



RCWD News Release

RANCHO CALIFORNIA WATER DISTRICT
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SUBJECT: *Moody's Affirms Aa2 on Rancho California Water District's Revenue Bonds*

Temecula, CA January 26, 2016 –

Moody's Investors Service affirmed the Aa2 on Rancho California Water District's (RCWD/District) revenue bonds. The affirmation reflects Moody's expectation that the District's financial position will remain sound even while dealing with challenges from the drought. Also reflected in the rating are the District's strong management practices, which include a high percentage of fixed cost recovery, initiatives to increase storage capacity, and satisfactory resolution to the creation of the Santa Rosa Regional Resources Authority which will facilitate required wastewater treatment plant upgrades.

Credit strengths included a growing customer base, affordable rate structure, strong planning practices that include established water budgets, and proactive capital planning with recent additions to storage capacity. Credit challenges continue to include uncertainty with respect to future drought conditions, and the potential of higher costs associated with purchased water.

The District and its customers will benefit greatly from the strong rating by being able to borrow money at lower interest rates, with the savings being used to help fund

additional infrastructure. This high rating will also increase the number and variety of investors willing to invest in the District's bonds, creating enhanced opportunities for economic sustainability of Temecula, Murrieta and the surrounding area.

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Formed in 1965, Rancho California Water District supplies an area consisting of approximately 150 square miles. The District serves the area known as Temecula/Rancho California, which includes the City of Temecula, parts of Murrieta, and other contiguous lands. The District is separated into two divisions: the Santa Rosa Division generally west of I-15 and Rancho Division generally east of I-15. The District currently provides sewer service to the Cal Oaks and Bear Creek areas.

"The mission of the Rancho California Water District is to deliver reliable, high-quality water, wastewater and reclamation services to its customers and communities in a prudent and sustainable manner."