



TECHNICAL ADVISORY COMMITTEE

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 San Bernardino Valley Municipal Water District 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 TECHNICAL ADVISORY COMMITTEE WEDNESDAY, NOVEMBER 24, 2021 – 8:30 am

PUBLIC PARTICIPATION

Public participation is welcome and encouraged. You may participate in the November 24, 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: 867 6139 9532
PASSCODE: 3802020**

<https://sbvmwd.zoom.us/j/86761399532>

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, November 23, 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

TECHNICAL ADVISORY COMMITTEE

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

WEDNESDAY, NOVEMBER 24, 2021

CALL TO ORDER/PLEDGE OF ALLEGIANCE/ROLL CALL

1. PUBLIC COMMENT

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

2. APPROVAL OF MINUTES

- 2.1 November 10, 2021 Technical Advisory Committee Meeting(Page 4)
[WIFA TAC Minutes 20211110](#)

3. DISCUSSION AND POSSIBLE ACTION ITEMS

- 3.1 Verification of Alternate Technical Advisory Committee Representative Designees(Page 13)
[Committee and Subcommittee Members](#)
- 3.2 Discussion Regarding the Draft Installment Purchase Agreement Reviewed by the Finance Subcommittee(Page 14)
[Draft WIFIA Installment Purchase Agreement](#)
- 3.3 Discussion Regarding the Draft Debt Management Policy Reviewed by the Finance Subcommittee(Page 49)
[Draft Debt Management Policy](#)
- 3.4 Discussion Regarding the Status of Participating Agencies and Addition of New Members in the Joint Exercise of Powers Agreement

4. REPORTS

- 4.1 San Bernardino Municipal Water Department
- 4.2 San Bernardino Valley Municipal Water District
- 4.3 San Bernardino Valley Water Conservation District
- 4.4 Yucaipa Valley Water District

5. ANNOUNCEMENTS

- 5.1 Future Meeting Schedule(Page 60)

Tentative Meeting Schedule

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 TECHNICAL ADVISORY COMMITTEE

UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY

Regular Meeting of the Advisory Committee | November 10, 2021

ROLL CALL

Member Agency	Committee member	Attendance
Yucaipa Valley Water District	Joseph Zoba, Chair	Present
San Bernardino Valley Municipal Water District	Wen Huang, Vice Chair	Present
San Bernardino Valley Water Conservation District	Katelyn Scholte	Present
San Bernardino Municipal Water Department	Steve Miller	Present

Staff Present	Agency
Heather Dyer	San Bernardino Valley Municipal Water District
Anthony Flordelis	San Bernardino Valley Municipal Water District
Aaron Jones	San Bernardino Valley Municipal Water District
Jose Macedo	San Bernardino Valley Municipal Water District
Adekunle Ojo	San Bernardino Valley Municipal Water District
Cindy Saks	San Bernardino Valley Municipal Water District
Melissa Zoba	San Bernardino Valley Municipal Water District
T. Milford Harrison	San Bernardino Valley Municipal Water District
Allison Edmisten	Yucaipa Valley Water District
Chris Mann	Yucaipa Valley Water District
Joyce McIntire	Yucaipa Valley Water District
Devin Arciniega	San Bernardino Municipal Water Department

Others in Attendance:	
Gil Botello	San Bernardino Valley Municipal Water District
Susan Longville	San Bernardino Valley Municipal Water District

David Lawrence	
Jeff Herrin	AECOM
Inken Mello	Woodward & Curran
Lora Carpenter	Feldman Rolapp & Associates
Robert Porr	Feldman Rolapp & Associates
Ryan Shaw	Western Municipal Water District

CALL TO ORDER

The Meeting of the Technical Advisory Committee (TAC) of the Upper Santa Ana River Watershed Infrastructure Financing Authority (USAR WIFA) was called to order by Chair Joseph Zoba at 8:30 a.m. Jose Macedo led the Pledge of Allegiance. A quorum was noted present by roll call.

Chair Zoba advised that TAC meeting minutes will be prepared by the San Bernardino Valley Municipal Water District.

1. PUBLIC COMMENT

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

2. DISCUSSION AND POSSIBLE ACTION ITEMS

2.1 Introduction of Primary and Alternate TAC Representatives

The following members of the TAC were introduced:

Agency	Member	Name	Title
San Bernardino Municipal Water Department	Primary	Steve Miller	Director of Water Utility
San Bernardino Municipal Water Department	Alternate	Warren Huang (to be confirmed)	Engineering Manager
San Bernardino Valley Municipal Water District	Primary	Wen Huang	Chief Engineer and Deputy General Manager
San Bernardino Valley Municipal Water District	Alternate	Aaron Jones	Associate Engineer
San Bernardino Valley Water Conservation District	Primary	Katelyn Scholte	Assistant Engineer

San Bernardino Valley Water Conservation District	Alternate	Betsy Miller (to be confirmed)	Assistant General Manager
Yucaipa Valley Water District	Member	Joseph Zoba	General Manager
Yucaipa Valley Water District	Alternate	Allison Edmisten	Chief Financial Officer

Chair Zoba requested that member alternates be submitted to Adegunle Ojo to complete the list and be added to the next agenda for recognition.

2.2 Discuss and Set Regular TAC Meeting Dates and Times

By consensus, the Committee chose to meet on the second and fourth Wednesdays of the month at 8:30 a.m. The next meeting will be Wednesday, Nov. 24.

2.3 Overview and Status of the 2021 Water Infrastructure Finance and Innovation Act (WIFIA) Application

Mr. Adegunle Ojo reminded the Committee of the consultants' and staff award-winning application that created the Watershed Connect program and submitted the grant application by the deadline. The Environmental Protection Agency has concluded its review process and will be making a formal announcement towards the end of November, he advised. With the Infrastructure bill (which includes additional funding for the WIFIA program) passed on Friday, the announcement may be made earlier, he noted.

The plan is to complete the application mid- to late 2022, Mr. Ojo advised. It takes up to 18 months to enter into an agreement with the EPA, he said. All agreements can be completed by 2023. At this time, other funding sources, CEQA, plans and other resources may be in process to compress the timeline further, he stated.

Executive Director Heather Dyer indicated a joint press release will be issued with the EPA and requested agencies' staff contacts for that activity. She noted that the EPA recognized this "outside the box" program and said she expects it will continue forward.

In response to Chair Zoba, Mr. Ojo indicated he was unsure if the Letter of Intent (LOI) had been provided to the member agencies but noted it was in the agenda package. Chair Zoba suggested including it in the JPA agenda packet.

Chair Zoba invited public comment. There was none.

2.4 Discuss Project Readiness Review of Watershed Connect Phase 1

Adekunle Ojo pointed to the program schedule, project descriptions and map. Many of the projects are in different phases of design and financing, he noted. The Committee may consider application to the Drinking Water SRF by the end of the year, and the consultant contract includes assistance with that application, he noted. Part of the discussion includes an opportunity for agencies to update on their projects and funding, he added.

The JPA will also be completing policy structure, signed membership agreements, and website development, Ojo continued.

Mr. Ojo asked agencies to provide updates.

Mr. Wen Huang highlighted the following projects:

- Enhanced Recharge 1A: Design was completed last month, and it is getting ready to be advertised. It is estimated that construction will begin by the end of the first quarter of 2022. Enhanced Recharge 1B is on track to be advertised early in 2022, with construction to begin mid-2022.
- Regional Recycled Water System Phase 1: Design is completed for the Weaver Basins and the Regional Water Pipeline extension. The cost proposal is valued at approximately \$38 million and is moving forward to the Valley District Board for consideration of a reimbursement agreement and an amendment to allow continued use of the East Valley Water District (EVWD) design-build team.
- Greenspot Pump Station buy-back: This is an administrative function and staff is working with the Department of Water Resources (DWR) on calculations and expect the work will continue in 2022.
- Cactus Basin Connector Pipeline: Design is in progress, and work must be done on an easement with Metropolitan Water District. It is estimated that the CEQA documentation will be out for public review early next year, with construction beginning later next year. The goal is to have the flood control Cactus Basins for groundwater replenishment as a secondary purpose.

Ms. Dyer added the concept was to have as many of these project count toward the 50 percent matching funds obligation of the program. EPA has invited the group to apply for up to \$177 million, which is 49 percent of program costs, she noted.

Katelyn Scholte advised that San Bernardino Valley Water Conservation District has no projects in Phase 1.

Steve Miller advised that San Bernardino Municipal Water Department has no projects in Phase 1, but indicated that the agency will be feeding into the Regional Recycled Water System Phase 1 project.

Joseph Zoba highlighted the following projects:

- **Calimesa Aquifer Storage and Recovery Project:** This proposes to inject high quality RO-treated recycled water into the ground, then pulling it back up as drinking water at a distance from the injection wells, or reversing the injection wells for storage of recycled water throughout the community.
- **Calimesa Pipeline:** This project was recently bid and awarded at \$4 million, which was a savings of \$1 million from the anticipated cost. Construction is expected to begin by the second quarter of 2022.
- **Energy Resiliency Project:** This will be installation of solar power, battery backup, and natural gas generators at the wastewater treatment plant and the water treatment plant. Construction is anticipated to begin by the second quarter of 2022.

No delays or issues are expected with any of YVWD's projects, Zoba advised.

Chair Zoba suggested an ongoing TAC agenda item on project updates.

Chair Zoba invited public comment. There was none.

2.5 Review and Discussion of the Proposal from AECOM/WSC for WIFIA and State Revolving Fund (SRF) Application Support and Watershed Connect Implementation Plan

Mr. Adekunle Ojo noted that AECOM led the team to complete the LOI. The Watershed Connect program must now be implemented. Mr. Ojo reminded the Committee that the JPA has retained the other members of the LOI team.

Mr. Ojo detailed the tasks covered in the proposal by AECOM and WSC including assistance with the applications for both WIFIA and SRF funding, implementation, and administration of the Watershed Connect program, and communications and outreach. He explained the fee schedule and total proposed of \$1.2 million (including optional tasks), which is less than 1 percent of the potential \$177 million from the EPA.

Mr. Miller asked if there were any concerns about meeting the December 31 application deadline for the SRF. Ms. Dyer said that because there are 21 projects in Phase 1, and SRF requires each project to have a separate application, those projects most competitive for state funding will be pursued as it is unlikely to be able to complete applications for all. There will be future rounds of SRF, she noted.

Mr. Huang asked if the consultant fee could be rolled into the loan; Mr. Ojo indicated that due to the options of tasks, the cost may not total the full \$1.2

million. He noted that the costs are distributed via administrative charges on each loan for each project, which will be less than a project would incur if it applied directly for funding.

In response to Chair Zoba, Ms. Dyer clarified that the contract would be taken to the Valley District Board to agree to front the money. At an upcoming workshop / TAC meeting, there will be discussion on funding distribution. In the past, payment has been based on a percentage of the funding received, she explained, to be paid back to Valley District, she said.

Ms. Dyer recommended acceptance of the optional tasks, given that Valley District staff will not be able to pick up the additional work.

YVWD will not be pursuing the SRF loans for its projects, but will participate with the group on meetings, Chair Zoba advised, and he offered assistance with the SRF program. In addition, YVWD has a consultant related to CEQA and NEPA compliance, and will need to determine if the District will handle those items on its own, Chair Zoba noted. He suggested a future TAC meeting on those details. Ms. Dyer indicated that the items that do not apply for YVWD can be pulled out, and the consultants can make these determinations.

Chair Zoba invited public comment. Valley District Director Gil Botello made a recommendation on presentation content, suggesting additional breakdown of costs at the next meeting.

Action: The TAC voted to move this item forward for consideration by the Joint Powers Authority Board of Directors:

MOVED: Huang	SECONDED: Miller	APPROVED: 4-0
AYES:	Huang, Miller, Scholte, Zoba	
NOES:		
ABSTAIN:		
ABSENT:		

2.6 Appointment of Finance and Environmental Subcommittees of the Technical Advisory Committee

Adekunle Ojo explained that staff has proposed this vehicle to facilitate discussions at a deeper level than can be done at a regular TAC meeting.

Action: The TAC appointed the subcommittee representatives as shown in the Table below by the following vote:

MOVED: Huang	SECONDED: Miller	APPROVED: 4-0
AYES:	Huang, Miller, Scholte, Zoba	
NOES:		
ABSTAIN:		
ABSENT:		

Member Agency	Finance Subcommittee Representative	Environmental Subcommittee Representative
Yucaipa Valley Water District	Allison Edmisten	Jennifer Ares
San Bernardino Valley Municipal Water District	Cindy Saks	Joanna Gibson
San Bernardino Valley Water Conservation District	Daniel Cozad	Katelyn Scholte
San Bernardino Municipal Water Department	Cynthia Mouser	Jennifer Shepardson

The subcommittees will coordinate their own meetings and report back to the TAC, Chair Zoba indicated.

2.7 Consider referring Draft Installment Purchase Agreement and Draft Debt Management Policy to the Finance Subcommittee

Adekunle Ojo presented the draft installment purchase agreement and debt management policy composed by Stradling Yocca, Carlson & Rauth and Feldman Rolapp & Associates. The subcommittee would report back to the TAC before JPA Board consideration, he explained.

Action: The TAC voted to move this item forward for review by the Finance Subcommittee by the following vote:

MOVED: Miller	SECONDED: Scholte	APPROVED: 4-0
AYES:	Huang, Miller, Scholte, Zoba	
NOES:		
ABSTAIN:		
ABSENT:		

Chair Zoba requested that the subcommittee report be added to the next agenda.

2.8 Overview Recommendations and Items for the next Joint Powers Authority (JPA) meeting Agenda

Chair Zoba explained that the intent of this item is to assure that Executive Director Heather Dyer is provided the information needed to produce the JPA meeting agenda.

Mr. Zoba recommended discussion of meeting schedules and potential dark dates. Ms. Dyer indicated a January 5 meeting may be necessary but said hopefully the TAC can complete its work by the December 8 meeting and be dark on December 22.

Ms. Dyer reiterated that the scope of work for AECOM / WSC will be taken to the next JPA meeting and indicated that a cost distribution between Valley District and YVWD for Phase 1 should be available.

Dyer reminded all representatives to let Mr. Ojo know the contact information for their public relations personnel.

3. REPORTS

There were no reports.

4. ANNOUNCEMENTS

There were no announcements.

5. ADJOURNMENT

The meeting was adjourned at 9:26 a.m.



APPROVAL CERTIFICATION
I hereby certify to approval of the
foregoing Minutes of the Upper Santa
Ana River Watershed Infrastructure
Financing Authority.

Respectfully submitted,

Lynda J. Kerney
Contract Assistant

Secretary

Date _____

Watershed
Connect



*Achieving resilience through
integrated infrastructure*

Upper Santa Ana River Watershed Infrastructure Financing Authority Technical Advisory Committee

Member Agency

San Bernardino Municipal Water Department

San Bernardino Valley Municipal Water District

San Bernardino Valley Water Conservation District

Yucaipa Valley Water District

Primary/Alternate

Steve Miller, Director of Water Utility
Warren Huang, Engineering Manager

Wen Huang, Chief Engineer
Aaron Jones, Associate Engineer

Katelyn Scholte, Assistant Engineer
Betsy Miller, Assistant General Manager

Joseph Zoba, General Manager
Allison Edmisten, Chief Financial Officer

Finance Subcommittee Members

Daniel Cozad, SBVWCD
General Manager

Allison Edmisten, YVWD
Chief Financial Officer

Cynthia Mouser, SBMWD
Director of Finance

Cindy Saks, SBVMWD
Chief Financial Officer

Environmental Subcommittee Members

Jennifer Ares, YVWD
Water Resource Manager

Joanna Gibson, SBVMWD
Executive Director, Upper SAR HCP

Katelyn Scholte, SBVWCD
Assistant Engineer

Jennifer Shepardson, SBMWD
Director of Environmental & Regulatory
Compliance

INSTALLMENT PURCHASE AGREEMENT

by and between

DISTRICT

and

**UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING
AUTHORITY**

Dated _____, 2022

Relating to

\$ _____

**UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING
AUTHORITY
WIFIA LOAN AGREEMENT**

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, is entered into and dated as of ____ 1, 2022, by and between _____ DISTRICT, a _____ district that is duly organized and existing under and by virtue of the laws of the State of California (the “**District**”), and UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “**Authority**”).

RECITALS

A. The District proposes to acquire and construct certain improvements, betterments, renovations and expansions of facilities within its System, as described in Exhibit A (the “WIFIA Project”).

[If a joint project of two members] [The Districts propose to acquire and construct certain improvements, betterments, renovations and expansions of facilities within its System, as described in Exhibit A (the “WIFIA Project”).]

B. The Authority has agreed to assist the District[s] in financing a portion of the WIFIA Project on the terms and conditions that are set forth herein.

C. The Authority is authorized by Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including but not limited to Section 6540 *et seq.*, to finance the acquisition and construction of property for its members.

D. The District is authorized by Division __ of the Water Code of the State of California, including but not limited to Article __ of Chapter __ thereof, to acquire and construct facilities such as the WIFIA Project for its System.

E. The Authority, the District[s] and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “Authority Lender”), have entered into a WIFIA Loan Agreement dated _____, 2022 (the “WIFIA Loan Agreement”), secured, *inter alia*, by the payments to be made by the District to the Authority under this Installment Purchase Agreement, to finance such portion of the WIFIA Project.

F. All acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms that are defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document that is mentioned herein or therein have the meanings that are defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms that are defined herein. All capitalized terms that are used herein and not defined herein shall have the meanings that are ascribed thereto in the WIFIA Loan Agreement.

Accountant’s Report

The term “Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

Acquisition Fund

The term “Acquisition Fund” means the fund by that name established by the District pursuant to Section 3.04.

Authority

The term “Authority” means Upper Santa Ana River Watershed Infrastructure Financing Authority, a joint exercise of powers agency that is duly organized pursuant to the JPA Agreement and existing under and by virtue of the laws of the State of California, including the successors thereto.

Authority Lender

The term “Authority Lender” has the meaning provided in RECITAL E herein.

Bonds

The term “Bonds” means all revenue bonds or notes of the District that are authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the WIFIA Installment Payments and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof [**including but not limited to [NAME other District parity bonds and notes, if any]**].

Contracts

The term “Contracts” means all contracts of the District previously or hereafter authorized and executed by the District, the payments under which are payable from Net Revenues on a parity with the WIFIA Installment Payments and which are secured by a pledge and lien on Revenues as described in Section 5.01 hereof; [**including but not limited to [NAME other District parity contracts, if any]**], but excluding contracts entered into for operation and maintenance of the System.

Debt Service

The term “Debt Service” means, for any period of calculation, the sum of:

(i) the interest accruing during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(ii) those portions of the principal amount of all outstanding serial Bonds maturing in such period (but excluding Excluded Principal);

(iii) those portions of the principal amount of all outstanding term Bonds required to be paid in such period (but excluding Excluded Principal); and

(iv) those portions of the Contracts that are required to be paid during such period, (except to the extent that the interest that is evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program and excluding Excluded Principal);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to be a fixed rate equal to the higher of: (1) the then current variable interest rate borne by such Bonds or Contract plus 1%; and (2) the highest variable rate borne over the preceding 3 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index that is comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year (and such principal is not Excluded Principal), Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Bonds or Contracts or portions thereof which bear no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that if the Bonds or Contracts constitute interest rate swap agreements or other paired obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such paired obligations; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and, to the extent that the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

District

The term “District” means _____ District, a [_____] district that is duly organized and existing under and by virtue of the laws of the State of California.

Event of Default

The term “Event of Default” means an event that is described in Section 8.01.

Excluded Principal

The term “Excluded Principal” means each payment of principal of any Bond or Contract for which there is on file with the Authority Lender (i) a certificate of an Independent Municipal Consultant to the effect that such Bond or Contract is commercial paper or otherwise of a short term or revolving nature and has a maturity of less than 60 months and (ii) a certificate of the Manager to the effect that the District intends to pay such principal from the proceeds of Bonds or Contracts, Subordinate Debt or other bonds, notes or other obligations of the District. No such determination shall affect the security for such Bonds or Contracts or the obligation of the District to pay such Bonds or Contracts from Net Revenues.

Fiscal Year

The term “Fiscal Year” means the period from July 1 of each year through June 30 of the following year, or any other twelve-month period that is selected and designated as the official Fiscal Year of the District.

Generally Accepted Accounting Principles

The term “Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Independent Certified Public Accountant

The term “Independent Certified Public Accountant” means any firm of certified public accountants that is appointed by the District, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Municipal Consultant

The term “Independent Municipal Consultant” means a municipal advisor or firm of such municipal advisors appointed by the District, and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; (3) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto; and (4) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended.

Installment Payment Date

The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the District under and pursuant to any Contract.

Installment Payments

The term “Installment Payments” means the Installment Payments of interest and principal scheduled to be paid by the District under and pursuant to the Contracts.

JPA Agreement

The term “JPA Agreement” means the Joint Exercise of Powers Agreement, dated July 20, 2021, by and among the District and the other parties thereto, pursuant to which the Authority is established, as such JPA Agreement may be amended and supplemented from time-to-time in accordance therewith.

Law

The term “Law” means the _____ Act, of the State of California (being Division ___ of the Water Code of the State of California, as amended) and all laws amendatory thereof or supplemental thereto.

Manager

The term “Manager” means the [**General Manager**] of the District, or any other person that is designated by the [**General Manager**] to act on behalf of the [**General Manager**].

Net Proceeds

The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Net Revenues

The term “Net Revenues” means, for any Fiscal Year or other period, the Revenues for such Fiscal Year or other period, as the case may be, less the Operation and Maintenance Costs for such Fiscal Year or other period, as the case may be.

Operation and Maintenance Costs

The term “Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the System calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses that are necessary to maintain and preserve the System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of this Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds (ii) all costs of water provided or otherwise acquired for delivery by the System (including any interim or renewed arrangement therefor), including both fixed and variable components thereof; *but excluding* in all cases (w) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar or non-cash nature, (x) all capital charges, (y) any State Water Project costs paid from taxes described in clause (2) in the definition of Revenues or from sources other than Revenues, and (z) all amounts allocable to the District under the JPA Agreement for capital costs thereof, including principal and interest on any bonds, notes or other evidence of indebtedness of the Authority.

Project

The term “Project” means acquisition of land, additions, betterments, extensions or improvements to the District’s facilities designated by the Board of Directors of the District as a Project, the acquisition and construction of which is to be paid for by the proceeds of any Contracts or Bonds.

Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Authority under the terms hereof as provided in Section 4.01.

Rate Stabilization Fund

The term “Rate Stabilization Fund” means the fund by that name that is continued pursuant to Section 5.06.

Revenues

The term “Revenues” means

(i) all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the System, including, without limiting the generality of the foregoing:

(ii) amounts allocated to the District pursuant to Article XIII A of the Constitution of the State of California and Section 95 et. seq. of the California Revenues and Taxation Code (or any successor or supplementary provisions) and allocated to the System;

(iii) the proceeds of any stand-by or availability charges, development fees and connection charges collected by the District; and

(iv) the earnings on and income derived from the investment of amounts described in clauses (i), (ii) and (iii) above and from District reserves allocable to the System;

but excluding:

(1) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District;

(2) any proceeds of taxes or assessments which are restricted by law to be used by the District to pay bonds or other obligations heretofore or hereafter issued, including but not limited to proceeds of taxes levied to pay costs with respect to the State Water Project; and

(3) gain or loss on the sale of any capital assets as permitted hereby.

“Revenues” also include all amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with Section 5.06. “Revenues” do not include any amounts transferred from the Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with Section 5.02(c).

Revenue Fund

The term “Revenue Fund” means the fund by that name that is continued pursuant to Section 5.02.

Service

The term “Service” means the **[water][wastewater][recycled water]** service that is made available or provided by the District.

Subordinate Debt

The term “Subordinate Debt” means all revenue bonds or notes of the District the payments on which are payable subordinate to Debt Service and all contracts of the District the payments under which are payable subordinate to Debt Service as set forth in Section 5.02(c) hereof.

Subordinate Debt Service

The term “Subordinate Debt Service” means debt service on Subordinate Debt calculated in accordance with the definition of Debt Service with respect to Contracts and Bonds.

System

The term “System” means the whole and each and every part of the **[water][wastewater][recycled water]** system of the District, including all real property and buildings, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such System or any part thereof hereafter acquired or constructed.

Treasurer

The term “Treasurer” means the [**Treasurer**] of the District or the successor thereto.

[Unencumbered Fund Balance

The term “Unencumbered Fund Balance” means, for any Fiscal Year, the balance of Net Revenues remaining on deposit in the _____ Fund and any rate stabilization fund related to the [**water**][**wastewater**][**recycled water**] system established by the District as of the last day of such Fiscal Year, as shown on the books of the District, which may be lawfully used to pay the WIFIA Installment Payments. The amount of the Unencumbered Fund Balance as of the last day of the Fiscal Year does not include any funds which the District determines will be required for the payment of the WIFIA Installment Payments or the payment of any Bonds or Contracts during the next six months.]

WIFIA Amount

The term “WIFIA Amount” means the amount equal to the total disbursements of the WIFIA Loan with respect to the District’s WIFIA Project under the WIFIA Loan Agreement.

WIFIA Debt Service Account

The term “WIFIA Debt Service Account” means the account by that name created and maintained by the District in accordance with Section 5.07 hereof and the WIFIA Loan Agreement.

WIFIA Installment Payment Date

The term “WIFIA Installment Payment Date” means _____, 20__ and the last day of each _____ and the last day of each _____ thereafter.

WIFIA Installment Payments

The term “WIFIA Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant to this Installment Purchase Agreement.

WIFIA Installment Purchase Agreement

The term “WIFIA Installment Purchase Agreement” means this Installment Purchase Agreement, by and between the District and the Authority, dated _____, 2022, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

WIFIA Loan Agreement

The term “WIFIA Loan Agreement” has the meaning provided in RECITAL E herein.

WIFIA Project

The term “WIFIA Project” means the additions, betterments, extensions and improvements to System facilities included within the description as the “Project” in the WIFIA Loan Agreement, as

such WIFIA Project may be modified in accordance with any modification to the definition of “Project” in the WIFIA Loan Agreement.

WIFIA-Financed Portion of the WIFIA Project

The term “WIFIA-Financed Portion of the WIFIA Project” means the portion of the WIFIA Project financed by the Authority from the proceeds of the WIFIA Loan allocated to the District, which portion shall be not more than 49% of the Eligible Project Costs of the WIFIA Project.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the District. The District makes the following representations:

(a) The District is a _____ district that is duly organized and existing under and pursuant to the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Installment Purchase Agreement, carry out its obligations hereunder and carry out and consummate all other transactions that are contemplated by this Installment Purchase Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The District has determined that it is necessary and proper for District uses and purposes within the terms of the Law that the District acquire and construct the WIFIA-Financed Portion of the WIFIA Project in the manner that is provided for in this Installment Purchase Agreement in order to provide essential services and facilities to persons residing in the District.

Section 2.02. Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers agency that is duly organized under the JPA Agreement and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions that are contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Agreement.

(b) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

ARTICLE III

THE WIFIA PROJECT

Section 3.01. Acquisition and Construction of the WIFIA Project. The Authority hereby agrees to cause the WIFIA Project and any additions or modifications thereto to be constructed, acquired and installed by the District as its agent. The District shall enter into contracts and provide for, as agent for the Authority, the complete design, construction, acquisition and installation of the WIFIA Project in accordance with the WIFIA Loan Agreement and all applicable laws.

The District hereby agrees that it will cause the construction, acquisition and installation of the WIFIA Project to be diligently performed. The District agrees to deposit the WIFIA Amount (or the relevant portion thereof) (other than any funds to be applied to the prepayment or redemption of any interim financing with respect to the WIFIA-Financed Portion of the WIFIA Project) into the Acquisition Fund, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, and that it will use its best efforts to cause the construction, acquisition and installation of the WIFIA Project to be substantially completed by _____, 202_, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the WIFIA Project and that all such costs and expenses (including the cost of the WIFIA Project not paid from the WIFIA Amount) shall be paid by the District.

Section 3.02. Purchase of WIFIA-Financed Portion of the WIFIA Project. In consideration for the WIFIA Installment Payments, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the WIFIA-Financed Portion of the WIFIA Project at the purchase price that is specified in Section 4.01 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.03. Title. Each component of the WIFIA Project shall vest in the District immediately upon acquisition or construction thereof. Such vesting shall occur without further action by the Authority or the District, and the Authority shall, if requested by the District or if necessary, to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

Section 3.04. Acquisition Fund. The District shall establish, maintain and hold in trust a separate fund designated as the "Acquisition Fund." The moneys in the Acquisition Fund shall be held by the District in trust and applied by the Treasurer of the District to the payment of the costs of acquisition and construction of the WIFIA-Financed Portion of the WIFIA Project and of expenses incidental thereto.

Before any payment is made from the Acquisition Fund by the Treasurer, the Manager of the District, acting as agent of the Authority, shall cause to be filed with the Treasurer a certificate of the District and the Authority in the form set forth in Exhibit B to this Installment Purchase Agreement.

Upon receipt of each such certificate, the Treasurer will pay the amount that is set forth in such certificate as directed by the terms thereof or disburse funds to the District for such payment as directed by the District in such certificate. The Treasurer need not make any such payment if it has

received notice of any lien, right to lien, attachment upon or claim affecting the right to receive payment of any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the WIFIA-Financed Portion of the WIFIA Project shall have been constructed and acquired in accordance with this Installment Purchase Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Treasurer and the Authority Lender by the Manager of the District. Upon the receipt of such statement, the Treasurer shall transfer any remaining balance in the Acquisition Fund which is not needed for Acquisition Fund purposes (but less the amount of any such retention, which amount shall be certified to the Treasurer by the Manager of the District) to the Authority Lender for deposit in the WIFIA Debt Service Account.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.01. Purchase Price.

(a) The Purchase Price to be paid by the District hereunder to the Authority is the sum of the principal amount of the District's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the effective date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the payments to be made by the District hereunder is set forth in Exhibit A.

(c) The interest to accrue on the unpaid principal amount of the Purchase Price shall be equal to the interest payable with respect to the principal portion of the WIFIA Loan allocable to the WIFIA-Financed Portion of the WIFIA Project as provided in the WIFIA Loan Agreement, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder, as set forth in Exhibit A hereto.

(d) The Authority and the District acknowledge and agree that the WIFIA Installment Payments set forth in Exhibit A hereto are initially equal to the payments of principal and interest set forth on the Loan Amortization Schedule in [Exhibit F (WIFIA Debt Service)] to the WIFIA Loan Agreement allocable to the WIFIA-Financed Portion of the WIFIA Project in all respects, other than with respect to the relevant payment dates. The Authority and the District agree that (i) upon any modification to [Exhibit F (WIFIA Debt Service)] to the WIFIA Loan Agreement, Exhibit A hereto shall be deemed modified mutatis mutandis, (ii) the District will provide to the Authority a revised Exhibit A which the Authority and the District agree will replace the then current Exhibit A (such replacement being a ministerial act and not an amendment or supplement to this Installment Purchase Agreement), (iii) no modification to Exhibit A hereto shall otherwise be made without the consent of the Authority Lender, and (iv) the District's failure to provide or delay in providing the Authority with such revised Exhibit A shall not affect the modifications deemed to be made thereto or the obligation of the District to make the WIFIA Installment Payments as so modified.

Section 4.02. WIFIA Installment Payments. The District shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the WIFIA Installment Payment Dates as set forth in Exhibit A.

Each WIFIA Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event that the District fails to make any of the payments which are required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid, and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the WIFIA Installment Payments if paid in accordance with their terms.

The obligation of the District to make the WIFIA Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full, the District will not discontinue or suspend any WIFIA Installment Payment which is required to be made by it under this section when due, whether or not the System or any part thereof is operating or operable or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the WIFIA Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SECURITY

Section 5.01. Pledge of Revenues. The Revenues, and all amounts that are on deposit in the Revenue Fund, including amounts that are transferred from the Rate Stabilization Fund to the Revenue Fund as described in Section 5.06, are irrevocably pledged to the payment of the WIFIA Installment Payments. Except for the payment of the Operation and Maintenance Costs, the Revenues shall not be used for any other purpose while any of the WIFIA Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge shall constitute a first lien on Revenues and the Revenue Fund for the payment of the WIFIA Installment Payments and all other Contracts and Bonds in accordance with the terms hereof.

The Acquisition Fund and all amounts that are on deposit in the Acquisition Fund and the WIFIA Debt Service Fund and all amounts on deposit in the WIFIA Debt Service Fund, are irrevocably pledged to the payment of the WIFIA Installment Payments. This pledge shall constitute a first and exclusive lien on the Acquisition Fund and the Debt Service Fund for the payments of the WIFIA Installment Payments.

Section 5.02. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund has been established and is hereby continued and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided in this Installment Purchase Agreement.

The District shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys in the Revenue Fund shall be set aside by the District at the following times in the following respective special funds in the following order of priority, and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section:

(a) Bonds and Contracts. The District shall, from the moneys in the Revenue Fund, transfer to the WIFIA Debt Service Fund and to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Debt Service in accordance with the provisions of the Contract, Bond, resolution or indenture relating thereto.

(b) Reserve Funds. On or before each WIFIA Installment Payment Date, the District shall, from remaining moneys in the Revenue Fund, thereafter, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to any reserve fund or account for Bonds or Contracts an amount that is equal to the amount required to be deposited therein.

(c) Surplus. Moneys on deposit in the Revenue Fund which are not necessary to make any of the payments which are required above may be expended by the District at any time for any purpose permitted by law, including but not limited to payment of Subordinate Debt, or deposited in the Rate Stabilization Fund.

Section 5.03. Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided that:

(a) The Net Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred twenty percent (120%) of the Debt Service for such Fiscal Year or other twelve month period; and

(b) The Net Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year or other twelve month period, to increases or decreases in rates and charges with respect, or applicable, to the System approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least [one hundred twenty percent (120%) of the Debt Service] for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed

additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period.

[For purposes of this Section 5.03, the amount of Net Revenues may be increased (in an amount not exceeding 20% of Debt Service payable in the applicable Fiscal Year) by the amount of the Unencumbered Fund Balance as of the last day of the immediately preceding Fiscal Year.]

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than 105% of the Debt Service which would have been payable in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Section 5.04. Subordinate Debt. The District may at any time execute or issue any Subordinate Debt in accordance herewith; provided that:

(a) The Net Revenues remaining after payment of Debt Service on Bonds and Contracts for the last audited Fiscal Year of the District, or any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of issuance or execution of such Subordinate Debt, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Subordinate Debt Service for such Fiscal Year or other twelve month period.

(b) The Net Revenues remaining after payment of Debt Service on Bonds and Contracts for the last audited Fiscal Year of the District, or any consecutive twelve calendar month period during the eighteen calendar month period preceding the issuance or the execution of such Subordinate Debt, including adjustments to give effect as of the first day of such Fiscal Year or other twelve month period to increases or decreases in rates and charges with respect, or applicable, to the System approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Subordinate Debt Service for such Fiscal Year or other twelve month period, plus the Subordinate Debt Service which would have accrued on any Subordinate Debt issued since the end of such Fiscal Year or other twelve month period, assuming that such Subordinate Debt had been issued or executed at the beginning of such Fiscal Year or other twelve month period, plus the Subordinate Debt Service which would have accrued had such proposed Subordinate Debt been executed or issued at the beginning of such Fiscal Year or other twelve month period.

Notwithstanding the foregoing, Subordinate Debt executed to refund Bonds or prepay Contracts or to prepay or refund Subordinate Debt may be delivered without satisfying the conditions set forth above if Debt Service and Subordinate Debt Service in each Fiscal Year after the Fiscal Year in which such Subordinate Debt issued or executed is not greater than 105% of the Debt Service and Subordinate Debt which would have been payable in each such Fiscal Year prior to the issuance of or execution of such Subordinate Debt.

Section 5.05. Investments. All moneys which are held by the District in the Revenue Fund, the Acquisition Fund, the WIFIA Debt Service Account and the Rate Stabilization Fund shall be

invested in Permitted Investments, and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

Section 5.06. Rate Stabilization Fund. The District has established a special fund designated as the “Rate Stabilization Fund,” which shall be held by the District in trust under this Installment Purchase Agreement. The District agrees and covenants to maintain and to hold such fund separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Money transferred by the District from the Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.02(c) will be held in the Rate Stabilization Fund and applied in accordance with this Installment Purchase Agreement.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with Section 5.02 or, in the event that all or a portion of the WIFIA Installment Payments are discharged in accordance with Article VII, transfer all or any portion of such amounts for application in accordance with Article VII; provided that any such withdrawals and transfers may be made up to and including the date that is 270 days after the end of the Fiscal Year or 12 calendar month period for which such withdrawals and transfers will be taken into account in calculating Revenues. For avoidance of doubt, any such amounts withdrawn from the Rate Stabilization Fund and transferred to the Revenue Fund constitute Revenues for the Fiscal Year or 12 month calendar month period so long as such withdrawal and transfer occurs not later than 270 days after the end of such Fiscal Year or 12 calendar month period.

Section 5.07. WIFIA Debt Service Account. The District, as agent of the Authority, shall establish, maintain and hold in trust a separate general ledger account within the District’s debt service group of funds/accounts, which account shall be designated as the “WIFIA Debt Service Account” and as of the Effective Date is numbered _____. Such account number may change as the District designates from time to time provided that the District must promptly notify the Authority Lender in writing of any such change. Moneys in the WIFIA Debt Service Account shall be held by the District in trust and applied to the payment of the WIFIA Installment Payments hereunder in accordance with [Section 8(a)(i) and Section 17(i)] of the WIFIA Loan Agreement. Any investment earnings thereon shall be transferred by the District to the Revenue Fund no later than the last day of the District’s Fiscal Year.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.01. Compliance with Installment Purchase Agreement, the WIFIA Loan Agreement and Ancillary Agreements. The District will punctually pay the WIFIA Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained herein which are required to be observed and performed by it, and will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the WIFIA Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term which is contained herein and required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or

connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, epidemics, pandemics, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion or acts or regulations of governmental authorities.

It is expressly understood and agreed by and among the parties to this Agreement that, subject to Section 9.06 hereof, each of the agreements, conditions, covenants and terms contained in this Agreement is an essential and material term of the purchase of and payment for the WIFIA-Financed Portion of the WIFIA Project by the District pursuant to, and in accordance with, and as authorized under the Law and other applicable laws.

The District will faithfully observe and perform all of the agreements, conditions, covenants and terms which are required to be observed and performed by the District pursuant to the WIFIA Loan Agreement: provided that nothing herein shall obligate the District to pay the principal of or interest with respect to the WIFIA Loan or the WIFIA Note, which obligation is solely the responsibility of the Authority as borrower under the WIFIA Loan Agreement.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be, provided that nothing herein shall obligate the District to pay principal of or interest on the WIFIA Loan or the WIFIA Note, which obligation is solely the responsibility of the Authority as borrower under the WIFIA Loan Agreement.

Section 6.02. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein and subject to the restrictions agreed to by the District in the WIFIA Loan Agreement. In addition, the District may at any time, or from time to time, issue Bonds or incur Contracts for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein (as provided in Section 5.02) on a parity with the pledge and lien securing this Installment Purchase Agreement in accordance with Section 5.03 hereof and the WIFIA Loan Agreement or subordinate to the pledge and lien securing this Installment Purchase Agreement in accordance with Section 5.04 hereof and the WIFIA Loan Agreement. The District will not make any pledge of or place a lien on the Acquisition Fund (including the moneys on deposit therein) or the WIFIA Debt Service Account (including the moneys on deposit therein) except as set forth in the WIFIA Loan Agreement.

Section 6.03. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which materially impairs the operation of the System or any part thereof which is necessary to secure adequate Revenues for the payment of the WIFIA Installment Payments, or which would otherwise materially impair the rights of the Authority hereunder or the operation of the System.

Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the System, or any material or equipment which has become worn out, may be sold if such sale will not materially impair the ability of the District to pay the WIFIA Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund. Nothing herein shall restrict the ability of the District to sell any portion of the System if such portion is

immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the System.

Section 6.04. Against Competitive Facilities. The District will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any facilities competitive with the System.

Section 6.05. Prompt Acquisition and Construction. The District will take all necessary and appropriate steps to acquire and construct the WIFIA Project, as agent of the Authority, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Section 6.06. Maintenance and Operation of the System. The District will maintain and preserve the System in good repair and working order at all times, operate the System in an efficient and economical manner and pay all Operation and Maintenance Costs as they become due and payable.

Section 6.07. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or under the WIFIA Loan Agreement or on any funds in the hands of the District pledged to pay the WIFIA Installment Payments or the Bonds, or which might impair the security of the WIFIA Installment Payments.

Section 6.08. Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, which are required to be performed by it contained in all contracts for the use of the System and all other contracts affecting or involving the System, to the extent that the District is a party thereto.

Section 6.09. Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the System, excluding coverage for earthquake damage or destruction, with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually covered in connection with facilities that are similar to the System so long as such insurance is available at reasonable rates.

In the event of any damage to or destruction of the System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be applied in part to the prepayment of WIFIA Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of WIFIA Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation that is evidenced hereby prior to the final due date of the WIFIA Installment Payments as well as the entire obligations that are evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the System, and thereupon such Net Proceeds shall be applied to the prepayment of WIFIA Installment Payments as provided in Article VII and to the retirement of such Bonds and Contracts.

(b) The District will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal Systems similar to the System.

(c) Any insurance that is required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with Systems similar to the System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance which are required to be maintained herein shall provide that the Authority or its assignee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Section 6.10. Accounting Records; Financial Statements and Other Reports.

(a) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the System, which records shall be available for inspection by the Authority, including agents and assignees of and lenders to the Authority (including the Authority Lender), at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Authority or its assignee, annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2022) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

Section 6.11. Protection of Security and Rights of the Authority. The District will preserve and protect the security hereof and the rights of the Authority and the Authority Lender to the WIFIA Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the System, or any part thereof or upon the Revenues or amounts

on deposit in the Revenue Fund, the Acquisition Fund, the Rate Stabilization Fund or the WIFIA Debt Service Account when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.13. Amount of Rates and Charges.

(a) To the fullest extent permitted by law, the District shall fix and prescribe, at the commencement of each Fiscal Year, rates and charges with respect, or applicable, to the System which are reasonably expected to be at least sufficient to yield during each Fiscal Year (i) Net Revenues equal to one hundred twenty percent (120%) of the Debt Service payable in such Fiscal Year and (ii) Net Revenues remaining after payment of Debt Service on Bonds and Contracts equal to one hundred ten percent (110%) of Subordinate Debt Service payable in such Fiscal Year. [The amount of the Unencumbered Fund Balance as of the last day of the immediately preceding Fiscal Year shall be credited towards the District's obligations under this subsection (a), in an amount not to exceed 20% of Debt Service referred to in the preceding sentence.]

The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this section.

(b) For avoidance of doubt, so long as the District has complied with its obligations set forth in clause (a) of this section, the failure of Net Revenues to meet the thresholds set forth in clause (a) of this section at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with in clause (a) of this section at the commencement of the succeeding Fiscal Year.

Section 6.14. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges with respect, or applicable, to the Service to such customer's land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District may discontinue such service from the System, and such service shall not thereafter be recommenced except in accordance with District by-laws or rules, regulations and State Law governing such situations of delinquency.

Section 6.15. Eminent Domain Proceeds. If all or any part of the System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If: (1) the District files with the Authority and the Authority Lender a certificate showing: (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the System that are proposed to be acquired and constructed by the District from such Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the District, on the basis of such certificate filed with the Authority and the Authority Lender, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to

meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied in part to the prepayment of WIFIA Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of WIFIA Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.16. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority and the Authority Lender the rights and benefits provided to the Authority and the Authority Lender herein.

Section 6.17. Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into which contracts provide for **[water] [wastewater] [recycled water]** to be supplied to the District which consent, revision, amendment or other action will reduce the supply of **[water] [wastewater] [recycled water]** thereunder (except as provided therein), unless the Board of Directors of the District determines by resolution that such rescission or amendment would not materially adversely affect the ability of the District to pay WIFIA Installment Payments.

ARTICLE VII

PREPAYMENT OF WIFIA INSTALLMENT PAYMENTS

Section 7.01. Prepayment.

(a) The District may or shall, as the case may be, prepay from Net Proceeds as provided herein the WIFIA Installment Payments or the WIFIA Loan Agreement in whole, or in part, on any date in the order of payment date as directed by the District, at a prepayment price equal to the sum of the principal amount to be prepaid plus accrued interest thereon to the date of prepayment, without premium. Any such prepayment shall occur substantially concurrently with the prepayment of the WIFIA Loan by the Authority pursuant to the terms of Section [9(a) of the WIFIA Loan Agreement].

(b) The District shall prepay the WIFIA Installment Payments on the same dates as the Authority makes optional prepayments of the WIFIA Loan in accordance with the WIFIA Loan Agreement and shall not optionally prepay the WIFIA Installment Payments at any other time; provided, that any such prepayment shall be in a minimum principal amount of \$500,000 or any integral multiple of \$1.00 in excess thereof.

(c) Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have

been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority).

Section 7.02. Method of Prepayment. Before making any prepayment pursuant to Section 7.01, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Authority Lender describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than thirty (30) nor more than (sixty) 60 days from the date that such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen:

(1) if default shall be made by the District in the due and punctual payment of any WIFIA Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(2) if default shall be made by the District in the performance of any of the agreements or covenants which are required herein to be performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Authority; or

(3) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property; or

(4) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms; or

(5) if an "Event of Default" under and as defined in the WIFIA Loan Agreement shall have occurred;

then the Authority shall immediately notify the Authority Lender of an Event of Default and follow any written directions of the Authority Lender, which may include a direction to declare the entire principal amount of the unpaid WIFIA Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding; provided that the unpaid Purchase Price shall automatically become due and payable without the action of the Authority or any other person if the unpaid principal amount of the WIFIA Loan shall have become immediately due and payable. Notwithstanding anything to the contrary set forth herein, the Authority shall not

have the right to (i) declare the unpaid Purchase Price immediately due and payable or (ii) exercise any other rights or remedies hereunder following the occurrence of an Event of Default in each case without the prior written direction of the Authority Lender. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid WIFIA Installment Payments and the accrued interest thereon shall have been so declared due and payable, but before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Authority an amount that is sufficient to pay the unpaid principal amount of the WIFIA Installment Payments or the unpaid payment of any other Contract or Bond referred to in clauses (1) or (4) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the WIFIA Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid WIFIA Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.02. Application of Funds Upon Acceleration. Upon the date of the declaration of (or automatic, as applicable) acceleration as provided in Section 8.01, all Revenues thereafter received by the District shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Authority, the Authority Lender, any agents and assignees of each of the forgoing as the case may be or the trustee with respect to any Bonds or Contracts, in carrying out the provisions of this article, including reasonable compensation to their respective accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs; and

Third, to the payment of the entire principal amount of the unpaid WIFIA Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the WIFIA Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Section 8.03. Other Remedies of the Authority. Upon the occurrence of an Event of Default, the Authority shall have the right (but only following the prior written direction of the Authority Lender):

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its or his or her duties under the Law and the agreements and covenants required to be performed by it or him or her contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the District and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the WIFIA Project, the System or other assets of the District and no default hereunder shall result in the loss of the WIFIA Project, the System or other assets of the District.

Section 8.04. Remedies of the Authority Lender. Upon the occurrence of an Event of Default, the Authority Lender, as assignee of the Authority pursuant to the WIFIA Loan Agreement, shall be entitled and empowered to institute any actions or proceedings at law or in equity against the District for the collection of any sums due to the Authority from the District and unpaid hereunder, and may prosecute any such judgment or final decree against the District and collect in the manner provided by law the moneys adjudged or decreed to be payable, may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by the District to the Authority under this Agreement then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the District under this Agreement.

Section 8.05. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the WIFIA Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority or the Authority Lender, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority or the Authority Lender shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority or the Authority Lender to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy that is conferred upon the Authority or the Authority Lender by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority or the Authority Lender, as applicable.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority or the Authority Lender, the District, the Authority and the Authority Lender shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.06. Remedies Not Exclusive. No remedy that is conferred upon or reserved to the Authority or the Authority Lender herein is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Liability Limited. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Revenues, the Revenue Fund and the other funds provided herein for the payment of amounts due hereunder or for the performance of any agreements or covenants that are required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the WIFIA Installment Payments is a special obligation of the District payable from the Net Revenues and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 9.02. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Authority or the Authority Lender any right, remedy or claim under or pursuant hereto, and any agreement or covenant that is required herein to be performed by or on behalf of the District, the Authority or the Authority Lender shall be for the sole and exclusive benefit of the other party.

Section 9.03. Successor Is Deemed Included in all References to Predecessor. Whenever either the District, the Authority or the Authority Lender is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District, the Authority or the Authority Lender, and all agreements and covenants which are required hereby to be performed by or on behalf of the District, the Authority or the Authority Lender shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 9.04. Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the WIFIA Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 9.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 9.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements

and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Authority hereby declare that they would have executed this Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 9.07. Assignment. This Installment Purchase Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, to the Authority Lender without the necessity of obtaining the prior consent of the District. On each Payment Date occurring on or after the Level Payment Commencement Date, the District, as agent of the Authority, shall transfer to the Authority Lender on the Authority's behalf the WIFIA Installment Payments hereunder from the WIFIA Debt Service Account in accordance with the terms of the WIFIA Loan Agreement.]

Section 9.08. Net Contract. This Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the WIFIA Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 9.09. California Law. THIS INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 9.10. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: _____ District

_____, California _____
Attention: General Manager

If to the Authority: Upper Santa Ana River Watershed Infrastructure Financing
Authority
c/o San Bernardino Valley Municipal Water District
380 E Vanderbilt Way
San Bernardino, California 92408
Attention: Executive Director

If to the Authority Lender: Environmental Protection Agency
[WJC-W 6201A]
1200 Pennsylvania Avenue NW
Washington, D.C. 20460
Attention: WIFIA Director
Email: WIFIA_Portfolio@epa.gov

Section 9.11. Effective Date. This Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate only when (a) the Purchase Price shall have been fully paid and (b) the WIFIA Loan Agreement shall have terminated in accordance with its terms.

Section 9.12. Execution in Counterparts. This Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 9.13. Indemnification of the Authority. The District hereby agrees to indemnify and hold harmless the Authority, the Authority Lender and the assigns and officers and directors thereof if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder or to the extent provided in the WIFIA Loan Agreement, under the WIFIA Loan Agreement.

Section 9.14. Amendments Permitted. This Agreement and the rights and obligations of the Authority and the District, may be modified or amended at any time by an amendment hereto which shall become binding only (a) following the execution and delivery of such amendment by the Authority and the District and (b) with the prior written consent of the Authority Lender.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed and attested this Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

_____ DISTRICT

By: _____
President of the Board of Directors

ATTEST:

Board Clerk

UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY

By: _____
Chair of the Board of Directors

ATTEST:

Secretary of the Board of Directors

EXHIBIT A

PURCHASE PRICE

1. The principal amount of payments to be made by the District hereunder is \$_____.

2. The WIFIA Installment Payments of principal and interest are payable in the amounts and on the WIFIA Installment Payment Dates as follows:

<i>Installment Payment Dates</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
--------------------------------------	---	--	--------------

*Installment
Payment Dates*

*Amount Attributable
to Principal*

*Amount Attributable
to Interest*

Total

Total

\$

\$

\$

EXHIBIT B

FORM OF REQUISITION FROM ACQUISITION FUND

\$ _____
UPPER SANTA ANA RIVER WATERSHED INFRASTRUCTURE FINANCING AUTHORITY
WIFIA LOAN AGREEMENT

REQUISITION NO. _ FOR
DISBURSEMENT FROM ACQUISITION FUND

Each of the undersigned, to the extent applicable, hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting General Manager of the _____ District, a _____ district that is organized and existing under the Constitution and laws of the State of California (the “District”), and as such, is familiar with the facts herein certified and is authorized to certify the same with respect to the District;

(ii) that the undersigned is the duly appointed, qualified and acting Executive Director of the Upper Santa Ana River Watershed Infrastructure Financing Authority, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and as such, is familiar with the facts herein certified and is authorized to certify the same with respect to the Authority;

(ii) that, pursuant to Section 3.04 of that certain Installment Purchase Agreement, dated _____, 2022 (the “WIFIA Installment Purchase Agreement”), by and between the Authority and the District, the undersigned each hereby requests the Treasurer to disburse this date the following amounts from the Acquisition Fund established under the Installment Purchase Agreement relating to the above-captioned obligations, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by the District and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A has been received and is final; and

(v) that there has not been filed with or served upon the District or the Authority notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Dated: _____, 20__

_____ DISTRICT

By: _____
_____, General Manager

UPPER SANTA ANA RIVER WATERSHED
INFRASTRUCTURE FINANCING AUTHORITY

By: _____
_____, Executive Director

EXHIBIT A
ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
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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 an annual 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 Capital Improvement Program ("CIP"), 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 years from its date of issuance) and long-term Debt (such debt that has a final maturity of more than five 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 Executive Director has delegated to the [Director of Finance] authority and primary responsibility for Debt management. The [Director of Finance] 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 refundings 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, [Assistant Executive Director, and Director of Finance] 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 [Director of Finance] and the Executive Director. All draw requests shall be provided to the Authority by the designated project manager for the project with the consent of the [Director of Finance]. Approval shall only be provided when the [Director of Finance] 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 [Director of Finance], 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 [Director of Finance] 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 [Director of Finance] 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 [Director of Finance], 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 [Director of Finance], 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 [Director of Finance] a complete and timely account of all orders, allocations, and underwriting activities with the investor names identified as appropriate.

The [Director of Finance] 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 [Director of Finance] 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 [Director of Finance] 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 [Director of Finance] 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 [Director of Finance], 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 [Director of Finance] 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 [Director of Finance] 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 [Director of Finance] 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 [Director of Finance], 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 [Director of Finance], 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 [Director of Finance] 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 [Director of Finance] 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 [Director of Finance] 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 [Director of Finance] 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 [Director of Finance] 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 [Director of Finance] 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. Creation and Maintenance of Funds

[To be discussed.]

Section IX. 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 X. 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

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Upper Santa Ana River Watershed Infrastructure Financing Authority

Tentative Meeting Schedule
(Subject to change)

December 1, 2021 - Financing Authority

December 8, 2021 - Technical Advisory Committee

December 15, 2021 - Financing Authority

December 22, 2021 - Technical Advisory Committee

January 5, 2022 - Financing Authority

January 12, 2022 - Technical Advisory Committee

January 19, 2022 - Financing Authority

January 26, 2022 - Technical Advisory Committee

February 2, 2022 - Financing Authority

February 9, 2022 - Technical Advisory Committee

February 16, 2022 - Financing Authority

February 23, 2022 - Technical Advisory Committee