



**SPECIAL NOTICE REGARDING
CORONAVIRUS DISEASE 2019 (COVID-19)
AND PARTICIPATION IN PUBLIC MEETINGS**

On March 4, 2020, Governor Newsom declared a State of Emergency resulting from the threat of COVID-19. On September 16, 2021, Governor Newsom signed Assembly Bill No. 361 into law. Assembly Bill No. 361 amends Government Code section 54953(e) by adding provisions for remote teleconferencing participation in meetings by members of a legislative body, without the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions. The Upper Santa Ana River Watershed Financing Authority adopted a resolution determining, by majority vote, that, as a result of the declared State of Emergency, a meeting in person would present imminent risks to the health or safety of attendees. Accordingly, it has been determined that all meetings of the Upper Santa Ana River Watershed Financing Authority will be held pursuant to the Brown Act and will be conducted via teleconference. There will be no public access to the meeting venue.

**MEETING OF THE
UPPER SANTA ANA RIVER
WATERSHED INFRASTRUCTURE FINANCING AUTHORITY
WEDNESDAY, DECEMBER 15, 2021 – 8:30 am**

PUBLIC PARTICIPATION

Public participation is welcome and encouraged. You may participate in the December 15, 2021, meeting of the Upper Santa Ana River Watershed Financing Authority online and by telephone as follows:

**Dial-in Info: (877) 853 5247 US Toll-free
Meeting ID: 818 8828 6875
PASSCODE: 3802020**

<https://sbvmwd.zoom.us/j/81888286875>

If you are unable to participate online or by telephone, you may also submit your comments and questions in writing for consideration by sending them to comments@sbvmwd.com with the subject line "Public Comment Item #" (insert the agenda item number relevant to your comment) or "Public Comment Non-Agenda Item". Submit your written comments by 6:00 p.m. on Tuesday, December 14, 2021. All public comments will be provided to the Executive Director and may be read into the record or compiled as part of the record.

IMPORTANT PRIVACY NOTE: Participation in the meeting via the Zoom app is strongly encouraged. Online participants **MUST** log in with a Zoom account. The Zoom app is a free download.
Please keep in mind: (1) This is a public meeting; as such, the virtual meeting information is published on the World Wide Web and available to everyone. (2) Should you participate remotely via telephone, your telephone number will be your "identifier" during the meeting and available to all meeting participants; there is no way to protect your privacy if you elect to call in to the meeting.



Agenda

**UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY**
380 East Vanderbilt Way, San Bernardino, CA 92408

WEDNESDAY, DECEMBER 15, 2021

CALL TO ORDER/PLEDGE OF ALLEGIANCE

1. PUBLIC COMMENT

Any person may address the Board on matters within its jurisdiction.

2. APPROVAL OF MINUTES

- 2.1 December 1, 2021, Meeting (Page 3)
[Watershed Connect Minutes 20211201](#)

3. DISCUSSION AND POSSIBLE ACTION ITEMS

- 3.1 Consider Resolution authorizing the Joint Powers Authority to conduct remote meetings for the period December 15, 2021 through January 14, 2022 (Page 7)
[Staff Memo - Consider Continuing Resolution for Remote Meetings for the Next 30 Days](#)
[Resolution No. 003](#)
- 3.2 Consider the Adoption of a Debt Management Policy by Resolution No. 004 (Page 12)
[Staff Memo - Consider the Adoption of a Debt Management Policy](#)
[Resolution No. 004 Adopting Debt Management Policy](#)

4. REPORTS (Discuss and Possible Action)

- 4.1 Technical Advisory Committee Report
- 4.2 Executive Director's Report

5. ANNOUNCEMENTS

6. ADJOURNMENT

PLEASE NOTE: Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection in the District's office located at 380 E. Vanderbilt Way, San Bernardino, during normal business hours. Also, such documents are available on the District's website at www.sbvmd.com subject to staff's ability to post the documents before the meeting. The District recognizes its obligation to provide equal access to those individuals with disabilities. Please contact Melissa Zoba at (909) 387-9228 two working days prior to the meeting with any special requests for reasonable accommodation

MINUTES OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

Regular Meeting of the Board of Directors | December 1, 2021

ROLL CALL

Member Agency	Director	Attendance
San Bernardino Valley Municipal Water District	Paul Kielhold	Present
Yucaipa Valley Water District	Lonni Granlund	Present
San Bernardino Valley Water Conservation District	Daniel Cozad	Present
San Bernardino Municipal Water Department	Miguel Guerrero	Present

Member Agency		Attendance
San Bernardino Valley Municipal Water District	T. Milford Harrison, Treasurer	Present
San Bernardino Municipal Water Department	Cecilia "Toni" Callicott, Alternate	Absent
San Bernardino Valley Municipal Water District	Gil Botello, Alternate	Present
San Bernardino Valley Water Conservation District	Betsy Miller, Alternate	Absent
Yucaipa Valley Water District	Nyles O'Harra, Alternate	Present
San Bernardino Valley Municipal Water District	Heather Dyer, Executive Director	Present
San Bernardino Valley Municipal Water District	Jose Macedo, Secretary	Present

Staff Present	Agency
Anthony Flordelis	San Bernardino Valley Municipal Water District
Adekunle Ojo	San Bernardino Valley Municipal Water District
Melissa Zoba	San Bernardino Valley Municipal Water District
Jennifer Ares	Yucaipa Valley Water District
Allison Edmisten	Yucaipa Valley Water District
Chris Mann	Yucaipa Valley Water District
Joseph Zoba	Yucaipa Valley Water District

Scott Heil	Varner Brandt
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Others in Attendance:	
Jeff Herrin	AECOM

CALL TO ORDER

The Regular Meeting of the Upper Santa Ana River Watershed Infrastructure Financing Authority (USAR WIFA) was called to order by Chair Paul Kielhold at 8:30 a.m. Chair Kielhold led the Pledge of Allegiance. A quorum was noted present by roll call.

1. PUBLIC COMMENT

Chair Kielhold stated that any member of the public wishing to make any comments to the Authority may do so. There was no comment.

2. APPROVAL OF MINUTES

Action: The minutes of the November 17, 2021, meeting were approved by the following roll-call vote:

MOVED: Cozad	SECONDED: Granlund	APPROVED: 4-0
AYES:	Cozad, Granlund, Guerrero, Kielhold	
NOES:		
ABSTAIN:		
ABSENT:		

3. DISCUSSION AND POSSIBLE ACTION ITEMS

- 3.1 Consider Resolution authorizing the Joint Powers Authority to conduct remote meetings for the period December 1, 2021, through December 31, 2021

Executive Director Heather Dyer explained this requirement for continued teleconferencing of meetings in compliance with the Brown Act and AB 361. The Resolution must be adopted every 30 days.

Action: Resolution 002 was adopted by the following roll-call vote:

MOVED: Granlund	SECONDED: Cozad	APPROVED: 4-0
AYES:	Cozad, Granlund, Guerrero, Kielhold	
NOES:		

ABSTAIN:	
ABSENT:	

RESOLUTION NO. 002

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY PROCLAIMING A LOCAL EMERGENCY, RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY GOVERNOR GAVIN NEWSOM ON MARCH 4, 2020, AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY FOR THE PERIOD DECEMBER 1, 2021, THROUGH DECEMBER 31, 2021, PURSUANT TO BROWN ACT PROVISIONS

4. REPORTS (Discuss and Possible Action)

4.1 Technical Advisory Committee Report

Technical Advisory Committee Chair Joe Zoba provided an overview of the November 24, 2021, TAC meeting. The Finance Subcommittee reviewed the Draft Installment Purchase Agreement and the Draft Debt Management Policy. Both were recommended to be forwarded to the Board for consideration, he advised.

Mr. Zoba reported the Committee is preparing for next week's meeting to discuss the status of the WIFIA application and will begin coordination with consultants. He also noted that work will begin with Executive Director Heather Dyer to prepare a budget.

5. ANNOUNCEMENTS

5.1 List of Announcements

Executive Director Heather Dyer advised that it is anticipated the EPA will have a press release tomorrow regarding the WIFIA program and a joint press release has been prepared.

Chair Kielhold announced the next meeting is November 15.

6. ADJOURNMENT

Action: The meeting was adjourned at 8:36 a.m. by the following roll-call vote:

MOVED: Granlund	SECONDED: Guerrero	APPROVED: 4-0
AYES:	Cozad, Granlund, Guerrero, Kielhold	
NOES:		
ABSTAIN:		
ABSENT:		

<p>APPROVAL CERTIFICATION</p> <p>I hereby certify to approval of the foregoing Minutes of the Upper Santa Ana River Watershed Infrastructure Financing Authority Technical Advisory Committee.</p> <hr/> <p>Secretary</p> <p>Date</p> <hr/>

Respectfully submitted,

Lynda J. Kerney
Contract Assistant

UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY



DATE: December 15, 2021

TO: Board of Directors

FROM: Heather Dyer, Executive Director

SUBJECT: Consider Resolution authorizing the Joint Powers Authority to conduct remote meetings for the period December 15, 2021 through January 14, 2022

In order for the JPA to continue teleconference meetings in accordance with the Brown Act, the Board of Directors is required to adopt an authorizing resolution. The Board can reevaluate the situation and renew this Resolution every 30-days until it is decided the Resolution is no longer needed.

Background:

Governor Newsom issued Executive Order N-29-20 on March 17, 2020, in response to the global pandemic, allowing local agencies to hold meetings via teleconferences and to make meetings accessible electronically without violating the Brown Act. The Order was extended on June 11, 2021, to apply the relaxed teleconference provisions through September 30, 2021.

The recently signed Assembly Bill No. 361 ("AB 361"), effective as of October 1, provides additional flexibility for local agencies looking to meet remotely in order to continue providing the public with essential services during a proclaimed state of emergency. The goal of AB 361 is "to improve and enhance public access to state and local agency meetings during the COVID-19 pandemic and future emergencies by allowing broader access through teleconferencing options."

AB 361 allows a local agency to use teleconferencing without complying with certain Brown Act provisions in any of the following circumstances:

1. The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.
2. The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

emergency, meeting in person would present imminent risks to the health or safety of attendees.

3. The legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

A local agency is authorized to use teleconferencing without complying with the teleconferencing requirements in the Brown Act when meetings are held during a declared state of emergency until January 1, 2024. For an agency to do so, its governing body must adopt a Resolution making the following findings by majority vote:

1. The legislative body has considered the circumstances of the state-of-emergency; and
2. Any of the following circumstances exist:
 - a. The state-of-emergency continues to directly impact the ability of the members to meet safely in person; or
 - b. State or local officials continue to impose or recommend measures to promote social distancing.

As of the time of preparing this memo, these findings are applicable to the Authority.

Fiscal Impact:

There is no fiscal impact associated with the requested action.

Recommendation:

Adopt Resolution No. 003 authorizing remote teleconference of the Board of Directors and Technical Advisory Committee of the Authority for the period December 15, 2021 through January 14, 2022.

Attachment:

Resolution No. 003

RESOLUTION NO. 003

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY PROCLAIMING A LOCAL EMERGENCY, RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY GOVERNOR GAVIN NEWSOM ON MARCH 4, 2020, AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY FOR THE PERIOD DECEMBER 15, 2021, THROUGH JANUARY 14, 2022, PURSUANT TO BROWN ACT PROVISIONS.

WHEREAS, the Upper Santa Ana River Watershed Infrastructure Financing Authority (Authority) is committed to preserving and nurturing public access and participation in meetings of the Board of Directors; and

WHEREAS, all meetings of the Upper Santa Ana River Watershed Infrastructure Financing Authority's legislative bodies are open and public, as required by the Ralph M. Brown Act (Gov't Code § 54950 *et seq.*), so that any member of the public may attend, participate, and watch the Authority's legislative bodies conduct their business; and

WHEREAS, the Brown Act, Government Code section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition is that a state of emergency is declared by the Governor pursuant to Government Code section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code section 8558; and

WHEREAS, a proclamation is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the jurisdictions that are within the Authority's boundaries, caused by natural, technological, or human-caused disasters; and

WHEREAS, it is further required that state or local officials have imposed or recommended measures to promote social distancing, or, the state of emergency continues to directly impact the ability of the members to meet safely in person; and

WHEREAS, such conditions now exist in the Authority, specifically, a state of emergency has been proclaimed due to an outbreak of respiratory illness due to a novel coronavirus (a disease now known as COVID-19); and

WHEREAS, the San Bernardino County Department of Health has recommended measures to promote social distancing; and

WHEREAS, the Board of Directors has determined that the state of emergency continues to directly impact the ability of the members to meet safely in person; and

WHEREAS, the Board of Directors does hereby find that the current state of emergency with respect to COVID-19, local official recommendations to promote social distancing, and conditions causing imminent risk to the health and safety of attendees have caused, and will continue to cause, conditions of peril to the safety of persons within the Authority that are likely to be beyond the control of services, personnel, equipment, and facilities of the Authority, and desires to proclaim a local emergency and ratify the proclamation of state of emergency by the Governor of the State of California; and

WHEREAS, as a consequence of the local emergency, the Board of Directors does hereby find that the legislative bodies of the Upper Santa Ana River Watershed Infrastructure Financing Authority shall conduct their meetings without compliance with paragraph (3) of subdivision (b) of Government Code section 54953, as authorized by subdivision (e) of section 54953, and that such legislative bodies shall comply with the requirements to provide the public with access to the meetings as prescribed in paragraph (2) of subdivision (e) of section 54953;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY as follows:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Proclamation of Local Emergency. The Board hereby proclaims that a local emergency now exists throughout the Authority, and declares that meeting in person would not comply with local official recommendations to promote social distancing and would present imminent risk to the health and safety of attendees.

Section 3. Ratification of Governor's Proclamation of a State of Emergency. The Board hereby ratifies the Governor of the State of California's Proclamation of a State of Emergency, effective as of its issuance date of March 4, 2020.

Section 4. Remote Teleconference Meetings. The Executive Director and legislative bodies of the Upper Santa Ana River Watershed Infrastructure Financing Authority are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including, conducting open and public meetings in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act.

Section 5. Effective Date of Resolution. This Resolution shall take effect on December 15, 2021, and shall be effective until the earlier of (a) January 14, 2022, or (b) such time the Board of Directors adopts a subsequent resolution in accordance with Government Code section 54953(e)(3) to extend the time during which the legislative bodies of the Upper Santa Ana River Watershed Infrastructure Financing

Authority may continue to teleconference without compliance with paragraph (3) of subdivision (b) of section 54953.

ADOPTED this 15th day of December 2021.

Paul Kielhold
Chair

Jose Macedo
Secretary

UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY



DATE: December 15, 2021

TO: Board of Directors

FROM: Technical Advisory Committee (TAC)
Allison Edmisten, Chair, TAC Finance Subcommittee

SUBJECT: Consider the Adoption of a Debt Management Policy by Resolution
No. 004

Summary:

A Debt Management Policy ("Policy") improves the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital financial planning. At its November 24th meeting, the Technical Advisory Committee unanimously voted to accept the recommendation of its Finance Subcommittee to advance the Debt Management Policy to the the Board of Directors for adoption.

The Policy as set forth herein provides a set of comprehensive guidelines for the issuance and management of the Authority's debt portfolio. The policy is subject to periodic review to ensure it complies with changes in federal and state laws and regulations.

Background:

The JPA financial advisor, Fieldman Rolapp & Associates and bond counsel, Stradling, worked together to draft a debt management policy representing best practices in the industry. The draft policy was subsequently reviewed by the Chief Financial Officers of the JPA Member Agencies (TAC Finance Subcommittee) to ensure that it is appropriate for the JPA and consistent with the practices of JPA member agencies.

The policy was developed to be in compliance with Senate Bill ("SB") 1029, a California law which requires public agencies who issue debt after January 1, 2017 to certify they have a debt management policy. Consequently, the adoption of such a policy is a requirement before the Financing JPA can move forward with the planned debt issuance under the Water Infrastructure Finance and Innovation Act (WIFIA) to finance the Watershed Connect Program. In addition, SB 1029 requires that an issuer certify that their policy including the following elements at a minimum:

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

- I. The purposes for which the debt proceeds may be used
- II. The types of debt that may be issued
- III. The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable
- IV. Policy goals related to the issuer's planning goals and objectives
- V. The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

Some of the main highlights of the proposed policy are as follows:

- I. Sets general policy goals for debt issuances such as issuing debt at the lowest possible cost and risk
- II. Identifies major regulatory requirements such as arbitrage limitations and continuing disclosure mandates
- III. Sets forth specific internal controls to ensure only proper expenditures are reimbursed from bond funds
- IV. Limits debt issuances to only projects in the capital improvement program, also known as Watershed Connect
- V. Requires recording of key information related to the debt and tracking of appropriate spending and interest

Fiscal Impact:

There is no fiscal impact associated with the requested action

Recommendation:

Staff recommends that the Board approve the Authority's Debt Management Policy by adopting Resolution No. 004

Attachment:

Resolution No. 004 Adopting the Debt Management Policy

RESOLUTION NO. 004

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY ADOPTING A DEBT MANAGEMENT POLICY

WHEREAS, the Board of Directors (“*Board*”) of the Upper Santa Ana River Watershed Infrastructure Financing Authority (“*Authority*”) recognizes that cost-effective access to the capital markets and other low-cost financing depends on prudent management of the Authority’s debt program; and

WHEREAS, effective January 1, 2017, California Government Code Section 8855(i) requires issuer of state and local government indebtedness to adopt local debt policies which include specific provisions concerning the use of indebtedness; and

WHEREAS, one of the best practices recommended by the Government Finance Officers Association (“*GFOA*”) is for State and local governments to adopt comprehensive written debt management policies; and

WHEREAS, GFOA recommends that such policies should reflect local, state, and federal laws and regulations and that said policies should be reviewed periodically and updated if necessary; and

WHEREAS, the Board wishes to set parameters for issuing debt, managing the debt portfolio, and providing guidance to staff in compliance with the law and GFOA best practices; and

WHEREAS, the Board finds and determines that adoption of the attached Debt Management Policy (“*Debt Management Policy*”) will help ensure that debt is issued and managed prudently in order to maintain sound fiscal policy, and is in compliance Government Code Section 8855(i);

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY as follows:

Section 1. **Recitals.** The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. **Approval of the Debt Management Policy.** The Board hereby approves the Upper Santa Ana River Watershed Infrastructure Financing Authority Debt Management Policy, attached as *Exhibit “A”* hereto and incorporated herein by reference.

Section 3. **Authorization to Manage Debt Issuance Functions.** The Executive Director, or designee, is hereby authorized and directed to manage debt issuance functions for the Authority in accordance with the Debt Management Policy.

Section 4. **Effective Date of Resolution.** This Resolution shall take effect as of the date of its adoption.

ADOPTED this 15th day of December 2021.

Paul Kielhold
Chair

Jose Macedo
Secretary

EXHIBIT "A"

**UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY
DEBT MANAGEMENT POLICY**

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY POLICY FOR DEBT MANAGEMENT

Section I. Introduction

Purpose and Overview

This Debt Management Policy (the “Policy”) establishes policies and procedures for the issuance and management of bonds, notes, installment purchase agreement to support certificates of participation, lines of credit, commercial paper, and other forms of indebtedness (“Debt”) of Upper Santa Ana River Watershed Infrastructure Financing Authority (the “Authority”). The purpose of the Policy is to identify Debt policy objectives, improve the quality of decision-making processes, provide a basis for the determination of the appropriate structures, diversify the Authority’s Debt portfolio (to the extent such is cost effective) to support its financial needs and to demonstrate a commitment to best practices in municipal debt management planning and execution.

The Board of Directors of the Authority (the “Board”) may, in its sole discretion, approve Debt that deviates from this Policy, upon the recommendation of management after consultation with the Authority’s Municipal Advisor. The failure of the Authority to comply with any provision of this Policy shall not affect the authorization or the validity or enforceability of any Debt that is otherwise issued in accordance with law. The Authority shall conduct a periodic review and evaluation of the Policy. As appropriate, the Authority shall amend the Policy to be consistent with changes in the federal and state securities laws, pronouncements, rules, and regulations of the Internal Revenue Service (“IRS”), the Municipal Securities Rulemaking Board (“MSRB”), the Securities and Exchange Commission (“SEC”), and such other matters as the Executive Director, or assigned designee deems necessary or desirable.

The Authority’s overarching goal in issuing Debt is to respond to and provide for the funding of capital projects and other financing needs of the Authority and its member agencies while ensuring that Debt is issued and managed prudently. Additionally, it is the intent of the policy to maintain a sound financial position.

The Authority believes that Debt can provide an equitable means of financing projects if (i) it meets the intent of equitable treatment of all Authority member agencies and rate payers; (ii) it provides for an effective means of paying for assets over their useful lives in lieu of paying for the assets over a much shorter period with cash and thereby avoiding sharp spikes in member agencies’ water users’ O&M rates, or charges paid by member agency land owners (the concept of intergenerational equity); (iii) it is fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (iv) if there are other important policy reasons therefor.

The Board may waive any of the provisions of this Policy.

Purpose for Borrowing

The Authority shall issue Debt solely for the purpose of financing the cost of adding to or making improvements to the Authority's facilities or its members, land acquisition, the acquisition of long-term water supplies, capacity in water supply, other improvements in accordance with the Authority's Regional Infrastructure Program ("Watershed Connect"), including costs of environmental review, design, acquisition, and/or construction of new facilities, or other Board-approved program or for the refunding of prior Debt.

The Authority may issue interim Debt (such debt that the Authority expects to have outstanding temporarily until longer term financing may be issued), short term Debt (such debt that has a final maturity of not more than five (5) years from its date of issuance) and long-term Debt (such debt that has a final maturity of more than five (5) years from its date of issuance). The Authority will not issue Debt to fund improvements or to acquire capital assets without express approval of the Board. The Authority shall issue Debt only as provided for in this Policy.

Roles and Responsibilities

The Board has delegated to the Executive Director or designee, authority and primary responsibility for Debt management. The Executive Director, or designee, shall:

- Provide for the issuance of Authority Debt at the lowest cost, commensurate with risk;
- Monitor the available debt capacity of the Authority;
- Consistent with Board approvals, provide for the issuance of Authority Debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
- Recommend to the Board the method and manner of sale of Authority Debt;
- Monitor opportunities to refund debt and recommend refunding as appropriate to reduce costs or to achieve other policy objectives;
- Comply with all IRS, MSRB, and SEC rules and regulations governing the issuance of Debt;
- Maintain a current database with all outstanding Debt;
- Provide for the timely payment of principal and interest on all Debt;
- Comply with all terms and conditions, and disclosure required by the legal documents governing the debt issued;
- Submit to the Board all recommendations to issue Debt in accordance with the Policy;
- If required by a Continuing Disclosure Certificate, distribute on a timely basis to appropriate repositories information regarding the Authority's financial condition and affairs at such times and in the form required by law, regulation and general practice;
- Comply with any Disclosure Policy adopted by the Authority;
- Provide for the frequent distribution of pertinent information to the rating agencies; and
- Apply and promote prudent fiscal practices.

Internal Controls

In order to comply with CDIAC rules and regulations promulgated pursuant to SB 1029 the following internal controls shall be followed:

The Executive Director, or duly appointed designee and the Authority’s designated project manager for the project shall share responsibility to assure that disbursements are made only after each request for disbursement is substantiated with appropriate invoices, requisitions and other supporting documentation. Each of the aforementioned shall thoroughly review any request for disbursement and may request further documentation as may be deemed appropriate.

Proceeds of any Debt shall be managed and accounted for in accordance with its governing documents and this Policy. No disbursements shall be made without the written approval of the Executive Director, or designee. All draw requests shall be provided to the Authority by the designated project manager for the project with the consent of the Executive Director, or designee. Approval shall only be provided when the Executive Director, or designee, is in receipt of all appropriate certifications with supporting invoices from suppliers and or contractors evidencing appropriate expenses in connection with the project.

The Authority shall also comply with Government Code Section 5852.1 by disclosing specified good faith estimates in a public meeting prior to the authorization of the issuance of Debt.

Section II. Legal Governing Principles

In the issuance and management of Debt, the Authority shall comply with all legal constraints and conditions imposed by federal, state and local law. The following section highlights the key governing documents and certain Debt limitations.

Governing Law

Federal Tax Law – The Authority shall issue and manage Debt in accordance with the limitations and constraints imposed by federal tax law, to maximize its ability to issue tax-exempt debt. Such constraints include, but are not limited to, private activity tests, review of eligible projects, spend-down tests, and arbitrage rebate limitations. In the discretion of the Board, taxable debt may be issued if the requirements of federal tax law for tax-exempt Debt are not met.

Securities Law – The Authority shall comply with the applicable requirements of federal and state securities laws in offering Authority Debt and the Authority shall comply with securities law requirements in providing ongoing disclosure to the securities markets.

Governing Legal Documents

The Authority’s issuance of Debt is restricted in part by the Joint Exercise of Powers Agreement, and any relevant Authority policies or resolutions (the “Debt Governing Documents”). The Authority shall comply with all limitations imposed under the Debt Governing Documents, so long as such are in full force and effect.

Permitted Debt by Type

The Authority may legally issue both short-term and long-term Debt, using the Debt instruments

described below. The Executive Director, or designee, in consultation with the Authority's Bond Counsel and Municipal Advisor shall determine the most appropriate instrument for a proposed issuance of Debt.

JPA Revenue Bonds – The Authority would typically finance through the issuance of Authority revenue bonds or notes. These Authority bonds or notes would be secured by the general revenues of the Authority or payments received from members and others under activity agreements or other agreements.

Certificates of Participation – As an alternative, Certificates of Participation (“COP”) provide debt financing through a lease, installment sale agreement or contract of indebtedness which are payable from net revenues, under the terms and conditions specified in the related governing documents.

Revenue Notes – The Authority may issue short-term indebtedness secured by revenues. The revenue notes will have a final maturity not exceeding five years from the date of issuance, unless expressly approved by the Board.

Refunding Revenue Bonds – The Authority is authorized to issue refunding revenue bonds to refund outstanding Authority indebtedness pursuant to the State of California local agency refunding revenue bond law (Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California).

Lines of Credit - The Authority may enter into financing arrangements with banks or other financial institutions providing for a source of funds that can be readily accessed by the Authority for capital and operating needs.

Commercial Paper – The Authority may establish a commercial paper program (“Commercial Paper Program”). A Commercial Paper Program may be utilized and commercial paper notes may be issued from time to time to provide financing for projects, subject to the conditions that the projects and project financing will have prior approval from the Board. The Authority's commercial paper shall be payable from Authority specified revenues. The Executive Director, or designee, shall provide a written report to the Board twelve months following the initial issuance of commercial paper notes and annually thereafter so long as there is any commercial paper outstanding. The report shall summarize the status of projects financed with commercial paper; and identifying any long-term Debt issued to refund commercial paper notes.

Private Placements/Direct Loans - In the event the Authority chooses to proceed with a bank facility, or private placement of any form of Debt from a non-governmental entity, the Authority may issue a request for proposal from responsible and credit-worthy financial institutions. The request for bids shall include a description of the project and terms and conditions of the financing in accordance with prudent financial and industry standards. In awarding any Debt to a bank, or other financial institution, the Authority may consider interest rates, other fees, proposed terms and conditions, the experience of various banks as well as the ability of the proposed bank to close the transaction in a timely manner. The Authority will evaluate such loans on a case-by-case basis.

Government Sponsored Direct Loans - The Authority may enter into loan agreements with federal or state agencies. The Authority will evaluate such loans on a case-by-case basis. Prior to entering into such loan, the Authority may consider alternative forms of Debt, interest rates, other fees, proposed terms and conditions, the history of completing such loans by the federal or state agency, the availability of likelihood of obtaining funding and the ability of the proposed government agency to close the transaction in a timely manner.

Other Obligations - There may be special circumstances when other forms of financing are appropriately utilized by the Authority. The Authority will, with the assistance of the Authority's Municipal Advisor, evaluate such proposed transactions on a case-by-case basis. Such other forms include, but are not limited to, grant anticipation notes and judgment or settlement obligation bonds.

Ethical Standards Governing Conduct

Authority Directors, Authority staff, and Authority consultants, service providers, and underwriters shall adhere to standards of conduct as stipulated by the California Political Reform Act, as applicable. All Debt financing participants shall maintain the highest standards of professional conduct at all times, in accordance with:

- MSRB Rules, including Rule G-37, shall be followed at all times;
- Debt financing participants will assist the Authority staff in achieving its goals and objectives as defined in this Policy; and
- All Debt financing participants shall make cooperation with the Authority staff a high priority.

Section III. Integration of Capital Planning and Debt Activities

Evaluating Capital Improvement Program Spending

The Authority shall work with each member agency to develop the capital improvement program to evaluate the impact of capital program spending, operations and maintenance costs, and debt service on the financial condition of each member agency.

Towards that end, the Executive Director, or designee, shall oversee the ongoing management of historic and projected revenue and operating costs.

Section IV. Transaction-Specific Policies

Method of Sale for Publicly Offered Debt

Unless otherwise authorized by the Board, and because of the complexity of the Authority's credit, the issuance and sale of all Authority Debt shall generally be achieved through a negotiated process. Unless otherwise justified and deemed necessary upon the recommendation

of the Executive Director, or designee, after consultation with the Municipal Advisor, the Authority will utilize a request for proposal process to select an underwriter, or underwriters, in connection with the sale of publicly offered Debt.

Competitive Bid Method – Upon Board approval, at the recommendation of the Executive Director, or designee, after consultation with the Municipal Advisor, the Authority shall sell Debt on a competitive basis. Such bids may take the form of hand- delivered or electronically transmitted offers to purchase the bonds. Authority Debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost to the Authority provided the bid conforms to the official notice of sale.

Negotiated Bid Method – A negotiated bond issue will provide for the sale of debt by negotiating the terms and conditions of the sale, including price, interest rates, credit facilities, underwriter or remarketing fees, and takedown. The Board will provide by Resolution specific parameters (not-to-exceed amounts for principal, true interest cost and underwriting compensation) for the pre-approval of the negotiated sale of Debt. The final terms of the negotiated bond issue will be reported to the Board upon completion of the transaction.

If bonds are sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees, and underwriting spreads. The Authority, with the assistance of its Municipal Advisor, shall evaluate the terms offered by the underwriter(s). Guidelines with respect to price, interest rates, fees, and underwriting spreads shall be based on prevailing terms and conditions in the marketplace for comparable issuers.

If more than one underwriter is included in the negotiated sale of Debt, the Authority shall establish appropriate levels of liability, participation and priority of orders. Such levels shall be based upon Authority policy with regards to the underwriting responsibility among the syndicate, the desired allocation of total fees, and the desired distribution of Debt. Guidelines for establishing liability, participation, and priority of orders shall be based on prevailing terms and conditions in the marketplace for comparable issuers.

The Authority shall, with the assistance of its Municipal Advisor, oversee the bond allocation process. The bond allocation process shall be managed by the lead underwriter, with the following requirements:

- The bonds are allocated fairly among members of the underwriter(s), consistent with the previously negotiated terms and conditions;
- The allocation process complies with all MSRB regulations governing order priorities and allocations;
- The lead underwriter shall submit to the Executive Director, or designee, a complete and timely account of all orders, allocations, and underwriting activities with the investor names identified as appropriate.

The Executive Director, or designee, shall require a post-sale analysis and reporting for each negotiated bond sale. The Municipal Advisor or the lead underwriter may perform such analysis.

A post-sale analysis will include, but not be limited to:

- Summary of the pricing, including copies of the actual pricing wires;
- Results of comparable bond sales in the market at the time of the Authority's pricing;
- Detailed information on orders and allocation of bonds, by underwriting firm;
- Detailed information on final designations earned by each underwriter; and
- Summary of total compensation received by each underwriter.

Structural Elements

Maturity – The Authority may issue tax-exempt Debt with an average life no greater than or equal to federal tax code requirements. Unless expressly approved by the Board at the recommendation of the Executive Director, or designee, after consultation with the Municipal Advisor and Bond Counsel the final maturity of fixed rate Debt should be no longer than 35 years and the final maturity of variable rate Debt should be no longer than 40 years. Factors to be considered to determine the final maturity of Debt include: the average useful life of the capital assets being financed, relative level of interest rates, intergenerational equity and the year-to-year differential in interest rates. The Authority may not issue taxable Debt with a final maturity longer than 50 years unless expressly approved by the Board at the recommendation of the Executive Director, or designee, after consultation with the Municipal Advisor and Bond Counsel.

Maturity Structure – The Authority's long-term Debt may include serial and term bonds. Other maturity structures may also be considered if they are consistent with prudent financial management practices.

Coupon Structure – Debt may include par, discount, and premium bonds. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures, taking into consideration market conditions and opportunities. For variable rate Debt, the variable rate may be based on one of a number of commonly used interest rate indices and the index will be determined at the time of pricing.

Variable Rate Debt – The Authority is authorized to issue variable rate Debt including, but not limited to, public market indexed notes, indexed notes, or loans placed directly with financial institutions and other alternative variable rate and market access products as well as traditional variable rate demand obligations backed by bank liquidity facilities and unhedged floating rate debt. Prior to the issuance of variable rate debt, the savings and other possible advantages and disadvantages compared to a fixed rate borrowing shall be evaluated and a comparative analysis presented to the Board. Issuance of variable rate Debt may be approved by the Board at the recommendation of the Executive Director, or designee, after consultation with the Municipal Advisor and Bond Counsel. Unless expressly approved by the Board, the Authority will not have, as of the date of issuance of any variable rate debt, a percentage of variable rate debt outstanding greater than 20% of the total principal amount of all Debt outstanding.

Debt Service Structure – Debt service may be structured primarily on an approximate level (combined annual principal and interest) basis. Certain individual Debt issues, such as refunding

Debt, or Debt issued to achieve a specific policy objective, may have debt service that is not level. However, on an aggregate basis, debt service should be structured primarily on a level basis.

Redemption Features – In order to preserve flexibility and refinancing opportunities, Authority debt will generally be issued with call provisions. Upon approval by the Board, the Authority may issue Debt with calls that are shorter than traditional and/or non-callable debt when warranted by market conditions and opportunities. For each transaction, the Authority will evaluate the efficiency of call provision alternatives.

Credit Enhancement – The Authority may competitively procure credit enhancement for a sale of Debt if the Executive Director, or designee, in consultation with the Municipal Advisor and the lead underwriter, determines that to do so is in the Authority’s financial interest.

Debt Service Reserve Funds – The Authority may provide for debt service reserve funds to secure Authority Debt when necessary and recommended by the Executive Director, or designee, in consultation with the Municipal Advisor and the lead underwriter.

Section V. Communication and Disclosure

Rating Agencies

The Authority, with the assistance of its Municipal Advisor, may secure one or more credit ratings on all Debt from any of the four major nationally recognized statistical rating organizations, provided it is economic to do so. The Authority shall seek to maintain its credit ratings once received through prudent fiscal management and consistent communications with the rating analysts. The Executive Director, or designee, shall manage relationships with the rating analysts assigned to the Authority’s credit, using both informal and formal methods to disseminate information. Communication with the rating agencies shall include:

- Full disclosure on an annual basis of the financial condition of the Authority; which can be satisfied by providing the rating agencies with any current rating on any Debt of the Authority with the Authority’s audited financial statements and continuing disclosure filings.
- Upon request of a ratings agency or when in the judgment of the Executive Director, or designee, as appropriate, a formal presentation, to the rating agencies, covering economic, financial, operational, and other issues that impact the Authority’s credit;
- Timely disclosure of major financial events that impact the Authority’s credit;
- Timely dissemination of the Financial Statements, following its acceptance by the Authority’s Board; and
- Full and timely distribution of any documents pertaining to the sale of Debt.

Section VI. Refunding Policies

The Executive Director, or designee, with the assistance of the Municipal Advisor shall evaluate refinancing Debt to maximize savings and minimize the cost of funds as market opportunities arise. A net present value analysis will be prepared that identifies the economic effects of any

refunding to be proposed to the Board. The Authority shall target a 3% net present value savings for current and 5% for advanced refunding transactions. Upon the advice of the Executive Director, or designee, with the assistance of the Municipal Advisor and Bond Counsel, the Authority will consider undertaking refunding for other than economic purposes, such as to restructure Debt, change the type of Debt instruments being used, or to retire a Debt issue in order to remove undesirable covenants.

Coupon on Refunded Bond – The Executive Director, or designee, may take into consideration whether the coupon on the refunded bond is significantly higher or lower than the most common outstanding bond coupons of approximately five percent.

General Interest Rate Environment – The Executive Director, or designee, may take into consideration whether the available refunding bond interest rates are generally high or generally low relative to long-term averages of historical rates.

General Interest Rate Outlook – The Executive Director, or designee, may take into consideration the general outlook for future interest rates, as derived from economic forecasts, market forecasts, implied forward rates, or other sources.

Debt Management Considerations – The Executive Director, or designee, may take into consideration Debt management issues such as cost and staff efficiencies associated with combining multiple refunding bond issues or combining refunding and new money bond issues.

Call Date – The Executive Director, or designee, may take into consideration the amount of time between the pricing/closing date of the refunding Debt and the call date of the Debt to be refunded.

Final Maturity Date – The Executive Director, or designee, may take into consideration the amount of time remaining until the final maturity of the Debt to be refunded.

Section VII. Reinvestment of Debt Proceeds

General – The Authority shall comply with all applicable Federal, State, and contractual restrictions regarding the use and investment of Debt proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of some invested funds, as well as restrictions on the period over which some bond proceeds may be invested. To the extent that a Debt issue is credit enhanced, the Authority shall adhere to the investment guidelines of the credit enhancement provider. Funds generated from the sale of land shall be used in accordance with the applicable bond covenants and documents. Bond counsel will be consulted to provide legal advice regarding the use of proceeds from the sale of Authority lands purchased with Debt.

Requirements of Debt Governing Documents – The Authority will comply with all terms and conditions of the appropriate legal documents related to each series of Debt; including, but not limited to permitted investments in the Debt Governing Documents.

Section VIII. Post-Issuance Compliance

Tax Compliance /Arbitrage Liability Management

The Authority shall minimize the cost of arbitrage rebate and yield restrictions while strictly complying with tax law. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the Authority shall solicit the advice of Bond Counsel, Tax Counsel, and other qualified experts about arbitrage rebate calculations. The Authority shall contract with a qualified third-party for preparation of the arbitrage rebate calculation.

The Authority shall maintain an internal system for tracking expenditure of bond proceeds and investment earnings. The expenditure of bond proceeds shall be tracked in the financial accounting system by issue. Investment may be pooled for financial accounting purposes and for investment purposes. When investment of bond proceeds are co-mingled with other investments, the Authority shall adhere to IRS rules on accounting allocations.

Continuing Disclosure

The Authority shall comply with the requirements of any Continuing Disclosure Certificate executed by the Authority at the time bonds are issued. Annual information provided by the Authority shall mirror certain selected information in any Authority Official Statement at the time of a primary offering. Annual financial information required by such Continuing Disclosure Certificate, if any, will be sent by the Authority or its designated consultant, to all Nationally Recognized Municipal Information Depositories (NRMSIRs) designated by the SEC and to the State Information Depository (SID), if one exists. In addition to annual disclosure, to the extent required by the Continuing Disclosure Certificate the Authority shall provide ongoing information about certain enumerated events, as defined by regulation, (“Material Events”) to the NRMSIRs and to the SID.

The Authority may engage a firm to assist it in ensuring timely completion and filing of annual reports and in identifying, and making timely filings with respect to, the occurrence of reportable enumerated events.

Legal Covenants

The Authority shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering, including but not limited to rate covenants.

State Reporting Requirements

Pursuant to Government Code section 8855(k), the Authority will submit annual debt transparency reports for any Debt for which it has submitted a report of final sale on or after January 21, 2017 every year until the later date on which the debt is no longer outstanding and the proceeds have been fully spent.

Section IX. Debt Database Management

The Authority shall maintain complete information on its Debt portfolio, in a spreadsheet or database program format. The information in the database shall include, but not be limited to, the following:

- Issue Name
- Initial Issue Par Amount
- Dated Date of the Issue
- Principal Maturity Amounts
- Coupon Rate by Maturity
- Amount Outstanding
- Call Provisions
- Purpose of the Issue
- Credit Enhancer, if any
- Competitive or Negotiated Sale
- Names of Underwriter(s)

The Authority shall use the debt database for the following purposes:

- Generate reports
- Gross annual debt service
- Net annual debt service
- Refunding Analyses
- Output to Fund Accounting System