to the provisions of the Trust Agreement, the Trustee shall select the Revenue Obligations with such Principal Payment Date to be prepaid as directed in a Written Request of the District, or at the discretion of the District by lot in any manner that the Trustee deems fair and appropriate, which decision shall be final and binding upon the District and the Owners. The Trustee shall promptly notify the District in writing of the numbers of the

Revenue Obligations so selected for prepayment on such date. For purposes of such selection, any Revenue Obligation may be prepaid in part in Authorized Denominations.

Notice of Prepayment. When prepayment of Revenue Obligations is authorized pursuant to the Trust Agreement, the Trustee shall give notice, at the expense of the District, of the prepayment of the Revenue Obligations. The notice of prepayment shall specify (a) the Revenue Obligations or designated portions thereof (in the case of prepayment of the Revenue Obligations in part but not in whole) which are to be prepaid, (b) the date of prepayment, (c) the place or places where the prepayment will be made, including the name and address of any paying agent, (d) the prepayment price, (e) the CUSIP numbers assigned to the Revenue Obligations to be prepaid, (f) the numbers of the Revenue Obligations to be prepaid in whole or in part and, in the case of any Revenue Obligation to be prepaid in part only, the principal evidenced by such Revenue Obligation to be prepaid, and (g) the interest rate and stated Principal Payment Date of each Revenue Obligation to be prepaid in whole or in part. Such notice of prepayment shall further state that on the specified date there shall become due and payable upon each Revenue Obligation or portion thereof being prepaid the prepayment price and that from and after such date interest evidenced thereby shall cease to accrue and be payable.

The Trustee shall, at least 20 but not more than 60 days prior to any prepayment date, give notice of prepayment to the respective Owners of Revenue Obligations designated for prepayment by first-class mail, postage prepaid, at their addresses appearing on the registration books maintained by the Trustee as of the close of business on the day before such notice of prepayment is given.

The actual receipt by the Owner of any notice of such prepayment shall not be a condition precedent to prepayment, and neither failure to receive such notice nor any defect therein shall affect the validity of the proceedings for the prepayment of such Revenue Obligations or the cessation of interest evidenced thereby on the date fixed for prepayment.

Effect of Prepayment. If notice of prepayment has been duly given as aforesaid and moneys for the payment of the prepayment price of the Revenue Obligations to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Revenue Obligations so called for prepayment shall become payable at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced by the Revenue Obligations so called for prepayment shall cease to accrue, such Revenue Obligations shall cease to be entitled to any benefit or security hereunder and the Owners of such Revenue Obligations shall have no rights in respect thereof except to receive payment of the prepayment price thereof. The Trustee shall, upon surrender for payment of any of the Revenue Obligations to be prepaid, pay such Revenue Obligations at the prepayment price thereof, and such moneys shall be pledged to such payment.

SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS

Installment Payments

Pursuant to the Installment Purchase Agreement, the Project will be reacquired by the District from the Corporation. The District has covenanted to pay to the Corporation, solely from Net Revenues and from no other sources, the Purchase Price in Installment Payments, with interest thereon, as provided in the Installment Purchase Agreement. Pursuant to the Master Agreement, the District has established and declared the conditions and terms upon which obligations such as the Installment Purchase Agreement, and the Installment Payments and the interest thereon payable under the Installment Purchase Agreement, will be incurred and secured. The obligation of the District to make the Installment Payments, and payments of interest thereon, and other payments required to be made by it under the Installment Purchase Agreement, solely from Net Revenues, is absolute and unconditional, and until such time as the Installment Payments,

payments of interest thereon, and such other payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the Installment Purchase Agreement), the District has covenanted that it will not discontinue or suspend any Installment Payments when due, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such Installment Payments, payments of interest thereon, and other payments shall not be subject to reduction whether offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or any cause whatsoever. The District's obligation to make Installment Payments from Net Revenues is on a parity with the District's obligation to make payments with respect to its Outstanding Senior Obligations. See "Net Revenues" below. Pursuant to the Trust Agreement, the Corporation has assigned to the Trustee for the benefit of the Owners of the Revenue Obligations substantially all of its rights, title and interest in and to the Installment Purchase Agreement, including its right to receive Installment Payments and the interest thereon.

The District has certain Existing Senior Obligations Outstanding payable from Net Revenues on a parity with the Installment Payments under the Installment Purchase Agreement. The term "Existing Senior Obligations" as used in this Official Statement refers to the Installment Purchase Agreements relating to the District's currently Outstanding Senior Obligations, as set forth on Table 16 under the caption "FINANCIAL OBLIGATIONS – Existing Indebtedness" herein. The term "Senior Obligations" as used in this Official Statement refers to the Existing Senior Obligations and to any additional Senior Obligations, such as the Installment Purchase Agreement, that may be made payable on a parity basis to the Installment Payments as provided in the Master Agreement. Senior Obligations, together with any Subordinate Obligations payable on a subordinate basis to the Installment Payments incurred as provided in the Master Agreement, are referred to collectively as the "Obligations." The District has no Subordinate Obligations currently outstanding. See "FINANCIAL OBLIGATIONS — Existing Indebtedness" herein and APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Master Agreement" attached hereto.

The obligation of the District to pay the Installment Payments, and the interest thereon, and other payments required to be made by it under the Installment Purchase Agreement and Master Agreement, is a special obligation of the District payable, in the manner provided in the Installment Purchase Agreement, solely from Net Revenues and other funds provided for in the Installment Purchase Agreement, and does not constitute a debt of the District, the State or any political subdivision thereof, in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of the District, the State or any political subdivision thereof, is pledged to the payment of the Installment Payments, or the interest thereon, or other payments required to be made under the Installment Purchase Agreement. The Installment Purchase Agreement constitutes a Senior Obligation and, as such, is subject to the provisions of the Master Agreement and is afforded all of the advantages, benefits, interests and security afforded Senior Obligations pursuant to the Master Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS" herein.

Available Funds of the District

As Senior Obligations under the Master Agreement, the Installment Payments are payable from and secured by a pledge of Net Revenues. Should Net Revenues prove insufficient, the Installment Purchase Agreement further provides that the Installment Payments are payable from any other lawfully available funds of the District. The primary lawfully available funds of the District are its reserve funds, other than trustee-held amounts required to be in any Obligation Reserve Fund securing certain of the District's Senior Obligations, as described in the Master Agreement. At June 30, 2023, the District's Debt Service Required Reserves totaled \$79 million, of which \$0 were trustee-held amounts in Obligation Reserve Funds under the Master Agreement. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS –

Master Agreement” attached hereto. District reserve funds are maintained in accordance with the District’s reserve policy. See “DISTRICT REVENUES – Reserves.” Available reserves at June 30, 2023 were approximately \$1 billion. See “DISTRICT REVENUES — Reserves,” “— Summary of Operating Data” and “— Projected Operating Data.”

Net Revenues

The District is obligated to make Installment Payments from, among other things, Net Revenues as provided in the Master Agreement, which consist of Revenues remaining after payment of costs paid by the District for maintaining and operating the Wastewater System (“Maintenance and Operation Costs”). Revenues are defined in the Master Agreement to mean, for any period, all income and revenue received by the District during such period from the operation or ownership of the Wastewater System, determined in accordance with generally accepted accounting principles, including all fees and charges received during such period for the services of the Wastewater System, investment income received during such period (but only to the extent that such investment income is generally available to pay costs with respect to the Wastewater System, including Maintenance and Operation Costs), Net Proceeds of business interruption insurance received during such period, *ad valorem* taxes received during such period, payments under the Agreement Acquiring Ownership Interests, Assigning Rights and Establishing Obligations, entered into on February 13, 1986, and amendment No. 1 thereto dated December 10, 1986 (the “IRWD Agreement”), by and between predecessor County Sanitation District No. 14 of Orange County and the Irvine Ranch Water District (the “IRWD”) received during such period and all other money received during such period howsoever derived by the District from the operation or ownership of the Wastewater System or arising from the Wastewater System (including any standby or availability charges), but excluding (a) Capital Facilities Capacity Charges, (b) payments received under Financial Contracts, and (c) refundable deposits made to establish credit and advances or contributions in aid of construction (which, for purposes of the Master Agreement, shall not include payments under the IRWD Agreement); provided, however, that (i) Revenues shall be increased by the amounts, if any, transferred during such period from the Rate Stabilization Account to the Revenue Account and shall be decreased by the amounts, if any, transferred during such period from the Revenue Account to the Rate Stabilization Account, and (ii) Revenues shall include Capital Facilities Capacity Charges collected during such period to the extent that such Capital Facilities Capacity Charges could be properly expended on a Capital Facilities Capacity Charge Eligible Project for which the proceeds of Senior Obligations were used or are available to be used. Any Federal Subsidy payments received by the District will constitute Revenues as defined in the Master Agreement. See “DISTRICT REVENUES — Additional Revenues” herein.

The District’s obligation to make the Installment Payments from its Net Revenues is on a parity with the District’s obligation to make payments with respect to its other outstanding obligations described as Senior Obligations and all Reimbursement Obligations with respect to Senior Obligations, as provided in the Master Agreement. The Installment Purchase Agreement constitutes a Senior Obligation and, as such, is subject to the provisions of the Master Agreement and is afforded all of the advantages, benefits, interests and security afforded Senior Obligations pursuant to the Master Agreement. Pursuant to the Master Agreement, the District pledges all Net Revenues to the payment of the Senior Obligations and Reimbursement Obligations with respect to Senior Obligations, and the Net Revenues will not be used for any other purpose while any of the Senior Obligations or Reimbursement Obligations with respect to Senior Obligations remain unpaid; provided, however, that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Master Agreement. This pledge constitutes a first lien on the Net Revenues for the payment of the Senior Obligations and Reimbursement Obligations with respect to Senior Obligations. The term “Senior Obligations” generally means all revenue bonds or notes (including bond anticipation notes and commercial paper) of the District authorized, issued, executed and delivered under and pursuant to applicable law, the Installment Purchase Agreement, and all other contracts (including financial contracts) or leases of the District authorized and executed by the District under and

pursuant to applicable law, including, without limitation, installment, lease or other payments which are, in accordance with the provisions of the Master Agreement, payable from Net Revenues on a parity with the payments under the Master Agreement.

The District may at any time incur Subordinate Obligations payable on a subordinate basis to the Installment Payments as provided in the Master Agreement; provided, however, that prior to incurring such Subordinate Obligations, the District shall have determined that the incurrence thereof will not materially adversely affect the District's ability to comply with the requirements of the Master Agreement. The District may at any time incur Reimbursement Obligations with respect to Subordinate Obligations. For a description of the District's Outstanding Senior Obligations and Subordinate Obligations, see "FINANCIAL OBLIGATIONS — Existing Indebtedness" herein. There are currently no Subordinate Obligations or Reimbursement Obligations with respect to Subordinate Obligations outstanding.

The District may, in connection with the incurrence of Subordinate Obligations, pledge Net Revenues to the payment of Subordinate Obligations and Reimbursement Obligations with respect to Subordinate Obligations; provided, however, that such pledge, and any lien created thereby, shall be junior and subordinate to the pledge of, and lien on, Net Revenues for the payment of Senior Obligations and Reimbursement Obligations with respect to Senior Obligations.

Rate Stabilization Account

To avoid fluctuations in its fees and charges of the Wastewater System, from time to time the District may deposit in the Rate Stabilization Account from Net Revenues such amounts as the District deems necessary or appropriate. From time to time, the District may also transfer moneys from the Rate Stabilization Account to the Revenue Account to be used by the District, first to pay all Maintenance and Operations Costs as and when the same shall be due and payable. In addition, any such amount transferred from the Rate Stabilization Account to the Revenue Account by the District is included as Revenues for any period, but such transferred amount is excluded from determining Operating Revenues for any period. Revenues will be decreased by the amounts, if any, transferred from the Revenue Account to the Rate Stabilization Account. There are presently no funds in the Rate Stabilization Account.

Allocation of Revenues

To carry out and effectuate the pledge of Net Revenues under the Master Agreement as described above, the District agrees and covenants that all Operating Revenues received by the District will be deposited when and as received in the Revenue Account. Additionally, amounts may, from time to time as the District deems necessary or appropriate, be transferred from the Rate Stabilization Account and deposited in the Revenue Account, as described above under "— Rate Stabilization Account" above. The District will pay from the Revenue Account all Maintenance and Operations Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operations Costs, the payment of which is not immediately required) as and when the same shall be due and payable.

After having paid, or having made provisions for the payment of, Maintenance and Operations Costs, the District shall set aside and deposit or transfer, as the case may be, from the Revenue Account such amounts at such times as provided in the Master Agreement in the following order of priority:

- (1) Senior Obligation Payment Account;
- (2) Senior Obligation Reserve Funds (the Revenue Obligations are not secured by any Reserve Fund);

- (3) Subordinate Obligation Payment Account;
- (4) Subordinate Obligation Reserve Funds; and
- (5) Rate Stabilization Account.

Amounts required or permitted to be deposited or transferred as described in items 2, 3, 4 and 5 above, shall not be so deposited or transferred unless the District shall have determined that there will be sufficient Net Revenues available to make the required deposits or transfers on the dates on which such deposits or transfers are required to be made as described above. So long as the District has determined that Net Revenues will be sufficient to make all of the deposits or transfers required to be made pursuant to items 1, 2, 3, 4 and 5 above, on the dates on which such deposits or transfers are required to be made, Net Revenues on deposit in the Revenue Account may from time to time be used for any purpose for which the District funds may be legally applied. For additional information, see APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Master Agreement.”

Rate Covenant

Pursuant to the Master Agreement, the District will, to the extent permitted by law, fix, prescribe and collect fees and charges for the services of the Wastewater System which will be at least sufficient to yield during each Fiscal Year (a) Net Revenues equal to 125% of Debt Service on Senior Obligations for such Fiscal Year and (b) Net Operating Revenues equal to 100% of Debt Service on all Obligations for such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but will not reduce the fees and charges then in effect unless the Revenues and Net Revenues from such reduced fees and charges will at all times be sufficient to meet the requirements of the Master Agreement.

In addition, the District has covenanted in the Master Agreement to prepare and adopt an annual budget for the Wastewater System for each Fiscal Year. Such budget will set forth in reasonable detail the Revenues anticipated to be derived in such Fiscal Year and the expenditures anticipated to be paid or provided for therefrom in such Fiscal Year, including, without limitation, the amounts required to pay or provide for the payment of the Obligations during such Fiscal Year, the amounts required to pay or provide for the payment of Maintenance and Operations Costs during such Fiscal Year and the amounts required to pay or provide for the payment of all other claims or obligations required to be paid from Revenues in such Fiscal Year, and will show that Revenues and Net Revenues will be at least sufficient to satisfy the requirements of the Master Agreement. On or before September 1 of each Fiscal Year, the District will file with the Trustee a copy of the adopted budget for such Fiscal Year. See APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Master Agreement” for additional information.

The District has an established reserve policy with seven distinct reserve criterion which together comprise the District’s reserve fund target. Over a ten fiscal year period, these criterion requirements collectively result in a year-ending reserve total for each fiscal year projected not to fall below \$551 million as indicated in the District’s ten-year cash flow forecast for fiscal years 2023-24 through 2032-33. At its election, the District may use unrestricted reserves to help satisfy the rate covenant described above. See “DISTRICT REVENUES — Reserves” herein.

Limitations on Issuance of Additional Obligations

Senior Obligations. The District may at any time incur Senior Obligations in addition to the Existing Senior Obligations payable from Net Revenues as provided in the Master Agreement on a parity

with all other Senior Obligations theretofore incurred but only subject to the following conditions under the Master Agreement:

- (1) Upon the incurrence of such Senior Obligations, no Event of Default will be continuing under the Master Agreement; and
- (2) Subject to the provisions of the Master Agreement, the District will have received either one of the following:
 - (i) A Written Certificate of the District certifying that, for a 12 consecutive calendar month period during the 24 consecutive calendar month period ending in the calendar month prior to the incurrence of such Senior Obligations (which 12 consecutive calendar month period will be specified in such certificate or certificates):
 - (A) Net Revenues, as shown by the books of the District, will have amounted to at least 125% of Maximum Annual Debt Service on all Senior Obligations to be outstanding immediately after the incurrence of such Senior Obligations, and
 - (B) Net Operating Revenues, as shown by the books of the District, will have amounted to at least 100% of Maximum Annual Debt Service on all Obligations to be outstanding immediately after the incurrence of such Senior Obligations.

For purposes of demonstrating compliance with the foregoing, Net Revenues and Net Operating Revenues may be adjusted for (x) any changes in fees and charges for the services of the Wastewater System which have been adopted and are in effect on the date such Senior Obligations are incurred, but which, during all or any part of such 12 consecutive calendar month period, were not in effect, (y) customers added to the Wastewater System subsequent to such 12 consecutive calendar month period but prior to the date such Senior Obligations are incurred, and (z) the estimated change in available Net Revenues and Net Operating Revenues which will result from the connection of existing residences or businesses to the Wastewater System within one year following completion of any project to be funded or any system to be acquired from the proceeds of such Senior Obligations; or

- (ii) A certificate or certificates from one or more Consultants which, when taken together, project that, for each of the two Fiscal Years next succeeding the incurrence of such Senior Obligations:
 - (A) Net Revenues will amount to at least 125% of Maximum Annual Debt Service on all Senior Obligations to be outstanding immediately after the incurrence of such Senior Obligations, and
 - (B) Net Operating Revenues will amount to at least 100% of Maximum Annual Debt Service on all Obligations to be outstanding immediately after the incurrence of such Senior Obligations.

For purposes of demonstrating compliance with the foregoing, Net Revenues and Net Operating Revenues may be adjusted for (x) any changes in fees and charges for the services of the Wastewater System which have been adopted and are in effect on the date such Senior Obligations are incurred or will go into effect prior to the end of such two Fiscal Year period, (y) customers expected to be added to the Wastewater System prior to the end of such two Fiscal Year period, and (z) the estimated change in available Net Revenues and Net Operating Revenues which will result from the connection of existing residences or businesses to the Wastewater System within one year following completion of any project to be funded or any system to be acquired from the proceeds of such Senior Obligations. For purposes of preparing the certificate or certificates described above, the Consultant may rely upon financial statements prepared by the District that have not been subject to audit by an independent certified public accountant if audited financial statements for the period are not available.

See also “FINANCIAL OBLIGATIONS – Existing Indebtedness” herein. The District is not required to comply with the provisions described above in paragraph (2) if the Senior Obligations being incurred are Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H) of the definition thereof. See APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Definitions” herein.

The determination of Net Revenues for use in the calculation described above is more fully described in APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Master Agreement — *Senior Obligations*” attached hereto. The District is not required to comply with the provisions described in paragraph (2) above for such portion of Senior Obligations incurred for the purpose of providing funds to refund or refinance Senior Obligations if (i) upon such refunding or refinancing, debt service on such refunded or refinanced Obligations, or debt service on bonds, notes or other obligations of an entity other than the District, the debt service on which is payable from Obligation Payments for such Obligations (the “Related Bonds”), will no longer be included in the calculation of Assumed Debt Service either because such Obligations, or the Related Bonds of such Obligations, will have been paid in full or because such debt service is disregarded pursuant to clause (L) of the definition of Assumed Debt Service, and (ii) Assumed Debt Service in each Fiscal Year for the portion of such Senior Obligations incurred for the purpose of providing funds to refund or refinance such Obligations is less than or equal to 105% of Assumed Debt Service in such Fiscal Year for such Obligations being refunded or refinanced (assuming for such purposes that debt service on such refunded or refinanced Obligations, or debt service on the Related Bonds of such Obligations, is not disregarded pursuant to clause (L) of the definition of Assumed Debt Service). See APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Master Agreement” attached hereto for additional information. The District may at any time incur Reimbursement Obligations with respect to Senior Obligations.

Subordinate Obligations. The District may at any time incur Subordinate Obligations upon satisfaction of the conditions provided in the Master Agreement. See APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Master Agreement” herein for a description of such conditions. There are currently no Subordinate Obligations outstanding.

Insurance

The District will procure and maintain or cause to be procured and maintained casualty insurance on the Wastewater System with responsible insurers, or provide self- insurance (which may be provided in the form of risk-sharing pools), in such amounts and against such risks (including accident to or destruction of the Wastewater System) as are usually covered in connection with facilities similar to the Wastewater

System. The District will procure and maintain such other insurance which it will deem advisable or necessary to protect its interests and the interests of the Corporation. See “THE DISTRICT — Risk Management” and APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Master Agreement” herein.

Allocation of Installment Payments

Set forth in Table 1 are the principal and interest payments on the Revenue Obligations. Also set forth are the payments due on Existing Senior Obligations, excluding the Refunded Obligations.

[Remainder of page intentionally left blank.]

Table 1
Payments Relating to the Revenue Obligations
and Existing Senior Obligations of the District
As of March 1, 2024

Fiscal Year Ending June 30	Installment Payments		Other		Total
	<u>Relating to Revenue Obligations</u>		<u>Senior Obligations⁽¹⁾</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2025	\$	\$	\$ 23,575,000	\$ 32,356,041	\$
2026			24,805,000	31,177,291	
2027			25,920,000	29,937,041	
2028			27,180,000	28,641,041	
2029			28,495,000	27,282,041	
2030			30,800,000	25,857,291	
2031			41,380,000	24,317,291	
2032			53,715,000	22,170,869	
2033			68,735,000	19,254,336	
2034			33,950,000	15,567,056	
2035			35,580,000	13,688,032	
2036			37,295,000	11,720,060	
2037			31,600,000	9,658,414	
2038			32,995,000	7,972,605	
2039			34,455,000	6,212,648	
2040			24,575,000	4,375,150	
2041			20,805,000	2,912,640	
2042			12,430,000	1,581,120	
2043			9,795,000	785,600	
2044			2,480,000	158,720	
Total	\$	\$	\$ 600,565,000	\$ 315,625,287	\$

⁽¹⁾ Excludes payments with respect to the Refunded Obligations, all of which are to be refunded with the proceeds of the Revenue Obligations and other moneys. See “REFUNDING PLAN” herein.

THE DISTRICT

Background

The District is managed by the Board of Directors, whose members are appointed by 25 member cities and agencies which are serviced by the District. The District is a public agency responsible for construction and maintenance of a major portion of the wastewater collection, treatment and disposal facilities within its boundaries and is the third largest regional wastewater collection, treatment and recycling agency west of the Mississippi River. The District provides service to an area with a population of approximately 2.5 million people in the central and northwest portion of the County by treating an average of 186 mgd of wastewater in Fiscal Year 2022-23. The District serves approximately 81% of the County population in approximately 479 square miles, or approximately 60% of the County’s area. Local sanitary districts, water districts and cities are responsible for local sewers in the District’s service area. The District recycles 100% of their reclaimable flow.

The service area which comprises the District was originally formed in 1954 pursuant to the County Sanitation District Act, as amended, Section 4700 *et seq.* of the Health and Safety Code of the State. The

District's service area originally consisted of seven independent special districts in the County which were each responsible for matters relating to their individual districts. These special districts were jointly responsible for the treatment and disposal facilities which they each used. The seven independent districts were successors to the Joint Outfall Sewer Organization, which was formed in 1923 among the Cities of Anaheim, Santa Ana, Fullerton, and Orange, and the sanitary districts of Placentia, Buena Park, La Habra, and Garden Grove. The Joint Outfall Sewer Organization constructed a treatment plant and outfall in the early 1920s to serve its members. It was reorganized in 1947 and 1948 into seven county sanitation districts – District Nos. 1, 2, 3, 5, 6, 7 and 11. These prior districts were formed based on engineers' analyses of the gravity flows in the service area. District No. 13 was formed in 1985 and District No. 14 was added in 1986. These districts were co-participants in a Joint Agreement which provided for the joint construction, ownership, and operation of the prior districts' joint facilities.

In April 1998, at the request of the Board of Directors of the District (the "Board of Directors"), the Board of Supervisors of the County of Orange (the "County Board") passed Resolution No. 98-140 approving the consolidation of the then existing nine special districts into a new, single sanitation district, to be known as the Orange County Sanitation District. This action was designed to simplify governance structures, reduce the size of the Board of Directors, ease administrative processes, streamline decision-making and consolidate accounting and auditing processes. The consolidation was effective on July 1, 1998.

Pursuant to Resolution No. 98-140 and Government Code Section 57500, the prior districts transferred and assigned all of their powers, rights, duties, obligations, functions and properties to the District, and the District assumed all obligations of the prior districts which were several and not joint including, without limitation, their obligations to repay the then outstanding certificates of participation. The boundaries of the nine predecessor special districts were initially used by the District to delineate separate revenue areas (the "Revenue Areas") for budgeting and accounting purposes and in order to facilitate the imposition of fees and charges imposed by the District. See "DISTRICT REVENUES – Sewer Service Charges" herein.

Organization and Administration

The District is independent of and overlaps other political jurisdictions. There are many governmental entities, including the County, that operate within the District's jurisdiction. These entities are exclusively responsible for the administration of their own fiscal affairs, and the District is not entitled to operating surpluses of, or responsible for operating deficits of, any of the other entities.

The 25-member Board of Directors is composed of representatives from 20 cities, four special districts and a member representing the County. Several board committees, made up of members of the Board of Directors, consider topics for action by the Board of Directors and make recommendations to the Board of Directors. The Chairperson and the Vice Chairperson of the Board of Directors are elected every year by a majority of the Board of Directors and serve at the pleasure of a majority of the Board of Directors.

The District has a general manager, outside general counsel, and administrative and operating staff, with offices located at Reclamation Plant No. 1 in Fountain Valley, California. The District currently employs an administrative and operating staff of approximately 600 under the direction of its General Manager, Robert Thompson.

Robert Thompson, P.E., is General Manager of the District and has served in this capacity since February 10, 2023. He has worked for the District since 1995. Mr. Thompson has served as manager in several departments with the District, including Information Technology, Operations and Maintenance, and Engineering. He has had a lead role in creating and maintaining engineering, programming, tagging and asset standards for the District.

Lorenzo Tyner is the Assistant General Manager. Mr. Tyner joined the District in 2005 after serving as Los Angeles Unified School District Budget Director and Deputy Chief Financial Officer. Mr. Tyner has more than 30 years of public finance and budgeting experience, working in large government organizations including the City of Los Angeles and the Los Angeles County Metropolitan Transportation Authority and private sector experience with IBM Global Services and TRW Space and Defense.

Michael Dorman, is the District's Director of Engineering. Mr. Dorman joined the District in 2009. Mr. Dorman is responsible for overseeing the planning, project management, design, and construction of Capital Improvement Program projects. He has served as the Engineering Manager of the Design Division of the District ensuring projects were properly designed, commissioned, and programmed for collections and treatment plans. He also served as the Engineering Manager of the Electrical and Control Systems Division of the District ensuring electrical, instrumentation, and control systems for projects were properly designed, constructed, inspected, programmed and commissioned. Mr. Dorman has over 30 years of engineering experience. Prior to joining the District, he worked as a consultant supervising electrical and instrumentation groups responsible for the design and programming of water, wastewater, and infrastructure projects.

Lan Wiborg is the District's Director of Environmental Services. Ms. Wiborg joined the District in 2019. Ms. Wiborg has more than 26 years of water and wastewater utility experience and most recently served as the City of San Diego's Deputy Public Utilities Director of Long-Range Planning and Water Resources, where she oversaw water resource development and planning, watershed protection, water conservation, climate change adaptation, and grid-scale pumped hydropower energy storage programs.

Wally Ritchie, is the District's Director of Finance. Mr. Ritchie joined the District in 2019 as Controller of the District. Mr. Ritchie is responsible for providing oversight over the District's accounting and treasury, property management, contracts, purchasing and materials management and information technology functions. He has more than 16 years of experience in government finance and management, previously filling the roles of Finance Director and Assistant City Manager for the Utah cities of Ivins and Santa Clara, and City Manager in Santa Clara.

Laura Maravilla, is the District's Director of Human Resources. Ms. Maravilla joined the District in 2004. Ms. Maravilla is responsible for providing quality human resources management, ensuring compliance with employment law and regulations, and developing and administering programs designed to attract and retain top talent and ensure the safety of the District's workforce. Ms. Maravilla has 23 years of experience in all aspects of human resources, both in the private and public sector.

Riaz Moinuddin, is the District's Director of Operations & Maintenance. Mr. Moinuddin joined the District in 2004. Mr. Moinuddin is responsible for overseeing and managing the 24-hour operations of the District's facilities, most recently he served as the Engineering Manager for the Maintenance Group maintaining assets and systems for the treatment plants and developing and executing maintenance strategies for civil, mechanical, electrical, instrumentation, control systems. Prior to working for the District, Mr. Moinuddin worked as a design engineer and consultant for CH2MHill where he was responsible for a variety of projects involving water and wastewater treatment systems and many multi-phased capital improvement projects.

Services

The District owns and operates regional wastewater collection, treatment, and disposal facilities for the metropolitan area in the central and northwest portion of the County. The District receives wastewater from the collection systems of the cities, sanitary districts and unincorporated areas of the County located within the District. See "THE DISTRICT – Service Area" herein.

Generally, local agency systems collect wastewater from residential and industrial customers and convey the wastewater to District trunk sewer pipelines for conveyance to the District's wastewater treatment plants.

The District's staff is responsible for operating and maintaining the District's infrastructure, although some work is performed by external contractors.

Currently, the District has established supply contracts for all chemicals necessary to the operation and maintenance of the facilities of the District. The District has sufficient standby systems in the event of equipment failures or system outages.

Service Area

The map on the inside cover of this Official Statement shows the District's boundaries and selected cities located within the District. District boundaries were originally established in 1947 and 1948 based on drainage basins. As the existing cities have grown and new areas have incorporated, city limits have come to overlap District boundaries. The District currently serves an approximately 479 square-mile area including 23 of the County's 34 cities and various unincorporated areas of the County. The District serves a population of approximately 2.5 million residents.

[Remainder of page intentionally left blank.]

Set forth in Table 2 below is a list of the cities and unincorporated areas currently served by the District and their estimated populations as of January 1, 2023.

Table 2
Estimated Populations of Cities and Unincorporated Areas
Served by the Orange County Sanitation District
As of January 1, 2023

<u>City</u>	<u>Population</u>
Anaheim	328,580
Brea	48,184
Buena Park	83,517
Costa Mesa	111,183
Cypress	49,818
Fountain Valley	56,987
Fullerton	142,873
Garden Grove	171,183
Huntington Beach	195,714
Irvine	303,051
La Habra	61,835
La Palma	15,332
Los Alamitos	12,129
Newport Beach	83,411
Orange	139,063
Placentia	52,507
Santa Ana	299,630
Seal Beach	24,647
Stanton	39,084
Tustin	79,558
Villa Park	5,790
Westminster	90,498
Yorba Linda	67,068
Cities Subtotal ⁽¹⁾	2,461,642
Unincorporated Areas (estimated) ⁽²⁾	70,692
Total	<u>2,532,334</u>

⁽¹⁾ Demographic Research Unit, State of California Department of Finance.

⁽²⁾ Center for Demographic Research, California State University, Fullerton.

Employees

As of June 30, 2023, the District had a total of approximately 579 employees. The majority of the District employees are represented by recognized employee organizations, which include the following: the Orange County Employees Association (“OCEA”), representing administrative/clerical, technical services and engineering employees since 1979, the International Union of Operating Engineers – Local 501 (“Local 501”), representing operations and maintenance employees since October 1985, and the Supervisory and Professional Management Group (“SPMT/AFSCME”), representing employees within the Supervisor Group and Professional Group since 1991. The total number of represented employees as of June 30, 2023 was 545, and is broken down as follows: 95 employees represented by OCEA, 184 employees represented by Local 501, and 266 employees represented by SPMT/AFSCME. In September 2022, the District reached

final agreement with all bargaining units on the current set of labor contracts that will expire on June 30, 2025. Historically, the District has experienced positive and collaborative working relationships with each organization and has not endured any work stoppages since its formation in 1998.

Retirement Plan

The District participates in the Orange County Employees Retirement System (“OCERS”), a cost-sharing multiple-employer defined benefit pension plan, which is governed and administered by a nine-member Board of Retirement. OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937, and provides members with retirement, death, disability, and cost of living benefits.

All full-time and part-time District employees participate in OCERS. Contributions are based on an OCERS actuarial-determined rate structure and age at time of employment; contributions are deducted on a pre-tax basis. Most employees do not pay into Social Security with the exception of 1.45% of gross income, which is paid into the Medicare portion of Social Security. The amount of the retirement allowance is based upon the member’s age at retirement, the member’s “final compensation” as defined in Section 31462 of the Retirement Law of 1937, the total years of service under OCERS, and the employee’s classification as a Plan B, H or U member. Plan U applies to all full-time and part-time employees hired on or after January 1, 2013. Plan B applies to supervisor and professional employees hired on or after October 1, 2010, Local 501 employees hired on or after July 1, 2011 and OCEA employees hired on or after August 1, 2011. Plan H applies to employees hired on or after September 21, 1979 and prior to the eligibility dates for Plan B or Plan U. Plan H provides 2.5% of final compensation per year of service at age 55. Plan B provides 1.667% of final compensation per year of service at age 57.5, and Plan U provides 2.5% at 67. “Final compensation” is the highest consecutive 36 months of compensation divided by three for Plan B, H, and U members. Benefits fully vest under the OCERS retirement plan upon reaching five years of service. Employees who retire at or after age 50 with ten or more years of service are eligible to receive an annual retirement allowance, but at a reduced benefit for those employees retiring prior to age 67 for Plan U members, 57.5 for Plan B members, or prior to age 55 for Plan H members. OCERS also provides death and disability benefits.

As a condition of participation under the provisions of the County Employees Retirement Law of 1937, members are required to contribute a percentage of their annual compensation to OCERS. The District contributes a portion of the employee’s contribution to OCERS for members of Plan H based on a percentage of the covered employee’s base salary. Members of Plans U and B do not receive any contributions toward employee contribution to OCERS. As of the December 31, 2022 valuation, OCERS had an aggregate Unfunded Actuarial Accrued Liability (“UAAL”) of approximately \$4.7 billion, and a funded ratio of 81.5%.

Set forth in Table 3 below is a current comparison of the District’s required contributions to OCERS for Fiscal Years 2019-20 through 2022-23 and projected required contributions for Fiscal Year 2023-24.

[Remainder of page intentionally left blank.]

Table 3
Orange County Sanitation District
District Required Contributions to OCERS for Fiscal Years 2019-20 through 2022-23 and
Projected Required Contributions for Fiscal Year 2023-24

<u>Fiscal Year</u>	<u>Rate⁽¹⁾</u>	<u>District Required Contributions</u>
2019-20	12.54	8,739,661
2020-21	11.75	8,479,429
2021-22	11.53	8,537,920
2022-23	11.61	8,816,866
2023-24 ⁽²⁾	11.62	9,339,000

⁽¹⁾ Required contribution as a percent of covered payroll. Rate includes both (1) the portion attributable to the normal contribution and (2) the portion attributable to amortization of UAAL (the “UAAL Rate”), if any. Combined rate for all Plans. Actuarial valuation as of December 31, 2022 assumed an investment return of 7.00%, net of administrative and investment expenses.

⁽²⁾ Projected.

Source: Orange County Sanitation District.

As of September 4, 2019, the District’s total UAAL (excluding the normal contribution) was \$8,116,226. On September 9, 2019, the District contributed \$8,116,226 to OCERS in full satisfaction of its UAAL and accrued interest on the UAAL through the payment date that is due and payable by the District to OCERS as part of its total contribution for the period July 1, 2020 through and including June 30, 2021.

As of December 31, 2018, an additional UAAL attributable to the District on the books of OCERS totaled \$30,232,235 (“Deferred UAAL”), representing the District’s allocated share of OCERS’ net deferred investment losses. The Deferred UAAL was projected to be due and payable by the District in amortizing installments commencing July 2021. The amortizing installments of District’s Deferred UAAL in any future year may be more or less than the total unfunded actuarial accrued liability attributable to the District in such future year (“Actual Future UAAL”).

On November 1, 2019, the District contributed \$29,883,774 toward its Deferred UAAL, and OCERS established a UAAL deferred account on its books and records for the purpose of recording and accounting. The UAAL deferred account can be used to offset the District’s losses, if any, as they arise in later years, to continue decreasing its UAAL Rate in later-year valuations. The UAAL deferred account will not be used for the District’s normal contribution.

As of the December 31, 2019 actuarial valuation completed by OCERS, the District’s past UAAL was \$0. The balance in the District’s UAAL deferred account as of December 31, 2019 before any transfers out was about \$30.7 million. On December 31, 2019, a transfer of \$18.6 million was made from this account to pay off the District’s Actual Future UAAL (fully offsetting the actuarial losses during 2019).

As of December 31, 2022, the date of the most recent actuarial valuation completed by OCERS, the District’s past UAAL remained \$0. The balance in the District’s UAAL deferred account as of December 31, 2022 was about \$14.4 million. As of December 31, 2022, there was no transfer required from this account to pay off the District’s UAAL. The balance in the District’s UAAL deferred account may be applied to the District’s Actual Future UAAL (but not normal contributions) in later periods.

The District has satisfied its past normal contributions from other funds, and currently intends to continue that practice.

For the Fiscal Year ended June 30, 2023, total payroll costs of District employees covered by OCERS was \$75,739,101.

The District's retirement program includes Additional Retiree Benefit Account ("ARBA") benefits. ARBA benefits provide a monthly payment to retirees towards the premium costs of health insurance for the retiree and eligible dependents. The retiree is not required to use this amount for health insurance premium or to remain on the OCERS medical plan. Benefits vest upon retirement. The District pays 100% of the cost for the ARBA plan and utilizes a pay-as-you-go method for funding the plan. The District paid \$1,146,060 in ARBA benefits during Fiscal Year 2022-23.

For more information regarding OCERS and the District's retirement plan as of June 30, 2023, see Note 6 to the Annual Comprehensive Financial Report of the Orange County Sanitation District for the Year Ended June 30, 2023 set forth in Appendix A. The Annual Comprehensive Financial Reports of the Orange County Employees Retirement System are available on the OCERS website at <http://www.ocers.org>. The information on such website is not incorporated herein by such reference or otherwise. The District cannot predict whether the OCERS investment portfolio will experience additional losses in the future; however, any future losses could result in material increases in the District's required contributions.

Other Post-Employment Benefits

In June 2015, Governmental Accounting Standards Board ("GASB") issued Statement No. 75, which requires state and local governmental employers to recognize a liability as the employees earn benefits by providing services for its post-employment benefits other than pension benefits (known as other post-employment benefits or "OPEB") and to recognize total OPEB liability if the OPEB is not administered through a trust that meets the specified criteria. Changes to OPEB liability are recognized immediately as OPEB expenses or deferred outflows/inflows of resources. The statement replaces the requirements of Statement No. 45. The District adopted Statement No. 75 for the fiscal year beginning July 1, 2017, as required of GASB. According to the District's actuary, Demsey, Filliger & Associates (the "Actuary"), the unfunded OPEB liability as of July 1, 2023 was approximately \$1.03 million. The District does not believe that its OPEB liability will have a material impact on its operational results.

Risk Management

As of the date hereof, the District has in force basic all risk property and casualty insurance, including theft, fire, flood, terrorism and boiler and machinery losses at its plants and pump stations. The District carries commercial cyber liability coverage. The District is self-insured for portions of workers' compensation, property damage and general liability. The self-insurance portion of workers' compensation is \$1,000,000 per person per occurrence with outside excess insurance coverage to the statutory limit. The self-insured portion for property damage covering fire and other disasters is \$500,000 per occurrence (for most perils) with outside excess insurance coverage to \$1,000,000,000. The self-insured portion for property damage covering flood is \$1,000,000 per occurrence with outside excess insurance coverage to \$25,000,000. The District also maintains outside comprehensive boiler and machinery insurance with \$100,000,000 limits and a \$25,000 self-insured retention and business interruption insurance with \$100,000,000 limits and a \$500,000 self-insured retention.

The District is self-insured for general liability coverage up to \$750,000 per occurrence, with excess general liability coverage up to \$40,000,000. The District is self-insured for pollution liability coverage up

to \$250,000 per loss, with outside pollution liability insurance coverage up to \$10,000,000. In addition, the District has limited earthquake insurance partially covering several key structures; beyond that, the District relies on a combination of self-insurance and District reserves for all property damage from the perils of seismic activity as well as the expectation that some disaster relief funds may be available from the Federal Emergency Management Agency (“FEMA”) to address any resulting damage. See “DISTRICT REVENUES – Reserves” and “– Integrated Emergency Response Program.” There is no assurance that, in the event of a significant seismic event, a combination of self-insurance, District reserves or FEMA assistance would be available or sufficient for the repair or replacement of the affected property.

During the past five fiscal years there have been no settlements in excess of covered amounts. Claims against the District are primarily processed by outside claim administrators or the District’s General Counsel. The District believes that there are no unrecorded claims as of June 30, 2023 that would materially affect the financial position of the District.

For information regarding the District’s insurance coverage as of June 30, 2023, see Note 1 to the Annual Comprehensive Financial Report of the Orange County Sanitation District for the Year Ended June 30, 2023 set forth in Appendix A.

Existing Facilities

The District’s existing facilities include two wastewater treatment plants, an influent metering and diversion structure, 15 off-plant pump stations, various interplant pipelines and connections, and ocean outfall facilities. The existing treatment plants have a rated primary treatment capacity of 376 mgd, including standby capacity. The District’s collection system includes 12 trunk sewers consisting of approximately 388 miles of sewers in total.

The District employs several phases in the treatment of wastewater. The first phase, preliminary treatment, removes debris such as eggshells, sand, and other non-biodegradable items. In the next phase, primary treatment, wastewater travels through large settling basins called clarifiers. These clarifiers allow for the separation of solids that either settle (sludge) or float (scum) from the wastewater. The collected solids are sent to solids treatment and handling facilities while the wastewater moves on to secondary treatment for further processing. See also “- Biosolids Management” below. During secondary treatment, the wastewater is treated with naturally occurring microorganisms to remove most of the remaining dissolved and suspended organic solids. As part of the secondary treatment process, the sludge and scum are again collected and sent to solids treatment. All treated wastewater is then either provided to Orange County Water District (the “OCWD”) for the Groundwater Replenishment System or discharged via the ocean outfall system. A total of 130 mgd can be reclaimed by the Groundwater Replenishment System. See “- Groundwater Replenishment System” below.

Reclamation Plant No. 1 (“Plant No. 1”) is located in the City of Fountain Valley, approximately four miles inland of the Pacific Ocean and adjacent to the Santa Ana River. Influent wastewater entering Plant No. 1 passes through a flow metering and diversion structure, mechanical bar screens, grit chambers, and primary basins, before going to one of two secondary treatment processes – either activated sludge or trickling filters. Secondary treated effluent is sent to a plant owned by the OCWD for tertiary treatment prior to reclamation and groundwater recharge. If OCWD is unable to accept these flows, this secondary effluent also can be diverted to the ocean discharge system described below.

Solids treatment at Plant No. 1 includes co-thickening of primary and secondary sludge and scum, followed by anaerobic digestion and centrifuge dewatering resulting in the production of Class-B biosolids. Digester gas produced at Plant No. 1 is collected, cleaned, compressed, and distributed to the Plant No. 1 Central Power Generation Facility as a renewable fuel for energy generation. Methane gas generated during

the natural decomposition of the solids in the digesters fuels the Central Power Generation Facility producing enough electricity to meet two-thirds of the power needed to run both Plant No. 1 and Plant No. 2. In addition, Plant No. 1 includes facilities for odor control and chemical addition to support the aforementioned processes.

Reclamation Plant No. 2 (“Plant No. 2”) is located in the City of Huntington Beach, 1,500 feet from the Pacific Ocean, at the mouth of the Santa Ana River. Influent wastewater entering Plant No. 2 passes through a flow metering structure and is separated into two distinct trains for treatment – reclaimable and non-reclaimable. Each train receives similar preliminary and primary treatment, passing through mechanical bar screens, grit removal chambers, and primary basins; however, secondary treatment for the two trains differs. Reclaimable flow utilizes trickling filters/solids contact basins whereas non-reclaimable flow passes through a pure-oxygen activated sludge process. Non-reclaimable flow is discharged directly to the ocean via the outfall pumping system and reclaimable flow is pumped to Plant No. 1 where it is combined with the secondary effluent flows from Plant No. 1 for tertiary treatment at the OCWD facility.

Solids treatment at Plant No. 2 includes dissolved air flotation thickening, anaerobic digestion, and centrifuge dewatering resulting in the production of Class-B biosolids. Digester gas produced at Plant No. 2 is collected, cleaned, compressed, and distributed to the Plant No. 2 Central Power Generation Facility as a renewable fuel for energy generation. Plant No. 2 also has facilities for odor control and chemical addition.

The ocean outfall system includes three discharge structures: Outfall No. 1, Outfall No. 2, and the Santa Ana River Emergency Overflow Weirs. Outfall No. 2 serves as the primary ocean outfall, discharging treated wastewater approximately five miles offshore at a depth of approximately 200 feet. It began service in 1971, recently completed a detailed internal and external condition assessment, and will be rehabilitated in a future project. A similar effort for Outfall No. 1 will be performed in conjunction with the Outfall No. 2 rehabilitation project to ensure maximum resiliency of these systems.

Set forth in Table 4 below are the treatment plants’ approximate treatment capacities.

Table 4
Wastewater System Treatment Capacities
(mgd)
As of June 30, 2023

	<u>2022-23</u> <u>Actual Flows</u>	<u>Primary</u> <u>Treatment</u> <u>Capacity</u>	<u>Secondary</u> <u>Treatment</u> <u>Capacity</u>
Plant No. 1	122	208	182
Plant No. 2	<u>64</u>	<u>168</u>	<u>150</u>
Aggregate Treatment	<u>186</u>	<u>376</u>	<u>332</u>

Source: Orange County Sanitation District.

The District also has the capability to divert a portion of the influent flow from Plant No. 1 to Plant No. 2 through interplant connections. A portion of the flow destined for Plant No. 2 can also be diverted to Plant No. 1 instead. Another interplant facility allows gas generated during solids treatment described above to be transported between Plant No. 1 and Plant No. 2 and allows digester gas (which is used as fuel for many of the facilities’ engines) from one plant to be used at the other to balance the supply and demand, which results in more efficient gas utilization compared to use isolated by plant.

Permits, Licenses and Other Regulations

The District is subject to laws, rules and permits issued by federal, state, regional and local regulatory bodies. The Wastewater System is subject to regulations imposed by the 1972 Clean Water Act, as amended (the “Clean Water Act”), the California Environmental Quality Act of 1970, as amended (“CEQA”) and the Federal Clean Air Act. Regulatory requirements to conform with these laws are primarily administered by the United States Environmental Protection Agency (the “EPA”), the California Air Resources Board, the Santa Ana Regional Water Quality Control Board (“RWQCB”), and the South Coast Air Quality Management District (“AQMD”). These agencies regulate the standards of quality of water or air that can be discharged or emitted from the treatment plants and their processes. The Clean Water Act directs the EPA to monitor and regulate the discharge of pollutants into the waters of the United States, including a requirement that all wastewater treatment plants provide primary and secondary treatment. In 1977 Congress amended the Clean Water Act to allow modification (so-called “waivers”) of secondary treatment standards for certain ocean dischargers, if they could demonstrate to the satisfaction of the EPA that no adverse environmental impacts would occur. The District currently has all applicable permits and licenses necessary to operate its facilities.

Since the passage of the Clean Water Act the District has discharged treated wastewater into the Pacific Ocean under a permit issued by the EPA and the RWQCB. The discharge permit included a modification under the Section 301(h) provisions of the Clean Water Act, allowing for less than full secondary treatment based on an ocean discharge of sufficient depth, distance, and dilution. The permit was initially issued in 1985 and was the first modified Section 301(h) permit issued to a major wastewater treatment facility. The permit was re-issued on May 6, 1998 and expired on June 8, 2003.

On July 17, 2002, the Board of Directors adopted Resolution No. OCSD 02-14, “Establishing the Policy for Level of Treatment of Wastewater Discharged into the Ocean.” This resolution established the District’s policy to treat all wastewater discharges into the ocean to secondary treatment standards, thereby providing for continued public safety, marine ecosystem protection, and water reclamation opportunities. To implement this policy, the District’s staff was directed to immediately proceed with the planning, design and implementation of treatment methods that will allow the District to meet Clean Water Act secondary treatment standards with the expressed purposes of eliminating the need for the permit modification received under Section 301(h). The District completed these improvements ahead of schedule in December 2012 at a total capital improvement cost of \$537.8 million.

Following the determination by the Board of Directors in July 2002 to implement full secondary treatment standards, the District withdrew the waiver that applied at that time and prepared a National Pollutant Discharge Elimination System (“NPDES”) Permit Application to meet secondary treatment standards. The District submitted its application to the EPA and the RWQCB in December 2002. The NPDES permit was approved by the EPA and became effective on October 31, 2004, with the EPA requiring that the District meet secondary treatment levels in accordance with a time schedule order.

The District renewed its permit in 2009 and 2012 and met the time schedule order in 2012. The 2012 NPDES permit went into effect on July 20, 2012 and was replaced on August 1, 2021. The active permit will remain in effect through July 31, 2026.

The District is also subject to the requirements of the Federal Clean Air Act, which mandates attainment with national ambient air quality standards for criteria pollutants (ozone, particulate matter, carbon monoxide, lead, nitrogen dioxide, and sulfur dioxide). Air pollutants cause adverse effects on human health and environment. The AQMD is the local air pollution control agency charged with implementing the Federal Clean Air Act. In addition to mandated criteria pollutants, the AQMD also implements numerous federal and State requirements related to toxic air pollutants which can cause cancer or other

severe localized health effects. For example, the State’s Air Toxic Hot Spots Act (Assembly Bill 2588) requires facilities to conduct health risk assessments and notify the neighboring communities if the health risk exceeds the regulatory thresholds established by the local air pollution control district.

Pursuant to AQMD’s requirements, the District must obtain permits before capital improvement projects can be constructed and operated. Such permits are project-specific and may contain conditions that govern design criteria, operating parameters, and emissions standards. In accordance with 40 C.F.R. § 63, Subpart VVV, the District’s treatment facilities are enclosed to capture and treat emissions to ensure regulatory emissions standards are met and to minimize odor impact to the neighboring communities. The District’s treatment plants are also subject to the stringent requirements of Title V of the Federal Clean Air Act amendments. The Title V permit is a federally enforceable permit that consolidates all the air permits issued to a major source facility. The permit contains all applicable local, state, and federal requirements, including periodic self-certification of compliance and mandatory self-reporting of permit deviations.

All Title V permit-related reporting and documents submitted to the AQMD must be signed by the highest responsible official – in this case, the General Manager. The Title V program also demands facilities to organize and execute extensive training of the staff involved, including the field operation and maintenance staff. An important feature of the Title V program is the possibility of active public participation and intervention through the ability to speak at public hearings. The District received the initial Title V permits for the treatment plants in January 2009. Title V permits are issued for a five-year period. Title V permits for both plants were renewed/re-issued in April 2014, and again in September 2020 (Plant No. 1) and October 2020 (Plant No. 2).

District Planning

The Board of Directors has adopted a comprehensive strategic plan regarding the District’s service levels and operational needs (the “Strategic Plan”). The Strategic Plan is updated biennially and is the first step of a two-year, four step management process that creates and maintains vision alignment between the Board of Directors, staff and the public that the District serves. See “THE DISTRICT — Strategic Planning.” In December 2017, the Board of Directors adopted a Facilities Master Plan (the “Master Plan”) for the District. The Master Plan also incorporates and implements the levels of services defined by the Board of Directors that are included in the Strategic Plan.

Capital Improvement Program

The Master Plan identified a phased 20-year program of capital improvement projects (“CIP”) that will allow the District to maintain reliability and accommodate future growth, as well as meet future regulatory requirements, level of service goals, and strategic initiatives. With this phased 20-year program as a starting point, the Asset Management Program within the Planning Division continues assessing the condition of the District’s existing assets and systems to ensure that they can provide the necessary level of service. The District expects to accomplish the following under the CIP over the next 20 years:

- Major rehabilitation or replacement of facilities and components used in all stages of the treatment process - preliminary, primary, secondary, and solids treatment, outfall pumping and discharge system, and central generation at both treatment plants;
- Implementation of the recommendations of the Biosolids Master Plan to address seismic risks, to produce higher quality biosolids and accept food waste;
- Relocation of the District headquarters complex;

- Upgrade of the Supervisory Control and Data Acquisition (“SCADA”) system and network at Plant No. 2, replacement of the process control systems, uninterruptible power supply (“UPS”) system, and electrical power distribution system at both treatment plants;
- Implementation of the recommendations of the Climate Resiliency Study and Seismic Evaluation Study to withstand or adapt to adverse conditions such as heavy rains, flooding, sea level rise, earthquakes, tsunamis, extreme heat, wildfires and electrical grid interruptions;
- Replacement or rehabilitation of plant-wide infrastructures, such as buried process piping, tunnels and junction structures;
- Replacement or rehabilitation of District’s outlying pumping stations, including the abandonment and/or demolition of two pump stations;
- Rehabilitation of aging trunk sewers and manholes;
- Reduction of fence line odor to levels that minimize odor complaints; and
- Safety improvements at both treatment plants.

The CIP is reviewed, validated and updated annually to ensure that the project scopes of work and cost estimates are up-to-date. Through the budget validation process, each project’s schedule, staff resources, total project costs, cash flow and risks are assessed to confirm the budgetary requirements. The most recent CIP validation effort (the “2023 CIP Validation Study”) resulted in revisions to the CIP. As of June 30, 2023, the CIP included 147 active projects, five programs, such as the Planning Studies Program and Small Construction Program, and budget for capital equipment purchases with a total CIP budget authority of over \$3.2 billion. That budget authority excludes future rehabilitation and replacement and CIP savings and deferrals. Set forth in Table 5 below is a summary of total CIP outlays (including future rehabilitation and replacement and net of savings and deferrals) over the Fiscal Years 2023-24 through 2032-33. Of this ten-year, \$3.1 billion portion of the CIP program, \$288.6 million of CIP outlays are budgeted in Fiscal Year 2023-24. Also budgeted in a separate contra line item are anticipated offsetting CIP savings and deferrals of \$16.7 million, thereby reducing the net budgeted outlays to \$272 million for Fiscal Year 2023-24.

Table 5
Net Capital Improvement Program Outlays
Fiscal Years 2023-24 through 2032-33

<u>Project</u>	<u>Cost</u>
Rehabilitation and Replacement	\$2,685,311,000
Additional Capacity	\$138,777,000
Regulatory	\$38,384,000
Strategic Initiatives	\$320,112,000
Future Rehabilitation and Replacement	\$266,116,000
CIP Savings and Deferrals	<u>(\$380,260,000)</u>
Total Validated Capital Improvement Program	<u>\$3,068,440,000</u>

Source: 2023 CIP Validation Study, Orange County Sanitation District.

Groundwater Replenishment System

The District has taken a multi-jurisdictional approach to planning for capital facilities because many of the methods for reducing or managing flows involve other jurisdictions. One such project is the Groundwater Replenishment System (the “GWRS”). In March 2001, the District entered into an agreement with the OCWD to design and construct the GWRS. The capital cost of this Phase was shared equally (50% shares) by each agency. The GWRS is a joint effort by the two agencies to provide reclaimed water for replenishment of the Orange County Groundwater Basin and to augment the seawater intrusion barrier. The GWRS became operational in January of 2008 producing 70 mgd of highly purified water. The Initial Expansion of the GWRS broke ground in January 2012 to add approximately 30 mgd of production capacity and was completed in June 2015, resulting in purifying 100% of the treated wastewater from the District’s Fountain Valley-based Plant No. 1. The Initial Expansion of the GWRS was funded solely by the OCWD. In 2016, the District and the OCWD completed a \$2 million joint study to explore the Final Expansion of the GWRS which would increase GWRS capacity by an additional 30 mgd. The study identified an implementation plan to convey secondary effluent from the District’s Plant No. 2 in Huntington Beach using new and existing infrastructure to support the GWRS Final Expansion. The GWRS Final Expansion was funded solely by the OCWD and Final Expansion of the GWRS was completed in 2023.

Biosolids Management

Through the treatment of wastewater, the District recovers and treats nutrient-rich, organic matter (solids) to produce biosolids. Consistent with the regulations of the EPA and the regulations in place at the end-use sites, the District’s biosolids are recycled through composting, fertilizing non-food farm fields (land application), and drying and pyrolyzing (to produce fertilizing pellets and biochar). The District’s goal is to ensure our biosolids management strategies align with existing market conditions and continue a sustainable, reliable and economical biosolids management program that provides environmentally-sound practices and meets federal, State and local regulatory requirements.

The District’s biosolids averaged about 524 tons per day (“tpd”) in Fiscal Year 2022-23, with a total expenditure of 100% of the \$13.7 million budgeted, at an annual average cost per ton of \$71.22 for hauling and management at offsite locations, as described in the following table below. The District’s biosolids tonnage dropped in 2019 after the new solids centrifuge facilities were fully commissioned, which significantly reduced biosolids hauling and management costs. In addition, in September 2021 the Irvine Ranch Water District’s solids discharge to the District has effectively ceased after the commissioning of their solids processing facilities.

[Remainder of page intentionally left blank.]

Biosolids Management Contracts

<u>Contractor</u>	<u>Location(s)</u>	<u>Product</u>	<u>Contract Term</u>	<u>Current tons per day managed (approximate)</u>	<u>Estimated cost per ton with fuel (July 2023)</u>
Synagro Nursery Products	San Bernardino County	Compost	Expires 12/26/24; two (2) one-year renewal options remaining	11 tpd	\$72.81
Synagro Liberty Composting	Kern County, CA	Compost	Expires 12/15/24; two (2) one-year renewal options remaining	174 tpd	\$81.04
Inland Empire Regional Composting Facility (hailed by Denali Water Solutions)	Rancho Cucamonga, CA	Compost	Expires 6/30/24; two (2) one-year renewal options remaining	26 tpd	\$61.00
Tule Ranch, AgTech	Yuma County, AZ	Feed, seed and fiber crops	Expires 10/31/27 with five (5) one-year renewal options remaining	208 tpd	\$64.00
Synagro South Kern Compost Manufacturing Facility	Kern County, CA	Compost	Expires 12/26/24 with two (2) one-year renewal options remaining	71 tpd	\$79.13
Synagro Arizona Soils	La Paz County, AZ	Compost	Expires 12/26/24; two (2) one-year renewal options remaining	14 tpd	\$86.03
Rialto Bioenergy Facility	San Bernardino County, CA	Pellets, biochar	Expires 8/31/24; two (2) one-year renewal options remaining	20 tpd	\$94.00

The District's contractors provide sufficient biosolids management capacity under the District's normal operating conditions and during emergencies, if needed in California and Arizona that includes compost, land application, lime stabilization and landfill. Together, these options have the additional available capacity to manage more than ten times the District's daily biosolids production to ensure sustainable, consistent and reliable operations. The District's biosolids management contracts do not guarantee biosolids tonnage and are typically interim-term contracts with five (5) one-year renewal options, for a maximum contract term of 10 years.

In May 2017, the District completed its Biosolids Master Plan that included an evaluation of existing solids handling facilities, assessment of solids treatment alternatives, recommendations for future capital facilities' improvements, identification of alternatives biosolids products that meet sustainable and beneficial reuse markets and plans for a high-strength organic (food waste slurry) co-digestion facility. The

Biosolids Master Plan will serve as the District's solids roadmap through construction of new Plant No. 2 solids handling facilities over a 20-year planning period (until 2037).

Urban Runoff

Recognizing that County beaches were being affected by pollution carried by urban runoff, the Board of Directors adopted a number of resolutions to accept dry weather urban runoff into the sewer system. In June 2002, Assembly Bill 1892 amended the District's charter to formally allow the diversion and management of dry weather urban runoff flows. Resolution No. 01-07, adopted March 28, 2001, declared that the District will initially waive fees and charges associated with authorized discharges of dry weather urban runoff to the sewer system until the total volume of all runoff discharges exceeds 4 mgd calculated on a monthly average. For the first 12 years of the Urban Runoff Program, the average monthly flow averages remained less than the 4 mgd threshold, thus avoiding user fee costs being assessed to the diversion permittees. In 2012, the District received a number of diversion proposals to deal with bacteria and selenium loading to the upper Newport Bay. The discharge from the additional proposed diversions combined with the existing diversion flows would eventually exceed the four mgd fee threshold. On June 12, 2013, the Board of Directors adopted Resolution No. 13-09 expanding the waiver of fees or charges on the treatment of dry weather urban runoff from 4 mgd to 10 mgd. According to the Board of Directors, the change was necessary not only to protect the County's coastal resources, but also to provide an economic benefit to the local economy by helping to keep the County's beaches open.

The Dry Weather Urban Runoff Program is administered by the District's Resource Protection Division, which issues a discharge permit for each of the diversion structures. The permit functions as a control mechanism that specifically prohibits wet weather runoff and authorizes discharge only during periods of dry weather. The permit also establishes specific discharge limits, constituent monitoring and flow metering requirements. The District conducts routine sampling and analysis of the urban runoff discharges to ensure discharge limit compliance with the various regulated constituents.

There are currently 20 active urban runoff diversion structures; three owned and operated by the County of Orange, 11 owned and operated by the City of Huntington Beach, three owned and operated by the City of Newport Beach, three owned and operated by the IRWD, and one owned and operated by PH Finance (present owner of the Pelican Point Resort). To control bacteria loading to the Lower Newport Bay, the City of Newport Beach is currently in the permit application phase of two new diversions in an area known as the Arches Diversion. Additionally, the City of Santa Ana constructed the Santa Ana-Delhi Channel Diversion, on behalf of the parties in the Santa Ana-Delhi Channel Diversion Project Agreement. Built to control bacteria and selenium loading to the Upper Newport Bay, the Santa Ana-Delhi Channel Diversion is projected to contribute an additional 2 mgd of urban runoff. The Santa Ana-Delhi dry weather urban runoff diversion became operational in May 2023 and began discharging under a special purpose discharge permit issued by the District.

Integrated Emergency Response Program

In recognition of the potential damage which could occur in the event of a major earthquake, flood, or other disaster, the District implemented an Integrated Emergency Response Program (the "IERP") in 1979. The IERP contains policies, plans and procedures preparing for, and responding to, emergencies. The District also analyzed disaster preparedness issues and policies within the Master Plan, and within a 1994 report titled Fault Rupture Hazard Investigation – Wastewater Treatment Plant No. 2 (the "1994 Report").

In 2020, the District updated the IERP to align with standards set by the Federal Emergency Management Agency's National Incident Management System (NIMS). The IERP is organized into Functional and Situational Annexes which guide the District's response to man-made and natural disasters.

Functional Annexes align with the Federal Emergency Management Agency Emergency Support Functions (ESFs). Functional Annexes include logistics, communications, operations, maintenance, engineering, emergency management, cybersecurity, recovery, environmental, health and medical services, hazardous materials response, security, and public affairs. These are discipline-specific groups that develop Functional Annexes to describe goals, objectives, operational concepts, capabilities, organizational structures and replaced policies and procedures. Situational Annexes are developed for each of the hazard responses that are likely or could possibly occur at the District. Situational Annexes include earthquake, power outage, pandemic event, fire, tsunami, atmospheric hazard, hazardous materials spill or release, man-made physical disruption, man-made technological disruption, flood, landslide, coastal erosion, extreme weather, severe storm, high winds, severe thunderstorm, and drought. These Annexes stipulate certain actions to be taken by individuals at the time of the incident.

The disaster preparedness plan included in the Master Plan reviewed two possible major earthquake scenarios: an 8.3 Richter magnitude (“M”) earthquake on the southern San Andreas fault system and an M 7.0 earthquake on the Newport-Inglewood fault zone, which includes Plant No. 2. An M 8.3 earthquake on the southern San Andreas fault, while on the whole more destructive than the M 7.0 Newport-Inglewood fault, may result in less damage to the District’s service area due to the distance of the fault from most of the service area. However, the Master Plan stated that damage from such a major earthquake on the San Andreas fault would be extensive. Also, the Master Plan indicated that an M 7.0 earthquake on the Newport-Inglewood fault within five miles of the District’s sewerage facilities could cause major destruction to those facilities. The disaster preparedness plan in the Master Plan indicated that it would not be economically feasible to upgrade all of the existing sanitary sewerage facilities to survive an earthquake of this magnitude along the Newport-Inglewood fault.

The Master Plan analyzed the vulnerability of the sanitary sewerage facilities and operations of the District and planned a risk reduction program wherein the vulnerability of many of the District’s sanitary sewerage facilities to an earthquake could be reduced by recommended retrofit construction measures. The Master Plan also recommended that designs of existing major structures which were constructed prior to development of current seismic design standards be reviewed and the structures strengthened, if necessary.

Since the Master Plan and the 1994 Report, the District has completed retrofitting where deemed appropriate. Pursuant to the Master Plan, all recent and future projects have been, and will be, designed to the same high earthquake code standards as set for other essential services, such as hospitals and fire stations. Many of the older buildings analyzed in the Master Plan have been replaced by structures built after 1989.

The Army Corps of Engineers’ “All-River Plan” has mitigated any future flooding of the Santa Ana River system and potential threats to the District’s Wastewater System. Also, both Plant No. 1 and Plant No. 2 are built to federal standards.

The IERP addresses vulnerabilities from natural and man-made hazards including but not limited to floods, high flow events, tsunamis (large ocean waves generated by seismic activity), earthquakes, and hazardous material releases. No assurance can be given that any such events would not have a material adverse impact on the Wastewater System.

The District’s High Flow Emergency Response Plan is included as an Annex in the IERP. This plan is based on a color code system from blue to yellow to orange to red and then purple that identifies specific actions to be taken by staff in response to expected and actual increasing flow coming into the District’s treatment plants and collection sewers. The District believes that wastewater collection, treatment and disposal systems typically undertaken in anticipation of normal wet weather should be able to withstand, for example, an “expected/average” El Nino event without significant disruption. While no

assurances can be given, the District believes that the likelihood of a system failure is low due to the operational readiness of all of its equipment and the District's high level of equipment redundancy.

The Strategic Plan and IERP makes recommendations regarding fire protection of the Wastewater System. Most of the structures at Plant No. 1 and Plant No. 2 are constructed of fire-resistant materials. The IERP describes the procedures needed to respond to a possible disaster. For more information regarding emergency response policies, the disaster preparedness plan described in the IERP can be reviewed at the District's offices.

Strategic Planning

The District maintains a Strategic Plan, which was most recently updated in November 2023, to address future service levels and operational needs. The Strategic Plan envisions an organizational culture that adheres to the District's Core Values and makes efficient and effective use of all available resources. The District is committed to focusing efforts on customer service, protecting public health and the environment, fiscal responsibility, communications, partnering with others, and creating the best possible workforce.

The Strategic Plan is broken down into four categories with 15 policy areas that define District responsibilities and services.

These areas are:

- **Business Principles**
 - Budget Control and Fiscal Discipline – have practices and safeguards in place to ensure the District's long-term fiscal stability
 - Asset Management – assess and manage the collection system and treatment plant systems and assets to improve resilience and reliability while lowering lifecycle costs
 - Cybersecurity – maintain adequate cybersecurity techniques that protect computer assets, networks, programs, data, and industrial control equipment from unauthorized access, denial of service, or attacks
 - Property Management – identify and protect all District property rights to assure that assets are not encumbered or encroached upon so that the facilities may be properly operated, maintained, upgraded, and replaced
 - Organizational Advocacy and Outreach – maintain stakeholders informed to garner support for services while protecting the District's interest with legislative oversight
- **Environmental Stewardship**
 - Energy Independence – strive to be energy neutral; maximize electrical, thermal, and methane gas generation; minimize energy utilization using sound engineering and financial principles
 - Climate and Catastrophic Event Resiliency – design, maintain and operate valuable wastewater assets that withstand or adapt to adverse conditions in a reasonable manner that is both cost-effective and sustainable for present and future generations

- Food Waste Treatment – collaborate with local agencies and waste haulers to find ways to beneficially reuse food waste to assist cities in our service area in meeting their diversion requirements while increasing the District’s energy production
- Water Reuse – seek to beneficially reuse all reclaimable water for potable, industrial, irrigation and environmental uses
- Environmental Water Quality, Stormwater Management and Urban Runoff – partner with stormwater permittees to accept up to 10 million gallons per day of dry weather urban runoff at no charge to improve water quality in streams, rivers and beaches as long as the constituents within the flow do not adversely impact the District’s worker safety, treatment processes, reuse initiatives, or permit compliance
- Wastewater Management
 - Chemical Sustainability – identify chemicals key to District operation, investigate the market risks for those chemicals and devise strategies to mitigate identified risks to availability and pricing
 - Biosolids Management – remain committed to a sustainable biosolids program and beneficially reuse biosolids
 - Constituents of Emerging Concern – partner with other agencies, associations, and institutions to support the use of sound science to inform policy and regulatory decisions on constituents or contaminants of emerging concern at the federal, state, and regional levels
- Workplace Environment
 - Resilient Staffing – attract, develop and retain high-quality talent to support its mission of protecting public health and the environment
 - Safety and Physical Security – ensure the safety, health and security of employees, contractors and the public through industry best practices, policies, and procedures that support a safe and secure environment, provide an appropriate level of security and safeguard the District’s property and physical assets

Climate Issues

Numerous scientific studies on climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures, will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Coastal and low-lying areas like portions of the District’s service area and facility locations are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. Certain portions of these coastal areas are also at elevated risk to damage from tsunamis.

The District commissioned a study titled Climate Resiliency Study, which was completed in November 2019, that provides a comprehensive analysis of climate-related, site-specific risk assessments of the District’s facilities using available climate predictions, industry standards, and geographical information systems. A purpose of the study was to help improve the resiliency of District facilities and incorporate adaptation strategies in the design and construction of future projects.

District policy aims to design, maintain, and operate wastewater assets that withstand or adapt to adverse conditions in a reasonable manner that is both cost-effective and sustainable for present and future generations. These adverse conditions include heavy rains, flooding, sea level rise, earthquakes, tsunamis, extreme heat and wildfires.

The vulnerability assessment identified Plant No. 2 and a few pump stations located along the coast and flood channels to be vulnerable to tsunami and flooding due to sea-level rise. At Plant No. 2, the recommendation is to install a flood wall along Brookhurst Street and the Talbert Marsh to protect the plant against a 100-year flood (with sea-level rise projected to 2070) as well as a tsunami up to 10 feet. As for the pump stations, the recommendation is to employ building-level adaptations such as stop logs over doors and watertight hatches to protect vulnerable equipment inside the pump stations. These recommended improvements are underway, with implementation planned in phases over time. The budget for the implementation of these recommendations have been incorporated into the District's 20-year CIP.

While the District's efforts aim to improve the resiliency of its facilities, natural disasters and other natural forces are not entirely predictable and may, nonetheless, result in material damage to District facilities with material costs to repair.

Climate change and natural forces may damage other property in the District's service area or impose new or larger economic costs, leading to negative impacts on the local economy. As a result, the District may experience negative impacts on service revenues and ad valorem tax revenues or increased District costs that could have a material adverse effect on the business operations or financial condition of the District.

Additionally, climate change and other environmental concerns have led, and may continue to lead, to new laws and regulations at the federal and state levels (including but not limited to air, water, hazardous substances and waste regulations) that could have a material adverse effect on the operations and financial condition of the District.

DISTRICT REVENUES

Sewer Service Charges

General. The District has the power to establish fees and charges for services of the Wastewater System. Such fees and charges are established by the District's Board of Directors and are not subject to review or approval by any other agencies. In Fiscal Year 1997-98, a Rate Advisory Committee (the "RAC") was established comprised of representatives from industrial, commercial and residential users. The goal of the RAC was to examine the then-current rate structure and, if needed, develop recommendations for change. The RAC analyzed the District's rate structure to determine whether its then current sewer service user fees (now known as "Sewer Service Charges") were equitable among residential and industrial customers. This review resulted in a proposal to expand the number of non-residential user categories from one to 23 and to provide for gradual rate increases in seven of the nine Revenue Areas. The Sewer Service Charges for those categories were based on the average flow and strength of wastewater discharged for each property type and remain currently in use.

The Board of Directors establishes the annual sanitary sewer service charges by ordinance. The sanitary sewer service charge ordinances are adopted by a two-thirds vote of the Board of Directors as required under law after conducting a noticed public hearing in compliance with Proposition 218. See "LIMITATIONS ON TAXES AND REVENUES – Article XIIC and Article XIID of the California Constitution."

The District collects Sewer Service Charges from property owners through the semi-annual property tax bill distributed by the County throughout the District, except in Revenue Area No. 14. Pursuant to the IRWD Agreement, the District receives quarterly fee payments from the IRWD which directly collects fees from customers through a monthly billing procedure in Revenue Area No. 14.

The District currently participates in the County's Teeter Plan under which the District receives annually 100% of the secured property tax levies to which it otherwise is entitled, regardless of whether the County has actually collected the levies.

The District has covenanted in the Master Agreement to fix, prescribe and collect fees and charges to satisfy certain coverage requirements as further described under "SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS – Rate Covenant" herein.

Residential and Commercial Sewer Service Charges. In December 2017, the Board of Directors authorized a Proposition 218 notice on proposed rate increases for each year over the next five years. Pursuant to the adoption of Ordinance No. OCSD-49 on March 28, 2018, the District established residential Sewer Service Charges, except within Revenue Area No. 14, based on the cost of services and facilities provided to each customer of the District. The noticed public hearing held in connection with the adoption of this ordinance considered an increase in the single-family residential rate, the underlying rate for all of the District's sewer service charges, of 1.2% for Fiscal Year 2018-19 through Fiscal Year 2022-23. These increases were approved by the Board through the adoption of Ordinance No. OCSD-49. The District deferred the 1.2% rate increase for Fiscal Year 2020-21 as a coronavirus disease ("COVID-19") relief measure but implemented the 1.2% increase scheduled for fiscal year 2021-22 and the 1.2% increase scheduled in fiscal year 2022-23 as approved.

In December 2022, the District issued a final report related to a rate study of the wastewater rates, fees and charges. The study includes development of cost based regional wastewater service rates, capital facility capacity charge, supplemental capital facility charge, and ancillary charges provided to District customers over a 5-year period beginning July 1, 2023. The rate study recommends an overall level increase of 3.5% annually over that 5-year period.

In December 2022, the Board of Directors authorized a Proposition 218 notice on proposed rate increases for each year over the next five years. Pursuant to the adoption of Ordinance No. OC SAN-58 on March 22, 2023, the District established Sewer Service Charges, except within Revenue Area No. 14, based on the cost of services and facilities provided to each customer of the District. The noticed public hearing held in connection with the adoption of this ordinance considered an increase in the single-family residential rate, the underlying rate for all of the District's sewer service charges, of 3.5% annually for Fiscal Year 2023-24 through Fiscal Year 2027-28. The increase for each such fiscal year were approved by the Board through the adoption of Ordinance No. OC SAN-58 and do not require further Board action. Future rates are subject to change.

Set forth in Table 6 below is a comparison of the past and current Sewer Service Charge rate for single family residences (“SFRs”) for the fiscal years shown.

Table 6
Annual Sewer Service Charges
Single Family Residence Rate
Fiscal Years 2014-15 through 2023-24

<u>Fiscal</u> <u>Year</u>	<u>Sewer Service</u> <u>Charge</u>	<u>Percentage</u> <u>Change</u>
2014-15	\$316	-
2015-16	322	1.9
2016-17	327	1.6
2017-18	331	1.2
2018-19	335	1.2
2019-20	339	1.2
2020-21	339	0
2021-22	343	1.2
2022-23	347	1.2
2023-24	358	3.5

Source: Orange County Sanitation District.

Set forth in Table 7 below are the total average annual Sewer Service Charges for SFRs within the District, together with comparable total average annual charges for wastewater service within the jurisdictions of certain other cities and districts within the State as of July 1, 2023.

[Remainder of page intentionally left blank.]

Table 7
Comparison of Total Sewer Service Charges
For Single-Family Residences
As of July 1, 2023

<u>Entity</u>	<u>Average Dry Weather Flow (mgd)⁽¹⁾</u>	<u>Annual Sewer Service Charge⁽¹⁾</u>	<u>Treatment Level⁽²⁾⁽³⁾</u>	<u>Collection Responsibility⁽³⁾</u>	<u>Property Tax Income⁽³⁾</u>
City of Los Angeles	327	636.29	4	Yes	No
City of San Diego	168	714.06	4	Yes	No
Sacramento County	109	444.00	4	No	Yes
East Bay MUD	61	460.00	4	No	Yes
Orange County Sanitation District ⁽⁴⁾	182	358.00	3	Yes	Yes
Los Angeles County	N/A	217.04	4	No	Yes

(1) Source: Information obtained from respective entities listed.

(2) Treatment Level Categories:

“1” – Primary treatment.

“2” – Advanced primary or primary with some secondary treatment.

“3” – Secondary treatment.

“4” – Advanced secondary or secondary with some tertiary treatment.

“5” – Tertiary treatment.

(3) Source: Wastewater User Charge Survey Report by the California State Water Resources Control Board.

(4) The District’s Annual Sewer Service Charge for Fiscal Year 2023-24 is \$358.

The District’s SFR rate of \$358 for Fiscal Year 2023-24 remains below the average annual sewer rate of about \$569 according to the National Association of Clean Water Agencies 2022 Cost of Clean Water Index. The average annual sewer rate for Region 9 which includes California, Nevada and Arizona is \$517.

Industrial Sewer Service Charges. The District charges industrial Sewer Service Charges to customers discharging high-strength or high-volume wastes into the sewer systems. Customers subject to industrial Sewer Service Charges are billed directly by the District. The fee charged to each customer is based on the customer’s sewage volume, the concentration of suspended solids and biochemical oxygen demand. Total industrial Sewer Service Charges in Fiscal Year 2022-23 were approximately \$14.8 million. Industrial Sewer Service Charges are applied to both operating and capital funds. The Sewer Service Charge increases described above are necessary to meet the District’s cash flow needs arising from the addition of disinfection treatment and other operating requirements.

Additional Revenues

The District has several sources of additional revenue, including property taxes, Capital Facilities Capacity Charges, capacity rights, permit and inspection fees and interest earnings.

Property Taxes. The District receives approximately 2.5% of the one percent County ad valorem property tax levy, based on the allocation procedure under State law. Property tax revenues were \$99.5 million in Fiscal Year 2018-19, \$104.5 million in Fiscal Year 2019-20, \$110.2 million in Fiscal Year 2020-21, \$118.8 million in Fiscal Year 2021-22 and \$125.5 million in Fiscal Year 2022-23. The District currently estimates that its property tax receipts will increase by approximately 2.0% for Fiscal Years 2023-24 and 2024-25 and 3.0% each year through Fiscal Year 2030-31. The apportionment of the ad valorem tax is

pursuant to the Revenue Program adopted in April 1979 to comply with regulations of the EPA, the State Water Resources Control Board and Board of Directors' policy.

Capital Facilities Capacity Charges. Capital Facilities Capacity Charges (commonly referred to as connection fees) are one-time fees with two components, paid at the time property is developed and connected to the Wastewater System. The fees are imposed by the District pursuant to Section 5471 of the California Health and Safety Code and are levied to pay a portion of the District's capital costs and for access to capacity in the Wastewater System. The District currently has Capital Facilities Capacity Charges of \$5,719 per residential unit (base rate for three-bedroom, with other unit sizes having a rate that is a percentage of the base rate depending on the size of the unit); however, under the current industrial use ordinance, additional Capital Facilities Capacity Charges can be imposed on industrial users who place larger than average demand on the Wastewater System and certain units are exempt based on state law (i.e., junior additional dwelling units). Member cities and sanitary districts collect Capital Facilities Capacity Charges for the District when building permits are issued. Capital Facilities Capacity Charges are reviewed annually to reflect the changes in the value of the Wastewater System to which a new customer is connecting.

On December 15, 1999, the Board of Directors approved District Ordinance No. OCSD 11 (the "1999 Ordinance") which established a comprehensive Capital Facilities Capacity Charge. The 1999 Ordinance, effective as of January 1, 2000, renamed connection fees as Capital Facilities Capacity Charges and provided a more equitable schedule of fees among industrial, commercial and residential users. Pursuant to the 1999 Ordinance, Capital Facilities Capacity Charges were revised for high demand industrial users in five incremental increases from 1999 through 2001. Capital Facilities Capacity Charge rates have been further amended by ordinances enacted over time. For a summary of historical and projected revenues derived from Capital Facilities Capacity Charges, see Table 14 and Table 15 below.

Pursuant to an agreement with the IRWD, the IRWD is not required to pay Capital Facilities Capacity Charges and, in exchange, the IRWD provides funding to the District for the construction costs of certain wastewater collection, transmission, treatment and disposal facilities to be used by the IRWD and is obligated to make certain payments to the District for certain services arising from the Wastewater System (including any standby or availability charges).

Sale of Capacity. The District has entered into agreements with the Santa Ana Watershed Project Authority ("SAWPA") whereby wastewater from Upper Santa Ana River Basin dischargers can be transported through the District's Santa Ana River Interceptor to the District's wastewater treatment facilities. This program was developed in the early 1970s. The agreements establish control mechanisms regarding the quality of wastes deposited into the Wastewater System. At the present time, SAWPA has purchased and paid for 30 mgd of maximum regulated flow capacity rights in the District's Santa Ana River Interceptor and 17 mgd of monthly average flow capacity in the District's wastewater treatment plants. Projected revenues from SAWPA range from \$2.9 million to \$3.3 million over the next five years. Additional treatment plant capacity can be purchased in increments at the District's current replacement cost.

Federal Subsidy Payments. In connection with the District's Revenue Obligations, Series 2010A (the "2010A Revenue Obligations") and the District's Revenue Obligations, Series 2010C (the "2010C Revenue Obligations"), issued as "Build America Bonds," the District was scheduled to receive certain federal subsidy payments of approximately \$5.1 million annually through 2031 and lesser amounts thereafter until 2044. Subsidy payments with respect to the 2010A Revenue Obligations and the 2010C Revenue Obligations constitute Revenues as defined in the Master Agreement. In its financial reports, the District accounts for subsidy payments received in connection with the 2010A Revenue Obligations and the 2010C Revenue Obligations as a reduction in interest expense with respect to such obligations.

For the 2010A Revenue Obligations and the 2010C Revenue Obligations to be and remain Build America Bonds, the District must comply with certain covenants and establish certain facts and expectations with respect to the 2010A Revenue Obligations and the 2010C Revenue Obligations, the use and investment of proceeds thereof and the use of property financed thereby. Thus, it is possible that the District may not receive the federal subsidy payments due to the District's noncompliance. The federal subsidy payments are also subject to offset against amounts that may, for unrelated reasons, be owed by the District to any agency of the United States of America.

On March 1, 2013, the federal government announced the implementation of certain automatic spending cuts known as the sequester (the "Sequester"). As a result of the Sequester, aggregate federal subsidy payments for the 2010A Revenue Obligations and the 2010C Revenue Obligations were reduced by amounts ranging from \$220,679 to \$373,955 in each federal fiscal year ended September 30, 2013 through 2022, with annualized reduction rates ranging from 5.7% to 8.7%. Currently, the federal subsidy payments for each federal fiscal year through the federal fiscal year ending September 30, 2031 will be reduced at a rate of 5.7% annually.

The District is obligated to make all payments with respect to the 2010A Revenue Obligations and the 2010C Revenue Obligations from Revenues as defined in the Master Agreement, regardless of whether it receives the full amount of federal subsidy payments. The District cannot predict whether future reductions in federal subsidy payments will occur due to the Sequester. However, the District does not believe that any reduction in federal subsidy payments will have a material adverse effect on the District's ability to pay the 2010A Revenue Obligations or the 2010C Revenue Obligations.

Wastewater Treatment History

The wastewater flows for Fiscal Year 2018-19 through Fiscal Year 2022-23 were 191 mgd, 188 mgd and 182 mgd, 179 mgd and 186 mgd, respectively. The highest flow rate experienced was in February 2024 where peak flow of 493 mgd was recorded. There were no sewer failures or overflows during these events. See "THE DISTRICT – Integrated Emergency Response Program."

Customers

The historical number of customers served by the District for the Fiscal Years 2018-19 through Fiscal Year 2022-23 and the projected number of customers served by the District for the Fiscal Years 2023-24 through 2027-28, identified in equivalent dwelling units ("EDUs"), are set forth in Table 8 below. As discussed below, sewer service charges are based on the expected amount of wastewater flow for a single family dwelling.

[Remainder of page intentionally left blank.]

Table 8
Historical and Projected Equivalent Dwelling Units
Fiscal Years 2018-19 through 2027-28

<u>Fiscal Year</u>	<u>Historical EDUs⁽¹⁾</u>	<u>Fiscal Year</u>	<u>Projected EDUs</u>
2018-19	918,640	2023-24	933,378
2019-20	918,608	2024-25	936,178
2020-21	920,908	2025-26	938,987
2021-22	926,584	2026-27	941,804
2022-23	930,585	2027-28	944,629

Source: Orange County Sanitation District.

⁽¹⁾ Presentation in the Statistical Section of the District's Annual Comprehensive Financial Report set forth in Appendix A includes EDUs that equate to total Sewer Service Charge collections rather than levies.

Set forth in Table 9 below are the number of residential and commercial customers and industrial customers and the approximate percentages of Sewer Service Charge revenues derived from the combined residential and commercial use and industrial use for the last five fiscal years.

Table 9
Number of Accounts and Revenues by Customer Class
for the Fiscal Years 2018-19 through 2022-23
(\$ in Millions)

<u>Fiscal Year</u>	<u>Residential/Commercial</u>			<u>Industrial</u>		
	<u>Number of Equivalent Single- Family Dwellings</u>	<u>Total Revenue</u>	<u>Percentage of Sewer Service Charge Revenues</u>	<u>Number of Customer Accounts</u>	<u>Total Revenue</u>	<u>Percentage of Sewer Service Charge Revenues</u>
2018-19	871,312	\$291.9	97%	476	\$9.4	3%
2019-20	904,886	306.8	96	473	12.8	4
2020-21	908,219	307.9	96	467	12.3	4
2021-22	900,327	308.8	96	462	12.6	4
2022-23	893,270	310.0	95	446 ⁽¹⁾	14.8	5

⁽¹⁾ Accounts closed or not renewed due to COVID-19 or ownership changes contributed to the decrease in number of customer accounts.

Source: Orange County Sanitation District.

The EDUs set forth in Table 9 relate to total Sewer Service Charge collections while the EDUs set forth in Table 8 relate to total Sewer Service Charge Levies.

Set forth in Table 10 below are the ten largest principal sewer service customers of the District for the Fiscal Year ended June 30, 2023. The ten largest principal sewer service customers make up approximately 2.25% of sewer service charges collected for the Fiscal Year ended June 30, 2023.

Table 10
Largest Principal Sewer Service Customers of the District
for the Fiscal Year Ended June 30, 2023

<u>User</u>	<u>Sewer Service Charges</u>
House Foods America Corp. (West)	\$1,187,619
House Foods America Corp. (East)	1,072,974
Stremicks Heritage Foods, LLC	956,111
Nor-Cal Beverage Co. Inc. (Main)	938,554
Pulmuone Foods USA (Wildwood), Inc. (East)	816,325
Newport Fab, LLC (TowerJazz Semiconductor)	748,821
MCP Foods, Inc.	480,689
Ameripec, Inc.	472,212
Van Law Food Products, Inc	385,832
Beverage Visions, LLC (Yorba Linda)	371,779

Source: Orange County Sanitation District.

Assessed Valuation

The assessed valuation of property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Due to changes in assessment required under State Constitution Article XIII A, the County assessment roll no longer purports to be proportional to market value. See “LIMITATIONS ON TAXES AND REVENUES” herein. Generally, property can be reappraised upward to market value only upon a change in ownership or completion of new construction. The assessed value of property that has not incurred a change of ownership or new construction must be adjusted annually to reflect inflation at a rate not to exceed 2% per year based on the State consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, the assessed value must be reduced temporarily to reflect market value. For the definition of full cash value and more information on property tax limitations and adjustments, see “LIMITATIONS ON TAXES AND REVENUES” herein.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year. The value review may result in a reduction in value. Taxpayers in the County also may appeal the determination of the County Assessor with respect to the assessed value of their property.

[Remainder of page intentionally left blank.]

Set forth in Table 11 below is a five-year history of assessed valuations in the District for the fiscal years shown.

Table 11
Assessed Valuations of Property in the District
Fiscal Years 2018-19 through 2022-23
(\$ in Billions)

<u>Fiscal Year</u>	<u>Value</u>	<u>Percent Change</u>
2018-19	\$443.1	6.44%
2019-20	468.7	5.77
2020-21	494.2	5.45
2021-22	516.2	4.43
2022-23	547.9	6.15

Source: County of Orange Auditor-Controller.

Tax Levies and Delinquencies

Property taxes are based on assessed valuation which is determined as described under “DISTRICT REVENUES – Assessed Valuation” herein. In accordance with the California Revenue and Taxation Code, the County tax collector collects secured tax levies for each Fiscal Year. Property taxes on the secured roll are due in two installments, on November 1 and February 1. The District currently participates in the County’s Teeter Plan under which the District receives annually 100% of the secured property tax levies and Sewer Service Charges to which it otherwise is entitled, regardless of whether the County has actually collected the levies. This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under this plan, the District’s general fund receives the full amount of secured property taxes levied each year on its behalf and, for so long as such plan remains in effect, the participating entities, such as the District, no longer experience delinquent taxes. The County’s general fund is the designated recipient of future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

The County Board adopted its Teeter Plan in 1993. Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the Board of Supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the Board of Supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

The District is not aware of any petitions for the discontinuance of the Teeter Plan in the County or any proposal formally before the County Board to discontinue the Teeter Plan with respect to the District.

Set forth in Table 12 below is a five-year history of the District's *ad valorem* total property tax and Sewer Service Charge levies.

Table 12
Total Property Tax and Sewer Service Charge Levies
in the District for Fiscal Years 2018-19 through 2022-23
(In Thousands)

<u>Fiscal Year</u>	<u>Total Property Tax and Sewer Service Charge Levy</u>
2018-19	\$394,641
2019-20	401,604
2020-21	405,878
2021-22	418,400
2022-23	430,603

Source: County of Orange Auditor-Controller.

Budgetary Process

The District's operating fund budget relies on revenues from Sewer Service Charges and property taxes, both of which are collected on the property tax bill, as previously described under the captions "— Sewer Service Charges" and "— Additional Revenues." The District receives tax revenues from the County in eight allocations, with the largest receipts in December and April. The District operates on a Fiscal Year beginning each July 1. The operating fund budgets include funds to cover the dry period of each tax year, i.e., the period from the beginning of the Fiscal Year until the first taxes are received. The dry-period requirement is budgeted at one-half of the annual operating fund budgeted expenditures. The District uses the accrual method of accounting in its budgets. The District has conformed to its budgets for the last five fiscal years and is conforming to its budget for the current fiscal year.

The District's annual budget preparation process begins in January of each year and concludes in June upon its adoption. The General Manager reviews the final operating budgets and then distributes them to the Directors and District Committees for consideration. The Board of Directors then adopts the proposed annual budgets, with any revisions, in June of each year.

Budgetary control is exercised at the individual Department level and administrative policies provide guidelines on budget transfers and the authorization necessary to implement transfers. A budget adjustment is a transfer which does not change the total appropriated amount and does not require Board of Directors action. Approval may be granted by the General Manager or the Department Head in certain circumstances. Department Heads have the discretion to reapportion funds between certain line items within a division but may not exceed total appropriated amounts for each department. They may also transfer staff across divisional lines. The General Manager and Board of Directors must approve additional capital outlay items.

A budget amendment is an adjustment to the total appropriated amount which was not included in the original budget. These supplemental appropriations require formal action by the Board of Directors. Prior year reserves or fund balances may be appropriated to fund items not previously included in the adopted budget. Reserves or fund balances exceeding minimum amounts required by fiscal policies may be appropriated if it is determined to be in the best interest of the District. Directors may also appropriate reserves in case of emergencies or unusual circumstances.

Reserves

The District has an established reserve policy with seven distinct reserve criterion which together comprise the District's reserve fund target. Over a ten fiscal year period, these criterion requirements collectively result in a year-ending reserve total for each fiscal year projected not to fall below \$551 million as indicated in the District's ten-year cash flow forecast for fiscal years 2023-24 through 2032-33. Collectively, these individual criterion requirements average \$584 million a year over the current ten-year cash flow forecast to support the operation and maintenance of the District's \$12.6 billion in assets.

The District's reserves are not held in segregated accounts. They consist of the following components based on the described criteria:

- Cash Flow Criterion has been established at a level to fund operations, maintenance and certificate of participation expenses for the first half of the fiscal year, prior to the receipt of the first installment of the property tax allocation and sewer service user fees which are collected as a separate line item on the property tax bill. The level of this criterion will be established as the sum of an amount equal to six months operations and maintenance expenses and the total of the annual debt or certificate of participation service payments due in August each year.
- Operating Contingency Criterion has been established to provide for non-recurring expenditures that were not anticipated when the annual budget was considered and adopted. The level of this criterion will be established at an amount equal to ten percent of the current fiscal year's annual operating budget.
- Capital Improvement Criterion has been maintained to fund annual increments of the CIP. The target level of this criterion has been established at one half of the average annual cash outlay of the CIP through the year 2030. Levels higher and lower than the target can be expected while the long-term financing and capital improvement programs are being finalized.
- Catastrophic Loss, or Self-Insurance Criterion has been maintained for property damage including fire, flood, and earthquake, for general liability and workers' compensation. This reserve criterion is intended to work with purchased insurance policies, FEMA and State disaster reimbursements. Based on the plant infrastructure replacement value, the level of this criterion has been set to fund the District's non-reimbursed costs, estimated to be \$100 million.
- Capital Replacement/Refurbishment Criterion has been established to provide funding to replace or refurbish the current collection, treatment and recycling facilities at the end of their useful economic lives. The current replacement value of these facilities is estimated to be approximately \$12.6 billion. The reserve criterion level had been established at \$75 million.
- Debt Service Required Reserves Criterion has been established at ten percent of the outstanding certificate of participation issues. Other debt service reserves are required to be under the control of a Trustee by the provisions of the certificate of participation issues. These funds are not available for the general needs of the District and must be maintained at specified levels.
- Accumulated Funds exceeding the targets specified by District policy will be maintained for Capital Improvement and for rate stabilization purposes. These funds will be applied to future years' CIP needs due to the timing of the actual CIP outlays, in order to moderate annual fluctuations. There is currently no established target for this reserve.

Set forth in Table 13 below are the actual reserves at June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022 and June 30, 2023 for each fund.

Table 13
Cash and Investment Reserves
June 30, 2019 through 2023
(In Millions)

	2019 (June 30)	2020 (June 30)	2021 (June 30)	2022 (June 30)	2023 (June 30)
Cash Flow Requirements Reserve:					
Operating Expenses	\$ 81	\$ 84	\$ 87	\$ 92	\$ 101
Certificates of Participation Payments	80	77	24	24	19
Operating Contingencies Reserve	16	17	17	18	20
Capital Improvement Program Reserve ⁽¹⁾	365	488	564	584	610
Catastrophe and Self Insurance	57	57	100	100	100
Capital Replacement and Refurbishment	64	64	75	75	75
Debt Service Required Reserves ⁽²⁾	97	94	94	91	79
Rate Stabilization Reserve	-	-	-	-	-
Total	<u>\$760</u>	<u>\$881</u>	<u>\$961</u>	<u>\$984</u>	<u>\$1,004</u>

⁽¹⁾ “Capital Improvement Program Reserve” includes the target level amount set by the District’s reserve criterion plus excess reserves. As of June 30, 2023, the total amount of \$610 million was composed of \$154 million (target amount) and \$456 million (excess reserves).

⁽²⁾ “Debt Service Required Reserves” constitute all amounts designated for reserves within the District’s investment management program, together with certain funds held directly by bond trustees. As of June 30, 2023, of the total Debt Service Required Reserves of \$79 million, \$0 was held by bond trustees to meet specific covenants in the District’s bond documents.

Source: Orange County Sanitation District.

Summary of Operating Data

Set forth in Table 14 below is a summary of historical audited operating results for the District for Fiscal Years 2018-19 through Fiscal Year 2022-23. The information presented in the summary should be read in conjunction with the financial statements and notes. See APPENDIX A — “ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE ORANGE COUNTY SANITATION DISTRICT FOR THE YEAR ENDED JUNE 30, 2023.”

[Remainder of page intentionally left blank.]

Table 14
Summary of District Historical Revenues and Expenses
and Other Financial Information
For Fiscal Years 2018-19 through 2022-23
(\$ in Millions)

	<u>Audited</u>				
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Revenues:					
Residential & Commercial					
Sewer Service Charges ⁽¹⁾					
Regional	\$291.9	\$306.8	\$307.9	\$308.8	\$310.0
Local	-	-	-	-	-
Industrial Sewer Service Charges	9.4	12.8	12.6	12.6	14.8
IRWD Assessments	36.3	20.8	16.0	8.6	18.6
SAWPA Assessments	2.9	2.6	2.8	2.8	2.9
<i>Ad Valorem</i> Taxes	99.5	104.5	110.2	119.2	125.5
Interest Earnings ⁽²⁾	29.1	33.7	1.7	(35.3)	12.0
Other Revenues ⁽³⁾	<u>5.2</u>	<u>4.8</u>	<u>8.6</u>	<u>4.1</u>	<u>7.1</u>
Total Revenues	\$474.3	\$486.0	\$459.8	\$420.8	\$490.9
Operations and Maintenance	<u>\$166.6</u>	<u>\$168.3</u>	<u>\$168.0</u>	<u>\$156.1</u>	<u>\$207.2</u>
Expenses ⁽⁴⁾					
Net Revenues	<u>\$307.7</u>	<u>\$317.7</u>	<u>\$291.8</u>	<u>\$264.7</u>	<u>\$283.7</u>
Debt Service	<u>\$ 76.1</u>	<u>\$ 76.4</u>	<u>\$ 72.5</u>	<u>\$ 74.4</u>	<u>\$ 67.9</u>
UAAL Payment ⁽⁵⁾	<u>\$ -</u>	<u>\$ 38.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage Ratios	4.04x	4.16x	4.02x	3.56x	4.18x
CIP Outlay	<u>\$152.8</u>	<u>\$118.2</u>	<u>\$164.0</u>	<u>\$185.0</u>	<u>\$215.5</u>
Ending Reserves	<u>\$760.4</u>	<u>\$880.8</u>	<u>\$960.6</u>	<u>\$984.0</u>	<u>\$1,004.0</u>

⁽¹⁾ Net of rebates, if any, to commercial users.

⁽²⁾ Interest earnings include unrealized gains and losses from investments adjusted to market value.

⁽³⁾ Fiscal Years 2018-19 to 2020-21 other revenues restated to remove capital contributions from other governments.

⁽⁴⁾ Excludes depreciation and amortization expenses.

⁽⁵⁾ In Fiscal Year 2019-20 the District paid down \$38 million of its unfunded actuarial accrued pension liability in its defined pension benefit plan administered by the Orange County Employees Retirement System. As of December 31, 2022, that liability was \$0.

Source: Orange County Sanitation District.

[Remainder of page intentionally left blank.]

Forecasted Operating Data

Set forth in Table 15 below are forecasted operating results for the District for Fiscal Years 2023-24 through 2027-28. Projections for Fiscal Years 2023-24 through 2027-28 are based on assumptions in the Fiscal Year 2023-24 Budget Update approved on June 28, 2023. They assume the number of projects and scheduled build out set forth in the 2023 CIP Validation Study. The projections also reflect the Board-approved annual rate increases of 3.5% for each of Fiscal Years 2023-24 through 2027-28. Principal outlay components of these projections are derived from the 2023 CIP Validation Study, which identified 68 individual capital projects with projected outlay of \$3.1 billion over the Fiscal Years 2023-24 through 2032-33. Much of the construction is scheduled during the next five years, with average annual capital outlays of \$308.2 million. The District's net CIP cash flow budget for Fiscal Year 2023-24 is \$272.0 million, which factors in allocation for future rehabilitation and savings and deferrals. This CIP budget finances joint works treatment and disposal system improvement projects, and collection system improvement projects. The preparation of such projections was based upon certain assumptions and certain forecasts with respect to conditions that may occur in the future. While the District believes that these assumptions and forecasts are reasonable for the purposes of the projected selected operating data, it makes no representation that they will in fact occur. To the extent that actual future conditions differ from those assumed herein, the data will vary.

[Remainder of page intentionally left blank.]

Table 15
Summary of District Forecasted Revenues and Expenses
and Other Financial Information
for Fiscal Years 2023-24 through 2027-28
(\$ in Millions)⁽¹⁾

	2023-24	2024-25	2025-26	2026-27	2027-28
Revenues:					
Residential & Commercial					
Sewer Service Charges	\$322.1	\$335.3	\$348.6	\$361.9	\$376.2
Industrial Sewer Service Charges	16.1	16.7	17.3	17.9	18.5
IRWD Assessments	12.6	13.1	13.3	13.1	13.2
SAWPA Assessments	2.9	3.1	3.2	3.2	3.3
<i>Ad Valorem</i> Taxes	115.9	118.3	121.8	125.5	129.3
Interest Earnings	14.1	13.5	12.9	12.4	12.2
Other Revenues	18.9	6.3	2.3	2.5	2.7
Total Revenues	502.6	506.3	519.4	536.5	555.4
Build America Bonds Federal Subsidy	4.8	4.8	4.8	4.8	4.8
Operations and Maintenance Expenses	(215.4)	(220.8)	(227.4)	(234.2)	(241.3)
Net Revenues ⁽²⁾	292.0	290.3	296.8	307.1	318.9
Debt Service ⁽³⁾	73.4	71.5	70.8	70.7	74.8
Coverage Ratios ⁽²⁾	4.0	4.1	4.2	4.3	4.3
CIP Outlays	272.0	287.7	290.4	272.9	267.0
Replacement, Refurbishment & Rehabilitation ⁽⁴⁾	-	-	0.7	3.6	8.0
Debt Proceeds	-	-	-	-	-
Ending Reserves	\$932.7	\$885.8	\$842.6	\$824.5	\$815.9

(1) Assumptions:

- a) Annual growth in equivalent dwelling units is projected to average 0.3% over the next five years.
- b) The Residential, Commercial, and Industrial Sewer Service Charge forecasts are based on the total projected equivalent dwelling units. They also reflect (i) the Board-approved annual rate increase of 3.5% for Fiscal Years 2023-24 through 2027-28.
- c) Revenue Area No. 14 Fees are derived based on the projected contribution of sewage flows to the District from the Irvine Ranch Water District.
- d) *Ad Valorem* Taxes are projected with annual increases of 2% through Fiscal Year 2024-25 and 3% for Fiscal Years 2025-26 through 2027-28. The District budgets revenues from *Ad Valorem* Taxes at levels that are lower than the District's expected levels. Any fluctuations in actual *Ad Valorem* Tax revenue received against projected *Ad Valorem* Tax revenue are due, in part, to recent home sales and other market factors. Although the District received \$125.5 million from *Ad Valorem* Taxes in Fiscal Year 2022-23, the District's budget for Fiscal Year 2023-24 reflects projected revenue at \$115.9 million.
- e) Interest earnings are projected to average 1.5% of annual cash balances.
- f) Operating and Maintenance Expenses are forecasted with a base increase of 3.0% per year beginning with Fiscal Year 2023-24 with adjustments for known periodic outlays that do not occur annually.
- g) Annual CIP Outlays are based on the cash flow projections developed from the 2023 CIP Validation Study, with adjustments for CIP savings and deferrals.

(2) Calculated in accordance with the Master Agreement and the Installment Purchase Agreement.

(3) Assumes refunding of the Refunded Obligations with the proceeds of the Revenue Obligations as described in "REFUNDING PLAN" herein and estimated debt service on the Revenue Obligations.

(4) Replacement, Refurbishment & Rehabilitation are known future capital outlays that have been identified within the District's Asset Management Program but have not yet been developed into specific proposed projects and included within the CIP Program.

Source: Orange County Sanitation District.

Management's Discussion and Analysis of Operating Data

The District is a resource recovery agency focused on providing reliable and cost-effective public services. It serves 2.5 million people in central and northwest portion of the County, and the District's mission statement is "[t]o protect public health and the environment by providing effective wastewater collection, treatment, and recycling." The objectives of operating the treatment and reclamation plants are to process and pass on for purification or dispose of the treated wastewater and the separated solids in accordance with federal, state and local laws including the EPA.

Preparing and planning is essential for the future of the District and the community it serves. As part of the planning process, the District has adopted the Strategic Plan. Strategic planning is the first step in defining the District's ability to have people and assets in the right place at the right time to meet its agreed upon mission and levels of service. The Strategic Plan defines the strategic initiatives to be pursued by the District and provides a basis for long-term financial, capital and operational planning. Key policies are focused on four broad categories (Business Principles, Environmental Stewardship, Wastewater Management, and Workplace Environment) and fifteen policy areas.

The District's Master Plan drives the District's 20-year CIP and determines the proper timing of projects to maximize the life of assets. The Asset Management team works continuously with the Operations and Maintenance Department to properly define the timing of large CIP projects and the execution of many small projects essential to the day-to-day operations of the collections and plants to maintain reliable and resilient facilities.

As of June 30, 2023, the District has a financial net position of \$3.0 billion, which is an increase of \$164.5 million, or 5.8%, over the prior year net position. Of this amount, \$921.3 million represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors. Net capital assets, consisting of non-depreciable capital assets and depreciable capital assets net of accumulated depreciation, increased \$92.2 million, or 3.3% over the prior year. Net investment in capital assets increased \$129.5 million, or 7.1% over the prior year. Total outstanding debt decreased by \$30.0 million, or 3.7% from the prior year to \$789.8 million.

The District considers various factors in preparing the biennium budget, including the County's unemployment rate, inflation and the yield on its investments. The District's user fee schedule was increased by 1.2% for fiscal year 2022-23, which is necessary to support the District's cash flow needs for operating costs, debt service and capital improvement outlays. As a result, operating revenues increased by \$3.7 million, or 1.1%, over the prior year due to the increased user fee. Non-operating revenues increased \$66.5 million, or 72.5 %, from prior year primarily from growth in investment and interest income, higher property tax revenues, contributions from other governments equity share integration adjustments and insurance recoveries.

Operating expenses (other than depreciation and amortization) increased \$5.1 million, or 32.7%, from prior year primarily due to increase in salaries and benefits, operating materials and supplies from chemical costs, utilities and contractual services. Non-operating expenses decreased \$27.6 million, or 49%, from prior year. Capital contributions increased \$6.2 million, or 23.7%, from the prior year, due to an increase in capital facility capacity charges fees collected from cities and supplemental capital facilities capacity charges assessed to industrial dischargers, and reimbursements from Orange County Water District for groundwater replenishment system costs.

Investment of District Funds

State statutes authorize the District to invest in obligations of the United States Government, state and local governmental agencies, negotiable certificates of deposits, banker's acceptances, commercial paper, reverse repurchase agreements and a variety of other investment instruments which are allowable under California Government Code Section 53600 *et seq.*

All District funds, except for Obligation Reserve Funds controlled by a bank trustee pursuant to the provisions of Existing Senior Obligations, are managed by an external money manager, Insight Investment. U.S. Bank Trust Company, National Association serves as the District's independent custodian bank for its investment program. Callan LLC serves as the District's independent advisor.

As of June 30, 2023, the District's externally managed fund consisted of a short-term investment portfolio of \$199 million with an average maturity of 58.4 days, and a long-term investment portfolio of \$719 million with average maturities of 2.78 years. Investments consist of United States government securities, corporate bonds and commercial paper. The District's portfolio contains no structured investment vehicles ("SIVs") or reverse repurchase agreements.

Deposits in banks are maintained in financial institutions which provide deposit protection on the bank balance from the Federal Deposit Insurance Corporation. The California Government Code requires State banks and savings and loans to secure local government deposits by pledging government securities equal to 110% of the deposits or by pledging first trust deed mortgage notes equal to 150% of the deposits.

The District's Investment Policy requires that the District invest public funds in a manner which ensures the safety and preservation of capital while meeting reasonable anticipated operating expenditure needs, achieving a reasonable rate of return and conforming to all State and local statutes governing the investment of public funds. The primary objectives, in order, of the District's investment activities are safety, liquidity and return on investment.

FINANCIAL OBLIGATIONS

Existing Indebtedness

Currently, the District has Senior Obligations Outstanding payable on a parity with the Revenue Obligations. The table below describes the District's outstanding parity certificates of participation expected as of March 1, 2024. The payment obligations in connection with each series of these certificates of participation constitute Senior Obligations, subject to the provisions of the Master Agreement and shall be afforded all of the benefits, interests and security afforded Senior Obligations pursuant to the Master Agreement. The District has no general obligation bonds or subordinate bonds outstanding.

Table 16
Outstanding Senior Obligations
As of March 1, 2024

	<u>Original Principal Amount</u>	<u>Issue Date</u>	<u>Outstanding Balance</u>	<u>Final Maturity</u>
2010A Revenue Obligations	\$ 80,000,000	05/18/10	\$ 80,000,000	02/01/40
2010C Revenue Obligations	157,000,000	12/08/10	157,000,000	02/01/44
2014A Revenue Obligations ⁽¹⁾	85,090,000	08/07/14	30,095,000	02/01/27

2015A Revenue Obligations ⁽¹⁾	127,510,000	02/12/15	127,510,000	02/01/37
2016A Revenue Obligations	145,880,000	03/30/16	121,485,000	02/01/39
2017A Revenue Obligations	66,370,000	02/01/17	65,815,000	02/01/30
2021A Revenue Obligations	133,510,000	07/29/21	94,645,000	02/01/36
2022A Revenue Obligations	<u>81,620,000</u>	02/01/22	<u>81,620,000</u>	02/01/33
Total Senior Obligations	<u>\$876,980,000</u>		<u>\$758,170,000</u>	

⁽¹⁾ To be prepaid with a portion of the proceeds of the Revenue Obligations and other moneys; see “REFUNDING PLAN” herein.

In connection with the execution and delivery of the above-referenced outstanding certificates of participation, the District entered into certain installment purchase agreements, or equivalent documents, providing for the payment of installment payments or similar payments.

Anticipated Financings

From time to time the District may incur other obligations to finance portions of the CIP and to refund the Revenue Obligations. Over the next five years, however, the District does not expect to issue any additional debt, other than refunding debt. The District expects to refund outstanding obligations from time to time. See “SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS – Sale Proceeds of Future Obligations.”

THE CORPORATION

The Corporation was organized on June 19, 2000 as a nonprofit public benefit corporation pursuant to the Nonprofit Public Corporation law of the State. The Corporation’s purpose is to render assistance to the District in its acquisition of equipment, real property and improvements on behalf of the District. Under its articles of incorporation, the Corporation has all powers conferred upon nonprofit public benefit corporations by the laws of the State, provided that it will not engage in any activity other than that which is necessary or convenient for, or incidental to the purposes for which it was formed.

The Corporation is a separate legal entity from the District. It is governed by a twenty-five member Board of Directors. The Corporation has no employees. All staff work is performed by employees of the District. The members of the Corporation’s Board of Directors are the Board of Directors of the District.

The District’s Assistant General Manager, Director of Finance and other District employees are available to provide staff support to the Corporation.

The Corporation has not entered into any material financing arrangements other than those referred to in this Official Statement. Further information concerning the Corporation may be obtained from the Orange County Sanitation District office at 10844 Ellis Avenue, Fountain Valley, California, 92708-7018.

LIMITATIONS ON TAXES AND REVENUES

Article XIII A of the California Constitution

On June 6, 1978, California voters approved Proposition 13 (“Proposition 13”), which added Article XIII A to the State Constitution (“Article XIII A”). Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-third of the voters on such indebtedness, and (iii) bonded indebtedness incurred

by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or reduced in the event of declining property values caused by substantial damage, destruction, or other factors. Amendments to the California Constitution have implemented and modified limits on reassessment of property value upon transfers. Most recently, Proposition 19 limits people who inherit family properties from keeping a low property tax base resulting from the 2% restriction on increases, unless they use the home as their primary residence. It also allows homeowners who are over 55 years of age, disabled, or victims of a wildfire or natural disaster to transfer their assessed value of their primary home to a newly purchased or newly constructed replacement primary residence up to three times. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the California Constitution

An initiative to amend the State Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979, thereby adding Article XIII B to the State Constitution (“Article XIII B”). Under Article XIII B, the State and each local governmental entity has an annual “appropriations limit” and is not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIII B does not affect the appropriations of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other

provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

"Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service," but "proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on appropriations of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Not included in the Article XIII B limit are appropriations for the debt service costs of bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government and appropriations for qualified capital outlay projects. The appropriations limit may also be exceeded in certain cases of emergency.

The appropriations limit for the District in each year is based on the District's limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the District's option, either (1) the percentage change in State per capita personal income, or (2) the percentage change in the local assessment roll on nonresidential property. Either test is likely to be greater than the change in the cost of living index, which was used prior to Proposition 111. Change in population is to be measured either within the jurisdiction of the District or the County as a whole.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by a District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. As originally enacted in 1979, the District's appropriations limit was based on 1978-79 authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111). Starting with Fiscal Year 1990-91, the District's appropriations limit was recalculated by taking the actual Fiscal Year 1986-87 limit, and applying the annual adjustments as if Proposition 111 had been in effect. The District does not anticipate that any such appropriations limitations will impair its ability to make Installment Payments as required by the Installment Purchase Agreement.

Proposition 1A and Proposition 22

Proposition 1A ("Proposition 1A"), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in Fiscal Years 2004-05 and 2005-06. Proposition 1A provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe

state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such a shift may not occur more than twice in any ten-year period. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as Proposition 22 (“Proposition 22”). The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government or from temporarily shifting property taxes from cities, counties and special districts to schools. This is intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in fiscal year 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs. Approximately \$5 million of the District’s property tax revenues were diverted to the State as a result of this Proposition 1A suspension. The District participated in a Proposition 1A Securitization Program (the “Program”) sponsored by the California Statewide Communities Development Authority. The Program allowed the District to exchange its anticipated State property tax receivable for an equal amount of cash. In addition, the State’s adopted 2009-10 budget included a \$1.7 billion diversion in local property tax revenues from local redevelopment agencies. Many California Redevelopment Association members are actively engaged in litigation to block such diversion and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22, known as “ABX4 26.”

Proposition 1A also provides that if the State reduces the vehicle license fee (“VLF”) rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Article XIIC and Article XIID of the California Constitution

Proposition 218, a State ballot initiative known as the “Right to Vote on Taxes Act,” was approved by the voters on November 5, 1996. The initiative added Articles XIIC and XIID to the California Constitution, creating additional requirements for the imposition by most local governments of “general taxes,” “special taxes,” “assessments,” “fees,” and “charges.” Proposition 218 became effective, pursuant to its terms, as of November 6, 1996, although compliance with some of its provisions was deferred until July 1, 1997, and certain of its provisions purport to apply to any tax imposed for general governmental purposes (*i.e.*, “general taxes”) imposed, extended or increased on or after January 1, 1995 and prior to November 6, 1996.

Article XIID imposes substantive and procedural requirements on the imposition, extension or increase of any “fee” or “charge” subject to its provisions. A “fee” or “charge” subject to Article XIID includes any levy, other than an *ad valorem* tax, special tax or assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership. Article XIID prohibits, among other things, the imposition of any proposed fee or charge, and, possibly, the increase of any existing fee or charge, in the event written protests against the proposed fee or charge are presented at a required public hearing on the fee or charge by a majority of owners of the parcels upon which the fee or charge is to be imposed. Except for fees and charges for water, sewer and refuse collection services, the approval of a majority of

the property owners subject to the fee or charge, or at the option of the agency, by a two-thirds vote of the electorate residing in the affected area, is required within 45 days following the public hearing on any such proposed new or increased fee or charge. The California Supreme Court decisions in *Richmond v. Shasta Community Services District*, 32 Cal.4th 409 (2004) (“*Richmond*”), and *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (“*Bighorn*”) have clarified some of the uncertainty surrounding the applicability of Section 6 of Article XIID to service fees and charges. In *Richmond*, the Shasta Community Services District charged a water connection fee, which included a capacity charge for capital improvements to the water system and a fire suppression charge. The Court held that both the capacity charge and the fire suppression charge were not subject to Article XIID because a water connection fee is not a property-related fee or charge because it results from the property owner’s voluntary decision to apply for the connection. In both *Richmond* and *Bighorn*, however, the Court stated that a fee for ongoing water service through an existing connection is imposed “as an incident of property ownership” within the meaning of Article XIID, rejecting, in *Bighorn*, the water agency’s argument that consumption-based water charges are not imposed “as an incident of property ownership” but as a result of the voluntary decisions of customers as to how much water to use.

Article XIID also provides that “standby charges” are considered “assessments” and must follow the procedures required for “assessments” under Article XIID and imposes several procedural requirements for the imposition of any assessment, which may include (1) various notice requirements, including the requirement to mail a ballot to owners of the affected property; (2) the substitution of a property owner ballot procedure for the traditional written protest procedure, and providing that “majority protest” exists when ballots (weighted according to proportional financial obligation) submitted in opposition exceed ballots in favor of the assessments; and (3) the requirement that the levying entity “separate the general benefits from the special benefits conferred on a parcel” of land. Article XIID also precludes standby charges for services that are not immediately available to the parcel being charged.

Article XIID provides that all existing, new or increased assessments are to comply with its provisions beginning July 1, 1997. Existing assessments imposed on or before November 5, 1996, and “imposed exclusively to finance the capital costs or maintenance and operations expenses for [among other things] water” are exempted from some of the provisions of Article XIID applicable to assessments.

Article XIIC extends the people’s initiative power to reduce or repeal existing local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIIC to fees, taxes, assessment fees and charges imposed after November 6, 1996 and absent other authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. In *Bighorn*, the Court concluded that under Article XIIC local voters by initiative may reduce a public agency’s water rates and delivery charges. The Court noted, however, that it was not holding that the authorized initiative power is free of all limitations, stating that it was not determining whether the electorate’s initiative power is subject to the public agency’s statutory obligation to set water service charges at a level that will “pay the operating expenses of the agency, . . . provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.”

Under Ordinance No. OC SAN-58 adopted on March 22, 2023, the District established residential Sewer Service Charges, except within Revenue Area No. 14 (for which service is billed directly to the IRWD), based on the cost of services and facilities provided to each customer of the District. The noticed public hearing held in connection with the adoption of this ordinance considered an increase in the single family residential rate, the underlying rate for all of the District’s sewer service charges, of 3.5% for Fiscal Year 2023-24 through Fiscal Year 2027-28. These increases were approved by the Board through the adoption of Ordinance No. OC SAN-58.

Pursuant to the Master Agreement, the District will, to the extent permitted by law, fix, prescribe and collect fees and charges for the services of the Wastewater System which will be at least sufficient to yield during each Fiscal Year (a) Net Revenues equal to 125% of Debt Service on Senior Obligations for such Fiscal Year, and (b) Net Operating Revenues equal to 100% of Debt Service on all Obligations for such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but will not reduce the fees and charges then in effect unless the Revenues and Net Revenues from such reduced fees and charges will at all times be sufficient to meet the requirements of the Master Agreement. If service charges are determined to be subject to Article XIID, and proposed increased service charges cannot be imposed as a result of a majority protest, such circumstances may adversely affect the ability of the District to generate revenues in the amounts required by the Master Agreement, and to make Installment Payments as provided in the Installment Purchase Agreement. No assurance may be given that Articles XIIC and XIID will not have a material adverse impact on Net Revenues.

Other Initiative Measures

Articles XIIA, XIIB, XIIC and XIID were adopted pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted by California voters, placing additional limitations on the ability of the District to increase revenues.

A voter initiative entitled "The Taxpayer Protection and Government Accountability Act" ("Initiative 1935") was recently determined to be eligible for the November 2024 Statewide general election and will be certified as qualified for the ballot in such election, unless withdrawn by its proponent prior to June 27, 2024 or a pending court challenge is successful in preventing Initiative 1935 from appearing on the ballot. Were it to be adopted by the voters in the Statewide general election, Initiative 1935 would amend the California Constitution to provide, among other things, that charges for services or product provided directly to the payor are "taxes" subject to voter approval unless the local government can prove by clear and convincing evidence that the charge is reasonable and does not exceed the "actual cost" of providing the service or product. The District charges fees based upon the cost of service and this ballot initiative is not anticipated to have an impact on the District's rates and charges or the process for approving rates and charges under Article XIID (see " - Article XIIC and Article XIID of the California Constitution" above).

The District cannot predict whether Initiative 1935 will be approved at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the District cannot provide any assurances that it will not have a material adverse effect on the District's ability to adopt or increase rates, fees, and charges in the amounts required by the Installment Sale Agreement.

RISK FACTORS

This section describes certain special considerations and risk factors affecting the payment of and security for the Revenue Obligations. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Revenue Obligations and the order does not necessarily reflect the relative importance of the various risks. Potential investors in the Revenue Obligations are advised to consider these special factors along with all other information in this Official Statement in evaluating the Revenue Obligations. There can be no assurance that other considerations will not materialize in the future, and if additional considerations materialize to a sufficient degree, they could delay or prevent payment of principal and interest evidenced by the Revenue Obligations.

Limited Obligations

The Revenue Obligations are certificates of participation that evidence direct, fractional undivided interests of the Owners thereof in the Installment Payments. The obligation of the District to pay the Installment Payments and the interest thereon and other payments required to be made by it under the Installment Purchase Agreement is a special obligation of the District payable, in the manner provided under the Installment Purchase Agreement, solely from Net Revenues, and other funds as provided in the Installment Purchase Agreement. The obligation of the District to pay the Installment Payments and the interest thereon is a limited obligation of the District and is not secured by a legal or equitable pledge or charge or lien upon any property of the District or any of its income or receipts, except the Net Revenues.

Factors that can adversely affect the availability of Net Revenues include, among other matters, general and local economic conditions, and changes in law and government regulations (including initiatives and moratoriums). The realization of future Net Revenues is also subject to, among other things, the capabilities of management of the District, the ability of the District to provide wastewater service to its customers, the ability of the District to establish, maintain and collect charges for the wastewater service to its customers and the ability of the District to establish, maintain and collect rates and charges sufficient to pay the Installment Payments and the interest thereon .

Wastewater System Maintenance and Operation Costs and Net Revenues

There can be no assurance that the District's Maintenance and Operation Costs for the Wastewater System will remain at the levels described in this Official Statement. Changes in technology, energy or other expenses, including any increased treatment costs, could reduce the District's Net Revenues and require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment or decrease demand. Although the District has covenanted to prescribe, revise and collect rates and charges for the Wastewater System at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the Revenue Obligations.

Construction projects in the capital program are subject to ordinary construction risks and delays applicable to projects of their kind, including but not limited to (i) inclement weather affecting contractor performance and timeliness of completion, which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; (ii) contractor claims or nonperformance; (iii) failure of contractors to execute within contract price; (iv) work stoppages or slowdowns; (v) failure of contractors to meet schedule terms; (vi) supply chain issues; or (vii) unanticipated project site conditions, including the discovery of hazardous materials on the site or other issues regarding compliance with applicable environmental standards, and other natural hazards or seismic events encountered during construction. In addition, given the limited redundancy of certain wastewater facilities and systems, such systems must remain operational during construction, which could affect construction schedules or budgets.

The ability of the District to comply with its covenants under the Master, Agreement and the Installment Purchase Agreement and generate Net Revenues sufficient to pay Installment Payments may be adversely affected by actions and events outside the control of the District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "LIMITATIONS ON TAXES AND REVENUES – Articles XIIIC and XIID of the California Constitution." The remedies available to the owners of the Revenue Obligations upon the occurrence of an event of default under the Installment Purchase Agreement are in many respects dependent upon judicial actions that are typically subject to discretion and delay and could prove both expensive and time consuming to obtain.

Environmental Laws and Regulations

Wastewater collection, treatment and disposal facilities are subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by such facilities are air and water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net Revenues available to pay the Installment Payments. See “THE DISTRICT – Permits, Licenses and Other Regulations.”

Natural Disasters

A number of natural disasters could affect the physical condition of the Wastewater System facilities and/or the ability or willingness of Wastewater System customers to pay their sewer bills when due. This may include the following:

Climate Change and Weather. The change in the earth’s average atmospheric temperature, generally referred to as “climate change,” is expected to, among other things, increase the frequency and severity of extreme weather events and cause rising sea levels and substantial flooding. The impacts of climate change may materially adversely affect the finances and operations of the Wastewater System. The sewers and pumping plants can be threatened by increased flooding risks, sinkholes, decreased flows, power outages, service disruptions, and other changes in subsurface conditions that are caused by the fluctuating climate extremes between wet and dry weather events.

The District’s Climate Resiliency Study, which was completed in November 2019, provides a comprehensive analysis of climate-related, site-specific risk assessments of the District’s facilities using available climate predictions, industry standards, and geographical information systems. The analysis from the study is used to further develop strategies for climate risk and resiliency. See “THE DISTRICT – Climate Issues.” However, no assurance may be made regarding the potential impact of the present or any future weather events on the Wastewater System’s financial condition.

Seismic. The District, like most communities in California, is an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. Southern California is characterized by a number of geotechnical conditions that represent potential safety hazards, including expansive soils and areas of potential liquefaction and landslide. The CIP includes planned improvements to facilities for the purpose of improving seismic reliability. See “THE DISTRICT – Capital Improvement Plan.” The District has limited earthquake insurance partially covering several key structures; beyond that, the District relies on a combination of self-insurance and District reserves for all property damage from the perils of seismic activity. See “THE DISTRICT – Risk Management.” Although the District continues to improve seismic reliability, there can be no assurance that these or any additional measures will be adequate in the event that a natural disaster occurs, nor that costs of preparedness measures will be as currently anticipated. Further, damage to components of the Wastewater System could cause a material increase in costs for repairs or a corresponding material adverse impact on Net Revenues.

Sewer Failure. The Wastewater System is subject to potential failures of its sewage collection and conveyance systems due the potential impact of climate change or natural disasters that can result in unexpected repair costs and other expenses. Although the District has implemented disaster preparedness plans and made improvements to Wastewater System facilities in connection with such potential disasters, there can be no assurance that these or any additional measures will be adequate in the event that a disaster occurs, nor that costs of preparedness measures will be as currently anticipated. Further, damage to components of the Wastewater System could cause a material increase in costs for repairs or a corresponding material adverse impact on Net Revenues. See “THE DISTRICT – Integrated Emergency Response Program.”

Cybersecurity

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the District is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that its efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack would not materially impact the operations or finances of any entity, including with respect to the administration of the Revenue Obligations. The District is also reliant on other entities and service providers in connection with its information technology generally, as well as with the administration of the Revenue Obligations, including without limitation the Trustee. Cybersecurity, and generally, protecting the District's computer assets, networks, programs, data, and industrial control equipment from unauthorized access or attacks, is a listed topic of the District's Strategic Plan. See "THE DISTRICT – Strategic Plan." However, no assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the owners of the Revenue Obligations. The District currently maintains commercial cyber liability coverage. But the District is not obligated to continue such coverage. See "THE DISTRICT – Risk Management."

Limitations on Remedies; Bankruptcy

The District is authorized to file for bankruptcy protection pursuant to Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") under certain circumstances. Should the District file for bankruptcy, there could be adverse effects on the owners of the Revenue Obligations.

If the District is in bankruptcy, then the District's creditors (including the Trustee on behalf of owners of the Revenue Obligations) may be prohibited from taking any action to collect any amount from the District or to enforce any obligation of the District without the bankruptcy court's permission. This prohibition may also prevent the Trustee from making payments to the owners of the Revenue Obligations from funds in the Trustee's possession. The rate covenant (see "SECURITY AND SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS – Rate Covenant") may not be enforceable in bankruptcy by the Trustee or the owners of the Revenue Obligations.

The District may be able, without the consent and over the objection of the Trustee and the owners of the Revenue Obligations, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Master Agreement, the Installment Purchase Agreement, the Trust Agreement and the Revenue Obligations as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in Installment Payments, and consequently payments on the Revenue Obligations, while the District is in bankruptcy. There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Revenue Obligations, or result in losses to the owners of the Revenue Obligations. Regardless of any specific adverse determinations in a District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and value of the Revenue Obligations.

Rate Setting Process Under Proposition 218

Proposition 218, which added Articles XIII C and XIII D to the State Constitution, affects the District's ability to maintain existing rates and impose rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a

result of majority protest or initiative, the District might thereafter be unable to generate Net Revenues in the amounts required by the Trust Agreement to pay the Revenue Obligations. The District believes that its current Wastewater System rates approved by the Board were effected in compliance with the notice, public hearing and majority protest provisions of Proposition 218. See “DISTRICT REVENUES – Sewer Service Charges” and “LIMITATIONS ON TAXES AND REVENUES – Articles XIII C and XIII D of the California Constitution.”

Loss of Tax-Exemption

As highlighted under the heading “TAX MATTERS,” interest on the Revenue Obligations could become includable in gross income for purposes of federal income taxation retroactive to the date the Revenue Obligations were issued, as a result of future acts or omissions of the District in violation of their respective covenants in the Installment Purchase Agreement and the Trust Agreement.

Should such an event of taxability occur, the Revenue Obligations are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Trust Agreement.

LEGAL MATTERS

The validity of the Revenue Obligations and certain other legal matters are subject to the approving opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel to the District. A complete copy of the proposed form of Special Counsel opinion is attached as Appendix F hereto. Special Counsel, in its capacity as Special Counsel to the District, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for the District and the Corporation by Woodruff & Smart, APC, Costa Mesa, California, and for the District by Norton Rose Fulbright US LLP, Disclosure Counsel to the District.

MUNICIPAL ADVISOR

The District has retained Public Resources Advisory Group as an independent registered municipal advisor (the “Municipal Advisor”) in connection with the execution and delivery of the Revenue Obligations. The Municipal Advisor has not been engaged, nor have they undertaken, to audit, authenticate or otherwise verify the information set forth in the Official Statement, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement. The fees of the Municipal Advisor are contingent on the issuance and delivery of the Revenue Obligations.

ABSENCE OF LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the best knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their offices or seeking to restrain or to enjoin the sale or delivery of the Revenue Obligations, the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Revenue Obligations, the Trust Agreement, the Master Agreement, the Installment Purchase Agreement or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement, or contesting the powers of the

District or its authority with respect to the Revenue Obligations or any action of the District contemplated by any of said documents, nor, to the knowledge of the District is there any basis therefor.

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best knowledge of the District, threatened against the District contesting or affecting the ability of the District to collect amounts from which Installment Payments are payable, or which would have a material adverse effect on the District's ability to make Installment Payments.

FINANCIAL STATEMENTS

The basic financial statements of the District included in Appendix A to this Official Statement have been audited by Davis Farr LLP, independent certified public accountants. See APPENDIX A – “ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE ORANGE COUNTY SANITATION DISTRICT FOR THE YEAR ENDED JUNE 30, 2023” herein. The District has received the Government Finance Officers Association Certificate of Achievement for “Excellence in Financial Reporting” for 27 consecutive years. The audited financial statements, including the footnotes thereto, should be reviewed in their entirety. Davis Farr LLP, the District's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included in Appendix A, any procedures on the financial statements addressed in that report. Davis Farr LLP also has not performed any procedures relating to this Official Statement.

TAX MATTERS

Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, San Francisco, California, Special Counsel to the District, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Trust Agreement, the Tax Certificate and other documents pertaining to the Revenue Obligations and requirements of the Internal Revenue Code of 1986 (the “Code”) regarding the use, expenditure and investment of proceeds of the Revenue Obligations and the timely payment of certain investment earnings to the United States, the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation is not included in the gross income of the owners of the Revenue Obligations for federal income tax purposes. Failure to comply with such covenants and requirements may cause the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation to be included in gross income retroactive to the date of execution and delivery of the Revenue Obligations.

In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Special Counsel expresses no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of certain corporations.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Special Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective

purchasers of the Revenue Obligations should consult their own tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate or other documents pertaining to the Revenue Obligations may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Special Counsel expresses no opinion as to the effect of any change to any document pertaining to the Revenue Obligations or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation for federal income tax purposes.

Special Counsel's opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Special Counsel, and Special Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Revenue Obligations is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Revenue Obligations would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation, the District may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the Revenue Obligations could adversely affect the value and liquidity of the Revenue Obligations during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a Revenue Obligation at a price in excess of the amount payable at its maturity, such excess will constitute "bond premium" under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Special Counsel is not opining on the accounting for bond premium or the consequence to a Revenue Obligation purchaser of purchasing a Revenue Obligation with bond premium. Accordingly, persons considering the purchase of Revenue Obligations with bond premium should consult their own tax advisors with respect to the determination of bond premium on such Revenue Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Revenue Obligations.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of Revenue Obligations of a particular maturity over the initial offering price to the public of the Revenue Obligations of that maturity at which a substantial amount of the Revenue Obligations of that maturity is sold to the public is "original issue discount." Original issue discount accruing on a Revenue Obligation is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such Revenue Obligation. Original

issue discount on a Revenue Obligation of a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the Revenue Obligations of that maturity is sold to the public accrues on a semiannual basis over the term of the Revenue Obligation on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a Revenue Obligation accruing during each period is added to the adjusted basis of such Revenue Obligation, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such Revenue Obligation. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase Revenue Obligations other than at the initial offering price. Special Counsel is not opining on the accounting for or consequence to a Revenue Obligation purchaser of purchasing a Revenue Obligation with original issue discount. Accordingly, persons considering the purchase of Revenue Obligations with original issue discount should consult their own tax advisors with respect to the determination of original issue discount on such Revenue Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Revenue Obligations.

Information Reporting and Backup Withholding

Interest paid on the Revenue Obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner’s federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation is exempt from personal income taxes imposed by the State of California.

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the Revenue Obligations of the exclusion of the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation from gross income for federal income tax purposes or of the exemption of the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation from State of California personal income taxation. Any proposed legislation, whether or not enacted, or administrative action, whether or not taken, could also affect the value and marketability of the Revenue Obligations. Prospective purchasers of the Revenue Obligations should consult their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Special Counsel relating to the Revenue Obligations is included in APPENDIX F hereto.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, Certified Public Accountants, will verify the accuracy of mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Government Obligations deposited in each Escrow Fund, together with amounts held as cash therein, to provide for payment of the prepayment prices (including accrued interest) of the related Refunded Obligations on the Prepayment Date.

The report of such firm will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Revenue Obligations (a) to provide certain financial information and operating data (the “Annual Report”) relating to the District and the property in the District not later than eight months after the end of the District’s Fiscal Year (which currently would be March 1), commencing with the report for the 2023-24 Fiscal Year, and (b) to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District, or the Dissemination Agent on behalf of the District, with the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by or on behalf of the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Initial Purchaser in complying with S.E.C. Rule 15c2-12.

RATINGS

The Revenue Obligations will be rated “___” by Moody’s Investors Service, Inc. (“Moody’s”), “___” by S&P Global Ratings, a business unit of S&P Global Inc. (“S&P”), and “___” by Fitch Ratings (“Fitch”). Such ratings reflect only the views of the rating agencies, and do not constitute a recommendation to buy, sell or hold the Revenue Obligations. Explanation of the significance of such ratings may be obtained only from the respective organizations at: Moody’s Investors Service, Inc. 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, S&P Global Ratings, 55 Water Street, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Revenue Obligations.

PURCHASE AND REOFFERING

_____ (the “Initial Purchaser”) has purchased the Revenue Obligations from the District at a competitive sale for a purchase price of \$ _____ (representing the aggregate principal amount of the Revenue Obligations, plus a [net] premium of \$ _____, and less an Initial Purchaser’s discount of \$ _____). The public offering prices may be changed from time to time by the Initial Purchaser. The Initial Purchaser may offer and sell Revenue Obligations to certain dealers and others at prices lower than the offering prices shown on the inside cover page hereof.

[Remainder of page intentionally left blank.]

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Revenue Obligations.

The execution and delivery of this Official Statement has been duly authorized by the District.

ORANGE COUNTY SANITATION DISTRICT

By: _____
Board Chairperson

APPENDIX A

**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE ORANGE COUNTY
SANITATION DISTRICT FOR THE YEAR ENDED JUNE 30, 2023**

[INSERT APPENDIX B]

[INSERT APPENDIX C]

[INSERT APPENDIX D]

APPENDIX E

BOOK-ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Revenue Obligations, payment of principal and interest evidenced by the Revenue Obligations to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Revenue Obligations, and other Revenue Obligation-related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the District and the Corporation each believes to be reliable, but the District and the Corporation take no responsibility for the completeness or accuracy thereof.

The Depository Trust Company – Book-Entry System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Revenue Obligations”). The Revenue Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Revenue Obligations in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

Purchases of Revenue Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Revenue Obligations on DTC’s records. The ownership interest of each actual purchaser of each Revenue Obligation (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Revenue Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive

certificates representing their ownership interests in the Revenue Obligations, except in the event that use of the book-entry system for the Revenue Obligations is discontinued.

To facilitate subsequent transfers, all Revenue Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Revenue Obligations with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Revenue Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Revenue Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Revenue Obligations may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Revenue Obligations, such as prepayments, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Revenue Obligations may wish to ascertain that the nominee holding the Revenue Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Revenue Obligations within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Revenue Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Revenue Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayments with respect to the Revenue Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Revenue Obligations at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Revenue Obligations are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Revenue Obligations will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuance of DTC Services

In the event (i) DTC determines not to continue to act as securities depository for the Revenue Obligations, (ii) DTC shall no longer act and give notice to the Trustee of such determination or (iii) the District determines that it is in the best interest of the Beneficial Owners that they be able to obtain Revenue Obligations and delivers a written certificate to the Trustee to that effect, DTC services will be discontinued. If the District determines to replace DTC with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Revenue Obligation for each of the maturities of the Revenue Obligations, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace DTC then the Revenue Obligations shall no longer be restricted to being registered in the certificate registration books in the name of Cede & Co., but shall be registered in such names as are requested in a certificate of the District, in accordance with the Trust Agreement.

All Revenue Obligations may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of the Trust Agreement, upon surrender of such Certifications for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Revenue Obligation as the absolute owner of such Revenue Obligation for all purposes, whether or not such Revenue Obligation shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Revenue Obligation shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Revenue Obligation to the extent of the sum or sums so paid.

Whenever any Revenue Obligations shall be surrendered for transfer, the Trustee shall execute and deliver new Revenue Obligations representing the same principal amount in Authorized Denominations. The Trustee shall require the payment of any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Revenue Obligations may be presented for exchange at the Principal Office of the Trustee for a like aggregate principal amount of Revenue Obligations of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to transfer or exchange any Revenue Obligation during the period in which the Trustee is selecting Revenue Obligations for prepayment, nor shall the Trustee be required to transfer or exchange any Revenue Obligation or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

APPENDIX F

FORM OF APPROVING OPINION OF SPECIAL COUNSEL

Upon the execution and delivery of the Revenue Obligations, Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel to the District, will render its final approving opinion with respect to the Revenue Obligations in substantially the following form:

[Date of Delivery]

Orange County Sanitation District
10844 Ellis Avenue
Fountain Valley, California 92708-7018

\$ _____
Orange County Sanitation District
Wastewater Refunding Revenue Obligations
Series 2024A

Ladies and Gentlemen:

We have acted as Special Counsel in connection with the \$ _____ aggregate principal amount of Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”) which are certificates of participation that evidence direct, fractional undivided interests of the Owners thereof in the installment payments (the “Installment Payments”), and the interest thereon, to be made by the Orange County Sanitation District (the “District”) pursuant to the Installment Purchase Agreement, dated as of May 1, 2024 (the “Installment Purchase Agreement”), by and between the District and the Orange County Sanitation District Financing Corporation (the “Corporation”). Pursuant to the Master Agreement for District Obligations, dated as of August 1, 2000 (the “Master Agreement”), by and between the District and the Corporation, the District has established conditions and terms upon which obligations such as the Installment Payments, and the interest thereon, will be incurred and secured. Installment Payments under the Installment Purchase Agreement are payable solely from Net Revenues as provided in the Installment Purchase Agreement, consisting primarily of all income and revenue received by the District from the operation or ownership of the Wastewater System of the District (the “Wastewater System”) remaining after payment of Maintenance and Operation Costs. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Installment Purchase Agreement.

The Revenue Obligations are to be executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2024 (the “Trust Agreement”), by and among the District, the Corporation and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”). Proceeds from the sale of the Revenue Obligations, together with other funds of the District, will be used to (i) prepay all of the District’s Wastewater Refunding Revenue Obligations, Series 2014A outstanding in the aggregate principal amount of \$30,095,000, (ii) prepay all of the District’s Wastewater Refunding Revenue Obligations, Series 2015A outstanding in the aggregate principal amount of \$127,510,000, and (ii) pay the costs incurred in connection with the execution and delivery of the Revenue Obligations.

As Special Counsel, we have examined copies certified to us as being true and complete copies of the Master Agreement, the Trust Agreement and the Installment Purchase Agreement and the proceedings of the District in connection with the execution and delivery of the Revenue Obligations. We have also

examined such certificates of officers of the District, the Corporation and others as we have considered necessary for the purposes of this opinion.

Based upon the foregoing, we are of the opinion that:

1. The Master Agreement, the Installment Purchase Agreement and the Trust Agreement each has been duly and validly authorized, executed and delivered by the District and, assuming the Master Agreement, the Installment Purchase Agreement and the Trust Agreement each constitutes the legally valid and binding obligation of the other parties thereto, each constitutes the legally valid and binding obligation of the District, enforceable against the District in accordance with its respective terms.

2. The obligation of the District to pay the Installment Payments, and the interest thereon, and other payments required to be made by it under the Installment Purchase Agreement is a special obligation of the District payable, in the manner provided in the Installment Purchase Agreement, solely from Net Revenues and other funds provided for in the Installment Purchase Agreement lawfully available therefor.

3. Assuming due authorization, execution and delivery of the Trust Agreement and the Revenue Obligations by the Trustee, the Revenue Obligations are entitled to the benefits of the Trust Agreement.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Trust Agreement, the Tax Certificate and other documents pertaining to the Revenue Obligations and requirements of the Internal Revenue Code of 1986 regarding the use, expenditure and investment of proceeds of the Revenue Obligations and the timely payment of certain investment earnings to the United States, the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation is not includable in the gross income of the owners of the Revenue Obligations for federal income tax purposes. Failure to comply with such covenants and requirements may cause the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation to be included in gross income retroactive to the date of execution and delivery of the Revenue Obligations.

5. Under existing law, the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. We express no opinion regarding the applicability of the corporate alternative minimum tax to the adjusted financial statement income of any owner of the Revenue Obligations.

6. Under existing law, the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation is exempt from personal income taxes imposed by the State of California.

Except as stated in paragraphs 4, 5 and 6 above, we express no opinion as to any federal or state tax consequence of the ownership or disposition of the Revenue Obligations or the receipt or accrual of the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation. Further, certain requirements and procedures contained or referred to in the Trust Agreement, the Installment Purchase Agreement or in other documents pertaining to the Revenue Obligations may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized

in the area of tax-exempt obligations. We express no opinion as to the effect of any change to any document pertaining to the Revenue Obligations or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income of the portion of each Installment Payment representing interest and distributable in respect of any Revenue Obligation for federal income tax purposes.

The rights of the owners of the Revenue Obligations and the enforceability of the Revenue Obligations, the Master Agreement, the Trust Agreement and the Installment Purchase Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases. The enforceability of the Revenue Obligations, the Master Agreement, the Trust Agreement and the Installment Purchase Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Revenue Obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,