



Finance, Affordability, Asset Management,
and Efficiency Committee Meeting

Approve and Authorize the Distribution
of Appendix A for Use in the Issuance
and Remarketing of Metropolitan Bonds

Item 7-2

November 18, 2025

Board Item 7-2 Appendix A

Subject

Approve and authorize the distribution of Appendix A for use in the issuance and remarketing of Metropolitan bonds

Purpose

Update and approve Metropolitan's financial disclosure for use in connection with upcoming bond issuances.

Recommendation and Fiscal Impact

Staff recommends approval to proceed with implementation of the proposed plan of finance.

Approval will enable Metropolitan to undertake bond issuances and remarketings to meet the District's commitments for existing debt obligations, including mandatory tenders, in the most cost-effective manner in the current market.

Appendix A is a Key Component of Metropolitan's Bond Disclosure

- Provides Investors of Metropolitan's Bonds with Material Information
- Enables, as part of a deemed final POS, a pre-marketing period to obtain broad investor interest
- One bond issue expected to close in December 2025
 - 2025 Series B - a tax-exempt variable rate refunding bond

Finance staff anticipates approximately \$184 million in long-term debt issuance in December 2025

Appendix A describes a 360-degree view of Metropolitan

Appendix A provides a comprehensive description of Metropolitan

- Service Area
- Governance and Management
- Sources of Water Supply and Current Conditions
- Capital Projects and Expenditures
- Revenues, Expenses and Long-term Obligations
- Litigation and Legislation

Appendix A Update Process Involves a Broad Constituency

Our process follows regulatory guidance and industry best practice; and MWD engages both in-house and external expertise to meet our disclosure obligations

- Disclosure Working Group
 - CFO/Group Manager-Finance
 - Treasury and Debt Manager
 - Legal
 - Disclosure Counsel
- Broader Metropolitan Staff Review
- External Financing Team Review
- Executive Management Review
- Board Review and Approval

Board Review and Approval Process

- Periodic Training and Management Reports
- Review Draft Appendix A
- Approve Appendix A

The Board is routinely provided updates (or reports) on various topics addressed in Appendix A

Antifraud Rules

Securities Laws

- Municipal issuers are subject to the SEC's antifraud rules
- Release of information to the public that is reasonably expected to reach investors is subject to the antifraud provisions
- Public Statements include:
 - Official Statement
 - Continuing Disclosure
 - Board Speeches/Presentations

Foundational Principles

Board Member Duties

- Appendix A is a public statement subject to SEC Regulations
- **Rule 10b-5:** It shall be unlawful for any person . . . to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading

Concept of Materiality

Board Member Duties, cont.

- Materiality standard remains opaque, guidance comes primarily from court decisions and SEC enforcement cases
- Materiality is defined as:
 - a substantial likelihood that a reasonable bond investor would consider it important in making an investment decision; or
 - viewed by a reasonable investor as having significantly altered the “total mix” of available information.

Key Take-Aways

Board Member Duties, cont.

- A public official may not authorize disclosure that the official knows to be false.
- A public official may not authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading.
- Importance of Board review – Board members are uniquely positioned to comment on and ask questions about material facts in Appendix A

Best Practices

Compliance with Disclosure Rules

- Written Disclosure Policies and Procedures
- Regular Disclosure Training
- Establishment of Disclosure Working Group
- Seeking expert advice as warranted
- Regular overview and update of disclosure practices

Appendix A Update Highlights

The entire
Appendix A was
reviewed and
updated

- Redline of Changes since last Board Approval Provided as an Attachment to the Board Letter
- Significant Updates Since May 2025 include:
 - Water Supply Conditions
 - Water Quality: Quagga/Golden Mussels Update
 - San Diego Settlement/Exchange Agreement
 - Metropolitan's Financial Reserve Policy
 - Metropolitan's Finances (FY 2025/26 Q1)

Future Updates to Appendix A

- Bi-annual Updates
 - Unless there are no financial transactions
- Interim Updates
 - Material changes will be provided to the Board for review and comment

Appendix A is not a static document, and requires constant review to ensure we meet our disclosure obligations

Board Options for Consideration

- Option #1
 - Approve the draft of Appendix A (Attachment I) attached to the board letter;
 - Authorize the General Manager, or other designee of the Ad Hoc Committee, to finalize, with changes approved by the General Manager and General Counsel, Appendix A; and
 - Authorize distribution of Appendix A, finalized by the General Manager or other designee of the Ad Hoc Committee, in connection with the sale or remarketing of bonds.

Appendix A is required to execute the bond financings anticipated during the remaining term of CY 2025

Board Options for Consideration

Metropolitan will not be able to issue bonds to fund board approved projects or refund outstanding bonds if Appendix A is not approved

- Option #2
 - Do not approve the draft Appendix A document

Staff Recommendation

- Option #1



Questions

