MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Aaa to Orange County Sanitation District, CA's Wastewater Refunding Revenue Obligations, Series 2025A; outlook stable

30 Sep 2025

New York, September 30, 2025 -- Moody's Ratings (Moody's) has assigned a Aaa rating to Orange County Sanitation District, CA's proposed $96.1 million Wastewater Refunding Revenue Obligations, Series 2025A. We maintain Aaa ratings on the district's outstanding parity debt. Post-issuance the district will have $558 million in total debt outstanding. The outlook is stable.

RATINGS RATIONALE

The Aaa rating reflects the district's large service area and diverse, stable customer. The district has very strong reserves with over 1,366 days cash on hand (DCOH) and robust debt service coverage of 5.3x (unaudited fiscal 2025), which will remain favorable given management's prudent fiscal practices. The district has unusually strong revenue reliability due to its participation in the county Teeter Program and high proportion of service charges being paid by residential and commercial customers through semi-annual property tax bills. The district's debt burden is manageable at 1.7x revenue and declining with no near-term borrowing plans. The district has a large ten-year capital plan, primarily to address rehabilitation and replacement needs, and officials expect to cash fund these improvements. As such, days cash on hand will decline over the next five years but remain strong, supported by management's commitment to adopt annual rate increases.

RATING OUTLOOK

The stable outlook reflects our expectation that the district will maintain a strong financial position supported by good governance and adopted rate increases through 2028. The outlook is also informed by the district's stable, large service area and ratepayer base.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Material declines in debt service coverage to below 3.0x

- Significant reduction in available liquidity below targets or 500 DCOH

PROFILE

Orange County Sanitation District is a public agency responsible for regional wastewater collection, treatment and disposal. The district is the sixth largest wastewater discharger in the United States, providing service to a 479 square mile area with a population of approximately 2.6 million people in the northern and central portion of Orange County.

METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt published in March 2024 and available at https://ratings.moodys.com/rmc-documents/416489. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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