

Exhibit C

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa2 rating to West Basin Municipal Water District's, CA, \$16.7M refunding bonds

Global Credit Research - 06 May 2013

Affirms outstanding Aa2 on \$209M senior lien bonds and Aa3 on \$123M subordinate lien bonds

WEST BASIN MUNICIPAL WATER DISTRICT, CA
Storm Water Enterprise
CA

Moody's Rating

ISSUE	RATING
Refunding Revenue Bonds, Series 2013A	Aa2
Sale Amount \$16,700,000	
Expected Sale Date 05/14/13	
Rating Description Revenue: Government Enterprise	

Moody's Outlook NOO

Opinion

NEW YORK, May 06, 2013 --Moody's Investors Service has assigned an Aa2 rating to West Basin Municipal Water District's \$17 million Refunding Revenue Bonds, Series 2013A. We have also affirmed the Aa2 on the district's outstanding senior lien bonds affecting \$209 million in debt and the Aa3 rating on the district's outstanding subordinate bonds, in the amount of \$123 million. The bonds are secured with net revenues of the district.

RATINGS RATIONALE

The rating reflects this water wholesaler's large, coastal Los Angeles County service area and the improving financial operations that include higher debt service coverage levels and higher unrestricted reserves. The senior lien debt service coverage is healthy but despite the recent improvement, total debt service coverage is a weakness relative to similarly-rated enterprises. The District's strong reserves largely offset this weakness. The proceeds along with other available funds will be used to refund up to \$35 million of the district's senior lien debt obligations.

KEY CREDIT STRENGTHS

- Large, coastal Los Angeles County service area with generally high income levels
- Strengthening financial operations
- Fairly healthy senior lien debt service coverage
- Strong reserves
- Modest operating risk

KEY CREDIT CHALLENGES

- Modest total debt service coverage
- Exposure to California water supply issues

DETAILED CREDIT DISCUSSION

SYSTEM SERVES COASTAL LOS ANGELES COUNTY COMMUNITIES HIGHLY DEPENDENT ON ITS SUPPLIES

West Basin Municipal Water District is a water wholesaler providing imported and "recycled" supplemental water supplies to coastal Los Angeles County communities. While technically its supplies are supplemental to its customers' own supplies, District sales represent about 80% of its service territory's potable and non-potable water use. The District's primary customers are eight retail water suppliers and Water Replenishment District of Southern California with approximately 200,000 customers in 17 cities. The overall population served is substantial at approximately one million. The socioeconomic profile of this population is very broad, though overall moderately above the state average. While residents of some of the cities served are very wealthy (e.g. Rolling Hills, Malibu, Palos Verdes) a large portion of the population is in cities with more modest profiles (e.g. Inglewood, Carson, Hawthorne).

The District's fresh water supply source is the Metropolitan Water District of Southern California (Metropolitan), of which the District is a member agency and fourth largest customer. In fiscal 2011, the District purchased 113,366 acre-feet from Metropolitan. To the extent that Metropolitan suffers supply shortages, the District would be directly affected. However, Moody's believes that significant shortages will be avoided owing to Metropolitan's successful long-term, capital investments in storage programs and facilities. Maintaining long-term supply sufficiency, however, will be a continuing challenge, particularly if northern California's Bay-Delta suffers additional regulatory cutbacks.

NARROW, TOTAL DEBT SERVICE COVERAGE BUT STRONG RESERVES AND MODEST OPERATING RISK

The District's primary costs are for water supplies, the cost of which it passes through to its customers with just a \$117 surcharge for its own operations. While the District has an active wastewater recycling program, it represents approximately 20% of the District's operating revenues and the treatment plants are operated on a contract basis. The District only directly employs 36 people. As of fiscal 2012 year-end, the District's unrestricted cash reserves were sizable at \$67 million, or a strong 52% of its operating expenditures for the year. Given that much of the District's operations involve resale of purchase water, these reserves provide even greater financial flexibility to the District's more direct operations. By comparison, the District's total debt service in fiscal 2012 was \$24.2 million. The District's projected financial operations appear reasonably balanced and no significant change in its reserve position is expected.

Senior lien debt service coverage alone is healthy, though somewhat below average for the rating level at about 2.24x in 2012. This is up from 1.78x in 2011 and is projected to increase to an expected 2.46x in the next five years. In 2012 net revenues provided 1.48x times coverage of total debt service, which remains low for the rating level, but is a big improvement over the previous year's 1.18x. The District projects total debt service to increase to 1.6x in the next five years. These reasonable projections are based on rate increases and stable demand. They also reflect likely rate increases from Metropolitan, which will be passed through. The positive credit implications of the District's stable operations and high reserve levels outweigh its total debt service coverage, which is narrow for the rating level. Increases in the surcharge are also part of the projected rates and past increases in surcharges boost the likelihood of future increases. While total coverage levels are below average for an Aa2-rated water enterprise, the District has a healthy reserve position and only modest operating risk. However, these reserves of approximately \$67 million or up from the \$58 million of the previous year, but have decreased by approximately \$15 million since 2007. We do not anticipate further declines in the near term. Decrease in reserves in time may no longer offset the inherent weakness of the District's overall coverage levels. Therefore, it is important for the District to achieve its debt service coverage projections to preserve credit strength, particularly with respect to the subordinate lien bonds.

The District's long term CIP of \$118 million is dominated by recycled water programs (\$106 million). The District's commitment to recycled water is strong and in the next five years the sale of recycled water is projected to reach 25% of total operating revenues. Water nitrification facilities are expected to cost \$76 million through 2014, however, the cost will be incurred by Los Angeles Department of Water and Power (LADWP), who will be the recipient of the nitrified water. In addition, the District will receive a \$43 million capacity payment from LADWP.

MODEST VARIABLE RATE EXPOSURE; MORE DEBT TO COME IN THE NEAR TERM

The District's \$30 million variable debt exposure represents only about 10% of its total debt outstanding. These COPs are hedged with variable to fixed rate swaps. The rating termination triggers for the swap are a function of the District's and swap provider's ratings, with termination occurring if either rating falls below Baa1. The swaps are provided by Citibank, N.A., rated A3/P-2. As of, May 1, 2013 the swaps had negative values to the District of

\$4.87 million.

The District's current debt ratio is high compared to the typical municipal water enterprise at 60.3%, but this relative weakness is not unusual for a water wholesaler.

The legal covenants are weak. Both, the Additional Bonds Test and rate covenant are only 1.15x. for senior lien and 1.0x for all debt.

The current series does not benefit from a reserve fund. The proceeds of the current debt along with other available funds will be used to refund up to \$35 million of outstanding senior debt maturing through 2030. These refunding bonds will mature in 2016. Given the shortness of the debt, the lack of a debt service reserve does not pose a significant weakness.

What could make the long term rating go UP

-Improved debt service coverage levels.

-Stronger liquidity position.

What could make the long term rating go DOWN

-Weaker debt service coverage levels.

-Tightening of water supply.

KEY STATISTICS

Population served: one million

Operating ratio, FY 2012:79.9%

Debt ratio, FY 2012: 60%

Senior lien debt service coverage, 2012: 2.24x

The principal methodology used in this rating was Analytical Framework For Water And Sewer System Ratings published in August 1999. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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