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 a 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 prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 29, 2026

NEW ISSUE—BOOK-ENTRY-ONLY

RATINGS:
Moody's "Aaa"
S&P: "AAA"
Fitch: "AAA"
(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.

$49,030,000*
ORANGE COUNTY SANITATION DISTRICT
WASTEWATER REFUNDING REVENUE OBLIGATIONS
SERIES 2026A

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

The $49,030,000* Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2026A (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 November 1, 2026 (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 will be used, together with other available funds, to (i) prepay all or a portion of the District's Wastewater Refunding Revenue Obligations, Series 2017A maturing on February 1, 2028, 2029 and 2030 currently outstanding in the aggregate principal amount of $50,700,000 (the "Refunded 2017A Obligations") and (ii) 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 February 1, 2027. 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. 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.

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 Best Best & Krieger LLP, Irvine, California. PFM Financial Advisors LLC, Chandler, Arizona, 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 November ____, 2026.

Dated: _____, 2026

* Preliminary, subject to change.

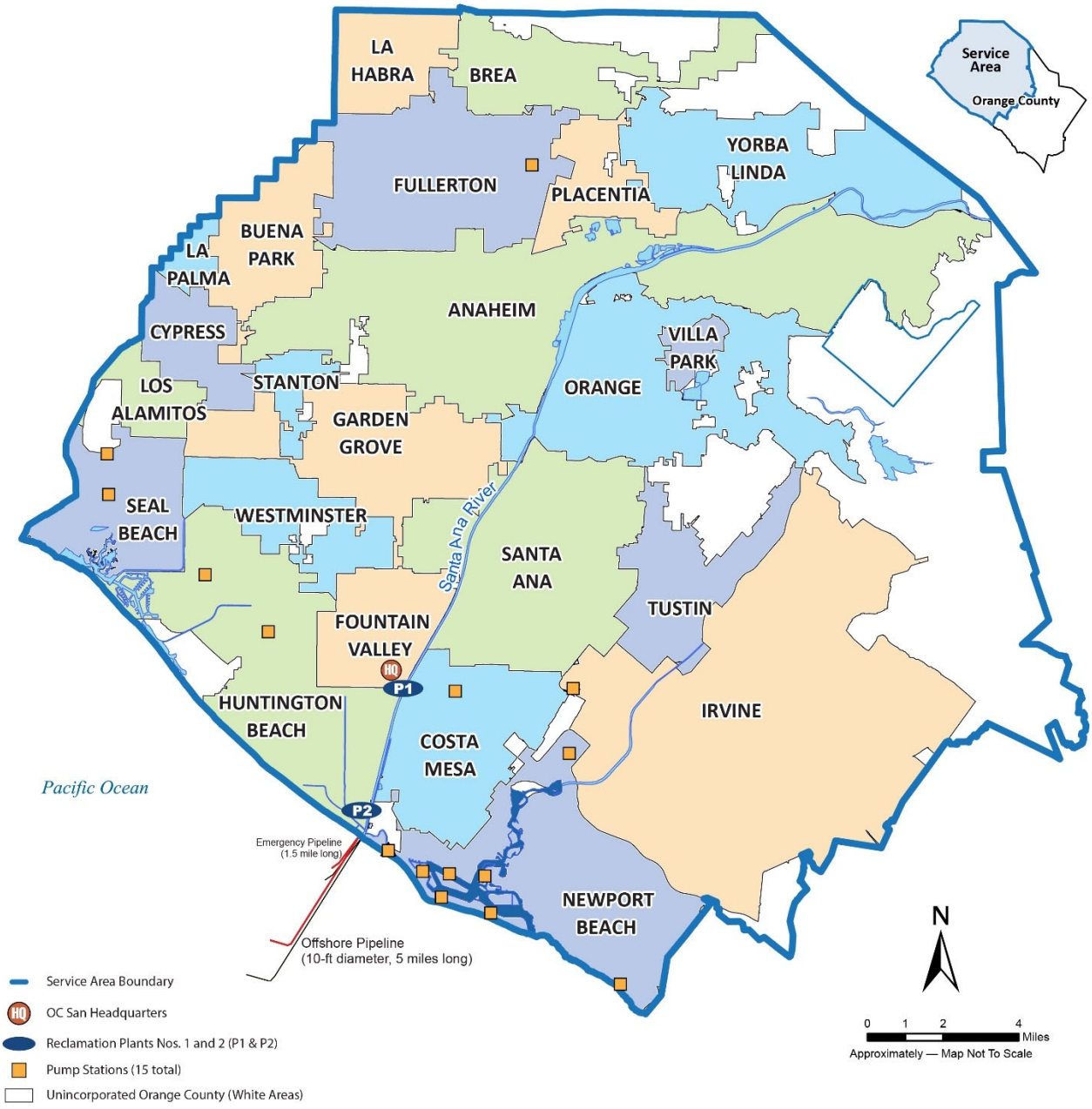
MATURITY SCHEDULE*

Maturity Date (February 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (Base No. 68428T)
2028	$15,300,000	%	%		
2029	16,025,000				
2030	17,705,000				

* 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 Reclamation Plant Locations
in Orange County, California



ORANGE COUNTY SANITATION DISTRICT

Board of Directors

Jon Dumitru — (Chairperson) — Orange
Christine Marick — (Vice Chairperson) — Brea

Carlos A. Leon — *Anaheim*
Joyce Ahn — *Buena Park*
Bonnie Peat — *Cypress*
Ted Bui — *Fountain Valley*
Jamie Valencia — *Fullerton*
Stephanie Klopfenstein — *Garden Grove*
Pat Burns — *Huntington Beach*
Melinda Liu — *Irvine*
Jose Medrano — *La Habra*
Debbie Baker — *La Palma*
Jordan Nefulda — *Los Alamitos*
Erik Weigand — *Newport Beach*
Chad Wanke — *Placentia*
Johnathan Ryan Hernandez — *Santa Ana*
Lisa Landau — *Seal Beach*
David Shawver — *Stanton*
Ryan Gallagher — *Tustin*
Jordan Wu — *Villa Park*
Robert Ooten — *Costa Mesa Sanitary District*
Andrew Nguyen — *Midway City Sanitary District*
Dan Ferons — *Irvine Ranch Water District*
Tom Lindsey — *Yorba Linda Water District*
Doug Chaffee — *Member of the Orange County Board of Supervisors*

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*
Jennifer Cabral, *Director of Communications*

Special Services

Special Counsel and Disclosure Counsel
Norton Rose Fulbright US LLP
Los Angeles, California

District General Counsel
Scott C. Smith
Best Best & Krieger LLP
Irvine, California

Municipal Advisor
PFM Financial Advisors LLC
Chandler, Arizona

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

Verification Agent
Causey Public Finance, LLC
Denver, Colorado

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

$49,030,000*
ORANGE COUNTY SANITATION DISTRICT
WASTEWATER REFUNDING REVENUE OBLIGATIONS
SERIES 2026A

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 $49,030,000* aggregate principal amount of the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2026A (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 November 1, 2026 (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 November 1, 2026 (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 will be used, together with other available funds, to (i) prepay all or a portion of the District's Wastewater Refunding Revenue Obligations, Series 2017A maturing on February 1, 2028, 2029 and 2030 currently outstanding in the aggregate principal amount of $50,700,000 and (ii) pay the costs

* Preliminary, subject to change.

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 February 1, 2027. 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, recycling and disposal services. 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 2.6 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 195 million gallons per day ("mgd") of wastewater in Fiscal Year 2025-26. 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 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 2025-26 Fiscal Year, and (b) to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See "CONTINUING DISCLOSURE" herein and APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Miscellaneous

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

[Remainder of page intentionally left blank.]

REFUNDING PLAN

A portion of the net proceeds from the sale of the Revenue Obligations will be, together with other available funds, used to prepay the remaining installment payments (the "Refunded 2017A Installment Payments") to be made by the District in connection with the District's Wastewater Refunding Revenue Obligations, Series 2017A maturing on February 1, 2028, 2029 and 2030 currently outstanding in the aggregate principal amount of $50,700,000 selected by the District for refunding (the "Refunded 2017A Obligations"). Such maturities are further described in the table below.

Under the terms of the Trust Agreement, dated as of January 1, 2017 (the "2017A Trust Agreement"), by and between the District and U.S. Bank Trust Company, National Association, as successor trustee (the "2017A Trustee"), pursuant to which the Refunded 2017A Obligations were executed and delivered, and an Escrow Agreement, dated as of November 1, 2026 (the "2017A Escrow Agreement"), between the District and the 2017A Trustee, the prepayment of the Refunded 2017A Installment Payments will be effected by depositing a portion of the proceeds of the Revenue Obligations into the Escrow Fund established under the 2017A Escrow Agreement (the "2017A Escrow Fund").

The District will cause the 2017A Escrow Fund deposit to be invested in Government Obligations (as defined in the 2017A Trust Agreement). The Government Obligations in the 2017A Escrow Fund will pay principal and interest, together with cash on deposit therein, sufficient to pay the interest on the related Refunded 2017A Installment Payments, and to make scheduled distributions thereof with respect to the Refunded 2017A Obligations, due and payable through February 1, 2027, and on February 1, 2027 to prepay without premium the unpaid related Refunded 2017A Installment Payments, and through distribution of such prepayment to prepay the remaining related Refunded 2017A Obligations, all in accordance with the terms of the related Installment Purchase Agreement, the 2017A Trust Agreement and the applicable Refunded 2017A Obligations. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein. The amounts deposited in the 2017A Escrow Fund will be held in trust solely for the related Refunded 2017A 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 2017A Obligations.

[Remainder of page intentionally left blank.]

Refunded 2017A Obligations
Prepayment Date: February 1, 2027

Maturity Date (February 1)	Principal Amount Outstanding	CUSIP Number (68428T)	Prepayment Price
2028	$15,830,000	CZ8	100.000
2029	16,580,000	DA2	100.000
2030	18,290,000	DB0	100.000

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources	
Principal Amount of Revenue Obligations	$
Premium	
Transfer of Amounts Under 2017A Trust Agreement	
Total Sources	$
Uses	
Deposit to 2017A Escrow Fund	$
Costs of Issuance[(1)]	
Total Uses	$

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

THE REVENUE OBLIGATIONS

General

The Revenue Obligations will be prepared in the form of fully registered certificates of participation in denominations of $5,000 and any integral multiple thereof. The Revenue Obligations will be dated as of the date of initial delivery thereof and will mature on February 1 in such years as set forth on the inside cover page hereof. Interest evidenced by the Revenue Obligations will be payable semiannually on February 1 and August 1 of each year, commencing on February 1, 2027. 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 January 15, 2027, 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.

No Prepayment

The Revenue Obligations are not subject to prepayment prior to their stated Principal Payment Dates

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 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 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.

The District maintains reserve funds in accordance with the District's reserve policy. See "DISTRICT REVENUES – Reserves." The District's reserve policy has seven distinct reserve criteria which together comprise the District's reserve fund target. Available reserves at June 30, 2026 were approximately $848 million. See "DISTRICT REVENUES — Reserves," "— Summary of Operating Data" and "— Projected Operating Data." Over a ten-fiscal year period, the District's reserve policy requirements collectively result in a year-ending reserve total for each fiscal year projected not to fall below $639 million as indicated in the District's ten-year cash flow forecast for fiscal years 2026-27 through 2035-36. Collectively, these requirements average $769 million a year over the current ten-year cash flow forecast to support the operation and maintenance of the District's $17.7 billion in assets. The District's reserves are not held in segregated accounts.

The Debt Service Required Reserves policy criterion has been established at 10% of outstanding long-term financing obligations, i.e., certificates of participation such as the Revenue Obligations. Other debt service reserves are required to be under the control of a Trustee by the provisions of such securities. These funds are not available for the general needs of the District and must be maintained at specified levels. At June 30, 2026, the District's Debt Service Required Reserves totaled $57 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.

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 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 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 projects its reserves in each of the next ten fiscal years not to fall below $639 million. 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 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, including the Refunded 2017A Obligations.

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Table 1
Payments Relating to the Revenue Obligations
and Existing Senior Obligations of the District
As of September 1, 2026

Fiscal Year Ending	Installment Payments Relating to Revenue Obligations		Other Senior Obligations[(1)]		
June 30	Principal	Interest	Principal	Interest	Total
2027	$	$	$34,015,000	$26,957,861	$60,972,861
2028			39,870,000	25,257,111	65,127,111
2029			41,860,000	23,263,611	65,123,611
2030			43,955,000	21,170,611	65,125,611
2031			44,645,000	18,972,861	63,617,861
2032			52,620,000	16,663,189	69,283,189
2033			49,690,000	13,801,406	63,491,406
2034			38,785,000	11,316,906	50,101,906
2035			40,805,000	9,323,952	50,128,952
2036			42,920,000	7,226,890	50,146,890
2037			37,665,000	5,020,774	42,685,774
2038			21,200,000	3,071,665	24,271,665
2039			22,355,000	1,941,978	24,296,978
2040			13,450,000	750,510	14,200,510
	$	$	$523,835,000	$184,739,325	$708,574,325

(1) Includes payments with respect to the Refunded 2017A Obligations, which are to be refunded with the proceeds of the Revenue Obligations. 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, recycling 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 2.6 million people in the central and northwest portion of the County by treating an average of 195 mgd of wastewater in Fiscal Year 2025-26. 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 Board of Supervisors. 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 annually 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 its headquarters located in Fountain Valley, California. The District currently employs administrative and operating staff of approximately 699 under the direction of its General Manager, Robert Thompson.

Robert Thompson, *P.E.,* is the General Manager of the District and has served in this capacity since February 10, 2023. Mr. Thompson has been with the District since 1995. Prior to becoming the General Manager, he was the Assistant General Manager overseeing the Operations & Maintenance and Engineering departments. He has served in many capacities including Manager of the Process Controls Division to oversee the maintenance, installation and programming of the supervisory control and data acquisition system and programmable logic controllers; Engineering Manager overseeing the instrumentation shops, electrical shops and power generation plants; and Engineering Manager overseeing Asset Management and Engineering Planning, and Director of 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 of the District. Mr. Tyner joined the District in 2005 after serving as Los Angeles Unified School District Budget Director and Deputy Chief Financial

Officer. Mr. Tyner came to the District in 2005 and has more than 30 years of public finance and budgeting experience and in government management. Among his achievements at the District is the implementation of the successful strategies to eliminate the District's unfunded pension liability and obtaining a AAA bond rating from the three major rating agencies reflecting the District's well managed financial and operational plans.

Michael Dorman is the Director of Engineering of the District. 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 oversaw the Electrical and Control Systems Division ensuring electrical, instrumentation and control systems for projects were properly designed, constricted, 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 Director of Environmental Services of the District. Ms. Wiborg joined the District in 2019. She oversees the EPA-authorized Pretreatment Program implementation and enforcement, regulatory compliance for air quality, biosolids management, and ocean discharge, and one of the largest municipal laboratories and ocean monitoring programs on the west coast. Ms. Wiborg has more than 20 years of water and wastewater utility experience. Prior to joining the District, she served as the City of San Diego's Deputy Public Utilities Director of Long-Range Planning and Water Resources.

Wally Ritchie is the Director of Finance of the District. Mr. Ritchie joined the District in 2019 as Controller. Mr. Ritchie is responsible for providing oversight over the District's accounting and treasury, contracts, purchasing and materials management and information technology functions. He has nearly 20 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 Director of Human Resources of the District. Ms. Maravilla joined the District in 2004. Ms. Maravilla is responsible for providing human resources management, ensuring compliance with employment law and regulations, and developing and administering programs designed to attract and retain top talent and ensuring the safety of the District's workforce. Ms. Maravilla has nearly 25 years of experience in all aspects of human resources, both in the private and public sector.

Riaz Moinuddin is the Director of Operations & Maintenance of the District. Mr. Moinuddin joined the District in 2004. Mr. Moinuddin is responsible for overseeing and managing the 24-hour operations of the District's facilities. Prior to this, he served as the District's 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 and 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.

Jennifer Cabral is the Director of Communications of the District. Ms. Cabral leads the Public Affairs Office and Board Services managing communications, community relations, public affairs, legislative and government affairs, branding, stakeholder relationships, event planning, media relations, board relations and public records. Ms. Cabral has nearly 25 years of experience in a wide range of areas that include public affairs, administration, board services and wastewater industry relations. Her professional experience includes development and implementation of award-winning proactive public participation, transparency and community outreach programs.

Services

The District owns and operates regional wastewater collection, treatment, recycling, 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 reclamation 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 with 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 2.6 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, 2026.

Table 2
Estimated Populations of Cities and Unincorporated Areas
Served by the Orange County Sanitation District
As of January 1, 2026

City	Population
Anaheim	340,433
Brea	47,656
Buena Park	82,850
Costa Mesa	109,436
Cypress	49,495
Fountain Valley	56,596
Fullerton	140,224
Garden Grove	171,077
Huntington Beach	191,498
Irvine	317,744
La Habra	61,269
La Palma	15,045
Los Alamitos	11,951
Newport Beach	82,306
Orange	141,063
Placentia	53,613
Santa Ana	312,808
Seal Beach	24,496
Stanton	41,415
Tustin	79,175
Villa Park	5,741
Westminster	90,490
Yorba Linda	66,190
Cities Subtotal[(1)]	2,492,571
Unincorporated Areas (estimated)[(2)]	68,502
Total	2,561,073

Source: For Cities - Demographic Research Unit, State of California Department of Finance; for Unincorporated Areas - Center for Demographic Research, California State University, Fullerton.

Employees

As of June 30, 2026, the District had a total of approximately 644 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, 2026 was 601, and is broken down as follows: 93 employees represented by OCEA, 205 employees represented by Local 501, and 303 employees represented by SPMT/AFSCME. In July 2025, the District reached final agreement with all bargaining units on the current set of labor contracts that will expire on June 30, 2028.

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, 2025 valuation, OCERS had an aggregate Unfunded Actuarial Accrued Liability ("UAAL") of approximately $4.0 billion, and a funded ratio of 86.6%.

Set forth in Table 3 below is a current comparison of the District's required contributions to OCERS for Fiscal Years 2021-22 through 2024-25 and projected required contributions for Fiscal Year 2025-26.

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Table 3
Orange County Sanitation District
District Required Contributions to OCERS for Fiscal Years 2021-22 through 2024-25 and Projected Required Contributions for Fiscal Year 2025-26

Fiscal Year	Rate[(1)]	District Required Contributions
2021-22	11.53%	$8,537,920
2022-23	11.64	8,816,866
2023-24	11.40	9,172,411
2024-25	11.24	9,725,737
2025-26	11.32	10,478,253

(1) Required contribution as a percent of covered payroll. Rate includes both (1) the portion attributable to the normal contribution and (2) the portion attributable to amortization of UAAL (the "UAAL Rate"), if any. Combined rate for all Plans. Actuarial valuation as of December 31, 2025 assumed an investment return of 7.00%, net of administrative and investment expenses.

Source: Orange County Sanitation District.

As of December 31, 2025, 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, 2025 was about $20.1 million. 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. As of December 31, 2025, there was no transfer required from this account to pay off the District's UAAL.

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, 2026, total payroll costs of District employees covered by OCERS was $92,542,743.

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 $1,312,240 in ARBA benefits during Fiscal Year 2025-26.

For more information regarding OCERS and the District's retirement plan as of June 30, 2025, see Note 6 to the Annual Comprehensive Financial Report of the Orange County Sanitation District for the Year Ended June 30, 2025 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, Foster & Foster Actuaries and Consultants (the "Actuary"), the unfunded OPEB liability as of July 1, 2026 was approximately $5.0 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 $1,250,000,000. 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 $200,000,000 limits and a $25,000 self-insured retention.

The District is self-insured for general liability coverage up to $1,000,000 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 "– Emergency Management: Response and Recovery." 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, 2026 that would materially affect the financial position of the District.

For information regarding the District's insurance coverage as of June 30, 2025, see Note 1 to the Annual Comprehensive Financial Report of the Orange County Sanitation District for the Year Ended June 30, 2025 set forth in Appendix A.

Existing Facilities

The District's existing treatment facilities include two reclamation plants, 15 off-plant pump stations, various interplant pipelines and connections, and ocean outfall facilities. The existing reclamation plants have a treatment capacity of 332 mgd. The District's collection system includes 12 major trunks totaling approximately 380 miles.

The District utilizes several phases for the treatment of wastewater. The first phase, preliminary treatment, removes any large debris as well as heavy, non-biodegradable materials (grit) such as sand and eggshells that could damage downstream equipment. In the next phase, primary treatment, wastewater travels through large basins to allow gravity to remove organic materials. These facilities are often referred to as sedimentation basins or clarifiers and allow for the separation of solids that either settle (sludge) or float (scum) from the wastewater. Wastewater then advances to secondary treatment, where it is treated utilizing naturally occurring microorganisms to remove dissolved and suspended solids. Sludge and scum are also collected and removed from this process. All of the sludge and scum that are collected via primary and secondary treatment are sent to solids treatment and handling facilities. See " - Biosolids Management" below. The treated wastewater is either provided to Orange County Water District ("OCWD") for further treatment through the Groundwater Replenishment System ("GWRS") or discharged via the ocean outfall. A total of 130 mgd can be reclaimed by GWRS. 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, and grit chambers for preliminary treatment; sedimentation basins for primary treatment; and then flows to either activated sludge basins or trickling filters for secondary treatment. This secondary effluent is sent to the adjacent GWRS facility for advanced treatment prior to use as reclaimed water or groundwater recharge. If OCWD is unable to accept these flows, this secondary effluent is diverted to Reclamation Plant No. 2 ("Plant No. 2") for discharge through the ocean outfall.

Solids treatment at Plant No. 1 includes co-thickening of primary and secondary sludge and scum followed by anaerobic digestion. The digested solids are dewatered via centrifuge, and the overall process results 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 and heat production. In addition, Plant No. 1 includes facilities for odor control and chemical addition to support the aforementioned processes.

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. The reclaimable flow train utilizes trickling filters with solids contact basins whereas the non-reclaimable flow train utilizes a pure-oxygen activated sludge process. Non-reclaimable flow is discharged to the ocean via the effluent disposal system and reclaimable flow is pumped to Plant No. 1 where it can be reclaimed by GWRS.

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 Plant No. 2 Central Power Generation Facility as a renewable fuel for energy generation and heat production. Plant No. 2 also has facilities for odor control and chemical addition.

The effluent disposal system includes three discharges: Outfall No. 1, Outfall No. 2, and the Santa Ana River Emergency Overflow. Outfall No. 2 began service in 1971 and serves as the primary ocean outfall, discharging treated wastewater approximately five miles offshore at a depth of approximately 200 feet. A rehabilitation project is in progress that will ensure outfall reliability for many years to come. Outfall No. 1 is the original ocean outfall and serves as the emergency outfall and is the primary backup to Outfall No. 2. The District's NPDES permit specifies that this outfall can be used only in the case of an emergency or during planned maintenance activities. The effluent disposal system also has two emergency overflow weirs located at Plant No. 2 that serve as Outfall No. 3 and discharge to the Santa Ana River. Outfall No. 3 is intended only for extreme emergency use and serves as a final backup to the ocean outfall facilities.

Set forth in Table 4 below are the reclamation plants' rated treatment capacities.

Table 4
Wastewater System Treatment Capacities
(mgd)
As of June 30, 2026

	2025-26 Actual Flows	Primary Treatment Capacity	Secondary Treatment Capacity
Plant No. 1	123	208	182
Plant No. 2	72	168	150
Aggregate Treatment	195	376	332

Source: Orange County Sanitation District.

The District also has the capability to control wastewater flows between the two reclamation plants. Portions of the flow typically directed to either Plant No. 1 or Plant No. 2 can be diverted to the other facility via diversion structures located throughout the collection system. The District can also divert flows from Plant No. 1 to Plant No. 2 through existing interplant connections.

In addition to wastewater, the District can also balance gas production and demand between the two reclamation facilities via an interplant gas pipeline. As this gas is produced and utilized for power and heat generation at both Plant No. 1 and Plant No. 2, this connection allows for more efficient gas utilization compared to use isolated by plant. This optimization allows the District to produce two-thirds of the total power needed to run both Plant No. 1 and Plant No. 2.

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 (the "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 ("CARB"), 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 reclamation plants and their processes as well as pump stations. 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. Similarly, in 1990, Congress amended the Clean Air Act to establish the Title V federal operating permit program and technology-based control requirements for hazardous air pollutants. 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 joint permit issued by the EPA and the RWQCB. The discharge permit included a modification under the Section 301(h) provisions of the Clean Water Act, allowing for less than full secondary treatment based on an ocean discharge of sufficient depth, distance, and dilution. The permit was initially issued in 1985 and was the first modified Section 301(h) permit issued to a major wastewater treatment facility. The permit was re-issued on May 6, 1998 and expired on June 8, 2003.

On July 17, 2002, the Board of Directors adopted Resolution No. OCSD 02-14, "Establishing the Policy for Level of Treatment of Wastewater Discharged into the Ocean." This resolution established the District's policy to treat all wastewater discharges into the ocean to secondary treatment standards, thereby providing for continued public safety, marine ecosystem protection, and water reclamation opportunities. To implement this policy, the District's staff was directed to immediately proceed with the planning, design and implementation of treatment methods that will allow the District to meet Clean Water Act secondary treatment standards with the expressed purposes of eliminating the need for the permit modification received under Section 301(h).

Following Resolution No. OCSD 02-14, the District withdrew its Section 301(h) waiver and prepared a National Pollutant Discharge Elimination System ("NPDES") Permit Application. The District submitted its application to the EPA and the RWQCB and received an NPDES permit on October 31, 2004, requiring the District to meet secondary treatment levels in accordance with a time schedule order ("TSO"). The District completed these improvements ahead of the TSO in December 2012 at a total capital improvement cost of $537.8 million.

As required, the District has since submitted multiple permit renewal applications. The current NPDES permit (Order No. R8-2021-0010, NPDES No. CA0110604) became effective on August 1, 2021 and remained in effect through July 31, 2026. An administrative extension of the existing NPDES permit was granted by the EPA on June 3, 2026 after the EPA deemed complete the permit renewal application submitted on January 26, 2026. The administrative extension is effective while the application is pending.

In July 2020, the State Water Resources Control Board ("SWRCB") issued an investigative order (the "Investigative Order") that required public agencies operating publicly owned treatment works ("POTWs") with a design capacity at or exceeding one mgd to monitor for certain per- and polyfluoroalkyl substances ("PFAS") in biosolids; groundwater; and POTW influent, effluent, and reverse osmosis concentrate/retentate. The District was subject to the Investigative Order.

PFAS are a large group of synthetic compounds used in a wide variety of consumer and industrial products due to their resistance to water, heat, and oil. The EPA has stated that exposure to perfluorooctanoic acid ("PFOA") and perfluorooctanesulfonic acid ("PFOS") - two well-known PFAS compounds - may result in adverse human health effects. In 2024, the EPA issued drinking water maximum contaminant levels and draft human health criteria for some PFAS, including PFOA and PFOS. The SWRCB Division of Drinking Water has also established drinking water notification and response levels for several PFAS, which require certain actions if levels are exceeded in public drinking water systems.

In issuing the Investigative Order, the SWRCB expressed concern that PFAS-containing wastes entering wastewater collection systems could ultimately be released from POTWs via effluent and biosolids. The SWRCB noted that effluent discharges may threaten water quality if released directly to

surface waters or if allowed to percolate to groundwater. Similarly, land application of biosolids could pose a risk to surface waters and groundwater through runoff and percolation.

The District completed the PFAS monitoring required by the Investigative Order and submitted the results to the SWRCB. As of the date of this Official Statement, the SWRCB has not contacted the District regarding District submissions to the SWRCB.

PFAS are constituents of emerging concern for the Wastewater System. State and federal regulatory agencies have not yet established maximum limits for PFAS in wastewater or biosolids from POTWs. The District is unable to predict what future regulatory action may be taken. The District's efforts related to PFAS include the establishment of the first municipal wastewater laboratory in the State of California accredited to test for PFAS in wastewater. In addition, to address contamination and treatment concerns of PFAS in wastewater, the District will partner with a private company to build a demonstration project with an initial acceptance capacity of 3.25 tons per day to assess supercritical water oxidation as a treatment method. The District will continue to make process improvements toward achieving a capacity of six tons per day. This process uses water at a high temperature and pressure to oxidize complex compound materials into more basic and benign compounds and could also address contamination and treatment concerns of PFAS (as well as microplastics) in wastewater. The District is unable to predict whether the enactment of PFAS laws and regulations may require the District to develop and deploy new technologies or result in an increase in capital expenditures and maintenance costs in order to comply with such laws and regulations.

The District is also subject to the requirements of the 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 the environment. The AQMD is the local air pollution control agency tasked with implementing the Clean Air Act. Beyond 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 as well as any project that has the potential to emit air contaminants. Such permits are project-specific and may contain conditions that dictate 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, ensuring adherence to regulatory standards and minimizing odor impacts on neighboring communities. The District's treatment plants are also subject to the stringent requirements of Title V of the 1990 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 reclamation plants in January 2009. Title V permits are granted for a five-year period. Title V permits for both plants were renewed/re-issued in September 2020 (Plant No. 1) and October 2020 (Plant No. 2). Permit renewal applications for both reclamation plants were filed in February 2025 and are pending reissuance from the AQMD.

District Planning

The Board of Directors has adopted a comprehensive Strategic Plan that encompasses the District's service levels and operational needs. The Strategic Plan is updated biennially and is the first step of a two-year, four-step management process that creates and maintains both the vision and 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 that has served as the foundation of the District's subsequent planning efforts. The District has since implemented a more robust Asset Management Program to maintain and improve its planning efforts. This program develops an annual asset management plan that highlights asset conditions; current issues; and the planned studies, projects, and initiatives that will ensure that District facilities are reliable, meet current and future needs, and achieve the levels of service adopted by the Board of Directors.

Capital Improvement Program

The District maintains and annually updates a phased 20-year capital improvement program ("CIP") made up of a series of projects to allow the District to maintain reliability and accommodate future growth, as well as meet future regulatory requirements, level of service goals, and strategic initiatives. The District's Asset Management Program is continually assessing the condition of existing assets and systems to ensure that they provide the necessary level of service. The District expects to accomplish the following as part of 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 reclamation plants;

- Implementation of the recommendations of the Biosolids Master Plan to provide more resilient, seismically robust solids treatment facilities, improve biosolids quality, and accept food waste;

- Replacement of the Plant 2 Operation and Maintenance facilities;

- 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 reclamation plants;

- Implementation of the recommendations of the Climate Resiliency Study and various seismic evaluation studies 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 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 reclamation plants.

The CIP is reviewed, validated, and updated annually to ensure that all capital projects' 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 budgetary needs. As of June 30, 2026, the CIP includes 80 active projects and annual Small Construction Projects Programs with a total CIP budget authority of over $5.3 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 2026-27 through 2035-36. Of this ten-year, $3.6 billion portion of the validated CIP program, $291.5 million of CIP outlays are budgeted in Fiscal Year 2026-27. This amount includes $311.4 million of project authorization that is then reduced by an anticipated $19.9 million of CIP savings and deferrals.

Table 5
Net Capital Improvement Program Outlays
Fiscal Years 2026-27 through 2035-36

Project	Cost
Capital Project Costs	$3,364,524,070
Future Rehabilitation and Replacement	$818,806,773
CIP Savings and Deferrals	($622,717,631)
Total Validated Capital Improvement Program	$3,560,613,212

Source: District Fiscal Year 2026-27 and Fiscal Year 2027-28 Budget.

The District currently expects to fund the current CIP with Revenues and other funds, and does not expect to issue Obligations for such purposes. The CIP is subject to change, and the District may determine to fund all or a portion of the CIP from Obligations.

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 GWRS, a joint effort with the OCWD 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 2008 and has been expanded incrementally (most recently in 2023) to further treat treated wastewater from the District's Fountain Valley-based Plant No. 1 and the District's Plant No. 2 in Huntington Beach. The GWRS is designed to have a production capacity of 130 mgd.

Biosolids Management

Through the treatment of wastewater, the District treats and recovers valuable nutrient-rich, organic matter to produce biosolids. Consistent with federal, State and local regulations, the District's biosolids are recycled through composting and fertilizing non-food farm fields (land application). The District aligns its biosolids management strategy with market conditions to sustain an environmentally responsible, resilient and cost-effective biosolids management program.

On average, the District produced 508 tons per day ("tpd") of biosolids in Fiscal Year 2025-26 (through June 30, 2026), with a total expenditure of 102.2% of the $14.24 million budgeted, at an annual average cost per ton of $78.42 for hauling and management at offsite locations, as described in the following table. The overall tonnage decreased in 2019 after the new solids centrifuge facilities became operational,

which significantly reduced biosolids hauling and management costs. In addition, in September 2021 the Irvine Ranch Water District's solids discharge to the District effectively ceased after IRWD commissioned its own solids processing facilities.

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Biosolids Management Contracts

Contractor Facility	Location	Product	Contract Term	Average tons per day (Fiscal Year 2025-26)	Average cost per ton with fuel (Fiscal Year 2025-26)
Synagro Nursery Products (hauled by Synagro)	San Bernardino County	Compost	Expires 12/26/26; zero (0) one-year renewal options remaining	68 tpd	$81.18
Synagro Nursery Products (hauled by Rust Logistics)	San Bernardino County	Compost	Expires 12/26/26; zero (0) one-year renewal options remaining	35 tpd	$80.60
Synagro Liberty Composting	Kern County, CA	Compost	Expires 12/15/26; zero (0) one-year renewal options remaining	73 tpd	$82.54
Synagro South Kern Compost Manufacturing Facility	Kern County, CA	Compost	Expires 12/26/26; zero (0) one-year renewal options remaining	76 tpd	$84.08
Synagro Arizona Soils	La Paz County, AZ	Compost	Expires 12/26/26; zero (0) one-year renewal options remaining	0 tpd	$91.26
Inland Empire Regional Composting Facility	San Bernardino, CA	Compost	Expires 7/15/3; two (2) one-year renewal options remaining	20 tpd	$96.27
Tule Ranch, AgTech Farm	Yuma County, AZ	Feed, seed and fiber crops	Expires 10/31/27; five (5) one-year renewal options remaining	236 tpd	$72.36

The District's biosolids management contractors provide ample capacity to support normal operating conditions as well as emergencies through composting, land application, lime stabilization and landfill disposal in California and Arizona (subject to applicable legal restrictions). In combination, these options provide capacity to manage more than ten times the District's daily biosolids production to ensure continuity of 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. The District has released procurement solicitations to replace or extend the contracts above that are scheduled to expire in December 2026. The District expects the existing and replacement or extended contracts to provide sufficient biosolids management services to satisfy the District's requirements. If replacement or extended contracts are delayed, the existing Tule Ranch, AgTech Farm contract would provide sufficient biosolids management services to satisfy the District's requirements through its term.

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 alternative 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 roadmap over a 20-year planning period (until 2037).

Urban Runoff

To mitigate pollution caused by urban runoff impacting the beaches in north-central Orange County, the District's Board of Directors adopted a series of policy resolutions authorizing the acceptance of dry weather urban runoff into the District's wastewater treatment system for treatment, beneficial reuse and disposal. Resolution No. 01-07, adopted by the District's Board of Directors on March 28, 2001, established the District's initial policy of waiving fees and charges associated with authorized discharges of dry weather urban runoff until the total volume of all runoff discharges exceeds 4 mgd based on a monthly average. In June 2002, Assembly Bill 1892 amended the District's legal authority to permit the diversion and management of dry weather urban runoff flows.

For the first 12 years of the Dry Weather Urban Runoff Diversion Program, the average monthly flow remained below 4 mgd. In response to several proposed diversions intended to address bacteria and selenium impairments in Upper Newport Bay, the District's Board of Directors adopted Resolution No. 13-09 on June 26, 2013, increasing the fee-waiver threshold from 4 mgd to 10 mgd. This change was essential to treat the increased volume of dry weather runoff, protecting the County's coastal resources, public health and local economy.

The Dry Weather Urban Runoff Diversion Program is administered by the District's Environmental Services Department's Resource Protection Division, which issues a discharge permit for each of the diversion structures. The permit serves as a control mechanism that prohibits the discharge of wet weather runoff and authorizes discharges only during dry weather conditions. Permits establish specific discharge limits and monitoring requirements, including pollutant sampling and flow metering. The District also conducts routine verification activities, including semi-annual monitoring and data review, to ensure permit conditions are met.

The Dry Weather Urban Runoff Diversion Program currently includes 21 permitted diversion structures, consisting of 18 active diversions and three diversions on hold. Of the permitted diversions, four are owned by the County and operated by Orange County Public Works; 11 are owned and operated by the City of Huntington Beach; two are owned and operated by the City of Newport Beach; three are owned and operated by the Irvine Ranch Water District; and one is owned and operated by PH Finance LLC, owner of the Resort at Pelican Hill.

Emergency Management: Response and Recovery

Emergency Response Programs. In recognition of the potential damage that 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 for preparing

for and responding to emergencies and is designed to comply with FEMA's National Incident Management System (NIMS). The IERP is organized into Functional and Situational Annexes that guide the District's response to both man-made and natural disasters.

To ensure continued effectiveness, alignment with best practices, and responsiveness to evolving threats, the IERP is reviewed and updated every three years. This regular review cycle supports the District's commitment to operational resilience and public safety.

Functional Annexes align with FEMA's Emergency Support Functions ("ESFs") and address key operational areas, including logistics, communications, operations, maintenance, engineering, emergency management, cybersecurity, recovery, environmental, health and medical services, hazardous materials response, security, and public affairs. These annexes establish the goals, objectives, operational concepts, capabilities, organizational structures, and procedures necessary to support coordinated emergency response and recovery activities.

The IERP also includes Situational Annexes that address hazards that may reasonably affect the District's operations. These annexes include, among others, 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. Situational Annexes identify hazard-specific response actions and responsibilities to support effective incident management. For example, the District's High Flow Emergency Operations Plan (EOP) is included as an annex in the IERP and utilizes a color-coded alert system to guide operational response to increased wet-weather flows within the District's collection system and reclamation plants. The District maintains comprehensive emergency preparedness, operational readiness, and equipment redundancy measures designed to enhance system resiliency and reduce the likelihood of service disruptions during emergency events.

Master Plan & Studies. The District analyzed disaster preparedness issues and policies within the Master Plan and the 1994 report titled *Fault Rupture Hazard Investigation – Wastewater Treatment Plant No. 2* (the "1994 Report"). The disaster preparedness plan included in the Master Plan reviewed two 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. While the San Andreas event would be more destructive overall, the Newport-Inglewood fault poses a more direct threat to the District's facilities due to its proximity. The Master Plan concluded that it would not be economically feasible to retrofit all existing sanitary sewerage facilities to withstand such an event. Instead, it recommended a risk reduction program involving targeted retrofits and structural reviews of facilities built prior to modern seismic standards.

Since then, the District has significantly expanded its seismic and geotechnical preparedness through a series of advanced studies and capital projects. A three-tier seismic vulnerability assessment was conducted of selected buildings and water-bearing structures at both Plant No. 1 and Plant No. 2, identifying structural deficiencies and informing retrofit strategies. Building on this foundation, later projects further evaluated seismic vulnerabilities and guided the design of resilient infrastructure. These efforts are operationalized through certain capital improvement projects, which outline construction and inspection roles for seismic upgrades and the installation of a sea wall capable of withstanding seismic forces and tsunamis.

In parallel, a 2024 Kleinfelder fault hazard report provided a modern fault hazard assessment for Plant No. 2, identifying active fault traces and recommending no-build zones for critical infrastructure based on trenching and geophysical data. These findings represent a significant update to the 1994 Report, incorporating current geological methodologies. District requirements and civil design criteria embed

geotechnical and seismic considerations into design standards, including grading, drainage, and foundation requirements. Structural design criteria further mandate compliance with the latest California Building Code with seismic provisions for essential facilities.

Collectively, these efforts reflect the District's evolution from foundational hazard identification to a proactive, code-aligned, and technically rigorous approach to seismic and geotechnical resilience. The District has completed retrofitting where deemed appropriate, and all recent and future projects are designed to the same high earthquake code standards as essential services like hospitals and fire stations. Many older buildings analyzed in the Master Plan have since been replaced with post-1989 structures. Additionally, the Army Corps of Engineers' "All-River Plan" has mitigated future flooding risks from the Santa Ana River system, further protecting the District's wastewater infrastructure.

Multi-Jurisdictional Hazard Mitigation Plan. The District is an active participant and member agency in the Orange County Water and Wastewater Multi-Jurisdictional Hazard Mitigation Plan ("MJHMP"). Since the plan's inception in 2007, the District has played a key role in the regional effort to identify hazards, assess vulnerabilities and implement strategies that reduce the risk of disasters affecting public health, infrastructure and the environment. As a member agency, the District contributes data, expertise and planning resources to ensure the MJHMP reflects the unique risks and operational priorities of wastewater management across central and northwest Orange County.

The MJHMP is updated approximately every five years, with the most recent update completed in 2024. During each planning cycle, the District forms an internal hazard mitigation planning team and collaborates with other agencies, consultants and the public to revise and refine the plan. The District's annex within the MJHMP outlines its specific hazard exposures, such as seismic shaking, flooding, and power outages, and details mitigation actions tailored to its infrastructure and service area. These updates help the District maintain eligibility for federal funding through FEMA and ensure its emergency preparedness strategies remain aligned with evolving threats and best practices.

In the 2024 update to the MJHMP, the District outlined a comprehensive set of mitigation actions aimed at strengthening the resilience of its wastewater infrastructure against a range of natural and human-caused hazards. These actions focus on protecting critical assets, including over 380 miles of regional sewer pipes, two reclamation plants, and ocean outfall systems that serve approximately 2.6 million people in central and northwest Orange County. Recognizing the threats posed by seismic activity, flooding, power outages and cyberattacks, the District implemented measures such as seismic retrofitting for vulnerable facilities, flood protection upgrades in low-lying areas, and the installation of backup generators to maintain operations during emergencies. The District also prioritizes cybersecurity enhancements to safeguard its digital control systems and conducted public outreach campaigns to promote community preparedness. Additionally, the District integrates hazard exposure data into its capital planning to ensure future infrastructure investments account for potential risks. These coordinated mitigation efforts not only reduce the likelihood of service disruption during disasters but also position the District to access federal and state funding, such as FEMA mitigation grants, that support long-term resilience and infrastructure improvements.

Strategic Planning

The District maintains a Strategic Plan that serves as the guiding framework to align the priorities of the Board of Directors, staff, and community to meet emerging challenges with forward-thinking solutions. The Strategic Plan was updated in December 2025 in collaborative effort between the Board of Directors and management. 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 16 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 and Artificial Intelligence – 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
    - 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
    - Potable Water Salinity Control (new) - partner with other public agencies in our watershed to reduce the salinity of the potable water supply of our stakeholders
- 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
    - Water Reuse – seek to beneficially reuse all reclaimable water for potable, industrial, irrigation and environmental uses
- 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 indicate that climate change is expected to result in rising sea levels, more frequent extreme temperatures, and increased frequency and intensity of severe weather events. Increasing ocean temperatures will result in thermal expansion of seawater while melting glaciers and ice caps increase ocean volume, both resulting in sea level rise. Coastal and low-lying portions of the District's service area, including several key facilities, are at risk of flood damage over time. This risk affects private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. In addition, many of these coastal areas are at elevated risk of damage from tsunami.

The District commissioned a Climate Resiliency Study that was completed in November 2019 and provides a comprehensive analysis of climate-related, site-specific risk assessments of the District's facilities using available climate predictions, industry standards, and geographic information systems. The purpose of the study was to improve the resiliency of District facilities and incorporate adaptation strategies in the design and construction of future projects. The District continues to monitor potential risks related to climate change by routinely coordinating with the City of Huntington Beach and the City of Newport Beach to better understand and quantify tsunami inundation risks. In addition, the District routinely updates design guidelines based on the latest California Climate Assessment reports, FEMA flood maps, and American Society of Civil Engineering standards for flood resistant design and construction. The District periodically reassesses climate-related risks to ensure adaptation strategies remain aligned with evolving climate science, and regulatory requirements. Following release of the State of California Sea Level Rise Guidance, 2024 Science and Policy Update, the District reviewed the updated climate projections and resilience guidance and determined that the recommendations contained in the 2019 Climate Resiliency Study remain valid and continue to support the District's long-term climate adaptation and resilience planning efforts. 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 rain, flooding, sea level rise, earthquakes, tsunamis, extreme heat, and wildfires. The Climate Resiliency Study determined that risk to District assets from

wildfire, extreme heat, and wind are low, so adaptation strategies to protect assets from these climate impacts were not considered.

The vulnerability assessment identified Plant No. 2 and some 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 was 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 was 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 has 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. In addition, these risks may damage other properties within the District's service area and lead to negative impacts on the local economy. As a result, the District may experience a combination of a reduction of service revenues and *ad valorem* tax revenues and an increased operational burden that could have a materially adverse effect on the business operations and financial condition of the District.

Associated environmental concerns have led to, and may continue to lead to, new laws and regulations at both the federal and State levels (including but not limited to air, water, hazardous substances, and waste regulations) that could have materially adverse effects on operations and capital needs, thereby impacting the 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 XIIIC and Article XIIID 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. However, incrementally over time, Sewer Service Charges from property owners in Revenue Area No. 14 are

expected to be collected through the semi-annual property tax bill distributed by the County throughout the District. This transition to District billing in Revenue Area No. 14 is expected to begin for the first portion of customers in Fiscal Year 2027-28.

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 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, which was amended by the adoption of Ordinance No. OC SAN-58A on June 28, 2023 (together, "Ordinance No. OC SAN-58"), 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 hearings held in connection with the adoption of Ordinance No. OC SAN-58 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 of Directors through the adoption of Ordinance No. OC SAN-58.

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.

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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 2018-19 through 2026-27

Fiscal Year	Sewer Service Charge	Percentage Change
2018-19	$335	-
2019-20	339	1.2%
2020-21	339	-
2021-22	343	1.2
2022-23	347	1.2
2023-24	358	3.2
2024-25	371	3.6
2025-26	384	3.5
2026-27	397	3.4

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, 2026.

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Table 7
Comparison of Total Sewer Service Charges
For Single-Family Residences
As of July 1, 2026

Entity	Average Dry Weather Flow (mgd)[1]	Annual Sewer Service Charge[1]	Treatment Level[2][3]	Collection Responsibility[3]	Property Tax Income[3]
City of Los Angeles	380	$851	4	Yes	No
City of San Diego	171	$633	4	Yes	No
Sacramento County	118	$565	4	No	Yes
East Bay MUD	63	$481	4	No	Yes
Orange County Sanitation District[4]	194	$397	3	Yes	Yes
Los Angeles County	345	$238	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.

The District's SFR rate of $397 for Fiscal Year 2026-27 remains below the average annual sewer rate of about $648 according to the National Association of Clean Water Agencies 2025 Cost of Clean Water Index. The average annual sewer rate for Region 9 which includes California, Nevada and Arizona is $577.

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 2025-26 were approximately $18.6 million. 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 $119.2 million in Fiscal Year 2021-22, $125.5 million in Fiscal Year 2022-23, $131.6 million in Fiscal Year 2023-24, $138.3 million in Fiscal Year 2024-25, and are estimated to be $142.1 million in Fiscal Year 2025-26. The District currently estimates that its property tax receipts will increase by approximately 2.5% each year through Fiscal Year 2035-36. 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 $6,588 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.

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 are estimated to be approximately $4 million annually 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 currently is scheduled to receive certain federal subsidy payments of approximately $1.9 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. Historically, in its financial reports, the District accounted 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. Effective Fiscal Year 2025-26, the District records such payments as revenue.

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 $117,860 to $373,955 in each federal fiscal year ended September 30, 2013 through 2026, 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.

Wastewater Treatment History

The wastewater flows for Fiscal Year 2021-22 through Fiscal Year 2025-26 were 179 mgd, 186 mgd, 193 mgd, 184 mgd and 195 mgd, respectively. The highest flow rate experienced during these years was in February 2024, when an instantaneous peak flow of 493 mgd was recorded. There were no sewer failures or overflows during these events. See "THE DISTRICT – Emergency Management: Response and Recovery."

Customers

The historical number of customers served by the District for the Fiscal Years 2021-22 through Fiscal Year 2025-26 and the projected number of customers served by the District for the Fiscal Years 2026-27 through 2030-31, 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 2021-22 through 2030-31

Fiscal Year	Historical EDUs[1]	Fiscal Year	Projected EDUs
2021-22	926,584	2027-28	981,814[3]
2022-23	930,586	2028-29	984,759
2023-24	934,756	2029-30	987,713
2024-25	935,463	2030-31	990,676
2025-26	930,868[2]		
2026-27	929,686[2]		

Source: Orange County Sanitation District.
[1] Presentation in the Statistical Section of the District's Annual Comprehensive Financial Report set forth in Appendix A includes EDUs that equate to total Sewer Service Charge collections rather than levies.
[2] The decrease in estimated EDUs reflects the methodology used to calculate EDUs, which is based on total user fee revenue divided by the applicable Single-Family Residential ("SFR") rate. Because year-over-year growth in user fee revenue was lower than the increase in the SFR rate, the resulting calculated number of EDUs decreased.
[3] Increase is primarily attributable to the transfer of customer billing from IRWD in Revenue Area No. 14 to the District, with District billing expected to begin in Fiscal Year 2027-28. See "DISTRICT REVENUES - Sewer Service Charges" above.

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 Fiscal Years 2021-22 through 2025-26.

Table 9
Number of Accounts and Revenues by Customer Class
for the Fiscal Years 2021-22 through 2025-26
($ in Millions)

	Residential/Commercial			Industrial		
Fiscal Year	Number of Equivalent Single-Family Dwellings	Total Revenue	Percentage of Sewer Service Charge Revenues	Number of Customer Accounts	Total Revenue	Percentage of Sewer Service Charge Revenues
2021-22	900,327	$308.8	96%	462	$12.6	4%
2022-23	893,270	310.0	95	446[1]	14.8	5
2023-24	886,879	317.5	96	447	14.6	4
2024-25	894,546	331.9	96	452	14.8	4
2025-26	890,651	342.0	95	442	18.6	5

[1] Accounts closed or not renewed due to COVID-19 or ownership changes contributed to the decrease in number of customer accounts.
Source: Orange County Sanitation District.

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

Set forth in Table 10 below are the ten largest principal sewer service customers of the District for the Fiscal Year ended June 30, 2026. The ten largest principal sewer service customers make up approximately 2.46% of sewer service charges collected for the Fiscal Year ended June 30, 2026.

Table 10
Largest Principal Sewer Service Customers of the District
for the Fiscal Year Ended June 30, 2026

User	Sewer Service Charges
House Foods America Corp. (East)	$ 1,480,239
House Foods America Corp. (West)	1,449,311
Stremicks Heritage Foods, LLC	1,440,460
Pulmuone Foods USA, Inc. (East)	1,118,768
Van Law Food Products, Inc	1,012,361
Newport Fab, LLC (Tower Semiconductor, Inc)	889,598
Ameripec, Inc	535,035
Beverage Visions LLC	507,906
Brea Power II, LLC	420,315
Yakult USA, Inc.	303,851

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 XIIIA, 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 2021-22 through 2025-26
($ in Billions)

Fiscal Year	Value	Percent Change
2021-22	$516.2	4.43%
2022-23	547.9	6.15
2023-24	584.0	6.59
2024-25	613.8	5.10
2025-26	644.4	4.99

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 2021-22 through 2025-26
(In Thousands)

Fiscal Year	Total Property Tax and Sewer Service Charge Levy
2021-22	$418,400
2022-23	430,603
2023-24	445,733
2024-25	464,170
2025-26	481,416

Source: County of Orange Auditor-Controller.

Budgetary Process

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

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

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

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

Reserves

The District has an established reserve policy with seven distinct reserve criteria which together comprise the District's reserve fund target. Over a ten-fiscal year period, these requirements collectively result in a year-ending reserve total for each fiscal year projected not to fall below $639 million as indicated in the District's ten-year cash flow forecast for Fiscal Years 2026-27 through 2035-36. Collectively, these requirements average $769 million a year over the current ten-year cash flow forecast to support the operation and maintenance of the District's $17.7 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 has been 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 has been established at an amount equal to 10% 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 2036. 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 for 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 $17.7 billion. The reserve criterion level has been established at $75 million.

- Debt Service Required Reserves Criterion has been established at 10% of outstanding long-term financing obligations, i.e., certificates of participation such as the Revenue Obligations. 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, 2022, June 30, 2023, June 30, 2024, June 30, 2025 and June 30, 2026 for each fund.

Table 13
Cash and Investment Reserves
June 30, 2022 through 2026
(In Millions)

	2022 (June 30)	2023 (June 30)	2024 (June 30)	2025 (June 30)	2026 (June 30)
Cash Flow Requirements Reserve:					
Operating Expenses	$ 92	$ 101	$108	$119	$126
Certificates of Participation Payments	24	19	19	14	13
Operating Contingencies Reserve	18	20	22	24	25
Capital Improvement Program Reserve[(1)]	584	610	449	526	452
Catastrophe and Self Insurance	100	100	100	100	100
Capital Replacement and Refurbishment	75	75	75	75	75
Debt Service Required Reserves[(2)]	91	79	76	61	57
Rate Stabilization Reserve	-	-	-	-	-
Total	$984	$1,004	$849	$919	$848

(1) "Capital Improvement Program Reserve" includes the target level amount set by the District's reserve criterion plus excess reserves. As of June 30, 2026, the total amount of $452 million was composed of $178 million (target amount) and $274 million (excess reserves).

(2) "Debt Service Required Reserves" constitute all amounts designated for reserves within the District's investment management program, together with certain funds held directly by bond trustees. As of June 30, 2026, of the total Debt Service Required Reserves of $57 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 2020-21 through Fiscal Year 2024-25 and unaudited operating results for Fiscal Year 2025-26. 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, 2025."

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Table 14
Summary of District Historical Revenues and Expenses
and Other Financial Information
For Fiscal Years 2020-21 through 2025-26
($ in Millions)

	Audited					Unaudited
	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Revenues:						
Residential & Commercial Sewer Service Charges[1]						
Regional	$307.9	$308.8	$310.0	$317.5	$331.9	$342.0
Local	-	-	-	-	-	
Industrial Sewer Service Charges	12.6	12.6	14.8	14.6	14.8	18.6
IRWD Assessments	16.0	8.6	18.6	31.8	21.8	54.6
SAWPA Assessments	2.8	2.8	2.9	3.4	3.4	3.5
Ad Valorem Taxes	110.2	119.2	125.5	131.6	138.3	144.8
Interest Earnings[2]	1.7	(35.3)	12.0	46.6	53.0	30.2
Other Revenues[3]	8.6	4.1	7.1	8.3	3.8	31.7
Total Revenues	$459.8	$420.8	$490.9	$553.8	$567.0	$625.4
Operations and Maintenance Expenses[4]	$168.0	$156.1	$207.2	$222.7	$237.9	$247.9
Net Revenues	$291.8	$264.7	$283.7	$331.1	$329.1	$377.5
Debt Service[5]	$ 72.5	$ 74.4	$ 67.9	$66.0	$61.8	$61.9
UAAL Payment[6]	$ -	$ -	$ -	$ -	$ -	$ -
Coverage Ratios	4.02x	3.56x	4.18x	5.02x	5.33x	6.10x
CIP Outlay	$164.0	$185.0	$215.5	$252.9	$259.6	$348.3
Ending Reserves[7]	$960.6	$984.0	$1,004.0	$848.9	$918.5	$847.5

(1) Net of rebates, if any, to commercial users.
(2) Interest earnings include unrealized gains and losses from investments adjusted to market value.
(3) For Fiscal Years 2020-21 to 2024-25, other revenues do not include capital contributions. Based on Statement No. 103 of the Governmental Accounting Standards Board, starting in Fiscal Year 2025-26, capital contributions, including capital facilities capacity charges, are included in other revenues.
(4) Excludes depreciation and amortization expenses.
(5) Does not include optional prepayment from cash on June 20, 2024 of $134,170,000 principal amount of Orange County Sanitation District Wastewater Revenue Obligations, Series 2010C (Taxable Build America Bonds).
(6) As of December 31, 2025, the District's unfunded actuarial accrued liability in its defined pension benefit plan administered by the Orange County Employees Retirement System was $0.
(7) After giving effect to optional prepayment from cash on June 20, 2024 of $134,170,000 principal amount of Orange County Sanitation District Wastewater Revenue Obligations, Series 2010C (Taxable Build America Bonds).

Source: Orange County Sanitation District.

Forecasted Operating Data

Set forth in Table 15 below are forecasted operating results for the District for Fiscal Years 2026-27 through 2030-31. Projections for Fiscal Years 2026-27 through 2030-31 are based on assumptions in the Fiscal Year 2026-27 and Fiscal Year 2027-28 Budget approved on June 24, 2026. They assume the number of projects and scheduled build out set forth in the 2026 CIP Validation Study. The projections also reflect the Board-approved annual rate increases of 3.5% for each of Fiscal Years 2026-27 through 2027-28 and 4.87% thereafter. Principal outlay components of these projections are derived from the 2026 CIP Validation Study, which identified 102 individual capital projects with projected outlay of approximately $1.5 billion over Fiscal Years 2026-27 through 2035-36. Much of the construction is scheduled during the next five years, with average annual capital outlays of approximately $294 million. The District's net CIP cash flow budget for Fiscal Year 2026-27 is approximately $291.5 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 2026-27 through 2030-31
($ in Millions)[1]

	2026-27	2027-28	2028-29	2029-30	2030-31
Revenues:					
Residential & Commercial Sewer Service Charges	$372.8	$403.5	$424.4	$446.4	$469.6
Industrial Sewer Service Charges	24.8	29.6	31.0	32.5	34.1
IRWD Assessments	16.6	24.2	25.7	26.3	29.8
SAWPA Assessments	3.8	3.9	8.7	9.2	9.7
Ad Valorem Taxes	147.2	150.2	153.9	157.8	161.7
Interest Earnings	42.0	32.9	24.9	25.4	25.3
Other Revenues	9.3	10.1	10.2	10.2	10.3
Total Revenues	$616.5	$654.4	$678.8	$707.8	$740.5
Build America Bonds Federal Subsidy	1.9	1.9	1.9	1.9	1.9
Operations and Maintenance Expenses	(279.7)	(291.2)	(308.0)	(325.7)	(344.4)
Net Revenues[3]	$338.7	$365.1	$372.7	$384.0	$398.0
Debt Service[4]	$61.0	$65.1	$65.1	$65.1	$63.6
Coverage Ratios[3]	5.6x	5.6x	5.7x	5.9x	6.3x
CIP Outlays	$291.5	$313.5	$291.4	$265.4	$310.1
Replacement, Refurbishment & Rehabilitation[5]	0.0	0.0	5.2	27.5	44.9
Debt Proceeds	-	-	-	-	-
Ending Reserves	$847.3	$839.0	$846.3	$869.1	$845.7

(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 2026-27 through 2027-28 and 4.87% thereafter.
- 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 2.5% from Fiscal Years 2026-27 through 2030-31. 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 estimates that it received $142.1 million from *ad valorem* Taxes in Fiscal Year 2025-26, the District's budget for Fiscal Year 2025-26 reflects projected revenue at $123.7 million.
- e) Interest earnings are projected to average 4% of annual cash balances for Fiscal Years 2026-27 and 2027-28 and 3% of annual cash balances thereafter.
- f) Operating and Maintenance Expenses are forecasted with a base increase of 5.75% per year beginning with Fiscal Year 2026-27 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 2026 CIP Validation Study, with adjustments for CIP savings and deferrals.
- h) Table does not include $25 million of expected capital cost reimbursement from OCWD for Fiscal Year 2027-28.

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

(3) Includes the Refunded 2017A Obligations to be refunded with the proceeds of the Revenue Obligations as described in "REFUNDING PLAN" herein and does not reflect 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 2.6 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 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, 2025, the District has a financial net position of $3.4 billion, which is an increase of $195.8 million, or 6.2%, over the prior year net position. Of this amount, $899.5 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 $111.5 million, or 3.7% over the prior year. Net investment in capital assets increased $148.8 million, or 6.6% over the prior year. Total outstanding debt decreased by $34.1 million, or 5.6% from the prior year to $572.0 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 3.6% for Fiscal Year 2024-25, 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 $14.8 million, or 4.3%, over the prior year due to the increased user fee and a slight increase in other operating revenues. Non-operating revenues decreased by $1.6 million, or 0.7%, from the prior year primarily due to a decrease in contributions from other governments and a decrease in other revenues driven by insurance recoveries in the prior year.

Operating expenses (other than depreciation and amortization) increased $15.3 million, or 6.8%, from the prior year primarily due to increases in salaries and benefits, in contractual services, and in feasibility studies. Non-operating expenses decreased $18.9 million, or 53.2%, from the prior year. Capital contributions decreased $0.3 million, or 1.8%, from the prior year, due to a decrease in contributions from other governments.

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, 2026, the District's externally managed fund consisted of a short-term investment portfolio of $73.8 million with an average maturity of 115 days, and a long-term investment portfolio of $645.6 million with average maturities of 3.4 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 parity with the Revenue Obligations. The table on the next page describes the District's outstanding parity certificates of participation as of June 30, 2026. 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.

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Table 16
Outstanding Senior Obligations
As of June 30, 2026

	Original Principal Amount	Issue Date	Outstanding Balance	Final Maturity
2010A Revenue Obligations	$80,000,000	05/18/10	$80,000,000	02/01/40
2010C Revenue Obligations	157,000,000	12/08/10	22,830,000	02/01/32
2017A Revenue Obligations[(1)]	66,370,000	02/01/17	65,815,000	02/01/30
2021A Revenue Obligations	133,510,000	07/29/21	57,815,000	02/01/36
2022A Revenue Obligations	81,620,000	02/01/22	81,620,000	02/01/33
2024A Revenue Obligations	139,720,000	05/07/24	120,685,000	02/01/37
2025A Revenue Obligations	95,070,000	11/04/25	95,070,000	02/01/39
Total Senior Obligations	$753,290,000		$523,835,000	

(1) All or a portion to be prepaid with 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 18480 Bandilier Circle, Fountain Valley, California, 92708.

LIMITATIONS ON TAXES AND REVENUES

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA, 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. 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 XIIIB 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 XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB, 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 XIIIB 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 XIIIB, 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 XIIIB 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 XIIIC and Article XIIID 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 XIIIC and XIIID 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 XIIID 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 XIIID 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 XIIID 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 XIIID 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 XIIID 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 XIIID, 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 XIIID also provides that "standby charges" are considered "assessments" and must follow the procedures required for "assessments" under Article XIIID 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 XIIID also precludes standby charges for services that are not immediately available to the parcel being charged.

Article XIIID 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 XIIID applicable to assessments.

Article XIIIC 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 XIIIC 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 XIIIC 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 XIIID, 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 XIIIC and XIIID will not have a material adverse impact on Net Revenues.

Other Initiative Measures

Articles XIIIA, XIIIB, XIIIC and XIIID 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.

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, due to inflation or otherwise, 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; (vii) inflation; or (viii) unanticipated project site conditions, including the discovery of hazardous materials on the site or other issues regarding compliance with applicable environmental standards, and other natural hazards or seismic events encountered during construction. In addition, given the limited redundancy of certain wastewater facilities and systems, such systems must remain operational during construction, which could affect construction schedules or budgets.

The ability of the District to comply with its covenants under the Master Agreement and the Installment Purchase Agreement and generate Net Revenues sufficient to pay Installment Payments may be adversely affected by actions and events outside the control of the District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "LIMITATIONS ON TAXES AND REVENUES – Articles XIIIC and XIIID 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 statutory and regulatory requirements faced by such facilities are air and water quality control requirements and biosolids laws and regulations. Such laws and regulations, as they may be from time to time amended or subsequently enacted could impose revised operational rules, generate new costs and/or otherwise affect the Net Revenues available to pay the Installment Payments. See "THE DISTRICT – Permits, Licenses and Other Regulations" and " – Biosolids Management."

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."

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 to 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 –Emergency Management: Response and Recovery."

The District is unable to predict the potential impact of heavy rains, flooding, sea level rise, earthquakes, tsunamis, extreme heat, wildfires and other natural disasters on the Wastewater System's operations or financial condition.

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 XIIIC and XIIID 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 XIIIC and XIIID 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 executed and delivered, as a result of future legislation (including legislation which may be currently proposed) or acts or omissions of the District in violation of its 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 Best Best & Krieger LLP, Irvine, California, and for the District by Norton Rose Fulbright US LLP, Disclosure Counsel to the District. The fees of Special Counsel and Disclosure Counsel are contingent on the issuance and delivery of the Revenue Obligations.

MUNICIPAL ADVISOR

The District has retained PFM Financial Advisors LLC 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, 2025" herein. The District has received the Government Finance Officers Association Certificate of Achievement for "Excellence in Financial Reporting" for 30 consecutive years. The audited financial statements, including the footnotes thereto, should be reviewed in their entirety. Eide Bailly 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. Eide Bailly 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, Los Angeles, 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 Obligations 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, prepayment 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

Causey Public Finance, LLC, 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 the 2017A Escrow Fund, together with amounts held as cash therein, to provide for payment of interest and the prepayment prices (including accrued interest) of the Refunded 2017A Obligations through and 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 2025-26 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 "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by S&P Global Ratings ("S&P"), and "AAA" 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.

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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

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APPENDIX A

ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE ORANGE COUNTY SANITATION DISTRICT FOR THE YEAR ENDED JUNE 30, 2025

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Orange County Sanitation District

Annual Comprehensive Financial Report

for the year ended June 30, 2025

Orange County, California

OC SAN
ORANGE COUNTY SANITATION DISTRICT

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ORANGE COUNTY SANITATION DISTRICT
ORANGE COUNTY, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

Prepared By:
Administrative Services Department
Financial Management Division

Ruth Zintzun
Finance Manager

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ORANGE COUNTY SANITATION DISTRICT
Annual Comprehensive Financial Report
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ORANGE COUNTY SANITATION DISTRICT
18480 Bandilier Circle
Fountain Valley, CA 92708
714.962.2411
www.ocsan.gov

October 28, 2025

Board of Directors and
Citizens of the Orange County Sanitation District
Orange County, California

Subject: Letter of Transmittal

Submitted herewith is the Annual Comprehensive Financial Report of the Orange County Sanitation District (OC San), Orange County, California for the fiscal year ended June 30, 2025. This report includes the financial position and activity of individual revenue areas, as described within the Governmental Structure below, as of June 30, 2025, and was prepared by the Financial Management Division of OC San's Administrative Services Department.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with OC San. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in the financial position of OC San. All disclosures necessary to enable the reader to gain an understanding of the agency's financial activities have been included.

Included within the accompanying financial statements are all of the organizations, activities, and functions controlled by OC San's Board of Directors in accordance with the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting. For the purpose of this evaluation, control was determined by the Board's responsibility for: (1) adoption of the budget and user charges, (2) taxing authority, and (3) establishment of policies. The reporting entity and its services are described in further detail in Note 1 of the financial statements.

An audit of the books, financial records, and transactions of OC San is conducted annually by independent certified public accountants. OC San selected the accounting firm of Eide Bailly LLP to perform the audit for the year ended June 30, 2025. The auditor's report on OC San's basic financial statements and supplementary information is located on page 1 within the financial section of this report. This report renders an unmodified opinion on OC San's basic financial statements for the year ended June 30, 2025.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

GOVERNMENTAL STRUCTURE

The Orange County Sanitation District encompasses the central and northwest section of Orange County. OC San provides wastewater treatment for an area of the County covering 479 square miles and serving a population of approximately 2.6 million, or 80 percent of the County's population. OC San was originally incorporated in 1954 as seven separate public corporations, or districts, with two additional districts added in 1985 and 1986. In April of 1998, at OC San's request, the Board of Supervisors of the County of Orange passed Resolution No. 98-140 ordering the consolidation of these nine County Sanitation Districts into a new, single sanitation district, to be known as the Orange County Sanitation District, effective July 1, 1998. This action was recommended to the Board by the Local Agency Formation Commission in

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

order to simplify governance structures, reduce the size of the Board, ease administrative processes, streamline decision-making and consolidate accounting and auditing processes. The boundaries of the nine previous districts had remained intact for the purpose of collecting sewer user fees at the previously established rate schedules and were referred to as nine individual revenue areas through June 30, 2000. Effective July 1, 2003, eight of the revenue areas consolidated user fee rates and all enterprise fund accounting and budgeting activities and are now known as the Consolidated Revenue Area. The boundaries of one of the previous districts, now known as Revenue Area No. 14, have been maintained separately because their use of OC San's collection, treatment, and disposal system is funded by the Irvine Ranch Water District (IRWD).

OC San is managed by an administrative organization composed of directors appointed by the agencies or cities which are serviced by OC San. Each of the two remaining revenue areas, the Consolidated Revenue Area and Revenue Area 14, has its own budget and is responsible for the construction and maintenance of its own collection system. All revenue areas, except Revenue Area 14 and the portion of the Consolidated Revenue Area previously known as Revenue Area 13, receive their own share of the one-percent ad valorem property tax levy. In addition, all revenue areas, except Revenue Area 14, receive user fees from property owners. Revenue Area 14 receives all of its revenues from service charges to IRWD.

The purpose of OC San's wastewater collection, treatment, and recycling program is to protect the public's health and the environment, preserving the beneficial uses of coastal waters and maintaining air quality. The objectives of operating the 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 Environmental Protection Agency.

OC San's sewerage system includes more than 380 miles of sewers that convey wastewater generated within OC San's boundaries to OC San's two reclamation plants; Plant No. 1 located in the City of Fountain Valley and Plant No. 2 located in the City of Huntington Beach.

Plant No. 1 has a primary treatment capacity of 208 million gallons per day (mgd) and a secondary treatment capacity of 182 mgd, while Plant No. 2 has a primary capacity of 168 mgd and a secondary capacity of 150 mgd. In fiscal year 2025-26, both plants are projected to receive a combined average daily wastewater flow of 185 million gallons per day from residential, commercial, and industrial sources.

After wastewater receives secondary treatment, it flows to the Groundwater Water Replenishment System (GWRS) at the Orange County Water District, located adjacent to OC San, where it undergoes a state-of-the-art purification process consisting of microfiltration, reverse osmosis, and ultraviolet light with hydrogen peroxide. The product water is near-distilled quality. Approximately 30 million gallons (113,500 cubic meters) per day of GWRS water are pumped into injection wells to create a seawater intrusion barrier. Approximately 10 million gallons (37,900 cubic meters) are piped to Mid-Basin injection wells in Santa Ana, and 90 million gallons (340,700 cubic meters) are pumped daily to Orange County Water District's percolation basins in Anaheim where the GWRS water naturally filters through sand and gravel to the deep aquifers of the groundwater basin.

Remaining outflows of treated wastewater from Plants No. 1 and No. 2 are combined and discharged to the ocean off the Huntington Beach coast through an outfall pipe that is 120 inches in diameter and approximately five miles long. The last mile of the outfall pipe is a diffuser with over 500 ports through which treated wastewater is slowly released at a depth of 200 feet.

ECONOMIC CONDITIONS AND OUTLOOK

In December 2024, Chapman University forecasted Orange County's job growth at 0.8 percent for 2025, matching the U.S. outlook but trailing California's 1.0 percent projection. For the overall 2020 to 2025 period, the county's growth of 12.1 percent is nearly aligned with California's 12.6 percent. However, cumulative growth over 2018 to 2023 amounted to only 1.7 percent. Orange County has also seen relatively weak gains in Advanced Industries compared to San Diego and Silicon Valley during the 2019 to 2023 period.

The California Employment Development Department (EDD) reports that Orange County saw an increase of approximately 0.3 percent in payroll jobs from August 2024 to August 2025. During this same time period, unemployment in Orange County increased from 4.5 percent to 4.6 percent while the unemployment in California as a whole decreased from 5.9 percent to 5.8 percent. California's economy is strongly supported by advanced industries including technology, aerospace, software, and medical products, which continue to grow faster than in other regions. These high-value jobs are vital to the state's long-term economic health, especially amid ongoing population outflows.

Chapman University projects that residential permits will rise by 12.9 percent in 2025, despite persistently high mortgage rates. Those elevated rates may actually be indirectly supporting new construction, as many homeowners are reluctant to sell and give up their locked-in "sweetheart" mortgages. This has resulted in a sharp decline in resale home sales, creating a shortage of existing homes on the market and boosting demand for new homes, which are often offered with subsidized financing. At the same time, countervailing forces are keeping home prices relatively steady. Chapman University forecasts a modest 1.1 percent decline in the median home price for 2025. While demand remains weak due to historically low housing affordability, supply is also constrained by the financial "penalty" homeowners would incur by giving up their low-rate mortgages.

MAJOR INITIATIVES

Following are the Orange County Sanitation District's current major initiatives as outlined in the General Manager's work plan for fiscal year (FY) 2025-26:

1. **Business Principles**

   - **CIP Staffing Plan** – Create a Capital Improvement Program (CIP) staffing plan by December 31, 2025, to minimize Supplemental Engineering Services, improve succession planning, and streamline the project delivery process.
   - **Customer Service Portal** – Complete the project Scope of Work, conduct a Request for Proposal, and award a contract to create a customer service portal by June 30, 2026. The portal will allow external stakeholders to access information, manage accounts, and interact with OC San's services to improve convenience and service efficiency.
   - **Small and Replacement Projects Funding Process Improvement** – Develop a new process for funding small replacement and repair projects to create more transparency, efficiency, and budget control by December 31, 2025.
   - **Operational AI Opportunities** – Identify and prioritize opportunities to optimize OC San administrative, operational and treatment processes through the application of Artificial Intelligence (AI). This may include leveraging historical SCADA data, CMMS data, LIMs data, and potentially visual information for an AI system that can prompt operators by June 30, 2026.
   - **Cybersecurity** – Conduct a cyber penetration test and red team assessment of the process control systems by June 30, 2026.
   - **Delinquent Fee Policies for Discharge Permits** – Update OC San ordinances and policies regarding delinquent fees and penalties for discharge permits by March 31, 2026.
   - **Digital Asset Management** – Receive final technical memos for proposed asset database improvements and risk framework for major, critical assets by June 30, 2026.
   - **Debt Financing** – Identify and pursue debt refunding opportunities that reduce costs for OC San and its ratepayers. If refunding criteria are met, complete the transaction by March 31, 2026.

2. **Environmental Stewardship**

   - **Vehicle Mobility Study** – Conduct a study to right-size OC San's transportation fleet and support

compliance with clean air standards by June 30, 2026.

- **Fats, Oil, and Grease (FOG) Outreach** – Develop updated Fats, Oils and Grease outreach and compliance materials for food service establishments within OC San service area by June 30, 2026.
- **Pretreatment Information Management System** – Develop a Scope for Work for a Pretreatment Information Management System to replace the existing system by June 30, 2026.
- **Industrial Waste Survey** – Update the Industrial Waste Survey program to utilize information management tools to gather business licensing information to more effectively identify sewer users that are required to have discharge permits by June 30, 2026.

3. **Wastewater Management**

- **Plant No. 1 Distributed Control System Human Machine Interface** – *(Carried over from FY 24/25)* Transition Plant No. 1 to the ABB Distributed Control System under project J-120 by March 31, 2026.
- **Property Management** – Conduct surveys of properties with identified encroachments or access limitations to OC San's property rights by June 30, 2026.
- **Supercritical Water Oxidization** – *(Carried over from FY 24/25)* Complete the six-month vendor demonstration of the six-ton Supercritical Water Oxidation unit by March 31, 2026.
- **Biosolids Deep Well Injection** – (1) Initiate Phase 1 biosolids deep well injection permitting process by October 31, 2025, and (2) develop the outreach Scope of Work for Phase 1 of the biosolids deep well injection program by June 30, 2026.
- **High Flow Exercise** – Develop and conduct a comprehensive high flow exercise by June 30, 2026, to evaluate Emergency Operation Center performance, processes, and operational efficiency. This exercise will simulate high influent wastewater emergencies and ruptures affecting the Santa Ana River Interceptor (SARI) trunkline to ensure preparedness and coordination among all relevant departments and agencies.

4. **Workplace Environment**

- **Physical Security Master Plan** – Develop a physical security master plan based on findings from past audits and surveys with a focus on mitigating risk, compliance with applicable regulations and standards, and enhancing security measures in OC San facilities and operations by June 30, 2026.
- **Operator Certification Support** – Develop and implement a wastewater laboratory and data science training curriculum to support wastewater operator certification by June 30, 2026.
- **Vocational Training** – Investigate partnership opportunities with vocational training institutions to enhance workforce sourcing efforts, with a focus on addressing hard-to-fill positions by June 30, 2026.

Strategic Planning

In November 2023, the Board of Directors adopted a new comprehensive strategic plan to steer OC San's efforts. The Strategic Plan developed by the Board of Directors and staff defines the strategic initiatives to be pursued by OC San and provides a basis for long-term financial, capital, and operational planning. In addition, it provides for long-term continuity of vision as Board and staff members change over the many years it takes to deliver public works infrastructure. The Strategic Plan is updated every two years to align policy and execution expectations with OC San's two-year budget cycle, and an updated Strategic Plan will be adopted in November 2025.

Driven by our Mission, Vision and Core Values, this Strategic Plan continues OC San's efforts to protect the public health of the 2.6 million people we serve while protecting the environment where we live.

The Strategic Plan is broken down into four broad categories with fifteen policy areas that define our responsibilities and the services we provide. These areas are:

- Business Principles
  - Budget Control and Fiscal Discipline
  - Asset Management
  - Cybersecurity
  - Property Management
  - Organizational Advocacy and Outreach
- Environmental Stewardship
  - Energy Independence
  - Climate and Catastrophic Event Resiliency
  - Food Waste Treatment
  - Water Reuse
  - Environmental Water Quality, Stormwater Management and Urban Runoff
- Wastewater Management
  - Chemical Sustainability
  - Biosolids Management
  - Constituents of Emerging Concern
- Workplace Environment
  - Resilient Staffing
  - Safety and Physical Security

The Strategic Plan is not a radical departure from the current direction, but rather the well-defined iterative update to the direction of OC San. With the adoption of the Strategic Plan, staff also update the Asset Management Plan, Capital Improvement Plan, and Financial Plan that are the basis of the two-year budget adopted by the Board of Directors. The budget goals and the General Manager's work plan are the accountability steps that measure achievable progress toward the strategic initiatives listed in the Strategic Plan.

SERVICE EFFORTS AND ACCOMPLISHMENTS

The following service efforts and accomplishments were achieved by OC San during the year ended June 30, 2025:

- **Award for Excellence for Outreach and Education - Heritage Museum Partnership** - 2025- WateReuse Association
- **Certificate of Achievement for Excellence in Financial Reporting** - 2025- Government Finance Officers Association
- **Platinum Peak Performance Awards for Plant Nos 1 and 2** - 2025- National Clean Waters Association
- **Achievement of Excellence in Procurement Award** - 2025- National Procurement Institute

- **2025- Santa Ana River Basin Section (SARBS) of the California Water Environment Association:**
  - Community Engagement & Outreach Photography Award – Gold
  - Community Engagement & Outreach: Project of the Year – Silver – Los Alamitos Construction Project
  - Operator of the Year – Shaun Siddiqui
  - Safety Plant of the Year for Plant No. 1
- **Golden Hub Award in Environmental Sustainability & Energy for OC San Headquarters** - 2025 - Association of California Cities - Orange County
- **2025- California Water Environment Association:**
  - Community Engagement & Outreach Photography Award – First Place for Wastewater 101 2023 Photo
  - Community Engagement & Outreach Photography Award – Third Place for Wastewater 101 2024 Photo
  - Safety Plant of the Year for Plant No. 1
- **Organizational Excellence Award for Employee Development Program** - 2025- California Association of Sanitation Agencies
- **Outstanding Achievement in Popular Financial Reporting** - 2025- Government Finance Officers Association
- **District Transparency Certificate of Excellence** - 2024- Special District Leadership Foundation
- **Excellence in Information Technology Practices Award** - 2024- Municipal Information Systems Association of California
- **Design & Print Silver Award for the CIP Annual Report** - 2024- Davey Award
- **American Inhouse Design Award for CIP Annual Report, Community Newsletter and Keep It Flowing Brochure** - 2024- Graphic Design USA
- **Corporate Organization Transformation Award** - 2024- Institute of Asset Management North America
- **National Environmental Achievement Award for OC San Connection Newsletter and Employee Development Program** - 2024- National Association of Clean Water Agencies
- **American Graphic Design Award for Open House Count Down and 70th Anniversary Campaign** -2024- Graphic Design USA
- **Certificate of Excellence for 20 years of reporting municipal bonds** - 2024- DAC Board
- **Distinguished Budget Presentation Award** - 2024- Government Finance Officers Association

ACCOUNTING AND BUDGETARY CONTROLS

OC San's accounting records are maintained on the accrual basis. In developing and evaluating OC San's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. We believe that OC San's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Each year, OC San's Board of Directors adopts an annual operating plan. A joint works budget is first prepared that identifies the specific capital projects and operating activities to be undertaken by OC San during the year. The budgetary level of control, the level at which expenses cannot exceed budget, is exercised at the individual department level. OC San has adopted a Purchasing Ordinance that establishes requirements and procedures for the purchase of goods, services, and public work projects.

ACCUMULATED FUNDS AND RESERVES POLICY

The Board of Directors of the Orange County Sanitation District has established the following Accumulated Funds and Reserves Policy:

Cash Flow Reserve: A cash flow criterion has been established at a level to fund operations, maintenance, and certificates 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 the 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 certificate of participation (COP) service payments due in August each year.

Operating Contingency Reserve: An operating contingency criterion has been established to provide for non-recurring operating expenditures that were not anticipated when the annual budget was considered and adopted. The level of this criterion has been established at an amount equal to ten percent of the current fiscal year's annual operating budget.

Capital Improvement Reserve: A capital improvement criterion has been maintained to fund annual increments of the capital improvement program (CIP). The target level of this criterion has been established at one half of the average annual cash outlay of the capital improvement program over the next ten years. 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 Reserves: A catastrophic loss or self-insurance criterion has been maintained for property damage including fire, flood, and earthquake, for general liability and for 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 OC San's non-reimbursed costs, estimated to be $100 million.

Capital Replacement/Renewal Reserve Policy: A capital replacement/renewal criterion policy 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 $16 billion. The reserve criterion level had been established at $75 million.

Debt Service Reserves: A debt service criterion policy has been established at ten percent of the outstanding COP and revenue obligations. Other debt service reserves are required to be under the control

of a trustee by the provisions of the COP or revenue obligations. These funds are not available for the general needs of OC San and must be maintained at specified levels.

Accumulated Funds exceeding the targets specified by OC San policy will be maintained for Capital Improvements and Rate Stabilization. These funds will be applied to future years' CIP needs due to the timing of the actual CIP outlays, in order to maintain rates or to moderate annual fluctuations.

As of June 30, 2025, OC San was in compliance with the Accumulated Funds and Reserves Policy with designated cash and investments totaling $918 million, and have been earmarked for the following specific purposes in accordance with OC San's reserve policy:

Designated Cash and Investments

Cash Flow Contingency	$ 156 million
Self-Insurance	100 million
Capital Improvements	601 million
Debt Service Requirements	61 million
Total Designated Cash and Investments	$ 918 million

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Orange County Sanitation District for OC San's Annual Comprehensive Financial Report for the year ended June 30, 2024. This was the thirty-first consecutive year that OC San has received this award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

This report could not have been completed without the dedicated services of the Financial Management Division staff, and I would like to especially express my appreciation to the staff who assisted in its preparation. I would also like to thank OC San's Board of Directors and the General Manager for their interest and support in conducting the financial operations of OC San in a responsible and progressive manner.

Respectfully submitted,

Ruth Zintzun
Finance Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Sanitation District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

ORANGE COUNTY SANITATION DISTRICT

Board of Directors

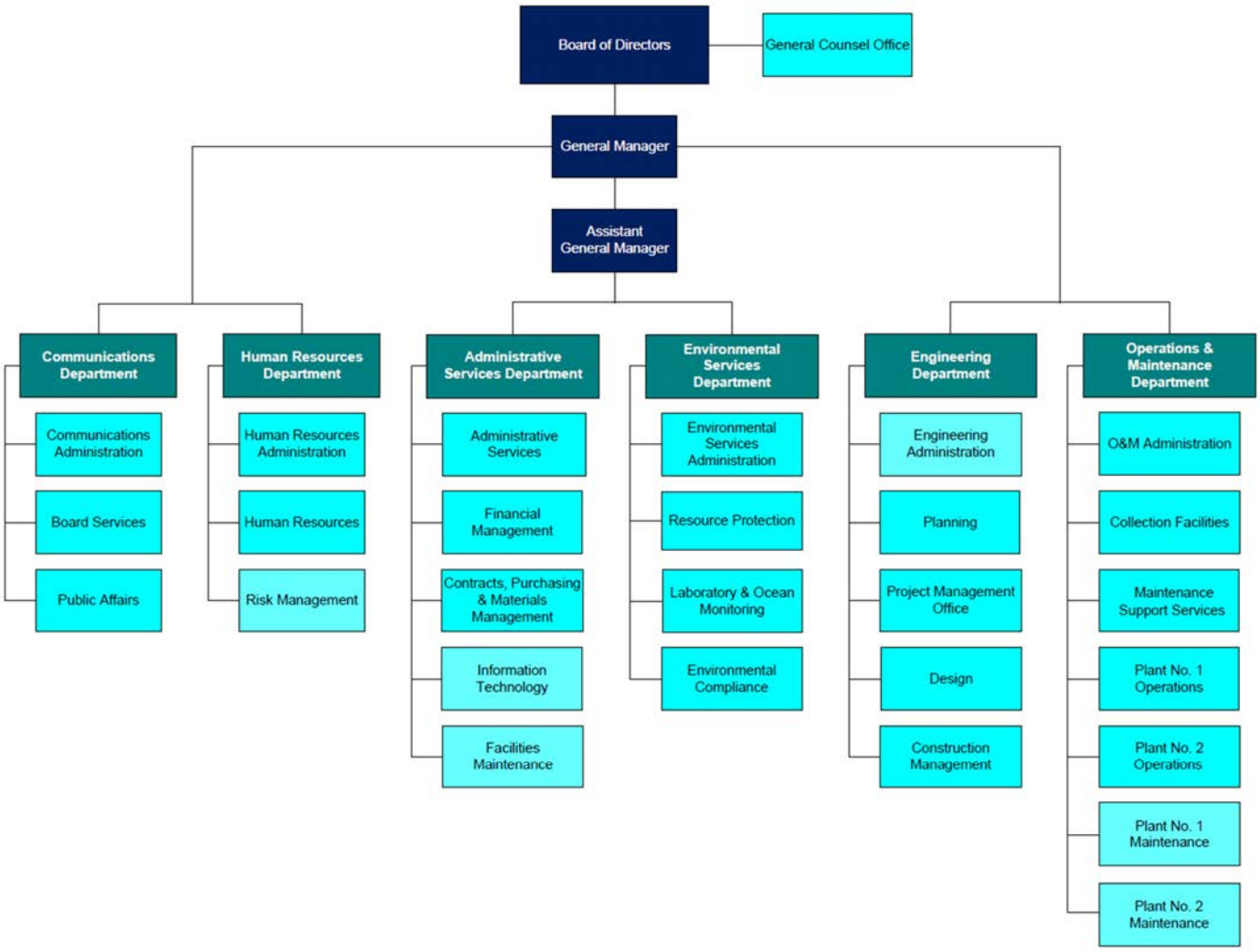
As of June 30, 2025

Agency	Active Director	Alternate Director
Cities:		
Anaheim	Carlos A. Leon	Ryan Balius
Brea	Christine Marick	Cecilia Hupp
Buena Park	Joyce Ahn	Lamiya Hoque
Cypress	Scott Minikus	Bonnie Peat
Fountain Valley	Glenn Grandis	Ted Bui
Fullerton	Jaimie Valencia	Shana Charles
Garden Grove	Stephanie Klopfenstein	Cindy Ngoc Tran
Huntington Beach	Pat Burns	Gracey Van Der Mark
Irvine	Melinda Liu	Kathleen Treseder
La Habra	Jose Medrano	Rose Espinoza
La Palma	Debbie Baker	Vikesh Patel
Los Alamitos	Jordan Nefulda	Tanya Doby
Newport Beach	Erik Weigand	Michelle Barto
Orange	Jon Dumitru	John Gyllenhammer
Placentia	Chad Wanke	Ward Smith
Santa Ana	Johnathan Ryan Hernandez	Jessie Lopez
Seal Beach	Lisa Landau	Ben Wong
Stanton	David Shawver	John D. Warren
Tustin	Ryan Gallagher	Austin Lumbard
Villa Park	Jordan Wu	Kelly McBride
Sanitary Water Districts:		
Costa Mesa Sanitary District	Robert Ooten	Art Perry
Midway City Sanitary District	Andrew Nguyen	Tyler Diep
Irvine Ranch Water District	John Withers	Dan Ferons
Yorba Linda Water District	Tom Lindsey	Gene Hernandez
County Areas:		
Member of the Board of Supervisors	Doug Chaffee	Janet Nguyen

ORANGE COUNTY SANITATION DISTRICT

Organizational Chart

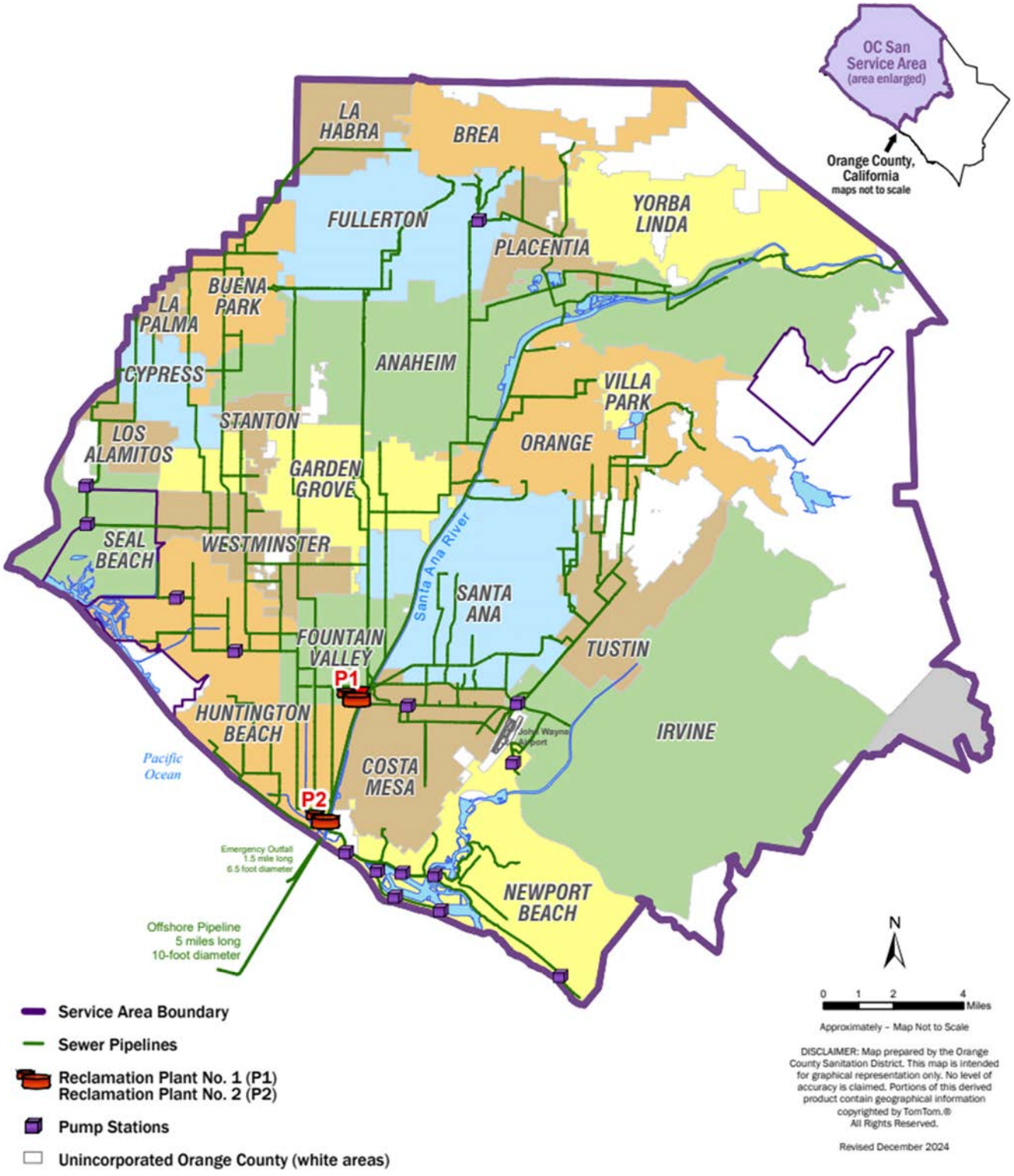
As of June 30, 2025



ORANGE COUNTY SANITATION DISTRICT

Map of Service Area

As of June 30, 2025



Independent Auditor's Report

To the Board of Directors
Orange County Sanitation District
Fountain Valley, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Orange County Sanitation District (OC San), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise OC San's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of OC San as of June 30, 2025, and the changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OC San, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 11 to the financial statements, OC San has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made as of July 1, 2024 to restate beginning net position. Our opinion is not modified with respect to this matter.

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25231 Paseo De Alicia, Ste. 100 | Laguna Hills, CA 92653-4615 | T 949.768.0833 | F 949.768.8408 | EOE

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OC San's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OC San's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OC San's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Proportionate Share of the Net Pension Liability (Asset) – OCERS Pension Plan, Schedule of District Contributions – OCERS Pension Plan, Total Pension Liability – Additional Retiree Benefit Account, Changes in Total Pension Liability – Additional Retiree Benefit Account, Total OPEB Liability – Post-Employment Medical Benefits Plan, and Changes in Total OPEB Liability – Post-Employment Medical Benefits Plan be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise OC San's basic financial statements. The Combining Area Schedule of Net Position, Combining Area Schedule of Revenues, Expenses, and Change in Net Position, and Combining Area Schedule of Cash Flows are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Combining Area Schedule of Net Position, Combining Area Schedule of Revenues, Expenses, and Change in Net Position, and Combining Area Schedule of Cash Flows are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section, Statistical Section, and Other Data and Trends but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2025, on our consideration of OC San's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OC San's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OC San's internal control over financial reporting and compliance.

Eide Bailly LLP

Laguna Hills, California
October 28, 2025

This section of the financial statements of the Orange County Sanitation District (OC San) is management's narrative overview and analysis of the financial activities of OC San for the fiscal year ended June 30, 2025. The information presented here is to be considered in conjunction with additional information provided within the letter of transmittal located in the Introductory Section of this report.

Financial Highlights

- As of June 30, 2025, OC San's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $3.4 billion (net position). Of this amount, $899.5 million represents unrestricted net position, which may be used to meet OC San's ongoing obligations to citizens and creditors.
- Total net position increased $195.8 million, or 6.2 percent over the prior year.
- Net capital assets, consisting of non-depreciable capital assets and depreciable capital assets net of accumulated depreciation, increased $111.5 million, or 3.7 percent over the prior year.
- Net investment in capital assets increased $148.8 million, or 6.6 percent over the prior year.
- Restricted net position increased $19.6 million, or 57.2 percent over the prior year.
- Unrestricted net position increased $27.3 million, or 3.1 percent over the prior year.
- Total outstanding bonded debt decreased by $34.1 million, or 5.6 percent from the prior year, to $572.0 million.

Overview of the Basic Financial Statements

OC San operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, OC San's basic financial statements are comprised of two components: financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

In accordance with the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, OC San's financial statements include a Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; and a Statement of Cash Flows.

The Statement of Net Position includes OC San's assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and provides information about the nature and amounts of investments in resources (assets) and the obligations to OC San's creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of OC San, and assessing the liquidity and financial flexibility of OC San.

The Statement of Revenues, Expenses, and Change in Net Position accounts for the current year's revenues and expenses. This statement measures the success of OC San's operations over the past year and can be used to determine OC San's creditworthiness. It also highlights OC San's dependency on property tax revenues in supplementing user fees and other charges for recovering total cost.

The final required financial statement, the Statement of Cash Flows, reports cash receipts, cash payments, and net changes in cash resulting from operations, investments, and financial activities of the reporting period.

Net Position

As previously noted, net position increased $195.8 million, or 6.2 percent over the net position at June 30, 2024, to $3.4 billion at June 30, 2025.

(Dollars in thousands)

	June 30, 2025	June 30, 2024	Increase (Decrease)	Percentage Increase (Decrease)
Assets				
Current and other assets	$ 1,009,817	$ 919,344	$ 90,473	9.8%
Net capital assets	3,104,846	2,993,396	111,450	3.7%
Total assets	**4,114,663**	**3,912,740**	**201,923**	**5.2%**
Deferred outflows of resources	71,537	97,104	(25,567)	-26.3%
Total assets and deferred outflows of resources	**4,186,200**	**4,009,844**	**176,356**	**4.4%**
Liabilities				
Current liabilities	172,480	146,735	25,745	17.5%
Noncurrent liabilities	619,370	664,213	(44,843)	-6.8%
Total liabilities	**791,850**	**810,948**	**(19,098)**	**-2.4%**
Deferred inflows of resources	21,104	21,449	(345)	-1.6%
Total liabilities and deferred inflows of resources	**812,954**	**832,397**	**(19,443)**	**-2.3%**
Net position				
Net investment in capital assets	2,419,796	2,270,960	148,836	6.6%
Restricted for OCERS pension benefits	53,901	34,278	19,623	57.2%
Unrestricted	899,549	872,209	27,340	3.1%
Total net position	**$ 3,373,246**	**$ 3,177,447**	**$ 195,799**	**6.2%**

Effective July 1, 2024, OC San implemented GASB Statement No. 101, Compensated Absences. As a result of this change in accounting principle, it was not appropriate for OC San to restate prior-period information for earlier periods than those presented in the basic financial statements. Therefore, information for the year ended June 30, 2024, was not restated. See Note 11 to the financial statements for further information on the change in accounting principle.

Current and other assets increased $90.5 million, or 9.8 percent, due primarily to net cash provided by operations of $135.9 million, proceeds from property taxes of $138.3 million, unrealized investment gains of $29.7 million, interest received of $23.7 million, an increase in net pension asset of $18.1 million, receipt of capital facilities capacity charges of $14.9 million, contributions from other governments of $13.9 million, and an increase in due from other governmental agency of $1.5 million, offset by capital outlays of $228.3 million, bonded debt retirements of $34.1 million, and interest paid of $24.9 million.

Net capital assets increased $111.5 million, or 3.7 percent, due mostly to the ongoing capital improvement program construction in progress additions of $232.1 million, land addition of $27.5 million, capital equipment of $8.9 million, and subscription right-to-use assets of $2.6 million, offset by depreciation of $129.2 million, and loss on asset disposals of $0.9 million. Included in total capital outlay additions is the Headworks Rehabilitation at Plant 1 with incurred project costs of $37.8 million in FY 2024-25 and a total project budget of $340.0 million. The Primary Treatment Rehabilitation at Plant No. 2 incurred project costs of $26.0 million in FY 2024-25 with a total project budget of $188.0 million. See page 9 for the Schedule of Capital Assets and listing of other major capital additions for FY 2024-25.

Deferred outflows of resources decreased $25.6 million, or 26.3 percent from the prior year, primarily due to a $23.8 million or 28.2 percent decrease in pension deferred outflows attributable to the change in projected and actual earnings on pension plan investments and changes of actuarial assumptions and other inputs, and a $1.3 million or 14.6 percent decrease in the difference between carrying amount of the retired debt and the acquisition price of COP Series.

Current liabilities increased $25.7 million, or 17.5 percent, due to an increase of $14.0 million in accounts payable, $12.1 million in the amount due to other governmental agency Irvine Ranch Water District (IRWD), $2.2 million in interest payable, and $1.5 million in other current liabilities, offset by a decrease of $4.1 million in retentions payable.

Noncurrent liabilities decreased $44.8 million, or 6.8 percent, primarily due to bonded debt repayments of $34.1 million and premium amortization of $12.1 million.

Deferred inflows of resources decreased $0.3 million, or 1.6 percent over the prior year, primarily due to a $1.3 million or 19.8 percent decrease in the difference between carrying amount of the retired debt and the acquisition price of COP Series, and a $0.3 million decrease in deferred inflows related to leases, offset by a $1.3 million or 9.1 percent increase in pension deferred inflows attributable to the change in projected and actual earnings on pension plan investments and differences between expected and actual experiences.

Net investment in capital assets increased $148.8 million, or 6.6 percent over the prior year, primarily as a result of the net increase in capital assets of $111.5 million coupled with a $37.4 million decrease in related debt.

Restricted net position increased $19.6 million, or 57.2 percent, due to the increase in amounts restricted for Orange County Employees Retirement System (OCERS) pension benefits.

Unrestricted net position increased $27.3 million, or 3.1 percent, due to the overall increase in net position of $195.8 million, offset by the increase in net investment in capital assets of $148.8 million and restricted net position of $19.6 million.

Change in Net Position

The change in net position increased $2.4 million in FY 2024-25, or 1.2 percent over the prior year's increase in net position.

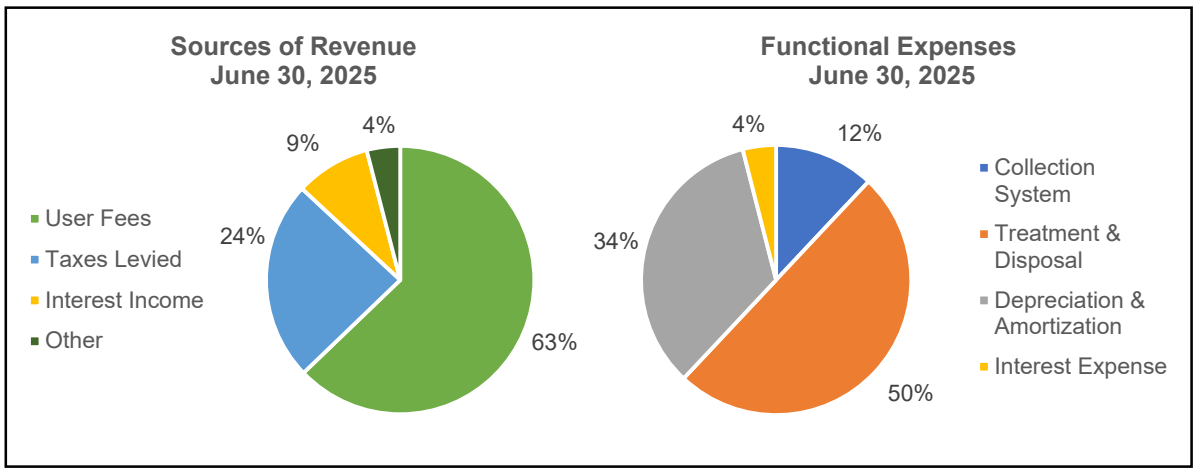
(Dollars in thousands)

	June 30, 2025	June 30, 2024	Increase (Decrease)	Percentage Increase (Decrease)
Revenues:				
Operating revenues				
Service charges	$ 353,233	$ 338,713	$ 14,520	4.3%
Permit and inspection fees	1,178	941	237	25.2%
Total operating revenues	354,411	339,654	14,757	4.3%
Non-operating revenues				
Property taxes	138,312	131,608	6,704	5.1%
Investment and interest income (loss)	53,006	46,640	6,366	13.6%
Contrib. from other governments	19,543	29,395	(9,852)	-33.5%
Other non-operating revenues	1,748	6,548	(4,800)	-73.3%
Total non-operating revenues	212,609	214,191	(1,582)	-0.7%
Total revenues	**567,020**	**553,845**	**13,175**	**2.4%**
Expenses:				
Operating expenses other than depreciation and amortization	237,926	222,673	15,253	6.8%
Depreciation and amortization	130,246	116,205	14,041	12.1%
Non-operating expenses	16,598	35,454	(18,856)	-53.2%
Total expenses	**384,770**	**374,332**	**10,438**	**2.8%**
Income before capital contributions	**182,250**	**179,513**	**2,737**	**1.5%**
Capital contributions	17,918	18,242	(324)	-1.8%
Increase in net position	**200,168**	**197,755**	**2,413**	**1.2%**
Beginning net position, restated	3,173,078	2,979,692	193,386	6.5%
Ending net position	**$ 3,373,246**	**$ 3,177,447**	**$ 195,799**	**6.2%**

Effective July 1, 2024, OC San implemented GASB Statement No. 101, Compensated Absences. As a result of this change in accounting principle, it was not appropriate for OC San to restate prior-period information for earlier periods than those presented in the basic financial statements. Therefore, information for the year ended June 30, 2024, was not restated. See Note 11 to the financial statements for further information on the change in accounting principle.

As previously stated, an enterprise fund is used to account for the operations of OC San, which is financed and operated in a manner similar to private business enterprises. This allows OC San to determine that the costs (expenses, including depreciation and amortization) of providing wastewater management services on a continuing basis are financed or recovered primarily through user charges.

Sewer service user fees are evaluated annually based primarily on budget requirements for total operation and maintenance expenses and capital outlays for providing wastewater management services. Property tax revenues are dedicated for the payment of debt service.



Operating revenues increased $14.8 million, or 4.3 percent in FY 2024-25 from the prior year, primarily due to a 3.6 percent increase in the average sewer user fee rate and a slight increase in other operating revenues as compared to the prior year.

Non-operating revenues decreased $1.6 million, or 0.7 percent, primarily due to a $9.9 million or 33.5 percent decrease in contributions from other governments due to the integration adjustment of Revenue Area 14's equity share in OC San's Joint Works Treatment Facilities based on the flows discharged to OC San, and a $4.8 million or 73.3 percent decrease in other revenues mainly as a result of insurance recoveries in the prior year, offset by an increase of $6.7 million or 5.1 percent increase in property taxes revenue attributable to increased home sales and a rise in total assessed valuation of 5.1 percent over the prior year, and a $6.4 million or 13.6 percent growth in investment and interest income as a result of higher yields on balances held in the investment portfolios.

Operating expenses other than depreciation and amortization increased $15.3 million, or 6.8 percent, primarily due to increases of $8.6 million or 9.0 percent in salaries and benefits, $4.6 million or 15.0 percent in contractual services, and $2.7 million in feasibility studies over the prior year, offset by decreases of $0.4 million in other operating expenses and $0.3 million in supplies, repairs and maintenance.

Non-operating expenses decreased $18.9 million, or 53.2 percent, primarily from a decrease of $15.4 million or 49.6 percent in interest expense, and a decrease of $3.5 million or 80.8 percent in loss from disposal of assets.

Capital contributions decreased $0.3 million, or 1.8 percent from the prior year, primarily due to a decrease of $0.3 million in capital contributions from other governments.

Capital Assets

At June 30, 2025, OC San had a net investment of $3.1 billion in capital assets. This represents a net increase (including additions and deletions) of $111.5 million, or 3.7 percent over the prior year.

Schedule of Capital Assets
(Net of Depreciation and Amortization)

(Dollars in thousands)

	June 30, 2025	June 30, 2024	Increase (Decrease)	Percentage Increase (Decrease)
Land	$ 85,653	$ 58,153	$ 27,500	47.3%
Construction in progress	829,663	677,082	152,581	22.5%
Sewage collection facilities	539,002	531,090	7,912	1.5%
Sewage treatment facilities	1,435,615	1,500,387	(64,772)	-4.3%
Effluent disposal facilities	23,239	24,611	(1,372)	-5.6%
Solids disposal facilities	219	229	(10)	-4.4%
General and administrative facilities	188,195	199,883	(11,688)	-5.8%
Lease right-to-use asset	67	104	(37)	-35.6%
Subscription right-to-use assets	3,193	1,857	1,336	71.9%
Capital assets, net	**$ 3,104,846**	**$ 2,993,396**	**$ 111,450**	**3.7%**

Major capital asset additions for the current fiscal year included the following:

- $37.8 million Headworks Rehabilitation at Plant No. 1 (P1-105)
- $26.0 million Primary Treatment Rehabilitation at Plant No. 2 (P2-98)
- $19.0 million Gisler Red-Hill Interceptor & Baker Force Main Rehabilitation (7-65)
- $18.2 million Bay Bridge Pumping Station Replacement (5-67)
- $15.4 million Seal Beach Pump Station Replacement (3-67)
- $9.6 million Central Generation Engine Overhauls at Plants 1 and 2 (J-135)
- $9.4 million Ocean Outfall System Rehabilitation (J-117)
- $7.9 million TPAD Digester Facility at Plant 2 (P2-128)
- $7.4 million Activated Sludge-1 Aeration Basin & Blower Rehabilitation at Plant No. 1 (P1-140)
- $6.4 million Primary Sediment Basins No. 3-5 Replacement at Plant No. 1 (P1-126)

More detailed information about OC San's capital assets is provided in Notes 1 and 3 of the Notes to Basic Financial Statements.

Debt Administration

At June 30, 2025, OC San had $572.0 million outstanding in bonded debt, a net decrease of $34.1 million, or 5.6 percent from the prior year. This reduction consisted of the accumulation of principal payments made in accordance with the schedule of debt service payments.

During OC San's most recent debt refunding, Moody's, Standard and Poor's, and Fitch Ratings all reaffirmed their AAA rating of the Orange County Sanitation District. OC San's long-range financing plan is designed to maintain this high rating. Over the next ten years, OC San is projecting over $3.5 billion in capital improvements. In accordance with OC San's long-term debt fiscal policy, OC San will restrict long-term borrowing to capital improvements that cannot be financed from current revenue. No new debt issuances are being proposed to assist with the funding of the system improvements scheduled over this time period. For more information on long-term debt activities, see Note 5 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate within the County of Orange is at 4.5 percent in June 2025, an increase from the rate of 4.0 percent in June 2024.
- Inflation for the Los Angeles-Long Beach-Anaheim area increased 3.2 percent in June 2025 over the prior year June 2024 based on the actual percentage change in the consumer price index according to the U.S. Department of Labor, Bureau of Labor Statistics.
- The yield on investments decreased from the 4.8 percent earnings rate in FY 2023-24 to 2.8 percent for FY 2024-25.

All of these factors are considered in preparing OC San's biennium budget.

OC San's user fee schedule was increased by 3.6 percent for FY 2024-25 over the prior year. The Single Family Residential (SFR) fee, which is the underlying rate for all other user rates, is applicable to OC San's largest customer base and increased by $13.00, from $358.00 to $371.00. The revenue from sewer fees is necessary to support OC San's cash flow needs for operating costs, debt service, and capital improvement outlays. Capital improvement costs are projected to total $3.5 billion over the next ten years in order to rehabilitate and upgrade existing facilities and maintain full secondary treatment standards.

Requests for Information

The financial report is designed to provide a general overview of OC San's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Management Division, Orange County Sanitation District, 18480 Bandilier Circle, Fountain Valley, CA 92708.

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ORANGE COUNTY SANITATION DISTRICT
BASIC FINANCIAL STATEMENTS

ORANGE COUNTY SANITATION DISTRICT

Statement of Net Position

June 30, 2025

Current assets:	
Cash and cash equivalents	$ 129,984,551
Investments	770,902,021
Accounts receivable, net of allowance for uncollectibles	9,544,419
Accrued interest receivable	5,795,182
Connection fees receivable	3,371,695
Property tax receivable	2,149,756
Lease receivable, current portion	396,114
Inventories	12,620,950
Prepaid expenses	2,693,612
Total current assets	937,458,300
Noncurrent assets:	
Restricted:	
Cash and cash equivalents	701,418
Investments	16,882,220
Accrued interest receivable	1,332
Net pension asset - OCERS	36,606,252
Unrestricted:	
Non-depreciable capital assets	915,315,754
Depreciable capital assets, net of accumulated depreciation	2,189,530,195
Due from other governmental agency	18,067,430
Lease receivable, noncurrent portion	89,605
Other noncurrent assets, net	10,344
Total noncurrent assets	3,177,204,550
Total assets	4,114,662,850
Deferred outflows of resources:	
Deferred outflows related to refundings	7,519,718
Deferred outflows related to pensions	60,347,568
Deferred outflows related to OPEB	3,670,306
Total deferred outflows of resources	71,537,592
Total assets and deferred outflows of resources	4,186,200,442
Current liabilities:	
Accounts payable and accrued expenses	59,502,862
Retentions payable	10,991,447
Interest payable	11,292,100
Due to other governmental agency	30,307,007
Long-term obligations, current portion	58,408,438
Total pension liability - ARBA, current portion	1,233,691
Total OPEB liability, current portion	744,627
Total current liabilities	172,480,172
Noncurrent liabilities:	
Long-term obligations, noncurrent portion	598,572,064
Total pension liability - ARBA, noncurrent portion	17,132,806
Total OPEB liability, noncurrent portion	3,664,701
Total noncurrent liabilities	619,369,571
Total liabilities	791,849,743
Deferred inflows of resources:	
Deferred inflows related to leases	435,610
Deferred inflows related to refundings	5,438,617
Deferred inflows related to pensions	14,996,877
Deferred inflows related to OPEB	233,331
Total deferred inflows of resources	21,104,435
Total liabilities and deferred inflows of resources	812,954,178
Net position:	
Net investment in capital assets	2,419,795,860
Restricted for OCERS pension benefits	53,900,943
Unrestricted	899,549,461
Total net position	$ 3,373,246,264

See Accompanying Notes to Basic Financial Statements.

ORANGE COUNTY SANITATION DISTRICT
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2025

Operating revenues:	
Service charges	$ 353,232,695
Permit and inspection fees	1,178,008
Total operating revenues	354,410,703
Operating expenses other than depreciation and amortization:	
Salaries and benefits	104,583,096
Utilities	15,018,906
Supplies, repairs and maintenance	64,662,231
Contractual services	34,887,066
Feasibility studies	7,160,444
Other operating expenses	11,614,175
Total operating expenses other than depreciation and amortization	237,925,918
Operating income before depreciation and amortization	116,484,785
Depreciation and amortization	130,246,378
Operating income	(13,761,593)
Non-operating revenues:	
Property taxes	138,312,275
Investment and interest income	53,005,890
Contributions from other governments	19,543,277
Other non-operating revenues	1,747,821
Total non-operating revenues	212,609,263
Non-operating expenses:	
Interest	15,662,820
Loss on disposal of assets	830,244
Other non-operating expenses	104,905
Total non-operating expenses	16,597,969
Income before capital contributions	182,249,701
Capital contributions:	
Capital facilities capacity charges	16,265,667
Capital contributions from other governments	1,652,443
Total capital contributions	17,918,110
Change in net position	200,167,811
Net position - beginning, as previously reported	3,177,447,066
Adjustments (Note 11)	(4,368,613)
Total net position - beginning, as restated	3,173,078,453
Total net position - ending	$ 3,373,246,264

See Accompanying Notes to Basic Financial Statements.

ORANGE COUNTY SANITATION DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2025

Cash flows from operating activities:		
Receipts from customers and users	$	367,091,990
Payments to employees		(97,652,500)
Payments to suppliers		(134,862,878)
Receipts for other activities		1,312,345
Net cash provided by operating activities		135,888,957
Cash flows from noncapital financing activities:		
Proceeds from property taxes		138,281,437
Net cash provided by noncapital financing activities		138,281,437
Cash flows from capital and related financing activities:		
Capital facilities capacity charges		14,893,451
Contributions from other governments		13,900,874
Receipts from lease agreements		472,607
Additions to capital assets		(228,295,795)
Principal payments on debt obligations		(34,085,000)
Interest paid		(24,922,546)
Net cash used in capital and related financing activities		(258,036,409)
Cash flows from investing activities:		
Proceeds from sale of investments		759,603,700
Purchases of investments		(792,757,084)
Interest received		23,720,307
Net cash used in investing activities		(9,433,077)
Net increase in cash and cash equivalents		6,700,908
Cash and cash equivalents, beginning of year		123,985,061
Cash and cash equivalents, end of year	$	130,685,969
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$	(13,761,593)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		130,246,378
Other non-operating revenues		1,207,440
(Increase)/decrease in operating assets and deferred outflows:		
Accounts receivable		603,794
Inventories		(1,099,297)
Prepaid expenses		(273,292)
Net pension asset - OCERS		(18,074,715)
Deferred outflows related to pensions		23,751,355
Deferred outflows related to OPEB		531,928
Increase/(decrease) in operating liabilities and deferred inflows:		
Accounts payable and accrued expenses		2,411,455
Due to other governmental agency		12,077,493
Compensated absences		687,232
Claims and judgments		(266,854)
Total pension liability - ARBA		(2,647,182)
Total OPEB liability		(773,160)
Deferred inflows related to pensions		1,034,644
Deferred inflows related to OPEB		233,331
Net cash provided by operating activities	$	135,888,957
Noncash activities:		
Unrealized gain (loss) on the fair value of investments	$	29,667,855
Capital assets acquired through accounts payable		6,882,913
Capital facilities capacity charges acquired		1,372,216

See Accompanying Notes to Basic Financial Statements.

(1) Summary of Significant Accounting Policies

Reporting Entity

The Orange County Sanitation District (OC San) is a public agency which owns and operates certain wastewater facilities in order to provide regional wastewater collection, treatment, and disposal services to approximately 2.6 million people in the central and northwest portion of the County of Orange, California. OC San is overseen by a Board comprised of directors appointed by the agencies and cities which are serviced by OC San.

OC San's service area was originally formed in 1954 pursuant to the County Sanitation District Act and consisted of seven independent special districts. Two additional districts were formed and additional service areas were added in 1985 and 1986. These special districts were jointly responsible for the treatment and disposal facilities which they each used. In April of 1998, the Board of Supervisors of Orange County passed Resolution 98-140 approving the consolidation of the existing nine special districts into a new, single sanitation district. This action was taken in order to simplify the governance structures, reduce the size of OC San's Board of Directors, ease administrative processes, streamline decision-making, and consolidate accounting and auditing processes. Pursuant to the Resolution and Government Code Section 57500, the predecessor special districts transferred and assigned all of their powers, rights, duties, obligations, functions, and properties to OC San, including all assets, liabilities, and equity.

Effective July 1, 1998, the organization became known as the Orange County Sanitation District. The boundaries of one of the previous districts, now known as Revenue Area No. 14, have been maintained separately because their use of OC San's collection, treatment, and disposal system is funded by the Irvine Ranch Water District (IRWD). The boundaries of the other eight districts have been consolidated and are collectively referred to as the Consolidated Revenue Area. OC San utilizes joint operating and capital outlay accounts to pay joint treatment, disposal, and construction costs. These joint costs are allocated to each revenue area based on gallons of sewage flow. The supplemental schedules and statements show internal segregations and are not intended to represent separate funds for presentation as major or non-major funds in the basic financial statements.

The accompanying financial statements present OC San and its blended component unit, the Orange County Sanitation District Financing Corporation (Corporation). The Corporation is a legally separate entity although in substance it is considered to be part of OC San's operations. OC San is considered to be financially accountable for the Corporation which is governed by a board comprised entirely of OC San's board members. There is no requirement for separate financial statements of the Corporation; consequently, separate financial statements for the Corporation are not prepared. The Corporation had no financial activity during the fiscal year ended June 30, 2025, other than principal and interest payments on outstanding certificates of participation and revenue obligations (see Note 5).

OC San is independent of and overlaps other formal political jurisdictions. There are many governmental entities, including the County of Orange, that operate within OC San's jurisdiction; however, financial information for these entities is not included in the accompanying financial statements in accordance with the Governmental Accounting Standards Board (GASB).

Measurement Focus and Basis of Accounting

OC San operates as an enterprise activity. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Board of Directors is that the costs (expenses, including depreciation and amortization) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

The accounting policies of OC San conform to the Generally Accepted Accounting Principles (GAAP) in the United States of America as applicable to governments. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States.

Operating Plans

Each year, OC San staff prepares an annual operating plan which is adopted by the Board of Directors. The annual operating plan is used to serve as a basis for monitoring financial progress, estimating the levy and collection of taxes, and determining future service charge rates. During the year, these plans may be amended as circumstances or levels of operation dictate.

Cash and Cash Equivalents

Investments with original maturities of three months or less when purchased, money market mutual funds, and external investment pools that can be withdrawn on demand are considered to be cash equivalents.

Investments

Investments are stated at fair value (the price that would be received to sell an asset in an orderly transaction between market participants acting in their economic best interest at the measurement date). Changes in fair value that occur during the fiscal year are reported as part of investment and interest income. Investment and interest income include interest earnings and realized and unrealized gains or losses in fair value. Investment and interest income are recorded as revenues and receivables when declared and realized gains or losses are recorded when the investment is sold.

Accounts Receivable

Accounts receivable is reported net of the allowance for uncollectible receivables. There were no uncollectible receivables at June 30, 2025. Unbilled sewer services through June 30, 2025, are recorded as revenue and receivables. Management determines the allowance for uncollectible receivables by evaluating individual accounts receivable at least one year past due and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received.

Inventories

Inventories, which are held for consumption and not resale, are stated at cost on a weighted-average basis and are expensed when used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Prepaid expenses are recorded as expenses when consumed rather than when purchased.

Capital Assets

Outlays for property, plant, equipment, and construction in progress are recorded in the revenue area which will use the asset. Such outlays may be for individual revenue area assets or for a revenue area's share of joint assets.

Capital assets of property, plant, and equipment are defined as assets with an initial, individual cost of $15,000 or more and an estimated useful life of at least three years. Such assets are recorded at cost, except for donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement, which are recorded at acquisition value at the time received. Cost includes labor, materials, outside services, vehicle and equipment usage, and other ancillary costs consisting of direct charges such as engineering, purchasing, supervision, or fringe benefits.

Depreciation of plant and equipment is provided for over the estimated useful lives of the assets using the straight-line method in accordance with generally accepted accounting principles. OC San also considers the guidelines of estimated useful lives as recommended in the State of California Controller's Uniform System of Accounts for Waste Disposal Districts, which range from 3 to 75 years. The following are estimated useful lives for major classes of depreciable assets: Sewage collection facilities – 50 years, Sewage treatment facilities – 40 years, Sewage disposal facilities – 40 years, General plant and administrative structures – 40 years, and other General plant and administrative facilities and equipment – 4 to 25 years.

Lease and subscription right-to-use assets are defined as assets with an initial, individual cost of more than $50,000 and an estimated useful life of at least one year. Such assets are recorded at the present value of the lease or subscription liability and are amortized using the straight-line method over the term, which range from 1 to 5 years.

Restricted Assets

Certain assets are classified as restricted because their use is limited by applicable debt covenants or other legal agreements. Restricted cash and investments are maintained in separate trustee bank accounts. When both restricted and unrestricted resources are available for use, it is OC San's policy to use restricted resources first, then unrestricted resources as they are needed, except in the case of restricted amounts in the Section 115 pension trust, for which OC San will specifically identify amounts to be utilized to fund OCERS pension benefits.

Amortization

Premiums on wastewater refunding revenue obligations are amortized to interest expense over the respective terms of the installment obligations based on the effective interest method (Note 5).

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

OC San has four items that qualify for reporting in these categories; related to refundings, pensions, Other Post-Employment Benefits (OPEB), and leases. For refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and amortized to interest expense based on the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows and inflows related to pensions and OPEB represent differences between estimated and actual investment earnings, changes in actuarial assumptions, and other related changes. Deferred inflows related to leases is associated with the lease receivable from building lease agreements, which is recognized as revenue over the life of the lease terms.

Net Position

Net position represents the total of assets and deferred outflows of resources less liabilities and deferred inflows of resources, and is classified into three categories:

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of borrowings or other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted – This amount consists of restricted assets for which constraints are placed on asset use either by external parties or by laws or regulations of other governments. OC San's restricted net position reflects restricted cash and investments and accrued interest in the pension trust and the OCERS net pension asset.

Unrestricted – This amount represents the residual of amounts not classified in the other category and represents the net position available for OC San.

Compensated Absences

OC San's employees, other than operations and maintenance personnel, are granted vacation and sick leave in varying amounts with maximum accumulations of 200 hours and 560 hours for vacation and sick days earned but unused, respectively. Operations and maintenance personnel accrue between 80 and 250 personal leave hours per year depending on years of service, which can be accumulated up to a maximum of 440 hours. All accrued and unused vacation or personal leave is paid to the employee upon termination or retirement of the employee. Accrued and unused sick leave is paid to the employee at a percentage rate based on years of service, as stated in the Memorandum of Understanding for each bargaining group.

Vacation and sick leave benefits and personal days are recorded as an expense and liability when earned by eligible employees. The distribution between current and long-term portions of the liability is based on historical trends.

Claims and Judgments

OC San records estimated losses when it is probable that a claim liability has been incurred and when the amount of the loss can be reasonably estimated. Claims payable includes an estimate for incurred but unreported claims. The distribution between current and long-term portions of the liability is based on historical trends.

Pensions

OC San has two defined benefit pension plans for retirees: the plan maintained through and by the Orange County Employees Retirement System (OCERS) and the Additional Retiree Benefit Account (ARBA) administered directly by OC San. For purposes of measuring the net pension asset/liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of OC San's cost sharing multiple-employer plan with the OCERS plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by OCERS. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Deferred outflow and inflow of resources related to pensions result from changes in the components of the net pension asset/liability and are applicable to a future reporting period (Note 6).

Property Taxes

The County is permitted by State law (Proposition 13) to levy taxes at one percent of full market value (at time of purchase) and can increase the assessed value no more than two percent per year. OC San receives a share of this basic levy, proportionate to what was received in the 1976 to 1978 period.

Property taxes are determined annually and attached as enforceable liens on real property as of January 1 and are payable in two installments which become delinquent after December 10 and April 10. The County bills and collects the property taxes and remits them to OC San in installments during the year. Property tax revenues are recognized when levied. The Board of Directors has designated property tax revenue to be used for the annual debt service requirements prior to being used as funding for current operations.

Capital Facilities Capacity Charges

Capital facilities capacity charges represent fees imposed at the time a structure is newly connected to OC San's system, directly or indirectly, or an existing structure or category of use is increased. This charge is to pay for OC San facilities in existence at the time the charge is imposed or to pay for new facilities to be constructed that are of benefit to the property being charged.

Operating and Non-operating Revenues and Expenses

Operating revenues and expenses result from collecting, treating, and disposing of wastewater and inspection and permitting services. OC San's operating revenues consist of charges to customers for the services provided. Operating expenses include the cost of providing these services, administrative expenses, and depreciation and amortization expenses. All revenues and expenses not meeting these definitions, and which are not capital in nature, are reported as non-operating revenues and expenses.

Self-Insurance Plans

For the year ended June 30, 2025, OC San was self-insured for portions of workers' compensation, property damage, and general liability. The self-insurance portion of the workers' compensation exposure is the $1 million deductible per occurrence under the outside excess insurance coverage

to statutory levels. The self-insurance portion of the property damage exposure covering fire and other perils is the $500,000 per occurrence deductible (for most perils) under the outside excess property insurance coverage to $1 billion. The self-insurance portion of the property damage exposure covering flood is the $1 million per occurrence deductible with outside excess property insurance coverage to $25 million. The self-insurance portion of the property damage exposure covering earthquake is the 5% per structure, minimum $5 million deductible with outside excess insurance coverage to $25 million on covered structures. OC San has insured several key structures against the peril of earthquake; all other structures are completely self-insured. The self-insurance portion of the boiler & machinery exposure is the deductible ranging from $25,000 to $350,000 under the outside excess boiler & machinery insurance coverage to $100 million per occurrence combined limit. The self-insurance portion of the general liability exposure is the $1,000,000 per occurrence deductible under the outside excess liability coverage to $40 million per occurrence and aggregate. The self-insurance portion of the pollution liability exposure is the $250,000 per loss deductible under the outside pollution liability insurance coverage to $10 million. There were no substantive changes to insurance coverage during the fiscal year ended June 30, 2025.

During the past three fiscal years there have been no settlements in excess of covered amounts. Claims against OC San are processed by General Counsel or an outside claim administrator. These claims are charged to claims expense based on estimated or known amounts which will ultimately be paid. Claims incurred but not yet reported have been considered in determining the accrual for loss contingencies. Workers' compensation reserves and general liability estimated loss accruals are actuarially determined. The estimate of the claims liability also includes any amounts for allocated and non-allocated claim adjustment expenses. OC San management believes that there are no unrecorded claims as of June 30, 2025, that would materially affect the financial position of OC San.

Deferred Compensation Plan

OC San offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan permits all employees of OC San to defer a portion of their salary until future years. The amount deferred is not available to employees until termination, retirement, death, or for unforeseeable emergency. The assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The plan assets are administered by an outside party and are not subject to the claims of OC San's general creditors. In accordance with GASB Statement No. 97, the plan's assets and liabilities are not included within OC San's financial statements.

New Accounting Pronouncements

OC San implemented the following GASB Statements for the year ended June 30, 2025:

- GASB Statement No. 101, *Compensated Absences*

  The provisions of this standard modernize the types of leave that are considered a compensated absence and provide guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 11.

- GASB Statement No. 102, *Certain Risk Disclosures*

  The provisions of this standard require management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. OC San has determined that there was no material impact on the financial statements.

The following GASB Statements have been issued but are not yet effective for the year ended June 30, 2025. OC San is assessing what financial statement impact, if any, these Statements will have:

- GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the fiscal year ending June 30, 2026.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets,* effective for the fiscal year ending June 30, 2026.

(2) Cash and Investments

Cash and investments as of June 30, 2025, are classified within the accompanying Statement of Net Position as follows:

Statement of Net Position:	
Current assets, unrestricted:	
Cash and cash equivalents	$ 129,984,551
Investments	770,902,021
Subtotal - current, unrestricted	900,886,572
Noncurrent assets, restricted:	
Cash and cash equivalents	701,418
Investments	16,882,220
Subtotal - restricted	17,583,638
Total cash and investments	$ 918,470,210

Cash and investments consist of the following as of June 30, 2025:

Cash on hand	$ 1,500
Deposits with financial institutions	4,729,875
Managed portfolio - cash and investments	896,155,197
Subtotal - unrestricted cash and investments	900,886,572
Monies held by trustees:	
Fiscal agent - cash and cash equivalents	290,279
Pension trust - cash and investments	17,293,359
Subtotal - restricted cash and investments	17,583,638
Total cash and investments	$ 918,470,210

Investments Authorized by the California Government Code and OC San's Investment Policy

The following table identifies the investment types that are authorized by the California Government Code and OC San's investment policy. This table and the subsequent tables identify certain provisions of either the California Government Code or OC San's investment policy (whichever is more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Investment Type - Authorized by the California Government Code	Maximum Maturity (1) (3)	Maximum Percentage of Portfolio (1)	Maximum Investment in a Single Issuer (1)
Local Agency Bonds	5 years	10% (2)	5% (2)
U.S. Treasury Obligations	5 years	No limit	No limit
California State Treasury Obligations	5 years	No limit	No limit
U.S. Agency Securities	5 years	No limit	20% (2)
Banker's Acceptances	180 days	40%	5% (2)
Commercial Paper	270 days	40%	5% (2)
Negotiable Certificates of Deposit	5 years	30%	5% (2)
Certificates of Deposit	5 years	No limit	5% (2)
Repurchase Agreements	1 year	20% (2)	5% (2)
Reverse Repurchase Agreements	90 days (2)	5% (2)	5% (2)
Corporate Medium-Term Notes	5 years	30%	5% (2)
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	20%
Mortgage Pass-Through Securities/ CMO/Asset-Backed Securities	5 years	20%	5% (2)
County Investment Pools	N/A	15% (2)	15% (2)
Local Agency Investment Fund (LAIF)	N/A	No limit	No limit
Supranational Obligations	5 years	30%	30%
Public Bank Obligations	5 years	No limit	5% (2)

Notes

(1) Restrictions are in accordance with the California Government Code unless indicated otherwise.

(2) The restriction is in accordance with OC San's Investment Policy which is more restrictive than the California Government Code.

(3) As allowed by California Government Code Section 53601, the Board of Directors has adopted a policy of a maximum maturity of 5 years for investments purchased by OC San's external money manager for the long-term investment portfolio. The duration of the long-term investment portfolio can never exceed 60 months. Investments purchased for the short-term portfolio are subject to the maturity restrictions noted in this table.

Investments Authorized by Debt Agreements

The investment of debt proceeds held by trustees is governed by provisions of the debt covenant agreements, rather than the general provisions of the California Government Code or OC San's investment policy. The following table identifies the investment types that are authorized for investments held by OC San's debt trustees. This table and the subsequent tables identify certain provisions of the debt covenant agreements that address interest rate risk, credit risk, and concentration of credit risk.

Investment Type - Authorized by the Debt Covenant Agreement	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in a Single Issuer
U.S. Treasury Obligations	No Limit	No limit	No limit
U.S. Agency Securities	No Limit	No limit	No limit
State and Local Agency Bonds	No Limit	No limit	No limit
Certificates of Deposit	No Limit	No limit	No limit
Banker's Acceptances	180 days	No limit	No limit
Repurchase Agreements	1 year	No limit	No limit
Investment Agreements	No Limit	No limit	No limit
Forward Purchase Agreements	No Limit	No limit	No limit
Reserve Fund Put Agreements	No Limit	No limit	No limit
Guaranteed Investment Contracts	No Limit	No limit	No limit
Commercial Paper	270 days	No limit	No limit
Money Market Mutual Funds	N/A	No limit	No limit
Local Agency Investment Fund (LAIF)	N/A	No limit	No limit

Investments in Pension Trust

OC San has established an Internal Revenue Service (IRS) Section 115 trust to fund OCERS pension benefits. The tax-exempt irrevocable trust assets are to be used exclusively for payment of OCERS pension liabilities. OC San has restricted cash and investments held in the trust administered by Public Agency Retirement Services (PARS), with US Bank as the trustee, and managed by PFM Asset Management under guidelines approved by OC San.

OC San has two pension trust portfolios: Moderate and Balanced. Both portfolios are constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers, and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

The primary goal of the Moderate objective is to provide current income and moderate capital appreciation. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The strategic ranges are as follows: Equity (40% - 60%), Fixed Income (40% – 60 %), and Cash (0% – 20%).

The primary goal of the Balanced objective is to provide growth of principal and income. While dividend and interest income are important components of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return. The strategic ranges are as follows: Equity (50% - 70%), Fixed Income (30% – 50 %), and Cash (0% – 20%).

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment has before maturity, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that OC San manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary to provide the cash flow and liquidity needed for operations.

OC San monitors the interest rate risk inherent in its managed portfolio by measuring the duration of its portfolio. The duration of monies held for shorter term purposes is recommended by OC San's Treasurer and is based on OC San's cash flow requirements in meeting current operating and capital needs. The average duration of monies invested for shorter term purposes may never exceed 180 days. The duration of monies held for longer term purposes is recommended annually by OC San's Treasurer and is based on OC San's five-year cash flow forecast. The average duration may not exceed 120 percent nor be less than 80 percent of the recommended duration. The average duration of monies invested for longer term purposes may never exceed 60 months. There is no stated maximum maturity for the money market mutual funds. The money market mutual funds for First American Government Obligations Fund is daily liquid funds available on demand.

Following is a table which summarizes OC San's managed portfolio investments by purpose and type with the duration as of June 30, 2025:

Investment Type	Fair Value	Duration (in years)	Duration (in months)
Short-Term Portfolio:			
Local Agency Investment Fund	$ 62,335,119	0.679	8.15
U.S. Agency Securities*	48,795,315	0.031	0.38
U.S. Treasury Bills	38,590,823	0.123	1.48
Corporate Medium-Term Notes	32,062,243	0.180	2.16
Commercial Paper	30,241,720	0.083	0.99
U.S. Treasury Notes	24,470,579	0.059	0.71
Supranationals	18,724,656	0.076	0.91
Money Market Mutual Funds	39,855	-	-
Short-term portfolio subtotal	255,260,310	0.234	2.81
Long-Term Portfolio:			
U.S. Treasury Notes	242,378,707	3.281	39.37
Corporate Medium-Term Notes	166,418,070	2.112	25.34
Asset Backed Securities/CMO/Mortgage Pass-Through*	152,887,464	2.058	24.70
U.S. Agency Securities*	66,948,249	2.577	30.92
Supranationals	11,798,687	2.339	28.07
Money Market Mutual Funds	463,710	-	-
Long-term portfolio subtotal	640,894,887	2.592	31.10
Total managed investment portfolio	$ 896,155,197		

* *Includes highly sensitive securities.*

OC San monitors the interest rate risk inherent in its other investments using maturity of the investments. Following is a table of these investments, all held by trustees, as of June 30, 2025:

	12 Months or Less
Cash equivalents held by fiscal agents:	
Money Market Mutual Funds	$ 290,279
Cash equivalents held by fiscal agents subtotal	290,279
Cash equivalents and investments held by pension trust:	
Money Market Mutual Funds	411,140
Mutual Funds - Equity	9,224,943
Mutual Funds - Fixed Income	7,657,276
Cash equivalents and investments held by pension trust subtotal	17,293,359
Total held by trustees	$ 17,583,638

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

OC San's investments (including investments held by trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

- Mortgage-backed securities: These securities are subject to early payment in a period of declining interest rates. The resulting reduction in expected total cash flows affects the fair value of these securities, making them highly sensitive to change in interest rates. At fiscal year end, the fair value of investments in mortgage-backed securities totaled $59,558,694 including $59,354,527 of mortgage pass-through securities, $172,367 of U.S. agency securities, and $31,800 of U.S. government backed mortgage pools.

Fair Value of Investments

OC San measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than quoted market prices; and

Level 3: Unobservable inputs.

At June 30, 2025, OC San had the following fair value measurements:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3
Investments in Short-Term Portfolio:				
U.S. Agency Securities	$ 48,795,315	$ -	$ 48,795,315	$ -
U.S. Treasury Bills	38,590,823	-	38,590,823	-
Corporate Medium-term Notes	32,062,243	-	32,062,243	-
Commercial Paper	30,241,720	-	30,241,720	-
U.S. Treasury Notes	24,470,579	-	24,470,579	-
Supranationals	18,724,656	-	18,724,656	-
Investments in Long-Term Portfolio:				
U.S. Treasury Notes	242,378,707	-	242,378,707	-
Corporate Medium-term Notes	166,418,070	-	166,418,070	-
Asset Backed Securities/CMO/Mortgage Pass-Through	152,887,464	-	152,887,464	-
U.S. Agency Securities	66,948,249	-	66,948,249	-
Supranationals	11,798,687	-	11,798,687	-
Investments Held By Pension Trust:				
Mutual Funds - Equity	9,224,943	9,224,943	-	-
Mutual Funds - Fixed Income	7,657,276	7,657,276	-	-
Fair Value Hierarchy Totals		$16,882,219	$ 833,316,513	$ -
Investments Not Subject To Fair Value Hierarchy:				
Local Agency Investment Fund (LAIF)	62,335,119			
Money Market Mutual Funds (Short-Term Portfolio)	39,855			
Money Market Mutual Funds (Long-Term Portfolio)	463,710			
Money Market Mutual Funds (Held by Fiscal Agent)	290,279			
Money Market Mutual Funds (Held by Pension Trust)	411,140			
Total Investment Portfolio	$ 913,738,835			

US Bank is the custodial bank for all of OC San's investments shown above in the managed portfolio, except for LAIF. Investments classified as Level 2 are valued using US Bank's fair value hierarchy matrix based on the asset type classification. The fair value hierarchy level matrix is based on discussions with (1) pricing vendors, (2) broker/dealers, (3) investment managers, (4) industry groups, and (5) independent accounting firms.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following table presents the minimum rating as required by the California Government Code, OC San's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

Investment Type and the Lowest Rating Reported at Year End	Fair Value	
Investments with no legal minimum rating & no required disclosure:		
U.S. Treasury Obligations	$ 305,440,109	
U.S. Agency Securities - GNMA	31,800	
Subtotal		$ 305,471,909
Investments with no legal minimum rating:		
U.S. Agency Securities (other than GNMA):		
Rating of AA+ (Standard & Poor's)	115,743,564	
Local Agency Investment Fund (LAIF):		
Not rated	62,335,119	
Invested with pension trust:		
Money Market Mutual Funds: Rating of AAAm (S&P)	411,140	
Mutual Funds - Equity: Not rated	9,224,943	
Mutual Funds - Fixed Income: Not rated	7,657,276	
Subtotal		195,372,042
Investments with a legal minimum rating (or its equivalent) of A:		
Corporate Medium-Term Notes:		
Rating of AAA (Standard & Poor's)	2,090,886	
Rating of Aa3 (Moody's)	999,280	
Rating of AA- (Standard & Poor's)	26,637,382	
Rating of A+ (Standard & Poor's)	32,887,671	
Rating of A2 (Moody's)	16,168,128	
Rating of A (Standard & Poor's)	46,534,030	
Rating of A- (Standard & Poor's)*	67,469,619	
Rating of BBB+ (Standard & Poor's)*	5,693,077	
Not rated	240	
Subtotal		198,480,313
Investments with a legal minimum rating (or its equivalent) of AA:		
Asset Backed Securities/CMO/Mortgage Pass-Through:		
Rating of Aaa (Moody's)	40,414,847	
Rating of AAA (Standard & Poor's)	52,913,923	
Rating of AA+ (Standard & Poor's)	59,526,894	
Supranational Obligations:		
Rating of AAA (Standard & Poor's)	30,523,343	
Subtotal		183,379,007
Investments with a legal minimum rating (or its equivalent) of AAA:		
Money Market Mutual Funds:		
Rating of AAA (Standard & Poor's)	290,279	
Invested with fiscal agents:		
Money Market Mutual Funds: Rating of AAAm (S&P)	503,565	
Subtotal		793,844
Investments with a legal minimum rating (or its equivalent) of "Prime":		
Commercial Paper:		
Rating of AA+ (Standard & Poor's)	7,572,488	
Rating of AA (Standard & Poor's)	9,483,225	
Rating of A (Standard & Poor's)	4,085,158	
Rating of A (Fitch)	4,280,850	
Rating of P-1 (Moody's)	4,819,999	
Subtotal		30,241,720
Total		$ 913,738,835

* Investment was in compliance with legal requirements at the time it was purchased.

Concentration of Credit Risk

Limitations on the amount that OC San is allowed to invest in any one issuer have been identified previously in the section "Investments Authorized by the California Government Code and OC San's Investment Policy" and in the section "Investments Authorized by Debt Agreements". OC San follows whichever guideline is the most restrictive.

As of June 30, 2025, OC San had the following investment representing five percent or more of total investments.

Name of Issuer	Fair Value	% of Total
Freddie Mac	$ 58,263,549	6.38%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and OC San's investment policy contain legal requirements that limit the exposure to custodial credit risk for deposits as follows: a financial institution must secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and OC San's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. As of June 30, 2025, in accordance with OC San's investment policy, none of OC San's investments were held with a counterparty. All of OC San's investments were held with an independent third-party custodian bank registered in the name of OC San. OC San uses US Bank as a third-party custody and safekeeping service for its investment securities.

Investment in State Investment Pool

OC San is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of OC San's investment in this pool is reported in the accompanying financial statements at amounts based upon OC San's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are mortgage-backed securities, other asset-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured notes. The amounts invested in LAIF are recorded as cash and cash equivalents at June 30, 2025.

(3) Capital Assets

Capital asset activity for the year ended June 30, 2025, is as follows:

	Beginning Balance at July 1, 2024	Additions / Transfers	Deletions / Transfers	Ending Balance at June 30, 2025
Capital assets not depreciated:				
Cost:				
Land	$ 58,153,170	$ 27,500,000	$ -	$ 85,653,170
Construction in progress	677,082,169	232,115,846	(79,535,431)	829,662,584
Total nondepreciable assets	735,235,339	259,615,846	(79,535,431)	915,315,754
Depreciable capital assets:				
Cost:				
Sewage collection facilities	1,013,172,599	31,221,742	-	1,044,394,341
Sewage treatment facilities	2,850,633,361	20,605,802	(716,770)	2,870,522,393
Effluent disposal facilities	96,161,634	-	-	96,161,634
Solids disposal facilities	3,329,893	-	-	3,329,893
General and administrative facilities	401,983,964	7,003,913	(2,467,966)	406,519,911
Lease right-to-use asset	109,897	-	-	109,897
Subscription right-to-use assets	3,474,003	2,616,953	(1,501,845)	4,589,111
Excess purchase price over book value on acquired assets	19,979,000	-	-	19,979,000
Subtotal	4,388,844,351	61,448,410	(4,686,581)	4,445,606,180
Accumulated depreciation and amortization:				
Sewage collection facilities	(482,083,056)	(23,308,857)	-	(505,391,913)
Sewage treatment facilities	(1,350,246,327)	(85,377,666)	716,770	(1,434,907,223)
Effluent disposal facilities	(71,550,543)	(1,372,434)	-	(72,922,977)
Solids disposal facilities	(3,100,658)	(9,719)	-	(3,110,377)
General and administrative facilities	(202,101,208)	(17,821,578)	1,597,511	(218,325,275)
Lease right-to-use asset	(6,106)	(36,632)	-	(42,738)
Subscription right-to-use assets	(1,617,243)	(1,281,085)	1,501,846	(1,396,482)
Excess purchase price over book value on acquired assets	(19,979,000)	-	-	(19,979,000)
Subtotal	(2,130,684,141)	(129,207,971)	3,816,127	(2,256,075,985)
Net depreciable assets	2,258,160,210	(67,759,561)	(870,454)	2,189,530,195
Net capital assets	$2,993,395,549	$ 191,856,285	$ (80,405,885)	$ 3,104,845,949

(4) Lease Receivable

As of June 30, 2025, OC San was engaged as a lessor in three noncancellable leases for building office space. The lessees are required to make fixed monthly payments ranging from $3,721 to $17,888 per month. OC San recognized $372,360 in lease revenue and $33,903 in interest revenue during the current fiscal year related to these agreements. As of June 30, 2025, the lease receivable is $485,719 and deferred inflows of resources is $435,610. The future principal and interest lease payments to be received as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 396,114	$ 14,917	$ 411,031
2027	89,605	1,124	90,729
2028	-	-	-
Total	$ 485,719	$ 16,041	$ 501,760

(5) Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2025:

	Beginning Balance, July 1, restated	Additions	Deletions	Ending Balance, June 30	Due within one year	Long-term amount
Compensated absences	$ 14,761,365	$ 9,787,817	$ (9,100,584)	$ 15,448,598	$ 11,738,839	$ 3,709,759
Claims and judgments	5,152,105	533,040	(799,894)	4,885,251	1,147,310	3,737,941
Lease liability	104,402	-	(34,144)	70,258	37,075	33,183
Subscription liability	809,539	2,616,953	(1,122,154)	2,304,338	1,108,031	1,196,307
Certificates of participation / revenue obligations	606,115,000	-	(34,085,000)	572,030,000	33,330,000	538,700,000
Unamortized premium	74,292,687	-	(12,050,630)	62,242,057	11,047,183	51,194,874
Totals	$701,235,098	$ 12,937,810	$ (57,192,406)	$ 656,980,502	$ 58,408,438	$ 598,572,064

Compensated Absences

OC San's policies related to compensated absences are described in Note 1. The beginning balance reflects an increase of $4,368,613 from a restatement detailed in Note 11. OC San's liability at June 30, 2025, is $15,448,598 with an estimated $11,738,839 to be paid or used within the next fiscal year.

Claims and Judgments Payable

OC San is self-insured in a number of areas as described in Note 1. The following is a summary of the change in claims and judgments payable for the years ended June 30, 2025, and 2024:

	2024-25	2023-24
Claims and judgments payable at July 1	$5,152,105	$5,555,003
Claims incurred during the fiscal year	533,040	2,530,384
Payments on claims during the fiscal year	(799,894)	(2,933,282)
Claims and judgments payable at June 30	4,885,251	5,152,105
Less: current portion	(1,147,310)	(1,121,620)
Total long-term claims and judgments payable	$3,737,941	$4,030,485

Lease Liability

As of June 30, 2025, OC San was engaged in one three-year lease agreement as lessee for property access used to operate a chemical dosing site as part of OC San's sewer collection facilities. Required monthly payments range from $3,200 to $3,395 per month. OC San's lease liability at June 30, 2025, is $70,258. The future principal and interest lease payments as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 37,075	$ 2,675	$ 39,750
2027	33,183	765	33,948
2028	-	-	-
Total	$ 70,258	$ 3,440	$ 73,698

Subscription Liability

As of June 30, 2025, OC San was engaged in five subscription-based information technology arrangements for the right to use various vendor-provided software including geographic information systems, Microsoft Enterprise licenses, server virtualization licenses, workflow automation, and financial budget software applications. The future principal and interest subscription payments as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 1,108,031	$ 85,653	$ 1,193,684
2027	1,041,795	34,755	1,076,550
2028	154,512	644	155,156
Total	$ 2,304,338	$ 121,052	$ 2,425,390

Certificates of Participation / Revenue Obligations

OC San issued certificates of participation and revenue obligations in order to finance construction of the treatment facilities. Each issuance represents a direct and proportionate interest in the semi-annual interest payments. Installment payments for the issues are payable from any source of lawfully available funds of OC San. Certificates of participation and revenue obligations at June 30, 2025, are summarized as follows:

	Amount
2010A wastewater revenue obligations	$ 80,000,000
2010C wastewater revenue obligations	22,830,000
2016A wastewater refunding revenue obligations	115,850,000
2017A wastewater refunding revenue obligations	65,815,000
2021A wastewater refunding revenue obligations	76,705,000
2022A wastewater refunding revenue obligations	81,620,000
2024A wastewater refunding revenue obligations	129,210,000
Total certificates of participation / revenue obligations	$ 572,030,000

Outstanding Certificates of Participation and Revenue Obligations

All of the outstanding debt of OC San is senior lien debt with rate covenants that require a minimum coverage ratio 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. As of June 30, 2025, the coverage ratio for senior lien debt was 5.33.

May 2010 Wastewater Revenue Obligations, Series 2010A

On May 18, 2010, OC San completed the sale of $80,000,000 of wastewater revenue obligations under the federally taxable Build America Bonds program. The obligations were issued to finance and reimburse OC San for the acquisition, construction, and installation of additional improvements made to the wastewater system. The stated interest rate on the obligations is fixed and will range from 5.56 percent to 5.58 percent. However, in accordance with their designation as Build America Bonds, OC San expected to receive a cash subsidy from the United States Treasury equal to 35 percent of the interest payable with respect to these revenue obligations, resulting in lower net costs. On March 1, 2013, the federal government implemented certain automatic spending cuts known as the sequester. As a result of the sequester, federal subsidy payments on Build America Bonds have been reduced annually from a high of 8.7 percent for the federal fiscal year end September 30, 2013, to a low of 5.7 percent for the federal fiscal year end September 30, 2021, through 2030. Annual principal payments are due on February 1, beginning February 1, 2034, through February 1, 2040.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

December 2010 Wastewater Revenue Obligations, Series 2010C

On December 8, 2010, OC San completed the sale of $157,000,000 of wastewater revenue obligations under the federally taxable Build America Bonds program. The obligations were issued to finance and reimburse OC San for the acquisition, construction, and installation of additional improvements made to the wastewater system. The stated interest rate on the obligations is fixed and will range from 6.35 percent to 6.40 percent, however, in accordance

with their designation as Build America Bonds, OC San expected to receive a cash subsidy from the United States Treasury equal to 35 percent of the interest payable with respect to these revenue obligations, resulting in lower net costs. Similar to the 2010 Series A certificates of participation, the sequester also reduced the federal subsidy on these Build America Bonds from a high of 8.7 percent for the federal fiscal year end September 30, 2013, to a low of 5.7 percent for the federal fiscal year end September 30, 2021, through 2030. Annual principal payments are due on February 1, beginning February 1, 2031, through February 1, 2032.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

March 2016 Wastewater Refunding Revenue Obligations, Series 2016A

On March 30, 2016, OC San completed the sale of $145,880,000 of wastewater refunding revenue obligations. The obligations were issued to partially refund $162,780,000 of the outstanding principal balance of the 2009 Series A certificates of participation. The stated interest rate on the obligations is fixed and will range from 4 to 5 percent. Annual principal payments are due on February 1, beginning February 1, 2020, through February 1, 2039.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

February 2017 Wastewater Refunding Revenue Obligations, Series 2017A

On February 1, 2017, OC San completed the sale of $66,370,000 of wastewater refunding revenue obligations. The obligations were issued to refund the $91,620,000 outstanding principal balance of the 2007 Series A certificates of participation. The stated interest rate on the obligations is fixed at 5 percent. Annual principal payments are due on February 1, beginning February 1, 2021, through February 1, 2030.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

2021 Wastewater Refunding Revenue Obligations, Series 2021A

On July 29, 2021, OC San completed the sale of $133,510,000 of wastewater refunding revenue obligations. The obligations were issued to refund the $61,575,000 outstanding principal balance of the 2011 Series A certificates of participation and to refund the $102,200,000 outstanding principal balance of the 2018 Series A revenue refunding certificate anticipation notes. The stated interest rate on the obligations is fixed at 5 percent. Annual principal payments are due on February 1, beginning February 1, 2022, through February 1, 2036.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

2022 Wastewater Refunding Revenue Obligations, Series 2022A

On February 1, 2022, OC San completed the sale of $81,620,000 of wastewater refunding revenue obligations. The obligations were issued to refund the $100,645,000 outstanding principal balance of the 2012 Series A certificates of participation and to refund the $6,670,000 outstanding principal balance of the 2012 Series B certificates of participation. The stated interest rate on the obligations is fixed at 5 percent. Annual principal payments are due on February 1, beginning February 1, 2031, through February 1, 2033.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

2024 Wastewater Refunding Revenue Obligations, Series 2024A

On May 7, 2024, OC San completed the sale of $139,720,000 of wastewater refunding revenue obligations. The obligations were issued to refund the $30,095,000 outstanding principal

balance of the 2014 Series A wastewater refunding revenue obligations and to refund the $127,510,000 outstanding principal balance of the 2015 Series A wastewater refunding revenue obligations. The stated interest rate on the obligations is fixed at 5 percent. Annual principal payments are due on February 1, beginning February 1, 2025, through February 1, 2037.

The trust agreement for the revenue obligations does not require the establishment of a reserve.

Annual Amortization Requirements

The annual requirements to amortize all debt related to certificates of participation and revenue obligations as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 33,330,000	$ 27,087,784	$ 60,417,784
2027	34,870,000	25,421,283	60,291,283
2028	40,770,000	23,677,783	64,447,783
2029	42,805,000	21,639,283	64,444,283
2030	44,945,000	19,499,033	64,444,033
2031 - 2035	232,300,000	62,670,350	294,970,350
2036 - 2040	143,010,000	14,276,254	157,286,254
Total	$ 572,030,000	$ 194,271,770	$ 766,301,770

(6) Pension Benefits

OC San has two defined benefit pension plans for retirees: the plan maintained through and by the Orange County Employees Retirement System (OCERS) and the Additional Retiree Benefit Account (ARBA) administered directly by OC San.

A summary of pension amounts for OC San's plans at June 30, 2025, is presented below:

	OCERS	ARBA	Total
Net pension asset - OCERS	$ 36,606,252	$ -	$ 36,606,252
Deferred outflows - pensions	57,974,355	2,373,213	60,347,568
Total pension liability - ARBA	-	18,366,497	18,366,497
Deferred inflows - pensions	9,843,156	5,153,721	14,996,877
Pension expense	14,995,862	764,553	15,760,415

A. Orange County Employees Retirement System (OCERS)

Plan Description: All qualified permanent and probationary employees are eligible to participate in OC San's Employee Pension Plan (Plan), which is a cost-sharing multiple employer defined benefit pension plan administered by the Orange County Employees Retirement System (OCERS). OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937 (CERL). The Plan operates under the provisions of the CERL, the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by OCERS' Board of Retirement. The Plan's authority to establish and amend the benefit terms are set

by the CERL and PEPRA and may be amended by the California State Legislature. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

Benefits Provided: OCERS provides service retirement, disability, death, and survivor benefits to plan members who may be public employees or beneficiaries. The CERL and PEPRA establish benefit terms. Benefits are based on years of credited service equal to one year of full-time employment. Members of plans B and H with ten years of service credit are entitled to receive a retirement allowance beginning at age 50; members of plan U with 5 years of service are eligible to receive a retirement allowance at age 52. Members attaining age 70 are eligible to retire regardless of credited service.

Benefits are determined by plan formula, age, years of service and final average salary (FAS) as follows:

	Plan H	Plan B	Plan U
Hire Date	After 9/21/79 Prof/Sup*: Before 10/1/10 OCEA*: Before 8/1/11 501*: Before 7/1/11	Prof/Sup: After 10/1/10 OCEA: After 8/1/11 501: After 7/1/11 All: Before 1/1/2013	On or after 1/1/2013
Final Average Compensation (FAS)	Highest 36 months	Highest 36 months	Highest 36 months
Normal Retirement Age	Age 55	Age 57.5	Age 67
Service Requirement Eligibility	Age 70, any years Age 50, 10 years	Age 70, any years Age 50, 10 years	Age 70, any years Age 52, 5 years
Benefit percent per year of service for normal retirement age	2.5% per year of FAS for every year of service credit	1.667% per year of FAS for every year of service credit	2.5% per year of FAS for every year of service credit
Benefit Adjustments	Reduced before age 55	Reduced before age 57.5	Reduced before age 67
FAS Limitation	Internal Revenue Code Section 401(a)(17)	Internal Revenue Code Section 401(a)(17)	Public Employees Pension Reform Act (PEPRA): 120% of Social Security wage base per year

* Prof/Sup: Professional and Supervisor employee groups, bargaining unit SPMG.
* OCEA: Administrative, Clerical, Engineering, and Technical Services employee groups, bargaining unit OCEA.
* 501: Operations and Maintenance employee groups, bargaining unit International Union of Operating Engineers Local 501.

A cost-of-living adjustment is provided to benefit recipients based on changes in the Consumer Price Index (CPI) up to a maximum of 3% per year. Any increase greater than 3% is banked and may be used in years when the CPI is less than 3%. The increase is established and approved annually by the Board of Retirement.

The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retirees, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the member's years of service and whether or not the cause of death is service related.

At the December 31, 2024, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	650
Inactive employees entitled to but not yet receiving benefits	171
Active employees	625
Total	1,446

Contributions: Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. CERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and be effective on the July 1 following notice of a change in rate. Funding contributions are determined annually on an actuarial basis as of December 31 by OCERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Plan from OC San were $9,725,737 for the year ended June 30, 2025.

Contribution rates in effect for the fiscal year ended June 30, 2025, are as follows:

	Plan H	Plan B	Plan U
Employer Contribution Rate, 7/1/24 - 6/30/25	13.36%	12.81%	9.97%
Employee Contribution Rate, 7/1/24 - 6/30/25 (2)	6.57-13.35% (1)	7.56-13.81%	7.01-14.89%
Paid by Employer for Employee	3.50%	0.00%	0.00%

(1) Net of employer paid portion of 3.5%.
(2) Employee rates are determined by the age of entry into the retirement system.

For the year ended June 30, 2025, the contributions and average employer's contribution rate as a percentage of covered payroll were as follows:

Plans	Employer Contributions	Employee (Paid by Employer) Contributions	Average Employer Contribution Rate (%)
Plan H	3,619,131	946,730	5.28%
Plan B	948,062	-	1.10%
Plan U	5,158,544	-	5.96%
Total	$ 9,725,737	$ 946,730	

Pension Assets/Liabilities: As of June 30, 2025, OC San reported a net pension asset of $36,606,252 for its proportionate share of OCERS' net pension liability. The net pension asset was measured as of December 31, 2024, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. OC San's proportion of the net pension asset was based on a projection of OC San's long-term share of contributions to the pension plan relative to the projected contribution of all participating employers, actuarially determined.

At December 31, 2024, OC San's proportion of the net pension liability was negative (0.921%), which was a decrease of 0.539% from its proportion measured as of December 31, 2023. The change in OC San's proportion of the net pension liability during the fiscal year ended June 30, 2025, was caused by contributions and projections noted above.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2025, OC San recognized pension expense of $14,995,862 for its proportionate share of the pension expense. At June 30, 2025, OC San reported its share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 36,769,832	$ 5,860,974
Net difference between projected and actual investment earnings on pension plan investments	-	3,982,182
Changes of assumptions (1)	7,264,284	-
Employer contributions paid to OCERS subsequent to the measurement date	13,940,239	-
Total	$ 57,974,355	$ 9,843,156

(1) The monetary effects of changes in actuarial assumptions and method totals $7,264,284 for deferred outflows and $0 for deferred inflows of resources. These changes include:
- adjustments to the mortality tables,
- retirement assumptions for deferred vested members (age at retirement 58, salary increase of 3.90% with reciprocity, and an increase in compensation increases),
- % in the rate of marriage for male and female members at retirement or pre-retirement death,
- an increase in the Consumer Price Index of 2.75% per year, maximum increase is 3%,
- and a slight increase of .50% in salaries per year.

Detail for these changes is available in the Segal Actuarial Valuation for December 31, 2024, Section 3. This report is available on the OCERS website at www.ocers.org.

The $13,940,239 reported as deferred outflows of resources related to pensions resulting from OC San's contributions to OCERS subsequent to the measurement date includes a $9,829,132 prepayment in January 2025 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OCERS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	$ 12,166,692
2027	27,642,559
2028	(4,963,548)
2029	(1,638,405)
2030	983,662
Total	$ 34,190,960

Actuarial Assumptions and Methods: The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.00% of net pension plan investment expenses, including inflation
Discount rate	7.00%
Inflation rate	2.50%
Projected salary increases	3.90% to 10.25%
Cost of living adjustment	2.75% of retirement income

OCERS Economic and Demographic Assumptions: On August 17, 2020, the OCERS Board adopted the following significant changes to the economic and demographic actuarial assumptions, used to establish retirement contribution rates effective July 1, 2021:

- Reduced the assumed rate of price inflation from 2.75% to 2.50%.
- Adopted the use of Public Retirement Plans Mortality tables (PUB-2010) published by the Society of Actuaries.

Additionally, the OCERS Board adopted a three-year phase-in of the impact to the contribution rates associated with the Unfunded Actuarially Accrued Liability. The cumulative effect of these changes will have the impact of increasing contribution rates for members and plan sponsors.

The mortality assumptions used in the total pension liability at December 31, 2024, were based on the Amount-Weighted Above-Median Mortality Tables (adjusted for OCERS experience), projected generationally with the two-dimensional mortality improvement scale MP-2021, and adjusted separately for healthy and disabled members. The basis for determining the mortality assumptions used were based on the results of the actuarial experience study for the period January 1, 2020, through December 31, 2022.

Further details of the experience study can be found in the OCERS Annual Comprehensive Financial Report, available on their website at www.ocers.org.

Long-Term Expected Real Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table for the calendar year ended December 31, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	45.00%	7.05%
Investment Grade Bonds	9.00%	1.97%
High Yield Bond	0.50%	4.63%
TIPS	2.00%	1.77%
Emerging Market Debt	0.50%	4.72%
Long-Term Government Bonds	3.30%	2.82%
Real Estate	3.00%	3.86%
Private Equity	15.00%	9.84%
Private Credit	3.50%	6.47%
Value Added Real Estate	3.00%	7.38%
Opportunistic Real Estate	1.00%	9.74%
Energy	2.00%	10.89%
Infrastructure (Core Private)	1.00%	5.98%
Infrastructure (Non-Core Private)	3.00%	8.88%
Global Macro	1.70%	3.17%
CTA (Trend Following)	3.30%	3.15%
Alternative Risk Premia	1.70%	3.24%
Special Situations Lending	1.50%	8.96%
Total	100.00%	

Discount Rate: The discount rate used to measure the total pension liability was 7.00% for the year ended December 31, 2024. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2024.

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate: The following table represents OC San's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what OC San's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

Net Pension Asset (Liability)	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
December 31, 2024	$ (97,711,095)	$ 36,606,252	$ 146,448,800

Pension Plan Fiduciary Net Position: Detailed information about OCERS' fiduciary net position is available in a separately issued OCERS Annual Comprehensive Financial Report. That report may be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92708 or at their web site (www.ocers.org).

B. Additional Retiree Benefit Account (ARBA)

Plan Description: The OC San ARBA plan is a single-employer defined benefit plan which was administered by OCERS until February 29, 2008, when OC San began direct administration. This benefit was established by the OC San Board of Directors on October 25, 1992. It provides 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 OC San medical plan. The plan is a funded on a pay-as-you-go plan from general funds and is administered by OC San. Stand-alone financial statements are not issued for the plan.

Benefits Provided: Employees who retire receive $10 per month for every year of service up to a maximum of 25 years, or $250 per month. This amount is independent of salary and is fixed at retirement. Because OC San cannot ensure the use of the benefit for payment of eligible health insurance expenses, the benefit is taxable to the retiree. Survivor benefits are provided in the event that a retiree pre-deceases his/her spouse. For retirees hired prior to July 1, 1988, OC San provides health insurance coverage for 2½ months per year of service (see Note 7 – Other Post-Employment Benefits). ARBA benefits begin immediately after this benefit ends. For those hired on or after July 1, 1988, ARBA benefits begin immediately upon retirement and continue for life. Employees hired into the OCEA bargaining group after August 1, 2011, are ineligible for this benefit.

Benefits are determined by hire date, bargaining unit and years of service as follows:

Hire date	All: Prior to 7/1/88	All: After 7/1/88 OCEA*: Before 8/1/11
Benefit amount per year of service for normal retirement age	$10 per month x years of service up to a maximum of 25 years	$10 per month x years of service up to a maximum of 25 years
Service requirement eligibility	Age 50 or over with 10 or more years Any age with 30 or more years Age 70 or over, any years	Age 50 or over with 10 or more years Any age with 30 or more years Age 70 or over, any years
Benefit payments	Monthly for life	Monthly for life
Benefit schedule	Immediately after retiree health insurance coverage ends	Immediately upon retirement

* OCEA: Administrative, Clerical, Engineering, and Technical Services employee groups, bargaining unit OCEA.

No cost-of-living adjustment is provided to benefit recipients.

At the July 1, 2023, actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	494
Active employees	518
Total	1,012

Contributions: There are no employee contributions for this plan; OC San covers 100% of the cost. OC San utilizes a pay-as-you-go method for funding the plan. Contributions to the plan from OC San were $1,268,650 for the year ended June 30, 2025.

Pension Liabilities: As of June 30, 2025, OC San reported a total pension liability of $18,366,497 for its ARBA plan with an estimated $1,233,691 to be paid within the next fiscal year. The total pension liability was determined by an actuarial valuation as of July 1, 2023. OC San funds benefits on a pay-as-you-go basis and elected not to pre-fund its pension obligation. As a result, there are no plan assets and the total pension liability is equal to the net pension liability. Standard actuarial update procedures were used to project/discount from July 1, 2023, to the measurement date of June 30, 2025.

The actuarial valuation performed as of July 1, 2023, used the entry age, level percent of pay cost method. This method represents the present value of all benefits accrued through the valuation date assuming that each employee's liability is expensed from hire date until retirement date as a level percentage of pay.

The following table shows the changes in the total pension liability:

	Total Pension Liability Increase (Decrease)
Beginning balance at July 1, 2024	$ 21,013,679
Changes in the year:	
Service cost	439,161
Interest on total pension liability	826,740
Difference between expected and actual experience	-
Changes of assumptions	(2,644,433)
Benefit payments	(1,268,650)
Net changes	(2,647,182)
Ending balance at June 30, 2025	$ 18,366,497

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension: For the year ended June 30, 2025, OC San recognized pension expense of $764,553 for its ARBA plan. At June 30, 2025, OC San reported its share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,720,049	$ 323,397
Changes of assumptions (1)	653,164	4,830,324
Total	$ 2,373,213	$ 5,153,721

(1) The monetary effects of changes in actuarial assumptions and method totals $653,164 for deferred outflows and ($4,830,324) for deferred inflows of resources. These changes include passage of time, a change in the discount rate from 3.97% to 5.20%, change in actuarial system, census and other losses.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to ARBA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	$ (640,019)
2027	(675,302)
2028	(626,732)
2029	(276,972)
2030	(262,961)
Thereafter	(298,522)
Total	$ (2,780,508)

Actuarial Assumptions and Methods: The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	3.75% per annum
Discount rate	3.86% per annum as of July 1, 2023 (valuation date) 5.20% per annum as of June 30, 2025 (measurement date)
Inflation rate	2.50% per annum
Projected salary increases	3.00% per annum (for service cost only; benefits not pay-related)

The mortality assumptions used in the total pension liability at July 1, 2023, were based on the Pub-2010 General Employee and Healthy Retiree Amount-Weighted Above-Median Mortality Tables for males or females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Discount Rate: The discount rate used to measure the total pension liability was 3.86% as of the valuation date, July 1, 2023, and 5.20% as of the measurement date, June 30, 2025. Because there are no assets held in a trust, the discount rate is based on the 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Total Pension Liability to Changes in the Discount Rate: The following table represents the total pension liability calculated using the discount rate of 5.20% as of the measurement date, as well as what total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.20%) or 1 percentage point higher (6.20%) than the current rate:

Total Pension Liability	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
June 30, 2025	$ 20,471,351	$ 18,366,497	$ 16,595,581

(7) Other Post-Employment Benefits (OPEB)

Plan Description: The post-employment medical benefits plan is a single-employer defined benefit plan administered by OC San. This plan was established and may be modified only by action of the OC San Board of Directors. Stand-alone financial statements are not issued.

Benefits Provided: OC San offers medical insurance to active and retired employees, as well as their qualified dependents. All retirees may choose coverage in an OC San medical plan, with retirees paying the full premium. However, for employees hired prior to July 1, 1988, medical benefits begin immediately at retirement with OC San paying 2.5 months of premium for each year of continuous service toward the cost of coverage under OC San medical plans. At the termination of this period the retiree may elect to continue coverage at his/her own expense. For the fiscal year ended June 30, 2025, premiums ranged between $222 and $4,468 per month, depending on the plan and number of dependents covered.

At the July 1, 2023, actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits (includes 16 with premiums paid by OC San and 89 under age 65 paying premiums)	105
Active employees	579
Total	684

Contributions: There are no employee contributions to this plan; OC San covers 100% of the cost for qualifying employees as stated above. Retirees opting to remain with the plan after employment pay 100% of the premium cost, except for those for whom OC San pays for a period (see above). OC San utilizes a pay-as-you-go method for funding the plan. Contributions to the plan from OC San were $148,592 and the estimated implicit subsidy was $711,495, resulting in total payments of $860,087 for the year ended June 30, 2025.

OPEB Liabilities: As of June 30, 2025, OC San reported total OPEB liability of $4,409,328 for its post-employment retiree medical benefits plan with an estimated $774,627 to be paid within the next fiscal year. The total OPEB liability was determined by an actuarial valuation as of July 1, 2023. OC San funds benefits on a pay-as-you-go basis and elected not to pre-fund its OPEB obligation. As a result, there are no plan assets and the total OPEB liability is equal to the net OPEB liability. Standard actuarial update procedures were used to project/discount from July 1, 2023, to the measurement date of June 30, 2025.

The actuarial valuation performed as of July 1, 2023, used the entry age, level percent of pay cost method. This method represents the present value of benefits accrued through the valuation date, assuming that each employee's liability is expensed from hire date until retirement date as a level percentage of pay.

The following table shows the changes in the total OPEB liability:

	Total OPEB Liability Increase (Decrease)
Beginning balance at July 1, 2024	$ 5,182,488
Changes in the year:	
Service cost	155,173
Interest on total OPEB liability	194,999
Difference between expected and actual experience	-
Changes of assumptions	(263,245)
Benefit payments (1)	(860,087)
Net changes	(773,160)
Ending balance at June 30, 2025	$ 4,409,328

(1) As part of the July 1, 2023 actuarial valuation report, Foster & Foster prepared a projection of the expected annual cost to the District to pay OPEB benefits.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended June 30, 2025, OC San recognized OPEB expense of $852,186 for its post-employment retiree medical benefits plan. At June 30, 2025, OC San reported its share of deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,680,387	$ -
Changes of assumptions (1)	989,919	233,331
Total	$ 3,670,306	$ 233,331

(1) The monetary effects of changes in actuarial assumptions and method totals $989,919 for deferred outflows. and (233,331) for deferred inflows. These changes include passage of time, a change in the discount rate from 3.97% to 5.20%, change in actuarial system, census and other losses.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	$ 502,014
2027	502,014
2028	502,014
2029	502,014
2030	502,014
Thereafter	926,905
Total	$ 3,436,975

Actuarial Assumptions and Methods: The total OPEB liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	3.75% per annum
Discount rate	3.86% per annum as of July 1, 2023 (valuation date) 5.20% per annum as of June 30, 2005 (measurement date)
Inflation rate	2.50% per annum
Healthcare cost trend rate	5.25% for 2025-2029, 5.00% for 2030-2039, 4.75% for 2040-2049, 4.50% for 2050-2069, and 4.00% for 2070 and later; Medicare ages: 4.50% for 2025-2029 and 4.00% for 2030 and later years
Projected salary increases	3.00% per annum

The mortality assumptions used in the total OPEB liability at July 1, 2023, were based on the Pub-2010 General Employee and Healthy Retiree Amount-Weighted Above-Median Mortality Tables for males or females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Actuarial assumptions used in the July 1, 2023, valuation were based on a review of plan experience during the period July 1, 2021, through June 30, 2023.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.86% as of the valuation date, July 1, 2023, and 5.20% as of the measurement date, June 30, 2025. Because there are no assets held in a trust, for GASB 75 reporting purposes, the discount rate is based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following table represents the total OPEB liability calculated using the discount rate of 5.20% as of the measurement date, as well as what total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.20%) or 1 percentage point higher (6.20%) than the current rate:

Total OPEB Liability	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
June 30, 2025	$ 4,621,894	$ 4,409,328	$ 4,209,691

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following table represents the total OPEB liability, as well as what total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

Total OPEB Liability	1% Decrease (1)	Current Trend Rate (2)	1% Increase (3)
June 30, 2025	$ 4,067,814	$ 4,409,328	$ 4,798,130

(1) 4.25% for 2025-2029; Medicare ages: 3.50% for 2025-2029
(2) 5.25% for 2025-2029; Medicare ages: 4.50% for 2025-2029
(3) 6.25% for 2025-2029; Medicare ages: 5.50% for 2025-2029

(8) Transactions with Irvine Ranch Water District – Revenue Area No. 14

Formation of Revenue Area No. 14 & Excess Purchase Price Over Book Value of Acquired Assets

On July 1, 1985, Revenue Area No. 14 was formed as an independent special district as a result of a negotiated agreement between OC San and IRWD. At the time of Revenue Area 14's creation, OC San consisted of eight independent special districts (see Note 1 – Reporting Entity). The eight existing districts sold a portion of the joint treatment facilities and land to the newly created district and recorded capacity rights revenue at the time of the sale.

In accordance with the negotiated agreement between OC San and IRWD, IRWD paid OC San $34,532,000 for an initial 15 million gallons per day capacity in OC San's joint treatment facilities (with an ultimate collection capacity of 32 million gallons per day) and for a pro-rata interest in real property (based on flow of 32 million gallons per day). The book value of the assets acquired was determined to be $14,553,000 as of June 30, 1986; these assets were recorded at book value in Revenue Area 14. The excess of the purchase price over the assets' book value was $19,979,000 and was recorded as an intangible asset in Revenue Area 14. The excess of the purchase price over the assets' book value was amortized over useful lives of the original assets acquired. The excess of purchase price over the assets' book value was fully amortized as of June 30, 2017.

Annual Transactions

IRWD entered into a separate agreement with Revenue Area 14 on January 1, 1986, whereby IRWD agreed to fund quarterly payments of Revenue Area 14's proportionate share of OC San's joint capital outlay revolving fund budget requirements and certain capital improvements during the term of the agreement, for which contributions of $7,303,317 were recorded as contributions from other governments during the fiscal year ended June 30, 2025. IRWD also agreed to fund the annual integration adjustment of Revenue Area 14's equity share in OC San's Joint Works Treatment Facilities based on the flows discharged to OC San. Integration contributions charged to IRWD of $12,204,264 from Revenue Area 14 were recognized and reported as contributions from other governments during the fiscal year ended June 30, 2025. These contributions received from or

credited to IRWD for their agreed-upon share of capital assets and equity share in OC San's Joint Works Treatment Facilities are calculated as prescribed in the agreements.

Any amounts credited to IRWD are not refunded in cash but are held as a credit to satisfy future contributions required of IRWD. Amounts owed from IRWD are invoiced on a quarterly or annual basis. As a result, a balance of $30,307,007 was reported in due to other governmental agency as of June 30, 2025.

Annual Cash Reserve Requirement

The cash reserve contribution requirement from IRWD is $16.0 million at June 30, 2025, in accordance with Amendment No. 2 to the Agreement between IRWD and OC San Acquiring Ownership Interests, Assigning Rights, and Establishing Obligations. This cash reserve requirement is recognized as a liability to IRWD.

(9) Due From Other Governmental Agency

On July 5, 2023, an amendment to the Groundwater Replenishment System agreement between OC San and the Orange County Water District (OCWD) revised the repayment plan for reimbursements from OCWD to OC San. The amended terms included returning the amount previously reimbursed by OCWD for the Plant 2 Plant Water Pump Station Relocation Project (J-117B) and payment of all J-117B reimbursements, with an accrual of 2% interest, no later than six months after notice of completion for the project, currently anticipated to be in 2027. The previously reimbursed amount of $10,273,177 was returned to OCWD on August 1, 2023, and revised payment terms were applied to subsequent quarterly invoice amounts. The amount owed from OCWD of $18,067,430 was reported in due from other governmental agency at June 30, 2025, consisting of $17,364,822 in outstanding invoices and $702,608 in accrued interest.

(10) Commitments and Contingencies

Construction Commitments

OC San has active construction projects to add additional capacity, improve treatment, or replace/rehabilitate existing assets. At June 30, 2025, the outstanding commitments with contractors totaled $460,875,710.

Litigation

Certain claims involving disputed construction costs have arisen in the ordinary course of business. Additionally, OC San is a defendant in lawsuits. Although the outcome of these matters is not presently determinable, management does not expect that the resolution of these matters will have a material adverse impact on the financial condition of OC San.

(11) Restatement – Adoption of New Accounting Standard

During the year ended June 30, 2025, OC San implemented GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provide guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences current portion and compensated absences noncurrent portion were increased by $2,601,822 and

$1,766,791, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the table below:

	As of July 1, 2024, as previously stated	Change in Accounting Principles	As of July 1, 2024, as restated
Net Position	$ 3,177,447,066	$ (4,368,613)	$ 3,173,078,453

(12) Subsequent Events

Debt Refunding

On September 24, 2025, the Board of Directors of the Orange County Sanitation District and the Orange County Sanitation District Financing Corporation adopted resolutions authorizing the issuance and sale of Wastewater Refunding Revenue Obligations, Series 2025A, in an aggregate principal amount not to exceed $120,000,000. The obligations will be issued to refund the Series 2016A wastewater refunding revenue obligations (Series 2016A). The resolutions also authorize the execution and delivery of related agreements, including an Installment Purchase Agreement, Trust Agreement, Purchase Agreement, Continuing Disclosure Agreement, and Escrow Agreement, as well as the distribution of an official statement in connection with the offering.

Property Acquisition

On October 22, 2025, OC San's Board of Directors approved a Purchase Agreement for the acquisition of property located at 18250 Euclid Street, Fountain Valley, for a total purchase price of $26,710,000. The property consists of an approximately 62,838 square foot building situated on about 3.54 acres of land. As of the date of these financial statements, the Purchase Agreement has not yet been executed. However, OC San expects to sign the agreement and place an Initial Deposit of $800,000 in late October 2025.

The transaction is contingent upon a 45-day due diligence period, during which OC San has the right to terminate the Purchase Agreement for any reason, with the Initial Deposit being fully refundable. If the due diligence period is completed successfully and all conditions are met, the purchase shall close 15 days after the due diligence period ends.

ORANGE COUNTY SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY SANITATION DISTRICT

Schedule of District's Proportionate Share of the Net Pension Liability (Asset)
Orange County Employees Retirement System (OCERS) Pension Plan
Last 10 Fiscal Years [1]

	Fiscal Year Ended June 30,				
	2016	**2017**	**2018**	**2019**	**2020**
Proportion of the net pension liability (asset)	0.74%	(0.20%)	(0.80%)	0.47%	(0.97%)
Proportionate share of the net pension liability (asset)	$ 42,439,759	$ (10,384,508)	$ (39,571,100)	$ 29,029,147	$ (49,446,615)
Covered payroll	$ 59,789,927	$ 60,000,017	$ 62,341,796	$ 66,475,479	$ 71,395,906
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	70.98%	(17.31%)	(63.47%)	43.67%	(69.26%)
OCERS' fiduciary net position as a percentage of the total pension liability	92.74%	101.70%	105.96%	95.86%	106.64%

	Fiscal Year Ended June 30,				
	2021	**2022**	**2023**	**2024**	**2025**
Proportion of the net pension liability (asset)	(1.63%)	(8.72%)	(0.20%)	(0.38%)	(0.92%)
Proportionate share of the net pension liability (asset)	$ (68,643,378)	$ (178,731,245)	$ (10,604,801)	$ (18,531,537)	$ (36,606,252)
Covered payroll	$ 73,290,519	$ 73,539,248	$ 74,669,376	$ 77,104,645	$ 83,217,902
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	(93.66%)	(243.04%)	(14.20%)	(24.03%)	(43.99%)
OCERS' fiduciary net position as a percentage of the total pension liability	108.50%	121.74%	101.22%	101.98%	103.71%

Notes to Schedule:

(1) The amounts presented for each fiscal year were determined as of December 31.

Change in Assumptions:

For the fiscal year ended June 30, 2025, the inflation rate remained unchanged at 2.50% (retiree cost-of-living assumption maintained at 2.75%). Projected salary increases changed to 3.90% - 10.25%. Mortality assumptions were based on the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

ORANGE COUNTY SANITATION DISTRICT
Schedule of District Contributions
Orange County Employees Retirement System (OCERS) Pension Plan
Last 10 Fiscal Years

	Fiscal Year Ended June 30,				
	2016	**2017**	**2018**	**2019**	**2020**
Contractually required contribution	$ 12,222,849	$ 7,709,734	$ 7,525,655	$ 7,769,431	$ 8,739,661
Contributions in relation to the contractually required contribution	(12,222,849)	(7,709,734)	(7,525,655)	(7,769,431)	(8,739,661)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll [(1)]	$ 60,595,474	$ 62,266,907	$ 65,390,144	$ 69,101,109	$ 69,688,759
Contributions as a percentage of covered payroll	20.17%	12.38%	11.51%	11.24%	12.54%

	Fiscal Year Ended June 30,				
	2021	**2022**	**2023**	**2024**	**2025 [(2)]**
Contractually required contribution	$ 8,479,429	$ 8,537,920	$ 8,816,866	$ 9,172,411	$ 9,725,737
Contributions in relation to the contractually required contribution	(8,479,429)	(8,537,920)	(8,816,866)	(9,172,411)	(9,725,737)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll [(1)]	$ 72,191,190	$ 74,053,285	$ 75,739,101	$ 80,489,089	$ 86,501,557
Contributions as a percentage of covered payroll	11.75%	11.53%	11.64%	11.40%	11.24%

Notes to Schedule:

(1) Covered payroll is based on the fiscal year ended June 30.

(2) Valuation dates were December 31, 2021, and December 31, 2022.
Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method.
Amortization method	Level Percent of Payoll (3.00% payroll growth assumed in the valuation).
Asset valuation method	Market value of assets.
Inflation	2.50%
Salary increases	Varies by service and include inflation and "across-the-board" salary increases.
Investment rate of return	7%, net of pension plan administrative and investment expense, including inflation.
Mortality Rates	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) increased by 5% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 40% male and 60% female.

ORANGE COUNTY SANITATION DISTRICT
Schedule of District's Total Pension Liability
Additional Retiree Benefit Account (ARBA)
Last 10 Fiscal Years

	Fiscal Year Ended June 30,				
	2016	**2017**	**2018**	**2019**	**2020**
Total pension liability	$ 18,313,122	$ 18,467,361	$ 20,831,172	$ 21,577,464	$ 21,434,655
Covered employee payroll [(1)]	$ 62,977,577	$ 65,120,945	$ 68,126,103	$ 71,948,599	$ 74,602,862
Total pension liability as a percentage of covered-employee payroll	29.08%	28.36%	30.58%	29.99%	28.73%

	Fiscal Year Ended June 30,				
	2021	**2022**	**2023**	**2024**	**2025**
Total pension liability	$ 23,320,422	$ 20,382,770	$ 20,098,783	$ 21,013,679	$ 18,366,497
Covered employee payroll [(1)]	$ 78,413,423	$ 79,472,505	$ 82,806,556	$ 86,671,018	$ 93,022,084
Total pension liability as a percentage of covered-employee payroll	29.74%	25.65%	24.27%	24.25%	19.74%

Notes to Schedule:

(1) This plan is not administered through a trust or equivalent arrangement, thus covered employee payroll is used. Covered employee payroll represents total payroll of employees that are provided benefits through the pension plan for the fiscal year ended June 30.

Change in Assumptions:

For the fiscal year ended June 30, 2025, the discount rate used to measure the total pension liability was 5.20%, an increase from the discount rate of 3.97% for the year ended June 30, 2024.

ORANGE COUNTY SANITATION DISTRICT

Schedule of Changes in District's Total Pension Liability [1]
Additional Retiree Benefit Account (ARBA)
Last 10 Fiscal Years

	Fiscal Year Ended June 30,				
	2016	2017	2018	2019	2020
Beginning balance at July 1	$ 16,680,614	$ 18,313,122	$ 18,467,361	$ 20,831,172	$ 21,577,464
Changes in the year:					
Service cost	270,223	278,330	553,795	570,409	576,661
Interest on total pension liability	626,386	593,711	649,192	663,852	608,775
Difference between expected and actual experience	-	-	-	-	(2,263,797)
Changes of assumptions	1,230,327	(70,952)	1,889,274	328,481	1,823,672
Benefit payments	(494,428)	(646,850)	(728,450)	(816,450)	(888,120)
Net changes	1,632,508	154,239	2,363,811	746,292	(142,809)
Ending balance at June 30	$ 18,313,122	$ 18,467,361	$ 20,831,172	$ 21,577,464	$ 21,434,655

	Fiscal Year Ended June 30,				
	2021	2022	2023	2024	2025 [2]
Beginning balance at July 1	$ 21,434,655	$ 23,320,422	$ 20,382,770	$ 20,098,783	$ 21,013,679
Changes in the year:					
Service cost	703,496	835,711	545,116	438,173	439,161
Interest on total pension liability	530,599	496,575	751,286	813,972	826,740
Difference between expected and actual experience	-	898,171	-	1,902,002	-
Changes of assumptions	1,619,642	(4,129,069)	(434,329)	(1,007,931)	(2,644,433)
Benefit payments	(967,970)	(1,039,040)	(1,146,060)	(1,231,320)	(1,268,650)
Net changes	1,885,767	(2,937,652)	(283,987)	914,896	(2,647,182)
Ending balance at June 30	$ 23,320,422	$ 20,382,770	$ 20,098,783	$ 21,013,679	$ 18,366,497

Notes to Schedule:

(1) OC San funds benefits on a pay-as-you-go basis and elected not to pre-fund its pension obligation. As a result, there are no plan assets and the total pension liability is equal to the net pension liability.

(2) Valuation date was July 1, 2023.

Methods and assumptions used to determine total pension liability:

Actuarial cost method	Entry Age, Level Percent of Pay.
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with Pension.
Salary increases	3.00%
Inflation Rate	2.50%
Preretirement Mortality	Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.
Postretirement Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

ORANGE COUNTY SANITATION DISTRICT

Schedule of District's Total OPEB Liability [3]

Post-Employment Medical Benefits Plan

Last 10 Fiscal Years [1]

	Fiscal Year Ended June 30,				
	2017	**2018**	**2019**	**2020**	**2021**
Total OPEB liability	$ 6,398,694	$ 5,025,395	$ 4,013,291	$ 2,483,644	$ 1,332,528
Covered employee payroll [2]	$ 65,120,945	$ 68,126,103	$ 71,948,599	$ 74,602,862	$ 78,413,423
Total OPEB liability as a percentage of covered-employee payroll	9.83%	7.38%	5.58%	3.33%	1.70%

	Fiscal Year Ended June 30,			
	2022	**2023**	**2024**	**2025**
Total OPEB liability	$ 2,077,772	$ 1,034,882	$ 5,182,488	$ 4,409,328
Covered employee payroll [2]	$ 79,472,505	$ 82,806,556	$ 86,671,018	$ 93,022,084
Total OPEB liability as a percentage of covered-employee payroll	2.61%	1.25%	5.98%	4.74%

Notes to Schedule:

(1) The amounts presented for each fiscal year were determined as of June 30. Data for fiscal year ended June 30, 2016 is not available in a comparable format.

(2) This plan is not administered through a trust or equivalent arrangement, thus covered employee payroll is used. Covered employee payroll represents total payroll of employees that are provided benefits through the OPEB plan for the fiscal year ended June 30.

(3) There are no assets in a trust compliant with GASB codification P52.101. OC San funds benefits on a pay-as-you-go basis and elected not to pre-fund its OPEB obligation. As a result, there are no plan assets and the total OPEB liability is equal to the net OPEB liability.

Change in Assumptions:

For the fiscal year ended June 30, 2025, the discount rate used to measure the total pension liability was 5.20%, an increase from the discount rate of 3.97% for the year ended June 30, 2024.

ORANGE COUNTY SANITATION DISTRICT

Schedule of Changes in District's Total OPEB Liability [3]

Post-Employment Medical Benefits Plan

Last 10 Fiscal Years [1]

	Fiscal Year Ended June 30,				
	2018	2019	2020	2021	2022
Beginning balance at July 1	$ 6,398,694	$ 5,025,395	$ 4,013,291	$ 2,483,644	$ 1,332,528
Changes in the year:					
Service cost	18,182	16,489	4,334	5,238	8,426
Interest on total OPEB liability	177,395	159,195	98,047	45,840	57,237
Difference between expected and actual experience	-	-	(115,924)	-	2,477,916
Changes of assumptions	(95,279)	78,935	88,289	41,063	(285,984)
Benefit payments [2]	(1,473,597)	(1,266,723)	(1,604,393)	(1,243,257)	(1,512,351)
Net changes	(1,373,299)	(1,012,104)	(1,529,647)	(1,151,116)	745,244
Ending balance at June 30	$ 5,025,395	$ 4,013,291	$ 2,483,644	$ 1,332,528	$ 2,077,772

	Fiscal Year Ended June 30,		
	2023	2024	2025 [4]
Beginning balance at July 1	$ 2,077,772	$ 1,034,882	$ 5,182,488
Changes in the year:			
Service cost	3,803	153,009	155,173
Interest on total OPEB liability	55,501	211,428	194,999
Difference between expected and actual experience	(77,497)	3,457,311	-
Changes of assumptions	(15,594)	1,276,851	(263,245)
Benefit payments [2]	(1,009,103)	(950,993)	(860,087)
Net changes	(1,042,890)	4,147,606	(773,160)
Ending balance at June 30	$ 1,034,882	$ 5,182,488	$ 4,409,328

Notes to Schedule:

(1) The amounts presented for each fiscal year were determined as of June 30. Data for fiscal years ended June 30, 2016 through 2017 is not available in a comparable format.

(2) Benefit payments include implicit subsidy associated with benefits paid.

(3) OC San funds benefits on a pay-as-you-go basis and elected not to pre-fund its OPEB obligation. As a result, there are no plan assets and the total OPEB liability is equal to the net OPEB liability.

(4) Valuation date was July 1, 2023.

Methods and assumptions used to determine total OPEB liability:

Actuarial cost method	Entry Age, Level Percent of Pay.
Valuation of fiduciary net position	No assets held in an irrevocable trust as of the measurement date.
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB.
Salary increases	3.00%
Inflation Rate	2.50%
Health cost trend rate	5.25% for 2025-2029, 5.00% for 2030-2039, 4.75% for 2040-2049, 4.50% for 2050-2069, and 4.00% for 2070 and later years: Medicare ages: 4.50% for 2025-2029 and 4.00% for 2030 and later years.
Preretirement Mortality	Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.
Postretirement Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

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ORANGE COUNTY SANITATION DISTRICT
SUPPLEMENTARY INFORMATION

ORANGE COUNTY SANITATION DISTRICT

Combining Area Schedule of Net Position

June 30, 2025

	Revenue Area No. 14	Consolidated Revenue Area	Totals
Current assets:			
Cash and cash equivalents	$ 4,372,851	$ 125,611,700	$ 129,984,551
Investments	25,934,156	744,967,865	770,902,021
Accounts receivable, net of allowance for uncollectibles	-	9,544,419	9,544,419
Accrued interest receivable	-	5,795,182	5,795,182
Connection fees receivable	-	3,371,695	3,371,695
Property tax receivable	-	2,149,756	2,149,756
Lease receivable, current portion	-	396,114	396,114
Inventories	-	12,620,950	12,620,950
Prepaid expenses	-	2,693,612	2,693,612
Total current assets	30,307,007	907,151,293	937,458,300
Noncurrent assets:			
Restricted:			
Cash and cash equivalents	-	701,418	701,418
Investments	-	16,882,220	16,882,220
Accrued interest receivable	-	1,332	1,332
Net pension asset - OCERS	-	36,606,252	36,606,252
Unrestricted:			
Non-depreciable capital assets	35,639,948	879,675,806	915,315,754
Depreciable capital assets, net of accumulated depreciation	87,951,372	2,101,578,823	2,189,530,195
Due from other governmental agency	-	18,067,430	18,067,430
Lease receivable, noncurrent portion	-	89,605	89,605
Other noncurrent assets, net	-	10,344	10,344
Total noncurrent assets	123,591,320	3,053,613,230	3,177,204,550
Total assets	153,898,327	3,960,764,523	4,114,662,850
Deferred outflows of resources:			
Deferred outflows related to refundings	-	7,519,718	7,519,718
Deferred outflows related to pensions	-	60,347,568	60,347,568
Deferred outflows related to OPEB	-	3,670,306	3,670,306
Total deferred outflows of resources	-	71,537,592	71,537,592
Total assets and deferred outflows of resources	153,898,327	4,032,302,115	4,186,200,442
Current liabilities:			
Accounts payable and accrued expenses	-	59,502,862	59,502,862
Retentions payable	-	10,991,447	10,991,447
Interest payable	-	11,292,100	11,292,100
Due to other governmental agency	30,307,007	-	30,307,007
Long-term obligations, current portion	-	58,408,438	58,408,438
Total pension liability - ARBA, current portion	-	1,233,691	1,233,691
Total OPEB liability, current portion	-	744,627	744,627
Total current liabilities	30,307,007	142,173,165	172,480,172
Noncurrent liabilities:			
Long-term obligations, noncurrent portion	-	598,572,064	598,572,064
Total pension liability - ARBA, noncurrent portion	-	17,132,806	17,132,806
Total OPEB liability, noncurrent portion	-	3,664,701	3,664,701
Total noncurrent liabilities	-	619,369,571	619,369,571
Total liabilities	30,307,007	761,542,736	791,849,743
Deferred inflows of resources:			
Deferred inflows related to leases	-	435,610	435,610
Deferred inflows related to refundings	-	5,438,617	5,438,617
Deferred inflows related to pensions	-	14,996,877	14,996,877
Deferred inflows related to OPEB	-	233,331	233,331
Total deferred inflows of resources	-	21,104,435	21,104,435
Total liabilities and deferred inflows of resources	30,307,007	782,647,171	812,954,178
Net position:			
Net investment in capital assets:			
Collection system	12,125,674	647,391,770	659,517,444
Treatment and disposal land	2,648,354	51,091,313	53,739,667
Treatment and disposal system	108,817,292	2,282,771,547	2,391,588,839
Capital-related liabilities	-	(685,050,090)	(685,050,090)
Subtotal	123,591,320	2,296,204,540	2,419,795,860
Restricted for OCERS pension benefits	-	53,900,943	53,900,943
Unrestricted	-	899,549,461	899,549,461
Total net position	$ 123,591,320	$ 3,249,654,944	$ 3,373,246,264

ORANGE COUNTY SANITATION DISTRICT
Combining Area Schedule of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2025

	Revenue Area No. 14	Consolidated Revenue Area	Totals
Operating revenues:			
Service charges	$ 2,237,410	$ 350,995,285	$ 353,232,695
Permit and inspection fees	8,513	1,169,495	1,178,008
Total operating revenues	2,245,923	352,164,780	354,410,703
Operating expenses other than depreciation and amortization:			
Salaries and benefits	3,936,228	100,646,868	104,583,096
Utilities	574,803	14,444,103	15,018,906
Supplies, repairs and maintenance	2,158,510	62,503,721	64,662,231
Contractual services	1,249,805	33,637,261	34,887,066
Feasibility studies	85,766	7,074,678	7,160,444
Other operating expenses	337,784	11,276,391	11,614,175
Total operating expenses other than depreciation and amortization	8,342,896	229,583,022	237,925,918
Operating income (loss) before depreciation and amortization	(6,096,973)	122,581,758	116,484,785
Depreciation and amortization	5,069,340	125,177,038	130,246,378
Operating income (loss)	(11,166,313)	(2,595,280)	(13,761,593)
Non-operating revenues:			
Property taxes	4,300,693	134,011,582	138,312,275
Investment and interest income	1,711,008	51,294,882	53,005,890
Contributions from other governments	19,508,567	34,710	19,543,277
Other non-operating revenues	51,139	1,696,682	1,747,821
Total non-operating revenues	25,571,407	187,037,856	212,609,263
Non-operating expenses:			
Interest	2,602	15,660,218	15,662,820
Loss on disposal of assets	32,076	798,168	830,244
Other non-operating expenses	3,074	101,831	104,905
Total non-operating expenses	37,752	16,560,217	16,597,969
Income (loss) before capital contributions	14,367,342	167,882,359	182,249,701
Capital contributions:			
Capital facilities capacity charges	-	16,265,667	16,265,667
Capital contributions from other governments	32,136	1,620,307	1,652,443
Total capital contributions	32,136	17,885,974	17,918,110
Change in net position	14,399,478	185,768,333	200,167,811
Net position - beginning, as previously reported	109,191,842	3,068,255,224	3,177,447,066
Adjustments (Note 11)	-	(4,368,613)	(4,368,613)
Total net position - beginning, as restated	109,191,842	3,063,886,611	3,173,078,453
Total net position - ending	$ 123,591,320	$ 3,249,654,944	$ 3,373,246,264

ORANGE COUNTY SANITATION DISTRICT
Combining Area Schedule of Cash Flows
For the Year Ended June 30, 2025

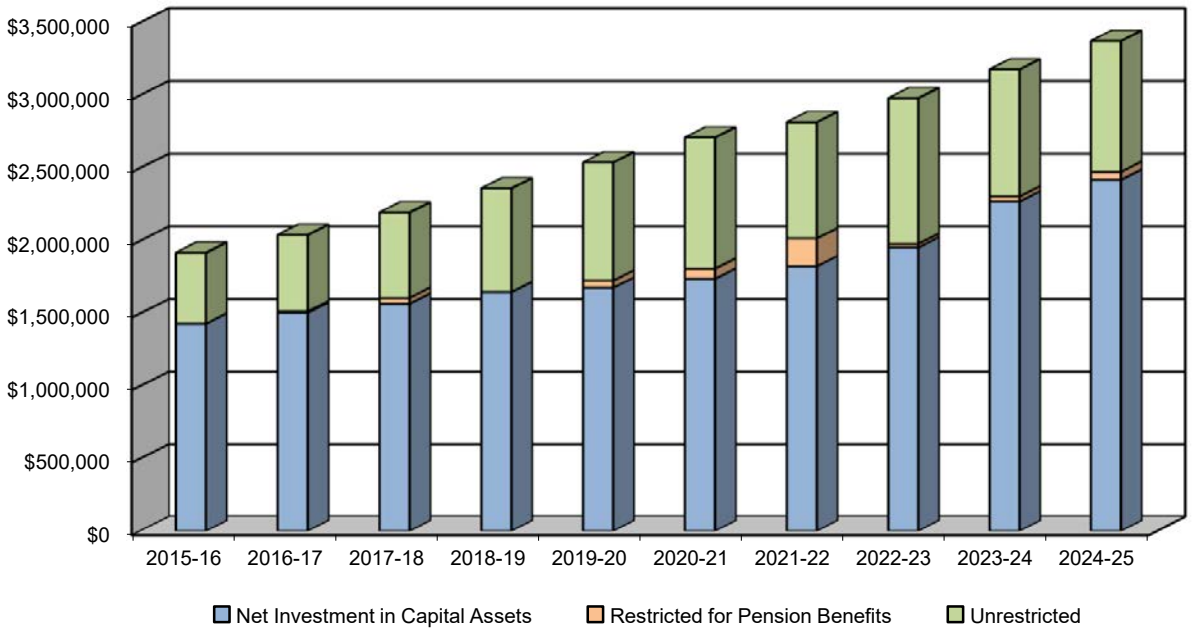
	Revenue Area No. 14	Consolidated Revenue Area	Eliminations	Totals
Cash flows from operating activities:				
Receipts from customers and users	$ 14,323,416	$ 352,768,574	$ -	$ 367,091,990
Payments to employees	(3,936,228)	(93,716,272)	-	(97,652,500)
Payments to suppliers	(4,409,742)	(130,453,136)	-	(134,862,878)
Receipts for other activities	36,648	1,275,697	-	1,312,345
Net cash provided by (used in) operating activities	6,014,094	129,874,863	-	135,888,957
Cash flows from noncapital financing activities:				
Proceeds from property taxes	4,300,693	133,980,744	-	138,281,437
Net cash provided by (used in) noncapital financing activities	4,300,693	133,980,744	-	138,281,437
Cash flows from capital and related financing activities:				
Capital facilities capacity charges	-	14,893,451	-	14,893,451
Contributions from other governments	19,540,703	1,655,017	(7,294,846)	13,900,874
Receipts from lease agreements	13,700	458,907	-	472,607
Additions to capital assets	(19,499,110)	(228,295,795)	19,499,110	(228,295,795)
Disposal of capital assets	-	12,204,264	(12,204,264)	-
Principal payments on debt obligations	-	(34,085,000)	-	(34,085,000)
Interest paid	(2,602)	(24,919,944)	-	(24,922,546)
Net cash provided by (used in) capital and related financing activities	52,691	(258,089,100)	-	(258,036,409)
Cash flows from investing activities:				
Proceeds from sale of investments	12,906,723	746,696,977	-	759,603,700
Purchases of investments	(22,319,636)	(770,437,448)	-	(792,757,084)
Interest received	724,158	22,996,149	-	23,720,307
Net cash provided by (used in) investing activities	(8,688,755)	(744,322)	-	(9,433,077)
Net increase (decrease) in cash and cash equivalents	1,678,723	5,022,185	-	6,700,908
Cash and cash equivalents, beginning of year	2,694,128	121,290,933	-	123,985,061
Cash and cash equivalents, end of year	$ 4,372,851	$ 126,313,118	$ -	$ 130,685,969
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (11,166,313)	$ (2,595,280)	$ -	$ (13,761,593)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	5,069,340	125,177,038	-	130,246,378
Other non-operating revenues	33,574	1,173,866	-	1,207,440
(Increase)/decrease in operating assets and deferred outflows:				
Accounts receivable	-	603,794	-	603,794
Inventories	-	(1,099,297)	-	(1,099,297)
Prepaid expenses	-	(273,292)	-	(273,292)
Net pension asset - OCERS	-	(18,074,715)	-	(18,074,715)
Deferred outflows related to pensions	-	23,751,355	-	23,751,355
Deferred outflows related to OPEB	-	531,928	-	531,928
Increase/(decrease) in operating liabilities and deferred inflows:				
Accounts payable and accrued expenses	-	2,411,455	-	2,411,455
Due to other governmental agency	12,077,493	-	-	12,077,493
Compensated absences	-	687,232	-	687,232
Claims and judgments	-	(266,854)	-	(266,854)
Total pension liability - ARBA	-	(2,647,182)	-	(2,647,182)
Total OPEB liability	-	(773,160)	-	(773,160)
Deferred inflows related to pensions	-	1,034,644	-	1,034,644
Deferred inflows related to OPEB	-	233,331	-	233,331
Net cash provided by (used in) operating activities	$ 6,014,094	$ 129,874,863	$ -	$ 135,888,957
Noncash activities:				
Unrealized gain (loss) on the fair value of investments	$ 985,857	$ 28,681,998		$ 29,667,855
Capital assets acquired through accounts payable	-	6,882,913		6,882,913
Capital facilities capacity charges acquired	-	1,372,216		1,372,216

ORANGE COUNTY SANITATION DISTRICT
STATISTICAL SECTION

This part of the Annual Comprehensive Financial Report of the Orange County Sanitation District (OC San) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about OC San's overall financial health.

Contents	Pages
Financial Position and Trends These schedules contain current and trend information to help the reader understand OC San's financial position and how OC San's financial performance and well-being have changed over time.	65 - 69
Revenue Capacity These schedules contain information to help the reader assess OC San's most significant revenue source of sewer service fees.	70 - 72
Debt Capacity These schedules present information to help the reader assess the affordability of OC San's current levels of outstanding debt and OC San's ability to issue additional debt in the future. All of OC San's debt is recorded in a proprietary fund; consequently, many of the schedules which are applicable to governmental funds are not presented.	73 - 75
Operating Information These schedules contain data to help the reader understand how the information in OC San's financial report relates to the services it provides and the activities it performs.	76 - 79
Demographic and Economic Factors These schedules offer demographic information to help the reader understand the environment within which OC San's financial activities take place.	80 - 83

ORANGE COUNTY SANITATION DISTRICT
Net Position by Component
(Dollars in Thousands)
Last Ten Fiscal Years



Fiscal Year	Net Investment in Capital Assets	Restricted for Pension Benefits [4]	Unrestricted [4]	Total Net Position
2015-16	$ 1,429,269	$ -	$ 489,303	$ 1,918,572 [1]
2016-17	1,504,898	10,385	525,942	2,041,225
2017-18	1,568,118	39,571	587,100	2,194,789 [2]
2018-19	1,647,723	-	712,779	2,360,502
2019-20	1,678,041	49,447	811,522	2,539,010
2020-21	1,740,102	68,643	901,637	2,710,382
2021-22	1,825,490	191,802	797,895	2,815,187
2022-23	1,954,939	24,678	1,000,075	2,979,692
2023-24	2,270,960	34,278	872,209	3,177,447
2024-25	2,419,796	53,901	899,549	3,373,246 [3]

Notes

[1] Beginning net position restated due to implementation of GASB 73.

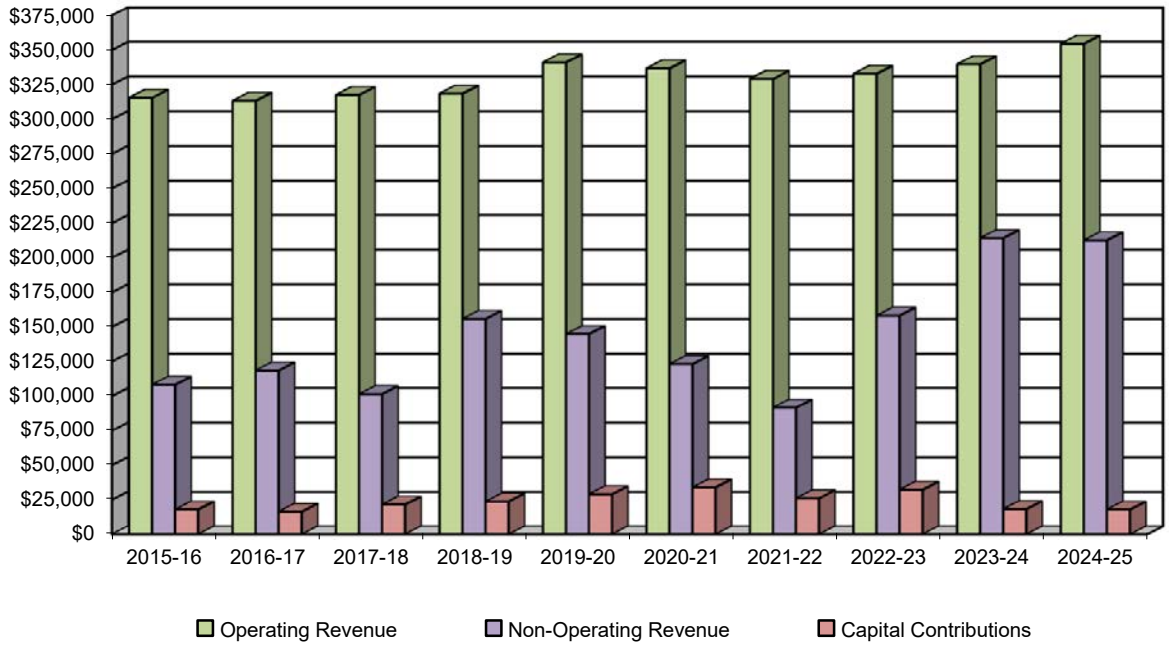
[2] Beginning net position restated due to implementation of GASB 75.

[3] Beginning net position restated due to implementation of GASB 101.

[4] FY 2016-17 to 2022-23 net position restated to reflect amounts restricted for OCERS pension benefits.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Revenues and Gross Capital Contributions by Source
(Dollars in Thousands)
Last Ten Fiscal Years



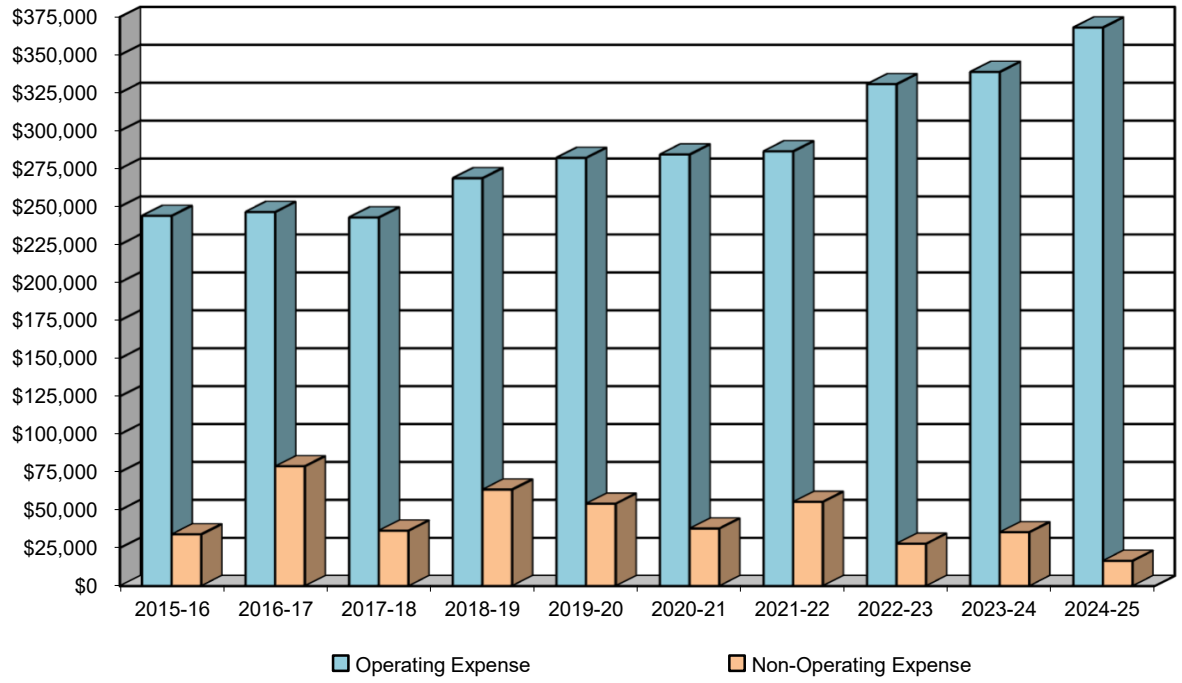
	Operating Revenue			Non-Operating Revenue				
Fiscal Year	Service Charges	Permit & Inspection Fees	Total Operating	Property Taxes	Investment & Interest Income (Loss)	Other [1]	Total Non-Operating	Capital Contributions [1]
2015-16	$ 314,477	$ 951	$ 315,428	$ 84,407	$ 9,183	$ 14,658	$ 108,248	$ 17,974
2016-17	312,237	1,045	313,282	88,284	3,081	27,146	118,511	16,351
2017-18	316,329	1,170	317,499	94,188	3,230	4,055	101,473	21,633
2018-19	317,291	1,199	318,490	99,534	29,102	27,197	155,833	23,797
2019-20	339,895	1,169	341,064	104,492	33,669	6,731	144,892	29,034
2020-21	335,569	1,131	336,700	110,245	1,694	11,176	123,115	33,936
2021-22	327,824	1,271	329,095	119,186	(35,335)	7,840	91,691	26,083
2022-23	331,382	1,399	332,781	125,467	12,027	20,671	158,165	32,264
2023-24	338,713	941	339,654	131,608	46,640	35,943	214,191	18,242
2024-25	353,233	1,178	354,411	138,312	53,006	21,291	212,609	17,918

Notes

[1] FY 2017-18 to 2020-21 restated to reflect capital contributions from other governments.
Fluctuations in other non-operating revenue are primarily due to integration contributions charged or credited to the Irvine Ranch Water District, refer to Basic Financial Statements Note 8 for details.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Expenses by Type
(Dollars in Thousands)
Last Ten Fiscal Years



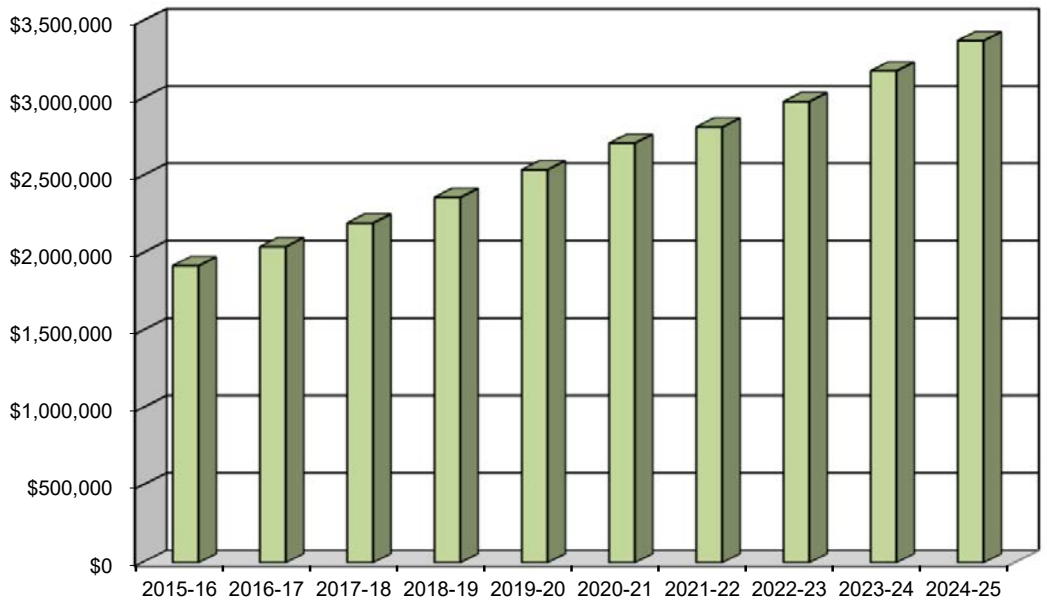
	Operating Expense					Non-Operating Expense		
Fiscal Year	Salaries & Benefits	Utilities	Maint & Other	Depr & Amort	Total Operating	Interest Expense	Other [1]	Total Non-Operating
2015-16	$ 75,576	$ 7,246	$ 70,679	$ 90,502	$ 244,003	$ 27,597	$ 6,482	$ 34,079
2016-17	74,291	6,119	69,843	96,320	246,573	25,648	53,270	78,918
2017-18	67,418	7,298	70,840	97,399	242,955	35,011	1,483	36,494
2018-19	85,506	7,733	73,347	102,239	268,825	34,466	29,116	63,582
2019-20	82,917	8,622	76,794	113,888	282,221	33,833	20,428	54,261
2020-21	74,772	9,789	83,457	116,452	284,470	34,837	3,072	37,909
2021-22	57,004	11,046	88,065	130,465	286,580	30,027	25,457	55,484
2022-23	96,883	15,924	94,405	123,611	330,823	25,893	1,989	27,882
2023-24	95,983	14,893	111,797	116,205	338,878	31,067	4,387	35,454
2024-25	104,583	15,019	118,324	130,246	368,172	15,663	935	16,598

Notes

[1] Fluctuations in other non-operating expense are primarily due to integration contributions charged or credited to the Irvine Ranch Water District, refer to Note 8 of the Notes to Basic Financial Statements for details.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Change in Net Position
(Dollars in Thousands)
Last Ten Fiscal Years



Ending Net Position by Fiscal Year

Fiscal Year	Total Revenues	Total Expenses	Change in Net Position	Beginning Net Position	Ending Net Position
2015-16	$ 441,650	$ 278,082	$ 163,568	$ 1,755,004 (1)	$ 1,918,572
2016-17	448,144	325,491	122,653	1,918,572	2,041,225
2017-18	440,605	279,449	161,156	2,033,633 (2)	2,194,789
2018-19	498,120	332,407	165,713	2,194,789	2,360,502
2019-20	514,990	336,482	178,508	2,360,502	2,539,010
2020-21	493,751	322,379	171,372	2,539,010	2,710,382
2021-22	446,869	342,064	104,805	2,710,382	2,815,187
2022-23	523,210	358,705	164,505	2,815,187	2,979,692
2023-24	572,087	374,332	197,755	2,979,692	3,177,447
2024-25	584,938	384,770	200,168	3,173,078 (3)	3,373,246

Notes

(1) Beginning net position restated due to implementation of GASB 73.

(2) Beginning net position restated due to implementation of GASB 75.

(3) Beginning net position restated due to implementation of GASB 101.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Cash and Investment Reserve Balances
(Dollars in Millions)
Last Ten Fiscal Years

Fiscal Year	Cash Flow Contingency	Self-Insurance	Capital Improvement Program	Debt Service Requirements	Total
2015-16	$ 181	$ 57	$ 190	$ 117	$ 545
2016-17	174	57	173	107	511
2017-18	173	57	350	100	680
2018-19	177	57	429	97	760
2019-20	178	57	552	94	881
2020-21	128	100	639	94	961
2021-22	134	100	659	91	984
2022-23	140	100	685	79	1,004
2023-24	148	100	525	76	849
2024-25	156	100	601	61	918

Notes

The Board of Directors of the Orange County Sanitation District has established the criteria below to determine the total funds required as listed in the Accumulated Funds and Reserves Policy:

The Cash Flow Contingency Reserve is to fund operations, maintenance, and certificates of participation debt service 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.

The Self-Insurance Reserve is to provide requirements for property damage including fire, flood and earthquake, general liability and workers' compensation.

The Capital Improvement Program Reserve is to fund annual increments of the capital improvement program with a target level at one half of the average annual capital improvement program over the next 10 years.

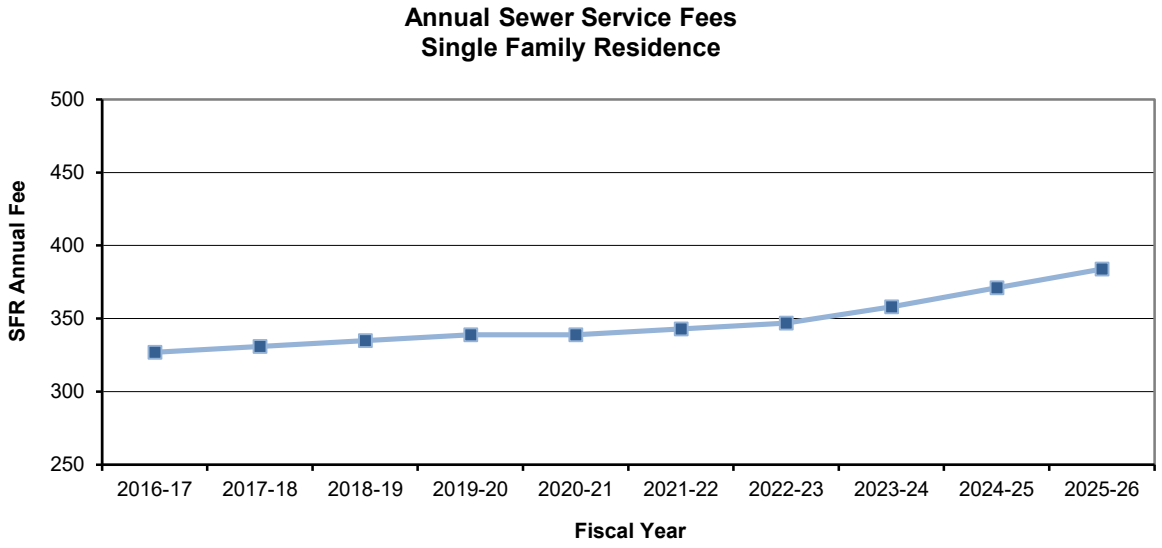
The Debt Service Requirements Reserve is held pursuant to the provisions of certificates of participation issues, and the monies are not available for the general needs of the Orange County Sanitation District.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Sewer Service Fees
Single Family Residence Rate
Last Nine Fiscal Years and Next Fiscal Year

Sewer service fees are comprised of three categories: residential customers, commercial customers, and industrial customers. Although the majority of sewer service fee revenues are from residential and commercial customers (see the schedule of Number of Accounts and Revenues by Customer Class), the fee paid by each residential and commercial customer is less than the individual fees paid by industrial customers. The rates for commercial and industrial customers are derived from the base sewer service fee charged for a single-family residence and are based on the type of business and the strength and volume of waste that is discharged into the sewer system. Due to the complexity of the rate structure for commercial and industrial customers and since the rates are derivatives of the single-family residence rate, only the single-family residence rate is presented within the statistical section.

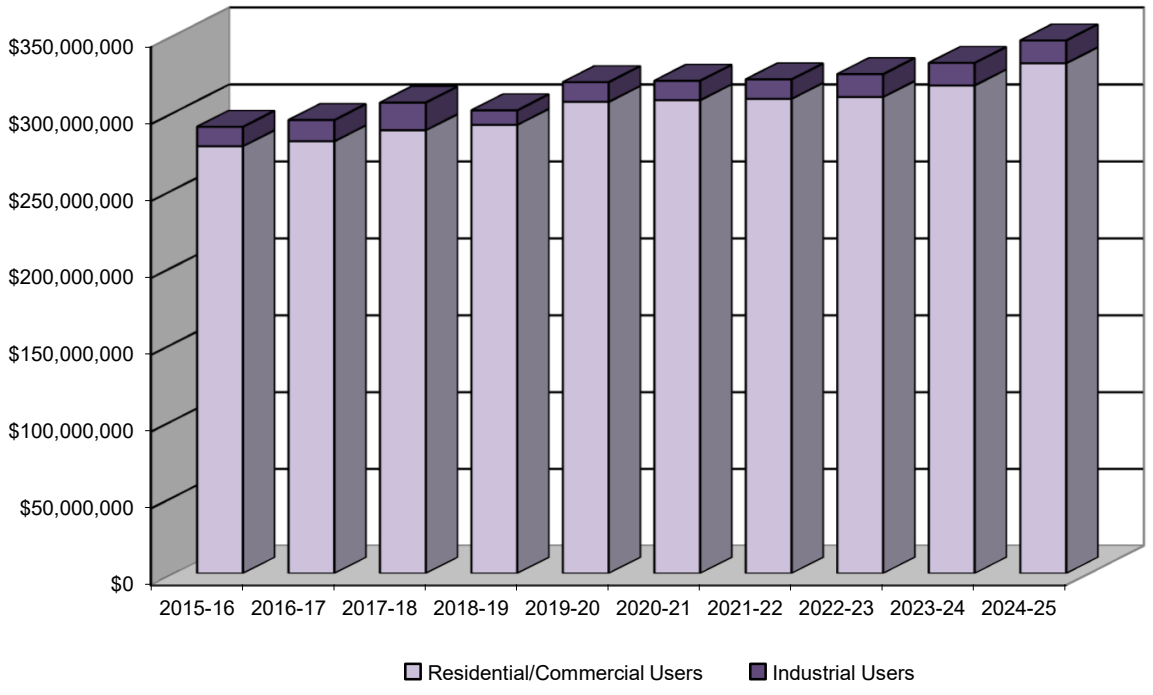
Fiscal Year	Sewer Service Charge
2016-17	$ 327.00
2017-18	331.00
2018-19	335.00
2019-20	339.00
2020-21	339.00
2021-22	343.00
2022-23	347.00
2023-24	358.00
2024-25	371.00
2025-26	384.00



Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Number of Accounts and Revenues by Customer Class
(Dollars in Millions)
Last Ten Fiscal Years

	Residential/Commercial			Industrial		
Fiscal Year	Number of Equivalent Single-Family Dwellings (1)	Total Sewer Svc. Charge Revenue	Percentage of Sewer Service Charge Revenues	Number of Customer Accounts	Total Sewer Svc. Charge Revenue	Percentage of Sewer Service Charge Revenues
2015-16	863,317	$ 278.0	96%	450	$ 12.6	4%
2016-17	859,869	281.2	95%	466	13.8	5%
2017-18	871,338	288.4	94%	473	17.9	6%
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	12.6	4%
2021-22	900,327	308.8	96%	462	12.6	4%
2022-23	893,270	310.0	95%	446	14.8	5%
2023-24	886,879	317.5	96%	447	14.6	4%
2024-25	894,546	331.9	96%	452	14.8	4%



Notes
(1) - Number of equivalent single-family dwellings is an estimate, calculated by dividing residential/commercial revenue by the sewer service fee for each fiscal year.

Source: Orange County Sanitation District's Financial Management Division.

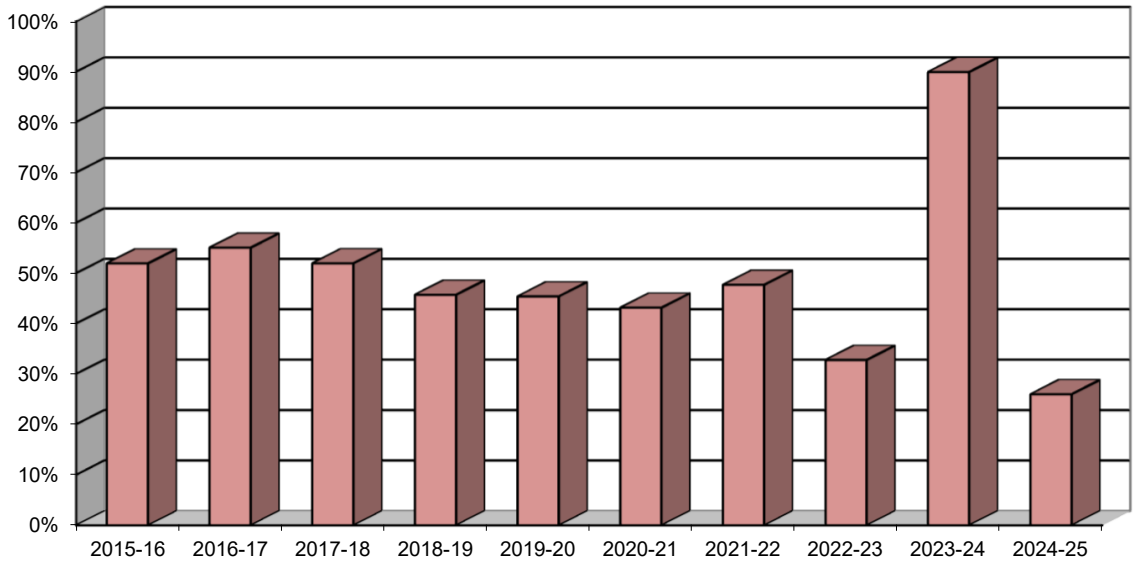
ORANGE COUNTY SANITATION DISTRICT
Principal Sewer Service Customers
For the Current Fiscal Year and Nine Years Ago

	Fiscal Year Ended 6/30/25			Fiscal Year Ended 6/30/16		
Customer	Industrial Permittee Service Charges	Rank	% to Total Service Charge Revenue	Industrial Permittee Service Charges	Rank	% to Total Service Charge Revenue
House Foods America Corp. (East)	$ 1,903,963	1	0.54%			
House Foods America Corp. (West)	1,596,915	2	0.45%	$ 1,137,028	1	0.36%
Stremicks Heritage Foods, LLC	1,186,415	3	0.34%	735,840	3	0.23%
Van Law Food Products, Inc	1,146,176	4	0.32%	446,942	9	0.14%
MBV-CA, LLC	957,543	5	0.27%			
Newport Fab, LLC (Tower Semiconductor, Inc)	861,417	6	0.24%	541,379	6	0.17%
Pulmuone Foods USA, Inc. (East)	726,274	7	0.21%	667,744	4	0.21%
Ameripec, Inc	533,989	8	0.15%	494,287	7	0.16%
MCP Foods, Inc (DSM-Firmenich)	416,590	9	0.12%	649,886	5	0.21%
Beverage Visions LLC	374,437	10	0.11%			
Kimberly-Clark Worldwide, Inc.				1,123,748	2	0.36%
Nor-Cal Beverage Company (Main)				453,737	8	0.14%
Nor-Cal Beverage Company (NBC)				409,575	10	0.13%
	$ 9,703,719		2.75%	$ 6,660,166		2.11%

Although the majority of sewer service fee revenues are from residential and commercial customers (see the schedule of Number of Accounts and Revenues by Customer Class), the fee paid by each residential and commercial customer is customarily less than the individual fees paid by industrial customers. Consequently, this schedule shows the largest industrial sewer service fee customers.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Ratio of Annual Debt Service to Total Expenses
(Dollars in Thousands)
Last Ten Fiscal Years



Fiscal Year		Principal (1)	Interest (2)	Total Debt Service (3)	Total Operating Expenses (4)	Ratio of Debt Service to Total Operating Expenses
2015-16		$ 29,405	$ 50,301	$ 79,706	$ 153,501	51.93%
2016-17		35,575	47,143	82,718	150,253	55.05
2017-18		32,140	43,466	75,606	145,556	51.94
2018-19		31,655	44,481	76,136	166,586	45.70
2019-20		32,730	43,664	76,394	168,333	45.38
2020-21		30,430	42,061	72,491	168,018	43.14
2021-22		33,875	40,564	74,439	156,115	47.68
2022-23		30,035	37,880	67,915	207,212	32.78
2023-24	**(5)**	165,750	34,483	200,233	222,673	89.92
2024-25		34,085	27,701	61,786	237,926	25.97

Notes

(1) - Excludes principal reductions due to debt refundings.

(2) - Excludes amortization of premium/discount and deferred amount.

(3) - Debt consists of certificates of participation / revenue obligations.

(4) - Excludes depreciation and amortization expense.

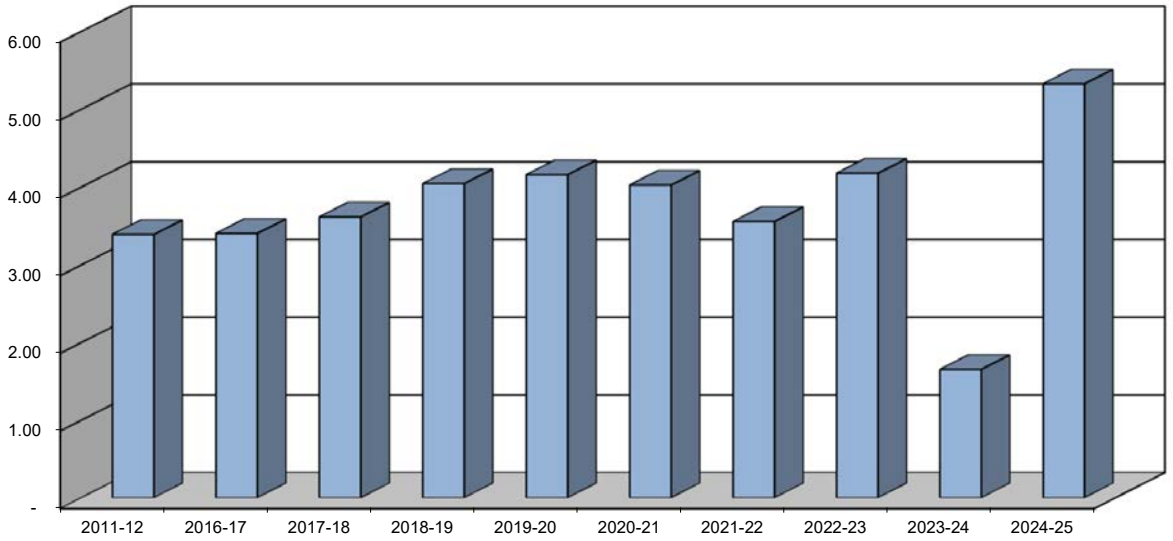
(5) - OC San made an early repayment of $134.2 million of Series 2010C Revenue Obligations.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT

Debt Coverage Ratios
(Dollars in Millions)
Last Ten Fiscal Years

The Orange County Sanitation District has no legal debt limits as imposed by state legislation. OC San does have contractual covenants within the existing certificates of participation indenture agreements which require minimum coverage ratios of 1.25. The coverage ratio is calculated as the ratio of net annual revenues available for debt service payments to total annual debt service requirements.



	Fiscal Year Ending June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024 **(6)**	2025
Operating & Non-Operating Revenues:										
Service Charges, Net of Refunds-Regional	$ 278.0	$ 281.2	$ 288.4	$ 291.9	$ 306.8	$ 307.9	$ 308.8	$ 310.0	$ 317.5	$ 331.9
Service Charges, Net of Refunds-Local (1)	5.7	1.3	(0.1)	-	-	-	-	-	-	-
Industrial Sewer Service Charges	12.6	13.8	17.9	9.4	12.8	12.6	12.6	14.8	14.6	14.8
SAWPA Assessment	3.2	3.3	2.7	2.9	2.6	2.8	2.8	2.9	3.4	3.4
IRWD Assessment	26.6	36.0	9.9	36.3	20.8	16.0	8.6	18.6	31.8	21.8
Ad Valorem Taxes	84.4	88.3	94.2	99.5	104.5	110.2	119.2	125.5	131.6	138.3
Interest Earnings (2)	9.2	3.1	3.2	29.1	33.7	1.7	(35.3)	12.0	46.6	53.0
Other Revenues (3)	4.0	4.8	2.8	5.2	4.8	8.6	4.1	7.1	8.3	3.8
Total Revenues	423.7	431.8	419.0	474.3	486.0	459.8	420.8	490.9	553.8	567.0
Operating Expenses (4)	153.5	150.3	145.6	166.6	168.3	168.0	156.1	207.2	222.7	237.9
Net Revenues	$ 270.2	$ 281.5	$ 273.4	$ 307.7	$ 317.7	$ 291.8	$ 264.7	$ 283.7	$ 331.1	$ 329.1
Debt Service Requirements										
Principal Payments	$ 29.4	$ 35.6	$ 32.1	$ 31.7	$ 32.7	$ 30.4	$ 33.9	$ 30.0	$ 165.8	$ 34.1
Interest Payments	50.3	47.1	43.5	44.4	43.7	42.1	40.5	37.9	34.4	27.7
Total Debt Service Requirements	$ 79.7	$ 82.7	$ 75.6	$ 76.1	$ 76.4	$ 72.5	$ 74.4	$ 67.9	$ 200.2	$ 61.8
Coverage Ratios	3.39	3.40	3.62	4.04	4.16	4.02	3.56	4.18	1.65	5.33
Ending Reserves (5)	$ 428.0	$ 404.0	$ 580.0	$ 663.0	$ 787.0	$ 867.0	$ 893.0	$ 925.0	$ 773.0	$ 857.0

Notes

(1) - Local Sewer transferred to East Orange County Water District in FY2016-17.
(2) - Interest earnings include unrealized gains and losses from investments adjusted to market value.
(3) - FY 2017-18 to 2020-21 other revenues restated to remove capital contributions from other governments.
(4) - Operating expenses exclude depreciation and amortization expenses.
(5) - Excludes debt service reserves in accordance with the Orange County Sanitation District's reserve policy.
(6) - OC San made an early repayment of $134.2 million of Series 2010C Revenue Obligations.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT

Ratios of Outstanding Debt

Last Ten Fiscal Years

Fiscal Year	(1) COP / Revenue Obligations	(2) Leases	(3) SBITAs	Total Outstanding Debt	(4) Median Family Income (5)	Debt as a Percentage of Median Family Income	(6) Population Estimate (7)	Debt per Capita
2015-16	$ 1,206,722,347	$ -	$ -	$ 1,206,722,347	$ 85,000	0.007%	2,548,745	473.46
2016-17	1,140,679,773	-	-	1,140,679,773	88,000	0.008%	2,578,681	442.35
2017-18	1,095,737,610	-	-	1,095,737,610	92,700	0.008%	2,609,419	419.92
2018-19	1,050,502,373	-	-	1,050,502,373	97,900	0.009%	2,607,092	402.94
2019-20	1,004,215,901	-	-	1,004,215,901	103,000	0.010%	2,589,011	387.88
2020-21	963,115,533	-	-	963,115,533	106,700	0.011%	2,550,763	377.58
2021-22	913,102,847	58,158		913,161,005	119,100	0.013%	2,557,216	357.09
2022-23	869,562,663	27,369	613,454	870,203,486	127,800	0.015%	2,532,334	343.64
2023-24	680,407,687	104,402	809,539	681,321,628	129,000	0.019%	2,550,105	267.17
2024-25	634,272,056	70,258	2,304,338	636,646,652	136,600	0.022%	2,568,977	247.82

Notes & Data Sources

(1) - Data Source: Orange County Sanitation District. Debt includes certificates of participation / revenue obligations and is presented net of original issuance premiums.

(2) - FY 2021-22 and 2022-23 restated to reflect implementation of GASB Statement No. 87, *Leases*. Beginning fiscal year ended June 30, 2022, lease contracts previously considered operating are treated as financings of the right to use an asset and, thus, included on this schedule.

(3) - FY 2022-23 restated to reflect implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Beginning fiscal year ended June 30, 2023, contracts for SBITAs are treated as financings of the right to use an asset and, thus, included on this schedule.

(4) - Data Source: U.S. Department of Housing and Urban Development.

(5) - Data is for the entire county of Orange.

(6) - Data Source: Demographic Research Unit, California Department of Finance.

(7) - Data is for the estimated population served by the Orange County Sanitation District.

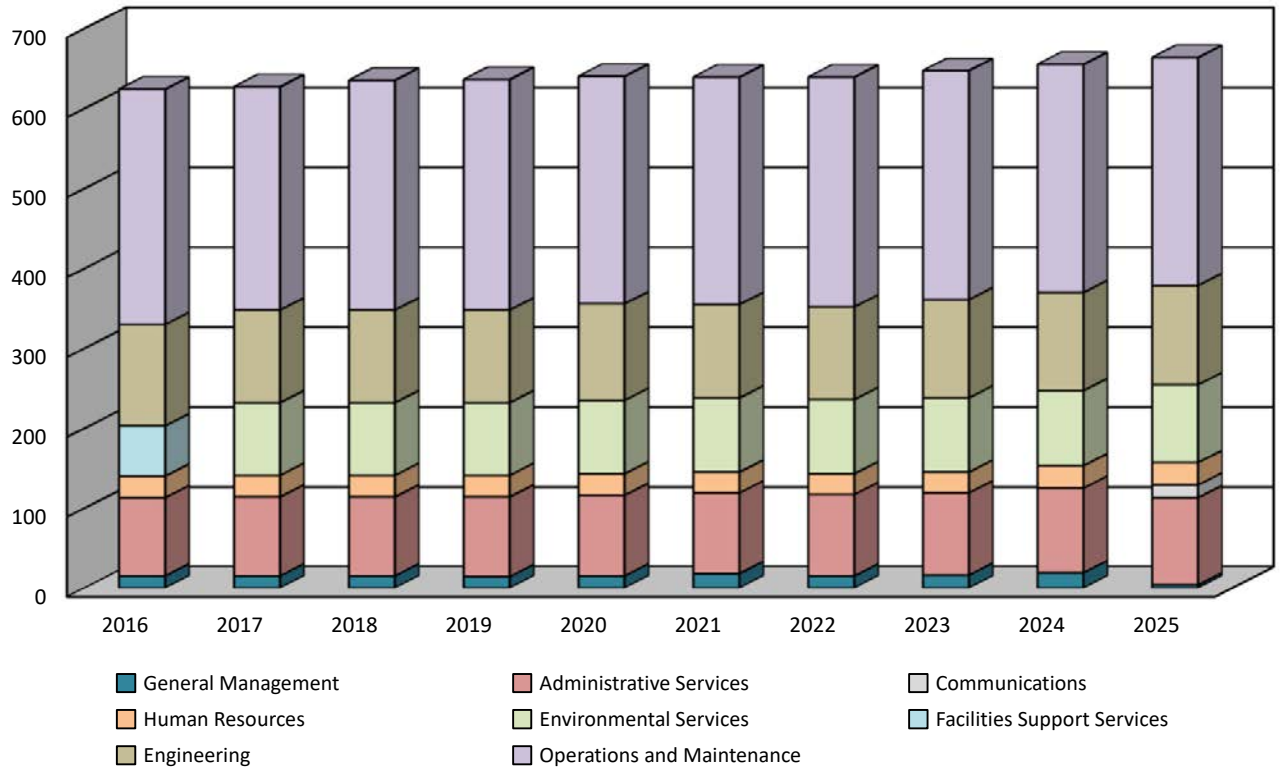
ORANGE COUNTY SANITATION DISTRICT
Comparison of the Volume of Wastewater Treated
With Revenues and Expenses
Last Ten Fiscal Years

Fiscal Year	Millions of Gallons of Wastewater Treated Per Day	Collection, Treatment & Disposal Cost per Million Gallons	Total Operating Costs (In Thousands)	Total Non-Operating Costs (In Thousands)	Total Operating Revenues (In Thousands)	Total Non-Operating Revenues [1] (In Thousands)
2015-16	183	$ 2,110.43	$ 244,003	$ 34,079	$ 315,428	$ 108,248
2016-17	188	2,054.56	246,573	78,918	313,282	118,511
2017-18	185	2,069.30	242,955	36,494	317,499	101,473
2018-19	191	2,274.73	268,825	63,582	318,490	155,833
2019-20	188	2,421.83	282,221	54,261	341,064	144,892
2020-21	182	2,428.28	284,470	37,909	336,700	123,115
2021-22	179	2,254.66	286,580	55,484	329,095	91,691
2022-23	186	2,961.49	330,823	27,882	332,781	158,165
2023-24	193	3,054.47	338,878	35,454	339,654	214,191
2024-25	184	3,415.84	368,172	16,598	354,411	212,609

Notes
[1] FY 2017-18 to 2020-21 restated to remove capital contributions from other governments.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Authorized Full-time Equivalents (FTE) by Function
Last Ten Fiscal Years



	Fiscal Year Ending June 30,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
General Management **(1)**	15	15	15	14	15	18	15	16	19	4
Administrative Services	98	99	99	100	101	101	102	103	106	109
Communications **(2)**	-	-	-	-	-	-	-	-	-	16
Human Resources	27	27	27	27	27	26	26	26	28	28
Environmental Services **(3)**	-	91	91	91	92	93	93	93	94	98
Facilities Support Services **(3)**	63	-	-	-	-	-	-	-	-	-
Engineering	127	116	116	116	121	117	116	123	123	124
Operations and Maintenance	294	279	287	288	284	284	287	286	285	285
Total FTEs	624	627	635	636	640	639	639	647	655	664

Notes

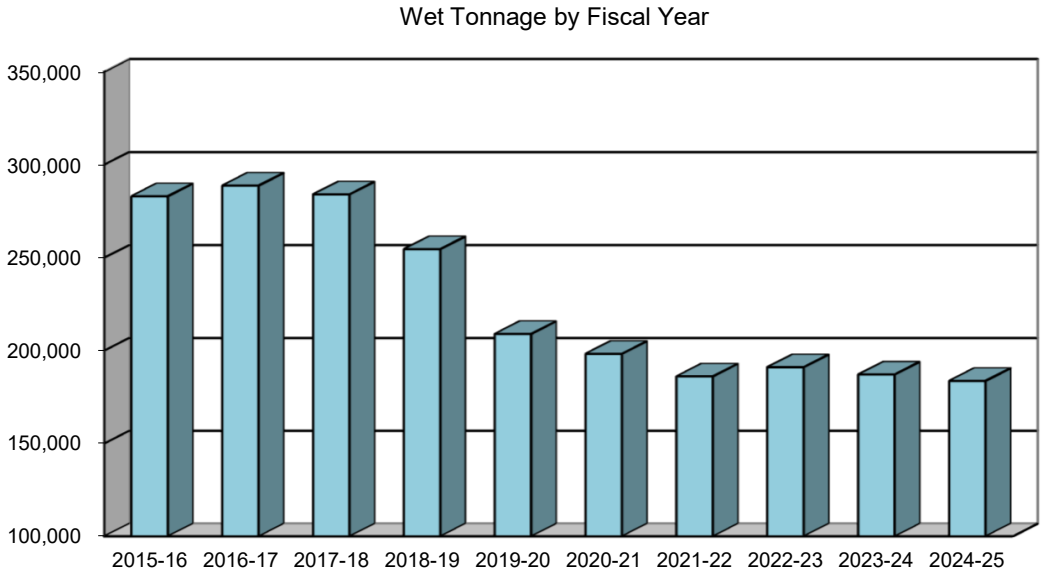
(1) - Management Discretion positions used on a temporary basis have been excluded from FTE count.

(2) - In 2025, Divisional reorganization created Communications Department.

(3) - In 2017, Divisional reorganization created Environmental Services and eliminated Facilities Support Services.

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
Biosolids Produced
Last Ten Fiscal Years



Fiscal Year	Wet Tonnage
2015-16	283,052
2016-17	288,771
2017-18	284,039
2018-19	254,616 (1)
2019-20	209,000
2020-21	198,306
2021-22	186,128
2022-23	191,098
2023-24	187,156
2024-25	183,731

Notes

(1) Beginning in Fiscal Year 2018-19, biosolids produced were reduced due to the commissioning of dewatering centrifuges at both reclamation plants.

Source: Orange County Sanitation District's Environmental Compliance Division.

ORANGE COUNTY SANITATION DISTRICT
Capital Asset Statistics
Last Ten Fiscal Years

Fiscal Year	Miles of Trunk & Subtrunk Sewers	Number of Pump Stations	Primary Treatment Capacity (1)	Secondary Treatment Capacity (1)
2015-16	570	17	376	332
2016-17	396 (2)	17	376	332
2017-18	396	17	376	332
2018-19	389	17	376	332
2019-20	388	17	376	332
2020-21	388	17	376	332
2021-22	388	17	376	332
2022-23	388	17	376	332
2023-24	388	17	376	332
2024-25	388	17	376	332

Notes

(1) - Capacity is presented as million gallons treated per day.

(2) - In FY 2016-17, local sewers were transferred to East Orange County Water District.

Source: Orange County Sanitation District

ORANGE COUNTY SANITATION DISTRICT
Demographic Statistics
Covering The Entire County of Orange **(1)**
Last Ten Fiscal Years

Fiscal Year	(2) Population Estimates	Total Personal Income (In Thousands)	Per Capita Personal Income	(4) Median Family Income	(5) Public School Enrollment	(6) Unemployment Rate
2015-16	3,183,000	$ 200,783,000 **(3)**	$ 63,080	$ 85,000	493,030	4.4%
2016-17	3,194,000	205,052,000 **(3)**	64,199	88,000	490,430	3.8%
2017-18	3,221,000	212,807,000 **(3)**	66,098	92,700	485,835	3.3%
2018-19	3,222,000	221,692,000 **(3)**	68,840	97,900	478,823	3.0%
2019-20	3,194,000	239,165,000 **(3)**	73,983	103,000	473,612	13.6%
2020-21	3,153,764	257,606,000 **(3)**	81,117	106,700	456,572	6.5%
2021-22	3,162,245	264,973,000 **(3)**	84,479	119,100	448,729	2.9%
2022-23	3,137,164	278,761,000 **(3)**	84,804	127,800	441,249	3.7%
2023-24	3,150,835	289,119,000 **(3),(7)**	90,925	129,000	437,276	4.0%
2024-25	3,175,427	301,049,000 **(3),(8)**	94,806	136,600	429,869	4.5%

Notes and Data Sources

(1) - The Orange County Sanitation District services 479 square miles or 60% of the total 799.8 square miles that make up the boundaries of Orange County.

(2) - Data Source: Demographic Research Unit, California Department of Finance.

(3) - Data Source: A. Gary Anderson Center for Economic Research, Chapman University.

(4) - Data Source: U.S. Department of Housing and Urban Development.

(5) - Data Source: California Department of Education, Educational Demographics Unit.

(6) - Data Source: State of California, Employment Development Department as of June 30 of each fiscal year.

(7) - Estimate

(8) - Forecast

ORANGE COUNTY SANITATION DISTRICT
Estimated Population Served by the
Orange County Sanitation District
June 30, 2025

	Population as of January 1, 2025
Anaheim	341,773
Brea	47,900
Buena Park	82,667
Costa Mesa	110,321
Cypress	49,499
Fountain Valley	56,560
Fullerton	141,469
Garden Grove	171,492
Huntington Beach	193,134
Irvine	318,629
La Habra	61,202
La Palma	15,110
Los Alamitos	12,006
Newport Beach	82,654
Orange	139,724
Placentia	53,982
Santa Ana	315,325
Seal Beach	24,400
Stanton	40,552
Tustin	79,326
Villa Park	5,738
Westminster	90,295
Yorba Linda	66,267
Subtotal Cities [1]	2,500,025
Estimated Population Served in Unincorporated Areas [2]	68,952
	2,568,977

Data Sources

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

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

ORANGE COUNTY SANITATION DISTRICT
Principal Orange County Employers (1)
For the Current Fiscal Year and Ten Years Ago

	Fiscal Year Ended 6/30/25			Fiscal Year Ended 6/30/15		
Employers	**Number of Employees (2)**	**Rank**	**Percentage of Total County Employment (3)**	**Number of Employees (4)**	**Rank**	**Percentage of Total County Employment (5)**
Disneyland Resort	36,000	1	2.30%	27,000	1	1.76%
University of California, Irvine	34,085	2	2.18%	22,385	2	1.46%
Providence South Division	25,155	3	1.61%	12,227	4	0.80%
County of Orange	18,000	4	1.15%	18,135	3	1.18%
Kaiser Permanente	10,293	5	0.66%	7,000	5	0.46%
Hoag Memorial Hospital	8,081	6	0.52%			
Allied Universal	7,214	7	0.46%			
Albertsons Southern California	7,152	8	0.46%			
MemorialCare	6,326	9	0.40%	5,650	8	0.37%
CHOC Hospital	5,555	10	0.36%			
The Boeing Company				6,890	6	0.45%
Walmart				6,000	7	0.39%
Bank of America Corp.				5,500	9	0.36%
Target Corp.				5,400	10	0.35%
Total	157,861		10.10%	116,187		7.58%

Notes & Data Sources

(1) - Data is for the entire county of Orange.

(2) - Data Source: Orange County Business Journal Book of Lists published November 2024.

(3) - Data Source: State of California, Employment Development Department.
- Percentage is calculated by dividing employees by total employment of 1,564,300 as of June 2025.

(4) - Data Sources: Orange County Business Journal Book of Lists published November 2014; County of Orange.

(5) - Data Source: State of California, Employment Development Department.
- Percentage is calculated by dividing employees by total employment of 1,530,800 as of June 2015.

ORANGE COUNTY SANITATION DISTRICT
Operating Indicators
June 30, 2025

District Organization: The Orange County Sanitation District is one consolidated district made up of two revenue areas which service unincorporated county areas and twenty-three cities and related special districts, as follows:

Consolidated Revenue Area
Orange County (unincorporated areas)
Cities:

Anaheim	Huntington Beach	Santa Ana
Brea	Irvine	Seal Beach
Buena Park	La Habra	Stanton
Costa Mesa	La Palma	Tustin
Cypress	Los Alamitos	Villa Park
Fountain Valley	Newport Beach	Westminster
Fullerton	Orange	Yorba Linda
Garden Grove	Placentia	

Special Districts:
- Costa Mesa Sanitary District
- Midway City Sanitary District
- Yorba Linda Water District

Revenue Area No. 14
Orange County (unincorporated areas)
Cities:
- Irvine
- Orange
- Tustin

Special District:
- Irvine Ranch Water District

Governing Body:	25-member Board of Directors
Authorized Full-Time Equivalent Employees:	664
Operational Date:	July 1, 1954
Authority:	California Health & Safety Code Section 4700 et. seq.
Services:	Wastewater collection, treatment, and disposal
Service Area:	479 square miles
Population Served:	2.6 million
Total Miles of Sewers (including force mains):	388 miles
Reclamation Plants:	2
Outlying Pump Stations:	15

Wastewater System Treatment Capacities (Million Gallons per Day)

	Actual Flows FY23-24	Existing Primary Treatment Capacity	Existing Secondary Treatment Capacity
Plant 1	117	208	182
Plant 2	67	168	150
Total	184	376	332

Source: Orange County Sanitation District's Financial Management Division.

ORANGE COUNTY SANITATION DISTRICT
OTHER DATA & TRENDS

Information within this section consists of other data and trends including additional annual disclosures as required by the Orange County Sanitation District's debt covenants beyond what is allowed to be reported in the Statistical Section.

ORANGE COUNTY SANITATION DISTRICT

Cash and Investment Portfolio

As of June 30, 2025

	Shares Par	Cost Base	Market Value Base	% of Total	Net Unrealized Gain/(Loss) Base
INVESTMENT PORTFOLIO:					
CASH & CASH EQUIVALENTS (U.S. DOLLAR):					
COMMERCIAL PAPER	$ 27,550,000	$ 27,414,362	$ 27,463,280	3.29%	$ 48,918
ENERGY	2,432,000	2,433,500	2,433,921	0.29%	421
FINANCE	503,566	503,566	503,565	0.06%	(1)
FIRST AMERICAN SHORT TERM FDS	5,720,000	5,686,176	5,712,328	0.69%	26,152
U.S. AGENCY	19,025,000	18,956,583	19,001,779	2.28%	45,196
U.S. GOVERNMENT	7,850,000	7,794,892	7,803,184	0.94%	8,292
SUBTOTAL - CASH & CASH EQUIVALENTS	63,080,566	62,789,079	62,918,057	7.55%	128,978
FIXED INCOME SECURITIES (U.S. DOLLAR):					
COMMERCIAL PAPER	2,800,000	2,755,312	2,778,440	0.33%	23,128
CONSUMER DISCRETIONARY	2,000,000	1,945,900	1,962,760	0.24%	16,860
CONSUMER STAPLES	2,000,000	1,995,040	1,997,920	0.24%	2,880
CONVERTIBLE BONDS	124,474,000	123,334,416	124,467,395	14.93%	1,132,979
FINANCE	9,000,000	9,018,928	9,020,390	1.08%	1,462
HEALTH CARE	2,000,000	2,011,880	2,004,500	0.24%	(7,380)
INFORMATION TECHNOLOGY	2,100,000	2,077,635	2,090,886	0.25%	13,251
MTG RELATED SECURITY	2,000,000	2,000,000	2,032,240	0.24%	32,240
PRIVATE PLACEMENTS	151,549,647	151,841,462	152,885,948	18.34%	1,044,486
SUPRANATIONAL	29,406,000	29,222,417	29,187,382	3.50%	(35,035)
TELECOMMUNICATION SERVICES	30,446,000	30,200,747	30,523,343	3.66%	322,596
U.S. AGENCY	5,779,000	5,561,313	5,694,235	0.68%	132,922
U.S. GOVERNMENT	140,248,000	126,754,275	129,719,670	15.56%	2,965,395
U.S. GOVERNMENT TIPS	265,926,513	255,725,146	258,324,573	30.98%	2,599,427
UTILITY	18,156,000	18,083,669	18,212,339	2.18%	128,670
SUBTOTAL - FIXED INCOME SECURITIES	787,885,160	762,528,140	770,902,021	92.45%	8,373,881
TOTAL INVESTMENT PORTFOLIO	$ 850,965,726	825,317,219	833,820,078	100.00%	$ 8,502,859
DEMAND DEPOSITS AND CASH ON HAND		4,731,375	4,731,375		
MONIES HELD WITH FISCAL AGENTS		290,279	290,279		
MONIES WITH THE LOCAL AGENCY INVESTMENT FUND		62,260,512	62,335,119		
MONIES WITH THE SECTION 115 TRUST		16,665,517	17,293,359		
TOTAL CASH AND INVESTMENTS		$ 909,264,902	$ 918,470,210		

ORANGE COUNTY SANITATION DISTRICT
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

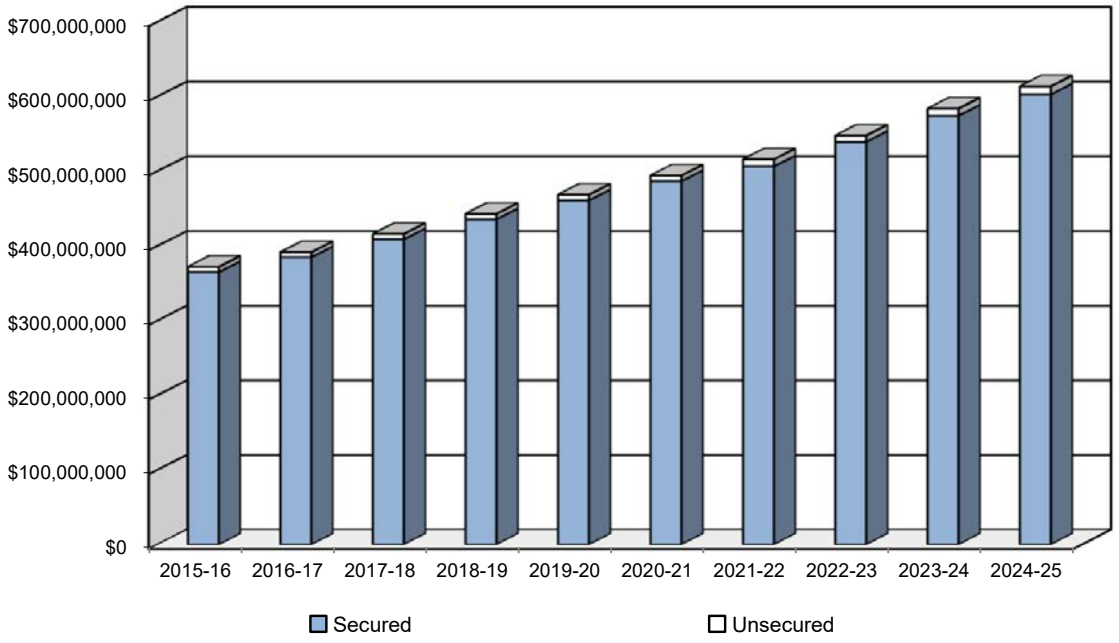
Fiscal Year	Tax Rate			OC San's Average Share of Basic Levy
	Basic Levy	OC San 1958 General Obligation Bonds	Total Tax Rate	
2015-16	1.00%	0.00%	1.00%	1.62%
2016-17	1.00%	0.00%	1.00%	1.61%
2017-18	1.00%	0.00%	1.00%	1.59%
2018-19	1.00%	0.00%	1.00%	1.59%
2019-20	1.00%	0.00%	1.00%	1.58%
2020-21	1.00%	0.00%	1.00%	1.59%
2021-22	1.00%	0.00%	1.00%	1.61%
2022-23	1.00%	0.00%	1.00%	1.59%
2023-24	1.00%	0.00%	1.00%	1.59%
2024-25	1.00%	0.00%	1.00%	1.59%

Notes

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount of assessed value. This 1.00% is shared by all taxing agencies within which the subject property resides. In addition to the 1.00% fixed amount, property owners were charged taxes as a percentage of assessed property values for the payment of OC San general obligation bonds (which were paid in full in fiscal year 1998-99).

Source: Orange County Auditor-Controller's Office.

ORANGE COUNTY SANITATION DISTRICT
Assessed and Estimated Actual Value of Taxable Property
(Dollars In Thousands)
Last Ten Fiscal Years

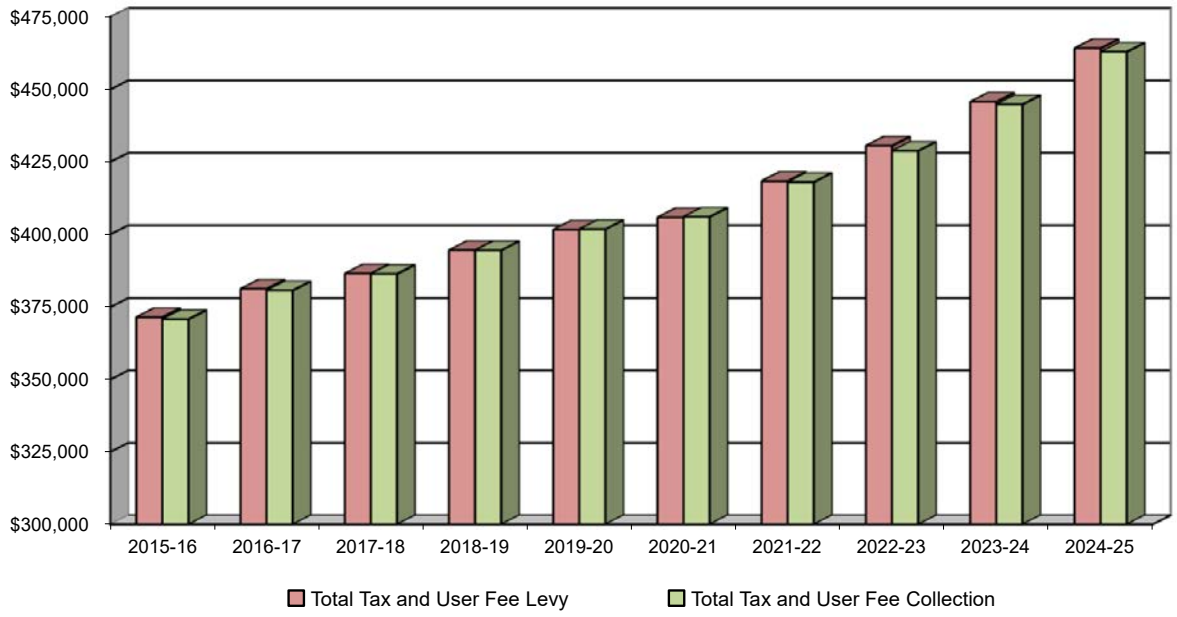


Fiscal Year	Secured	Unsecured	Total	Percent Change in Assessed Value
2015-16	$ 365,267,850	$ 6,936,768	$ 372,204,618	6.20%
2016-17	385,137,024	6,642,312	391,779,336	5.26%
2017-18	409,310,248	6,990,609	416,300,857	6.26%
2018-19	435,911,818	7,213,037	443,124,855	6.44%
2019-20	461,217,033	7,489,937	468,706,970	5.77%
2020-21	486,958,908	7,289,732	494,248,640	5.45%
2021-22	506,709,716	9,445,337	516,155,053	4.43%
2022-23	539,539,856	8,340,728	547,880,584	6.15%
2023-24	574,442,193	9,531,540	583,973,733	6.59%
2024-25	602,926,128	10,853,950	613,780,078	5.10%

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an inflation factor which is limited to a maximum increase of 2%. With a few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Consequently, the assessed and estimated values are the same.

Source: Orange County Auditor-Controller's Office.

ORANGE COUNTY SANITATION DISTRICT
Property Tax and User Fee Levies and Collections
(Dollars in Thousands)
Last Ten Fiscal Years



Fiscal Year	Total Tax and User Fee Levy	Current Tax and User Fee Collection	Percent of Levy Collected	Delinquent Collection	Total Tax and User Fee Collection	% of Total Collection to Levy	Outstanding Delinquencies	% of Delinquencies to Levy	(1) Pass-Through Payments	
2015-16	$ 371,502	$ 370,170	99.64	$ 637	$ 370,807	99.81	$ 1,332	0.36	$ 9,199	(2)
2016-17	381,226	380,078	99.70	608	380,686	99.86	1,148	0.30	9,751	
2017-18	386,538	385,673	99.78	741	386,414	99.97	865	0.22	11,353	
2018-19	394,641	393,809	99.79	786	394,595	99.99	832	0.21	12,524	
2019-20	401,604	400,865	99.82	931	401,796	100.05	739	0.18	13,469	
2020-21	405,878	405,053	99.80	1,035	406,088	100.05	825	0.20	15,034	
2021-22	418,400	416,869	99.63	1,177	418,046	99.92	1,531	0.37	18,433	
2022-23	430,603	428,681	99.55	143	428,824	99.59	1,922	0.45	18,903	
2023-24	445,733	444,560	99.74	242	444,802	99.79	1,173	0.26	20,460	
2024-25	464,170	462,740	99.69	184	462,924	99.73	1,430	0.31	21,962	

Notes

(1) Upon dissolution of California redevelopment agencies during fiscal year 2011-12, property tax increment formerly remitted to OC San by its member city redevelopment agencies was instead deposited into the newly formed Redevelopment Property Tax Trust Fund (RPTTF) from which the Auditor-Controller makes disbursements on behalf of the successor agencies. There is no tax levy associated with these collections; thus, they have been excluded from the "% of Total Collection to Levy" calculation.

(2) In fiscal year 2015-16, the County did not bill user fees for wholly exempt agencies not subject to property taxes. In fiscal year 2015-16, OC San internally billed user fees of $4.5 million to wholly exempt agencies. These amounts have been excluded from the levy and collection amounts above, as only tax and user fees included on County property tax billings are shown in this schedule.

Source: Orange County Auditor-Controller's Office.

ORANGE COUNTY SANITATION DISTRICT
Property Value and Construction
Covering The Entire County of Orange **(1)**
(Dollars In Thousands)
Last Ten Fiscal Years

Assessed Property Value (2)		Non-Residential Construction (3)		Residential Construction (3)		Total Construction Value (3)	
Fiscal Year	Value	Calendar Year	Value	No. of Units	Value		
2015-16	$ 504,650,360	2016	$ 2,487,000	12,134	$ 3,160,000	$ 5,647,000	
2016-17	531,052,158	2017	2,062,000	10,294	3,217,000	5,279,000	
2017-18	563,662,044	2018	3,507,000	8,105	2,776,000	6,283,000	
2018-19	598,901,016	2019	3,144,000	10,294	2,650,000	5,794,000	
2019-20	632,758,256	2020	1,958,000	5,895	1,899,000	3,857,000	
2020-21	663,241,179	2021	1,813,000	7,671	2,417,000	4,230,000	
2021-22	689,088,931	2022	1,908,000	6,334	2,235,000	4,143,000	
2022-23	733,634,516	2023	2,018,000	10,533	2,561,000	4,579,000	
2023-24	778,720,416	2024	1,517,000	8,398	2,886,000	4,403,000	**(4)**
2024-25	820,060,964	2025	1,386,000	9,480	3,142,000	4,528,000	**(5)**

Notes and Data Sources

(1) - The Orange County Sanitation District services 479 square miles or 60% of the total 799.8 square miles that make up the boundaries of Orange County.

(2) - Data Source: Orange County Auditor-Controller's Office.

(3) - Data Source: A. Gary Anderson Center for Economic Research, Chapman University.

(4) - Estimate

(5) - Forecast

ORANGE COUNTY SANITATION DISTRICT
Insurance in Force
As of June 30, 2025

Type	Insurer	Deductible	Limit
All-Risk Property			
Fire and Other Perils	Alliant Property Insurance Program (multiple insurers)	$500,000 per occurrence	$1 billion / occurrence
Flood	Alliant Property Insurance Program	$1 million per occurrence	$25 million / occurrence
Boiler & Machinery	Alliant Property Insurance Program (multiple insurers)	$25,000 to $350,000	$100 million / occurrence
Earthquake (certain structures only)	Multiple insurers	5% per structure, min. $5 million	$25 million
Crime Insurance	Alliant Crime Insurance Program	$25,000	$5 million
Excess General Liability	Great American Insurance Co. and StarStone Specialty Insurance Co. (first $10 million layer); Gemini Insurance Co. ($15 million layer, excess $10 million) Arch Insurance Company ($5 million layer, excess $25 million) Great American Insurance Co. ($10 million layer, excess $30 million)	$1,000,000	$40 million / occurrence and annual aggregate
Travel & Accident	Federal Insurance Co.	None	Accidental Death & Dismemberment Class 1: Elected Officials $500,000 per occurrence Class 2: Employees 10X annual 10X annual salary, up to $500,000 per occurrence Class 3: Biz Travel Family $25,000 per occurrence Class 4: Biz Travel Family $10,000 per occurrence
Excess Workers' Compensation	Public Risk Innovation, Solutions, and Management (PRISM)	$1 million each accident	Unlimited statutory coverage each accident, each employee $4 million employer's liability
Pollution Liability	Ironshore Specialty Insurance Co.	$250,000	$10 million per loss
Watercraft			
Liability	Atlantic Specialty Insurance Co. and Stratford Insurance Co.	$2,500 bodily injury $10,000 all other	$10 million
Hull & Machinery	Atlantic Specialty Insurance Co. and Stratford Insurance Co.	$10,000	$600,000
Pollution Liability	Great American Insurance Co. and Accredited Surety and Caualty Ins. Co and Starr Indemnity and liability Ins. Co and Ascot Insurance Co.	n/a	$5 million

Source: Orange County Sanitation District's Financial Management Division.

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ORANGE COUNTY SANITATION DISTRICT
FINANCIAL MANAGEMENT DIVISION
18480 Bandilier Circle
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06/30/25

APPENDIX B

THE COUNTY OF ORANGE – ECONOMIC AND DEMOGRAPHIC INFORMATION

The following economic and demographic data for the County of Orange (the "County") is presented for informational purposes only. Repayment of the Revenue Obligations is not an obligation of the County. Investors must review the entire Official Statement for a description of the security for and payment of the Revenue Obligations. Such information was obtained from the County and from sources the District believes to be reliable as of the latest date when such information was available. The District takes no responsibility for the accuracy or completeness of such information.

The County is bordered on the north by Los Angeles County, on the east by Riverside County, on the southeast by San Diego County and on the west and southwest by the Pacific Ocean. Approximately 42 miles of ocean shoreline provide beaches, marinas and other recreational areas for use by residents and visitors. The climate in the County is mild, with an average annual rainfall of approximately 13 inches.

Population

The County is the third most populous county in the State and the sixth most populous in the nation.

TABLE B-1
COUNTY OF ORANGE, STATE OF CALIFORNIA AND UNITED STATES POPULATION GROWTH[(1)]

Year	County of Orange	State of California	United States
2017	3,185,541	39,273,915	324,985,539
2018	3,192,479	39,429,439	326,687,501
2019	3,192,408	39,503,656	328,239,523
2020	3,186,989	39,538,223	331,578,104
2021	3,174,592	39,369,530	332,100,166
2022	3,159,797	39,179,680	333,996,304
2023	3,156,200	39,228,444	336,755,052
2024	3,170,070	39,420,663	340,003,797
2025	3,175,509	39,646,907	341,784,857
2026	3,163,696	39,592,978	N/A

(1) As of July 1 of each year for United States data, as of January 1 of each year for County of Orange and State of California data, and as of April 1 for all data for 2020. United States data for 2026 not yet available.

Source: County of Orange and State of California: California Department of Finance, Demographic Research Unit; United States: United States Statistics – Population Estimates Program, Population Division, U.S. Census Bureau.

Public Schools (Elementary and Secondary)

Public instruction in the County is provided by 29 school districts (elementary, high school and unified) and the County Department of Education. Public school enrollment for the academic calendar years 2021-22 through 2025-26 is presented in Table B-2.

TABLE B-2
COUNTY OF ORANGE
PUBLIC SCHOOL ENROLLMENT

	2021-22	2022-23	2023-24	2024-25	2025-26
Total Enrollment	448,729	441,249	437,276	429,869	422,351

Source: California Department of Education, Data Quest Report.

Colleges and Universities

The County has a number of top-rated, college-level educational institutions, including the University of California at Irvine and California State University at Fullerton, several private colleges, universities and law schools and four community college districts.

Employment

The following table summarizes the historical numbers of workers in the County over the period 2020 through 2024 by industry.

TABLE B-3
COUNTY OF ORANGE
INDUSTRY EMPLOYMENT AND LABOR FORCE – ANNUAL AVERAGE

	2021	2022	2023	2024	2025
Farm	2,000	1,700	1,700	1,700	1,700
Mining and Logging	400	300	300	400	300
Construction	102,200	105,300	104,500	105,600	104,000
Manufacturing	149,800	155,400	156,600	154,900	149,800
Wholesale Trade	77,500	79,000	81,100	80,500	78,000
Retail Trade	143,400	145,500	145,800	144,700	143,600
Transportation, Warehousing Utilities	31,100	33,800	35,700	35,600	35,100
Information	24,000	24,300	22,700	22,200	22,500
Financial Activities	117,100	112,300	103,700	103,900	103,400
Professional and Business Services	321,700	331,500	320,100	316,900	317,200
Private Educational and Health Services	237,300	249,200	262,200	272,600	284,100
Leisure and Hospitality	180,400	217,900	229,800	234,200	236,000
Government	155,700	158,200	159,800	162,700	159,000
Other Services	47,500	53,100	55,200	56,100	55,600
Total [(1)]	1,572,800	1,596,300	1,612,200	1,627,500	1,637,100

(1) Totals for all categories. The listed categories do not represent all employment categories.
Source: California Employment Development Department.

Principal Employers

The following table lists the principal employers in the County for 2025.

TABLE B-4
COUNTY OF ORANGE
PRINCIPAL EMPLOYERS
2025

Employer Name	Number of Employees	Percentage of Total County Employment
The Walt Disney Co.	36,000	2.19%
University of California, Irvine	34,085	2.07
Providence Southern California	25,155	1.53
County of Orange	18,811	1.14
Kaiser Permanente	10,293	0.63
Hoag Memorial Hospital Presbyterian	8,081	0.49
Allied Universal	7,214	0.44
Albertsons	7,152	0.43
MemorialCare	6,326	0.38
CHOC Hospital	5,555	0.34

Source: County of Orange, Annual Comprehensive Financial Report, For the Year Ended June 30, 2025.

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Labor Force, Employment and Unemployment

Table B-5 summarizes the annual labor force, employment and unemployment figures over the period 2021 through 2025, for the County and the State.

TABLE B-5
COUNTY OF ORANGE AND STATE OF CALIFORNIA
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
YEARLY AVERAGE

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
2021				
Orange County	1,572,800	1,479,100	93,700	6.0
California	19,013,800	17,619,300	1,394,500	7.3
2022				
Orange County	1,596,300	1,545,200	51,200	3.2
California	19,267,400	18,441,400	826,100	4.3
2023				
Orange County	1,612,200	1,556,000	56,100	3.5
California	19,514,600	18,593,600	921,000	4.7
2024				
Orange County	1,627,500	1,563,900	63,600	3.9
California	19,692,800	18,650,700	1,042,200	5.3
2025				
Orange County	1,637,100	1,569,300	67,800	4.1
California	19,823,800	18,738,500	1,085,300	5.5

Source: California Employment Development Department.

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Taxable Transactions

The following tables summarize the volume of taxable transactions in the County in 2021 through 2025. Annual totals may not add due to rounding.

TABLE B-6
COUNTY OF ORANGE
TAXABLE TRANSACTIONS
2020 through 2024
($ in Thousands)

Type of Business	2021	2022	2023	2024	2025
Motor vehicles and parts dealers	$11,324,257	$11,775,654	$11,056,748	$10,817,359	$11,368,442
Home Furnishings and Appliance Stores	3,104,704	3,116,190	2,946,552	2,893,222	3,131,587
Bldg. matrl. and garden equipment and supplies	3,817,836	4,006,427	3,930,919	3,886,178	3,828,263
Food and beverage stores	2,705,682	2,843,138	2,851,552	2,882,548	3,109,485
Gas stations	4,110,466	5,137,709	4,536,118	4,259,440	3,910,607
Clothing and clothing accessories stores	5,265,145	5,645,156	5,510,685	5,480,352	5,622,424
General merchandise stores	6,114,659	6,661,626	6,433,829	6,411,992	6,339,813
Food services and drinking places	8,795,493	10,252,167	10,807,335	11,173,431	11,480,706
Other Retail Group	8,412,348	8,661,056	9,248,654	9,015,794	9,024,585
TOTAL RETAIL AND FOOD SERVICES	53,650,590	58,099,122	57,322,394	56,820,318	57,815,911
Total All Outlets	$78,253,936	$88,027,071	$87,298,417	$86,337,413	$87,570,723

Source: California Department of Tax and Fee Administration.

Building Permits

Table B-7 provides information regarding issued housing building permits for the County of Orange for calendar years 2021 through 2025.

TABLE B-7
COUNTY OF ORANGE
Housing Unit Building Permits Issued
2021 through 2025

	2021	*2022*	*2023*	*2024*	*2025*
Total Units	7,867	5,938	6,481	6,972	4,992
Units in Single Family	3,433	2,931	2,481	2,671	2,777
Units in All Multifamily	4,434	3,007	4,000	4,301	2,215
Units in 2-Unit Multifamily	182	172	248	306	206
Units in 3 & 4-Unit Multifamily	261	157	312	156	117
Units in 5+-Unit Multifamily	3,991	2,678	3,440	3,839	1,892

Source: U.S. Department of Housing and Urban Development, HUD User, Office of Policy Development and Research, SOCDS (State of the Cities Data Systems) Building Permits.

Water Supply

Maintaining the County's water supply is the responsibility of the Orange County Water District ("OCWD"), manager of the County's groundwater basin, and the Municipal Water District of Orange County ("MWDOC"), the County's largest manager of imported water. About 50% of the County's water is from local groundwater sources and recycled wastewater; the rest is imported. The County's natural underground reservoir is sufficient to carry it through temporary shortfall periods, but local supplies alone cannot sustain the present population.

Recreation and Tourism

The County is a tourist center in Southern California because of the broad spectrum of amusement parks and leisure, recreational and entertainment activities that it offers. These tourist attractions are complimented by the year-round mild climate.

Along the County's Pacific Coast shoreline are more than a dozen municipal, county and state beaches. There are two small-craft docking facilities in Newport Harbor, a third located at Sunset Beach and a fourth at Dana Point.

Other major recreational and amusement facilities include Disneyland, Disney's California Adventure and Knott's Berry Farm. Also located within the County are the Anaheim Convention Center, Edison International Field of Anaheim, Honda Center, Segerstrom Center for the Arts, Spanish Mission of San Juan Capistrano and the Art Colony at Laguna Beach with its annual art festival.

The Anaheim Convention Center is located adjacent to Disneyland. It is situated on 53 acres and has the largest available exhibit space on the West Coast. Table B-8 summarizes the number of conventions held at the Anaheim Convention Center, as well as attendance for the fiscal years 2020-21 through 2024-25.

TABLE B-8
ANAHEIM CONVENTION CENTER ACTIVITY
Fiscal Years 2020-21 through 2024-25

Fiscal Year	Events	Attendance
2020-21	13	377,000
2021-22	101	641,000
2022-23	115	866,000
2023-24	117	1,100,000
2024-25	133	909,000

Source: City of Anaheim Annual Comprehensive Financial Report for fiscal year ended June 30, 2025.

Transportation

The County has access to excellent roads, rail, air and sea transportation. The Santa Ana Freeway (Interstate 5) provides direct access to downtown Los Angeles and connects with the San Diego Freeway (Interstate 405) southeast of the City of Santa Ana, providing a direct link with San Diego. The Garden Grove Freeway (State 22) and the Riverside Freeway (State 91) provide east-west transportation, linking the San Diego Freeway, Santa Ana Freeway and the Newport Freeway (State 55). The Newport Freeway provides access to certain beach communities.

Drivers in the County have access to two toll road systems of the Transportation Corridor Agencies. The San Joaquin Toll Road (73) runs from Costa Mesa to San Juan Capistrano connecting to the 405 and 5 interstate freeways. The Eastern and Foothill Toll Roads (241, 261 and 133) connect the County to the 91 freeway in the north and the 5 freeway, City of Irvine other South County cities, as well as Laguna Canyon Road. The Transportation Corridor Agencies are in the planning stages to connect the southern portion of 241 to the arterial road network.

Rail freight service is provided by the Burlington Northern Santa Fe Railway and the Union Pacific Railroad Company. Amtrak provides passenger service to San Diego to the south, Riverside and San Bernardino Counties to the east, and Los Angeles and Santa Barbara to the north. Metrolink provides passenger service to San Bernardino and Riverside counties to the east, the City of Oceanside to the south and Los Angeles County to the north. Bus service is provided by Greyhound Bus Lines. The Orange County Transportation Authority provides bus service between most cities in the County. Most interstate common carrier truck lines operating in California serve the County.

The John Wayne Airport, owned and operated by the County, is the only commercial service airport in the County. It is approximately thirty-five miles south of Los Angeles, between the cities of Coast Mesa, Irvine, Newport Beach and Santa Ana. Major airlines, including Air Canada, Alaska, Allegiant Air, American, Delta, Frontier, Southwest, Spirit, United and WestJet, fly from the airport to major cities throughout the country and destinations in Mexico and Canada.

Natural Disasters; Seismic Activity

Natural disasters, including floods, fires and earthquakes, have been experienced in the County. Seismic records spanning the past half century and historic records dating from the 1700s through the early 1900s indicate that the County is a seismically active area. The State Office of Emergency Services indicates that significant tremors are likely to occur in several fault zones during the next 50 to 100 years, including a tremor of 7.0 on the Richter scale within the Newport-Inglewood fault system. The chance of a Richter 7.0 earthquake occurring is estimated to be 1 to 2% in any year. For this reason, local building codes require that structures be designed to withstand the expected accelerations for the area without collapsing or suffering severe structural damage. Maps published by the State Department of Conservation indicate that portions of the County may be subject to the risk of earthquake-induced landslides or liquefaction.

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Trust Agreement, the Installment Purchase Agreement and the Master Agreement are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Revenue Obligations are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

"Ad Valorem Taxes" means, for any period, the ad valorem property taxes received by the District during such period pursuant to Article XIIIA of the California Constitution and Section 95 *et seq.* of the California Revenue and Taxation Code, excluding any such taxes levied to pay any voter approved general obligation indebtedness of the District.

"Administrative Costs" means the ordinary and necessary administrative costs and incidental expenses related to the Obligations and the Obligation Securities, including, but not limited to, Obligation Trustee fees and expenses (including fees and expenses of counsel thereto), Credit Facility Costs, remarketing fees, and fees incurred in connection with the calculation of arbitrage rebate due to the federal government with respect to the Obligations.

"Assumed Debt Service" means, for any period, (a) for any Obligation other than Bonds, that portion of the Obligation Payments for such. Obligation required to be made in such period, and (b) for Bonds, the sum of (i) the interest payable during such period on all such Outstanding Bonds, assuming that all Outstanding serial Bonds are retired as scheduled and that all Outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled, (ii) that portion of the principal amount of all such Outstanding serial Bonds maturing on any principal payment date which falls in such period, and (iii) that portion of the principal amount of all Outstanding term Bonds required to be redeemed or paid on any redemption date which falls in such period (together with the redemption premiums, if any, thereon). For purposes of calculating Assumed Debt Service, the following assumptions shall be used:

(A) in determining the principal amount due in each period, payment shall be assumed to be made in accordance with any amortization schedule established for such Obligations, including any scheduled payment at maturity or mandatory redemption or prepayment of Obligations on the basis of accreted value and, for such purpose, the scheduled payment at maturity or redemption payment or prepayment shall be deemed a principal payment;

(B) in determining the interest due in each period, interest payable at a fixed rate shall be assumed to be made at such fixed rate and on the required payment dates;

(C) if any outstanding Obligations constitute Variable Rate Indebtedness, the interest rate on such Obligations shall be assumed to be the greater of (x) the average interest rate on such Obligations during the 12 calendar months ending with the month preceding the date of calculation, or (y) the rate of interest on such Obligations on the date of calculation;

(D) if Obligations proposed to be incurred will be Variable Rate Indebtedness, then (x) if interest on such Obligations is excluded from gross income for purposes of Federal income taxation, such Obligations shall be assumed to bear interest at the rate quoted in the most recently available short-term index of SIFMA, or if that index is no longer published, another similar index

selected by the District or, if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Obligations proposed to be incurred, or if there are no such Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Obligations is not excluded from gross income for purposes of Federal income taxation, such Obligations shall be assumed to bear interest at an interest rate equal to 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Obligations proposed to be incurred, or if there are no such Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(E) if any outstanding Obligations constitute Balloon Indebtedness (and such Obligations do not constitute Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H), below) or if Obligations proposed to be incurred would constitute Balloon Indebtedness (and such Obligations would not constitute Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H), below), then such amounts as constitute Balloon Indebtedness shall be treated as if the principal amount of such Obligations were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 30 years; the interest rate used for such computation shall be the rate quoted in the most recently available short-term index of SIFMA, or if that index is no longer published, another similar index selected by the District, or if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Obligations on the date incurred, or if there are no such United States Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(F) if any outstanding Obligations constitute Credit Enhanced Obligations or if Obligations proposed to be incurred would constitute Credit Enhanced Obligations, then Assumed Debt Service on such Obligations shall not be based upon the terms of any Reimbursement Obligations with respect to such Credit Enhanced Obligations except to the extent and for periods during which payments have been or will be required to be made pursuant to such Reimbursement Obligations due to the Credit Enhancer's having advanced funds for which it has not been fully reimbursed;

(G) if any outstanding Obligations constitute Option Securities, or if any Obligation Securities payable from or evidencing interests in any outstanding Obligations (or the Obligation Payments payable under and pursuant to such Obligations) constitute Option Securities, or if Obligations proposed to be incurred would constitute Option Securities, or if Obligation Securities payable from or evidencing interests in Obligations proposed to be incurred(or the Obligation Payments payable under and pursuant to such Obligations) would constitute Option Securities, then (x) Assumed Debt Service on such Obligations shall not include amounts payable upon exercise by the Obligation Security Owner of such Option Securities of the option to tender such Option Securities for payment to the extent and for so long as a Liquidity Backer is required to provide the moneys necessary for such payment, and (y) Assumed Debt Service on such Obligations shall not be based upon the terms of any Reimbursement Obligations with respect to such Option Securities except to the extent and for periods during which payments have been or will be required to be made pursuant to such Reimbursement Obligations due to the Liquidity Backer's having advanced funds for which it has not been fully reimbursed;

(H) if any outstanding Obligations constitute Short-Term Obligations or if Obligations proposed to be incurred would constitute Short-Term Obligations, and such Short-Term Obligations are or will be payable only out of Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then Debt Service on such Short-Term Obligations shall be disregarded and not included in calculating Assumed Debt Service;

(I) if any outstanding Obligation constitutes a Financial Contract, then amounts payable by the District under such Financial Contract shall be added to Assumed Debt Service and amounts receivable by the District under such Financial Contract shall be subtracted from Assumed Debt Service; if the interest rate applicable to payments receivable by the District under such Financial Contract is a variable rate, such variable rate shall be calculated in accordance with clause (C), above;

(J) if any Obligation proposed to be incurred will be a Financial Contract, then amounts payable by the District under such Financial Contract shall be added to Assumed Debt Service and amounts receivable by the District under such Financial Contract shall be subtracted from Assumed Debt Service; if the interest rate applicable to payments receivable by the District under such Financial Contract will be a variable rate, such variable rate shall be calculated in accordance with clause (D), above;

(K) if amounts constituting accrued interest or capitalized interest have been deposited with an Obligation Trustee for Obligation Securities, then the interest payable from such amounts with respect to (x) the Obligations constituting such Obligation Securities, (y) the Obligations (or Obligation Payments) from which debt service on such Obligation Securities is payable, and (z) the Obligations (or Obligation Payments) interests in which are evidenced by such Obligation Securities, shall be disregarded and not included in calculating Assumed Debt Service;

(L) if moneys or Defeasance Securities have been deposited by the District into a separate fund or account or are otherwise held by the District or by a fiduciary to be used to pay Debt Service on specified Obligations, or debt service on the Related Bonds of such Obligations, and such Obligations are discharged, or no longer outstanding, pursuant to the terms of the instrument under which they are issued or arise, then the Debt Service to be paid from such moneys or Defeasance Securities, or from the earnings thereon, shall be disregarded and not included in calculating Assumed Debt Service;

(M) if investment earnings on amounts on deposit in an Obligation Reserve Fund are, pursuant to the terms of the instrument under which such Obligation Reserve Fund was established, required to be transferred therefrom and used to pay, or used as a credit against the payment of, Debt Service on specified Obligations, or debt service on the Related Bonds of such Obligations, then the projected investment earnings on such amounts, based on a reasonably determined rate of return, expected to be so used during such period shall be deducted from the Obligation Payments for such Obligations during such period;

(N) the amount on deposit in an Obligation Reserve Fund on any date of calculation of Assumed Debt Service shall be deducted from the amount of principal due at the final maturity of the Obligations for which such Obligation Reserve Fund was established and in each preceding year until such amount is exhausted; and

(O) with respect to Obligation Payments that are not comprised of separate payments of interest and principal but which, rather, are required pursuant to the instrument under which they

arise to be paid in amounts sufficient to pay principal and interest on Related Bonds, for purposes of calculating Assumed Debt Service, interest payments and principal payments (whether at maturity or by redemption or prepayment) with respect to such Related Bonds shall be deemed to be interest payments and principal payments with respect to such Obligation Payments.

"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 the 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 or the Director of Finance of the District to act on behalf of the District under or with respect to the Trust Agreement.

"Balloon Indebtedness" means an Obligation, 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Obligation was incurred to be amortized by payment or redemption prior to such date.

"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 the Trust Agreement.

"Bonds" means Senior Bonds and Subordinate Bonds.

"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.

"Capital Facilities Capacity Charge Eligible Project" means any improvements to the Wastewater System, the acquisition, construction and installation of which could be properly paid from Capital Facilities Capacity Charges.

"Capital Facilities Capacity Charges" means connection, capacity and other similar fees imposed by the District as charges to pay for capacity in the Wastewater System.

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

"Closing Date" means the date the Revenue Obligations are delivered.

"Code" means the Internal Revenue Code of 1986.

"Consultant" means the consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the District to perform the acts and carry out the duties provided for such consultant in the Master Agreement, in an Obligation, in an Obligation Security

or an Issuing Instrument. Such consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm shall be recognized within its profession for work of the character required.

"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 the 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 the Trust Agreement.

"Credit Enhanced Obligations" means Obligations, the payments with respect to which, or the payments with respect to Related Bonds of which, are secured by a Credit Facility.

"Credit Enhancer" means the Person issuing the Credit Facility securing payments with respect to Credit Enhanced Obligations or Related Bonds of such Credit Enhanced Obligations.

"Credit Facility" means an irrevocable letter of credit, surety bond, insurance policy or other credit facility (a) securing payments with respect to Credit Enhanced Obligations, or Related Bonds of such Credit Enhanced Obligations, or (b) providing for amounts payable upon the optional or mandatory tender of an Option Security by the Obligation Security Owner thereof.

"Credit Facility Agreement" means the agreement or arrangement pursuant to which a Credit Enhancer or Liquidity Backer is required to be reimbursed for draws on or payments under the Credit Facility issued by such Credit Enhancer or Liquidity Backer.

"Credit Facility Costs" means any periodic fees and expenses payable to a Credit Enhancer or Liquidity Backer in consideration of such Person's providing the Credit Facility issued by such Person.

"Debt Service" means, for any period, (a) for any Obligation other than Bonds, that portion of the Obligation Payments for such Obligation required to be made in such period, and (b) for Bonds, the sum of (i) the interest payable during such period on all such Outstanding Bonds, assuming that all Outstanding serial Bonds are retired as scheduled and that all Outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled, (ii) that portion of the principal amount of all such Outstanding serial Bonds maturing on any principal payment date which falls in such period, and (iii) that portion of the principal amount of all Outstanding term Bonds required to be redeemed or paid on any redemption date which falls in such period (together with the redemption premiums, if any, thereon); provided, however, that, (A) if amounts constituting accrued interest or capitalized interest have been deposited with an Obligation Trustee for Obligation Securities, then the interest payable from such amounts with respect to (x) the Obligations

constituting such Obligation Securities, (y) the Obligations (or Obligation Payments) from which debt service on such Obligation Securities is payable, and (z) the Obligations (or Obligation Payments) interests in which are evidenced by such Obligation Securities, shall be disregarded and not included in calculating Debt Service, (B) if moneys or Defeasance Securities have been deposited by the District into a separate fund or account or are otherwise held by the District or by a fiduciary to be used to pay Debt Service on specified Obligations, or debt service on the Related Bonds of such Obligations, and such Obligations are discharged, or no longer outstanding, pursuant to the terms of the instrument under which they are issued or arise, then the Debt Service to be paid from such moneys or Defeasance Securities, or from the earnings thereon, shall be disregarded and not included in calculating Debt Service, (C) if investment earnings on amounts on deposit in an Obligation Reserve Fund are, pursuant to the terms of the instrument under which such Obligation Reserve Fund was established, required to be transferred therefrom and used to pay, or used as a credit against the payment of, Debt Service on specified Obligations, or debt service on the Related Bonds of such Obligations, then the amount so transferred and used during such period shall be deducted from the Obligation Payments for such Obligations during such period, (D) the amount on deposit in an Obligation Reserve Fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Obligations for which such Obligation Reserve Fund was established and in each preceding year until such amount is exhausted, and (E) with respect to Obligation Payments that are not comprised of separate payments of interest and principal but which, rather, are required pursuant to the instrument under which they arise to be paid in amounts sufficient to pay principal and interest on Related Bonds, for purposes of calculating Debt Service, interest payments and principal payments (whether at maturity or by redemption or prepayment) with respect to such Related Bonds shall be deemed to be interest payments and principal payments with respect to such Obligation Payments.

"Depository" means the securities depository acting as Depository pursuant to the Trust Agreement.

"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.

"Financial Contract" means any interest rate swap agreement, currency swap agreement, forward payment conversion agreement, future or contract entered into by the District with respect to any Obligation providing for payment based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or a contract entered into by the District with respect to any Obligation to exchange cash flows or a series of payments, or a contract entered into by the District with respect to any Obligation, including, without limitation, interest rate floors or caps, options, rates or calls, to hedge payment, currency, rate, spread, or similar exposure or any similar contract entered into by the District with respect to any Obligation.

"Fiscal Year" means, with respect to the District, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

"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.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor and the National Council on Governmental Accounting or its successor, or by any other generally

accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"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 Dates" means each February 1, commencing February 1, 2027.

"Installment Payment Fund" means the fund by that name established in accordance with the Trust Agreement.

"Installment Payments" means the Installment Payments required to be made by the District pursuant to the Installment Purchase Agreement.

"Installment Purchase Agreement" means the Installment Purchase Agreement, dated as of November 1, 2026, 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 provisions thereof.

"Installment Purchase Agreement Event of Default" means an event described under the heading "Installment Purchase Agreement Events of Default" and as provided in the Installment Purchase Agreement. See "THE INSTALLMENT PURCHASE AGREEMENT – Events of Default and Remedies of the Corporation – *Events of Default*."

"Interest Account" means the account by that name within the Installment Payment Fund established in accordance with the Trust Agreement.

"Interest Payment Date" means February 1 and August 1 of each year, commencing February 1, 2027.

"IRWD Agreement" means the Agreement Acquiring Ownership Interests, Assigning Rights and Establishing Obligations, entered into on February 13, 1986, by and between County Sanitation District No. 14 of Orange County and the Irvine Ranch Water District, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

"Issuing Instrument" means, with respect to Obligation Securities (a) if such Obligation Securities are Bonds, the indenture, trust agreement, fiscal agent agreement or other instrument pursuant to which such Bonds are issued, (b) if such Obligation Securities are Related Bonds, the indenture, trust agreement, fiscal agent agreement or other instrument pursuant to which such Related Bonds are issued, (c) if such Obligation Securities are a Contract, such Contract, and (d) if such Obligation Securities are Senior Certificates or Subordinate Certificates, the trust agreement or other instrument pursuant to which such Senior Certificates or Subordinate Certificates are executed and delivered.

"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.

"Liquidity Backer" means the Person issuing the Credit Facility providing for amounts payable upon the optional or mandatory tender of an Option Security by the Obligation Security Owner thereof.

"Maintenance and Operations Costs" means, for any period, the costs paid by the District during such period for maintaining and operating the Wastewater System, calculated in accordance with Generally Accepted Accounting Principles, including (among other things) all expenses necessary to maintain and preserve the Wastewater System in good repair and working order, all administrative costs allocable to the operation of the Wastewater System, such as salaries and wages of employees, payments to its employee retirement systems (to the extent paid from Revenues), overhead, taxes (if any), insurance premiums, fees of auditors, accountants, attorneys or engineers, and all Administrative Costs paid by the District during such period, but excluding in all cases (a) depreciation, replacement and obsolescence charges or reserves therefor, (b) amortization of intangibles or other bookkeeping entries of a similar nature, (c) costs of capital additions, replacements, betterments, extensions or improvements to the Wastewater System which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation, and (d) charges for the payment of any debt service on Obligations of the District.

"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.

"Master Agreement Event of Default" means an event described under the heading "Master Agreement Events of Default."

"Maximum Annual Debt Service" means, as of any date, with respect to Obligations, the maximum amount of Assumed Debt Service on such Obligations in the then current or any future Fiscal Year.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, 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.

"Net Operating Revenues" means for any period, the Operating Revenues for such period, less the Maintenance and Operations Costs for such period.

"Net Proceeds" means, when used with respect to any insurance, self-insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds.

"Net Revenues" means for any period, the Revenues for such period, less the Maintenance and Operations Costs for such period.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

"Obligation Payments" means Senior Obligation Payments and Subordinate Obligation Payments.

"Obligation Reserve Fund" means, with respect to Obligation Securities, any debt service reserve fund or account held by the Obligation Trustee for such Obligation Securities and established to secure the payment of such Obligation Securities or the payment of the Obligation Payments payable under and pursuant to the Obligations, interests in which are evidenced by such Obligation Securities.

"Obligation Securities" means Senior Obligation Securities and Subordinate Obligation Securities.

"Obligation Security Owner" means, with respect to an Obligation Security, the Person who is, or who is deemed to be, the owner of such Obligation Security, as determined pursuant to the provisions of such Obligation Security or the Issuing Instrument pursuant to which such Obligation Security is issued, incurred or executed and delivered.

"Obligation Trustees" means Senior Obligation Trustees and Subordinate Obligation Trustees. "Obligations" means Senior Obligations and Subordinate Obligations.

"Obligations" means Senior Obligations and Subordinate Obligations.

"Operating Revenues" means, 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 Operations Costs), Net Proceeds of business interruption insurance received during such period, Ad Valorem Taxes received during such period, payments under the IRWD Agreement 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 Operating 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 Subject Obligations were used or are available to be used.

"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.

"Option Securities" means Obligation Securities which by their terms, or by the terms of the Issuing Instrument pursuant to which they were issued, incurred or executed and delivered, may be or are required to be tendered by the Obligation Security Owner thereof for payment or purchase by the District or a third party prior to the stated maturity thereof.

"Outstanding," when used as of any particular time with reference to Revenue Obligations, means (subject to the Trust Agreement as described herein under the caption "THE TRUST AGREEMENT – Amendment of or Supplement to Trust Agreement – *Disqualified Revenue Obligations*") 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 as described herein under the caption "THE TRUST AGREEMENT – Defeasance – *Discharge of Revenue Obligations and Trust Agreement*" 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 the Trust Agreement.

"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 the Trust Agreement.

"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 Encumbrances" means, with respect to the Wastewater System or any part thereof (a) liens for taxes or other governmental charges or levies not delinquent or that are being contested in good faith by the District, (b) covenants, easements, encumbrances, defects of title, reservations, restrictions and conditions existing at the time of delivery of the Senior Certificates or Subordinate Certificates, (c) defects, irregularities, encumbrances, easements, including easements for roads and public utilities and similar easements, rights of way, mineral conveyances, mineral reservations and clouds on title that do not materially impair the use of the property affected thereby for its intended purposes, (d) mechanics', workers', repairmen's, architects', engineers', surveyors', or carriers' liens or other similar liens provided that the same shall be discharged in the ordinary course of business and without undue delay or the validity of the same shall be contested in good faith with any pending execution thereof appropriately stayed, (e) other liens, charges and encumbrances that, in the written opinion of counsel to the District, a copy of which is filed with each Obligation Trustee, do not materially impair the use of the Wastewater System (for purposes of the Master Agreement, counsel to the District may rely upon a certificate of any engineer or any architect as to whether such liens, charges and encumbrances prevent or materially impair the use of the Wastewater System), and (f) encumbrances on property, plant and equipment comprising a part of the Wastewater System to the extent permitted by the Master 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, tune 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.

"Principal Account" means the account by that name within the Installment Payment Fund established in accordance with the Trust Agreement.

"Principal Amount" means, with respect to Obligation Securities (a) if such Obligation Securities are Bonds, the principal amount of such Bonds, as determined pursuant to the provisions of such Bonds or the Issuing Instrument pursuant to which such Bonds are issued, (b) if such Obligation Securities arc Related Bonds, the principal amount of such Related Bonds, as determined pursuant to the provisions of such Related Bonds or the Issuing Instrument pursuant to which such Related Bonds are issued, (c) if such Obligation Securities are a Contract, the principal amount of such Contract, or the principal amount of the Contract Payments payable under and pursuant to such Contract, as determined pursuant to the provisions of such Contract, and (d) if such Obligation Securities are Senior Certificates or Subordinate Certificates, the principal amount of the Contract, or the principal amount of the Contract Payments payable under and pursuant to such Contract, evidenced by such Senior Certificates or Subordinate Certificates, as determined pursuant to the provisions of such Senior Certificates or Subordinate Certificates or the Issuing Instrument pursuant to which such Senior Certificates or Subordinate Certificates are executed and delivered.

"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" means the Refunded 2017A Obligations, as described in the forepart of the Official Statement.

"Project" means the improvements to the Wastewater System to be acquired, constructed and installed pursuant to the Installment Purchase Agreement, as described in Exhibit A thereto.

"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.

"Reimbursement Obligation" means the obligation of the District, arising pursuant to a Credit Facility Agreement or otherwise, to repay amounts drawn on or paid under a Credit Facility, to pay interest on such amounts and to pay any other amounts in connection with such draw or payment; provided, however, that no portion of any such obligation shall be deemed to be a Reimbursement Obligation if the payment thereof would duplicate any amount payable to the Credit Enhancer or Liquidity Backer that issued such Credit Facility in such Credit Enhancer or Liquidity Backer's capacity as Obligation Security Owner of an Obligation Security.

"Related Bonds" means, with respect to particular Obligations, bonds, notes or other obligations of a Person other than the District, the debt service on which is payable from Obligation Payments for such Obligations.

"Revenue Obligations" means the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2026A, executed and delivered by the Trustee, which are certificates of participation, evidencing direct, undivided fractional interests in the Installment Payments, and the interest thereon.

"Revenues" means, 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 Operations Costs), Net Proceeds of business interruption insurance received during such period, Ad Valorem Taxes received during such period, payments under the IRWD Agreement 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 Subject Obligations were used or are available to be used.

"S&P" means S&P Global Ratings, a, 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.

"Senior Bonds" mean 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 payments of which are, in accordance with the provisions of the Master Agreement, payable from Net Revenues on a parity with the Senior Contract Payments.

"Senior Certificates" means certificates of participation, receipts or other instruments evidencing interests in a Senior Contract, or in the Senior Contract Payments payable under and pursuant to such Senior Contract.

"Senior Contract Payments" means the installment, lease or other payments of interest and principal or, if there are no separate payments of interest and principal, the installment, lease or other payments, payable by the District under and pursuant to its Senior Contracts.

"Senior Contracts" means all 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 under which are, in accordance with the provisions of the Master Agreement, payable from Net Revenues on a parity with Senior Bonds.

"Senior Obligation Payments" means (a) the debt service payments payable by the District under and pursuant to Senior Bonds, and (b) Senior Contract Payments.

"Senior Obligation Securities" means, with respect to particular Senior Obligations (a) if such Senior Obligations are Senior Bonds that do not have Related Bonds, such Senior Bonds, (b) if such Senior Obligations are Senior Bonds that do have Related Bonds, such Related Bonds, (c) if such Senior Obligations are a Senior Contract (i) that does not have Related Bonds, and (ii) interests in which, or interests in the Senior Contract Payments payable under and pursuant to which, are not evidenced by Senior Certificates, such Senior Contract, (d) if such Senior Obligations are a Senior Contract that does have Related Bonds, such Related Bonds, and (e) if such Senior Obligations are a Senior Contract, interests in which, or interests in the Senior Contract Payments payable under and pursuant to which, are evidenced by Senior Certificates, such Senior Certificates.

"Senior Obligation Trustee" means, with respect to Senior Obligation Securities, the trustee, fiscal agent or other fiduciary authorized to act for the benefit and on behalf of the Owners of such Senior Obligation Securities.

"Senior Obligations" means Senior Bonds and Senior Contracts.

"Short-Term Obligations" means Obligations having an original maturity of less than or equal to one year and which are riot renewable at the option of the District for a term greater than one year beyond the date of original incurrence.

"SIFMA" means the Securities Industry and Financial Markets Association, and its successors.

"State" means the State of California.

"Subject Obligations" means, for any period, Obligations, any portion of the proceeds of which were expended or are available to be expended for a Capital Facilities Capacity Charge Eligible Project, and with respect to which (a) any portion of such Obligations were outstanding during such period, or (b) if such Obligations were refunded with the proceeds of refunding Obligations, any portion of such refunding Obligations were outstanding during such period.

"Subordinate Bonds" 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 payments of which are, in accordance with the provisions of the Master Agreement, payable from Net Revenues remaining after payment therefrom of the District's Senior Obligation Payments, on a parity with the District's Subordinate Contract Payments.

"Subordinate Certificates" means certificates of participation, receipts or other instruments evidencing interests in a Subordinate Contract, or in the Subordinate Contract Payments payable under and pursuant to such Subordinate Contract.

"Subordinate Contract Payments" means the installment, lease or other payments of interest and principal or, if there are no separate payments of interest and principal, the installment, lease or other payments, payable by the District under and pursuant to its Subordinate Contracts.

"Subordinate Contracts" means all 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 under which are, in accordance with the provisions of the Master Agreement, payable from the Net Revenues remaining after payment therefrom of the District's Senior Obligation Payments, on a parity with the District's Subordinate Bonds.

"Subordinate Obligation Payments" means (a) the debt service payments payable by the District under and pursuant to Subordinate Bonds, and (b) Subordinate Contract Payments.

"Subordinate Obligation Securities" means, with respect to particular Subordinate Obligations (a) if such Subordinate Obligations are Subordinate Bonds that do not have Related Bonds, such Subordinate Bonds, (b) if such Subordinate Obligations are Subordinate Bonds that do have Related Bonds, such Related Bonds, (c) if such Subordinate Obligations are a Subordinate Contract (i) that does not have Related Bonds, and (ii) interests in which, or interests in the Subordinate Contract Payments payable under and pursuant to which, are not evidenced by Subordinate Certificates, such Subordinate Contract, (d) if such Subordinate Obligations are a Subordinate Contract that does have Related Bonds, such Related Bonds, and (e) if such Subordinate Obligations are a Subordinate Contract, interests in which, or interests in the Subordinate Contract Payments payable under and pursuant to which, are evidenced by Subordinate Certificates, such Subordinate Certificates.

"Subordinate Obligation Trustee" means, with respect to Subordinate Obligation Securities, the trustee, fiscal agent or other fiduciary authorized to act for the benefit and on behalf of the Owners of such Subordinate Obligation Securities.

"Subordinate Obligations" means Subordinate Bonds and Subordinate Contracts.

"Trust Agreement" means the Trust Agreement, dated as of November 1, 2026, 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 of the Trust Agreement.

"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 the Trust Agreement.

"Variable Rate Indebtedness" means any portion of any Obligation the interest rate on which is not established at the time of incurring such Obligation and has not, at some subsequent date, been established at a rate which is not subject to fluctuation or subsequent adjustment.

"Wastewater System" means the whole and each and every part of the wastewater collection, treatment and disposal facilities of the District, all real and personal property, or any interest therein, constituting a part thereof and all additions, improvements, betterments and extensions thereto, whether existing as of the date of the Master Agreement or subsequently acquired, constructed or installed.

"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.

THE TRUST AGREEMENT

Terms and Conditions of Revenue Obligations

Preparation and Delivery of Revenue Obligations. The Trustee is pursuant to the Trust Agreement authorized and directed to prepare the Revenue Obligations and, upon the Written Request of the District, to execute and deliver the Revenue Obligations in the aggregate principal amount of set forth in this Official Statement, 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.

Denomination, Medium and Dating of Revenue Obligations. The Revenue Obligations shall be designated "Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2026A" 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 January 15, 2027, 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.

Payment Dates of Revenue Obligations; Interest Computation. The principal evidenced by the Revenue Obligations shall become due and payable on February 1 or August 1, as applicable, of the years, in the amounts, and shall evidence interest accruing at the rates per annum set forth in the Trust Agreement.

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 the Trust Agreement, 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 evidenced by the Revenue Obligations, on their stated Principal Payment Dates, shall be made only upon presentation and surrender of the Revenue Obligations at the Principal Office.

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. Interest evidenced by the Revenue Obligations shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

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 the Trust Agreement, 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 the 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.

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 provided in the Trust Agreement.

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 of the Trust Agreement 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 under the Trust Agreement as definitive Revenue Obligations executed and delivered under the Trust Agreement.

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 the Trust Agreement and of the expenses which may be incurred by it under the Trust Agreement. Any Revenue Obligation executed and delivered under the provisions of the Trust Agreement in lieu of any Revenue Obligation alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Trust Agreement with all other Revenue Obligations executed and delivered under the Trust Agreement, 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 under the Trust Agreement or for the purpose of determining any percentage of Revenue Obligations Outstanding under the Trust Agreement, but both the original and replacement Revenue Obligation shall be treated as one and the same. Notwithstanding any other provision of the Trust Agreement, 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.

Book-Entry System. (a) The Revenue Obligations shall be initially executed and delivered as Book-Entry Certificates, and the Revenue Obligation 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 Obligation, or portions thereof, to be prepaid, for the purpose of giving notices of prepayment and other matters with respect to such Revenue Obligations, 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) 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 in the Trust Agreement with respect to Record Dates, the word Nominee in the Trust Agreement shall refer to such nominee of the Depository.

(e) 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 the Trust Agreement, as are reasonably necessary to qualify Book-Entry Certificates for the Depository's book-entry program.

(f) 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 Trust Agreement as described herein under the caption "THE TRUST AGREEMENT — *Terms and Conditions of Revenue Obligations — Transfer and Payment of Revenue Obligations; Exchange of Revenue Obligations" and "— Revenue Obligations Mutilated, Lost, Destroyed or Stolen*." 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.

(g) Notwithstanding any other provision of the 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.

(h) 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.

Equal Security. In consideration of the acceptance of the Revenue Obligations by the Owners, the 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 under the Trust Agreement, subject to each of the agreements, conditions, covenants and terms contained in the Trust Agreement; and all agreements, conditions, covenants and terms contained in the Trust Agreement 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 in the Trust Agreement or therein.

Assignment and Pledge; Funds and Accounts

Assignment and Pledge. The Corporation pursuant to the Trust Agreement 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 pursuant to the Trust Agreement accepts said transfer, conveyance and assignment, solely in its capacity as Trustee, for the benefit of the Owners, subject to the provisions of the 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 in the Trust Agreement, the Corporation and the District pursuant to the Trust Agreement 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 under the Trust Agreement. This pledge shall constitute a first lien on the amounts on deposit in such funds and accounts.

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 authorized in the Trust Agreement.

(b) The Trustee shall transfer the amounts on deposit in the Installment Payment Fund, at the times and in the manner provided below, to the following respective accounts within the Installment Payment Fund, each of which the Trustee pursuant to the Trust Agreement agrees to establish and maintain 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 authorized in the Trust Agreement.

(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.

Investment of Moneys. Except as otherwise provided in the Trust Agreement, all moneys in any of the funds or accounts established pursuant to the 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 the 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 the Trust Agreement shall be retained therein.

Permitted Investments acquired as an investment of moneys in any fund or account established under the 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 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 the Trust Agreement. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Trust Agreement. The Trustee is pursuant to the Trust Agreement authorized, in making or disposing of any investment permitted by the Trust Agreement, 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.

Covenants

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

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.

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.

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.

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 under the Trust Agreement, other than the pledge and lien of the Trust Agreement.

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 under the Trust Agreement; 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.

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).

Tax Covenants. Special Definitions. When used in the Trust Agreement, 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) 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 until the Trustee receives a written 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 the Trust Agreement.

(b) 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) 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) 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) 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) 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) 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) The District represents that neither the Prior Issue or 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 issuance 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) 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) 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").

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 the 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 acknowledgment of the Continuing Disclosure Agreement.

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 the Trust Agreement and for preserving and protecting the rights and interests of the Owners.

Default and Limitations of Liability

Action upon Event of Default. An Event of Default under the Installment Purchase Agreement shall constitute an Event of Default under the Trust Agreement and an Event of Default under the Master Agreement shall constitute an Event of Default under the Trust Agreement. 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 the 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 the 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 the Trust Agreement as described herein in under the caption "THE TRUST AGREEMENT – Amendment of or Supplement to Trust Agreement – *Disqualified Revenue Obligations*."

Other Remedies of the Trustee. Subject to the provisions of the Trust Agreement as described herein under the caption "THE TRUST AGREEMENT – Default and Limitations of Liability – *Action upon Event of Default*," 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 in the Trust Agreement;

(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 under the Trust Agreement to require the Corporation and the District to account as the trustee of an express trust.

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 the Trust Agreement 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.

Remedies Not Exclusive. Subject to the provisions of the Trust Agreement as described herein under the caption "THE TRUST AGREEMENT – Default and Limitations of Liability – *Action upon Event of Default*," no remedy conferred upon or reserved to the Trustee under the Trust Agreement 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 under the Trust Agreement 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 under the Trust Agreement, or otherwise, shall not prevent the concurrent or subsequent assertion or employment of any other appropriate right or remedy.

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 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 the Trust Agreement;

(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.

Trustee May Enforce Claims Without Possession of Revenue Obligations. All rights of action and claims under the 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.

Limitation on Suits. No Owner shall have any right to institute any proceeding, judicial or otherwise, with respect to the Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy under the Trust Agreement, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing Event of Default under the Trust Agreement, (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 under the Trust Agreement, (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 the 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 the Trust Agreement, except in the manner provided in the Trust Agreement and for the equal and ratable benefit of all the Owners of Revenue Obligations.

No Liability by the Corporation to the Owner. Except as expressly provided in the Trust Agreement, 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 in the Trust Agreement, or with

respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

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 in the Trust Agreement, the District shall not have any obligation or liability to the Owners with respect to the 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 in the Trust Agreement.

No Liability of the Trustee to the Owners. Except as expressly provided in the Trust Agreement, 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 in the Trust Agreement.

The Trustee

Employment of the Trustee; Duties. The Corporation and the District pursuant to the Trust Agreement appoint and employ the Trustee to receive, deposit and disburse the Installment Payments, and the interest thereon, to prepare, execute, deliver and transfer the Revenue Obligations and to perform the other functions contained in the Trust Agreement, all in the manner provided in the Trust Agreement and subject to the conditions and terms of the Trust Agreement. By executing and delivering the Trust Agreement, the Trustee accepts the appointment and employment hereinabove referred to and accepts the rights and obligations of the Trustee provided in the Trust Agreement, subject to the conditions and terms of the Trust Agreement. Other than when an Event of Default under the Trust Agreement has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied covenants or obligations shall be read into the 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 the 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.

Removal and Resignation of the Trustee. The Corporation and the District may, by an instrument in writing, remove the Trustee initially a party to the Trust Agreement and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Trust Agreement 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 the Trust Agreement 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 the 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 in the Trust Agreement; 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 the 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 set forth in the Trust Agreement.

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 the Trust Agreement, *ipso facto*, shall be and become successor trustee under the 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 to the Trust Agreement, anything in the Trust Agreement to the contrary notwithstanding.

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 under the Trust Agreement 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) under the Trust Agreement, 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 under the Trust Agreement; 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 under the Trust Agreement. The Trustee may take whatever legal actions are lawfully available to it directly against the Corporation or the District.

Except as otherwise expressly provided in the Trust Agreement, no provision of the 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 under the Trust Agreement or in the exercise of any of its rights or powers under the Trust Agreement.

The District, to the extent permitted by law, agrees to indemnify and save the Trustee, its directors, officers, employees and agents harmless against any liabilities which it may incur in the exercise and

performance of its powers and duties under the Trust Agreement or any other document related to the 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.

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 of the Trust Agreement, 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 the Trust Agreement at the request or direction of any of the Owners of the Revenue Obligations pursuant to the 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 under the Trust Agreement 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 under the Trust Agreement, 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 under the Trust Agreement, except failure of any of the payments to be made to the Trustee required to be made under the Trust Agreement 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 under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof is specifically prescribed in the Trust Agreement) 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 certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement 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 to the Trust Agreement. 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 under the Trust Agreement.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Trust Agreement and perform any rights and obligations required of it under the Trust Agreement 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 under the Trust Agreement, 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 under the Trust Agreement or for anything whatsoever in connection with the funds established under the Trust Agreement, except only for its own willful misconduct, negligence or breach of an obligation under the Trust Agreement.

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.

Amendment of or Supplement to Trust Agreement

Amendment or Supplement. (a) 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 of the Trust Agreement or supplement to the Trust Agreement 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 the Trust Agreement as described herein under the caption "THE TRUST AGREEMENT — Amendment of or Supplement to Trust Agreement — *Disqualified Revenue Obligations*," 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 of or supplement to the Trust Agreement 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 the amendment provisions of the Trust Agreement without the prior written consent of the Owners of all Revenue Obligations then Outstanding.

(b) 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 of or supplement to the Trust Agreement 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 in 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 in the Trust Agreement to or conferred in the Trust Agreement 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 in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Corporation or the District may deem desirable or necessary and not inconsistent with the Trust Agreement;

(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.

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 the Trust Agreement, and shall not be entitled to consent to or take any other action provided in the Trust Agreement, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Trust Agreement shall be deemed effective, to reveal if the Revenue Obligations as to which such consent is given are disqualified as provided in the Trust Agreement.

Endorsement or Replacement of Revenue Obligations After Amendment or Supplement. After the effective date of any action taken as provided in the Trust Agreement, 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 of the Trustee 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 of the Trustee without cost to each Owner for Revenue Obligations then Outstanding upon surrender of such Outstanding Revenue Obligations.

Amendment by Mutual Consent. The provisions of the Trust Agreement 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.

Defeasance

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 in the Trust Agreement and therein, and (ii) all other amounts due under the Trust Agreement 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 under the Trust Agreement, as provided in the Trust Agreement, and all agreements and covenants of the Corporation, the District, and the Trustee to such Owners under the Trust Agreement 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 the Trust Agreement when the whole amount of the principal and interest evidenced by such Revenue Obligation shall have been paid or when (i) 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 and interest evidenced by such Revenue Obligation and due and to become due on or prior to its stated Principal Payment Date, and (ii) in the event the stated Principal Payment Date of such Revenue Obligation will not occur, within the next succeeding 60 days, the District shall have given the Trustee irrevocable instructions to give notice, as soon as practicable , 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 upon which moneys are to be available for the payment of the principal and interest evidenced by said Revenue Obligation, or portion thereof.

Neither the moneys nor the Government Obligations deposited with the Trustee pursuant to the Trust Agreement 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 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 the Trust Agreement, the Trustee or the District, as applicable, shall select such Revenue Obligations, or portions thereof, by lot, in the principal amounts designated to the Trustee by the District.

(c) After the payment of all the interest and principal evidenced by all Outstanding Revenue Obligations and all other amounts due under the Trust Agreement and under the Installment Purchase Agreement as provided in the Trust Agreement, 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 the Trust Agreement, the Trustee shall pay over or deliver to the District all moneys or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest and principal evidenced by such Revenue Obligations and all other amounts due under the Trust Agreement and under the Installment Purchase Agreement.

(d) Prior to any defeasance becoming effective under the Trust Agreement, 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 Trustee and the District, to the effect that such Revenue Obligations have been paid within the meaning and with the effect expressed in the Trust Agreement, and all agreements and covenants of the Corporation, the District and the Trustee to the Owners of such Revenue Obligations under the Trust Agreement have ceased, terminated and become void and have been discharged and satisfied.

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.

Miscellaneous

Benefits of Trust Agreement. Nothing contained in the Trust Agreement, 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 to the Trust Agreement, and any agreement, condition, covenant or term required in the Trust Agreement 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.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Trust Agreement 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 the Trust Agreement.

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.

Funds and Accounts. Any fund or account required to be established and maintained in the Trust Agreement 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 under the Trust Agreement.

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

California Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State.

THE INSTALLMENT PURCHASE AGREEMENT

Purchase and Sale of Project; Payments

Purchase and Sale of Project. The District purchases from the Corporation, and the Corporation sells to the District, the Project in accordance with the provisions of the 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.

Installment Payments. (a) The District shall 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 in the Installment Purchase Agreement. The Installment Payments shall be in the aggregate principal amount of set forth in this Official Statement, and shall be payable on the Business Day immediately preceding each of the Installment Payment Dates in the principal amounts and shall accrue interest at the rates per annum set forth in the Installment Purchase Agreement.

(b) The Installment Payments shall accrue interest from the Closing Date, at the rates set forth in the Installment Purchase Agreement, 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.

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 the Installment Purchase Agreement, solely from Net Revenues, is absolute and unconditional, and until such time as all of 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 shall not discontinue or suspend any Installment Payments, or payments of interest thereon, or other payments required to be made by it under the Installment Purchase Agreement 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.

Nature of 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.

No Prepayment of Installment Payments; Discharge

No Prepayment of Installment Payments. The Installment Payments shall be not subject to prepayment prior to their respective Installment Payment Dates.

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

Covenants

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.

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 under the Installment Purchase Agreement in strict conformity with the terms of the Installment Purchase Agreement, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by it, will not cause, suffer or permit any default to occur under the Installment Purchase Agreement and will not terminate the 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 in the Installment Purchase Agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with the Installment Purchase Agreement 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.

Protection of Security and Rights. The District will preserve and protect the security under the Installment Purchase Agreement 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 under the Installment Purchase Agreement and will warrant and defend such rights against all claims and demands of all Persons.

Indemnification of Corporation. To the extent permitted by law, the District 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, the 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, the Installment Purchase Agreement or the Revenue Obligations.

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 of the Installment Purchase Agreement and for the better assuring and confirming unto the Corporation, or unto the Trustee, as assignee of the Corporation, the rights and benefits provided under the Installment Purchase Agreement to the Corporation, or to the Trustee, as assignee of the Corporation.

Events of Default and Remedies of the Corporation

Events of Default. The following shall be Events of Default under the Installment Purchase Agreement, and Installment Purchase Agreement 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 under the Installment Purchase Agreement, 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 Installment Purchase Agreement 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.

Remedies on Default. Upon the occurrence of an Installment Purchase Agreement 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 under the Installment Purchase Agreement;

(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.

Non-Waiver. No provision of the Installment Purchase Agreement 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 committed under the Installment Purchase Agreement 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 in the Installment Purchase Agreement.

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 the Installment Purchase Agreement 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.

Remedies Not Exclusive. No remedy conferred under the Installment Purchase Agreement 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 under the Installment Purchase Agreement 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.

Amendments

(a) The 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 to the Installment Purchase Agreement 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) The 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 to the Installment Purchase Agreement 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 under the Installment Purchase Agreement 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 under the Installment Purchase Agreement to or conferred under the Installment Purchase Agreement 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 in the Installment Purchase Agreement

or in regard to questions arising under the Installment Purchase Agreement which the District, the Corporation or the Trustee, as assignee of the Corporation, may deem desirable or necessary and not inconsistent with the Installment Purchase Agreement;

(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 under the Installment Purchase Agreement or modifications to the Installment Purchase Agreement 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.

Miscellaneous

Limitation of Rights. Nothing in the 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 the Installment Purchase Agreement or any covenant, condition or provision contained therein or in the Installment Purchase Agreement, 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.

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

Law Governing. The Installment Purchase Agreement shall be construed and governed in accordance with the laws of the State.

THE MASTER AGREEMENT

Pledges; Funds and Accounts

Pledge of Net Revenues. Subject only to the provisions of the Master Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Master Agreement, all Net Revenues are by the Master Agreement pledged to the payment of the Senior Obligations and Reimbursement Obligations with respect to Senior Obligations, as provided in the Master Agreement, and the Net Revenues shall not be used for any other purpose while any of the Senior Obligations or Reimbursement Obligations with respect to Senior Obligations remain unpaid. Such pledge shall constitute a first lien on the Net Revenues for the payment of the Senior Obligations and Reimbursement Obligations with respect to Senior Obligations.

Subject only to the provisions of the Master Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Master Agreement, all Net Revenues are by the Master Agreement pledged to the payment of the Subordinate Obligations and Reimbursement Obligations with respect to Subordinate Obligations, as provided in the Master Agreement, and the Net Revenues shall not be used for any other purpose while any of the Subordinate Obligations or Reimbursement Obligations with respect to Subordinate Obligations remain unpaid. Such pledge of the Net Revenues, and the lien

thereon created by the Master Agreement, shall be junior and subordinate to the pledge of, and lien on, the Net Revenues for the payment of the Senior Obligations and Reimbursement Obligations with respect to Senior Obligations.

Allocation of Revenues. The District, in order to carry out and effectuate the pledge contained in the Master Agreement, agrees and covenants that all Operating Revenues received by it shall 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. The District shall 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 provision 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 the amounts set forth below at the following times and in the following order of priority:

(a) Senior Obligation Payment Account. On or before each date on which amounts are due and payable on any Senior Obligations and on each date on which any Reimbursement Obligations with respect to Senior Obligations are due and payable, the District shall transfer legally available Net Revenues to the Senior Obligation Payment Account in an amount which, together with other amounts on deposit therein, is at least sufficient to make the required payments with respect to such Senior Obligations or such Reimbursement Obligations. In the event that the District has insufficient Net Revenues to make all of the transfers contemplated by this paragraph (a), then such transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligations and Reimbursement Obligations, payments with respect to which are required to be made

(b) Senior Obligation Reserve Funds. The District shall transfer to each Obligation Trustee for its Senior Obligation Securities, for deposit in the applicable Obligation Reserve Fund, legally available Net Revenues in an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Obligation Reserve Fund as and to the extent required by (i) such Senior Obligation Securities, (iii) the Issuing Instrument pursuant to which such Senior Obligation Securities are issued, incurred or executed and delivered, and (iii) the Senior Contract, interests in the Senior Contract Payments payable under and pursuant to which are evidenced by such Senior Obligation Securities. In the event that there are insufficient Net Revenues to make all of the transfers contemplated by this paragraph (b), then said transfers shall be made, as nearly as practicable, pro rata, based on the respective Outstanding Principal Amounts of the Senior Obligation Securities, deposits to the Obligation Reserve Funds for which are required to be made.

(c) Subordinate Obligation Payment Account. On or before each date on which amounts are due and payable on any Subordinate Obligations and on each date on which any Reimbursement Obligations with respect to Subordinate Obligations are due and payable, the District shall transfer legally available Net Revenues to the Subordinate Obligation Payment Account in an amount which, together with other amounts on deposit therein, is at least sufficient to make the required payments with respect to such Subordinate Obligations or such Reimbursement Obligations. In the event that the District has insufficient Net Revenues to make all of the transfers contemplated by this paragraph (c), then such transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Obligations and Reimbursement Obligations, payments with respect to which are required to be made.

(d) Subordinate Obligation Reserve Funds. The District shall transfer to each Obligation Trustee for its Subordinate Obligation Securities, for deposit in the applicable Obligation Reserve Fund, legally available Net Revenues in an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Obligation Reserve Fund as and to the extent required by (i) such Subordinate Obligation Securities, (iii) the Issuing Instrument pursuant to which such Subordinate Obligation Securities are issued, incurred or executed and delivered, and (iii) the Subordinate Contract, interests in the Subordinate Contract Payments payable under and pursuant to which are evidenced by such Subordinate Obligation Securities. In the event that there are insufficient Net Revenues to make all of the transfers contemplated by this paragraph (b), then said transfers shall be made, as nearly as practicable, pro rata, based on the respective Outstanding Principal Amounts of the Subordinate Obligation Securities, deposits to the Obligation Reserve Funds for which are required to be made.

(e) Rate Stabilization Account. The District may, from time to time as the District deems necessary or appropriate, transfer Net Revenues in the Revenue Account to the Rate Stabilization Account.

Amounts required or permitted to be deposited or transferred pursuant to the provisions described in paragraph (b), (c), (d) or (e), 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 pursuant to the provisions described in all paragraphs under this heading prior to said paragraph on the dates on which such deposits or transfers are required to be made. 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 paragraphs (a), (b), (c), (d) and (e), 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 District funds may be legally applied.

Senior Obligation Payment Account. The District shall transfer from the Senior Obligation Payment Account to the appropriate Person the Senior Obligation Payments and the payments of Reimbursement Obligations with respect to Senior Obligations as and when due and payable. In the event there are insufficient amounts on deposit in the Senior Obligation Payment Account to make all of such Senior Obligation Payments and such Reimbursement Obligation payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligation Payments and Reimbursement Obligations due and payable.

Subordinate Obligation Payment Account. The District shall transfer from Subordinate Obligation Payment Account to the appropriate Person the Subordinate Obligation Payments and the payments of Reimbursement Obligations with respect to Subordinate Obligations as and when due and payable. In the event there are insufficient amounts on deposit in the Subordinate Obligation Payment Account to make all of such Subordinate Obligation Payments and such Reimbursement Obligation payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Obligation Payments and Reimbursement Obligations due and payable.

Rate Stabilization Account. Amounts on deposit in the Rate Stabilization Account may, from time to time as the District deems necessary or appropriate, be transferred to the Revenue Account and applied as provided in the Master Agreement.

Existing Obligations; Additional Obligations

Existing Obligations. (a) *Definitions*. Unless the context otherwise requires, the terms defined in this paragraph shall for purposes of this heading have the meanings defined in the Master Agreement, the

following definitions to be equally applicable to both the singular and plural forms of any of the terms defined in the Master Agreement:

"Existing Senior Obligations" has the meaning set forth in the body of this Official Statement.

Additional 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, which are by the Master Agreement made conditions precedent to the incurrence of such Senior Obligations:

(a) Upon the incurrence of such Senior Obligations, no Master Agreement Event of Default shall be continuing under the Master Agreement.

(b) Subject to the provisions of paragraph (c), below, the District shall 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 shall be specified in such certificate or certificates) (A) Net Revenues, as shown by the books of the District, shall 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, shall 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.

The provisions of this paragraph (b) need not be complied with if the Senior Obligations being incurred are Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (II) of the definition thereof.

(c) Notwithstanding the foregoing, if (i) a portion (which may be all) of Senior Obligations are incurred for the purpose of providing funds to refund or refinance any Obligations, (ii) upon such refunding or refinancing, debt service on such refunded or refinanced Obligations, or debt service on the Related Bonds of such Obligations, 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 (iii) 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), the provisions of paragraph (b) above, need not be complied with for such portion of such Senior Obligations incurred for the purpose of providing funds to refund or refinance such Obligations.

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; 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 relating to amount of fees and charges. The District may at any time incur Reimbursement Obligations with respect to Subordinate Obligations.

Covenants

Punctual Payment. The District will punctually pay or cause to be paid the Obligation Payments to become due in respect of all the Obligations, in strict conformity with the terms of the Obligations, the instruments pursuant to which the Obligations are incurred and the Master Agreement, according to the true intent and meaning thereof, but only out of Net Revenues as provided in the Master Agreement. The District will punctually pay or cause to be paid the amounts to become due in respect of all the Reimbursement Obligations, in strict conformity with the terms of the Credit Facilities pursuant to which the Reimbursement Obligations arise and the Master Agreement, according to the true intent and meaning thereof, but only out of Net Revenues as provided in the Master Agreement.

Against Encumbrances. (a) Except as otherwise provided in the Master Agreement, the District will not mortgage or otherwise encumber, pledge or place any charge upon the Wastewater System or any part thereof, except for Permitted Encumbrances. The District shall discharge or cause to be discharged, or shall make adequate provision to satisfy and discharge, within 60 days after the same become due and

payable, all lawful costs, expenses, liabilities and charges relating to the maintenance, repair, replacement or improvement of the properties constituting the Wastewater System or the operation of the Wastewater System and lawful claims and demands for labor, materials, supplies or other objects that might by law become a lien upon the Wastewater System or Net Revenues if unpaid. Nothing described under this heading shall require the District to pay or cause to be discharged, or make provision for the payment, satisfaction and discharge of, any lien, charge, cost, liability, claim or demand so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

(b) The District may incur obligations secured by a lien on (i) rolling stock comprising a part of the Wastewater System without limitation, and (ii) other property, plant and equipment comprising a part of the Wastewater System; provided, however, that the principal amount of such obligations outstanding at any one time shall not exceed 5% of the net property, plant and equipment of the Wastewater System (not taking into account any outstanding obligations with respect to rolling stock that is a part of the Wastewater System) as shown on the audited financial statements of the District for the most recent Fiscal Year for which audited financial statements are available.

(c) So long as any Obligations of the District are outstanding, the District will not issue any bonds or incur obligations payable from Revenues or secured by a pledge, lien or charge upon Revenues, except as provided in the Master Agreement.

Against Sale or Other Disposition of Property. The District will not sell, lease or otherwise dispose of the Wastewater System or any part thereof essential to the proper operation of the Wastewater System or to the maintenance of Revenues; provided, however, that (a) any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Wastewater System, or any material or equipment which has become worn out, may be sold if such sale will not materially reduce Net Revenues and if the proceeds of such sale are deposited in the Operating Fund, and (b) if the fair market value of any item of real or personal property to be sold, leased or otherwise disposed of in any Fiscal Year in accordance with the provisions of the Master Agreement described under this heading shall be in excess of 1% of net property, plant and equipment of the Wastewater System calculated in accordance with Generally Accepted Accounting Principles, or if the fair market value of any such item together with the fair market value of all other such items so sold, leased or disposed of in such Fiscal Year shall aggregate in excess of 1% of net property, plant and equipment of the Wastewater System calculated in accordance with Generally Accepted Accounting Principles, then no such sale, lease or other disposition shall be effected without first obtaining the written confirmation of a Consultant that the conditions to such sale, lease or other disposal specified in the provisions of the Master Agreement described under this heading have been satisfied. The District will not enter into any agreement or lease which impairs the operation of the Wastewater System or any part thereof necessary to secure adequate Revenues for the payment of Obligations or which would otherwise impair the rights of the Corporation with respect to Revenues or the operation of the Wastewater System.

Maintenance and Operations of the Wastewater System: Budgets. The District will maintain and preserve the Wastewater System in good repair and working order at all times and will operate the Wastewater System in an efficient and economical manner and will pay all Maintenance and Operations Costs as they become due and payable; provided, however, that the District shall not be required to pay such Maintenance and Operations Costs if the validity thereof shall be contested in good faith (so long as such nonpayment will not materially adversely affect the District's ability to perform its obligations under the Master Agreement).

The District will prepare and adopt an annual budget for the Wastewater System for each Fiscal Year. Such budget shall 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 shall show that Revenues and Net Revenues shall be at least sufficient to satisfy the requirements of the Master Agreement relating to amount of fees and charges. On or before September 1 of each Fiscal Year, the District will file with each Obligation Trustee a copy of the adopted budget for such Fiscal Year. Any budget may be amended at any time by the District during the Fiscal Year; provided, however, that any such amended budget shall show that Revenues and Net Revenues shall be at least sufficient to satisfy the requirements of the Master Agreement relating to amount of fees and charges. On or before the date 60 days after the adoption of any such amended budget, the District will file a copy of such amended budget with each Obligation Trustee.

Amount of Fees and Charges. 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 described under this heading.

Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on Revenues or any part thereof or on any funds in the hands of the District or an Obligation Trustee which might impair the security of the Obligations; provided, however, that the District shall not be required to pay such claims if the validity thereof shall be contested in good faith (so long as such nonpayment will not materially adversely affect the District's ability to perform its obligations under the Master Agreement or under any Obligation).

Compliance with Contracts. The District will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Wastewater System and all other contracts affecting or involving the Wastewater System.

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. In the event of any damage to or destruction of the Wastewater System caused by the perils covered by such insurance or self-insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Wastewater System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Wastewater System shall be free and clear of all claims and liens unless the District determines that such property or facility is not necessary to the efficient or proper operation of the Wastewater System and therefore determines not to reconstruct, repair or replace such project or facility. If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be deposited in the Operating Fund and be available for other proper uses of funds deposited in the Operating Fund.

The District will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Corporation, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with facilities similar to the Wastewater System; provided, however, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with facilities similar to the Wastewater System and is, in the opinion of an accredited actuary, actuarially sound.

Accounting Records; Financial Statements and Other Reports. (a) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Wastewater System, which records shall be available for inspection by the Corporation and each Obligation Trustee at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Corporation and each Obligation Trustee annually within 180 days after the close of each Fiscal Year:

(i) financial statements of the District for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon; and

(ii) a summary report showing in reasonable detail Revenues, Maintenance and Operations Costs, Net Revenues and Debt Service for such Fiscal Year.

(c) On or before September 1 of each Fiscal Year, the District will file with the Corporation and each Obligation Trustee a copy of the adopted budget for such Fiscal Year.

(d) On or before the date 60 days after the adoption of any amended budget, the District will file a copy of such amended budget with the Corporation and each Obligation Trustee.

Protection of Security and Rights. The District will preserve and protect the security of the Master Agreement and the rights of the Obligation Trustees and the Owners to the Obligation Payments and other payments required to be made by the District under the Master Agreement and will warrant and defend such rights against all claims and demands of all Persons.

Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges, if any, which may hereafter be lawfully imposed upon the Wastewater System or any part thereof or upon the Revenues, when the same shall become due; provided, however, that the District shall not be required to pay such taxes, assessments or governmental charges if the validity thereof shall be contested in good faith (so long as such nonpayment will not materially adversely affect the District's ability to perform its obligations under the Master Agreement).

The District will duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of the Wastewater System or any part thereof; provided, however, that the District shall not be required to comply with any such regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Collection of Fees and Charges; No Free Service. The District will have in effect at all times rules and regulations for the payment of bills for services and facilities of the Wastewater System, which rules and regulations shall provide for a due date and a delinquency date for each bill. The District will not

permit any part of the Wastewater System to be used or taken advantage of free of charge by any Person, except to the extent required by federal or State law.

Eminent Domain Proceeds. If all or any part of the Wastewater System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied to the replacement of the property or facilities so taken, unless the District determines that such property or facilities are not necessary to the efficient or proper operation of the Wastewater System and therefore determines not to replace such property or facilities. Any Net Proceeds of such award not applied to replacement, or remaining after such work has been completed, shall be deposited in the Operating Fund and be available for other proper uses of funds deposited in its Operating Fund.

Indemnification of Corporation. To the extent permitted by law, the District by the Master Agreement 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 Master Agreement, the Obligations or the Obligation Securities, and the District further agrees to defend the Corporation and its members and officers in any action arising out of or related to the Master Agreement, the Obligations or the Obligation Securities.

Events of Default and Remedies

Master Agreement Events of Default. The following shall be Events of Default under the Master Agreement, and Master Agreement 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 to be performed by it in the Master Agreement (other than as specified in (a) above), and such default shall have continued for a period of 60 days after the District shall have been given notice in writing of such default by the Corporation or any Obligation Trustee;

(c) if an event of default shall have otherwise occurred and be continuing under any Senior Obligation, under any Senior Obligation Securities or under the Issuing Instrument pursuant to which any Senior Obligation Securities are issued, incurred or executed and delivered; or

(d) 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.

If a Master Agreement Event of Default shall have occurred and be continuing, the Corporation, or any Senior Obligation Trustee may, by written notice to the District, declare the unpaid Senior Obligation Payments, and the accrued interest thereon, immediately due and payable, whereupon anything contained in the Master Agreement to the contrary notwithstanding, said amounts shall, without further action, become and be immediately due and payable with, to the extent permitted by law, interest on such accelerated amounts at a rate per annum equal to the default rate specified in the instrument pursuant to which the respective Senior Obligations were incurred; provided, however, that, notwithstanding the foregoing, no Senior Obligation Payments payable under and pursuant to Senior Obligations that are Credit

Enhanced Obligations shall be accelerated without the written consent of related Credit Enhancer and, provided, further, that nothing in the Master Agreement shall affect the rights of the parties to a Financial Contract to terminate such Financial Contract. If at any time after the principal amount of such unpaid Senior Obligation Payments, and the accrued interest thereon, shall have so accelerated and before any judgment or decree of the payment of the moneys due shall have been obtained or entered, the District shall pay the unpaid amount of all such Senior Obligation Payments due prior to such declaration, with interest on such overdue Senior Obligation Payments at the rate or rates applicable thereto in accordance with their terms, and the reasonable expenses of the Corporation and the Senior Obligation Trustees, if any, and any and all other defaults (other than in the payment of the unpaid Senior Obligation Payments, and the accrued interest thereon, due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Corporation and the Senior Obligation Trustees or provision deemed by the Corporation and the Senior Obligation Trustees to be adequate shall have been made therefor, then and in every such case the Corporation, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon. All Net Revenues received after the date of acceleration of the Senior Obligation Payments, and the accrued interest thereon, shall be applied, first, to the payment of the costs and expenses of the Corporation and the Senior Obligation Trustees, if any, in carrying out the provisions of the Master Agreement relating to events of default, including reasonable compensation of its and their accountants and counsel, second, to the payment of the entire amount of unpaid Senior Obligation Payments, and the accrued interest thereon at the rate or rates of interest applicable thereto, and to the payment of unpaid Reimbursement Obligations with respect to Senior Obligations, in accordance with their respective terms; provided, however, that if such Net Revenues are not sufficient to pay such amounts in full, then said Net Revenues shall be applied, as nearly as practicable, pro rata, based on the respective principal amounts of unpaid Senior Obligations and Reimbursement Obligations with respect to Senior Obligations and, third, to such other liabilities of the District as are then payable.

Remedies on Default. Upon the occurrence of a Master Agreement Event of Default, each of the Corporation and each Obligation Trustee shall have the right:

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

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

(iii) by suit in equity require the District and its board members, officers and employees to account as the trustee of an express trust; and

(iv) 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.

Non-Waiver. Nothing in the Master Agreement shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Obligation Payments at the respective due dates from the Net Revenues and the other funds in the Master Agreement committed for such payment, or shall affect or impair the right of the Corporation and each Obligation Trustee, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Master Agreement.

A waiver of any default or breach of duty or contract by the Corporation or an Obligation Trustee 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 Corporation or an Obligation Trustee 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 Corporation or an Obligation Trustee by applicable law or by the provisions of the Master Agreement relating to events of default and remedies may be enforced and exercised from time to time and as often as shall be deemed expedient by the Corporation and each Obligation Trustee.

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

Remedies Not Exclusive. No remedy in the Master Agreement conferred upon or reserved to the Corporation and the Obligation Trustees 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 under the Master Agreement 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.

Amendments

(a) The Master Agreement and the rights and obligations of the District, the Corporation, the Obligation Trustees and the Owners of Obligation Securities may be amended or modified from time to time and at any time by a written amendment to the Master Agreement executed by the District, the Corporation and the Obligation Trustees, with the written consent of the Owners of a majority of the aggregate Principal Amount of Obligation Securities then Outstanding. No such amendment or modification shall (i) reduce the percentage of Owners of the Obligation Securities whose consent is required to effect any such amendment or modification, or (ii) permit the creation of any lien on the Net Revenues for the payment of the Obligations prior to or on a parity with the liens created by the Master Agreement or deprive the Owners of the Obligation Securities of the lien created by the Master Agreement on such Net Revenues (except as expressly provided in the Master Agreement), without the consent of the Owners of all of the Obligation Securities then Outstanding.

(b) The Master Agreement and the rights and obligations of the District, the Corporation, the Senior Obligation Trustees and the Owners of Senior Obligation Securities may be amended or modified from time to time and at any time by a written amendment to the Master Agreement executed by the District, the Corporation and the Senior Obligation Trustees, provided that such amendment or modification does not materially adversely affect the interests under the Master Agreement of the Subordinate Obligation Trustees or the Owners of Subordinate Obligation Securities, with the written consent of the Owners of a majority of the aggregate Principal Amount of Senior Obligation Securities then Outstanding. No such amendment or modification shall (i) reduce the percentage of Owners of the Senior Obligation Securities whose consent is required to effect any such amendment or modification, or (ii) permit the creation of any lien on the Net Revenues for the payment of the Senior Obligations prior to or on a parity with the lien created by the Master Agreement or deprive the Owners of the Senior Obligation Securities of the lien created by the Master Agreement on such Net Revenues (except as expressly provided in the Master Agreement), without the consent of the Owners of all of the Senior Obligation Securities then Outstanding.

(c) The Master Agreement and the rights and obligations of the District, the Corporation, the Subordinate Obligation Trustees and the Owners of Subordinate Obligation Securities may be amended or modified from time to time and at any time by a written amendment to the Master Agreement executed by the District, the Corporation and the Subordinate Obligation Trustees, provided that such amendment or modification does not materially adversely affect the interests under the Master Agreement of the Senior Obligation Trustees or the Owners of Senior Obligation Securities, with the written consent of the Owners of a majority of the aggregate Principal Amount of Subordinate Obligation Securities then Outstanding. No such amendment or modification shall (i) reduce the percentage of Owners of the Subordinate Obligation Securities whose consent is required to effect any such amendment or modification, or (ii) permit the creation of any lien on the Net Revenues for the payment of the Subordinate Obligations prior to or on a parity with the lien created by the Master Agreement or deprive the Owners of the Subordinate Obligation Securities of the lien created by the Master Agreement on such Net Revenues (except as expressly provided in the Master Agreement), without the consent of the Owners of all of the Subordinate Obligation Securities then Outstanding.

(d) The Master Agreement and the rights and obligations of the District, the Corporation, the Obligation Trustees and the Owners may be amended or modified from time to time and at any time by a written amendment to the Master Agreement executed by the District, the Corporation and the Obligation Trustees, without the written consents of any Owners of Obligation Securities, 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 Obligation Trustees, to be observed or performed in the Master Agreement other agreements, conditions, covenants and terms thereafter to be observed or performed by the District, the Corporation or the Obligation Trustees, or to surrender any right or power reserved in the Master Agreement to or conferred in the Master Agreement on the District, the Corporation or the Obligation Trustees and which in either case shall not materially adversely affect the interests of the Owners of the Obligation Securities;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Master Agreement or in regard to questions arising under the Master Agreement which the District, the Corporation or the Obligation Trustees may deem desirable or necessary and not inconsistent with the Master Agreement, and which shall not materially adversely affect the interests of the Owners of the Obligation Securities;

(iii) to make such other amendments or modifications to the Master Agreement as the District, the Corporation or the Obligation Trustees may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners of the Obligation Securities.

Miscellaneous

Liability of District Limited. Notwithstanding anything contained in the Master Agreement, 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 m the Master Agreement for the payment of the Obligation Payments and other payments required to be made by it under the Master Agreement, or for the performance of any agreements or covenants required to be performed by it contained in the Master Agreement 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 Obligation Payments and other payments required to be made by it under the Master Agreement is a special obligation of the District payable, in the manner provided in the Master Agreement, solely from Net Revenues and other funds provided for in the Master 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 Obligation Payments or other payments required to be made under the Master Agreement.

Limitation of Rights. Nothing in the Master Agreement expressed or implied is intended or shall be construed to give to any Person other than the District, the Corporation, the Obligation Trustees and the Owners of the Obligation Securities, any legal or equitable right, remedy or claim under or in respect of the Master Agreement or any covenant, condition or provision therein or in the Master Agreement 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, the Obligation Trustees and the Owners of the Obligation Securities.

Contract with Owners. In consideration of the acceptance of the Obligation Securities by those who shall be Owners of the same from time to time, the Master Agreement shall be deemed to be and shall constitute a contract between the District and the Owners from time to time of the Obligation Securities to secure the full and final payment of the Obligations, subject to the agreements, conditions, covenants and terms contained in the Master Agreement.

Third-Party Beneficiaries. The Obligation Trustees are third-party beneficiaries of the Master Agreement.

Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Corporation is named or referred to in the Master Agreement, 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 by the Master Agreement 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.

Waiver of Personal Liability. No official, officer or employee of the District shall be individually or personally liable for the payment of the Obligation Payments or other payments required to be made by the District under the Master Agreement, but nothing contained in the Master Agreement 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 by the Master Agreement.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement"), dated as of _____, 2026, 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 2026A (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 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 _____, 2026, 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. <u>Provision of Annual Reports</u>.

(a) The District shall provide, or shall cause the Dissemination Agent to provide, to MSRB, through EMMA, not later than 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.

[Signature page follows.]

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 2026A
(the "Revenue Obligations")

Date of Execution and Delivery: _____, 2026

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 November 1, 2026, 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

APPENDIX E

BOOK-ENTRY SYSTEM

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

The Depository Trust Company – Book-Entry System

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

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

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

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

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

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

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

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

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

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

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

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

Discontinuance of DTC Services

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

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

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

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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
18480 Bandilier Circle
Fountain Valley, California 92708

$_____
Orange County Sanitation District
Wastewater Refunding Revenue Obligations
Series 2026A

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 2026A (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 November 1, 2026 (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 November 1, 2026 (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 will be used, together with other available funds, to (i) prepay [all/a portion] of the District's Wastewater Refunding Revenue Obligations, Series 2017A maturing on February 1, 2028, 2029 and 2030 (the "Refunded 2017A Obligations") 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,

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ORANGE COUNTY SANITATION DISTRICT • WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2026A

OC SAN

ORANGE COUNTY SANITATION DISTRICT

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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