THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Finance, Affordability, Asset Management, and Efficiency Committee

10/13/2026 Board Meeting

8-5

Subject

Adopt the Fifth Supplemental Subordinate Resolution to the Master Subordinate Resolution authorizing the issuance of up to $300 million of Variable Rate Subordinate Water Revenue Bonds, 2026 Series B; providing the terms and conditions for the sale and issuance of the Bonds and related transaction documents; and approve expenditures to fund the costs of issuance of the Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The Fifth Supplemental Subordinate Resolution to the Master Subordinate Resolution (the Fifth Supplemental Resolution) in **Attachment 1** would authorize the issuance of up to $300 million of Variable Rate Subordinate Water Revenue Bonds, 2026 Series B (the 2026B Bonds). Bond proceeds would finance a portion of projected FY 2026/27 and FY 2027/28 Capital Investment Plan (CIP) expenditures and pay all or a portion of the costs of issuance. The 2026B Bonds are expected to bear interest initially at rates reset weekly, with liquidity support provided through a standby bond purchase agreement. Issuance would rely on Ordinance No. 153, which the Board will consider for adoption through a separate action at the same meeting.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

a. Adopt the Fifth Supplemental Subordinate Resolution to the Master Subordinate Resolution authorizing the issuance of up to $300 million of Variable Rate Subordinate Water Revenue Bonds, 2026 Series B, and providing the terms and conditions for the sale and issuance of the Bonds and related transaction documents; and
b. Approve approximately $0.8 million for the payment of the costs of issuance of the 2026B Bonds to be paid from bond proceeds or Metropolitan funds.

Fiscal Impact: The approximately $200.8 million issuance is expected to increase annual debt service by approximately $12.9 million, payable from net operating revenues. Actual debt service will vary with interest rates and the final principal repayment schedule. Metropolitan would also incur ongoing liquidity, remarketing, and related fees estimated at approximately $0.8 million annually.
Business Analysis: Approval would enable Metropolitan to access the capital markets to provide funding for ongoing capital expenditures in accordance with the Adopted Budget, Fiscal Years 2026/27 and 2027/28. The variable-rate structure would provide financing flexibility, with borrowing costs subject to changes in market interest rates and the costs and availability of liquidity support.

Option #2

Do not adopt the Fifth Supplemental Subordinate Resolution to the Master Subordinate Resolution.
Fiscal Impact: May miss the opportunity to fund capital expenditures at favorable interest rate levels, thereby resulting in higher debt service costs and/or higher water rates.
Business Analysis: Capital market access would be delayed, thereby limiting Metropolitan's options or ability to fund ongoing capital expenditures, or Metropolitan may have to curtail funding capital projects. Inflation could further increase the estimated cost of CIP projects if delayed.

Alternatives Considered

The option of not proceeding with the proposed bond issuance is discussed under Option #2.

Applicable Policy

Metropolitan Water District Act Section 57: Vote Required for Board Action

Metropolitan Water District Act Section 61: Ordinances, Resolutions and Orders

Metropolitan Water District Act Section 123: Borrowing, Limitation

Metropolitan Water District Act Sections 235–239.4: Revenue Bonds

Metropolitan Board Ordinance No. 126, dated March 12, 1974: Revenue Bond Election

Metropolitan Board Resolution No. 9199, adopted March 8, 2016: Master Subordinate Resolution authorizing the issuance of Subordinate Water Revenue Bonds

By Minute Item 54430, dated April 14, 2026, the Board approved the FY 2026/27 and FY 2027/28 biennial budget, approved appropriations and funding of capital expenditures, and approved a Ten-Year Financial Forecast.

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

Adopt Ordinance No. 153 determining that the interests of Metropolitan require the use of revenue bonds in the aggregate principal amount of $500 million to finance a portion of capital expenditures and waive the full reading of Ordinance No. 153 (two-thirds vote of the Board), October 13, 2026.

Approve and authorize the distribution of Appendix A for use in the issuance and remarketing of Metropolitan's Bonds, October 13, 2026.

Adopt the Twenty-Seventh Supplemental Resolution to the Master Bond Resolution authorizing the issuance of up to $600 million of Water Revenue and Refunding Bonds, 2026 Series A; providing the terms and conditions for the sale and issuance of the Bonds; and approve expenditures to fund the costs of issuance of the Bonds, October 13, 2026

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)).

CEQA determination for Option #2:

None required

Details and Background

Background

On March 8, 2016, the Board adopted Resolution No. 9199 (the Master Subordinate Resolution), establishing the terms under which Metropolitan may issue Subordinate Water Revenue Bonds through supplemental resolutions. The Fifth Supplemental Resolution would authorize up to $300 million of 2026B Bonds to finance capital expenditures and pay all or a portion of the costs of issuance.

At its October 13, 2026 meeting, the Board will also consider adoption of Ordinance No. 153, which would provide $500 million of additional revenue bond authority for capital expenditures. The 2026B Bonds would be issued under Ordinance No. 153, subject to its adoption, and their principal amount would count against that authority. Approximately $197.7 million remains available under Ordinance No. 152, bringing the combined available authority under the two ordinances to approximately $697.7 million upon adoption of Ordinance No. 153.

A portion of the proceeds from the sale of the 2026B Bonds would be used to pay for capital expenditures, primarily for Fiscal Years 2026/27 and 2027/28. The Biennial Budget for FY 2026/27 and FY 2027/28, adopted by the Board on April 14, 2026, includes $1.025 billion for CIP expenditures, consisting of $875 million for core capital expenditures and $150 million for Pure Water Southern California. Core capital expenditures are anticipated to be funded with $385 million in operating revenues, $185 million in FY 2026/27 and $200 million in FY 2027/28, and $490 million in revenue bond proceeds. The $150 million for Pure Water Southern California is expected to be funded separately through grants, other available funds, and reserves.

The 2026B Bonds are expected to be issued on a tax-exempt basis for federal income tax purposes and initially sold at par. Approximately $200.8 million in bond principal is expected to provide approximately $200 million in net proceeds for CIP expenditures after accounting for applicable issuance costs. Costs of issuance, estimated at $0.8 million, would be funded from bond proceeds or Metropolitan funds.

The 2026B Bonds are expected to bear interest initially in a weekly mode, with J.P. Morgan Securities LLC serving as the remarketing agent. Bondholders would have optional tender rights, and the bonds would be subject to mandatory tender in specified circumstances under the transaction documents. A standby bond purchase agreement with JPMorgan Chase Bank, National Association, is expected to provide funds to purchase tendered bonds when remarketing proceeds are insufficient, subject to the agreement's terms and conditions. The liquidity facility would not guarantee payment of principal or interest on the bonds. Final liquidity terms, fees, and expiration date remain to be determined.

The 2026B Bonds would be special limited obligations payable from net operating revenues, with a lien subordinate to Metropolitan's senior debt and on parity with other Subordinate Bonds and First Tier Parity Obligations. Neither Metropolitan's general credit nor its taxing power would be pledged. No reserve fund is expected to be funded for the 2026B Bonds.

At its October 13, 2026 meeting, the Board will also consider, through a separate board letter and separate action, adoption of the Twenty-Seventh Supplemental Resolution to the Master Bond Resolution authorizing the 2026A Bonds to finance a portion of CIP expenditures for FY 2026/27 and FY 2027/28 and to refund outstanding obligations, including through tender purchases. The 2026A new-money bonds would use authority under Ordinance No. 152 and Ordinance No. 153, while the 2026B Bonds would use authority under Ordinance No. 153. The two issuances would be coordinated within the available ordinance authority. The refunding portion of the 2026A Bonds would not count against that authority.

Consistent with past board practice, the Fifth Supplemental Resolution establishes an Ad Hoc Committee consisting of the Chair of the Board, the Chair of the Finance, Affordability, Asset Management, and Efficiency Committee, and the General Manager, with substitutes or designees as provided in the resolution. The Ad Hoc Committee or its designee would determine the principal amount and terms of the 2026B Bonds and approve the related transaction documents and remarketing agreement within the parameters established by the resolution. The transaction documents include the paying agent agreement, bond purchase agreement, and bank agreements for liquidity support.

Katano Kasaine 10/1/2026
Katano Kasaine *Date*
Assistant General Manager/
Chief Financial Officer

Shivaji Deshmukh 10/1/2026
Shivaji Deshmukh *Date*
General Manager

Attachment 1 – Resolution Authorizing the Issuance of Up to $300,000,000 of Subordinate Water Revenue Bonds and Providing the Terms and Conditions for the Sale and Issuance of Said Subordinate Water Revenue Bonds and Providing for Transaction Documents (Fifth Supplemental Subordinate Resolution)

Ref# cfo12716397

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

RESOLUTION ____

RESOLUTION AUTHORIZING THE ISSUANCE OF UP TO $300,000,000 OF SUBORDINATE WATER REVENUE BONDS AND PROVIDING THE TERMS AND CONDITIONS FOR THE SALE AND ISSUANCE OF SAID SUBORDINATE WATER REVENUE BONDS AND PROVIDING FOR TRANSACTION DOCUMENTS

(FIFTH SUPPLEMENTAL SUBORDINATE RESOLUTION)

TABLE OF CONTENTS

Page

ARTICLE I AUTHORIZATION OF 2026 SERIES B BONDS; DEFINITIONS 2
SECTION 1.01 Definitions 2
ARTICLE II THE 2026 SERIES B BONDS 3
SECTION 2.01 Authorization 3
SECTION 2.02 Terms of the 2026 Series B Bonds 3
SECTION 2.03 Interest 4
SECTION 2.04 Place of Payment 4
SECTION 2.05 Redemption 4
SECTION 2.06 Form of 2026 Series B Bonds 4
SECTION 2.07 CUSIP Identification Numbers 4
ARTICLE III APPLICATION OF BOND PROCEEDS; ESTABLISHMENT OF FUNDS; COVENANTS 4
SECTION 3.01 Application of Proceeds of 2026 Series B Bonds 4
SECTION 3.02 Establishment and Application of Funds 4
SECTION 3.03 Tax Covenants 5
SECTION 3.04 Application of Construction Fund 5
SECTION 3.05 Application of Costs of Issuance Fund 5
SECTION 3.06 Application of Excess Earnings Fund 5
ARTICLE IV FISCAL AGENT AND PAYING AGENT 6
SECTION 4.01 Fiscal Agent and Paying Agent 6
ARTICLE V SALE OF 2026 SERIES B BONDS; APPROVAL OF TRANSACTION DOCUMENTS 6
SECTION 5.01 Ad Hoc Committee 6
SECTION 5.02 Approval of Transaction Documents 6
SECTION 5.03 Further Action 7
ARTICLE VI UNDERTAKINGS 7
SECTION 6.01 Municipal Securities Disclosure 7
SECTION 6.02 Default 7
SECTION 6.03 Amendment 7
ARTICLE VII MISCELLANEOUS 8
SECTION 7.01 2026 Series B Bonds Subject to Master Subordinate Resolution 8
SECTION 7.02 Severability of Invalid Provisions 8
SECTION 7.03 Article and Section Headings and References; Interpretation 8
SECTION 7.04 Governing Law 8

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

RESOLUTION ____

RESOLUTION AUTHORIZING THE ISSUANCE OF UP TO $300,000,000 OF SUBORDINATE WATER REVENUE BONDS AND PROVIDING THE TERMS AND CONDITIONS FOR THE SALE AND ISSUANCE OF SAID SUBORDINATE WATER REVENUE BONDS AND PROVIDING FOR TRANSACTION DOCUMENTS

(FIFTH SUPPLEMENTAL SUBORDINATE RESOLUTION)

The Board of Directors of The Metropolitan Water District of Southern California (the "Board") hereby finds that:

1. Pursuant to the Act (as defined below), the Board of Directors of The Metropolitan Water District of Southern California (the "District") may authorize the issuance of revenue bonds for any purpose permitted under the Act;

2. Pursuant to Resolution 9199 adopted by the District on March 8, 2016, as amended and supplemented (the "Master Subordinate Resolution"), the District has authorized the issuance of The Metropolitan Water District of Southern California Subordinate Water Revenue Bonds (the "Bonds") by adoption of supplemental resolutions from time to time, with the payment of the principal of, interest on, and any redemption premiums thereon being secured by and payable solely from the Net Operating Revenues (as defined in the Master Subordinate Resolution) of the District;

3. Pursuant to Ordinance 153 adopted by the District on October 13, 2026, the District determined that the interests of the District require the use of revenue bonds in the aggregate principal amount of $500,000,000 to fund a portion of the District's capital expenditures, the cost of which is too great to be paid out of the ordinary annual income and revenue of the District;

4. The interests of the District require the District to proceed under the Master Subordinate Resolution and Ordinance 153 to issue and sell the Variable Rate Subordinate Water Revenue Bonds, 2026 Series B (the "2026 Series B Bonds") in an aggregate principal amount not to exceed $300,000,000 secured by and payable from the Net Operating Revenues of the District for the purpose of, among other things, paying all or a portion of the costs of acquisition, construction and improvements to the Water System (as defined in the Master Subordinate Resolution); and

5. The District desires to adopt this Fifth Supplemental Subordinate Resolution to the Master Subordinate Resolution for the purposes of authorizing the issuance of the 2026 Series B Bonds (the "Fifth Supplemental Subordinate Resolution");

NOW, THEREFORE, the Board of Directors of the District, does hereby resolve, determine and order as follows:

ARTICLE I

AUTHORIZATION OF 2026 SERIES B BONDS; DEFINITIONS

SECTION 1.01 Definitions. All terms which are defined in Section 1.01 of the Master Subordinate Resolution or in the Act shall, unless otherwise defined herein, have the same meanings, respectively, in this Fifth Supplemental Subordinate Resolution. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Fifth Supplemental Subordinate Resolution and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and the plural forms of any of the terms herein defined.

"2026 Series B Bonds" means the Bonds described in Section 2.01 hereof, authorized and issued pursuant to the Master Subordinate Resolution, as supplemented by this Fifth Supplemental Subordinate Resolution.

"Act" means the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended and supplemented by applicable provisions of the Government Code of the State of California, including by Chapter 3 (Section 53400 *et seq*.) and Chapter 6 (Section 54300 *et seq*.) of Part 1 of Division 2 of Title 5.

"Ad Hoc Committee" has the meaning set forth in Section 5.01 hereof.

"Bank Documents" means any continuing covenant agreement, bondholder agreement, standby bond purchase agreement (including any related fee agreement) or other agreement between the District and a commercial bank or other financial institution providing for the purchase by such commercial bank or financial institution of the 2026 Series B Bonds or for the credit or liquidity support by such commercial bank or financial institution of the 2026 Series B Bonds.

"Code" means the Internal Revenue Code of 1986, as amended.

"Construction Costs" means the cost of acquiring, constructing, reconstructing, replacing, extending and improving the Water System and any facilities related thereto.

"Construction Fund" means the Variable Rate Subordinate Water Revenue Bonds, 2026 Series B Construction Fund established for the 2026 Series B Bonds pursuant to Section 3.02.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution, sale and delivery of the 2026 Series B Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any agent including any Fiscal Agent, Paying Agent, legal fees and charges, fees and disbursements of consultants and professionals, municipal advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of the 2026 Series B Bonds, and any other cost, charge or fee in connection with the delivery of the 2026 Series B Bonds.

"Costs of Issuance Fund" means the Variable Rate Subordinate Water Revenue Bonds, 2026 Series B Costs of Issuance Fund established pursuant to Section 3.02.

"Excess Earnings Fund" means the Variable Rate Subordinate Water Revenue Bonds, 2026 Series B Excess Earnings Fund established pursuant to Section 3.02.

"Fiscal Agent" means the fiscal agent appointed pursuant to Section 4.01 hereof.

"Master Subordinate Resolution" means Resolution 9199 adopted by the District on March 8, 2016, as from time to time amended and supplemented.

"Paying Agent" means a paying agent appointed pursuant to Section 4.01 of this Fifth Supplemental Subordinate Resolution.

"Sales Documents" means, in the case of a negotiated sale, any bond purchase contract or other agreement or agreements providing for the purchase of the 2026 Series B Bonds between the District and the purchaser or purchasers thereof.

"Tax Certificate" means the Tax and Nonarbitrage Certificate of the District delivered by the District in connection with the issuance of the 2026 Series B Bonds.

"Fifth Supplemental Subordinate Resolution" means this resolution of the District, and any amendments, modifications or supplements hereto.

"Transaction Documents" means, with respect to the 2026 Series B Bonds, any related Trust Agreement, Bank Documents and Sales Documents.

"Trust Agreement" means the trust agreement, paying agent agreement or such other instrument or instruments executed and delivered in connection with the issuance of the 2026 Series B Bonds that sets forth the terms and conditions of the 2026 Series B Bonds and the application of the proceeds of the 2026 Series B Bonds, and that appoints any Paying Agent with respect to the 2026 Series B Bonds.

"Underwriters" means the original purchaser or purchasers of the 2026 Series B Bonds.

ARTICLE II

THE 2026 SERIES B BONDS

SECTION 2.01 Authorization. Bonds are hereby authorized to be issued pursuant to the Act and the Master Subordinate Resolution, which Bonds are designated as "The Metropolitan Water District of Southern California Variable Rate Subordinate Water Revenue Bonds, 2026 Series B." The 2026 Series B Bonds shall be issued in accordance with the terms hereof. The total aggregate principal amount of the 2026 Series B Bonds shall not exceed $300,000,000.

SECTION 2.02 Terms of the 2026 Series B Bonds.

(A) Terms. The 2026 Series B Bonds shall be Current Interest Bonds as set forth in the Master Subordinate Resolution and shall be issued in the aggregate principal amount and be dated such date as shall be specified in the Transaction Documents for the 2026 Series B Bonds. The 2026 Series B Bonds shall mature on the date or dates and in the principal amount or amounts set forth in such Transaction Documents for such Series. The 2026 Series B Bonds shall be delivered in fully registered form in principal amounts in Authorized Denominations (as such term is defined in the Trust

Agreement applicable to the 2026 Series B Bonds), and shall be numbered and authenticated in such manner as set forth in the Transaction Documents. The 2026 Series B Bonds shall be issued and delivered in the form and manner provided in the applicable Transaction Documents.

(B) Sources of Payment. The payment of the principal and interest and any redemption premiums on the 2026 Series B Bonds shall be secured by and payable solely from Net Operating Revenues and other funds pledged under the Master Subordinate Resolution and this Fifth Supplemental Subordinate Resolution.

SECTION 2.03 Interest. The 2026 Series B Bonds and any bank bonds and other reimbursement obligations related to the 2026 Series B Bonds shall bear interest at the rates and in the manner set forth in the Transaction Documents for such Series and shall be payable on the dates set forth in such Transaction Documents.

SECTION 2.04 Place of Payment. The principal of the 2026 Series B Bonds shall be payable in lawful money of the United States of America at those places and in the manner provided in the applicable Transaction Documents.

SECTION 2.05 Redemption; Tender. The 2026 Series B Bonds shall be subject to optional and mandatory redemption as provided in the applicable Transaction Documents. If less than all of the 2026 Series B Bonds are to be redeemed, the particular 2026 Series B Bonds or portions of 2026 Series B Bonds to be redeemed shall be selected as provided in the applicable Transaction Documents. The 2026 Series B Bonds shall be subject to optional and mandatory tender as provided in the applicable Transaction Documents.

SECTION 2.06 Form of 2026 Series B Bonds. The 2026 Series B Bonds shall be issued in substantially the form that is set forth in the Trust Agreement or other Transaction Documents.

SECTION 2.07 CUSIP Identification Numbers. CUSIP identification numbers shall be ordered by the Underwriters and caused by the District to be printed on the 2026 Series B Bonds, but such numbers shall not be deemed a part of the 2026 Series B Bonds or a part of the contract evidenced thereby and no liability shall attach to the District or its officers, employees or agents because of or on account of such CUSIP identification numbers.

ARTICLE III

APPLICATION OF BOND PROCEEDS; ESTABLISHMENT OF FUNDS; COVENANTS

SECTION 3.01 Application of Proceeds of 2026 Series B Bonds. The proceeds of the sale of the 2026 Series B Bonds and such other moneys as are available and necessary to accomplish the purposes of this Fifth Supplemental Subordinate Resolution from time to time shall be deposited with the District and shall be held in trust and shall be set aside by the District as provided in the applicable Transaction Documents.

SECTION 3.02 Establishment and Application of Funds. The District shall establish, and the District shall maintain and hold in trust, the Variable Rate Subordinate Water Revenue Bonds, 2026 Series B Construction Fund (the "Construction Fund"), the Variable Rate Subordinate Water Revenue Bonds, 2026 Series B Costs of Issuance Fund (the "Costs of Issuance Fund") and, when needed, the Variable Rate Subordinate Water Revenue Bonds, 2026 Series B Excess Earnings Fund (the "Excess

Earnings Fund"), each to be applied as set forth in this Article III. In addition to the Construction Fund, the Costs of Issuance Fund, the Excess Earnings Fund (when established) and such other funds established pursuant to the Master Subordinate Resolution, there shall be established and maintained such additional funds and accounts as shall be set forth in the Trust Agreement, including funds and accounts with respect to the purchase and remarketing of Variable Rate Indebtedness, with respect to payments to be made by the District under any interest rate swap agreement or agreements entered into by the District and for such other purposes as the District or the Fiscal Agent deem necessary or desirable.

SECTION 3.03 Tax Covenants. In order to maintain the exclusion from gross income of the interest on the 2026 Series B Bonds for federal income tax purposes, the District covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and the District agrees to comply with the covenants contained in, and the instructions given pursuant to, the Tax Certificate, which by this reference is incorporated herein, as a source of guidance for compliance with such provisions.

Notwithstanding any other provisions of the Master Subordinate Resolution or this Fifth Supplemental Subordinate Resolution to the contrary, upon the District's failure to observe, or refusal to comply with, the foregoing covenant, no Person other than the Owners of the 2026 Series B Bonds shall be entitled to exercise any right or remedy provided to the Owners under the Master Subordinate Resolution or this Fifth Supplemental Subordinate Resolution on the basis of the District's failure to observe, or refusal to comply with, such covenant.

SECTION 3.04 Application of Construction Fund. The moneys in the Construction Fund shall be disbursed by the District to pay Construction Costs. All investment earnings on funds held in the Construction Fund shall be credited to such fund unless otherwise specified in a Certificate of an Authorized Representative. The District shall keep a record of all payments from the Construction Fund, which record shall state: (1) the item number of such payment; (2) the name and address of the person to whom each such payment is due, which may be the District in the case of reimbursement for costs theretofore paid by the District; and (3) the purpose by general classification for which each obligation to be paid was incurred.

SECTION 3.05 Application of Costs of Issuance Fund. The moneys in the Costs of Issuance Fund shall be disbursed by the District to pay Costs of Issuance incurred in connection with the issuance of the 2026 Series B Bonds. Any amounts remaining in the Costs of Issuance Fund six months following the date of issuance of the 2026 Series B Bonds shall be: (i) transferred to the Construction Fund and applied as provided in Section 3.04; or (ii) applied for such other lawful purposes determined by the District as are approved in an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, adversely affect the tax-exempt status of interest on the 2026 Series B Bonds. The District shall keep a record of all payments from the Costs of Issuance Fund, which record shall state: (1) the item number of such payment; (2) the name and address of the person to whom each such payment is due, which may be the District in the case of reimbursement for costs theretofore paid by the District; and (3) the purpose by general classification for which each obligation to be paid was incurred.

SECTION 3.06 Application of Excess Earnings Fund. All money at any time deposited in the Excess Earnings Fund in accordance with the provisions of the Tax Certificate shall be held by the District in trust for the payment to the federal government of the United States of America, and neither the District nor the Owner of any 2026 Series B Bonds shall have any rights in or claim to such money.

All amounts deposited into or on deposit in the Excess Earnings Fund shall be governed by this Fifth Supplemental Subordinate Resolution and the Tax Certificate. The District shall invest all amounts held in the Excess Earnings Fund in accordance with the Tax Certificate. Moneys shall not be transferred from the Excess Earnings Fund except in accordance with the Tax Certificate.

ARTICLE IV

FISCAL AGENT AND PAYING AGENT

SECTION 4.01 Fiscal Agent and Paying Agent. The Treasurer of the District is hereby appointed as the initial Fiscal Agent with respect to the 2026 Series B Bonds. The Fiscal Agent may resign upon 30 days' notice to the District and, in such event, an Authorized Representative shall appoint a successor Fiscal Agent, which may be a bank, banking corporation or banking association, or may appoint a Paying Agent, which shall have such duties (including those duties of the Fiscal Agent) as shall be set forth in the respective Transaction Documents.

ARTICLE V

SALE OF 2026 SERIES B BONDS; APPROVAL OF TRANSACTION DOCUMENTS

SECTION 5.01 Ad Hoc Committee. The Chair of the Board, or in the event of a vacancy, the Acting Chair of the Board, the Chair of the Finance, Affordability, Asset Management, and Efficiency Committee of the Board (or in the event that the Finance, Affordability, Asset Management, and Efficiency Committee is renamed, dissolved, or reorganized, such other committee of the Board which shall have substantially all of the duties of the Finance, Affordability, Asset Management, and Efficiency Committee prior to such renaming, dissolution, or reorganization), or in the event of a vacancy, the Vice Chair or Acting Chair of the Finance, Affordability, Asset Management, and Efficiency Committee of the Board (or in the event that the Finance, Affordability, Asset Management, and Efficiency Committee is renamed, dissolved, or reorganized, such other committee of the Board which shall have substantially all of the duties of the Finance, Affordability, Asset Management, and Efficiency Committee prior to such renaming, dissolution, or reorganization), and the General Manager or Interim General Manager, as applicable, or his or her designee, or in the event of a vacancy, the Acting General Manager or his or her designee, acting jointly, are hereby constituted an ad hoc committee (the "Ad Hoc Committee").

SECTION 5.02 Approval of Transaction Documents. The Ad Hoc Committee or its designee is authorized and directed to determine, establish and approve on behalf of the District the aggregate principal amount, terms and conditions of the 2026 Series B Bonds, and the terms and conditions of each Transaction Document and one or more remarketing agreements related to the 2026 Series B Bonds, as the members of the Ad Hoc Committee shall agree upon in their sole discretion as being in the best interests of the District, subject only to the provisions of the Act and of this Fifth Supplemental Subordinate Resolution, and shall be so empowered solely to implement the fundamental policies established by this Fifth Supplemental Subordinate Resolution in a manner that is most advantageous to the District. The Ad Hoc Committee or its designee is authorized and directed to approve on behalf of the District the payment of any Costs of Issuance related to the issuance of the 2026 Series B Bonds. Any member of the Ad Hoc Committee, acting singly, is authorized to deem final the Preliminary Official Statement relating to the 2026 Series B Bonds pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Such aggregate principal amount, terms and conditions of the 2026 Series B Bonds and the terms and conditions of their sale shall be set forth in the Transaction Documents. Such terms and conditions as so set forth, together with the other terms and conditions of the 2026 Series B Bonds set forth in this Fifth Supplemental Subordinate Resolution, shall, upon execution and delivery of the Transaction Documents with respect to the 2026 Series B Bonds by an "Authorized Officer" designated by the Ad Hoc Committee in the certificate of the Ad Hoc Committee described herein or other designee, on behalf of the District, be all of the terms and conditions of the 2026 Series B Bonds, as if all such terms and conditions were fully set forth in this Fifth Supplemental Subordinate Resolution.

The provisions of the Transaction Documents pertaining to the terms of the 2026 Series B Bonds are hereby incorporated by reference into this Fifth Supplemental Subordinate Resolution with the same force and effect as if set forth herein.

The Ad Hoc Committee shall execute a certificate setting forth the specific terms and parameters of the 2026 Series B Bonds pursuant to this Fifth Supplemental Subordinate Resolution. The executed certificate shall be included in and retained as part of the final transcript for the 2026 Series B Bonds. The Controller of the District shall maintain true and correct copies of the final Transaction Documents in the files of the District.

SECTION 5.03 Further Action. The Chair of the Board, the General Manager, the Assistant General Manager/Chief Financial Officer of the District and each other "Authorized Officer" designated by the Ad Hoc Committee in the certificate of the Ad Hoc Committee described herein shall be and each of them is hereby authorized, empowered and directed to execute such other documents and agreements in addition to those enumerated herein and to take such other actions as they deem necessary or advisable in order to carry out and perform the purposes of this Fifth Supplemental Subordinate Resolution.

ARTICLE VI

UNDERTAKINGS

SECTION 6.01 Municipal Securities Disclosure. The District hereby agrees to provide or cause to be provided certain annual financial information and notices of certain material events to the extent required by Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, with respect to the 2026 Series B Bonds in accordance with the terms of the Continuing Disclosure Undertaking delivered by the District in connection with the 2026 Series B Bonds.

SECTION 6.02 Default. Failure to comply with the provisions of Section 6.01 hereof shall not be deemed an Event of Default under the Master Subordinate Resolution. The sole remedy under this Article VI in the event of any failure of the District to comply with this Article VI shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

SECTION 6.03 Amendment. This Article VI may be amended, supplemented, modified or deleted, from time to time and at any time, as the District may determine without the consent of any Owner of the 2026 Series B Bonds.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01 2026 Series B Bonds Subject to Master Subordinate Resolution. This Fifth Supplemental Subordinate Resolution is adopted in accordance with the provisions of the Master Subordinate Resolution. The Master Subordinate Resolution, as supplemented by this Fifth Supplemental Subordinate Resolution, is in all respects ratified and approved. Except as expressly provided in this Fifth Supplemental Subordinate Resolution, every term and condition contained in the Master Subordinate Resolution shall apply to this Fifth Supplemental Subordinate Resolution and to the 2026 Series B Bonds with the same force and effect as if it were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Fifth Supplemental Subordinate Resolution.

SECTION 7.02 Severability of Invalid Provisions. If any one or more of the provisions contained in this Fifth Supplemental Subordinate Resolution or in the 2026 Series B Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed to be severable from the remaining provisions contained in this Fifth Supplemental Subordinate Resolution, such invalidity, illegality or unenforceability shall not affect any other provision of this Fifth Supplemental Subordinate Resolution, and this Fifth Supplemental Subordinate Resolution shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have adopted this Fifth Supplemental Subordinate Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2026 Series B Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Fifth Supplemental Subordinate Resolution may be held illegal, invalid or unenforceable.

SECTION 7.03 Article and Section Headings and References; Interpretation. The headings or titles of the several Articles and Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Fifth Supplemental Subordinate Resolution.

All references herein to "Article," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Fifth Supplemental Subordinate Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Fifth Supplemental Subordinate Resolution as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 7.04 Governing Law. This Fifth Supplemental Subordinate Resolution shall be construed and governed in accordance with the laws of the State of California.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the affirmative votes of members representing more than fifty percent (50%) of the total number of votes of all members of the Board of Directors of The Metropolitan Water District of Southern California at its meeting held on October 13, 2026.

_____
Secretary of the Board of Directors
of The Metropolitan Water District
of Southern California