



**SPECIAL NOTICE**  
**PUBLIC ATTENDANCE & PARTICIPATION AT PUBLIC MEETINGS**  
***Administration Committee Meeting***  
***Wednesday, March 13, 2024***  
***5:00 p.m.***

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Your participation is always welcome. OC San offers several ways in which to interact during meetings. You will find information as to these opportunities below.

**IN-PERSON MEETING ATTENDANCE**

You may attend the meeting in-person at the following location:

Orange County Sanitation District  
Administration Building  
10844 Ellis Avenue  
Fountain Valley, CA 92708

**ONLINE MEETING PARTICIPATION**

You may join the meeting live via Teams on your computer or similar device or web browser by using the link below:

[Click here to join the meeting](#)

We suggest testing joining a Teams meeting on your device prior to the commencement of the meeting. For recommendations, general guidance on using Teams, and instructions on joining a Teams meeting, [please click here](#).

Please mute yourself upon entry to the meeting. Please raise your hand if you wish to speak during the public comment section of the meeting. The Clerk of the Board will call upon you by using the name you joined with.

Meeting attendees are not provided the ability to make a presentation during the meeting. Please contact the Clerk of the Board at least 48 hours prior to the meeting if you wish to present any items. Additionally, camera feeds may be controlled by the meeting moderator to avoid inappropriate content.

## **HOW TO PARTICIPATE IN THE MEETING BY TELEPHONE**

To join the meeting from your phone: Dial (213) 279-1455  
When prompted, enter the Phone Conference ID: 845 734 380#

All meeting participants may be muted during the meeting to alleviate background noise. If you are muted, please use \*6 to unmute. You may also mute yourself on your device.

Please raise your hand to speak by use \*5, during the public comment section of the meeting. The Clerk of the Board will call upon you by using the last 4 digits of your phone number as identification.

**NOTE: All attendees will be disconnected from the meeting at the beginning of Closed Session. If you would like to return to the Open Session portion of the meeting, please login or dial-in to the Teams meeting again and wait in the Lobby for admittance.**

## **WATCH THE MEETING ONLINE**

The meeting will be available for online viewing at:

<https://ocsd.legistar.com/Calendar.aspx>

## **SUBMIT A COMMENT**

You may submit your comments and questions in writing for consideration in advance of the meeting by using the eComment feature available online at: <https://ocsd.legistar.com/Calendar.aspx> or sending them to [OCSanClerk@ocsan.gov](mailto:OCSanClerk@ocsan.gov) with the subject line "PUBLIC COMMENT ITEM # (insert the item number relevant to your comment)" or "PUBLIC COMMENT NON-AGENDA ITEM".

You may also submit comments and questions for consideration during the meeting by using the eComment feature available online at: <https://ocsd.legistar.com/Calendar.aspx>. The eComment feature will be available for the duration of the meeting.

All written public comments will be provided to the legislative body and may be read into the record or compiled as part of the record.

*For any questions and/or concerns, please contact the Clerk of the Board's office at 714-593-7433. Thank you for your interest in OC San!*

March 6, 2024

**NOTICE OF REGULAR MEETING**

**ADMINISTRATION COMMITTEE  
ORANGE COUNTY SANITATION DISTRICT**

**Wednesday, March 13, 2024 – 5:00 P.M.**

Administration Building  
10844 Ellis Avenue  
Fountain Valley, CA 92708

**ACCESSIBILITY FOR THE GENERAL PUBLIC**

Your participation is always welcome. Specific information as to how to participate in this meeting is detailed on the Special Notice attached to this agenda. In general, OC San offers several ways in which to interact during this meeting: you may participate in person, join the meeting live via Teams on your computer or similar device or web browser, join the meeting live via telephone, view the meeting online, and/or submit comments for consideration before or during the meeting.

The Regular Meeting of the Administration Committee of the Orange County Sanitation District will be held at the above location and in the manner indicated on Wednesday, March 13, 2024 at 5:00 p.m.

  
\_\_\_\_\_  
Clerk of the Board

- Serving:*
- Anaheim
  - Brea
  - Buena Park
  - Cypress
  - Fountain Valley
  - Fullerton
  - Garden Grove
  - Huntington Beach
  - Irvine
  - La Habra
  - La Palma
  - Los Alamitos
  - Newport Beach
  - Orange
  - Placentia
  - Santa Ana
  - Seal Beach
  - Stanton
  - Tustin
  - Villa Park
  - County of Orange
  - Costa Mesa Sanitary District
  - Midway City Sanitary District
  - Irvine Ranch Water District
  - Yorba Linda Water District

ADMINISTRATION COMMITTEE MEETING DATE	BOARD MEETING DATE
03/13/24	03/27/24
04/10/24	04/24/24
05/08/24	05/22/24
06/12/24	06/26/24
<b>07/17/24 *</b>	07/24/24
<b>AUGUST DARK</b>	08/28/24
09/11/24	09/25/24
10/09/24	10/23/24
11/13/24	<b>11/20/24 *</b>
12/11/24	<b>12/18/24 *</b>
<b>JANUARY DARK</b>	01/22/25
02/12/25	02/26/25

*\* Meeting will be held on the third Wednesday of the month*

**ROLL CALL  
ADMINISTRATION COMMITTEE  
Finance, Information Technology, Environmental Services  
and Human Resources**

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Meeting Date: March 13, 2024

Time: 5:00 p.m.

Adjourn: \_\_\_\_\_

**COMMITTEE MEMBERS (13)**

Christine Marick, Chair	
Glenn Grandis, Vice-Chair	
Brad Avery	
Pat Burns	
Rose Espinoza	
Farrah Khan	
Jordan Nefulda	
Andrew Nguyen	
Robbie Pitts	
David Shawver	
John Withers	
Chad Wanke (Board Chair)	
Ryan Gallagher (Board Vice-Chair)	

**OTHERS**

Brad Hogin, General Counsel	
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**STAFF**

Rob Thompson, General Manager	
Lorenzo Tyner, Assistant General Manager	
Mike Dorman, Director of Engineering	
Laura Maravilla, Director of Human Resources	
Riaz Moinuddin, Director of Operations & Maintenance	
Wally Ritchie, Director of Finance	
Lan Wiborg, Director of Environmental Services	
Kelly Lore, Clerk of the Board	

**ORANGE COUNTY SANITATION DISTRICT**  
**BOARD OF DIRECTORS**  
**Complete Roster**

Effective 01/23/2024

<b>AGENCY/CITIES</b>	<b>ACTIVE DIRECTOR</b>	<b>ALTERNATE DIRECTOR</b>
Anaheim	Stephen Faessel	Carlos A. Leon
Brea	Christine Marick	Cecilia Hupp
Buena Park	Joyce Ahn	Art Brown
Cypress	Scott Minikus	Bonnie Peat
Fountain Valley	Glenn Grandis	Ted Bui
Fullerton	Bruce Whitaker	Nick Dunlap
Garden Grove	Stephanie Klopfenstein	John O'Neill
Huntington Beach	Pat Burns	Gracey Van Der Mark
Irvine	Farrah N. Khan	Kathleen Treseder
La Habra	Rose Espinoza	Jose Medrano
La Palma	Debbie Baker	Mark I. Waldman
Los Alamitos	Jordan Nefulda	Shelley Hasselbrink
Newport Beach	Brad Avery	Erik Weigand
Orange	Jon Dumitru	John Gyllenhammer
Placentia	Chad Wanke	Ward Smith
Santa Ana	Johnathan Ryan Hernandez	Benjamin Vazquez
Seal Beach	Schelly Sustarsic	Lisa Landau
Stanton	David Shawver	Carol Warren
Tustin	Ryan Gallagher	Austin Lumbard
Villa Park	Robbie Pitts	Jordan Wu

**Sanitary/Water Districts**

Costa Mesa Sanitary District	Bob Ooten	Art Perry
Midway City Sanitary District	Andrew Nguyen	Tyler Diep
Irvine Ranch Water District	John Withers	Douglas Reinhart
Yorba Linda Water District	Phil Hawkins	Tom Lindsey

**County Areas**

Board of Supervisors	Doug Chaffee	Donald P. Wagner
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**ADMINISTRATION COMMITTEE**  
**Regular Meeting Agenda**  
**Wednesday, March 13, 2024 - 5:00 PM**  
**Board Room**  
**Administration Building**  
**10844 Ellis Avenue**  
**Fountain Valley, CA 92708**  
**(714) 593-7433**

**ACCOMMODATIONS FOR THE DISABLED:** If you require any special disability related accommodations, please contact the Orange County Sanitation District (OC San) Clerk of the Board's office at (714) 593-7433 at least 72 hours prior to the scheduled meeting. Requests must specify the nature of the disability and the type of accommodation requested.

**AGENDA POSTING:** In accordance with the requirements of California Government Code Section 54954.2, this agenda has been posted outside the main gate of the OC San's Administration Building located at 10844 Ellis Avenue, Fountain Valley, California, and on the OC San's website at [www.ocsan.gov](http://www.ocsan.gov) not less than 72 hours prior to the meeting date and time above. All public records relating to each agenda item, including any public records distributed less than 72 hours prior to the meeting to all, or a majority of the Board of Directors, are available for public inspection in the office of the Clerk of the Board.

**AGENDA DESCRIPTION:** The agenda provides a brief general description of each item of business to be considered or discussed. The recommended action does not indicate what action will be taken. The Board of Directors may take any action which is deemed appropriate.

**MEETING RECORDING:** A recording of this meeting is available within 24 hours after adjournment of the meeting at <https://ocsd.legistar.com/Calendar.aspx> or by contacting the Clerk of the Board at (714) 593-7433.

**NOTICE TO DIRECTORS:** To place items on the agenda for a Committee or Board Meeting, the item must be submitted in writing to the Clerk of the Board: Kelly A. Lore, MMC, (714) 593-7433 / [klore@ocsan.gov](mailto:klore@ocsan.gov) at least 14 days before the meeting.

**FOR ANY QUESTIONS ON THE AGENDA, BOARD MEMBERS MAY CONTACT STAFF AT:**

General Manager: Rob Thompson, [rthompson@ocsan.gov](mailto:rthompson@ocsan.gov) / (714) 593-7110  
Asst. General Manager: Lorenzo Tyner, [ltyner@ocsan.gov](mailto:ltyner@ocsan.gov) / (714) 593-7550  
Director of Engineering: Mike Dorman, [mdorman@ocsan.gov](mailto:mdorman@ocsan.gov) / (714) 593-7104  
Director of Environmental Services: Lan Wiborg, [lwiborg@ocsan.gov](mailto:lwiborg@ocsan.gov) / (714) 593-7450  
Director of Finance: Wally Ritchie, [writchie@ocsan.gov](mailto:writchie@ocsan.gov) / (714) 593-7570  
Director of Human Resources: Laura Maravilla, [lmavilla@ocsan.gov](mailto:lmavilla@ocsan.gov) / (714) 593-7007  
Director of Operations & Maintenance: Riaz Moinuddin, [rmoinuddin@ocsan.gov](mailto:rmoinuddin@ocsan.gov) / (714) 593-7269

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL AND DECLARATION OF QUORUM:**

Clerk of the Board

**PUBLIC COMMENTS:**

*Your participation is always welcome. Specific information as to how to participate in a meeting is detailed in the Special Notice attached to this agenda. In general, OC San offers several ways in which to interact during meetings: you may participate in person, join the meeting live via Teams on your computer or similar device or web browser, join the meeting live via telephone, view the meeting online, and/or submit comments for consideration before or during the meeting.*

**REPORTS:**

*The Committee Chairperson and the General Manager may present verbal reports on miscellaneous matters of general interest to the Directors. These reports are for information only and require no action by the Directors.*

**CONSENT CALENDAR:**

*Consent Calendar Items are considered to be routine and will be enacted, by the Committee, after one motion, without discussion. Any items withdrawn from the Consent Calendar for separate discussion will be considered in the regular order of business.*

**1. APPROVAL OF MINUTES [2024-3512](#)**

**RECOMMENDATION:**

Approve minutes of the Regular meeting of the Administration Committee held February 14, 2024.

**Originator:** Kelly Lore

**Attachments:** [Agenda Report](#)  
[02-14-2024 Administration Committee Minutes](#)

**NON-CONSENT:**

**2. WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES [2024-3423](#)  
2024A**

**RECOMMENDATION:** Recommend to the Board of Directors to:

- A. Adopt Resolution No. OC SAN 24-XX entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District authorizing the execution and delivery by the District of an Installment Purchase Agreement, a Trust



Agreement, a Continuing Disclosure Agreement and an Escrow Agreement in connection with the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A, authorizing the execution and delivery of such Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$157,605,000, approving a Notice of Intention to Sell, authorizing the distribution of an Official Notice Inviting Bids and an Official Statement in connection with the offering and sale of such Revenue Obligations and authorizing the execution of necessary documents and related actions”; and

- B. That the Orange County Sanitation District Financing Corporation approve the documents supporting and authorizing the Revenue Obligations in an aggregate amount not to exceed \$157,605,000.

**Originator:** Wally Ritchie

**Attachments:** [Agenda Report](#)  
[Proposed Resolution No. OC SAN 24-XX](#)  
[Proposed Financing Corporation Resolution No. FC-30](#)  
[Draft Installment Purchase Agreement](#)  
[Draft Trust Agreement](#)  
[Draft Escrow Agreement \(Series 2014A\)](#)  
[Draft Escrow Agreement \(Series 2015A\)](#)  
[Draft Notice of Intention to Sell](#)  
[Draft Official Notice Inviting Bids](#)  
[Draft Preliminary Official Statement](#)  
[Draft Continuing Disclosure Agreement](#)

### **INFORMATION ITEMS:**

3. **FY 2024-25 AND 2025-26 ORANGE COUNTY SANITATION DISTRICT BUDGET REVENUES AND RESERVES OVERVIEW** [2024-3378](#)

**RECOMMENDATION:**

Information Item.

**Originator:** Wally Ritchie

**Attachments:** [Agenda Report](#)  
[FY2024-25 and 2025-26 Budget Revenue Detail](#)  
[Reserve Summary - FY 2023-24](#)  
[Presentation - Revenues and Reserves for FY2024-25 and 2025-26](#)

### **DEPARTMENT HEAD REPORTS:**

**CLOSED SESSION:**

None.

**OTHER BUSINESS AND COMMUNICATIONS OR SUPPLEMENTAL AGENDA ITEMS, IF ANY:**

**BOARD OF DIRECTORS INITIATED ITEMS FOR A FUTURE MEETING:**

At this time Directors may request staff to place an item on a future agenda.

**ADJOURNMENT:**

Adjourn the meeting until the Regular Meeting of the Administration Committee on April 10, 2024 at 5:00 p.m.



# ADMINISTRATION COMMITTEE

Administration Building  
10844 Ellis Avenue  
Fountain Valley, CA 92708  
(714) 593-7433

## Agenda Report

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**File #:** 2024-3512

**Agenda Date:** 3/13/2024

**Agenda Item No:** 1.

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**FROM:** Robert Thompson, General Manager  
Originator: Kelly A. Lore, Clerk of the Board

**SUBJECT:**

**APPROVAL OF MINUTES**

**GENERAL MANAGER'S RECOMMENDATION**

RECOMMENDATION:

Approve minutes of the Regular meeting of the Administration Committee held February 14, 2024.

**BACKGROUND**

In accordance with the Board of Directors Rules of Procedure, an accurate record of each meeting will be provided to the Directors for subsequent approval at the following meeting.

**RELEVANT STANDARDS**

- Resolution No. OC SAN 22-37

**ATTACHMENT**

*The following attachment(s) may be viewed on-line at the OC San website ([www.ocsan.gov](http://www.ocsan.gov)) with the complete agenda package:*

- February 14, 2024 Administration Committee meeting minutes



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## **CALL TO ORDER**

A regular meeting of the Administration Committee of the Orange County Sanitation District was called to order by Committee Chairwoman Christine Marick on Wednesday, February 14, 2024 at 5:00 p.m. in the Administration Building of the Orange County Sanitation District. Director John Withers led the pledge of allegiance.

## **ROLL CALL AND DECLARATION OF QUORUM:**

Assistant Clerk of the Board Jackie Castro declared a quorum present as follows:

- PRESENT:** Brad Avery, Ryan Gallagher, Farrah Khan, Christine Marick, Jordan Nefulda, Andrew Nguyen, Robbie Pitts, David Shawver, Chad Wanke, John Withers, Ted Bui (Alternate) and Gracey Van Der Mark (Alternate)
- ABSENT:** Rose Espinoza

**STAFF PRESENT:** Lorenzo Tyner, Assistant General Manager; Mike Dorman, Director of Engineering; Laura Maravilla, Director of Human Resources; Riaz Moinuddin, Director of Operations and Maintenance; Wally Ritchie, Director of Finance; Lan Wiborg, Director of Environmental Services; Jackie Castro, Assistant Clerk of the Board; Jennifer Cabral; Tanya Chong; Rhea de Guzman; Thys DeVries; Al Garcia; Tina Knapp; Rob Michaels; Aldwin Ramirez; Perla Rodriguez; Loc Trang; Thomas Vu; and Ruth Zintzun were present in the Board Room.

**OTHERS PRESENT:** Brad Hogin, General Counsel, was present in the Board Room. Peter Whittingham was present telephonically.

## **PUBLIC COMMENTS:**

None.

## **REPORTS:**

Chair Marick informed the Committee that the OC San administrative offices will be closed on Monday, February 19, 2024 in observance of Presidents' Day.

Assistant General Manager Lorenzo Tyner reported to the Committee that all operations were successfully managed during the recent storm event.

**CONSENT CALENDAR:**

**1. APPROVAL OF MINUTES**

[2024-3463](#)

**Originator:** Kelly Lore

MOVED, SECONDED, AND DULY CARRIED TO:

Approve minutes of the Regular meeting of the Administration Committee held December 13, 2023.

**AYES:** Brad Avery, Ryan Gallagher, Christine Marick, Jordan Nefulda, Andrew Nguyen, Robbie Pitts, David Shawver, Chad Wanke, John Withers, Ted Bui (Alternate) and Gracey Van Der Mark (Alternate)

**NOES:** None

**ABSENT:** Rose Espinoza and Farrah Khan

**ABSTENTIONS:** None

**2. GENERAL MANAGER APPROVED PURCHASES AND ADDITIONS TO THE PRE-APPROVED OEM SOLE SOURCE LIST**

[2024-3453](#)

**Originator:** Wally Ritchie

MOVED, SECONDED, AND DULY CARRIED TO: Recommend to the Board of Directors to:

Receive and file Orange County Sanitation District purchases made under the General Manager's authority for the period of October 1, 2023 to December 31, 2023.

**AYES:** Brad Avery, Ryan Gallagher, Christine Marick, Jordan Nefulda, Andrew Nguyen, Robbie Pitts, David Shawver, Chad Wanke, John Withers, Ted Bui (Alternate) and Gracey Van Der Mark (Alternate)

**NOES:** None

**ABSENT:** Rose Espinoza and Farrah Khan

**ABSTENTIONS:** None

**NON-CONSENT:**

**3. PURCHASE OF IT HARDWARE FOR ENTERPRISE SERVER REFRESH AND UPGRADE**

[2024-3459](#)

**Originator:** Wally Ritchie

Director of Finance Wally Ritchie introduced Information Technology Manager Rob Michaels who provided a brief report regarding the item.

MOVED, SECONDED, AND DULY CARRIED TO: Recommend to the Board of Directors to:

- A. Approve a Purchase Order to ePlus Technology, inc. for the purchase of IT Hardware for Enterprise Server Refresh and Upgrade, Specification No. E-2023-1435BD, for a total amount not to exceed \$2,038,037 (plus applicable sales tax); and
- B. Approve a contingency in the amount of \$203,804 (10%).

**AYES:** Brad Avery, Ryan Gallagher, Christine Marick, Jordan Nefulda, Andrew Nguyen, Robbie Pitts, David Shawver, Chad Wanke, John Withers, Ted Bui (Alternate) and Gracey Van Der Mark (Alternate)

**NOES:** None

**ABSENT:** Rose Espinoza and Farrah Khan

**ABSTENTIONS:** None

*Director Farrah N. Khan arrived at the meeting at 5:05 p.m.*

**4. MID-YEAR FINANCIAL REPORT FOR THE PERIOD ENDED [2024-3452](#)  
DECEMBER 31, 2023**

**Originator:** Wally Ritchie

Mr. Ritchie introduced the item and Finance and Procurement Manager Ruth Zintzun who provided a PowerPoint presentation regarding the mid-year financial report. The presentation included an overview of the budget cycle, revenue sources, the operating budget, the capital improvement program, outstanding debt, and next steps.

MOVED, SECONDED, AND DULY CARRIED TO: Recommend to the Board of Directors to:

Receive and file the Orange County Sanitation District Mid-Year Financial Report for the period ended December 31, 2023.

**AYES:** Brad Avery, Ryan Gallagher, Farrah Khan, Christine Marick, Jordan Nefulda, Andrew Nguyen, Robbie Pitts, David Shawver, Chad Wanke, John Withers, Ted Bui (Alternate) and Gracey Van Der Mark (Alternate)

**NOES:** None

**ABSENT:** Rose Espinoza

**ABSTENTIONS:** None

**INFORMATION ITEMS:**

**5. PROGRESSIVE DESIGN-BUILD DELIVERY**

[2024-3467](#)

**Originator:** Mike Dorman

Director of Engineering Mike Dorman provided a PowerPoint presentation regarding progressive design-build delivery which included an overview of construction delivery methods and design-bid-build versus progressive design-build. The presentation also included an overview of Project No. J-137 Outfall Rehab and Project No. J-133 Lab Replacement and the next steps to be taken.

ITEM RECEIVED AS AN:

Information Item.

**6. CLASSIFICATION AND COMPENSATION COMPARISON AGENCIES**

[2024-3468](#)

**Originator:** Laura Maravilla

Director of Human Resources Laura Maravilla provided a PowerPoint presentation regarding OC San comparison agencies which included an overview of classification and compensation definitions, contractual obligations, the purpose of the studies, comparison agencies, and next steps.

ITEM RECEIVED AS AN:

Information Item.

**DEPARTMENT HEAD REPORTS:**

None.

**CLOSED SESSION:**

None.

**OTHER BUSINESS AND COMMUNICATIONS OR SUPPLEMENTAL AGENDA ITEMS, IF ANY:**

None.

**BOARD OF DIRECTORS INITIATED ITEMS FOR A FUTURE MEETING:**

None.

**ADJOURNMENT:**

Chair Marick declared the meeting adjourned at 5:42 p.m. to the next Regular Administration Committee meeting to be held on Wednesday, March 13, 2024 at 5:00 p.m.

Submitted by:

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Jackie Castro, CMC  
Assistant Clerk of the Board





# ADMINISTRATION COMMITTEE

Administration Building  
10844 Ellis Avenue  
Fountain Valley, CA 92708  
(714) 593-7433

## Agenda Report

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**File #:** 2024-3423

**Agenda Date:** 3/13/2024

**Agenda Item No:** 2.

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**FROM:** Robert Thompson, General Manager  
Originator: Wally Ritchie, Director of Finance

**SUBJECT:**

### WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2024A

#### GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

- A. Adopt Resolution No. OC SAN 24-XX entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District authorizing the execution and delivery by the District of an Installment Purchase Agreement, a Trust Agreement, a Continuing Disclosure Agreement and an Escrow Agreement in connection with the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A, authorizing the execution and delivery of such Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$157,605,000, approving a Notice of Intention to Sell, authorizing the distribution of an Official Notice Inviting Bids and an Official Statement in connection with the offering and sale of such Revenue Obligations and authorizing the execution of necessary documents and related actions"; and
- B. That the Orange County Sanitation District Financing Corporation approve the documents supporting and authorizing the Revenue Obligations in an aggregate amount not to exceed \$157,605,000.

#### BACKGROUND

In August 2014, the Orange County Sanitation District (OC San) issued \$85,090,000 of fixed rate Wastewater Refunding Revenue Obligations, Series 2014A (2014A Revenue Obligations) to refund outstanding debt. \$30,095,000 of the remaining outstanding 2014A Revenue Obligations are callable as of February 1, 2024.

In February 2015, OC San issued \$127,510,000 of fixed rate Wastewater Refunding Revenue Obligations, Series 2015A (2015A Revenue Obligations) to refund outstanding debt. All \$127,510,000 of the remaining outstanding 2015A Revenue Obligations are callable on August 1, 2024.

On July 26, 2023, the Board of Directors authorized the General Manager to pursue fixed rate refundings of the 2014A Revenue Obligations and 2015A Revenue Obligations. OC San considered a standalone refunding of the 2014A Revenue Obligations in the fall of 2023; however, due to

unfavorable market conditions at the time, the refunding was postponed. Since the fall of 2023, interest rates have fallen by approximately 1.00% which would allow OC San to generate attractive savings from a refunding of the 2014A Revenue Obligations, and also the 2015A Revenue Obligations. Approval of the recommended actions and the associated documents will enable staff to complete the refunding.

## **RELEVANT STANDARDS**

- Comply with OC San Debt Policy - Financial Management and Procedure 201-3-1; Net present value savings are at least three (3) percent of the par amount of the refunded bonds from refunding outstanding bonds

## **PROBLEM**

The interest rates payable on the 2014A Revenue Obligations and 2015A Revenue Obligations are higher than current market yields.

## **PROPOSED SOLUTION**

The issuance of up to \$157,605,000 of Wastewater Refunding Revenue Obligations, Series 2024A would allow OC San to refund up to all of the outstanding 2014A Revenue Obligations and 2015A Revenue Obligations using a refunding amortization structured with the objective of providing level annual debt service savings (in years with principal maturing) and to generate net present value debt service savings of approximately \$24.6 million (equal to 15.6% of refunded principal), based on market conditions as of February 26, 2024.

## **TIMING CONCERNS**

OC San can optionally early redeem the 2014A Revenue Obligations as of February 1, 2024 and the 2015A Revenue Obligations starting on August 1, 2024. If the 2014A Revenue Obligations or 2015A Revenue Obligations remain outstanding past the earliest optional redemption dates, OC San would pay interest costs above current market yields.

## **RAMIFICATIONS OF NOT TAKING ACTION**

Not refunding the 2014A Revenue Obligations or the 2015A Revenue Obligations would result in OC San continuing to pay above market interest costs.

## **PRIOR COMMITTEE/BOARD ACTIONS**

July 2023 - The Board of Directors authorized the General Manager to issue new fixed rate Certificates of Participation, to be referred to as Wastewater Refunding Revenue Obligations, in an amount sufficient to refund up to \$39,180,000 of Wastewater Refunding Revenue Obligations, Series 2014A and the Board of Directors authorized the General Manager to issue new fixed rate Certificates of Participation, to be referred to as Wastewater Refunding Revenue Obligations, in an amount sufficient to refund up to \$127,510,000 of Wastewater Refunding Revenue Obligations, Series 2015A.

December 2014 - Adopted Resolution No. OCSD 14-19 entitled, "A Resolution of the Board of Directors of the Orange County Sanitation District authorizing the execution and delivery by the District of an Installment Purchase Agreement, a Trust Agreement, an Escrow Agreement and a Continuing Disclosure Agreement in connection with the execution and delivery of Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2015A, authorizing the execution and delivery of such Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$150,000,000, approving a Notice of Intention to Sell, authorizing the distribution of an Official Notice Inviting Bids and an Official Statement in connection with the offering and sale of such Revenue Obligations and authorizing the execution of necessary documents and related actions;" and that the Orange County Sanitation District Financing Corporation approved the documents supporting and authorizing the Revenue Obligations in an aggregate amount not to exceed \$150,000,000.

June 2014 - Adopted Resolution No. OCSD 14-08, authorizing the execution and delivery by the District of an Installment Purchase Agreement, a Trust Agreement, an Escrow Agreement and a Continuing Disclosure Agreement in connection with the execution and delivery of Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2014A, authorizing the execution and delivery of such Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$225,000,000, approving a Notice of Intention to Sell, authorizing the distribution of an Official Notice Inviting Bids and an Official Statement in connection with the offering and sale of such Revenue Obligations and authorizing the execution of necessary documents and related actions, and that the Orange County Sanitation District Financing Corporation approved the documents supporting and authorizing the Revenue Obligations in an aggregate amount not to exceed \$225,000,000.

### **ADDITIONAL INFORMATION**

Since this is a fixed-rate debt issuance, staff is proposing to issue the refunding through a competitive sale because it is the most expeditious way to access the market and it is expected to provide the lowest costs for this given structure. All costs involved with the refunding, including costs for Public Resources Advisory Group (Municipal Advisor) and Norton Rose Fulbright US LLP (Special Counsel and Disclosure Counsel), will be paid from the proceeds of the new refunding issue.

For the anticipated issuance of 2024A Revenue Obligations, OC San's Municipal Advisor, Public Resources Advisory Group, estimates, based on market conditions as of February 26, 2024, and subject to changing market conditions which may result in the figures being higher or lower, the following:

- a) true interest cost of 2.596%;
- b) sum of all fees and charges paid to third parties of \$771,861;
- c) net proceeds of \$159,472,627; and
- d) total payments of \$188,903,933

### **Legal Authorization and Approvals**

The OC San Board of Directors and Financing Corporation will each be required to adopt separate Resolutions to complete this refunding. A Financing Corporation is required by the structure of the Revenue Obligations and was formed in April 2000 solely to satisfy this need. The Board of Directors

of the Corporation are the same as the Board of Directors of OC San, and the Corporation meets after an adjournment of the OC San Board meeting.

Following is a list of the remaining steps to be completed for the issuance of the Wastewater Refunding Revenue Obligations, Series 2024A debt issuance:

**March 2024:**

- Board approval of legal and disclosure documents
- Financing Corporation approval of legal and disclosure documents
- Receive ratings from bond rating agencies

**April 2024:**

- Marketing and sale through a competitive sale process

**May 2024:**

- Closing
- Begin debt administration

**CEQA**

N/A

**FINANCIAL CONSIDERATIONS**

N/A

**ATTACHMENT**

*The following attachment(s) may be viewed on-line at the OC San website ([www.ocsan.gov](http://www.ocsan.gov)) with the complete agenda package:*

- Proposed Resolution No. OC SAN 24-XX
- Proposed Financing Corporation Resolution No. FC-30
- Draft Installment Purchase Agreement
- Draft Trust Agreement
- Draft Escrow Agreement (Series 2014A)
- Draft Escrow Agreement (Series 2015A)
- Draft Notice of Intention to Sell
- Draft Official Notice Inviting Bids
- Draft Preliminary Official Statement
- Draft Continuing Disclosure Agreement

RESOLUTION NO. OC SAN 24-\_\_

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ORANGE COUNTY SANITATION DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND AN ESCROW AGREEMENT IN CONNECTION WITH THE ORANGE COUNTY SANITATION DISTRICT WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2024A, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH REVENUE OBLIGATIONS EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$157,605,000, APPROVING A NOTICE OF INTENTION TO SELL, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL NOTICE INVITING BIDS AND AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH REVENUE OBLIGATIONS AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS

WHEREAS, to refinance the acquisition, construction and installation of certain improvements to its wastewater system (the “2014A Prior Project”), the Orange County Sanitation District (the “District”) has heretofore purchased the 2014A Prior Project from the Orange County Sanitation District Financing Corporation (the “Corporation”), and the Corporation has heretofore sold the 2014A Prior Project to the District, for the installment payments (the “2014A Prior Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of August 1, 2014 (the “2014A Installment Purchase Agreement”), by and between the District and the Corporation;

WHEREAS, to provide the funds necessary to refinance the 2014A Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2014A (the “2014A Obligations”), evidencing direct, undivided fractional interests in the 2014A Prior Installment Payments;

WHEREAS, to refinance the acquisition, construction and installation of certain improvements to its wastewater system (the “2015A Prior Project” and, together with the 2014A Prior Project, the “Prior Projects”), the District has heretofore purchased the 2015A Prior Project from the Corporation, and the Corporation has heretofore sold the 2015A Prior Project to the District, for the installment payments (the “2015A Prior Installment Payments” and, together with the 2014A Prior Installment Payments, the “Prior Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of February 1, 2015 (the “2015A Installment Purchase Agreement”);

WHEREAS, to provide the funds necessary to refinance the 2015A Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2015A (the “2015A Obligations” and, together with the

2014A Obligations, the “Prior Obligations”), evidencing direct, undivided fractional interests in the 2015A Prior Installment Payments;

WHEREAS, the District desires to refinance [all or a portion of] the Prior Projects by paying or prepaying all [or a portion] of the remaining Prior Installment Payments, and the interest thereon to the date of payment or prepayment, thereby causing all of the remaining Prior Obligations to be paid or prepaid;

WHEREAS, to provide the funds necessary to pay or prepay [a portion of] the remaining Prior Installment Payments, the District and the Corporation desire that the Corporation purchase the Prior Projects from the District and the District sell the Prior Projects to the Corporation, and that the District then purchase the Prior Projects from the Corporation and the Corporation sell the Prior Projects to the District, for the installment payments (the “Installment Payments”) to be made by the District pursuant to an Installment Purchase Agreement by and between the District and the Corporation (such Installment Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Installment Purchase Agreement”);

WHEREAS, the Corporation intends to assign without recourse certain of its rights under and pursuant to the Installment Purchase Agreement to U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), pursuant to a Trust Agreement by and among the Trustee, the Corporation and the District (such Trust Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Trust Agreement”);

WHEREAS, in consideration of such assignment and the execution and delivery of the Trust Agreement, the Trustee intends to execute and deliver the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”), evidencing direct, undivided fractional interests in the Installment Payments, and the interest thereon;

WHEREAS, the District desires to provide for the public sale of the Revenue Obligations;

WHEREAS, a form of the Notice of Intention to Sell to be published in connection with the public offering and sale of the Revenue Obligations has been prepared (such Notice of Intention to Sell, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Notice of Intention to Sell”);

WHEREAS, a form of the Official Notice Inviting Bids to be distributed in connection with the public offering and sale of the Revenue Obligations has been prepared (such Official Notice Inviting Bids, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Notice Inviting Bids”);

WHEREAS, a form of the Preliminary Official Statement to be distributed in connection with the public offering of the Revenue Obligations has been prepared (such Preliminary Official

Statement in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Preliminary Official Statement”);

WHEREAS, Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), requires that the underwriter thereof must have reasonably determined that the District has undertaken in a written agreement or contract for the benefit of the holders of the Revenue Obligations to provide disclosure of certain financial information and certain material events on an ongoing basis;

WHEREAS, to cause such requirement to be satisfied, the District desires to enter into a Continuing Disclosure Agreement with Digital Assurance Certification, LLC (such Continuing Disclosure Agreement in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Continuing Disclosure Agreement”);

WHEREAS, to cause the Prior Obligations to be paid or prepaid, the District desires to enter into separate Escrow Agreements with U.S. Bank Trust Company, National Association, as escrow agent (such Escrow Agreements, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Escrow Agreements”);

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (a) the Installment Purchase Agreement;
- (b) the Trust Agreement;
- (c) the Notice of Intention to Sell;
- (d) the Notice Inviting Bids;
- (e) the Preliminary Official Statement;
- (f) the Continuing Disclosure Agreement; and
- (g) the Escrow Agreements.

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, the Board of Directors of the District DOES HEREBY RESOLVE, DETERMINE AND ORDER:

**Section 1.** All of the recitals herein contained are true and correct and the Board of Directors of the District (the “Board”) so finds.

**Section 2.** The Installment Purchase Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. The Chairperson of the Board, and such other members of the Board as the Chairperson may designate, the General Manager of the District, the Assistant General Manager of the District, the Director of Finance of the District, and such other officers of the District as the General Manager, the Assistant General Manager or the Director of Finance may designate (the “Authorized Officers”), are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Installment Purchase Agreement in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Installment Purchase Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in an aggregate principal amount of Installment Payments in excess of \$157,605,000, shall not result in a true interest cost for the Installment Payments in excess of 4.0% and shall not result in a final Installment Payment later than February 1, 2037.

**Section 3.** The Trust Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Trust Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Trust Agreement by such Authorized Officer.

**Section 4.** The execution and delivery of Revenue Obligations evidencing principal in an aggregate amount not to exceed \$157,605,000, payable in the years and in the amounts, and evidencing principal of and interest on the Installment Payments as specified in the Trust Agreement as finally executed, are hereby authorized and approved.

**Section 5.** The payment or prepayment of all or a portion of the remaining principal components of the Prior Installment Payments, and the interest components thereof to the dates of payment or prepayment, and the Prior Obligations, evidencing interests therein, as determined by any Authorized Officer, is hereby authorized and approved.

**Section 6.** The form of Notice of Intention to Sell, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Notice of Intention to Sell in connection with the offering and sale of the Revenue Obligations is hereby approved. The Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the District, to cause the Notice of Intention to Sell to be published once in *The Bond Buyer* (or in such other financial publication generally circulated throughout the State of California or reasonably expected to be disseminated among prospective bidders for the Revenue Obligations as an Authorized Officer shall approve as being in the best interests of the District) at least five days prior to the date set for the opening



of bids in the Notice Inviting Bids, with such changes, insertions and omissions therein as an Authorized Officer may require or approve, such requirement or approval to be conclusively evidenced by such publishing of the Notice of Intention to Sell.

**Section 7.** The Notice Inviting Bids, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, be and the same is hereby approved, and the use of the Notice Inviting Bids in connection with the offering and sale of the Revenue Obligations is hereby authorized and approved. The terms and conditions of the offering and sale of the Revenue Obligations shall be as specified in the Notice Inviting Bids. Bids for the purchase of the Revenue Obligations shall be received at the time and place set forth in the Notice Inviting Bids. The Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the District, to accept the bid for the Revenue Obligations with the lowest true interest cost, or to reject all bids therefor, in accordance with the terms of the Notice Inviting Bids.

**Section 8.** The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Revenue Obligations is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the District that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain information permitted by Rule 15c2-12 to be omitted). The Authorized Officers are each hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the Revenue Obligations a reasonable number of copies of the Preliminary Official Statement.

**Section 9.** The preparation and delivery of a final Official Statement (the “Official Statement”), and its use in connection with the offering and sale of the Revenue Obligations, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are, and each of them is, hereby authorized and directed to execute the final Official Statement and any amendment or supplement thereto, for and in the name of the District.

**Section 10.** The Continuing Disclosure Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Continuing Disclosure Agreement in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Continuing Disclosure Agreement by such Authorized Officer.

**Section 11.** The Escrow Agreements, in substantially the forms submitted to this meeting and made a part hereof as though set forth in full herein, with such changes, insertions

and omissions therein as may be approved by an Authorized Officer, are hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Escrow Agreements in the forms submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Escrow Agreements by such Authorized Officer.

**Section 12.** The Authorized Officers are, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the execution and delivery of the Revenue Obligations and the transactions contemplated by the notices, agreements and documents referenced in this Resolution.

**Section 13.** All actions heretofore taken by the officers and employees of the District with respect to the execution, delivery and sale of the Revenue Obligations, or in connection with or related to any of the agreements or documents referenced in this Resolution, are hereby approved, confirmed and ratified.

**Section 14.** This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Orange County Sanitation District held on March 27, 2024.

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Chad P. Wanke  
Board Chairperson

ATTEST:

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Kelly A. Lore, MMC  
Clerk of the Board

APPROVED AS TO FORM:

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Bradley R. Hogin  
General Counsel

STATE OF CALIFORNIA )  
 ) ss  
COUNTY OF ORANGE )

I, Kelly A. Lore, Clerk of the Board of Directors of the Orange County Sanitation District, do hereby certify that the foregoing Resolution No. OC SAN 24-\_\_ was passed and adopted at a regular meeting of said Board on the 27th day of March, 2024, by the following vote, to wit:

**AYES:**

**NOES:**

**ABSTENTIONS:**

**ABSENT:**

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of Orange County Sanitation District this 27th day of March, 2024.

---

Kelly A. Lore, MMC  
Clerk of the Board of Directors  
Orange County Sanitation District

RESOLUTION NO. FC-\_\_

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ORANGE COUNTY SANITATION DISTRICT FINANCING CORPORATION AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION OF AN INSTALLMENT PURCHASE AGREEMENT AND A TRUST AGREEMENT IN CONNECTION WITH THE ORANGE COUNTY SANITATION DISTRICT WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2024A, AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH REVENUE OBLIGATIONS EVIDENCING PRINCIPAL IN AN AGGREGATE AMOUNT OF NOT TO EXCEED \$157,605,000 AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS

WHEREAS, to refinance the acquisition, construction and installation of certain improvements to its wastewater system (the “2014A Prior Project”), the Orange County Sanitation District (the “District”) has heretofore purchased the 2014A Prior Project from the Orange County Sanitation District Financing Corporation (the “Corporation”), and the Corporation has heretofore sold the 2014A Prior Project to the District, for the installment payments (the “2014A Prior Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of August 1, 2014 (the “2014A Installment Purchase Agreement”), by and between the District and the Corporation;

WHEREAS, to provide the funds necessary to refinance the 2014A Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2014A (the “2014A Obligations”), evidencing direct, undivided fractional interests in the 2014A Prior Installment Payments;

WHEREAS, to refinance the acquisition, construction and installation of certain improvements to its wastewater system (the “2015A Prior Project” and, together with the 2014A Prior Project, the “Prior Projects”), the District has heretofore purchased the 2015A Prior Project from the Corporation, and the Corporation has heretofore sold the 2015A Prior Project to the District, for the installment payments (the “2015A Prior Installment Payments” and, together with the 2014A Prior Installment Payments, the “Prior Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of February 1, 2015 (the “2015A Installment Purchase Agreement”);

WHEREAS, to provide the funds necessary to refinance the 2015A Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2015A (the “2015A Obligations” and, together with the 2014A Obligations, the “Prior Obligations”), evidencing direct, undivided fractional interests in the 2015A Prior Installment Payments;

WHEREAS, the District desires to refinance [all or a portion of] the Prior Projects by paying or prepaying all [or a portion] of the remaining Prior Installment Payments, and the

interest thereon to the date of payment or prepayment, thereby causing all of the remaining Prior Obligations to be paid or prepaid;

WHEREAS, to provide the funds necessary to pay or prepay [a portion of] the remaining Prior Installment Payments, the District and the Corporation desire that the Corporation purchase the Prior Projects from the District and the District sell the Prior Projects to the Corporation, and that the District then purchase the Prior Projects from the Corporation and the Corporation sell the Prior Projects to the District, for the installment payments (the "Installment Payments") to be made by the District pursuant to an Installment Purchase Agreement by and between the District and the Corporation (such Installment Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Installment Purchase Agreement");

WHEREAS, the Corporation intends to assign without recourse certain of its rights under and pursuant to the Installment Purchase Agreement to U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), pursuant to a Trust Agreement by and among the Trustee, the Corporation and the District (such Trust Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Trust Agreement");

WHEREAS, in consideration of such assignment and the execution and delivery of the Trust Agreement, the Trustee intends to execute and deliver the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the "Revenue Obligations"), evidencing direct, undivided fractional interests in the Installment Payments, and the interest thereon;

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (a) the Installment Purchase Agreement; and
- (b) the Trust Agreement;

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the actions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Corporation is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such actions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, the Board of Directors of the Corporation DOES HEREBY RESOLVE, DETERMINE AND ORDER:

**Section 1.** All of the recitals herein contained are true and correct and the Board of Directors of the Corporation (the "Board") so finds.

**Section 2.** The Installment Purchase Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby

approved. The President of the Corporation, the Vice-President of the Corporation, the Treasurer of the Corporation and the Secretary of the Corporation, and such other officers of the Corporation as the President may designate (the “Authorized Officers”) are, and each of them is, hereby authorized and directed, for and in the name of the Corporation, to execute and deliver the Installment Purchase Agreement in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Installment Purchase Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in an aggregate principal amount of Installment Payments in excess of \$157,605,000, shall not result in a true interest cost for the Installment Payments in excess of 4.0% and shall not result in a final Installment Payment later than February 1, 2037.

**Section 3.** The Trust Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the Corporation, to execute and deliver the Trust Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Trust Agreement by such Authorized Officer.

**Section 4.** The execution and delivery of Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$157,605,000, payable in the years and in the amounts, and evidencing direct, undivided fractional interests in the Installment Payments, and the interest thereon, as specified in the Trust Agreement as finally executed, are hereby authorized and approved.

**Section 5.** The officers and agents of the Corporation are, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the execution and delivery of the Revenue Obligations and the transactions contemplated by the agreements or documents referenced in this Resolution.

**Section 6.** All actions heretofore taken by the officers and agents of the Corporation with respect to the execution, delivery and sale of the Revenue Obligations, or in connection with or related to any of the agreements or documents referenced in this Resolution, are hereby approved, confirmed and ratified.

**Section 7.** This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a meeting of the Orange County Sanitation District Financing Corporation held on March 27, 2024.

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Chad P. Wanke  
President  
Orange County Sanitation District Financing Corporation

ATTEST:

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Kelly A. Lore, MMC  
Secretary  
Orange County Sanitation District Financing Corporation

APPROVED AS TO FORM:

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Bradley R. Hogin  
General Counsel  
Orange County Sanitation District Financing Corporation

STATE OF CALIFORNIA    )  
  )        ss  
COUNTY OF ORANGE    )

I, Kelly A. Lore, Secretary of the Board of Directors of the Orange County Sanitation District Financing Corporation, do hereby certify that the foregoing Resolution No. FC-\_\_ was passed and adopted at a regular meeting of said Board on the 27th day of March, 2024, by the following vote, to wit:

- AYES:**
- NOES:**
- ABSTENTIONS:**
- ABSENT:**

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of Orange County Sanitation District Financing Corporation this 27th day of March, 2024.

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Kelly A. Lore, MMC  
Secretary  
Orange County Sanitation District Financing Corporation



INSTALLMENT PURCHASE AGREEMENT

by and between

ORANGE COUNTY SANITATION DISTRICT

and

ORANGE COUNTY SANITATION DISTRICT  
FINANCING CORPORATION

Dated as of May 1, 2024

Relating to

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

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## **INSTALLMENT PURCHASE AGREEMENT**

**THIS INSTALLMENT PURCHASE AGREEMENT** (this “Installment Purchase Agreement”), dated as of May 1, 2024, is by and between the ORANGE COUNTY SANITATION DISTRICT, a county sanitation district organized and existing under the laws of the State of California (the “District”), and the ORANGE COUNTY SANITATION DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”).

### **WITNESSETH:**

**WHEREAS**, to refinance the acquisition, construction and installation of certain improvements to its wastewater system (the “2014A Prior Project”), the District has heretofore purchased the 2014A Prior Project from the Corporation, and the Corporation has heretofore sold the 2014A Prior Project to the District, for the installment payments (the “2014A Prior Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of August 1, 2014, by and between the District and the Corporation;

**WHEREAS**, to provide the funds necessary to refinance the 2014A Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2014A (the “2014A Prior Obligations”), evidencing direct, undivided fractional interests in the 2014A Prior Installment Payments;

**WHEREAS**, the District has determined to further refinance the 2014A Prior Project by prepaying [a portion of] the principal components of the 2014A Prior Installment Payments (the “2014A Refunded Installment Payments”), and the interest components thereof to the date of prepayment, thereby causing to be prepaid the outstanding 2014A Prior Obligations in the aggregate principal amount of \$[30,095,000] (the “2014A Refunded Obligations”);

**WHEREAS**, to refinance the acquisition, construction and installation of certain improvements to its wastewater system (the “2015A Prior Project” and, together with the 2014A Prior Project, the “Prior Projects”), the District has heretofore purchased the 2015A Prior Project from the Corporation, and the Corporation has heretofore sold the 2015A Prior Project to the District, for the installment payments (the “2015A Prior Installment Payments” and, together with the 2014A Prior Installment Payment, the “Prior Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of February 1, 2015, by and between the District and the Corporation;

**WHEREAS**, to provide the funds necessary to refinance the 2015A Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2015A (the “2015A Prior Obligations” and, together with the 2014A Prior Obligations, the “Prior Obligations”), evidencing direct, undivided fractional interests in the Prior Installment Payments;

**WHEREAS**, the District has determined to further refinance the 2015A Prior Project by prepaying the principal components of the 2015A Prior Installment Payments (the “2015A

Refunded Installment Payments” and, together with the 2014A Refunded Installment Payments, the “Refunded Installment Payments”), and the interest components thereof to the date of prepayment, thereby causing to be prepaid the outstanding 2015A Prior Obligations in the aggregate principal amount of \$[127,510,000] (the “2015A Refunded Obligations” and, together with the 2014A Refunded Obligations, the “Refunded Obligations”);

**WHEREAS**, to provide the funds necessary to prepay the Refunded Installment Payments, the District and the Corporation desire that the Corporation purchase the Project from the District and the District sell the Project to the Corporation, and that the District then purchase the Project from the Corporation and the Corporation sell the Project to the District, for the installment payments (the “Installment Payments”) to be made by the District pursuant to this Installment Purchase Agreement;

**WHEREAS**, pursuant to the Master Agreement for District Obligations, dated as of August 1, 2000, by and between the District and the Corporation, the District has established and declared the conditions and terms upon which obligations such as this Installment Purchase Agreement, and the Installment Payments, and the interest thereon, are to be incurred and secured;

**WHEREAS**, the Corporation proposes to assign without recourse certain of its rights under and pursuant to this Installment Purchase Agreement to U.S. Bank Trust Company, National Association, as trustee (the “Trustee”);

**WHEREAS**, in consideration of such assignment and the execution and delivery of the Trust Agreement, dated as of the date hereof, by and among the Trustee, the Corporation and the District, the Trustee has agreed to execute and deliver the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”), evidencing direct, undivided fractional interests in the Installment Payments, and the interest thereon, payable hereunder;

**WHEREAS**, a portion of the proceeds of the Revenue Obligations will be used to prepay the Refunded Installment Payments; and

**WHEREAS**, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement;

**NOW, THEREFORE**, in consideration of the covenants and provisions herein set forth and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.01. Definitions.** Except as provided in Section 1.02 hereof or unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

**“Business Day”** means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city in which the Principal Office is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

**“Closing Date”** means May [7], 2024.

**“Corporation”** means the Orange County Sanitation District Financing Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State, and any successor thereto.

**“District”** means the Orange County Sanitation District, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“Event of Default”** means an event described in Section 6.01 hereof.

**“Installment Payments”** means the Installment Payments required to be made by the District pursuant to Section 3.02 hereof.

**“Installment Payment Dates”** means each February 1, commencing February 1, [2025].

**“Installment Purchase Agreement”** means this Installment Purchase Agreement, dated as of May 1, 2024, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

**“Interest Payment Date”** means February 1 and August 1 of each year, commencing August 1, 2024.

**“Master Agreement”** means the Master Agreement for District Obligations, dated as of August 1, 2000, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

**“Person”** means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**“Principal Office”** means the Trustee’s principal corporate trust office in Los Angeles, California.

“**Project**” means the improvements to the Wastewater System, as described in Exhibit A hereto.

“**Revenue Obligations**” means the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A, executed and delivered by the Trustee, which are certificates of participation, evidencing direct, undivided fractional interests in the Installment Payments, and the interest thereon, executed and delivered under and pursuant to the Trust Agreement.

“**Trust Agreement**” means the Trust Agreement, dated as of May 1, 2024, by and among the Trustee, the Corporation and the District, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“**Trustee**” means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, or any other bank or trust company which may at any time be substituted in its place as Trustee as provided in the Trust Agreement.

**Section 1.02. Definitions in Master Agreement and Trust Agreement.** Except as otherwise herein defined and unless the context otherwise requires, the terms defined in the Master Agreement or the Trust Agreement shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein have the meanings defined therein, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. With respect to any defined term which is given a different meaning under this Installment Purchase Agreement than under the Master Agreement or the Trust Agreement, as used herein it shall have the meaning given herein.

## ARTICLE II

### **PURCHASE OF PROJECT BY, AND SALE THEREOF TO, THE CORPORATION; PAYMENT OF PURCHASE PRICE**

**Section 2.01. Acquisition of the Project.** The District represents and warrants that it is the sole and exclusive owner of the Project. The Corporation hereby purchases from the District, and the District hereby sells to the Corporation, a portion of the Project equal to \$ \_\_\_\_\_ as described in Exhibit A hereto in accordance with the provisions of this Installment Purchase Agreement. All right, title and interest in and to such portion of the Project shall immediately vest in the Corporation on the Closing Date without further action on the part of the Corporation or the District.

**Section 2.02. Payment of Purchase Price.** On the Closing Date, the Corporation shall pay to the District, as the purchase price of the applicable portion of the Project specified in Section 2.01, the amount of \$ \_\_\_\_\_, which amount shall be paid from the proceeds of the Revenue Obligations.

## ARTICLE III

### **PURCHASE OF PROJECT BY, AND SALE THEREOF TO, THE DISTRICT; INSTALLMENT PAYMENTS**

**Section 3.01. Purchase and Sale of Project.** The District hereby purchases from the Corporation, and the Corporation hereby sells to the District, the Project in accordance with the provisions of this Installment Purchase Agreement. All right, title and interest in and to the Project shall immediately vest in the District on the Closing Date without further action on the part of the District or the Corporation.



**Section 3.02. Installment Payments.** The District shall, subject to any rights of prepayment provided in Article IV hereof, pay to the Corporation, solely from Net Revenues and from no other sources, the purchase price of the Project in Installment Payments, with interest thereon, as provided herein. The Installment Payments and the interest thereon shall be payable on the Business Day immediately preceding each of the Installment Payment Dates in the amounts and at the interest rates per annum set forth in the following schedule:

Payment Date	Installment Payment	Interest on Installment Payment	Total	Interest Rate
8/1/2024	\$	\$	\$	%
2/1/2025				
8/1/2025				
2/1/2026				
8/1/2026				
2/1/2027				
8/1/2027				
2/1/2028				
8/1/2028				
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8/1/2034				
2/1/2035				
8/1/2035				
2/1/2036				
8/1/2036				
2/1/2037				
<hr/>				
Total				

The Installment Payments shall accrue interest from the Closing Date, at the rates set forth above, payable on the Interest Payment Dates in each year. Such interest shall accrue on the basis of a 360-day year consisting of twelve 30-day months. Each Installment Payment, and each payment of interest thereon, shall be deposited with the Trustee, as assignee of the Corporation, no later than the Business Day next preceding the Installment Payment Date or Interest Payment Date on which such Installment Payment or payment of interest is due, in lawful money of the United States of America, in immediately available funds. If and to the extent that, on any such date, there are amounts on deposit in the Installment Payment Fund established under the Trust Agreement, or in any of the accounts therein, which amounts are not being held for the payment

of specific Revenue Obligations, such amounts shall be credited against the Installment Payment, or payment of interest thereon, as applicable, due on such date.

**Section 3.03. Reserved.**

**Section 3.04. Obligation Absolute.** 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 this Article, 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 Article IV), the District shall not discontinue or suspend any Installment Payments, or payments of interest thereon, or other payments required to be made by it hereunder 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 by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

**Section 3.05. Nature of Agreement.** This Installment Purchase Agreement constitutes a Senior Obligation and, as such, shall be subject to the provisions of the Master Agreement and shall be afforded all of the advantages, benefits, interests and security afforded Senior Obligations pursuant to the Master Agreement.

## ARTICLE IV

### PREPAYMENT OF INSTALLMENT PAYMENTS

**Section 4.01. Prepayment of Installment Payments.** (a) The Installment Payments shall be subject to prepayment prior to their respective Installment Payment Dates as provided in Article IV of the Trust Agreement.

(b) The District may prepay, from any source of available funds, all or any portion of the Installment Payments by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in Article X of the Trust Agreement sufficient to pay such Installment Payments, and the interest thereon, when due or to pay such Installment Payments, and the interest thereon, through a specified date on which the District has a right to prepay such Installment Payments pursuant to subsection (a) of this Section, and to prepay such Installment Payments on such prepayment date, at a prepayment price determined in accordance with subsection (a) of this Section.

(c) If less than all of the Installment Payments are prepaid then, as of the date of such prepayment pursuant to subsection (a) of this Section, or the date of a deposit pursuant to subsection (b) of this Section, the schedule of Installment Payments shall be recalculated to take such prepayment into account.

**Section 4.02. Notice.** The District shall give written notice to the Trustee specifying the date on which the prepayment will be made prior to making any prepayment pursuant to this

Article, which date shall be not less than 25 nor more than 60 days from the date such notice is given to the Trustee, unless such time period shall be waived by the Trustee.

**Section 4.03. Discharge of Obligations.** If all Installment Payments, and the interest thereon, shall be paid as and when due in accordance with the terms hereof, or prepaid in accordance with Section 4.01 hereof, and if all Revenue Obligations shall be fully paid, or provision therefor made in accordance with Article X of the Trust Agreement, and the Trust Agreement shall be discharged by its terms, then all agreements, covenants and other obligations of the District hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

## ARTICLE V

### COVENANTS

**Section 5.01. Compliance with Master Agreement.** The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Agreement required to be observed and performed by it and will not cause, suffer or permit any default to occur thereunder.

**Section 5.02. Compliance with Installment Purchase Agreement.** The District will punctually pay the Installment Payments, and interest thereon, and other payments required to be made by it hereunder in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, will not cause, suffer or permit any default to occur hereunder and will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Corporation to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Corporation or any *force majeure*, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

**Section 5.03. Protection of Security and Rights.** The District will preserve and protect the security hereof and the rights of the Trustee, as assignee of the Corporation, to the Installment Payments, and interest thereon, and other payments required to be made by the District hereunder and will warrant and defend such rights against all claims and demands of all Persons.

**Section 5.04. Indemnification of Corporation.** To the extent permitted by law, the District hereby agrees to indemnify and hold the Corporation and its members and officers harmless against any and all liabilities which might arise out of or are related to the Project, this Installment Purchase Agreement or the Revenue Obligations, and the District further agrees to

defend the Corporation and its members and officers in any action arising out of or related to the Project, this Installment Purchase Agreement or the Revenue Obligations.

**Section 5.05. Further Assurances.** The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Corporation, or unto the Trustee, as assignee of the Corporation, the rights and benefits provided herein to the Corporation, or to the Trustee, as assignee of the Corporation.

## ARTICLE VI

### EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

**Section 6.01. Events of Default.** The following shall be Events of Default under this Installment Purchase Agreement, and “Event of Default” shall mean any one or more of the following events:

(a) if default shall be made by the District in the due and punctual payment of or on account of any Senior Obligation as the same shall become due and payable;

(b) if default shall be made by the District in the performance of any of the agreements or covenants required herein, in the Trust Agreement or in the Master Agreement to be performed by it (other than as specified in (a) above), and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Corporation or the Trustee; provided, however, that the party or parties giving such notice may agree in writing to a reasonable extension of such period prior to the expiration of such 30 day period and, provided further, that if the District shall proceed to take curative action which, if begun and prosecuted with due diligence, cannot be completed within such a period of 30 days, then such period shall be increased without such written extension to such extent as shall be necessary to enable the District to diligently complete such curative action and such default shall not become an Event of Default for so long as shall be necessary to diligently complete such curative action; or

(c) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

**Section 6.02. Remedies on Default.** Upon the occurrence of an Event of Default, the Trustee, as assignee of the Corporation, shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District and to compel the District to perform and carry out its duties under applicable law and the agreements and covenants required to be performed herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee, as assignee of the Corporation;

(c) by suit in equity to require the District to account as the trustee of an express trust; and to have a receiver or receivers appointed for the Wastewater System and of the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

**Section 6.03. Non-Waiver.** Nothing in this Article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments, and the interest thereon, to the Trustee, as assignee of the Corporation, at the respective due dates from the Net Revenues and the other funds herein committed for such payment, or shall affect or impair the right of the Trustee, as assignee of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Trustee, as assignee of the Corporation, shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee, as assignee of the Corporation, to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee, as assignee of the Corporation, by applicable law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee, as assignee of the Corporation.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Trustee, as assignee of the Corporation, the District and the Trustee, as assignee of the Corporation, shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

**Section 6.04. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee, as assignee of the Corporation, is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

## ARTICLE VII

### AMENDMENTS

**Section 7.01. Amendments.** (a) This Installment Purchase Agreement and the rights and obligations of the District, the Corporation and the Trustee, as assignee of the Corporation, may be amended or modified from time to time and at any time by a written amendment hereto executed by the District, the Corporation and the Trustee, as assignee of the Corporation, with the written consent of the Owners of a majority of the aggregate principal evidenced by Revenue Obligations then Outstanding. No such amendment shall (i) extend the payment date of any Installment

Payment or reduce the amount of any Installment Payment, or the interest rate applicable thereto, without the prior written consent of the Owner of each affected Revenue Obligation, or (ii) reduce the percentage of Owners of the Revenue Obligations whose consent is required to effect any such amendment or modification, without the prior written consent of the Owners of all Revenue Obligations then Outstanding.

(b) This Installment Purchase Agreement and the rights and obligations of the District, the Corporation and the Trustee, as assignee of the Corporation, may be amended or modified from time to time and at any time by a written amendment hereto executed by the District, the Corporation and the Trustee, as assignee of the Corporation, without the written consents of any Owners of the Revenue Obligations, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the District, the Corporation or the Trustee, as assignee of the Corporation, to be observed or performed herein other agreements, conditions, covenants and terms thereafter to be observed or performed by the District, the Corporation or the Trustee, as assignee of the Corporation, or to surrender any right or power reserved herein to or conferred herein on the District, the Corporation or the Trustee, as assignee of the Corporation;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the District, the Corporation or the Trustee, as assignee of the Corporation, may deem desirable or necessary and not inconsistent herewith;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest on the Installment Payment; and

(iv) to make such other changes herein or modifications hereto as the District, the Corporation or the Trustee, as assignee of the Corporation, may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners of the Revenue Obligations.

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.01. Liability of District Limited.** Notwithstanding anything contained herein to the contrary, the District shall not be required to advance any moneys derived from any source of income other than Net Revenues and the other funds provided herein for the payment of the Installment Payments, and the interest thereon, and other payments required to be made by it hereunder, or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, but in no event shall be obligated to, advance

moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to pay the Installment Payments, and the interest thereon, and other payments required to be made by it hereunder is a special obligation of the District payable, in the manner provided herein, solely from Net Revenues and other funds provided for herein, 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 hereunder.

**Section 8.02. Limitation of Rights.** Nothing in this Installment Purchase Agreement expressed or implied is intended or shall be construed to give to any Person other than the District, the Corporation and the Trustee, as assignee of the Corporation, any legal or equitable right, remedy or claim under or in respect of this Installment Purchase Agreement or any covenant, condition or provision therein or herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Corporation and the Trustee, as assignee of the Corporation.

**Section 8.03. Assignment.** The District and the Corporation hereby acknowledge the transfer, conveyance and assignment by the Corporation to the Trustee of all of the Corporation's rights, title and interest in and to this Installment Purchase Agreement (excepting its rights to indemnification hereunder), including the right to receive Installment Payments, and the interest thereon, from the District, pursuant to the Trust Agreement.

**Section 8.04. Notices.** Any written notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication to be given hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the District:           Orange County Sanitation District  
  10844 Ellis Avenue  
  Fountain Valley, California 92708  
  Attention: Director of Finance

If to the Corporation: Orange County Sanitation District Financing Corporation  
  c/o Orange County Sanitation District  
  10844 Ellis Avenue  
  Fountain Valley, California 92708  
  Attention: Treasurer

If to the Trustee:           U.S. Bank Trust Company, National Association  
  633 West Fifth Street, 24th Floor  
  Los Angeles, California 90071  
  Attention: Global Corporate Trust Services

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, whether by facsimile or telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

**Section 8.05. Successor Is Deemed Included in all References to Predecessor.**

Whenever the District or the Corporation is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Corporation, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Corporation shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 8.06. Waiver of Personal Liability.** No official, officer or employee of the District shall be individually or personally liable for the payment of the Installment Payments, or the interest thereon, or other payments required to be made by the District hereunder, but nothing contained herein shall relieve any official, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

**Section 8.07. Article and Section Headings, Gender and References.** The headings or titles of the several Articles and Sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subsections or clauses are to the corresponding articles, sections, subsections or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Installment Purchase Agreement as a whole and not to any particular Article, Section, subdivision or clause hereof.

**Section 8.08. Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Corporation shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants and portions thereof and shall in no way affect the validity hereof.

**Section 8.09. Governing Law.** This Installment Purchase Agreement shall be construed and governed and construed in accordance with the laws of the State.

**Section 8.10. Execution in Counterparts.** This Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]



**IN WITNESS WHEREOF**, the parties hereto have executed this Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

**ORANGE COUNTY SANITATION DISTRICT**

By: \_\_\_\_\_  
Board Chairperson

(S E A L)

Attest:

By: \_\_\_\_\_  
Clerk of the Board of Directors

**ORANGE COUNTY SANITATION  
DISTRICT FINANCING CORPORATION**

By: \_\_\_\_\_  
Treasurer

## EXHIBIT A

### DESCRIPTION OF PROJECT

The Project is consists of the acquisition, construction and installation of certain improvements to the Wastewater System, including the acquisition, construction and installation of improvements to the District's collection system, two wastewater treatment plants, and Ocean Outfall systems, including the following Project components:

Magnolia Trunk Sewer	Trickling Filters at Plant 2
Ellis Avenue Pump Station	Sludge Digester at Plant 1
Rocky Point Pump Station	Sludge Dewatering at Plant 1 and 2
Bitter Point Pump Station	Rehabilitation of Solids Storage
Bitter Point Force Main Rehabilitation	Silos C & D at Plant 2
Euclid Relief Improvements - Headworks at Plant 2	Digester Rehabilitation at Plant 2
Primary Treatment System Rehabilitation at Plant 2	Cable Tray Improvements at Plant 1 and 2
New Secondary Treatment System at Plant 1	Rehabilitation of Odor Control Facilities

A portion of the Project in the amount of \$\_\_\_\_\_ shall be sold and purchased as described in Article II of this Installment Purchase Agreement.

TRUST AGREEMENT

by and among

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,  
as Trustee,

ORANGE COUNTY SANITATION DISTRICT  
FINANCING CORPORATION

and

ORANGE COUNTY SANITATION DISTRICT

Dated as of May 1, 2024

Relating to

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

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## TRUST AGREEMENT

**THIS TRUST AGREEMENT** (this “Trust Agreement”), dated as of May 1, 2024, is made by and among U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”), the ORANGE COUNTY SANITATION DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”), and the ORANGE COUNTY SANITATION DISTRICT, a county sanitation district organized and existing under the laws of the State of California (the “District”).

### WITNESSETH:

**WHEREAS**, to refinance the acquisition, construction and installation of certain improvements to its wastewater system (the “2014A Prior Project”), the District has heretofore purchased the 2014A Prior Project from the Corporation, and the Corporation has heretofore sold the 2014A Prior Project to the District, for the installment payments (the “2014A Prior Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of August 1, 2014 (the “2014A Installment Purchase Agreement”), by and between the District and the Corporation;

**WHEREAS**, to provide the funds necessary to refinance the 2014A Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2014A (the “2014A Obligations”), evidencing direct, undivided fractional interests in the 2014A Prior Installment Payments;

**WHEREAS**, the District has determined to further refinance the 2014A Prior Project by paying or prepaying [a portion of] the remaining principal components of the 2014A Installment Payments (the “Refunded 2014A Installment Payments”), and the interest components thereof to the date of prepayment, thereby causing to be prepaid all of the outstanding 2014A Obligations in the aggregate principal amount of \$[30,095,000] (the “2014A Refunded Obligations”);

**WHEREAS**, to refinance the acquisition, construction and installation of certain improvements to its wastewater system (the “2015A Prior Project” and, together with the 2014A Prior Project, the “Prior Projects”), the District has heretofore purchased the 2015A Prior Project from the Corporation, and the Corporation has heretofore sold the 2015A Prior Project to the District, for the installment payments (the “2015A Prior Installment Payments”) made by the District pursuant to the Installment Purchase Agreement, dated as of February 1, 2015 (the “2015A Installment Purchase Agreement”);

**WHEREAS**, to provide the funds necessary to refinance the 2015A Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2015A (the “2015A Obligations” and, together with the 2014A Obligations, the “Prior Obligations”), evidencing direct, undivided fractional interests in the 2015A Prior Installment Payments;

**WHEREAS**, the District has determined to further refinance the 2015A Prior Project by paying or prepaying [a portion of] the remaining principal components of the 2015A Installment Payments (the “Refunded 2015 Installment Payments” and, together with the Refunded 2014A Installment Payments, the “Refunded Installment Payments”), and the interest components thereof to the date of prepayment, thereby causing to be prepaid all of the outstanding 2015A Obligations in the aggregate principal amount of \$[127,510,000] (the “2015A Refunded Obligations” and, together with the Refunded 2014A Obligations, the “Refunded Obligations”);

**WHEREAS**, to provide the funds necessary to pay or prepay the Refunded Installment Payments, the District and the Corporation desire that the Corporation purchase the Project (as defined herein) from the District and the District sell the Project to the Corporation, and that the District then purchase the Project from the Corporation and the Corporation sell the Projects to the District, for the installment payments (the “Installment Payments”) to be made by the District pursuant to the Installment Purchase Agreement, dated the date hereof (the “Installment Purchase Agreement”);

**WHEREAS**, the Corporation proposes to assign without recourse certain of its rights under and pursuant to the Installment Purchase Agreement to the Trustee;

**WHEREAS**, in consideration of such assignment and the execution and delivery of this Trust Agreement, the Trustee has agreed to execute and deliver Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”), which are certificates of participation, evidencing direct, undivided fractional interests in the Installment Purchase Agreement and the related Installment Payments, and the interest thereon;

**WHEREAS**, a portion of the proceeds of the Revenue Obligations will be used to prepay the Refunded Installment Payments; and

**WHEREAS**, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and deliver this Trust Agreement;

**NOW, THEREFORE**, in consideration of the promises and of the mutual agreements and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

## **ARTICLE I**

### **DEFINITIONS; EQUAL SECURITY**

**Section 1.01. Definitions.** Except as provided in Section 1.02 hereof or unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Revenue Obligations and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:



**“2014A Escrow Agreement”** means the Escrow Agreement, dated as of May 1, 2024, between the Escrow Agent and the District, related to the 2014A Refunded Obligations.

**“2014A Escrow Fund”** means the escrow fund established under the 2014A Escrow Agreement and held by the Escrow Agent.

**“2014A Refunded Obligations”** has the meaning ascribed thereto in the recitals hereto.

**“2014A Trust Agreement”** means the Trust Agreement, dated as of August 1, 2014, by and among the U.S. Bank Trust Company, National Association, as successor trustee, the Corporation and the District, as amended and supplemented, pursuant to which the 2014A Obligations were executed and delivered.

**“2014A Trustee”** means U.S. Bank Trust Company, National Association, as successor trustee under the 2014A Trust Agreement.

**“2015A Escrow Agreement”** means the Escrow Agreement, dated as of May 1, 2024, between the Escrow Agent and the District, related to the 2015A Refunded Obligations.

**“2015A Escrow Fund”** means the escrow fund established under the 2015A Escrow Agreement and held by the Escrow Agent.

**“2015A Refunded Obligations”** has the meaning ascribed thereto in the recitals hereto.

**“2015A Trust Agreement”** means the Trust Agreement, dated as of February 1, 2015, by and among the U.S. Bank Trust Company, National Association, as successor trustee, the Corporation and the District, as amended and supplemented, pursuant to which the 2015A Obligations were executed and delivered.

**“2015A Trustee”** means U.S. Bank Trust Company, National Association, as successor trustee under the 2015A Trust Agreement.

**“Authorized Corporation Representative”** means the President, the Vice President, the Treasurer and the Secretary of the Corporation, and any other Person authorized by the President of the Corporation to act on behalf of the Corporation under or with respect to this Trust Agreement.

**“Authorized Denominations”** means \$5,000 and integral multiples thereof.

**“Authorized District Representative”** means the General Manager of the District, the Assistant General Manager of the District, the Director of Finance of the District, and any other Person authorized by the General Manager of the District, the Assistant General Manager of the District or the Director of Finance of the District to act on behalf of the District under or with respect to this Trust Agreement.

**“Beneficial Owners”** means those individuals, partnerships, corporations or other entities for which the Participants have caused the Depository to hold Book-Entry Certificates.

**“Book-Entry Certificates”** means the Revenue Obligations registered in the name of the nominee of DTC, or any successor securities depository for the Revenue Obligations, as the Owner thereof pursuant to the terms and provisions of Section 2.10 hereof.

**“Business Day”** means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city in which the Principal Office is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

**“Cede & Co.”** means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Revenue Obligations.

**“Certificate Year”** means each twelve-month period beginning on February 2 in each year and extending to the next succeeding February 1, both dates inclusive.

**“Closing Date”** means May [7], 2024.

**“Code”** means the Internal Revenue Code of 1986.

**“Continuing Disclosure Agreement”** means the Continuing Disclosure Agreement, dated as of the Closing Date, by and between the District and Digital Assurance Certification L.L.C., as originally executed and as it may from time to time be amended in accordance with the terms thereof.

**“Corporation”** means the Orange County Sanitation District Financing Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State, and any successor thereto.

**“Costs of Issuance”** means all the costs of executing and delivering the Revenue Obligations, including, but not limited to, all printing and document preparation expenses in connection with this Trust Agreement, the Installment Purchase Agreement, the Revenue Obligations and any preliminary official statement and final official statement pertaining to the Revenue Obligations, fees of a municipal advisor, rating agency fees, market study fees, legal fees and expenses of counsel with respect to the execution and delivery of the Revenue Obligations, the initial fees and expenses of the Trustee and its counsel and other fees and expenses incurred in connection with the execution and delivery of the Revenue Obligations, to the extent such fees and expenses are approved by the District.

**“Costs of Issuance Fund”** means the fund by that name established in accordance with Section 3.03 hereof.

**“Depository”** means the securities depository acting as Depository pursuant to Section 2.10 hereof.

**“District”** means the Orange County Sanitation District, a county sanitation district organized and existing under the laws of the State, and any successor thereto.

**“DTC”** means The Depository Trust Company, New York, New York and its successors.

**“Event of Default”** shall have the meaning set forth in Section 6.01 of the Installment Purchase Agreement.

**“Escrow Agent”** means U.S. Bank Trust Company, National Association and its successor or assign.

**“Escrow Agreements”** means the 2014A Escrow Agreement and the 2015A Escrow Agreement.

**“Escrow Funds”** means the 2014A Escrow Fund and the 2015A Escrow Fund.

**“Fitch”** means Fitch Ratings, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

**“Government Obligations”** means any of the following which are noncallable by the issuer thereof except to the extent not permitted by the laws of the State as an investment for the moneys to be invested therein at the time of investment:

(i) (a) direct general obligations of the United States of America, (b) obligations the payment of the principal of and interest on which are unconditionally guaranteed as to the full and timely payment by the United States of America, or (c) any fund or other pooling arrangement whose assets consist exclusively of the obligations listed in clause (a) or (b) of this clause (i) and which is rated at least “P-1” by Moody’s; provided that, such obligations shall not include unit investment trusts or mutual fund obligations;

(ii) advance refunded tax-exempt obligations that (a) are rated by Moody’s and S&P, (b) are secured by obligations specified in clause (i), (c) are tax-exempt because they are secured by obligations specified in clause (i), and (d) have the same ratings as the obligations specified in clause (i);

(iii) bonds, debentures or notes issued by any of the following federal agencies: Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation or Fannie Mae; provided, that such bonds, debentures or notes shall be the senior obligations of such agencies (including participation certificates) and have the same ratings by Moody’s and S&P as the obligations specified in clause (i); and

(iv) bonds, debentures or notes issued by any Federal agency hereafter created by an act of Congress, the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America as to the full and timely payment; provided, that, such obligations shall not include unit investment trusts or mutual fund obligations.

**“Installment Payment Fund”** means the fund by that name established in accordance with Section 5.02 hereof.

**“Installment Payments”** means the Installment Payments required to be made by the District pursuant to Section 3.02 of the Installment Purchase Agreement.

**“Installment Purchase Agreement”** means the Installment Purchase Agreement, dated as of the date hereof, by and between the District and the Corporation, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

**“Interest Account”** means the account by that name within the Installment Payment Fund established in accordance with Section 5.02 hereof.

**“Interest Payment Date”** means February 1 and August 1 of each year, commencing August 1, 2024.

**“Letter of Representations”** means the letter of the District delivered to and accepted by the Depository on or prior to the delivery of the Revenue Obligations as Book-Entry Certificates setting forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

**“Master Agreement”** means the Master Agreement for District Obligations, dated as of August 1, 2000, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

**“Moody’s”** means Moody’s Investors Service, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

**“Nominee”** means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

**“Opinion of Counsel”** means a written opinion of Norton Rose Fulbright US LLP or any other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

**“Outstanding,”** when used as of any particular time with reference to Revenue Obligations, means (subject to the provisions of Section 9.02 hereof) all Revenue Obligations except (a) Revenue Obligations previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Revenue Obligations paid or deemed to have been paid within the meaning of Section 10.01 hereof, and (c) Revenue Obligations in lieu of or in substitution for which other Revenue Obligations shall have been executed and delivered by the Trustee pursuant to Section 2.09 hereof.

**“Owner”** means any Person who shall be the registered owner of any Outstanding Revenue Obligation as indicated in the registration books of the Trustee required to be maintained pursuant to Section 2.07 hereof.

**“Participants”** means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Certificates as securities depository.

**“Participating Underwriter”** has the meaning ascribed thereto in the Continuing Disclosure Agreement.

**“Permitted Investments”** means any of the following, except to the extent not permitted by the laws of the State as an investment for the moneys to be invested therein at the time of investment:

- (1) Government Obligations;
- (2) Bonds, debentures, notes, participation certificates or other evidences of indebtedness issued, or the principal of and interest on which are unconditionally guaranteed, by the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Government National Mortgage Association or any other agency or instrumentality of or corporation wholly owned by the United States of America when such obligations are backed by the full faith and credit of the United States for the full and timely payment of principal and interest;
- (3) Obligations of any state of the United States or any political subdivision thereof, which at the time of investment are rated “Aa3” or higher by Moody’s or “AA-” or higher by S&P or Fitch; or which are rated “VMIG 1” or better by Moody’s, “A-1” or better by S&P, or “F1” or better by Fitch with respect to commercial paper, or “VMIG 1,” “SP-1” or “F1,” respectively, with respect to municipal notes;
- (4) Unsecured certificates of deposit, time deposits and bankers' acceptance (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated on the date of purchase “A-1+” or better by S&P, “F1” or better by Fitch and “P-1” by Moody’s and/or certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase “A-1” or better by S&P, “F1” or better by Fitch or “P-1” by Moody’s and investment in any interest bearing deposits/interest bearing money market deposit account, time deposit account, including such accounts with the Trustee;
- (5) Repurchase agreements with any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation (including the Trustee), with subsidiaries (of a parent company), provided the obligations of the subsidiary under the agreement are unconditionally guaranteed by the parent, or with any government bond dealer recognized as a primary dealer by the Federal Reserve Bank of New York, which agreements are fully and continuously secured by a valid and perfected first priority security interest in obligations described in paragraph (1) or (2) of this definition, provided that either such bank, trust company or national banking association which (or senior debt

or claims paying ability of the financial entity's guarantor) is rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies;

(6) Repurchase agreements with maturities of not more than one year entered into with financial institutions such as banks or trust companies organized under state law or national banks or banking associations (including the Trustee), insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Securities Investor Protection Corporation or with a dealer or parent holding company that is rated, at the time of investment, or whose long-term debt obligations (or senior debt or claims paying ability of the financial entity's guarantor) are rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies; provided, that such repurchase agreements are in writing, secured by obligations described in paragraphs (1) and (2) of this definition having a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements and in which the Trustee has a perfected first lien in, and retains possession of, such obligations free from all third party claims;

(7) Investment agreements, forward purchase agreements and reserve fund put agreements with any corporation, including banking or financial institutions, or agreements entered into with subsidiaries (of a parent company), provided the obligations of the subsidiary under the agreement are unconditionally guaranteed by the parent, the corporate debt of which (or senior debt or claims paying ability of the financial entity's guarantor) is rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies;

(8) Guaranteed investment contracts or similar funding agreements issued by insurance companies, provided that either the long term corporate debt of such insurance company, at the time of investment, is rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies or which agreements are fully and continuously secured by a valid and perfected first priority security interest in obligations described in paragraph (1) or (2) of this definition, or that the following conditions are met: (a) the market value of the collateral is maintained at levels acceptable to Moody's and S&P or Fitch, (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral, (c) the Trustee has a perfected first priority security interest in the collateral, (d) the collateral is free and clear of third-party liens, and (e) failure to maintain the requisite collateral level will require the Trustee to liquidate collateral;

(9) Corporate commercial paper which are rated at least "P-1," "A-1" or "F1" by any two Rating Agencies at the time of investment;

(10) Taxable government money market portfolios which are rated at least "AAm" or "AAm-G" or "Aaa-mf" or "AAmmf" by any two Rating Agencies (including funds for which the Trustee or an affiliate provides investment advice or similar services); and

(11) Deposits with the Local Agency Investment Fund of the State, as may otherwise be permitted by law.

**“Person”** means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**“Prepayment Account”** means the account by that name within the Installment Payment Fund established in accordance with Section 5.02 hereof.

**“Principal Account”** means the account by that name within the Installment Payment Fund established in accordance with Section 5.02 hereof.

**“Principal Office”** means the Trustee’s principal corporate trust office in Los Angeles, California.

**“Principal Payment Date”** means a date on which an Installment Payment evidenced by the Revenue Obligations becomes due and payable.

**“Prior Obligations”** has the meaning ascribed thereto in the recitals hereto.

**“Prior Trust Agreements”** means the 2014A Trust Agreement and the 2015A Trust Agreement.

**“Prior Trustee”** means the 2014 A Trustee and 2015A Trustee.

**“Project”** has the meaning ascribed thereto in the Installment Purchase Agreement.

**“Rating Agency”** means Fitch, Moody’s or S&P.

**“Record Date”** means, with respect to the interest payable on any Interest Payment Date, the 15th day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

**“Refunded Obligations”** has the meaning ascribed thereto in the recitals hereto.

**“Revenue Obligations”** means the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A, executed and delivered by the Trustee pursuant hereto, which are certificates of participation, evidencing direct, undivided fractional interests in the Installment Purchase Agreement and the related Installment Payments, and the interest thereon.

**“S&P”** means S&P Global Ratings, an S&P Global Inc. business, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

**“State”** means the State of California.

**“Trust Agreement”** means this Trust Agreement, dated as of May 1, 2024, by and among the Trustee, the Corporation and the District, as originally executed and delivered and as it may from time to time be amended or supplemented in accordance with the provisions hereof.

“Trustee” means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, or any other bank or trust company which may at any time be substituted in its place as provided in Section 8.02 hereof.

“Written Certificate” and “Written Request” mean (a) with respect to the Corporation, a written certificate or written request, respectively, signed in the name of the Corporation by an Authorized Corporation Representative, and (b) with respect to the District, a written certificate or written request, respectively, signed in the name of the District by an Authorized District Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**Section 1.02. Definitions in Installment Purchase Agreement.** Except as otherwise herein defined and unless the context otherwise requires, the terms defined in the Installment Purchase Agreement shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein have the meanings defined therein, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. With respect to any defined term which is given a different meaning under this Trust Agreement than under the Installment Purchase Agreement, as used herein it shall have the meaning given herein.

**Section 1.03. Equal Security.** In consideration of the acceptance of the Revenue Obligations by the Owners, this Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal evidenced by the Revenue Obligations which may be executed and delivered hereunder, subject to each of the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any Revenue Obligations over any other Revenue Obligations by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### TERMS AND CONDITIONS OF REVENUE OBLIGATIONS

**Section 2.01. Preparation and Delivery of Revenue Obligations.** The Trustee is hereby authorized, upon the Written Request of the District, to execute and deliver the Revenue Obligations in the aggregate principal amount of \$\_\_\_\_\_ evidencing the aggregate principal amount of the Installment Payments and each evidencing a direct, fractional undivided interest in the Installment Payments, and the interest thereon. The Installment Payments evidenced by each Revenue Obligation shall constitute the principal evidenced thereby and the interest on such Installment Payments shall constitute the interest evidenced thereby. The Revenue Obligations shall be numbered, with or without prefixes, as directed by the Trustee.



**Section 2.02. Denomination, Medium and Dating of Revenue Obligations.** The Revenue Obligations shall be designated “Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A” and shall be prepared in the form of fully registered Revenue Obligations, without coupons, in Authorized Denominations and shall be payable in lawful money of the United States of America.

The Revenue Obligations shall be dated as of the Closing Date. 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, 2024, in which case such Revenue Obligation shall represent interest from the Closing Date. 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.

**Section 2.03. Payment Dates of Revenue Obligations; Interest Computation.**  
 (a) *Method and Place of Payment.* The principal evidenced by the Revenue Obligations shall become due and payable, subject to prior prepayment, on February 1 of the years, in the amounts, and shall evidence interest accruing at the rates per annum set forth below:

<u>Principal Payment Date (February 1)</u>	<u>Principal Component</u>	<u>Interest Rate</u>
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		

Except as otherwise provided in the Letter of Representations, payments of interest evidenced by the Revenue Obligations shall be made to the Owners thereof (as determined at the close of business on the Record Date next preceding the related Interest Payment Date) by check or draft of the Trustee mailed to the address of each such Owner as it appears on the registration books maintained by the Trustee pursuant to Section 2.07 hereof, or to such other address as may be furnished in writing to the Trustee by each such Owner. Except as otherwise provided in the Letter of Representations, payment of principal and prepayment premium, if any, evidenced by the Revenue Obligations, on their stated Principal Payment Dates or on prepayment in whole or in

part prior thereto, shall be made only upon presentation and surrender of the Revenue Obligations at the Principal Office.

(b) *Computation of Interest.* The interest evidenced by the Revenue Obligations shall be payable on each Interest Payment Date to and including their respective Principal Payment Dates or prepayment prior thereto, 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. Interest evidenced by the Revenue Obligations shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

**Section 2.04. Form of Revenue Obligations.** The Revenue Obligations shall be in substantially the form of Exhibit A hereto, with necessary or appropriate insertions, omissions and variations as permitted or required hereby.

**Section 2.05. Execution of Revenue Obligations and Replacement Revenue Obligations.** The Revenue Obligations shall be executed by the Trustee by the manual signature of an authorized signatory of the Trustee. The Trustee shall deliver replacement Revenue Obligations in the manner and as contemplated by this Article. Such replacement Revenue Obligations shall be executed as herein provided and shall be in Authorized Denominations.

**Section 2.06. Transfer and Payment, Exchange or Cancellation of Revenue Obligations.** Each Revenue Obligation is transferable by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Office, on the registration books maintained by the Trustee pursuant to the provisions of Section 2.07 hereof, upon surrender of such Revenue Obligation 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 the principal or interest evidenced by 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 Obligation shall be surrendered for transfer, the Trustee shall execute and deliver a new Revenue Obligation or Revenue Obligations evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Each Revenue Obligation may be exchanged at the Principal Office for Revenue Obligations evidencing principal in a like aggregate principal amount having the same stated Principal Payment Date in such Authorized Denominations as the Owner thereof may request. 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. Whenever in this Trust Agreement provision is made for the cancellation by the Trustee of any Bonds, the Trustee shall destroy such Bonds and deliver a certificate of such destruction to the District.

**Section 2.07. Revenue Obligation Registration Books.** The Trustee shall keep at its Principal Office sufficient books for the registration and transfer of the Revenue Obligations, which books shall be available for inspection and copying by the District at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Revenue Obligations on such books as hereinabove provided.

**Section 2.08. Temporary Revenue Obligations.** The Revenue Obligations may be initially delivered in temporary form exchangeable for definitive Revenue Obligations when ready for delivery, which temporary Revenue Obligations shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Revenue Obligation shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Revenue Obligations. If the Trustee executes and delivers temporary Revenue Obligations, it shall prepare and execute definitive Revenue Obligations without delay, and thereupon the temporary Revenue Obligations may be surrendered at the Principal Office in exchange for such definitive Revenue Obligations, and until so exchanged such temporary Revenue Obligations shall be entitled to the same benefits hereunder as definitive Revenue Obligations executed and delivered hereunder.

**Section 2.09. Revenue Obligations Mutilated, Lost, Destroyed or Stolen.** If any Revenue Obligation shall become mutilated, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Revenue Obligation evidencing a like principal amount and having the same stated Principal Payment Date and number in exchange and substitution for the Revenue Obligation so mutilated, but only upon surrender to the Trustee of the Revenue Obligation so mutilated. Every mutilated Revenue Obligation so surrendered to the Trustee shall be canceled by it. If any Revenue Obligation shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Revenue Obligation evidencing a like principal amount and having the same stated Principal Payment Date, numbered as the Trustee shall determine, in lieu of and in substitution for the Revenue Obligation so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Revenue Obligation executed and delivered by it under this Section and of the expenses which may be incurred by it under this Section. Any Revenue Obligation executed and delivered under the provisions of this Section in lieu of any Revenue Obligation alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Revenue Obligations executed and delivered hereunder, and the Trustee shall not be required to treat both the original Revenue Obligation and any replacement Revenue Obligation as being Outstanding for the purpose of determining the amount of Revenue Obligations which may be executed and delivered hereunder or for the purpose of determining any percentage of Revenue Obligations Outstanding hereunder, but both the original and replacement Revenue Obligation shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of executing and delivering a new Revenue Obligation for a Revenue Obligation which has been lost, destroyed or stolen and which evidences principal that is then payable, the Trustee may make payment of such Revenue Obligation to the Owner thereof if so instructed by the District.

**Section 2.10. Book-Entry System.** (a) The Revenue Obligations shall be initially executed and delivered as Book-Entry Certificates, and the Revenue Obligations for each stated Principal Payment Date shall be in the form of a separate single fully registered Revenue Obligation (which may be typewritten). Upon initial execution and delivery, the ownership of each Revenue Obligation shall be registered in the registration books maintained by the Trustee in the name of the Nominee, as nominee of the Depository. Payment of principal or interest evidenced by any Book-Entry Certificate registered in the name of the Nominee shall be made on the applicable Interest Payment Date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the Record Date, shown for the Nominee in the registration books maintained by the Trustee.

(b) With respect to Book-Entry Certificates, the District, the Corporation and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in such Book-Entry Certificates. Without limiting the immediately preceding sentence, the District, the Corporation and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in Book-Entry Certificates, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books maintained by the Trustee, of any notice with respect to Book-Entry Certificates, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Certificates to be prepaid in the event Revenue Obligations are prepaid in part, (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books maintained by the Trustee, of any amount with respect to principal, premium, if any, or interest evidenced by Book-Entry Certificates, or (v) any consent given or other action taken by the Depository as Owner.

(c) The District, the Corporation and the Trustee may treat and consider the Person in whose name each Book-Entry Certificate is registered in the registration books maintained by the Trustee as the absolute Owner of such Book-Entry Certificate for the purpose of payment of principal, prepayment premium, if any, and interest evidenced by such Revenue Obligation, for the purpose of selecting any Revenue Obligations, or portions thereof, to be prepaid, for the purpose of giving notices of prepayment and other matters with respect to such Revenue Obligation, for the purpose of registering transfers with respect to such Revenue Obligation, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the District, the Corporation and the Trustee shall not be affected by any notice to the contrary.

(d) Reserved.

(e) The Trustee shall pay all principal, premium, if any, and interest evidenced by the Revenue Obligations to the respective Owner, as shown in the registration books maintained by the Trustee, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal, premium, if any, and interest evidenced by the Revenue Obligations to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books maintained by the Trustee, shall receive a Revenue Obligation evidencing principal, premium, if

any, and interest evidenced by the Revenue Obligations. Upon delivery by the Depository to the Owners, the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Trust Agreement shall refer to such nominee of the Depository.

(f) To qualify the Book-Entry Certificates for the Depository's book-entry system, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Corporation, the District or the Trustee any obligation whatsoever with respect to Persons having interests in such Book-Entry Certificates other than the Owners, as shown on the registration books maintained by the Trustee. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the District, the District, the Corporation and the Trustee shall take such other actions, not inconsistent with this Trust Agreement, as are reasonably necessary to qualify Book-Entry Certificates for the Depository's book-entry program.

(g) If the District determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Revenue Obligations and that such Revenue Obligations should therefore be made available and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Revenue Obligations. In such event, the Trustee shall transfer and exchange certificated Revenue Obligations as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Certificates, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the District shall discontinue the Book-Entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Revenue Obligation for each stated Principal Payment Date of such Book-Entry Certificates, 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 the Depository, then the Revenue Obligations shall no longer be restricted to being registered in the registration books maintained by the Trustee in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Revenue Obligations shall designate, in accordance with the provisions of Sections 2.06 and 2.09 hereof. Whenever the Depository requests the District to do so, the District will cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Certificates to any Participant having Book-Entry Certificates credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Certificates.

(h) Notwithstanding any other provision of this Trust Agreement to the contrary, if DTC is the sole Owner of the Revenue Obligations, so long as any Book-Entry Certificate is registered in the name of the Nominee, all payments of principal, premium, if any, and interest evidenced by such Revenue Obligation and all notices with respect to such Revenue Obligation shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(i) In connection with any notice or other communication to be provided to Owners pursuant to the Trust Agreement by the District, the Corporation or the Trustee, with respect to any consent or other action to be taken by Owners, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to the Depository shall be given only when DTC is the sole Owner of the Revenue Obligations.

### ARTICLE III

#### PROCEEDS OF REVENUE OBLIGATIONS

**Section 3.01. Delivery of Revenue Obligations.** The Trustee is hereby authorized to execute the Revenue Obligations and deliver the Revenue Obligations to the original purchaser thereof upon receipt of a Written Request of the District and upon receipt of the net proceeds of sale thereof.

**Section 3.02. Deposit of Proceeds of Revenue Obligations.** The net proceeds received by the Trustee from the sale of the Revenue Obligations in the amount of \$\_\_\_\_\_ (which amount includes the security deposit for the Revenue Obligations in the amount of \$\_\_\_\_\_ on deposit with the Trustee) shall be deposited or transferred by the Trustee as follows:

(a) the Trustee shall deposit in the Costs of Issuance Fund the amount of \$\_\_\_\_\_;

(b) the Trustee shall transfer to the Escrow Agent for deposit in the 2014A Escrow Fund established under the 2014A Escrow Agreement the amount of \$\_\_\_\_\_ from the proceeds of the Revenue Obligations, to be applied, together with other available monies released from the 2014A Trust Agreement, to the payment and prepayment of all of the remaining installment payments related to the 2014A Refunded Obligations as provided in the 2014A Escrow Agreement; and

(c) the Trustee shall transfer to the Escrow Agent for deposit in the 2015A Escrow Fund established under the 2015A Escrow Agreement the amount of \$\_\_\_\_\_ from the proceeds of the Revenue Obligations, to be applied, together with other available monies released from the 2015A Trust Agreement, to the payment and prepayment of all of the remaining installment payments related to the 2015A Refunded Obligations as provided in the 2015A Escrow Agreement.

The Trustee may establish a temporary fund or funds to facilitate the foregoing transfers.

**Section 3.03. Costs of Issuance Fund.** The Trustee shall establish and maintain a separate special fund to be held by the Trustee known as the Costs of Issuance Fund. There shall be deposited in the Costs of Issuance Fund on the Closing Date the amount required to be deposited therein pursuant to Section 3.02 hereof. The Trustee shall disburse moneys from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case upon the Written Request of the District stating the Person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. On the date that is six months after the Closing Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance

Fund to the Installment Payment Fund. Upon such transfer, the Costs of Issuance Fund shall be closed.

## ARTICLE IV

### PREPAYMENT OF REVENUE OBLIGATIONS

**Section 4.01. 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.]

**Section 4.02. 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:

<b>Mandatory Sinking Account Payment Dates (February 1)</b>	<b>Mandatory Sinking Account Payments</b>
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\* Maturity.

**Section 4.03. Selection of Revenue Obligations for Optional Prepayment.** Whenever less than all the Outstanding Revenue Obligations are to be prepaid on any one date pursuant to Section 4.01 hereof, 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 Section 4.01 hereof, 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.

**Section 4.04. Notice of Prepayment** When prepayment of Revenue Obligations is authorized pursuant to Section[s 4.01 and] 4.02, 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. With respect to any notice of prepayment of Revenue Obligations pursuant to Section 4.01 hereof, unless at the time such notice is given the Revenue Obligations to be prepaid shall be deemed to have been paid within the meaning of Section 10.01 hereof, such notice shall state that such prepayment is conditional upon receipt by the Trustee, on or prior to the date fixed for such prepayment, of moneys sufficient to pay for the prepayment price of the Revenue Obligations to be prepaid, and that if such moneys shall not have been so received said notice shall be of no force and effect and the District shall not be required to prepay such Revenue Obligations. If a notice of prepayment of Revenue Obligations contains such a condition and such moneys are not so received, the prepayment of Revenue Obligations as described in the conditional notice of prepayment shall not be made and the Trustee shall, within a reasonable time after the date on which such prepayment was to occur, give notice to the persons and in the manner in which the notice of prepayment was given, that such moneys were not so received and that there shall be no prepayment of Revenue Obligations pursuant to such notice of prepayment.

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.

A certificate by the Trustee that notice of prepayment has been given to Owners as herein provided shall be conclusive as against all parties, and no Owner whose Revenue Obligation is called for prepayment may object thereto or object to the cessation of interest evidenced thereby on the fixed prepayment date by any claim or showing that said Owner failed to actually receive such notice of prepayment.

**Section 4.05. Partial Prepayment of Revenue Obligations.** Upon surrender of any Revenue Obligation prepaid in part only, the Trustee shall execute and deliver to the Owner thereof



a new Revenue Obligation or Revenue Obligations evidencing the unrepaid principal with respect to the Revenue Obligation surrendered.

**Section 4.06. 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. All Revenue Obligations prepaid pursuant to the provisions of this Article shall be canceled by the Trustee and shall not be redelivered.

## **ARTICLE V ASSIGNMENT AND PLEDGE; FUNDS AND ACCOUNTS**

**Section 5.01. Assignment and Pledge.** The Corporation hereby transfers, conveys and assigns to the Trustee, for the benefit of the Owners, all of the Corporation's rights, title and interest in and to the Installment Purchase Agreement (excepting its rights to indemnification thereunder), including the right to receive Installment Payments, and the interest thereon, from the District and the right to exercise any remedies provided therein in the event of a default by the District thereunder. The Trustee hereby accepts said transfer, conveyance and assignment, solely in its capacity as Trustee, for the benefit of the Owners, subject to the provisions of this Trust Agreement. All Installment Payments, and the interest thereon, shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee immediately upon the receipt thereof.

To secure the respective rights of the Owners to the payments required to be made thereto as provided herein, the Corporation and the District hereby irrevocably pledge to the Trustee, for the benefit of the Owners, all of their right, title and interest, if any, in and to all amounts on deposit from time to time in the funds and accounts established hereunder. This pledge shall constitute a first lien on the amounts on deposit in such funds and accounts.

**Section 5.02. Installment Payment Fund.** (a) The Trustee shall establish and maintain the Installment Payment Fund until all required Installment Payments, and the interest thereon, are paid in full pursuant to the Installment Purchase Agreement and until the first date upon which the Revenue Obligations are no longer Outstanding. The Trustee shall deposit in the Installment Payment Fund all Installment Payments, and the interest thereon, paid by the District and received by the Trustee. The moneys in the Installment Payment Fund shall be held in trust by the Trustee for the benefit of the Owners and shall be used and disbursed only for the purposes and uses herein authorized.

(b) The Trustee shall transfer the amounts on deposit in the Installment Payment Fund, at the times and in the manner hereinafter provided, to the following respective accounts within

the Installment Payment Fund, each of which the Trustee hereby agrees to establish and maintain (provided the Prepayment Account need not be established in the records of the Trustee until deposit is required to be made to the Prepayment Account) until all required Installment Payments, and the interest thereon, are paid in full pursuant to the Installment Purchase Agreement and until the first date upon which the Revenue Obligations are no longer Outstanding. The moneys in each of such accounts shall be held in trust by the Trustee for the benefit of the Owners and shall be used and disbursed only for the purposes and uses herein authorized.

(i) *Interest Account.* The Trustee, on each Interest Payment Date, shall deposit in the Interest Account that amount of moneys representing the interest on the Installment Payments coming due on such Interest Payment Date. Moneys in the Interest Account shall be used by the Trustee for the purpose of paying the interest evidenced by the Revenue Obligations when due and payable.

(ii) *Principal Account.* The Trustee, on each Principal Payment Date, shall deposit in the Principal Account that amount of moneys representing the Installment Payments coming due on such Principal Payment Date. Moneys in the Principal Account shall be used by the Trustee for the purpose of paying the principal evidenced by the Revenue Obligations when due and payable.

(iii) *Prepayment Account.* The Trustee, on the prepayment date specified in the Written Request of the District filed with the Trustee at the time that any prepaid Installment Payment is paid to the Trustee pursuant to the Installment Purchase Agreement, shall deposit in the Prepayment Account that amount of moneys representing such prepaid Installment Payment, the accrued interest thereon to the prepayment date and any premium payable with respect thereto. The Trustee shall deposit in the Prepayment Account any other amounts made available by the District that the District, pursuant to a Written Request of the District, instructs the Trustee to apply to the prepayment of Revenue Obligations pursuant to Section 4.01 hereof. Moneys in the Prepayment Account shall be used by the Trustee for the purpose of paying the interest, premium, if any, and principal evidenced by the Revenue Obligations to be prepaid pursuant to Section 4.01 hereof.

**Section 5.03. Reserved.**

**Section 5.04. Investment of Moneys.** Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to this Trust Agreement shall be invested by the Trustee solely in Permitted Investments, as directed by the District pursuant to a Written Request of the District at least two (2) Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Trust Agreement. Absent timely written direction from the District, the Trustee shall invest any funds held by it in Permitted Investments described in clause (10) of the definition thereof. Permitted Investments that are registerable securities shall be registered in the name of the Trustee. All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Trust Agreement shall be retained therein.

Permitted Investments acquired as an investment of moneys in any fund or account established under this Trust Agreement shall be credited to such fund or account. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued by the Trustee at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each January 15 and July 15. The Trustee may use securities pricing services available to it in making such valuations, including those within the accounting system used by the Trustee, and conclusively rely on thereon.

The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment. The Trustee shall sell or present for redemption any Permitted Investment whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to this Section. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established hereunder.

The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether or not such affiliate is acting as an agent of the Trustee or for any third Person or dealing as principal for its own account.

**Section 5.05. Brokerage Confirmations.** The Trustee shall furnish the District periodic cash transaction statements which shall include detail for all investment transactions effected by the Trustee or brokers selected by the District. Upon the District's election and request, the Trustee shall provide the District online access to such statements. The District waives the right to receive brokerage confirmations of securities transactions effected by the Trustee as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker

## ARTICLE VI

### COVENANTS

**Section 6.01. Compliance with Trust Agreement.** The Trustee will not execute or deliver any Revenue Obligations in any manner other than in accordance with the provisions hereof, and the Corporation and the District will not suffer or permit any default by them to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by them.

**Section 6.02. Compliance with Installment Purchase Agreement.** The Corporation and the District will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Installment Purchase Agreement against the other party thereto in accordance with its terms.

**Section 6.03. Compliance with Master Agreement.** The Corporation and the District will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Master Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Master Agreement against the other party thereto in accordance with its terms.

**Section 6.04. Observance of Laws and Regulations.** The Corporation and the District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

**Section 6.05. Other Liens.** None of the Trustee, the Corporation or the District shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created hereunder, other than the pledge and lien hereof.

**Section 6.06. Prosecution and Defense of Suits.** The District will defend against every action, suit or other proceeding at any time brought against the Trustee or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the Installment Payments, or the interest thereon, or involving the rights of the Trustee or any Owner hereunder; provided, however, that the Trustee or any Owner at its or his election may appear in and defend any such action, suit or other proceeding.

**Section 6.07. Accounting Records and Statements.** The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, deposit and disbursement of the Installment Payments, and the interest thereon, and such accounting records shall be available for inspection by the Corporation and the District at reasonable hours and under reasonable conditions. The Trustee shall not be obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date. The Trustee will, upon written request, make copies of the foregoing available to any Owner (at the expense of such Owner).

**Section 6.08. Tax Covenants.**

(a) **Special Definitions.** When used in this Section, the following terms shall have the following meanings:

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Computation Period*” means, initially, that period commencing on the date of the execution and delivery of the Revenue Obligations and concluding on the initial Computation Date and, thereafter, each period commencing on the day next following a Computation Date and concluding on the immediately succeeding Computation Date.

“*Gross Proceeds*” of any issue of governmental obligations means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds) of that issue, and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of that issue.

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nonpurpose Investment*” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of an issue are invested and that is not acquired to carry out the governmental purposes of that issue.

“*Opinion of Special Counsel*” means a written opinion of Norton Rose Fulbright US LLP or any other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“*Prior Issue*” shall refer, collectively, to the Prior Obligations (but in the case of any of the foregoing executed and delivered for multiple purposes, only to the portion thereof allocable pursuant to section 1.148-9(h)(4) of the Tax Regulations to other than refunding purposes).

“*Proceeds*,” with respect to an issue of governmental obligations, has the meaning set forth in has the meaning set forth in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds, but not replacement proceeds).

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Special Counsel*” means Norton Rose Fulbright US LLP or any other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

“*Yield*” of (i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations and (ii) in respect of the Revenue Obligations has the meaning set forth in section 1.148-4 of the Tax Regulations.

(a) Exclusion of Interest from Gross Income. The District will take all actions necessary to establish and maintain the exclusion pursuant to section 103(a) of the Code of interest on the Revenue Obligations from the gross income of the owners thereof for federal income tax purposes, and will not use, permit the use of, or omit to use Gross Proceeds of the Revenue Obligations or any other amounts (or any property the acquisition, construction or improvement of which is to be refinanced directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any Revenue Obligation to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Trustee receives an Opinion of Special Counsel to the effect that failure to comply with such covenant will not adversely affect the exclusion pursuant to section 103(a) of the Code of interest on any Revenue

Obligation from the gross income of the owner thereof, the District shall comply with this covenant and each of the specific covenants in this Section.

(b) No Private Use or Private Payments. Except as would not cause any Revenue Obligation to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the District shall at all times prior to the payment and cancellation of the last of the Revenue Obligations to be retired:

(i) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Revenue Obligations and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds or the Gross Proceeds of the Prior Issue in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) does not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Revenue Obligations or of the Prior Issue, or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the jurisdiction of the District or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(c) No Private Loan. Except as would not cause any Revenue Obligation to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the District shall not use of Gross Proceeds of the Revenue Obligations to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan. For purposes of this covenant, the District will treat any transaction constituting a loan of Gross Proceeds of the Prior Issue as resulting in a loan of Gross Proceeds of the Revenue Obligations.

(d) Not to Invest at Higher Yield. Except as would not cause any Revenue Obligation to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the District will not, at any time prior to the final cancellation of the last Revenue Obligation to be retired, directly or indirectly invest Gross Proceeds of the Revenue Obligations in any Investment, if as a result of that investment the yield of any Investment acquired with Gross Proceeds of the Revenue Obligations, whether then held or previously

disposed of, would materially exceed the yield of the Revenue Obligations within the meaning of said section 148.

(e) Not Federally Guaranteed. Except to the extent such action or failure to act would not pursuant to section 149(b) of the Code and the Tax Regulations and rulings thereunder, adversely affect the exclusion pursuant to section 103(a) of interest on the Revenue Obligations from the gross income of the owners thereof for federal income tax purposes, the District will not take or omit to take any action that would cause any Revenue Obligation to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(f) Information Report. The District will timely file any information necessary to the exclusion pursuant to section 103(a) of the Code of interest on the Revenue Obligations required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary of the Treasury may prescribe.

(g) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the District will not at any time prior to the final cancellation of the last of the Revenue Obligations to be retired, enter into any transaction that reduces the amount required to be paid to the United States pursuant to section 148(f) of the Code because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm’s length and had the yield on the Revenue Obligations not been relevant to either party.

(h) Revenue Obligations Satisfy Section 149(g). The District represents that neither the Prior Issue nor the Revenue Obligations are or will become “hedge bonds” within the meaning of section 149(g) of the Code. Without limitation of the foregoing, with respect to the Prior Issue, (i)(A) on the date of execution and delivery of that issue the District reasonably expected (based upon its own knowledge and upon representations made by other governmental persons upon the issuance of those obligations) that within the three-year period commencing on such date no less than 85% of the spendable proceeds of that issue would be expended for the governmental purposes thereof and (B) the District believes and represents that at no time has more than 50% of the proceeds of that issue been invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more, and with respect to the application of Proceeds of the Revenue Obligations other than for refunding purposes, (ii)(A) the District will not deliver the Revenue Obligations unless on the date of the issuance of the Revenue Obligations it reasonably expects that within the three-year period commencing on such date of issuance at least 85% of such spendable proceeds of the Revenue Obligations will be expended for the governmental purpose of the Revenue Obligations and (B) at no time will more than 50% of such spendable proceeds of the Revenue Obligations be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(i) Elections. The District hereby directs and authorizes any Authorized Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Authorized Representative (after consultation with Special Counsel) deems necessary or appropriate in connection with the Revenue Obligations, in the Tax Certificate (as defined below) or similar or other appropriate certificate, form or document.

(j) Tax Certificate. The District agrees to execute and deliver in connection with the execution and delivery of the Revenue Obligations a *Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986*, or similar document containing additional representations and covenants pertaining to the exclusion of interest with respect to the Revenue Obligations from the gross income of the owners thereof for federal income tax purposes (the “Tax Certificate”), which representations and covenants are incorporated as though expressly set forth herein.

**Section 6.09. Continuing Disclosure.** The District will comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, the Trustee at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Revenue Obligations and upon being indemnified to its reasonable satisfaction, shall, or any Owner or Beneficial Owner of Revenue Obligations may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order. The Trustee is authorized and directed to execute the acceptance and acknowledgement of the Continuing Disclosure Agreement.

**Section 6.10. Further Assurances.** The District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to carry out the purposes and intentions of this Trust Agreement and for preserving and protecting the rights and interests of the Owners.

## ARTICLE VII

### DEFAULT AND LIMITATIONS OF LIABILITY

**Section 7.01. Action upon Event of Default.** An Event of Default under the Installment Purchase Agreement shall constitute an Event of Default hereunder and an Event of Default under the Master Agreement shall constitute an Event of Default hereunder. The Trustee may give notice, as assignee of the Corporation, of an Event of Default under the Installment Purchase Agreement to the District, and shall do so if directed to do so by the Owners of not less than 5% of the aggregate principal evidenced by Revenue Obligations then Outstanding. In each and every case during the continuance of an Event of Default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Revenue Obligations then Outstanding, shall, upon notice in writing to the District and the Corporation (a) exercise any of the remedies granted to the Corporation under the Installment Purchase Agreement, (b) exercise any of the remedies granted to the Trustee under the Master Agreement, and (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights pursuant to this Trust Agreement, the Installment Purchase Agreement or the Master Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by this Trust Agreement, the Revenue Obligations, the Installment Purchase Agreement or the Master Agreement, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in Section 7.02 hereof.



**Section 7.02. Other Remedies of the Trustee.** Subject to the provisions of Section 7.01 hereof, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the District or any member, director, officer or employee thereof, and to compel the Corporation or the District or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any Event of Default hereunder to require the Corporation and the District to account as the trustee of an express trust.

**Section 7.03. Non-Waiver.** A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by this Article may be enforced and exercised from time to time and as often as the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then subject to any adverse determination, the Trustee, such Owner, the Corporation and the District shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

**Section 7.04. Remedies Not Exclusive.** Subject to the provisions of Section 7.01 hereof, no remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent or subsequent assertion or employment of any other appropriate right or remedy.

**Section 7.05. Application of Amounts After Default.** All damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under this Article shall be deposited into the Installment Payment Fund and as soon as practicable and thereafter applied:

(a) to the payment of all amounts due the Trustee under Section 8.03 hereof;

(b) unless the unpaid Installment Payments, and the interest thereon, shall have become, and shall remain, immediately due and payable pursuant to the Master Agreement:

(i) to the payment of all amounts then due for interest evidenced by the Revenue Obligations, in respect of which, or for the benefit of which, money has been collected (other than Revenue Obligations which have become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest evidenced by such Revenue Obligations due and payable; and

(ii) to the payment of all amounts then due for principal evidenced by the Revenue Obligations, in respect of which, or for the benefit of which, money has been collected (other than Revenue Obligations which have become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal evidenced by such Revenue Obligations due and payable.

(c) if the unpaid Installment Payments, and the interest thereon, shall have become, and shall remain, immediately due and payable pursuant to the Master Agreement, to the payment of all amounts then due for principal and interest evidenced by the Revenue Obligations and, if the amount available therefor shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Revenue Obligation over any other Revenue Obligation, to the persons entitled thereto without any discrimination or preference.

**Section 7.06. Trustee May Enforce Claims Without Possession of Revenue Obligations.** All rights of action and claims under this Trust Agreement or the Revenue Obligations may be prosecuted and enforced by the Trustee without the possession of any of the Revenue Obligations or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Revenue Obligations in respect of which such judgment has been recovered.

**Section 7.07. Limitation on Suits.** No Owner shall have any right to institute any proceeding, judicial or otherwise, with respect to this Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing Event of Default hereunder, (b) the Owners of not less than a majority of the aggregate principal evidenced by Revenue Obligations then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder, (c) such Owner or Owners shall have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings, and (e) no direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by the Owners of a majority of the aggregate principal evidenced by Revenue Obligations then Outstanding; it being understood and intended that no one or more Owners of Revenue Obligations shall have any right in any manner whatever by virtue of,

or by availing of, any provision of this Trust Agreement to affect, disturb or prejudice the rights of any other Owner of Revenue Obligations, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under this Trust Agreement, except in the manner herein provided and for the equal and ratable benefit of all the Owners of Revenue Obligations.

**Section 7.08. No Liability by the Corporation to the Owners.** Except as expressly provided herein, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments, and the interest thereon, by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Agreement, the Master Agreement or herein, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 7.09. No Liability by the District to the Owners.** Except for the payment when due of the Installment Payments, and the interest thereon, and the performance of the other agreements and covenants required to be performed by it contained in the Installment Purchase Agreement, the Master Agreement or herein, the District shall not have any obligation or liability to the Owners with respect to this Trust Agreement or the preparation, execution, delivery or transfer of the Revenue Obligations or the disbursement of the Installment Payments, and the interest thereon, by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 7.10. No Liability of the Trustee to the Owners.** Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments, and the interest thereon, by the District, or with respect to the performance by the Corporation or the District of the other agreements and covenants required to be performed by them, respectively contained in the Installment Purchase Agreement or herein.

## ARTICLE VIII

### THE TRUSTEE

**Section 8.01. Employment of the Trustee; Duties.** The Corporation and the District hereby appoint and employ the Trustee to receive, deposit and disburse the Installment Payments, and the interest thereon, to register, execute, deliver and transfer the Revenue Obligations and to perform the other functions contained herein, all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering this Trust Agreement, the Trustee accepts the appointment and employment hereinabove referred to and accepts the rights and obligations of the Trustee provided herein, subject to the conditions and terms hereof. Other than when an Event of Default hereunder has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement, and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

**Section 8.02. Removal and Resignation of the Trustee.** The Corporation and the District may, by an instrument in writing, remove the Trustee initially a party hereto and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party hereto and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal evidenced by the Revenue Obligations at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee shall cease to be eligible in accordance with the following sentence, and shall appoint a successor Trustee. The Trustee shall be a bank having trust powers or a trust company in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such bank or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and be subject to supervision or examination by federal or state banking authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Corporation and the District and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Corporation and the District shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the District and the Corporation do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the District, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the District and the Corporation and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the District or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth.

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of this Section, *ipso facto*, shall be and become successor trustee under this Trust Agreement and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor,

without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

**Section 8.03. Compensation and Indemnification of the Trustee.** The District shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered hereunder and reimburse the Trustee for all its reasonable advances and expenditures (which shall not include “overhead expenses” except as such expenses are included as a component of the Trustee’s stated annual fees or disclosed transaction fees) hereunder, including but not limited to advances to and reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations hereunder; provided, however, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established hereunder. The Trustee may take whatever legal actions are lawfully available to it directly against the Corporation or the District.

Except as otherwise expressly provided herein, no provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers hereunder.

The District, to the extent permitted by law, agrees to indemnify and save the Trustee, its directors, officers, employees and agents harmless from and against any costs, expenses, claims and liabilities which it may incur in the exercise and performance of its powers and duties hereunder or any other document related to this Trust Agreement, including but not limited to costs and expenses incurred in defending against any claim or liability, which are not due to its negligence or willful misconduct. The obligations of the District under this Section shall survive the resignation or removal of the Trustee and the termination of this Trust Agreement.

**Section 8.04. Protection of the Trustee.** The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Owners of the Revenue Obligations pursuant to this Trust Agreement, unless such Owners shall have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the Corporation or the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Revenue Obligations or the Installment Purchase Agreement, or of the assignment made to it hereunder, or for statements made in the preliminary or final official statement relating to the Revenue Obligations.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder, except failure of any of the payments to be made to the Trustee required to be made hereunder or under the Installment Purchase Agreement, unless the Trustee shall be specifically notified in writing of such default or Event of Default by the District, the Corporation or the Owners of not less than 5% of the aggregate principal evidenced by the Revenue Obligations then Outstanding.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the District or a Written Certificate of the Corporation, and such Written Certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it deems reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Revenue Obligations and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Corporation or the District, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Corporation or the District as freely as if it were not the Trustee hereunder.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers hereof and perform any rights and obligations required of it hereunder by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations hereunder, and the Trustee shall not be answerable for the negligence or misconduct of any such agent, attorney or receiver selected by it with reasonable care; provided, however, that in the event of any negligence or misconduct of any such attorney, agent or receiver, the Trustee shall diligently pursue all remedies of the Trustee against such agent, attorney or receiver. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct, negligence or breach of an obligation hereunder.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Corporation or the District is a party and which, in the opinion of the Trustee and its counsel, affects the Revenue Obligations or the security therefor, and shall do so if requested in writing by the Owners of at least 5% of the aggregate principal evidenced by Revenue Obligations then Outstanding, provided the Trustee shall have no duty to take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

The Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other parties, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to any project refinanced with the proceeds of the Revenue Obligations, malicious mischief, condemnation, and unusually severe weather or any similar event and/or occurrences beyond the control of the Trustee.

## **ARTICLE IX**

### **AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT**

**Section 9.01. Amendment or Supplement.** This Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the prior written consents of the Owners of a majority of the aggregate principal evidenced by the Revenue Obligations then Outstanding, exclusive of Revenue Obligations disqualified as provided in Section 9.02 hereof, are filed with the Trustee. No such amendment or supplement shall (i) extend the stated Principal Payment Date of any Revenue Obligation or reduce the rate of interest evidenced thereby or extend the time of payment of such interest or reduce the amount of principal evidenced thereby or change the prepayment terms and provisions or the provisions regarding delivery of notice of prepayment without the prior written consent of the Owner of each Revenue Obligation so affected, (ii) reduce the percentage of Owners whose consent is required for the execution of any amendment hereof or supplement hereto without the prior written consent of the Owners of all Revenue Obligations then Outstanding, (iii) modify any of the rights or obligations of the Trustee without the prior written consent of the Trustee, or (iv) amend this Section without the prior written consent of the Owners of all Revenue Obligations then Outstanding.

(a) This Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution, without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation or the District to be observed or performed herein other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved herein to or conferred herein on the Corporation or the District;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard

to questions arising hereunder which the Corporation or the District may deem desirable or necessary and not inconsistent herewith;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest evidenced by the Revenue Obligations; or

(iv) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners.

**Section 9.02. Disqualified Revenue Obligations.** Revenue Obligations owned or held by or for the account of the District (but excluding Revenue Obligations held in any pension or retirement fund of the District) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Revenue Obligations provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Revenue Obligations as to which such consent is given are disqualified as provided in this Section.

**Section 9.03. Endorsement or Replacement of Revenue Obligations After Amendment or Supplement.** After the effective date of any action taken as hereinabove provided in this Article, the Trustee may determine that the Revenue Obligations may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Revenue Obligation and presentation of such Revenue Obligation for such purpose at the Principal Office a suitable notation as to such action shall be made on such Revenue Obligation. If the Trustee shall receive an Opinion of Counsel advising that new Revenue Obligations modified to conform to such action are necessary, modified Revenue Obligations shall be prepared, and in that case upon demand of the Owner of any Outstanding Revenue Obligations such new Revenue Obligations shall be exchanged at the Principal Office without cost to each Owner for Revenue Obligations then Outstanding upon surrender of such Outstanding Revenue Obligations.

**Section 9.04. Amendment by Mutual Consent.** The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Revenue Obligations owned by such Owner, provided that due notation thereof is made on such Revenue Obligations.

## ARTICLE X

### DEFEASANCE

**Section 10.01. Discharge of Revenue Obligations and Trust Agreement.** (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid (i) to the Owners of all Outstanding Revenue Obligations the interest and principal evidenced thereby at the times and in the manner stipulated herein and therein, and (ii) all other amounts due hereunder and under the Installment Purchase Agreement, then such Owners shall cease to be entitled to the pledge of and lien on the amounts on deposit in the funds and accounts established hereunder, as provided herein,



and all agreements and covenants of the Corporation, the District, and the Trustee to such Owners hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Revenue Obligation shall be deemed to have been paid within the meaning and with the effect expressed in this Section when the whole amount of the principal, premium, if any, and interest evidenced by such Revenue Obligation shall have been paid or when (i) in case said Revenue Obligation or portion thereof has been selected for prepayment in accordance with Section 4.03 hereof prior to its stated Principal Payment Date, the District shall have given to the Trustee irrevocable instructions to give, in accordance with the provisions of Section 4.03 hereof, notice of prepayment of such Revenue Obligation, or portion thereof, (ii) there shall be on deposit with the Trustee, moneys, or Government Obligations, or any combination thereof, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal, premium, if any, and interest evidenced by such Revenue Obligation and due and to become due on or prior to the prepayment date or its stated Principal Payment Date, as the case may be, and (iii) in the event the stated Principal Payment Date of such Revenue Obligation will not occur, and said Revenue Obligation is not to be prepaid, within the next succeeding 60 days, the District shall have given the Trustee irrevocable instructions to give notice, as soon as practicable in the same manner as a notice of prepayment given pursuant to Section 4.03 hereof, to the Owner of such Revenue Obligation, or portion thereof, stating that the deposit of moneys or Government Obligations required by clause (ii) of this subsection has been made with the Trustee and that said Revenue Obligation, or portion thereof, is deemed to have been paid in accordance with this Section and stating such Principal Payment Date or prepayment date upon which moneys are to be available for the payment of the principal, premium, if any, and interest evidenced by said Revenue Obligation, or portion thereof.

Neither the moneys nor the Government Obligations deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal, premium, if any, and interest evidenced by said Revenue Obligation, or portions thereof. If payment of less than all of the Revenue Obligations is to be provided for in the manner and with the effect expressed in this Section, the Trustee or the District, as applicable, shall select such Revenue Obligations, or portions thereof, in the manner specified in Section 4.03 hereof for selection for prepayment of less than all of the Revenue Obligations, in the principal amounts designated to the Trustee by the District.

(c) After the payment of all the interest, prepayment premium, if any, and principal evidenced by all Outstanding Revenue Obligations and all other amounts due hereunder and under the Installment Purchase Agreement as provided in this Section, the Trustee shall execute and deliver to the Corporation and the District all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of this Trust Agreement, the Trustee shall pay over or deliver to the District all moneys or securities held by it pursuant hereto which are not required for the payment of the interest, prepayment premium, if any, and principal evidenced by such Revenue Obligations and all other amounts due hereunder and under the Installment Purchase Agreement.

(d) Prior to any defeasance becoming effective under this Article, the District shall cause to be delivered (i) an executed copy of a report, addressed to the Trustee and the District, in

form and in substance acceptable to the District, of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Government Obligations and cash, if any, satisfy the requirements of clause (ii) of subsection (b) of this Section (a "Verification"), (ii) if such moneys to be deposited with the Trustee will be invested, a copy of the escrow deposit agreement entered into in connection with such defeasance, which escrow deposit agreement shall provide that no substitution of Government Obligations shall be permitted except with other Government Obligations and upon delivery of a new Verification and no reinvestment of Government Obligations shall be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (iii) a copy of an Opinion of Counsel, dated the date of such defeasance and addressed to the Trustee and the District, in form and in substance acceptable to the District, to the effect that such Revenue Obligations have been paid within the meaning and with the effect expressed in this Trust Agreement, and all agreements and covenants of the Corporation, the District and the Trustee to the Owners of such Revenue Obligations under this Trust Agreement have ceased, terminated and become void and have been discharged and satisfied.

**Section 10.02. Unclaimed Moneys.** Any moneys held by the Trustee in trust for the payment and discharge of the interest or principal evidenced by any of the Revenue Obligations which remain unclaimed for two years after the date when such interest or principal evidenced by such Revenue Obligations have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal evidenced by such Revenue Obligations have become payable, shall be repaid by the Trustee to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the interest and principal evidenced by such Revenue Obligations.

## ARTICLE XI

### MISCELLANEOUS

**Section 11.01. Benefits of Trust Agreement.** Nothing contained herein, expressed or implied, is intended to give to any Person other than the Corporation, the District, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term required herein to be observed or performed by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Trustee and the Owners.

**Section 11.02. Successor Deemed Included in all References to Predecessor.** Whenever the Corporation, the District or the Trustee, or any officer thereof, is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Corporation, the District or the Trustee, or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the Corporation, the District or the Trustee, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 11.03. Execution of Documents by Owners.** Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys

appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the Person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient. The ownership of any Revenue Obligations and the amount, payment date, number and date of owning the same may be proved by the registration books maintained by the Trustee pursuant to the provisions of Section 2.07 hereof. Any declaration, request or other instrument in writing of the Owner of any Revenue Obligation shall bind all future Owners of such Revenue Obligation with respect to anything done or suffered to be done by the Corporation, the District or the Trustee in good faith and in accordance therewith.

**Section 11.04. Waiver of Personal Liability.** Notwithstanding anything contained herein to the contrary, no member, officer or employee of the District or the Corporation shall be individually or personally liable for the payment of any moneys, including without limitation, the interest or principal evidenced by the Revenue Obligations, but nothing contained herein shall relieve any member, officer or employee of the District or the Corporation from the performance of any official duty provided by any applicable provisions of law, by the Installment Purchase Agreement or hereby.

**Section 11.05. Acquisition of Revenue Obligations by District.** All Revenue Obligations acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

**Section 11.06. Content of Certificates.** Every Written Certificate of the District and every Written Certificate of the Corporation with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the Person making or giving such certificate has read such agreement, condition, covenant or term and the definitions herein relating thereto, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based, (c) a statement that, in the opinion of the signer, the signer has made or caused to be made such examination or investigation as is necessary to enable the signer to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with, and (d) a statement as to whether, in the opinion of the signer, such agreement, condition, covenant or term has been complied with.

Any Written Certificate of the District and any Written Certificate of the Corporation may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless the Person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which each Person's certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information which is in the possession of the District or the Corporation upon a representation by an officer or officers of the District or the Corporation, as the case may be, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which such counsel's opinion may be based, as

aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

**Section 11.07. Funds and Accounts.** Any fund or account required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Revenue Obligations and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations hereunder.

Trustee may commingle any of the moneys held by it hereunder for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to this Trust Agreement.

**Section 11.08. Article and Section Headings, Gender and References.** The singular form of any word used herein, including the terms defined in Section 1.01 hereof, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders. The headings or titles of the several Articles and Sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “Articles,” “Sections,” subsections or clauses are to the corresponding Articles, Sections, subsections or clauses hereof, and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section, subsection or clause thereof.

**Section 11.09. Partial Invalidity.** If any one or more of the agreements, conditions, covenants or terms required herein to be observed or performed by or on the part of the Corporation, the District or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Revenue Obligations, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Corporation, the District and the Trustee hereby declare that they would have executed this Trust Agreement, and each and every Article, Section, paragraph, subsection, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Revenue Obligations pursuant hereto irrespective of the fact that any one or more Articles, Sections, paragraphs, subsections, sentences, clauses or phrases hereof or the application thereof to any Person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 11.10. California Law.** This Trust Agreement shall be governed by and construed in accordance with the laws of the State.

**Section 11.11. Notices.** Any written notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication to be given hereunder shall be

given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the District: Orange County Sanitation District  
10844 Ellis Avenue  
Fountain Valley, California 92708  
Attention: Director of Finance

If to the Corporation: Orange County Sanitation District Financing Corporation  
c/o Orange County Sanitation District  
10844 Ellis Avenue  
Fountain Valley, California 92708  
Attention: Treasurer

If to the Trustee: U.S. Bank Trust Company, National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Global Corporate Trust Services

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, e.g. facsimile or telecopier or e-mail (with a PDF attachment, if applicable), upon the sender's receipt of an appropriate written acknowledgment, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

**Section 11.12. Effective Date.** This Trust Agreement shall become effective upon its execution and delivery.

**Section 11.13. Execution in Counterparts.** This Trust Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have caused this Trust Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first written above.

**ORANGE COUNTY SANITATION DISTRICT  
FINANCING CORPORATION**

By: \_\_\_\_\_  
Treasurer

**ORANGE COUNTY SANITATION DISTRICT**

By: \_\_\_\_\_  
Board Chairperson

(S E A L)

Attest:

By: \_\_\_\_\_  
Clerk of the Board of Directors

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION,  
as Trustee**

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**FORM OF REVENUE OBLIGATION**

No. R-\_\_

\*\*\*§\*\*\*

Unless this Revenue Obligation is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Revenue Obligation executed and delivered is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

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

**Such revenue obligations are certificates of participation evidencing direct, undivided fractional interests in the Installment Purchase Agreement, dated as of May 1, 2024, by and between the Orange County Sanitation District and the Orange County Sanitation District Financing Corporation and the related Installment Payments, and the interest thereon.**

<b>PRINCIPAL PAYMENT DATE</b>	<b>INTEREST RATE</b>	<b>DATED DATE</b>	<b>CUSIP</b>
February 1, 20__	%	May [7], 2024	

**REGISTERED OWNER:** Cede & Co.

**PRINCIPAL AMOUNT:** \_\_\_\_\_ DOLLARS

**THIS IS TO CERTIFY** that the Registered Owner of this Revenue Obligation (this “Revenue Obligation”), as identified above, is the owner of a direct, fractional undivided interest in certain installment payments (“Installment Payments”), and the interest thereon, payable under and pursuant to the Installment Purchase Agreement, dated as of May 1, 2024 (the “Installment Purchase Agreement”), by and between the Orange County Sanitation District (the “District”), a county sanitation district organized and existing under the laws of the State of California, and the Orange County Sanitation District Financing Corporation (the “Corporation”), a nonprofit public benefit corporation organized and existing under the laws of the State of California. Certain of the rights of the Corporation under the Installment Purchase Agreement, including the right to receive the Installment Payments, and the interest thereon, have been assigned without recourse by the Corporation to U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the “Trustee”) under the Trust Agreement, dated as of May 1, 2024 (the “Trust Agreement”), by and among the Trustee, the District and the Corporation. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Trust Agreement.

The District has executed and delivered the Master Agreement for District Obligations, dated as of August 1, 2000 (the “Master Agreement”), by and between the District and the Corporation, pursuant to which the District establishes and declares 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.

This Revenue Obligation is one of the duly authorized Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”) evidencing principal in the aggregate amount of \$ \_\_\_\_\_, executed pursuant to the terms of the Trust Agreement. The Revenue Obligations evidence direct, fractional undivided interests in the Installment Payments, and the interest thereon, payable under the Installment Purchase Agreement. The Revenue Obligations are executed and delivered to refinance certain improvements to the wastewater collection, treatment and disposal facilities of the District (the “Wastewater System”) and to pay the costs of issuance incurred in connection therewith and to pay certain other related costs.

The Installment Payments, and the interest thereon, are to be paid by the District pursuant to the Installment Purchase Agreement in consideration for the purchase of certain improvements to the Wastewater System and for the other agreements and obligations undertaken by the Corporation under the Installment Purchase Agreement and the Trust Agreement.

The income and revenue received by the District from the operation of the Wastewater System remaining after the payment of maintenance and operation or ownership costs of the Wastewater System (as more fully described in the Installment Purchase Agreement, the “Net Revenues”) are, pursuant to the Master Agreement, pledged to the payment of the Senior Obligations and Reimbursement Obligations with respect to Senior Obligations (as such terms are defined in the Master Agreement).

The Installment Purchase Agreement constitutes a Senior Obligation and, as such, shall be subject to the provisions of the Master Agreement, and shall be afforded all of the advantages, benefits, interests and security afforded Senior Obligations pursuant to the Master Agreement. The Installment Purchase Agreement is payable on a parity with the other existing Senior Obligations. The District may at any time incur Senior Obligations in addition to existing Senior Obligations and the Installment Purchase Agreement 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 conditions and upon compliance with the procedures set forth in the Master Agreement.

The District is not required to advance any moneys derived from any source of income other than Net Revenues and the other funds provided in the Installment Purchase Agreement for the payment of the Installment Payments, and the interest thereon, and other payments required to be made by it under the Installment Purchase Agreement, or for the performance of any agreements or covenants required to be performed by it contained therein. 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 such Net Revenues and other funds provided for therein, 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.

Reference is hereby made to the Master Agreement, the Installment Purchase Agreement and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms under which the District's obligation to pay the Installment Payments, and the interest thereon, is incurred, the Revenue Obligations are executed and delivered, the provisions with regard to the nature and extent of the Net Revenues, and the rights of the Owners of the Revenue Obligations. All of the terms of the Master Agreement, the Installment Purchase Agreement and the Trust Agreement are hereby incorporated herein. The Trust Agreement constitutes a contract among the District, the Corporation and the Trustee for the benefit of the Owners of the Revenue Obligations, to all the provisions of which the Owner of this Revenue Obligation, by acceptance hereof, agrees and consents.

The Registered Owner of this Revenue Obligation is entitled to receive, subject to the terms of the Trust Agreement and any right of prepayment as provided herein or therein, on the Principal Payment Date set forth above, upon presentation and surrender of this Revenue Obligation at the principal corporate trust office of the Trustee in St. Paul, Minnesota (the "Principal Office"), the Principal Amount specified above, evidencing the Owner's interest in the Installment Payments coming due on the Principal Payment Date, and to receive on February 1 and August 1 of each year, commencing on August 1, 2024 (each an "Interest Payment Date"), interest accrued thereon at the Interest Rate specified above, computed on the basis of a 360-day year consisting of twelve 30-day months, until said Principal Amount is paid in full, evidencing the Registered Owner's interest in the interest evidenced by the Installment Payments coming due on each of said dates.

This 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 the 15th day of the month next preceding an Interest Payment Date, whether or not such day is a business day (each such date, a "Record Date"), and on or prior to the following Interest Payment Date, in which case this Revenue Obligation shall evidence interest from such Interest Payment Date, or unless such date of execution shall be on or prior to the first Record Date, in which case this Revenue Obligation shall evidence interest from the Dated Date specified above. Notwithstanding the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Revenue Obligations shall be in default, this Revenue Obligation shall evidence interest from the last Interest Payment Date to which interest has been paid in full or duly provided for.

Payments of interest evidenced by the Revenue Obligations shall be made to the Owners thereof (as determined at the close of business on the Record Date next preceding the related Interest Payment Date) by check or draft of the Trustee mailed to the address of each such Owner as it appears on the registration books maintained by the Trustee pursuant to the Trust Agreement, or to such other address as may be furnished in writing to the Trustee by such Owner. Payment of principal and prepayment premium, if any, evidenced by the Revenue Obligations, on their stated principal payment dates or on prepayment in whole or in part prior thereto, shall be made only upon presentation and surrender of the Revenue Obligations at the Principal Office. All such amounts are payable in lawful money of the United States of America.

The Revenue Obligations are authorized to be executed and delivered in the form of fully registered certificates in denominations of \$5,000 or any integral multiple thereof (“Authorized Denominations”).

This Revenue Obligation may be transferred or exchanged by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement.

The Trustee shall not be required to transfer or exchange any Revenue Obligation during the period commencing on the date five days before the date of selection of Revenue Obligations for prepayment and ending on the date of mailing of notice of such 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.

The Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not the principal or interest evidenced by this Revenue Obligation shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal and interest evidenced by this Revenue Obligation shall be made only to such Registered Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by this Revenue Obligation to the extent of the sum or sums so paid.

The Revenue Obligations are subject to prepayment prior to their stated Principal Payment Dates in accordance with the Trust Agreement.

To the extent and in the manner permitted by the terms of the Trust Agreement, the Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee under the Trust Agreement may be amended or supplemented at any time by an amendment or supplement thereto which shall become binding when the prior written consents of the Owners of a majority of the aggregate principal evidenced by the Revenue Obligations then outstanding, exclusive of Revenue Obligations disqualified as provided under the Trust Agreement, are filed with the Trustee. No such supplement or amendment shall (a) extend the stated Principal Payment Date of any Revenue Obligation or reduce the rate of interest evidenced thereby or extend the time of payment of such interest or reduce the amount of principal evidenced thereby or change the prepayment terms and provisions or the provisions regarding delivery of notice of prepayment without the prior written consent of the Owner of each Revenue Obligation so affected, (b) reduce the percentage of Owners whose consent is required for the execution of any amendment or supplement to the Trust Agreement without the prior written consent of the Owners of all Revenue Obligations then outstanding, (c) modify any of the rights or obligations of the Trustee without the prior written consent of the Trustee, or (d) amend the amendment provisions of the Trust Agreement without the prior written consent of the Owners of all Revenue Obligations then outstanding.

To the extent and in the manner permitted by the terms of the Trust Agreement, the Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee under the Trust Agreement may also be amended or supplemented at any time by an amendment or supplement thereto which shall become binding upon execution, without the written

consents of any Owners, but only to the extent permitted by law and only (a) to add to the agreements, conditions, covenants and terms required by the Corporation or the District to be observed or performed under the Trust Agreement other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved therein to or conferred therein on the Corporation or the District, and which in either case shall not adversely affect the rights or interests of the Owners, (b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising thereunder which the Corporation or the District may deem desirable or necessary and not inconsistent therewith or (c) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners.

THE DISTRICT HAS CERTIFIED that all acts, conditions and things required by the statutes of the State of California and by the Trust Agreement to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Revenue Obligation do exist, have happened and have been performed in regular and due time, form and manner as required by law, and that the Trustee is duly authorized to execute and deliver this Revenue Obligation.

**IN WITNESS WHEREOF**, this Revenue Obligation has been executed by the manual signature of an authorized signatory of the Trustee as of the date set forth below.

Date: May \_\_, 2024

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION,**  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

**ASSIGNMENT**

For value received, the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within-mentioned Revenue Obligation and hereby irrevocably constitute(s) and \_\_\_\_\_ appoint(s) \_\_\_\_\_ attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within registered Revenue Obligation in every particular, without alteration or enlargement or any change whatsoever.

Tax I.D. #: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor.

\_\_\_\_\_  
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Revenue Obligation in every particular without alteration or enlargement or any change whatsoever.

**ESCROW AGREEMENT**

**by and between**

**ORANGE COUNTY SANITATION DISTRICT**

**and**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,  
as Escrow Agent and Prior Trustee**

**Dated as of May 1, 2024**

**Orange County Sanitation District  
Wastewater Refunding Revenue Obligations, Series 2014A**

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## ESCROW AGREEMENT

**THIS ESCROW AGREEMENT** (this “Escrow Agreement”), dated as of May 1, 2024, is by and between the ORANGE COUNTY SANITATION DISTRICT, a county sanitation district organized and existing under the laws of the State of California (the “District”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as escrow agent (the “Escrow Agent”) and as successor trustee (the “Prior Trustee”) to MUFG Union Bank, N.A. under the Prior Trust Agreement referenced below.

### WITNESSETH:

**WHEREAS**, to refinance the acquisition, construction and installation of certain improvements to its wastewater system (the “Prior Project”), the District has heretofore purchased the Prior Project from the Orange County Sanitation District Financing Corporation (the “Corporation”), and the Corporation has heretofore sold the Prior Project to the District, for the installment payments (the “Prior Installment Payments”) to be made by the District pursuant to the Installment Purchase Agreement, dated as of August 1, 2014 (the “Prior Installment Purchase Agreement”), by and between the District and the Corporation;

**WHEREAS**, to provide the funds necessary to refinance the Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2014A (the “Prior Obligations”), evidencing direct, undivided fractional interests in the related Prior Installment Payments, pursuant to the Trust Agreement, dated as of August 1, 2014 (the “Prior Trust Agreement”), by and among the Prior Trustee, the Corporation and the District;

**WHEREAS**, the District has determined to refinance a portion of the Prior Project by prepaying [all/a portion] of the remaining Prior Installment Payments (the “Refunded Installment Payments”) and the interest components thereof to the date of prepayment, thereby causing to be prepaid a portion of the currently outstanding Prior Obligations in the aggregate principal amount of \$[30,095,000] (the “Refunded Obligations”);

**WHEREAS**, to provide the funds necessary to prepay the Refunded Installment Payments and for certain other purposes, the District has caused to be executed and delivered the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”), evidencing principal in the aggregate amount of \$ \_\_\_\_\_, pursuant to the Trust Agreement, dated as of May 1, 2024, by and among U.S. Bank Trust Company, National Association, as trustee, the Corporation and the District;

**WHEREAS**, in accordance with the Prior Trust Agreement, the prepayment of the Refunded Installment Payments will be applied to the payment of the interest evidenced by the Refunded Obligations on each interest payment date prior to August 5, 2024 (the “Prepayment Date”), and to the prepayment of the outstanding Refunded Obligations on the Prepayment Date at a prepayment price equal to the principal amount thereof plus accrued interest thereon, without premium (the “Prepayment Price”), pursuant to this Escrow Agreement;

**NOW THEREFORE**, in consideration of the premises and of the mutual agreements and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

**Section 1. Definitions.** Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Prior Trust Agreement.

**Section 2. The Escrow Fund.** (a) There is hereby established a fund (the “Escrow Fund”) to be held as an irrevocably pledged escrow by the Escrow Agent, which the Escrow Agent shall keep separate and apart from all other funds of the District and the Escrow Agent and to be applied solely as provided in this Escrow Agreement. Pending application as provided in this Escrow Agreement, amounts on deposit in the Escrow Fund are hereby pledged solely to the payment of the interest evidenced by the Refunded Obligations on each interest rate payment date prior to the Prepayment Date, and the prepayment of the Prepayment Price on the Prepayment Date of the Refunded Obligations, which amounts shall be held in trust by the Escrow Agent for the Owners of the Refunded Obligations.

(b) The Prior Trustee is hereby instructed to transfer \$ \_\_\_\_\_ (the “District Funds”) held in the Installment Payment Fund established under the Prior Trust Agreement for deposit in the Escrow Fund. As reflected in the report of \_\_\_\_\_, a nationally recognized firm of independent certified public accountants, delivered in connection herewith, upon the execution and delivery of the Revenue Obligations, there shall be deposited in the Escrow Fund \$ \_\_\_\_\_ received from the proceeds of the sale of the Revenue Obligations and \$ \_\_\_\_\_ from the District Funds, for a total of \$ \_\_\_\_\_ (the “Escrow Deposit”).

(c) The District has determined or caused to be determined that upon the deposit of the Escrow Deposit pursuant to Section 2(b) hereof, \$ \_\_\_\_\_ of the moneys on deposit in the Escrow Fund will be invested in the Government Obligations specified in Schedule I hereto which, together with uninvested cash in the amount of \$ \_\_\_\_\_, will be sufficient to make the payments required by Section 4 hereof.

**Section 3. Use of Moneys in Escrow Fund.** (a) The Escrow Agent hereby acknowledges deposit of the moneys described in Section 2(b) hereof and agrees to invest such moneys credited to the Escrow Fund described in Section 2(c) in the Government Obligations specified in Schedule I hereto.

(b) The Owners of the Refunded Obligations shall have a first and exclusive lien on the moneys and Government Obligations credited to the Escrow Fund until such moneys and Government Obligations are used and applied as provided in this Escrow Agreement and the Prior Trust Agreement to the payment of interest evidenced by the Refunded Obligations on each interest rate payment date prior to the Prepayment Date, and to prepay the Prepayment Price on the Prepayment Date of the Refunded Obligations.

(c) The Escrow Agent shall not be held liable for investment losses resulting from compliance with the provisions of this Escrow Agreement.

**Section 4. Payment of Refunded Obligations.** From the uninvested money and proceeds of maturing Government Obligations held in the Escrow Fund, the Escrow Agent shall



apply such amounts to the payment of interest evidenced by the Refunded Obligations on each interest rate payment date prior to the Prepayment Date, and to the prepayment of the Prepayment Price on the Prepayment Date of the Refunded Obligations, all as set forth in Schedule II hereto. To the extent that the amount on deposit in the Escrow Fund on the Prepayment Date is in excess of the amount necessary to make the required payments with respect to the Refunded Obligations, such excess shall be transferred to the Trustee for deposit in the Installment Payment Fund established under the Prior Trust Agreement.

**Section 5. Irrevocable Instructions to Mail Notices.** The District hereby irrevocably instructs the Prior Trustee to give notice on the date of delivery of the Revenue Obligations of defeasance of the Refunded Obligations to the Owners thereof, substantially in the form set forth in Exhibit A hereto. The District hereby designates the Refunded Obligations for prepayment on the Prepayment Date and hereby irrevocably instructs the Prior Trustee, to give, in accordance with the provisions of Section 4.04 of the Prior Trust Agreement, notice of prepayment of such Refunded Obligations to the Owners thereof, substantially in the form set forth in Exhibit B hereto.

**Section 6. Performance of Duties; Acknowledgement with Respect to Irrevocable Instructions.** The Escrow Agent hereby agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Escrow Agent herein provided are in a form satisfactory to it.

**Section 7. Substitution of Government Obligations.** (a) Upon the written direction of the District, subject to the conditions and limitations set forth in paragraph (c) below, the Escrow Agent shall sell, transfer and request the redemption of or otherwise dispose of the initial Government Obligations held in and credited to the Escrow Fund; provided that, subject to paragraph (c) below, there are substituted therefor and delivered to the Escrow Agent other Government Obligations as hereinafter provided.

(b) Upon the written direction of the District, subject to the conditions and limitations set forth in paragraph (c) below, the Escrow Agent shall reinvest cash balances in the Escrow Fund in Government Obligations; provided, that any such securities purchased pursuant to this paragraph (b) shall mature (1) on the next Interest Payment Date for any of the Refunded Obligations or (2) on such other date or dates as necessary to meet the requirements of Section 4 hereof, as certified by a nationally recognized firm of independent certified public accountants.

(c) The District, by this Escrow Agreement, hereby covenants and agrees that it will not request the Escrow Agent to exercise any of the powers described in paragraph (a) or (b) above in any manner, which if such exercise of powers had been reasonably expected on the date of delivery of the Refunded Obligations, would cause any of the Refunded Obligations to be arbitrage bonds within the meaning of section 103(c) of the Internal Revenue Code of 1986 (the "Code"), and the regulations thereunder in effect on the date of such request and applicable to obligations issued on the date of such Refunded Obligations. Any purchase of substitute securities by the Escrow Agent shall be accomplished in accordance with paragraph (a) above to the extent such purchases are to be made with the proceeds derived from the sale, transfer, redemption or other disposition of the Government Obligations. Such sale, transfer, redemption or other disposition of the Government Obligations and such substitution may be effected only by a simultaneous transaction and only if (i) a nationally recognized firm of independent certified public accountants

shall certify that (a) such substitute securities, together with the Government Obligations and cash which will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and at such times so that sufficient moneys will be available from such maturing principal and interest to pay, as the same become due, all principal, premium and interest payable with respect to the Refunded Obligations which have not previously been paid, and (b) the amounts and dates of the anticipated payments by the Escrow Agent of the principal, premium and interest payable with respect to the Refunded Obligations will not be diminished or postponed thereby, (ii) the Escrow Agent shall have received an opinion of nationally recognized bond counsel to the effect that the sale, transfer, redemption or other disposition and substitution of the Government Obligations does not cause interest on either the Revenue Obligations or the Refunded Obligations to be subject to federal income taxation under relevant provisions of the Code and the regulations thereunder in effect on the date of such sale, transfer, redemption or other disposition and substitution and applicable to obligations issued on the date of execution and delivery of the Revenue Obligations.

**Section 8. Escrow Agent's Authority to Make Investments.** Except as expressly provided in Sections 3 and 7 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement. The Escrow Agent shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided herein.

**Section 9. Indemnity.** To the extent permitted by law, the District hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees, expenses and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the moneys deposited therein, and any payment, transfer or other application of moneys by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the material breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Escrow Agreement.

**Section 10. Responsibilities of Escrow Agent.** The Escrow Agent makes no representation as to the sufficiency of the funds deposited in accordance with Section 2(b) and invested pursuant to Section 3(a) and earnings thereof, if any, to accomplish the payment and prepayment of the Refunded Obligations pursuant to the Prior Trust Agreement or to the validity of this Escrow Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult

with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel of recognized standing in the field of law relating to municipal bonds) may be deemed to be conclusively established by a written certification of the District.

The Escrow Agent shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the District. Upon the District's election, such statements will be delivered via the Escrow Agent's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. Nothing in this paragraph limits Section 3.1(a).

The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent.

The Escrow Agent may resign by giving written notice to the District, and upon receipt of such notice the District shall promptly appoint a successor Escrow Agent. If the District does not appoint a successor Escrow Agent within thirty (30) days of receipt of such notice, the resigning Escrow Agent may petition a court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, upon such notice as it shall deem proper, appoint a successor Escrow Agent. Upon acceptance of appointment by a successor Escrow Agent, the resigning Escrow Agent shall transfer all amounts held by it in the Escrow Fund to such successor Escrow Agent and be discharged of any further obligation or responsibility hereunder.

**Section 11. Amendments.** The District and the Escrow Agent may (but only with the consent of the Owners of all of the Refunded Obligations) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement.

**Section 12. Term.** This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date upon which the Refunded Obligations have been paid in accordance with this Escrow Agreement.

**Section 13. Compensation.** The District shall from time to time pay or cause to be paid to the Escrow Agent the agreed upon compensation for its services to be rendered hereunder, and reimburse the Escrow Agent for all of its reasonable advances in the exercise and performance of its duties hereunder; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment

of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Escrow Agreement or otherwise.

**Section 14. Severability.** If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

**Section 15. Counterparts.** This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

**Section 16. Governing Law.** This Escrow Agreement shall be construed under the laws of the State of California.

**IN WITNESS WHEREOF**, the parties hereto have executed this Escrow Agreement as of the date first above written.

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,**  
as Escrow Agent and Prior Trustee

By: \_\_\_\_\_  
Authorized Officer

**ORANGE COUNTY SANITATION DISTRICT**

By: \_\_\_\_\_  
Wally Ritchie, Director of Finance

**SCHEDULE I**

**INITIAL GOVERNMENT OBLIGATIONS IN ESCROW FUND**

<b><u>Type</u></b>	<b><u>Maturity Date</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>
		\$	%

**SCHEDULE II**

**PAYMENT REQUIREMENTS OF THE REFUNDED OBLIGATIONS**

<b><u>Payment Date</u></b>	<b><u>Interest</u></b>	<b><u>Principal Prepaid</u></b>	<b><u>Total</u></b>
	\$	\$	\$

EXHIBIT A

NOTICE OF DEFEASANCE

ORANGE COUNTY SANITATION DISTRICT  
WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2014A

<b>Maturity Date (February 1)</b>	<b>Principal Amount Outstanding</b>	<b>CUSIP Number (68428T)</b>
2025	\$ 9,545,000	BN6
2026	10,025,000	BP1
2027	10,525,000	BQ9

NOTICE IS HEREBY GIVEN that on May [7], 2024, the Orange County Sanitation District (the “District”) caused to be deposited with U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”), pursuant to an Escrow Agreement, dated as of May 1, 2024, by and between the District and the Escrow Agent, proceeds of its Wastewater Refunding Revenue Obligations, Series 2024A, together with other available monies, which will be sufficient to pay interest evidenced by the District’s Wastewater Refunding Revenue Obligations, Series 2014A (the “Refunded Obligations”) on each interest rate payment date prior to August 5, 2024 (the “Prepayment Date”), and to prepay in full the outstanding Refunded Obligations at a prepayment price equal to the principal amount thereof plus accrued interest thereon, without premium, on the Prepayment Date. The Escrow Agent is obligated to pay or cause to be paid to the Owners of the Refunded Obligations all sums due thereon, but only from moneys deposited with the Escrow Agent as described in this paragraph. As a result of such deposit, the Refunded Obligations are deemed to have been paid in accordance with the applicable provisions of the Trust Agreement, dated as of August 1, 2014, by and among U.S. Bank Trust Company, National Association, as successor Trustee, the Orange County Sanitation District Financing Corporation and the District, pursuant to which the Refunded Obligations were executed and delivered.

Dated: \_\_\_\_\_, 2024

By: U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, as Trustee and Escrow Agent on  
behalf of the Orange County Sanitation District



EXHIBIT B

NOTICE OF PREPAYMENT

NOTICE OF OPTIONAL PREPAYMENT TO THE OWNERS OF  
ORANGE COUNTY SANITATION DISTRICT  
WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2014A

<b>CUSIP Number*</b>	<b>Maturity Date (February 1)</b>	<b>Rate</b>	<b>Principal Amount Outstanding</b>
68428T BN6	2025	5.00%	\$ 9,545,000
68428T BP1	2026	5.00	10,025,000
68428T B19	2027	5.00	10,525,000

NOTICE IS HEREBY GIVEN that the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2014A, in the maturities and principal amounts specified above (the “Refunded Obligations”) are hereby subject to prepayment on August 5, 2024 (the “Prepayment Date”) at a price equal to the principal evidenced by the Refunded Obligations, plus accrued interest evidenced thereby to the Prepayment Date, without premium (the “Prepayment Price”). On the Prepayment Date there will become due and payable with respect to each of the Refunded Obligations the Prepayment Price thereof, and from and after such Prepayment Date, the interest evidenced thereby shall cease to accrue and be payable.

The Refunded Obligations shall be surrendered at the address of U.S. Bank Trust Company, National Association, as trustee for the Refunded Obligations (the “2014A Trustee”). Payment of the Prepayment Price on such Refunded Obligations called for prepayment will be paid only upon presentation and surrender thereof in the following manner:

If by Hand or Overnight Mail:  
**U.S. Bank Trust Company, National Association**  
**Global Corporate Trust**  
111 Fillmore Ave E.  
St. Paul, MN 55107  
1-800-934-6802

Refunded Obligation holders presenting their Refunded Obligations in person for same day payment must surrender their Refunded Obligation(s) by 1:00 p.m. on the Prepayment Date, and a check will be available for pick up after 2:00 p.m. Checks not picked up by 4:30 p.m. will be mailed out to the Refunded Obligation holder via first class mail. If payment of the Prepayment Price is to be made to the registered owner of the Refunded Obligation, you are not required to endorse the Refunded Obligation to collect the Prepayment Price.

**IMPORTANT NOTICE:** Federal law requires the 2014A Trustee to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit [www.irs.gov](http://www.irs.gov) for additional information on the tax forms and instructions.

*\* Neither the Orange County Sanitation District nor the 2014A Trustee shall be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness indicated in this Notice or as printed on any Refunded Obligation. They are included solely for the convenience of the Refunded Obligation holders.*

Dated: \_\_\_\_\_, 20\_\_

By: U.S. Bank Trust Company, National  
Association,  
as 2014A Trustee on behalf of the  
Orange County Sanitation District

**ESCROW AGREEMENT**

**by and between**

**ORANGE COUNTY SANITATION DISTRICT**

**and**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,  
as Escrow Agent and Prior Trustee**

**Dated as of May 1, 2024**

**Orange County Sanitation District  
Wastewater Refunding Revenue Obligations, Series 2015A**

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## ESCROW AGREEMENT

**THIS ESCROW AGREEMENT** (this “Escrow Agreement”), dated as of May 1, 2024, is by and between the ORANGE COUNTY SANITATION DISTRICT, a county sanitation district organized and existing under the laws of the State of California (the “District”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as escrow agent (the “Escrow Agent”) and as successor trustee (the “Prior Trustee”) to U.S. Bank National Association under the Prior Trust Agreement referenced below.

### WITNESSETH:

**WHEREAS**, to refinance the acquisition, construction and installation of certain improvements to its wastewater system (the “Prior Project”), the District has heretofore purchased the Prior Project from the Orange County Sanitation District Financing Corporation (the “Corporation”), and the Corporation has heretofore sold the Prior Project to the District, for the installment payments (the “Prior Installment Payments”) to be made by the District pursuant to the Installment Purchase Agreement, dated as of February 1, 2015 (the “Prior Installment Purchase Agreement”), by and between the District and the Corporation;

**WHEREAS**, to provide the funds necessary to refinance the Prior Project, the District caused the execution and delivery of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2015A (the “Prior Obligations”), evidencing direct, undivided fractional interests in the related Prior Installment Payments, pursuant to the Trust Agreement, dated as of February 1, 2015 (the “Prior Trust Agreement”), by and among the Prior Trustee, the Corporation and the District;

**WHEREAS**, the District has determined to refinance a portion of the Prior Project by prepaying [all/a portion] of the remaining Prior Installment Payments (the “Refunded Installment Payments”) and the interest components thereof to the date of prepayment, thereby causing to be prepaid a portion of the currently outstanding Prior Obligations in the aggregate principal amount of \$127,510,000 (the “Refunded Obligations”);

**WHEREAS**, to provide the funds necessary to prepay the Refunded Installment Payments and for certain other purposes, the District has caused to be executed and delivered the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”), evidencing principal in the aggregate amount of \$ \_\_\_\_\_, pursuant to the Trust Agreement, dated as of May 1, 2024, by and among U.S. Bank Trust Company, National Association, as trustee, the Corporation and the District;

**WHEREAS**, in accordance with the Prior Trust Agreement, the prepayment of the Refunded Installment Payments will be applied to the payment of the interest evidenced by the Refunded Obligations on each interest payment date prior to August 5, 2024 (the “Prepayment Date”), and to the prepayment of the outstanding Refunded Obligations on the Prepayment Date at a prepayment price equal to the principal amount thereof plus accrued interest thereon, without premium (the “Prepayment Price”), pursuant to this Escrow Agreement;

**NOW THEREFORE**, in consideration of the premises and of the mutual agreements and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

**Section 1. Definitions.** Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Prior Trust Agreement.

**Section 2. The Escrow Fund.** (a) There is hereby established a fund (the “Escrow Fund”) to be held as an irrevocably pledged escrow by the Escrow Agent, which the Escrow Agent shall keep separate and apart from all other funds of the District and the Escrow Agent and to be applied solely as provided in this Escrow Agreement. Pending application as provided in this Escrow Agreement, amounts on deposit in the Escrow Fund are hereby pledged solely to the payment of the interest evidenced by the Refunded Obligations on each interest payment date prior to the Prepayment Date, and the prepayment of the Prepayment Price on the Prepayment Date of the Refunded Obligations, which amounts shall be held in trust by the Escrow Agent for the Owners of the Refunded Obligations.

(b) The Prior Trustee is hereby instructed to transfer \$ \_\_\_\_\_ (the “District Funds”) held in the Installment Payment Fund established under the Prior Trust Agreement for deposit in the Escrow Fund. As reflected in the report of \_\_\_\_\_, a nationally recognized firm of independent certified public accountants, delivered in connection herewith, upon the execution and delivery of the Revenue Obligations, there shall be deposited in the Escrow Fund \$ \_\_\_\_\_ received from the proceeds of the sale of the Revenue Obligations and \$ \_\_\_\_\_ from the District Funds, for a total of \$ \_\_\_\_\_ (the “Escrow Deposit”).

(c) The District has determined or caused to be determined that upon the deposit of the Escrow Deposit pursuant to Section 2(b) hereof, \$ \_\_\_\_\_ of the moneys on deposit in the Escrow Fund will be invested in the Government Obligations specified in Schedule I hereto which, together with uninvested cash in the amount of \$ \_\_\_\_\_, will be sufficient to make the payments required by Section 4 hereof.

**Section 3. Use of Moneys in Escrow Fund.** (a) The Escrow Agent hereby acknowledges deposit of the moneys described in Section 2(b) hereof and agrees to invest such moneys credited to the Escrow Fund described in Section 2(c) in the Government Obligations specified in Schedule I hereto.

(b) The Owners of the Refunded Obligations shall have a first and exclusive lien on the moneys and Government Obligations credited to the Escrow Fund until such moneys and Government Obligations are used and applied as provided in this Escrow Agreement and the Prior Trust Agreement to pay interest evidenced by the Refunded Obligations on each interest payment date prior to the Prepayment Date, and to prepay the Prepayment Price on the Prepayment Date of the Refunded Obligations.

(c) The Escrow Agent shall not be held liable for investment losses resulting from compliance with the provisions of this Escrow Agreement.

**Section 4. Payment of Refunded Obligations.** From the uninvested money and proceeds of maturing Government Obligations held in the Escrow Fund, the Escrow Agent shall

apply such amounts to the payment of interest evidenced by the Refunded Obligations on each interest rate payment prior to the Prepayment Date, and to the prepayment of the Prepayment Price on the Prepayment Date of the Refunded Obligations, all as set forth in Schedule II hereto. To the extent that the amount on deposit in the Escrow Fund on the Prepayment Date is in excess of the amount necessary to make the required payments with respect to the Refunded Obligations, such excess shall be transferred to the Trustee for deposit in the Installment Payment Fund established under the Prior Trust Agreement.

**Section 5. Irrevocable Instructions to Mail Notices.** The District hereby irrevocably instructs the Prior Trustee to give notice on the date of delivery of the Revenue Obligations of defeasance of the Refunded Obligations to the Owners thereof, substantially in the form set forth in Exhibit A hereto. The District hereby designates the Refunded Obligations for prepayment on the Prepayment Date and hereby irrevocably instructs the Prior Trustee, to give, in accordance with the provisions of Section 4.04 of the Prior Trust Agreement, notice of prepayment of such Refunded Obligations to the Owners thereof, substantially in the form set forth in Exhibit B hereto.

**Section 6. Performance of Duties; Acknowledgement with Respect to Irrevocable Instructions.** The Escrow Agent hereby agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Escrow Agent herein provided are in a form satisfactory to it.

**Section 7. Substitution of Government Obligations.** (a) Upon the written direction of the District, subject to the conditions and limitations set forth in paragraph (c) below, the Escrow Agent shall sell, transfer and request the redemption of or otherwise dispose of the initial Government Obligations held in and credited to the Escrow Fund; provided that, subject to paragraph (c) below, there are substituted therefor and delivered to the Escrow Agent other Government Obligations as hereinafter provided.

(b) Upon the written direction of the District, subject to the conditions and limitations set forth in paragraph (c) below, the Escrow Agent shall reinvest cash balances in the Escrow Fund in Government Obligations; provided, that any such securities purchased pursuant to this paragraph (b) shall mature (1) on the next Interest Payment Date for any of the Refunded Obligations or (2) on such other date or dates as necessary to meet the requirements of Section 4 hereof, as certified by a nationally recognized firm of independent certified public accountants.

(c) The District, by this Escrow Agreement, hereby covenants and agrees that it will not request the Escrow Agent to exercise any of the powers described in paragraph (a) or (b) above in any manner, which if such exercise of powers had been reasonably expected on the date of delivery of the Refunded Obligations, would cause any of the Refunded Obligations to be arbitrage bonds within the meaning of section 103(c) of the Internal Revenue Code of 1986 (the "Code"), and the regulations thereunder in effect on the date of such request and applicable to obligations issued on the date of such Refunded Obligations. Any purchase of substitute securities by the Escrow Agent shall be accomplished in accordance with paragraph (a) above to the extent such purchases are to be made with the proceeds derived from the sale, transfer, redemption or other disposition of the Government Obligations. Such sale, transfer, redemption or other disposition of the Government Obligations and such substitution may be effected only by a simultaneous transaction and only if (i) a nationally recognized firm of independent certified public accountants

shall certify that (a) such substitute securities, together with the Government Obligations and cash which will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and at such times so that sufficient moneys will be available from such maturing principal and interest to pay, as the same become due, all principal, premium and interest payable with respect to the Refunded Obligations which have not previously been paid, and (b) the amounts and dates of the anticipated payments by the Escrow Agent of the principal, premium and interest payable with respect to the Refunded Obligations will not be diminished or postponed thereby, (ii) the Escrow Agent shall have received an opinion of nationally recognized bond counsel to the effect that the sale, transfer, redemption or other disposition and substitution of the Government Obligations does not cause interest on either the Revenue Obligations or the Refunded Obligations to be subject to federal income taxation under relevant provisions of the Code and the regulations thereunder in effect on the date of such sale, transfer, redemption or other disposition and substitution and applicable to obligations issued on the date of execution and delivery of the Revenue Obligations.

**Section 8. Escrow Agent's Authority to Make Investments.** Except as expressly provided in Sections 3 and 7 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement. The Escrow Agent shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided herein.

**Section 9. Indemnity.** To the extent permitted by law, the District hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees, expenses and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the moneys deposited therein, and any payment, transfer or other application of moneys by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the material breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Escrow Agreement.

**Section 10. Responsibilities of Escrow Agent.** The Escrow Agent makes no representation as to the sufficiency of the funds deposited in accordance with Section 2(b) and invested pursuant to Section 3(a) and earnings thereof, if any, to accomplish the payment and prepayment of the Refunded Obligations pursuant to the Prior Trust Agreement or to the validity of this Escrow Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult

with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel of recognized standing in the field of law relating to municipal bonds) may be deemed to be conclusively established by a written certification of the District.

The Escrow Agent shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the District. Upon the District's election, such statements will be delivered via the Escrow Agent's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. Nothing in this paragraph limits Section 3.1(a).

The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent.

The Escrow Agent may resign by giving written notice to the District, and upon receipt of such notice the District shall promptly appoint a successor Escrow Agent. If the District does not appoint a successor Escrow Agent within thirty (30) days of receipt of such notice, the resigning Escrow Agent may petition a court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, upon such notice as it shall deem proper, appoint a successor Escrow Agent. Upon acceptance of appointment by a successor Escrow Agent, the resigning Escrow Agent shall transfer all amounts held by it in the Escrow Fund to such successor Escrow Agent and be discharged of any further obligation or responsibility hereunder.

**Section 11. Amendments.** The District and the Escrow Agent may (but only with the consent of the Owners of all of the Refunded Obligations) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement.

**Section 12. Term.** This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date upon which the Refunded Obligations have been paid in accordance with this Escrow Agreement.

**Section 13. Compensation.** The District shall from time to time pay or cause to be paid to the Escrow Agent the agreed upon compensation for its services to be rendered hereunder, and reimburse the Escrow Agent for all of its reasonable advances in the exercise and performance of its duties hereunder; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment



of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Escrow Agreement or otherwise.

**Section 14. Severability.** If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

**Section 15. Counterparts.** This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

**Section 16. Governing Law.** This Escrow Agreement shall be construed under the laws of the State of California.

**IN WITNESS WHEREOF**, the parties hereto have executed this Escrow Agreement as of the date first above written.

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,**  
as Escrow Agent and Prior Trustee

By: \_\_\_\_\_  
Authorized Officer

**ORANGE COUNTY SANITATION DISTRICT**

By: \_\_\_\_\_  
Wally Ritchie, Director of Finance

**SCHEDULE I**

**INITIAL GOVERNMENT OBLIGATIONS IN ESCROW FUND**

<b><u>Type</u></b>	<b><u>Maturity Date</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>
		\$	%

**SCHEDULE II**

**PAYMENT REQUIREMENTS OF THE REFUNDED OBLIGATIONS**

<b><u>Payment Date</u></b>	<b><u>Interest</u></b>	<b><u>Principal Prepaid</u></b>	<b><u>Total</u></b>
	\$	\$	\$

EXHIBIT A

NOTICE OF DEFEASANCE

ORANGE COUNTY SANITATION DISTRICT  
WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2014A

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

NOTICE IS HEREBY GIVEN that on May [7], 2024, the Orange County Sanitation District (the “District”) caused to be deposited with U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”), pursuant to an Escrow Agreement, dated as of May 1, 2024, by and between the District and the Escrow Agent, proceeds of its Wastewater Refunding Revenue Obligations, Series 2024A, together with other available monies, which will be sufficient to pay interest evidenced by the District’s Wastewater Refunding Revenue Obligations, Series 2015A (the “Refunded Obligations”) on each interest payment date prior to August 5, 2024 (the “Prepayment Date”), and to prepay in full the outstanding Refunded Obligations at a prepayment price equal to the principal amount thereof plus accrued interest thereon, without premium, on the Prepayment Date. The Escrow Agent is obligated to pay or cause to be paid to the Owners of the Refunded Obligations all sums due thereon, but only from moneys deposited with the Escrow Agent as described in this paragraph. As a result of such deposit, the Refunded Obligations are deemed to have been paid in accordance with the applicable provisions of the Trust Agreement, dated as of February 1, 2015, by and among U.S. Bank Trust Company, National Association, as successor Trustee, the Orange County Sanitation District Financing Corporation and the District, pursuant to which the Refunded Obligations were executed and delivered.

Dated: \_\_\_\_\_, 2024

By: U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, as Trustee and Escrow Agent on  
behalf of the Orange County Sanitation District

EXHIBIT B

NOTICE OF PREPAYMENT

NOTICE OF OPTIONAL PREPAYMENT TO THE OWNERS OF  
ORANGE COUNTY SANITATION DISTRICT  
WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2015A

<u>CUSIP Number*</u>	<u>Maturity Date (February 1)</u>	<u>Rate</u>	<u>Principal Amount Outstanding</u>
68428T BR7	2028	5.00%	\$15,240,000
68428T BS5	2029	5.00	16,045,000
68428T BT3	2030	5.00	15,965,000
68428T BU0	2031	5.00	6,215,000
68428T BV8	2034	5.00	17,180,000
68428T BW6	2035	5.00	18,040,000
68428T BX4	2036	5.00	18,940,000
68428T BY2	2037	5.00	19,885,000

NOTICE IS HEREBY GIVEN that the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2015A, in the maturities and principal amounts specified above (the “Refunded Obligations”) are hereby subject to prepayment on August 5, 2024 (the “Prepayment Date”) at a price equal to the principal evidenced by the Refunded Obligations, plus accrued interest evidenced thereby to the Prepayment Date, without premium (the “Prepayment Price”). On the Prepayment Date there will become due and payable with respect to each of the Refunded Obligations the Prepayment Price thereof, and from and after such Prepayment Date, the interest evidenced thereby shall cease to accrue and be payable.

The Refunded Obligations shall be surrendered at the address of U.S. Bank Trust Company, National Association, as trustee for the Refunded Obligations (the “2015A Trustee”). Payment of the Prepayment Price on such Refunded Obligations called for prepayment will be paid only upon presentation and surrender thereof in the following manner:

If by Hand or Overnight Mail:  
**U.S. Bank Trust Company, National Association**  
**Global Corporate Trust**  
111 Fillmore Ave E.  
St. Paul, MN 55107  
1-800-934-6802

Refunded Obligation holders presenting their Refunded Obligations in person for same day payment must surrender their Refunded Obligation(s) by 1:00 p.m. on the Prepayment Date, and a check will be available for pick up after 2:00 p.m. Checks not picked up by 4:30 p.m. will be mailed out to the Refunded Obligation holder via first class mail. If payment of the Prepayment

Price is to be made to the registered owner of the Refunded Obligation, you are not required to endorse the Refunded Obligation to collect the Prepayment Price.

**IMPORTANT NOTICE:** Federal law requires the 2015A Trustee to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit [www.irs.gov](http://www.irs.gov) for additional information on the tax forms and instructions.

*\* Neither the Orange County Sanitation District nor the 2015A Trustee shall be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness indicated in this Notice or as printed on any Refunded Obligation. They are included solely for the convenience of the Refunded Obligation holders.*

Dated: \_\_\_\_\_, 20\_\_

By: U.S. Bank Trust Company, National  
Association,  
as 2015A Trustee on behalf of the  
Orange County Sanitation District

**NOTICE OF INTENTION TO SELL**

**§ \_\_\_\_\_\***  
**Orange County Sanitation District**  
**Wastewater Refunding Revenue Obligations**  
**Series 2024A**

NOTICE IS HEREBY GIVEN that the Orange County Sanitation District (the “District”) intends to receive electronic bids until 11:30 A.M., New York time, on

**April [9], 2024,**

through the use of an electronic bidding service offered by Ipreo, at [www.newissuehome.i-deal.com](http://www.newissuehome.i-deal.com) and the Parity electronic bid submission system, for the purchase of all of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”), dated as of the date of initial delivery, and maturing on such dates as described in the related Official Notice Inviting Bids (the “Notice”). No bids will be accepted by facsimile. Bids for less than all of the Revenue Obligations will not be accepted. The District reserves the right to postpone the date established for the receipt of bids as more fully described under the paragraph “Cancellation or Postponement” in the Notice.

NOTICE IS HEREBY FURTHER GIVEN that electronic copies of the Notice and the Preliminary Official Statement issued in connection with the sale of the Revenue Obligations may be obtained from the District’s municipal advisor, Public Resources Advisory Group, 11500 West Olympic Boulevard, Suite 400, Los Angeles, California 90064, 310-477-7098, via e-mail: [lchoi@pragadvisors.com](mailto:lchoi@pragadvisors.com).

**Orange County Sanitation District**

Dated: March [29], 2024

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\* Preliminary, subject to change.



**OFFICIAL NOTICE INVITING BIDS**

\$ \_\_\_\_\_<sup>\*</sup>  
**ORANGE COUNTY SANITATION DISTRICT  
WASTEWATER REFUNDING REVENUE OBLIGATIONS  
SERIES 2024A**

(Book-Entry-Only)

NOTICE IS HEREBY GIVEN that bids will be received by the Orange County Sanitation District (the “District”) for the purchase of \$ \_\_\_\_\_<sup>\*</sup> original principal amount of Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A, Evidencing Direct, Fractional Undivided Interests of the Owners Thereof in Installment Payments to be Made by the Orange County Sanitation District to the Orange County Sanitation District Financing Corporation (the “Revenue Obligations”). Bids for less than all of the Revenue Obligations will not be accepted. The bids will be received in the form, in the manner and up to the time specified below (unless postponed as described herein):

Date: April [9], 2024  
11:30 A.M., New York Time

Electronic Bids: Electronic proposals may be submitted to Ipreo, at [www.newissuehome.i-deal.com](http://www.newissuehome.i-deal.com) and the Parity electronic bid submission system (the “Electronic Service”). The Electronic Service will act as agent of the bidder and not of the District in connection with the submission of bids and the District assumes no responsibility or liability for bids submitted through the Electronic Service. See “Information Regarding Electronic Proposals” herein.

*No facsimile, hand delivery or sealed bids will be accepted.*

**Terms of the Revenue Obligations**

The Preliminary Official Statement for the Revenue Obligations, dated March [29], 2024, including the cover page and all appendices thereto (the “Preliminary Official Statement”), provides certain information concerning the sale and delivery of \$ \_\_\_\_\_<sup>\*</sup> aggregate principal amount of the Revenue Obligations, which are certificates of participation evidencing direct, undivided fractional interests in the Installment Payments (the “Installment Payments”), and the interest thereon, payable by 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”). Each bidder must have obtained and reviewed the Preliminary Official Statement prior to bidding for the Revenue Obligations. This Official Notice Inviting Bids, including all exhibits and attachments, contains certain information for quick reference only, is not a summary of the issue and governs only the terms of the sale of, bidding for and closing procedures with respect to the Revenue Obligations. Bidders must read the entire Preliminary Official Statement to obtain information essential to making an informed investment decision.

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<sup>\*</sup> Preliminary, subject to change.

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 provided in the Master Agreement and 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.

### **The Issue**

The proceeds from the sale of the Revenue Obligations, together with other funds of the District, will be used to (i) prepay the District’s Wastewater Refunding Revenue Obligations, Series 2014A, currently outstanding in the aggregate principal amount of \$30,095,000 (the “Refunded 2014A Prior Obligations”), (ii) prepay the District’s Wastewater Refunding Revenue Obligations, Series 2015A, currently outstanding in the aggregate principal amount of \$127,510,000 (the “Refunded 2015A Prior Obligations” and, together with the Refunded 2014A Prior Obligation, the “Refunded Prior Obligations”), and (iii) pay the costs incurred in connection with the execution and delivery of the Revenue Obligations. 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 trustee (the “Trustee”). Capitalized terms not defined herein shall have the same definitions as used in the Trust Agreement or the Master Agreement.

### **Authorization**

On March 27, 2024, the District and the Corporation authorized the execution and delivery of the Installment Purchase Agreement, the Trust Agreement and the Revenue Obligations.

### **Outstanding Senior Obligations**

The District has outstanding Senior Obligations payable on a parity with the Installment Payments under the Installment Purchase Agreement. The term “Existing Senior Obligations” as used in the Preliminary Official Statement refers to the 2010A Installment Purchase Agreement, the 2010C Installment Purchase Agreement, the 2014A Installment Purchase Agreement, the 2015A Installment Purchase Agreement, the 2016A Installment Purchase Agreement, the 2017A Installment Purchase Agreement, 2021A Installment Purchase Agreement and the 2022A Installment Purchase Agreement.

### **Security and Source of Payments**

The Revenue Obligations are certificates of participation which evidence direct, undivided fractional 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 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 other outstanding obligations described as Senior Obligations and all Reimbursement Obligations, if any, with respect to Senior Obligations, as provided in the Master Agreement. The Installment Purchase Agreement constitutes a Senior Obligation and is subject to the provisions of the Master Agreement and is afforded all of the advantages, benefits, interests and security for 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, executed, issued 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, the 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; provided, however, that prior to incurring such Subordinate Obligations, the District will 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. Currently, there are no Subordinate Obligations outstanding. For a description of the District's outstanding Senior Obligations, see "FINANCIAL OBLIGATIONS — Existing Indebtedness" in the Preliminary Official Statement.

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.

Pursuant to the Master Agreement, the District is required, to the extent permitted by law, to 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 SOURCES OF PAYMENT FOR THE REVENUE OBLIGATIONS — Rate Covenant" in the Preliminary Official Statement.

### **Additional Obligations**

In addition to the Existing Senior Obligations, the District may at any time incur Obligations payable on a parity or on a subordinate basis to the payment by the District of the Installment Payments upon satisfaction of conditions provided in the Master Agreement. No Obligations payable on such a subordinate basis are currently outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE

REVENUE OBLIGATIONS — Limitations on Issuance of Additional Obligations” in the Preliminary Official Statement.

### **Book-Entry-Only**

The Revenue Obligations will be executed and delivered in the form of fully registered certificates payable in lawful money of the United States of America. The Revenue Obligations will be initially 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 Authorized 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 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. So long as the Revenue Obligations are in the DTC book-entry system, the interest, principal 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.

### **Principal and Interest Payments**

The Revenue Obligations will be dated as of the date of initial delivery and will evidence interest from that date (computed on the basis of a 360-day year of twelve 30-day months). Interest evidenced by the Revenue Obligations is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2024. Payment of principal and prepayment premium, if any, evidenced by the Revenue Obligations will be paid in lawful money of the United States of America upon presentation and surrender thereof at the Principal Office of the Trustee.

### **Principal Amortization**

The Revenue Obligations will be executed and delivered in the original principal amount of \$\_\_\_\_\_ \* and will be subject to principal amortization on February 1 in the years 20\_\_ \* through 20\_\_ \* in the amounts set forth in the Official Bid Form.

### **Prepayment**

***Optional Prepayment.*** The Revenue Obligations with stated Principal Payment Dates 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.*** If the successful bidder designates principal amounts to be combined into one or more term maturities, each such term maturity shall be subject to prepayment, in part, by lot, prior to maturity from mandatory sinking account payments commencing on February 1 of the first year which has been combined to form such term maturities and continuing on February 1 in each year

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\* Preliminary, subject to change.

\* Preliminary; subject to change.

thereafter until the stated maturity date of that term maturity. The prepayment price will be equal to the principal amount for such year set forth in the Official Bid Form, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

### **Selection of Revenue Obligations for Prepayment**

Whenever less than all the Outstanding Revenue Obligations are to be prepaid on any one date pursuant to 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 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.

### **Notice of Prepayment**

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.

### **Interest Rates, Reoffering Prices, Premium or Discount Bids and Certificate of Initial Purchaser**

Bidders must bid to purchase all and not part of the Revenue Obligations and must submit their bids on the Official Bid Form. Bidders must specify a rate of interest for each maturity of the Revenue Obligations. The rates of interest must be expressed in multiples of either one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and no interest rate on the Revenue Obligations may be specified at zero percent (0%). All Revenue Obligations of the same maturity must evidence interest at the same rate.

The successful bidder will, within 30 minutes after being notified of the award of the Revenue Obligations, advise the District of the initial bona fide public reoffering prices of each maturity of the Revenue Obligations on the date of award. The successful bidder will also be required to furnish to the District a certificate ("Certificate of Initial Purchaser") in the applicable form of the Certificate of Initial Purchaser attached hereto (with such modifications as may be acceptable to Special Counsel). At any time before or after delivery of the Revenue Obligations to the successful bidder, that successful bidder also may be required by the District or Special Counsel to clarify any discrepancies between the Certificate of Initial Purchaser and publicly available information relating to trades of the Revenue Obligations that might suggest that the initial sale of a substantial portion of any maturity of the Revenue Obligations to the public was at a materially higher price than the price stated for that maturity in the Certificate of Initial Purchaser.

Bidders may bid to purchase the Revenue Obligations from the District at a discount or with a premium; however, no bid will be considered if the bid is to purchase Revenue Obligations at an aggregate price less than [129]% or more than [137]% of the aggregate principal amount of the Revenue Obligations.

No bid will be accepted that contemplates the waiver of any interest or other concession by the bidder as substitute for payment in full of the purchase price. Bids that do not conform to the terms of this section may be rejected. See “Right to Reject Bids, Waive Irregularities” below.

### **Adjustment of Principal Amounts After Receipt of Bids**

The principal amounts of the Revenue Obligations set forth in the Official Bid Form reflect estimates of the District as to the likely interest rates of the winning bid and the premium or discount contained in the winning bid. After selecting the winning bid, the amortization schedule for the Revenue Obligations will be adjusted in \$5,000 increments, to reflect the actual interest rates and any discount or premium in the winning bid to properly fund the purchase price of the Refunded Prior Obligations and to accommodate certain other requirements or preferences of the District. Such adjustments will not change any Revenue Obligation in any year by more than 10% of the principal amount for such year. The dollar amount bid for the Revenue Obligations by the winning bidder will be adjusted to reflect such adjustment in the applicable amortization schedule. Any such adjustment will change the total (but not the per Revenue Obligation) dollar amount of purchaser’s discount and original issue discount or premium, if any, provided in such bid. Any such adjustment will be communicated to the winning bidder within 24 hours after receipt of such bid by the District. Changes in the amortization schedule made as described in this paragraph will not affect the determination of the winning bidder or give the winning bidder any right to reject the Revenue Obligations.

### **No Insurance**

THE SUCCESSFUL BIDDER SHALL NOT PURCHASE MUNICIPAL BOND INSURANCE IN CONNECTION WITH THE REVENUE OBLIGATIONS.

### **Form of Bid**

BIDS FOR LESS THAN ALL OF THE REVENUE OBLIGATIONS WILL NOT BE ACCEPTED. Each bid must be on the Official Bid Form, submitted through the Electronic Service as specified herein. All electronic proposals shall be deemed to incorporate the provisions of the Official Bid Form and must be unconditional and irrevocable. In addition, each bidder is requested to supply an estimate of the true interest cost resulting from its bid, computed as prescribed below under the caption “Award, Delivery and Payment,” which shall be considered as informative only and not binding on either the bidder or the District. Each bid must be in accordance with the terms and conditions set forth in this Official Notice Inviting Bids.

The District will make its best efforts to accommodate electronic bids; however, the District, the Municipal Advisor (Public Resources Advisory Group) and Special Counsel assume no responsibility for any error contained in any electronic bid, or for the failure of any electronic bid to be transmitted or received at the official time for receipt of such bids. The official time for receipt of bids will be determined by the District at the place of the bid opening, and the District shall not be required to accept the time kept by Electronic Service as the official time. The District assumes no responsibility for informing any bidder prior to the deadline that its bid is incomplete, or not received.

If multiple timely bids are received from a single bidder the District shall accept the best of such bids and each bidder agrees, by submitting any bid, to be bound by its best bid.

## **Information Regarding Electronic Proposals**

All proposals must be submitted through the Electronic Service. If any provision of this Official Notice Inviting Bids conflicts with information provided by the Electronic Service, this Official Notice Inviting Bids shall control. The District is not responsible for the proper operation of, and shall have no liability for any delays or interruptions of or any damages caused by the Electronic Service. The District is using the Electronic Service as a communication mechanism and not as the District's agent to conduct electronic bidding for the Revenue Obligations. The District is not bound by any advice of or determination by the Electronic Service to the effect that any particular bid complies with the terms of this Official Notice Inviting Bids. All costs and expenses incurred by prospective bidders in connection with their submission of bids through the Electronic Service are the sole responsibility of such bidders and the District is not responsible for any such costs or expenses. Further information about the Electronic Service, including any fee charged, may be obtained from Ipreo (877-588-5030). The District assumes no responsibility or liability for bids submitted through the Electronic Service. The District shall be entitled to assume that any bid submitted through the Electronic Service has been made by a duly authorized agent of the bidder.

## **Bid Security Deposit**

The successful bidder must provide a wire transfer of immediately available federal funds in the amount of \$\_\_\_\_\_ (the "Bid Security Deposit") within 90 minutes of the verbal award of the Revenue Obligations.

The Bid Security Deposit will be retained by the District and applied to the purchase price at the time of delivery of the Revenue Obligations. The District disclaims any liability for funds sent by wire transfer, except for any willful misconduct or reckless disregard for its duties.

If after the award of the Revenue Obligations, the successful bidder fails to complete the purchase on the terms stated in its bid, unless such failure of performance shall be caused by any act or omission of the District, the Bid Security Deposit shall be retained by the District as stipulated liquidated damages. No interest will be paid upon any Bid Security Deposit.

## **Official Statement**

The District has approved a Preliminary Official Statement for the Revenue Obligations, dated March [29], 2024, which the District has "deemed final" for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"), although subject to revision, amendment and completion in conformity with the Rule. No later than seven business days after the day the Revenue Obligations are awarded, the District will provide the successful bidder with an electronic version of the final Official Statement. The successful bidder shall file the final Official Statement with a nationally recognized municipal securities information repository on a timely basis. The successful bidder shall, by accepting the award, agree at all times to comply with the provisions of the Rule and with all applicable rules of the Municipal Securities Rulemaking Board.

## **Award, Delivery and Payment**

If satisfactory bids are received, the Revenue Obligations will be awarded to the highest responsible bidder not later than two hours after the time established for the receipt of bids. The highest bidder shall be the bidder submitting the best price for the Revenue Obligations, which best price shall be that resulting in the lowest true interest cost with respect to the Revenue Obligations. The true interest cost shall be computed by doubling the semi-annual interest rate (compounded semi-annually) necessary to discount the debt service payments from their respective payment dates to the date of the Revenue Obligations and to

the price bid. If two or more bidders have bid the same true interest cost, the award shall be made at the sole discretion of the District.

Delivery of the Revenue Obligations is expected to occur on or about May [7], 2024. The Revenue Obligations will be delivered through the facilities of DTC, New York, New York. The successful bidder shall pay for the Revenue Obligations on the date of delivery in Los Angeles, California in immediately available federal funds. Any expenses of providing federal funds shall be borne by the purchaser. Payment on the delivery date shall be made in an amount equal to the price bid for the Revenue Obligations less the amount of the bid security deposit.

### **Right to Reject Bids, Waive Irregularities**

The District reserves the right to reject any and all bids, and to the extent permitted by law, to waive any irregularity or informality in any bid.

### **CUSIP Numbers**

It is anticipated that CUSIP numbers will be printed on the Revenue Obligations, but the District will assume no obligation for the assignment or printing of such numbers on the Revenue Obligations or for the correctness of such numbers, and neither the failure to print such numbers on any Revenue Obligation nor any error with respect thereto shall constitute cause for a failure or refusal by the purchasers thereof to accept delivery of and make payment for the Revenue Obligations. The Municipal Advisor will timely apply for CUSIP numbers for the Revenue Obligations and will submit the CUSIP numbers to Parity to be provided to all bidders. The cost for the assignment of CUSIP numbers to the Revenue Obligations will be the responsibility of the successful bidder.

### **California Debt and Investment Advisory Commission**

The successful bidder will be required to pay all fees due to the California Debt and Investment Advisory Commission (“CDIAC”) under California law. CDIAC will invoice the successful bidder after the delivery of the Revenue Obligations.

### **Reoffering Prices, Establishment of Issue Price and Issue Price Certificate**

- (a) The winning bidder for the Revenue Obligations shall assist the District in establishing the issue price of the Revenue Obligations, and shall execute and deliver to the District at or before the time of issuance and delivery of the Revenue Obligations an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public of each maturity of the Revenue Obligations, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibits A and B, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the District and Special Counsel.
- (b) The District intends that Sections 1.148-1(f)(2)(iii) and 1.148-1(f)(3)(i) (providing a special rule establishing the issue price of competitively sold bonds and defining the term “competitive sale”) will apply to the initial sale of the Revenue Obligations (the “Competitive Sale Requirements”) because:
  - (1) the District shall disseminate this Official Notice Inviting Bids to potential underwriters in a manner that is reasonably designed to reach potential underwriters;



- (2) all bidders shall have an equal opportunity to bid on the Revenue Obligations;
- (3) the District may receive bids for the Revenue Obligations from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the District anticipates awarding the sale of the Revenue Obligations to the bidder that submits a firm offer to purchase the Revenue Obligations at the highest price (or lowest interest cost), as set forth in this Official Notice Inviting Bids.

Any bid submitted pursuant to this Official Notice Inviting Bids shall be considered a firm offer for the purchase of the Revenue Obligations as specified in the bid.

- (c) If the Competitive Sale Requirements set forth in subsection (b)(3) of this Section are not satisfied, the District shall so advise the winning bidder. In such event, the District intends to treat the initial offering price to the public as of the sale date of each maturity as the issue price of that maturity (the “hold-the-offering- price rule”). The District shall promptly advise the winning bidder, at or before the time of award, if the Competitive Sale Requirements set forth in subsection (b)(3) of this Section were not satisfied, in which case the hold-the-offering-price rule shall apply to the Revenue Obligations. Bids will not be subject to cancellation in the event the Competitive Sale Requirements are not satisfied, and the hold-the-offering-price rule thus apply to any maturity of the Revenue Obligations as to which less than 10% of the maturity was sold by the winning bidder to the public at a single price.
- (d) By submitting a bid to purchase the Revenue Obligations, the winning bidder (i) confirms that the underwriters that are part of the selling group (if any) (the “Underwriters”) have offered or will offer the Revenue Obligations to the public on or before the date of award at the offering price or prices (“**initial offering price**”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder (ii) certifies that the bidder is an underwriter of municipal obligations who has an established industry reputation for underwriting new issuances of municipal obligations, and (iii) agrees, on behalf of the Underwriters, that the Underwriters will neither offer nor sell unsold Revenue Obligations of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:
  - (1) the close of the fifth (5th) business day after the sale date; or
  - (2) the date on which the Underwriters have sold at least 10% of that maturity of to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the District when the underwriters have sold 10% of that maturity to the public at a price that is no higher than such maturity’s initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

- (e) The District acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale

of the Revenue Obligations to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Revenue Obligations to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to one or more maturities of the Revenue Obligations.

- (f) By submitting a bid to purchase the Revenue Obligations, the bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail or other third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Revenue Obligations to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Revenue Obligations of each maturity allotted to it and subject to the hold-the-offering-price rule until it is notified by the winning bidder that the hold-the-offering-price rule no longer applies to such maturity, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Revenue Obligations to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Revenue Obligations to the public to require each broker-dealer that is a party to such retail or other third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Revenue Obligations of each maturity allotted to it and subject to the hold-the-offering-price rule until it is notified by the winning bidder or such underwriter that the hold-the-offering-price rule no longer applies to such maturity, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.
- (g) Sales of the Revenue Obligations to any person that is a related party to an underwriter of the Revenue Obligations shall not constitute sales to the public for purposes of this Official Notice inviting Bids. Further, for purposes of this Official Notice Inviting Bids:
- (1) “public” means any person other than an underwriter or a related party,
  - (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Revenue Obligations to the public, and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Revenue Obligations to the public (including a member of a selling group or a party to a retail or other

third-party distribution agreement participating in the initial sale of the Revenue Obligations to the public),

- (3) a purchaser of the Revenue Obligations is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) “sale date” means the date on which the Revenue Obligations are awarded by the District to the winning bidder.

### **Legal Opinions**

The District will furnish to the successful bidder at the closing of the Revenue Obligations the legal opinion of Special Counsel to the effect that, in the opinion of 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, 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 and is not an item of tax preference for purposes of the federal alternative minimum tax and is exempt from personal income taxes of the State of California. Special Counsel will express no opinion as to any federal or state tax consequence of the ownership or disposition of the Revenue Obligations.

### **Closing Documents**

The District will furnish to the successful bidder at the time of delivery of the Revenue Obligations: (1) a certificate certifying (i) that as of and at the time of delivery of the Revenue Obligations, there is no action, suit, proceeding or investigation, pending or, to the best knowledge of the District, threatened against or affecting the District, (A) which affects or seeks to prohibit, restrain or enjoin the execution and delivery of the Revenue Obligations or the Trust Agreement, (B) in any way contesting the validity of the Revenue Obligations, the Installation Purchase Agreement or the Trust Agreement or the powers of the District to enter into or perform its obligations under such documents to which it is a party or the existence of the District, or (C) wherein an unfavorable decision, ruling or finding would materially and adversely affect the District, or the validity or enforceability of the Revenue Obligations, the Installation Purchase Agreement or the Trust Agreement or the ability of the District to perform its obligations under such documents to which it is a party, (ii) that the Preliminary Official Statement did not on the date of sale of the Revenue Obligations and the Official Statement does not on the date of delivery contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and (2) a receipt of the District showing that the purchase price of the Revenue Obligations has been received by the District.

## **Continuing Disclosure**

To assist the successful bidder in complying with the Rule, the District will undertake, pursuant to the Continuing Disclosure Agreement, to provide certain annual financial information, and notices of the occurrence of certain enumerated events. A description of the Continuing Disclosure Agreement is set forth in the Preliminary Official Statement and will be set forth in the final Official Statement.

## **Additional Information**

Electronic copies of the Trust Agreement, the Installment Purchase Agreement, the Master Agreement, this Official Notice Inviting Bids, the Official Bid Form, and the Preliminary Official Statement will be furnished to any potential bidder upon request made to the District's Municipal Advisor at: Public Resources Advisory Group, 11500 West Olympic Boulevard, Suite 400, Los Angeles, CA 90064, 310-477-7098, via e-mail at [lchoi@pragadvisors.com](mailto:lchoi@pragadvisors.com).

## **Right to Modify or Amend**

The District reserves the right to modify or amend this Official Notice Inviting Bids, including but not limited to the right to adjust and change the principal amount of the Revenue Obligations being offered; provided, however, that such notifications or amendments shall be made not later than the business day prior to the date fixed for the receipt of bids, by 4:00 p.m., New York Time and communicated through MuniOS (available at <http://www.munios.com>) ("MuniOS") or Refinitiv Municipal Market Monitor ("TM3") (available at <http://www.tm3.com>) and by facsimile transmission to any qualified bidder timely requesting such notice. Bidders are required to bid for the Revenue Obligations as so modified.

## **Cancellation or Postponement**

The District reserves the right to cancel or postpone, from time to time, the date established for the receipt of bids for any reason at any time. Any such postponement will be announced by MuniOS or TM3. If any date fixed for the receipt of bids and the sale of the Revenue Obligations is postponed, any alternative sale date will be announced via MuniOS or TM3 at least 24 hours prior to such alternative sale date and will be provided by facsimile transmission to any qualified bidder timely requesting such notice. On any such alternative sale date, any bidder may submit a sealed bid for the purchase of the Revenue Obligations in conformity in all respects with the provisions of this Official Notice Inviting Bids except for the date of sale and except for the changes announced by MuniOS or TM3 at the time the sale date and time are announced.

Dated: March [29], 2024

**EXHIBIT A**

**FORM OF CERTIFICATE OF INITIAL PURCHASER**

**[IF 3 OR MORE BIDS FROM COMPETITIVE PROVIDERS ARE RECEIVED]**

Orange County Sanitation District  
Fountain Valley, California

Norton Rose Fulbright US LLP  
Los Angeles, California

This certificate is being delivered by [Purchaser], the purchaser (“Purchaser”) in connection with the issuance by the Issuer of its Wastewater Refunding Revenue Obligations, Series 2024A, Evidencing Direct, Fractional Undivided Interests of the Owners Thereof in Installment Payments to be Made by the Orange County Sanitation District to the Orange County Sanitation District Financing Corporation (the “Revenue Obligations”).

The Purchaser hereby certifies and represents that:

**1. Reasonably Expected Initial Offering Price.**

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Revenue Obligations to the Public by the Purchaser are the prices listed in Schedule A (“Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Revenue Obligations used by the Purchaser in formulating its bid to purchase the Revenue Obligations. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Revenue Obligations.
- (b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by the Purchaser constituted a firm offer to purchase the Revenue Obligations.

**2. Defined Terms.**

- (a) *Issuer* means the Orange County Sanitation District.
- (b) *Maturity* means Revenue Obligations with the same credit and payment terms. Revenue Obligations with different maturity dates, or Revenue Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (d) *Related Party* means any entity if an Underwriter and the entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one

corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

- (e) *Sale Date* means the date of execution of a binding contract in writing for the sale of a Maturity of the Revenue Obligations. The Sale Date of the Revenue Obligations is April [9], 2024.
- (f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Revenue Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Revenue Obligations to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Revenue Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in a tax certificate with respect to compliance with the federal income tax rules affecting the Revenue Obligations, and by Norton Rose Fulbright US LLP, Special Counsel, in connection with rendering their opinion that the interest on the Revenue Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Revenue Obligations.

Dated: [ISSUE DATE]

[INITIAL PURCHASER],  
as Underwriter

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**Schedule A**

**Expected Offering Prices**

(See attached)

**Schedule B**  
**Copy of Purchaser Bid**  
(See attached)



**[IF FEWER THAN 3 BIDS FROM COMPETITIVE PROVIDERS ARE RECEIVED]**

Orange County Sanitation District  
Fountain Valley, California

Norton Rose Fulbright US LLP  
Los Angeles, California

This certificate is being delivered by [Purchaser], the purchaser (“Purchaser”) in connection with the issuance by the Issuer of its Wastewater Refunding Revenue Obligations, Series 2024A, Evidencing Direct, Fractional Undivided Interests of the Owners Thereof in Installment Payments to be Made by the Orange County Sanitation District to the Orange County Sanitation District Financing Corporation (the “Revenue Obligations”).

**1. Sale of the General Rule Maturities.**

As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

**2. Initial Offering Price of the Hold-the-Offering-Price Maturities.**

- (a) The Purchaser offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (“Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Revenue Obligations is attached to this Certificate as Schedule B.
- (b) As set forth in the Official Notice Inviting Bids, the Purchaser agreed in writing on or prior to the Sale Date that, should the “competitive sale” requirements with respect to the Revenue Obligations not be satisfied, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Revenue Obligations of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (“hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer that is a member of the selling group, and any retail or other third-party distribution agreement shall contain the agreement of each broker-dealer that is a party to the retail or other third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Revenue Obligations during the Holding Period.

**3. Defined Terms.**

- (a) *Issuer* means the Orange County Sanitation District.
- (b) *General Rule Maturities* means those Maturities of the Revenue Obligations listed in Schedule A hereto as the “General Rule Maturities.”
- (c) *Hold-the-Offering-Price Maturities* means those Maturities of the Revenue Obligations listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

- (d)  *Holding Period*  means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Purchaser sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
- (e)  *Maturity*  means Revenue Obligations with the same credit and payment terms. Revenue Obligations with different maturity dates, or Revenue Obligations with the same maturity date but different stated interest rates, are treated as separate maturities.
- (f)  *Public*  means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (g)  *Related Party*  means any entity if an Underwriter and the entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).
- (h)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Revenue Obligations. The Sale Date of the Revenue Obligations is April [9], 2024.
- (i)  *Underwriter*  means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Revenue Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Revenue Obligations to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Revenue Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Revenue Obligations and with respect to compliance with the federal income tax rules affecting the Revenue Obligations, and by Norton Rose Fulbright US LLP, Special Counsel, in connection with rendering their opinion that the interest on the Revenue Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the Issuer from time to time relating to the Revenue Obligations.

Dated: [ISSUE DATE]

[INITIAL PURCHASER],  
as Underwriter

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**Schedule A**  
**Initial Offering Prices**

(See attached)

**Schedule B**  
**Copy of Pricing Wire**  
(See attached)

**OFFICIAL BID FORM**

\$ \_\_\_\_\_ \*

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

April [9], 2024

Orange County Sanitation District  
10844 Ellis Avenue  
Fountain Valley, CA 92708-7018  
Attn: Wally Ritchie, Director of Finance

Ladies and Gentlemen:

We hereby offer to purchase all of the \$ \_\_\_\_\_ \* aggregate principal amount of the Orange County Sanitation District (the “District”) Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”), more particularly described in the Official Notice Inviting Bids, dated March 29, 2024 (the “Official Notice Inviting Bids”), which is incorporated herein by reference, and made a part thereof, at a purchase price of \$ \_\_\_\_\_. This offer is for Revenue Obligations evidencing interest at the rates and in the form of serial maturities or terms maturities as set forth in the table on the following page.

The bid is subject to acceptance not later than two hours after the expiration of the time established for the final receipt of bids.

Our calculation of the true interest cost, computed in accordance with the instructions in the Official Notice Inviting Bids, and which is considered to be informative only and not a part of the bid, is \_\_\_%.

Upon acceptance of this bid, we will provide the District a wire transfer in immediately available federal funds in the amount of \$ \_\_\_\_\_ to an account specified by the District or its representative, in accordance with the Official Notice Inviting Bids.

With this bid we are providing a wire transfer of immediately available federal funds in the amount of \$ \_\_\_\_\_, within 90 minutes of the verbal award of the Revenue Obligations, to an account specified by the District or its representative, in accordance with the Official Notice Inviting Bids.

We have noted that payment of the purchase price is to be made in immediately available Federal Funds at the time of delivery of the Revenue Obligations. If we are the successful bidder, we will (1) within 30 minutes after being notified of the verbal award of the Revenue Obligations, advise the District of the initial public offering prices of the Revenue Obligations; and (2) prior to delivery of the Revenue Obligations furnish a certificate, acceptable to Special Counsel, Norton Rose Fulbright US LLP, as to the “issue price” of the Revenue Obligations in the form specified in the Official Notice Inviting Bids.

---

\* Preliminary, subject to change.

<u>Maturity</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Serial</u> <u>Maturity</u>	<u>Sinking</u> <u>Account</u> <u>Prepayment</u>
			<u>(Check one column)</u>	
2025	\$			
2026				
2027				
2028				
2029				
2030				
2031				
2034				
2035				
2036				
2037				
Total	\$			

We represent that we have full and complete authority to submit this bid on behalf of our bidding syndicate and the undersigned will serve as the lead manager for the group if the Revenue Obligations are awarded pursuant to this bid. We certify (or declare) under penalty of perjury under the laws of the State of California that this proposal is genuine, and not a sham or collusive, nor made in the interest of or on behalf of any person not herein named, and that the bidder has not directly or indirectly induced or solicited any other bidder to put in a sham bid or any other person, firm or corporation to refrain from bidding, and that the bidder has not in any manner sought by collusion to secure for himself an advantage over any other bidder.

Respectfully Submitted,

Account Manager: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Telephone: \_\_\_\_\_

Following (or attached) is a list of the members of our account on whose behalf this bid is made.

---

\* Preliminary, subject to change.  
138886191.4

**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.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.



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\***

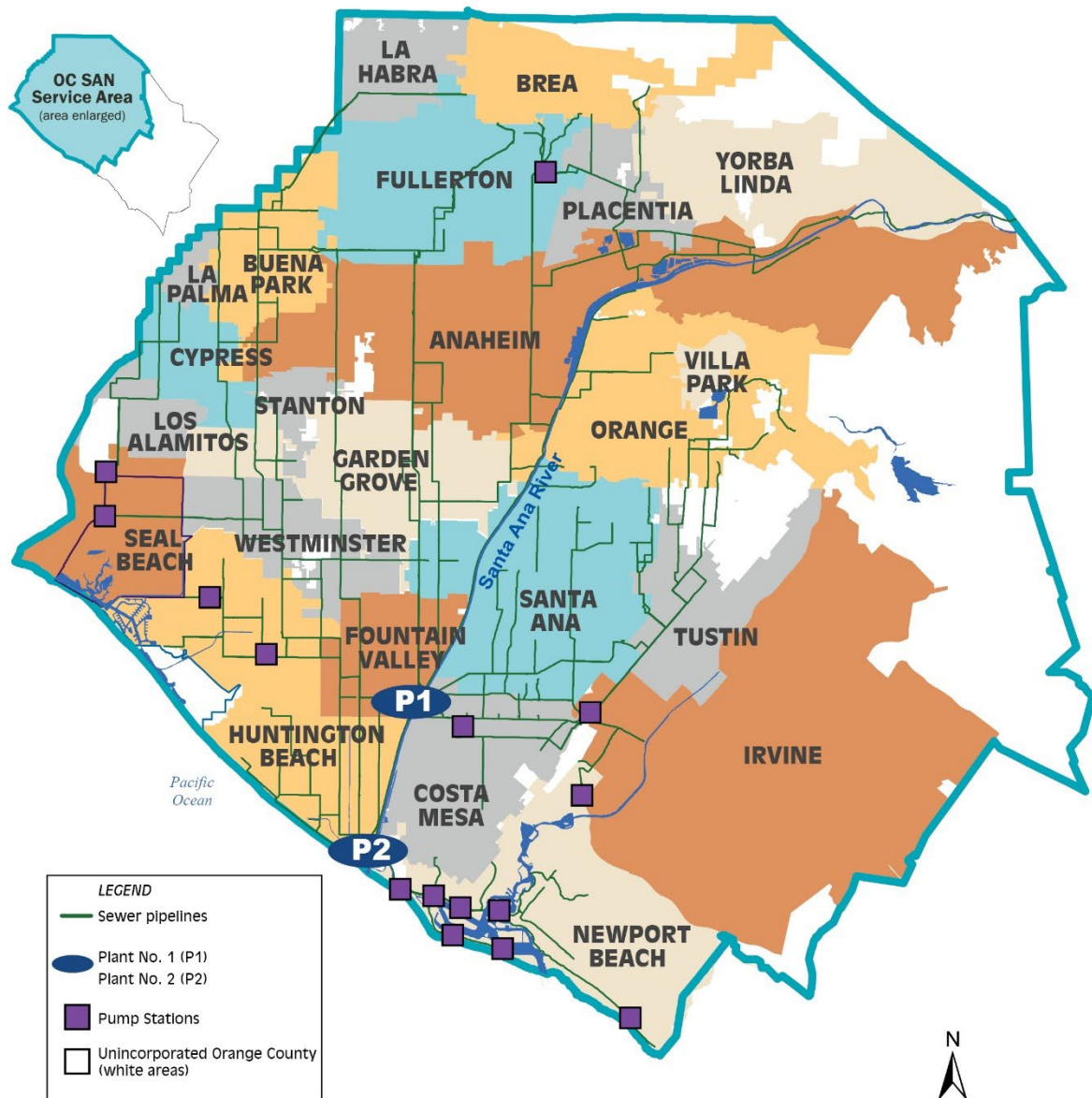
<b><u>Maturity Date</u></b> <b><u>(February 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP<sup>†</sup></u></b> <b><u>(Base No. 68428T)</u></b>
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\* 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



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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.

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## 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

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\* 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.

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## 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**

<b>Maturity Date (February 1)</b>	<b>Principal Amount Outstanding</b>	<b>CUSIP Number (68428T)</b>	<b>Prepayment Price</b>
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**

<b>Maturity Date (February 1)</b>	<b>Principal Amount Outstanding</b>	<b>CUSIP Number (68428T)</b>	<b>Prepayment Price</b>
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.

<b>Sources</b>	
Principal Amount of Revenue Obligations	\$
[Net] Premium	
District Equity Contribution	
Total Sources	\$
<b>Uses</b>	
Deposit to 2014A Escrow Fund	\$
Deposit to 2015A Escrow Fund	
Costs of Issuance <sup>(1)</sup>	
Total Uses	\$

<sup>(1)</sup> 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:

<b>Term Revenue Obligations Maturing February 1, 20__</b>	
<b>Mandatory Sinking Account Payment Dates (February 1)</b>	<b>Mandatory Sinking Account Payments</b>
	\$

\*  
\* 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.

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

<b>Fiscal Year</b> <b>Ending</b> <b>June 30</b>	<b>Installment Payments</b>		<b>Other</b>		<b>Total</b>
	<b>Relating to Revenue Obligations</b>		<b>Senior Obligations<sup>(1)</sup></b>		
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
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	
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$ 600,565,000</b>	<b>\$ 315,625,287</b>	<b>\$</b>

<sup>(1)</sup> 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.

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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	<u>67,068</u>
Cities Subtotal <sup>(1)</sup>	2,461,642
Unincorporated Areas (estimated) <sup>(2)</sup>	<u>70,692</u>
<b>Total</b>	<b><u>2,532,334</u></b>

<sup>(1)</sup> Demographic Research Unit, State of California Department of Finance.

<sup>(2)</sup> 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.

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**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</u> <sup>(1)</sup>	<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 <sup>(2)</sup>	11.62	9,339,000

<sup>(1)</sup> 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.

<sup>(2)</sup> 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**

	<b>2022-23</b> <b><u>Actual Flows</u></b>	<b>Primary</b> <b>Treatment</b> <b><u>Capacity</u></b>	<b>Secondary</b> <b>Treatment</b> <b><u>Capacity</u></b>
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. OCSO 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.

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### 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 XIII C and Article XIII D 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**

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Sewer Service</u></b> <b><u>Charge</u></b>	<b><u>Percentage</u></b> <b><u>Change</u></b>
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.

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**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)<sup>(1)</sup></u>	<u>Annual Sewer Service Charge<sup>(1)</sup></u>	<u>Treatment Level<sup>(2)(3)</sup></u>	<u>Collection Responsibility<sup>(3)</sup></u>	<u>Property Tax Income<sup>(3)</sup></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 <sup>(4)</sup>	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.

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

<u>Fiscal Year</u>	<u>Historical EDUs<sup>(1)</sup></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.

<sup>(1)</sup> 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 <sup>(1)</sup>	14.8	5

<sup>(1)</sup> 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
Ameripecc, 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.

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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 reappropriation 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)**

	<u>2019</u> <u>(June 30)</u>	<u>2020</u> <u>(June 30)</u>	<u>2021</u> <u>(June 30)</u>	<u>2022</u> <u>(June 30)</u>	<u>2023</u> <u>(June 30)</u>
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 <sup>(1)</sup>	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 <sup>(2)</sup>	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>

<sup>(1)</sup> “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).

<sup>(2)</sup> “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.”

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**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 <sup>(1)</sup>					
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 <sup>(2)</sup>	29.1	33.7	1.7	(35.3)	12.0
Other Revenues <sup>(3)</sup>	<u>5.2</u>	<u>4.8</u>	<u>8.6</u>	<u>4.1</u>	<u>7.1</u>
Total Revenues	<u>\$474.3</u>	<u>\$486.0</u>	<u>\$459.8</u>	<u>\$420.8</u>	<u>\$490.9</u>
Operations and Maintenance Expenses <sup>(4)</sup>	<u>\$166.6</u>	<u>\$168.3</u>	<u>\$168.0</u>	<u>\$156.1</u>	<u>\$207.2</u>
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 <sup>(5)</sup>	<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.

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## **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.

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

	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
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	<u>502.6</u>	<u>506.3</u>	<u>519.4</u>	<u>536.5</u>	<u>555.4</u>
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 <sup>(2)</sup>	<u>292.0</u>	<u>290.3</u>	<u>296.8</u>	<u>307.1</u>	<u>318.9</u>
Debt Service <sup>(3)</sup>	<u>73.4</u>	<u>71.5</u>	<u>70.8</u>	<u>70.7</u>	<u>74.8</u>
Coverage Ratios <sup>(2)</sup>	<u>4.0</u>	<u>4.1</u>	<u>4.2</u>	<u>4.3</u>	<u>4.3</u>
CIP Outlays	<u>272.0</u>	<u>287.7</u>	<u>290.4</u>	<u>272.9</u>	<u>267.0</u>
Replacement, Refurbishment & Rehabilitation <sup>(4)</sup>	<u>-</u>	<u>-</u>	<u>0.7</u>	<u>3.6</u>	<u>8.0</u>
Debt Proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Reserves	<u>\$932.7</u>	<u>\$885.8</u>	<u>\$842.6</u>	<u>\$824.5</u>	<u>\$815.9</u>

(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**

	<b><u>Original Principal Amount</u></b>	<b><u>Issue Date</u></b>	<b><u>Outstanding Balance</u></b>	<b><u>Final Maturity</u></b>
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 <sup>(1)</sup>	85,090,000	08/07/14	30,095,000	02/01/27

2015A Revenue Obligations <sup>(1)</sup>	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>	

<sup>(1)</sup> 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 XIIC 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 XIIC and XIID 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](http://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,

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**CONTINUING DISCLOSURE AGREEMENT**

**THIS CONTINUING DISCLOSURE AGREEMENT** (this “Disclosure Agreement”), dated as of May \_\_, 2024, is by and between the ORANGE COUNTY SANITATION DISTRICT, a county sanitation district organized and existing under the laws of the State of California (the “District”), and DIGITAL ASSURANCE CERTIFICATION, LLC, as Dissemination Agent (the “Dissemination Agent”).

**WITNESSETH:**

**WHEREAS**, the District has caused to be executed and delivered the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2024A (the “Revenue Obligations”), evidencing principal in the aggregate amount of \$\_\_\_\_\_, pursuant to a Trust Agreement, dated as of the date hereof (the “Trust Agreement”), by and among U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), the Orange County Sanitation District Financing Corporation (the “Corporation”) and the District; and

**WHEREAS**, this Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the owners and beneficial owners of the Revenue Obligations and in order to assist the purchaser of the Revenue Obligations in complying with the Rule (as defined herein);

**NOW, THEREFORE**, for and in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

**Section 1. Definitions.** Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Trust Agreement or, if not defined therein, in the Master Agreement, dated as of August 1, 2000, by and between the District and the Corporation. In addition, the following capitalized terms shall have the following meanings:

**“Annual Report”** means any Annual Report provided by the District pursuant to, and as described in, Sections 2 and 3 hereof.

**“Annual Report Date”** means the date in each year that is eight months after the end of the Fiscal Year, which date, as of the date of this Disclosure Agreement, is March 1.

**“Disclosure Representative”** means the Director of Finance and Administrative Services of the District, or such other officer or employee of the District as the District shall designate in writing to the Dissemination Agent and the Trustee from time to time.

**“Dissemination Agent”** means an entity selected and retained by the District, or any successor thereto selected by the District. The initial Dissemination Agent shall be Digital Assurance Certification, LLC.

**“EMMA”** shall mean Electronic Municipal Market Access system, maintained on the internet at <http://emma.msrb.org> by the MSRB.

**“Financial Obligation”** shall have the meaning ascribed to it in the Rule, any other applicable federal securities laws and guidance provided by the SEC in its Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

**“Fiscal Year”** shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month or fifty-two week period hereafter selected by the District, with notice of such selection or change in fiscal year to be provided as set forth herein.

**“Listed Events”** means any of the events listed in Section 4 hereof and any other event legally required to be reported pursuant to the Rule.

**“MSRB”** means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through EMMA.

**“Official Statement”** means the Official Statement, dated April \_\_, 2024, relating to the Revenue Obligations.

**“Participating Underwriter”** means any of the original purchaser(s) of the Revenue Obligations required to comply with the Rule in connection with the offering of the Revenue Obligations.

**“Repository”** means, until otherwise designated by the SEC, EMMA.

**“Rule”** means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same has been or may be amended from time to time.

**“SEC”** shall mean the United States Securities and Exchange Commission.

## **Section 2. Provision of Annual Reports.**

(a) The District shall provide, or shall cause the Dissemination Agent to provide, to MSRB, through EMMA, not later than 15 days prior to the Annual Report Date, an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report must be submitted in electronic format, accompanied by such identifying information as provided by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than 15 Business Days prior to such date, the District shall provide the Annual Report to the Dissemination Agent. If the Fiscal Year changes for the District, the District shall give notice of such change in the manner provided under Section 4(e) hereof.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, through EMMA, the Dissemination Agent has not received a copy of the Annual Report the Dissemination Agent shall contact the District to determine if the District is in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB each year prior to the date for providing the Annual Report; and

(ii) to the extent appropriate information is available to it, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

**Section 3. Content of Annual Reports.** The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The principal evidenced by the Revenue Obligations Outstanding as of the June 30 next preceding the Annual Report Date and the principal amount of other Senior Obligations outstanding as of the June 30 next preceding the Annual Report Date.

(c) Updated information (not to include projections), for the Fiscal Year ended the June 30 next preceding the Annual Report Date, comparable to the information contained in the Official Statement in Table Nos. 2, 4, 6 (only with respect to information on 6 under the headings Fiscal Year and Sewer Service Charge), 8, 9, 10, 11, 12, 13, 14 and 16.

(d) In addition to any of the information expressly required to be provided under subsections (a), (b) and (c) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the District is an "obligated person" (as defined by the Rule), which are available to the public on EMMA or filed with the SEC. The District shall clearly identify each such document to be included by reference.

**Section 4. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 4, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Revenue Obligations, in a timely manner not more than ten (10) Business Days after the event:

(1) principal and interest payment delinquencies;



- (2) defeasances;
- (3) tender offers;
- (4) rating changes;
- (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Revenue Obligations, or other material events affecting the tax status of the Revenue Obligations;
- (6) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (7) unscheduled draws on credit enhancements reflecting financial difficulties;
- (8) substitution of credit or liquidity providers or their failure to perform;
- (9) bankruptcy, insolvency, receivership or similar proceedings; or
- (10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For these purposes, any event described in the immediately preceding paragraph (9) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 4, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Revenue Obligations, if material:

- (1) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (2) appointment of a successor or additional Trustee or the change of the name of a Trustee;
- (3) nonpayment related defaults;
- (4) modifications to the rights of Owners;

- (5) a notices of prepayment;
- (6) release, substitution or sale of property securing repayment of the Revenue Obligations; or
- (7) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Revenue Obligation holders.

(c) Whenever the District obtains knowledge of the occurrence of an event, described in subsection (b) of this Section 4, the District shall as soon as possible determine if such event would be material under applicable federal securities law.

(d) If the District determines that knowledge of the occurrence of an event described in subsection (b) of this Section 4 would be material under applicable federal securities law, the District shall promptly notify the Dissemination Agent in writing and instruct the Dissemination Agent to report the occurrence to the Repository in a timely manner not more than ten (10) Business Days after the event.

(e) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB.

**Section 5. Filings with the MSRB.** All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

**Section 6. Termination of Reporting Obligation.** The District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Revenue Obligations. If such termination occurs prior to the final maturity of the Revenue Obligations, the District shall give notice of such termination in the same manner as for a Listed Event under Section 4 hereof.

**Section 7. Dissemination Agent.** The District may, from time to time, appoint or engage another Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Notwithstanding any other provision to this Disclosure Agreement to the contrary, the District may provide any Annual Report to Beneficial Owners by means of posting such Annual Report on an internet site that provides open access to Beneficial Owners.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the District and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

**Section 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in

any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate amount of principal evidenced by Outstanding Revenue Obligations and upon being indemnified to its reasonable satisfaction, shall, or any holder or beneficial owner of the Revenue Obligations may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.** Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's respective negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Revenue Obligations. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, any holder of a Revenue Obligation or any other party.

**Section 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Revenue Obligations, and shall create no rights in any other person or entity.

**Section 13. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**ORANGE COUNTY SANITATION DISTRICT**

By: \_\_\_\_\_  
Wally Ritchie  
Director of Finance

**DIGITAL ASSURANCE CERTIFICATION, LLC,**  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Representative

Acknowledged and Accepted:

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION,**  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE  
TO FILE ANNUAL REPORT**

Name of Obligor: Orange County Sanitation District

Name of Issue: \$ \_\_\_\_\_ Orange County Sanitation District  
Wastewater Refunding Revenue Obligations, Series 2024A  
(the "Revenue Obligations")

Date of Execution and Delivery: May \_\_, 2024

NOTICE IS HEREBY GIVEN that the Orange County Sanitation District (the "District") has not provided an Annual Report with respect to the above-captioned Revenue Obligations as required by Section 6.09 of the Trust Agreement, dated as of May 1, 2024, by and among U.S. Bank Trust Company, National Association, as Trustee, the Orange County Sanitation District Financing Corporation and the District. [The District anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_, 20\_\_

ORANGE COUNTY SANITATION DISTRICT

By: \_\_\_\_\_  
Title: \_\_\_\_\_

cc: Trustee  
Dissemination Agent



# ADMINISTRATION COMMITTEE

Administration Building  
10844 Ellis Avenue  
Fountain Valley, CA 92708  
(714) 593-7433

## Agenda Report

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**File #:** 2024-3378

**Agenda Date:** 3/13/2024

**Agenda Item No:** 3.

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**FROM:** Robert Thompson, General Manager  
Originator: Wally Ritchie, Director of Finance

**SUBJECT:**

**FY 2024-25 AND 2025-26 ORANGE COUNTY SANITATION DISTRICT BUDGET REVENUES AND RESERVES OVERVIEW**

**GENERAL MANAGER'S RECOMMENDATION**

RECOMMENDATION:

Information Item.

**BACKGROUND**

Staff will provide an informational presentation on the revenues and reserves of the Orange County Sanitation District's Proposed Fiscal Year 2024-25 and Fiscal Year 2025-26 Budget.

The Proposed Budget will be presented for adoption at the June 26, 2024 Board of Directors meeting.

**RELEVANT STANDARDS**

- Ensure the public's money is wisely spent
- Stable rates, no large unforeseen rate increases

**ATTACHMENT**

*The following attachment(s) may be viewed on-line at the OC San website ([www.ocsan.gov](http://www.ocsan.gov)) with the complete agenda package:*

- FY 2024-25 and FY 2025-26 Budget Revenue Detail
- Reserve Summary - FY 2023-24
- Presentation

**Orange County Sanitation District  
FY 2024-25 and FY 2025-26 Budget Update Revenue Detail**

**Revenue Summary** (in millions)

Category	FY 2024-25 Proposed	FY 2025-26 Proposed
<b>Revenues:</b>		
Service Fees	335.5	347.7
Permit User Fees	17.2	18.0
Capital Facility Capacity Charge	20.4	20.7
Property Taxes	130.5	133.1
Interest	17.4	15.3
Other Revenue	19.5	30.5
Debt Proceeds	0.0	0.0
<b>Total Revenue</b>	<b>\$540.5</b>	<b>\$565.3</b>

The Orange County Sanitation District (OC San) has a variety of revenue sources available for operating and capital expenses.

The major revenue sources are as follows:

- Service Fees
- Permit User Fees
- Capital Facilities Capacity Charges (CFCC)
- Property Taxes
- Interest
- Other Revenue
- Debt Proceeds

	<u><b>FY2024-25</b></u>	<u><b>FY2025-26</b></u>
<p><b>Service Fees –</b> User fees are ongoing fees for service paid by customers connected to the sewer system. A property owner, or user, does not pay user fees until connected to the sewer system and receiving services. Once connected, a user is responsible for his share of the system’s costs, both fixed and variable, in proportion to his demand on the system. These fees are for both Single Family Residences (SFR) and Multiple Family Residences (MFR).</p> <p>FY 2024-25 will be the second year of the most recent five-year sewer service fee rate schedule to be approved by the Board. The SFR rate (the underlying basis for all sewer rates) will increase by 3.6 percent (\$13) to \$371 in FY 2024-25, and 3.5 percent (\$13) to \$384 in FY 2025-26. These rates are still well below the average annual sewer rate currently being charged throughout the state.</p>	<b>\$335.5M</b>	<b>\$347.7M</b>

<p><b>Permit User Fees –</b> Fees paid by large industrial and commercial properties owners connected to the sewer system. These fees are for the owner’s share of the system’s costs, both fixed and variable, in proportion to his demand on the system.</p> <p>Since the inception of the Permit User Fee program in 1970, users of OC San’s system that discharge high volumes or high strength wastewater are required to obtain a discharge permit and pay for the full cost of service.</p>	<b>\$17.2M</b>	<b>\$18.0M</b>
<p><b>Capital Facilities Capacity Charges (CFCC) –</b> Capital Facilities Capacity Charge is a one-time, non-discriminatory charge imposed at the time a building or structure is newly connected to OC San’s system, directly or indirectly, or an existing structure or category of use is expanded or increased. This charge pays for OC San facilities in existence at the time the charge is imposed, or to pay for new facilities to be constructed in the future, that are of benefit to the property being charged.</p>	<b>\$20.4M</b>	<b>\$20.7M</b>
<p><b>Property Taxes –</b> The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed value no more than 2% per year. OC San receives a share of the basic levy proportionate to what was received in the 1976 to 1978 period less \$3.5 million, the amount that represents the State’s permanent annual diversion from special districts to school districts that began in 1992-93. OC San’s share of this revenue is dedicated for the payment of debt service.</p>	<b>\$130.5M</b>	<b>\$133.1M</b>
<p><b>Interest –</b> Interest earnings are generated from the investment of accumulated reserves consisting of a cash flow/contingency, a capital improvement, a renewal/replacement, and a self-insurance reserve.</p>	<b>\$17.4M</b>	<b>\$15.3M</b>
<p><b>Other Revenue –</b> Other revenue includes solids handling and capital assessments from the Irvine Ranch Water District (IRWD); and O&amp;M sewer services provided to IRWD, the Santa Ana Watershed Protection Authority (SAWPA), Capital Improvement Program reimbursements from OCWD, and the Sunset Beach Sanitary District.</p>	<b>\$19.5M</b>	<b>\$30.5M</b>



<p><b>Debt Proceeds –</b>            Certificates of Participation (COPs) are OC San’s primary mechanism for financing capital projects. COPs are repayment obligations based on a lease or installment sale agreement. COPs are viewed by the State of California as a share in an installment arrangement where OC San serves as the purchaser. No new debt issuances are projected in the near-term.</p>	<b>\$0.0M</b>	<b>\$0.0M</b>
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**Financing**

If it is necessary that OC San utilize debt financing to meet its total obligations and to meet projected construction schedules, OC San uses long-term borrowing (Certificates of Participation (COP)) for capital improvements that cannot be financed from current revenue. Before any new debt is issued, the impact of debt service payments on total annual fixed costs is analyzed. No new debt issuance is currently being planned.

**OC San Maintains its AAA Rating**

OC San maintains ratings of “AAA” from Standards and Poor and “AA” from Fitch. A triple A rating is the highest obtainable for any governmental agency. In order to maintain this rating, OC San adheres to its 2021 Debt Policy and coverage ratio requirements. This Board-adopted policy serves as the agency’s guide in the management of existing debt and in the issuance of future debt.

**OC San Has Contractual Covenants**

OC San has contractual covenants within the existing COP agreements which require minimum coverage ratios of 1.25. The minimum coverage ratio is the ratio of net annual revenues available for debt service requirements to total annual debt service requirements for all senior lien COP debt. The coverage ratio for senior lien COP debt was approved at 4.35 for FY 2024-25.

**Orange County Sanitation District  
Reserve Summary - FY 2023-24**

Orange County Sanitation District (OC San) has a Board of Directors Reserve Policy that sets forth seven criteria to be used to determine its reserve level. As part of the OC San financial and operating process, we have developed a Reserve Policy which governs the establishment of our reserve level and the use of those funds. To ensure an adequate and diverse reserve policy, we have established seven different criteria. **These are not seven different reserves, but seven criteria used to set the total reserve level.** Reserves can only be used with the approval of the Board of Directors. Below is a brief summary of the OC San Reserve Criteria.

**Reserve Policy Summary**

**Non-Discretionary**

- 1) Debt Covenants and Other Requirements – Required by OC San bondholders – \$76 million – RESTRICTED**  
This level is set by various bond covenants. As OC San issues debt, it is required to maintain certain levels of reserves held specifically for repayment of that debt and cannot be reduced or used prior to repayment of all outstanding debt issuances.
  - 2) “Dry Period” – Property Tax Payments – 50% of Operating Costs – \$108 million**  
The largest portion of OC San revenues are user fees, approximately \$325 million. These fees are listed on and collected through the County property tax bill. Since we receive payments twice each year, we hold funds in reserve specifically to pay operating expenses pending receipt of those payments.
  - 3) “Dry Period” – Property Tax Payments – 100% of August Debt Service Costs – \$19 million**  
The largest portion of OC San revenues are user fees, approximately \$325 million. These fees are listed on and collected through the County property tax bill. Since we receive payments twice each year, we hold funds in reserve specifically to pay debt service pending the receipt of those payments.
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**Discretionary**

- 4) Operating Budget – 10% of the total Operating Budget as a Contingency – \$21 million**  
We hold ten percent of our operating budget as an operating contingency for non-recurring and unanticipated expenditures.
- 5) Capital Improvement Budget – 50% of the average 10-year CIP Program – \$153 million**  
OC San currently has a ten-year, \$3.1 billion Capital Improvement effort. We hold the equivalent of 5% of that total as a contingency specifically related to these Capital Improvement Program efforts.
- 6) Rehabilitation and Refurbishment – \$75 million**  
In 2002, OC San established a reserve level related to rehabilitation efforts at \$50 million based on the rehabilitation or replacement costs at that time. Although the total costs for rehabilitation or replacement has increased substantially since 2002 as a result of the move to Full Secondary Treatment and the Construction of GWRS, this reserve guideline has been increased to \$75 million. It will continue to increase 2% annually.
- 7) Catastrophic loss / Self-insurance – \$100 million**  
OC San is Self-Insured for Catastrophic Loss. \$100 million of OC San’s total reserves are related to holding funds for this category. Although OC San now has almost \$12 billion in asset replacement value and this level has been increased, it is potentially under-funded.

**Current FY 2023-24 Reserve Policy Requirement \$552 million**

**70**  
1954 - 2024

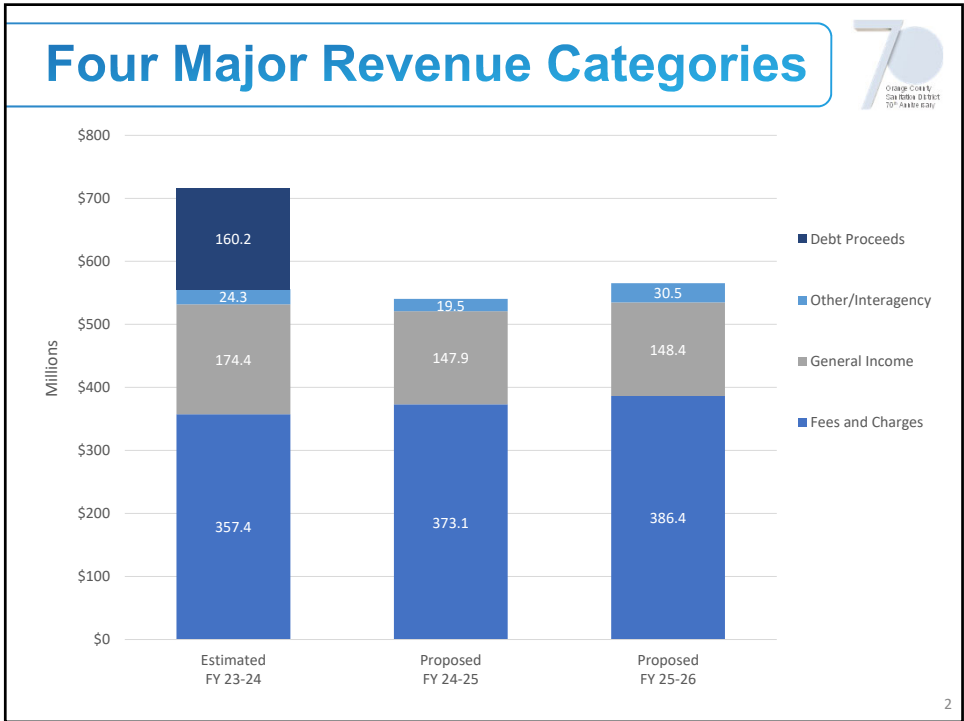
Orange County  
Sanitation District  
70th Anniversary

# FY 24-25 and FY 25-26 Revenues and Reserves

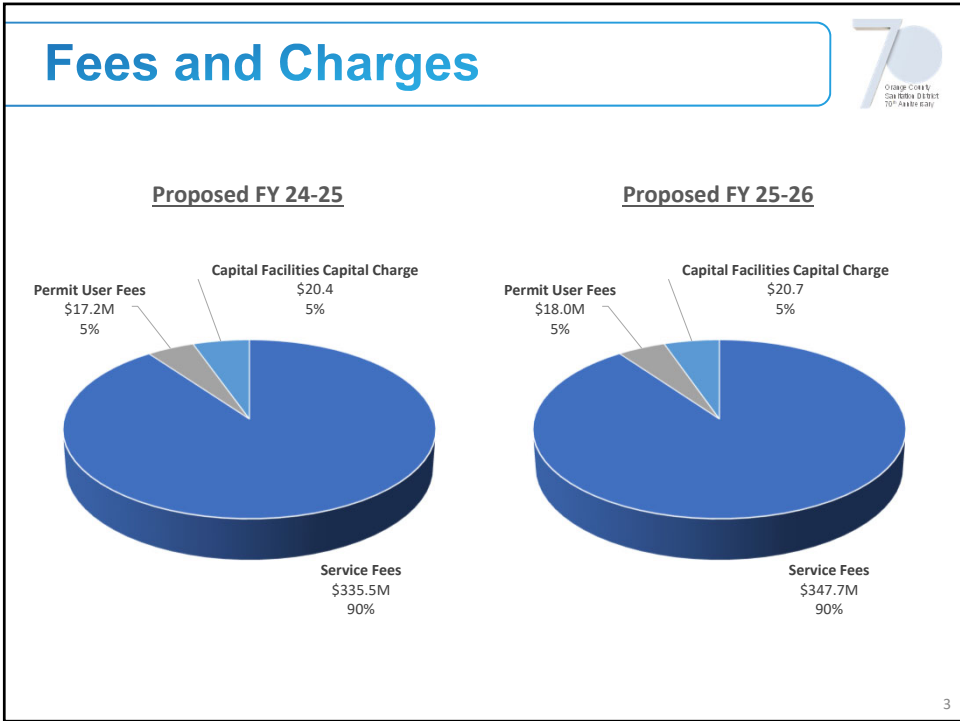
Presented by: Ruth Zintzun, Finance and  
Procurement Manager  
Administration Committee

March 13, 2024

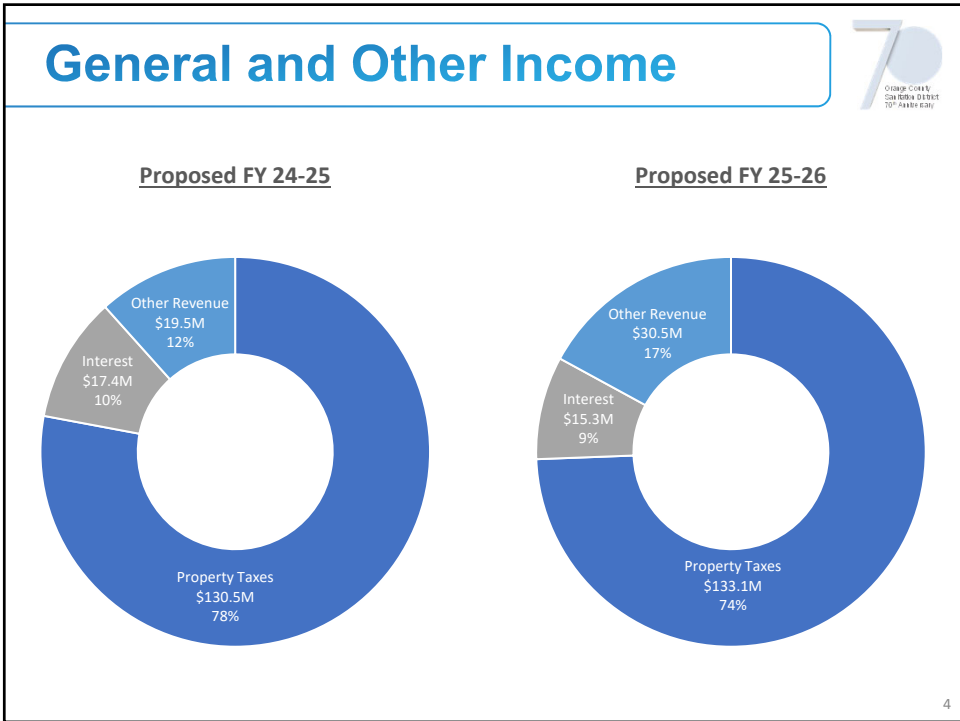
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## Debt Financing




- Anticipated refunding in current fiscal year
  - 2014A
  - 2015A
  
- No additional “new money” or refunding debt issuance is scheduled for FY 2024-25 or FY 2025-26
  
- All current debt is scheduled to retire by 2044

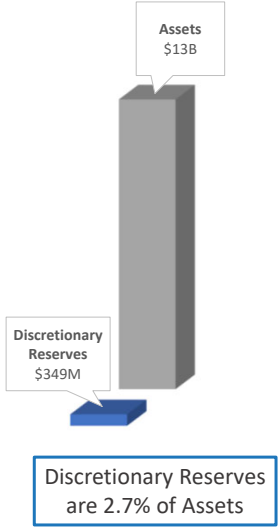
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## Reserve Policy Summary




<b>Non-Discretionary Criteria</b>		
1) Operating Expense – Dry Period	\$	108 M
2) Debt Service – Dry Period	\$	19 M
3) Debt Service Requirements	<u>\$</u>	<u>76 M</u>
<b>Sub-Total</b>	<b>\$</b>	<b>203 M</b>
<b>Discretionary Criteria</b>		
4) Operating Contingencies	\$	21 M
5) Capital Improvement Program	\$	153 M
6) Catastrophe Funds	\$	100 M
7) Replacement/Refurbishment	<u>\$</u>	<u>75 M</u>
<b>Sub-Total</b>	<b>\$</b>	<b>349 M</b>
<b>TOTAL</b>	<b>\$</b>	<b>552 M</b>



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# Key Meeting Dates



January	February	March	April	May	June
		<b>Revenues and Reserves</b> Operations Administration		<b>CIP</b> Operations Administration	
<b>Budget Assumptions and Calendar</b> Board			<b>Expenditures</b> Operations Administration	<b>Insurance</b> Administration	<b>Proposed 2-Year Budget</b> Operations Administration Board

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Orange County Sanitation District  
70<sup>th</sup> Anniversary

# Questions?

1954 - 2024

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## ORANGE COUNTY SANITATION DISTRICT COMMON ACRONYMS

<b>ACWA</b>	Association of California Water Agencies	<b>LOS</b>	Level Of Service	<b>RFP</b>	Request For Proposal
<b>APWA</b>	American Public Works Association	<b>MGD</b>	Million Gallons Per Day	<b>RWQCB</b>	Regional Water Quality Control Board
<b>AQMD</b>	Air Quality Management District	<b>MOU</b>	Memorandum of Understanding	<b>SARFPA</b>	Santa Ana River Flood Protection Agency
<b>ASCE</b>	American Society of Civil Engineers	<b>NACWA</b>	National Association of Clean Water Agencies	<b>SARI</b>	Santa Ana River Interceptor
<b>BOD</b>	Biochemical Oxygen Demand	<b>NEPA</b>	National Environmental Policy Act	<b>SARWQCB</b>	Santa Ana Regional Water Quality Control Board
<b>CARB</b>	California Air Resources Board	<b>NGOs</b>	Non-Governmental Organizations	<b>SAWPA</b>	Santa Ana Watershed Project Authority
<b>CASA</b>	California Association of Sanitation Agencies	<b>NPDES</b>	National Pollutant Discharge Elimination System	<b>SCADA</b>	Supervisory Control And Data Acquisition
<b>CCTV</b>	Closed Circuit Television	<b>NWRI</b>	National Water Research Institute	<b>SCAP</b>	Southern California Alliance of Publicly Owned Treatment Works
<b>CEQA</b>	California Environmental Quality Act	<b>O &amp; M</b>	Operations & Maintenance	<b>SCAQMD</b>	South Coast Air Quality Management District
<b>CIP</b>	Capital Improvement Program	<b>OCCOG</b>	Orange County Council of Governments	<b>SOCWA</b>	South Orange County Wastewater Authority
<b>CRWQCB</b>	California Regional Water Quality Control Board	<b>OCHCA</b>	Orange County Health Care Agency	<b>SRF</b>	Clean Water State Revolving Fund
<b>CWA</b>	Clean Water Act	<b>OCSD</b>	Orange County Sanitation District	<b>SSMP</b>	Sewer System Management Plan
<b>CWEA</b>	California Water Environment Association	<b>OCWD</b>	Orange County Water District	<b>SSO</b>	Sanitary Sewer Overflow
<b>EIR</b>	Environmental Impact Report	<b>OOBS</b>	Ocean Outfall Booster Station	<b>SWRCB</b>	State Water Resources Control Board
<b>EMT</b>	Executive Management Team	<b>OSHA</b>	Occupational Safety and Health Administration	<b>TDS</b>	Total Dissolved Solids
<b>EPA</b>	US Environmental Protection Agency	<b>PCSA</b>	Professional Consultant/Construction Services Agreement	<b>TMDL</b>	Total Maximum Daily Load
<b>FOG</b>	Fats, Oils, and Grease	<b>PDSA</b>	Professional Design Services Agreement	<b>TSS</b>	Total Suspended Solids
<b>gpd</b>	gallons per day	<b>PFAS</b>	Per- and Polyfluoroalkyl Substances	<b>WDR</b>	Waste Discharge Requirements
<b>GWRS</b>	Groundwater Replenishment System	<b>PFOA</b>	Perfluorooctanoic Acid	<b>WEF</b>	Water Environment Federation
<b>ICS</b>	Incident Command System	<b>PFOS</b>	Perfluorooctanesulfonic Acid	<b>WERF</b>	Water Environment & Reuse Foundation
<b>IERP</b>	Integrated Emergency Response Plan	<b>POTW</b>	Publicly Owned Treatment Works	<b>WIFIA</b>	Water Infrastructure Finance and Innovation Act
<b>JPA</b>	Joint Powers Authority	<b>ppm</b>	parts per million	<b>WIIN</b>	Water Infrastructure Improvements for the Nation Act
<b>LAFCO</b>	Local Agency Formation Commission	<b>PSA</b>	Professional Services Agreement	<b>WRDA</b>	Water Resources Development Act

## ORANGE COUNTY SANITATION DISTRICT GLOSSARY OF TERMS

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**ACTIVATED SLUDGE PROCESS** – A secondary biological wastewater treatment process where bacteria reproduce at a high rate with the introduction of excess air or oxygen and consume dissolved nutrients in the wastewater.

**BENTHOS** – The community of organisms, such as sea stars, worms, and shrimp, which live on, in, or near the seabed, also known as the benthic zone.

**BIOCHEMICAL OXYGEN DEMAND (BOD)** – The amount of oxygen used when organic matter undergoes decomposition by microorganisms. Testing for BOD is done to assess the amount of organic matter in water.

**BIOGAS** – A gas that is produced by the action of anaerobic bacteria on organic waste matter in a digester tank that can be used as a fuel.

**BIOSOLIDS** – Biosolids are nutrient rich organic and highly treated solid materials produced by the wastewater treatment process. This high-quality product can be recycled as a soil amendment on farmland or further processed as an earth-like product for commercial and home gardens to improve and maintain fertile soil and stimulate plant growth.

**CAPITAL IMPROVEMENT PROGRAM (CIP)** – Projects for repair, rehabilitation, and replacement of assets. Also includes treatment improvements, additional capacity, and projects for the support facilities.

**COLIFORM BACTERIA** – A group of bacteria found in the intestines of humans and other animals, but also occasionally found elsewhere, used as indicators of sewage pollution. E. coli are the most common bacteria in wastewater.

**COLLECTIONS SYSTEM** – In wastewater, it is the system of typically underground pipes that receive and convey sanitary wastewater or storm water.

**CERTIFICATE OF PARTICIPATION (COP)** – A type of financing where an investor purchases a share of the lease revenues of a program rather than the bond being secured by those revenues.

**CONTAMINANTS OF POTENTIAL CONCERN (CPC)** – Pharmaceuticals, hormones, and other organic wastewater contaminants.

**DILUTION TO THRESHOLD (D/T)** – The dilution at which the majority of people detect the odor becomes the D/T for that air sample.

**GREENHOUSE GASES (GHG)** – In the order of relative abundance water vapor, carbon dioxide, methane, nitrous oxide, and ozone gases that are considered the cause of global warming (“greenhouse effect”).

**GROUNDWATER REPLENISHMENT SYSTEM (GWRS)** – A joint water reclamation project that proactively responds to Southern California’s current and future water needs. This joint project between the Orange County Water District and OCSD provides 70 million gallons per day of drinking quality water to replenish the local groundwater supply.

**LEVEL OF SERVICE (LOS)** – Goals to support environmental and public expectations for performance.

**N-NITROSODIMETHYLAMINE (NDMA)** – A N-nitrosamine suspected cancer-causing agent. It has been found in the GWRS process and is eliminated using hydrogen peroxide with extra ultra-violet treatment.

**NATIONAL BIOSOLIDS PARTNERSHIP (NBP)** – An alliance of the NACWA and WEF, with advisory support from the EPA. NBP is committed to developing and advancing environmentally sound and sustainable biosolids management practices that go beyond regulatory compliance and promote public participation to enhance the credibility of local agency biosolids programs and improved communications that lead to public acceptance.

**PER- AND POLYFLUOROALKYL SUBSTANCES (PFAS)** – A large group (over 6,000) of human-made compounds that are resistant to heat, water, and oil and used for a variety of applications including firefighting foam, stain and water-resistant clothing, cosmetics, and food packaging. Two PFAS compounds, perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA) have been the focus of increasing regulatory scrutiny in drinking water and may result in adverse health effects including developmental effects to fetuses during pregnancy, cancer, liver damage, immunosuppression, thyroid effects, and other effects.

**PERFLUOROCTANOIC ACID (PFOA)** – An ingredient for several industrial applications including carpeting, upholstery, apparel, floor wax, textiles, sealants, food packaging, and cookware (Teflon).

**PERFLUOROCTANESULFONIC ACID (PFOS)** – A key ingredient in Scotchgard, a fabric protector made by 3M, and used in numerous stain repellents.

**PLUME** – A visible or measurable concentration of discharge from a stationary source or fixed facility.

**PUBLICLY OWNED TREATMENT WORKS (POTW)** – A municipal wastewater treatment plant.

**SANTA ANA RIVER INTERCEPTOR (SARI) LINE** – A regional brine line designed to convey 30 million gallons per day of non-reclaimable wastewater from the upper Santa Ana River basin to the ocean for disposal, after treatment.

**SANITARY SEWER** – Separate sewer systems specifically for the carrying of domestic and industrial wastewater.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT (SCAQMD)** – Regional regulatory agency that develops plans and regulations designed to achieve public health standards by reducing emissions from business and industry.

**SECONDARY TREATMENT** – Biological wastewater treatment, particularly the activated sludge process, where bacteria and other microorganisms consume dissolved nutrients in wastewater.

**SLUDGE** – Untreated solid material created by the treatment of wastewater.

**TOTAL SUSPENDED SOLIDS (TSS)** – The amount of solids floating and in suspension in wastewater.



## **ORANGE COUNTY SANITATION DISTRICT GLOSSARY OF TERMS**

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**TRICKLING FILTER** – A biological secondary treatment process in which bacteria and other microorganisms, growing as slime on the surface of rocks or plastic media, consume nutrients in wastewater as it trickles over them.

**URBAN RUNOFF** – Water from city streets and domestic properties that carry pollutants into the storm drains, rivers, lakes, and oceans.

**WASTEWATER** – Any water that enters the sanitary sewer.

**WATERSHED** – A land area from which water drains to a particular water body. OCSD's service area is in the Santa Ana River Watershed.