SOQUEL CREEK WATER DISTRICT BOARD OF DIRECTORS
AGENDA
TUESDAY, AUGUST 18, 2020, 6:00 PM

Remote Teleconference Zoom Meeting

In response to COVID-19 (coronavirus), the Governor’s state of emergency and subsequent executive orders, and the County of Santa Cruz’s shelter-in-place order, Soquel Creek Water District’s August 18, 2020 Board Meeting will be held remotely via Zoom.

Members of the public are encouraged to join the meeting remotely through the meeting link or phone number:
- **Meeting Link:** [https://us02web.zoom.us/j/81971236309](https://us02web.zoom.us/j/81971236309)
- **Phone Number:** +1 669 900 6833 / Webinar ID: 819 7123 6309

If you are participating via meeting link (i.e. web platform), and experience technological difficulties, then please re-join the meeting via phone number.

**Request to Speak Form for Remotely Conducted Board Meetings**
To facilitate effective and efficient remote Board Meetings, people wishing to address the Board during a Board Meeting on an item not listed on the agenda (Oral Communications – Item 5.0), or any item listed on the agenda, will need to submit a [Request to Speak Form](mailto:emmao@soquelcreekwater.org) to the Board Clerk via email (emmao@soquelcreekwater.org). Request to Speak forms must be submitted by 3 pm, on the day of the Board Meeting.

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**MISSION**
We are a public agency dedicated to providing a safe, high quality, reliable, and sustainable water supply to meet our community's present and future needs in an environmentally sensitive and economically responsible manner.

**BOARD MEETING PROCEDURES**
The Board President serves as the chairperson to guide Board Meetings following agenda order listed below:
1. Call to Order and Roll Call
2. Public Hearing
3. Announcement by Board Members of Items Removed from Consent
4. Consent Agenda
5. Oral and Written Communications
6. Reports
7. Administrative Business
8. Closed Session

Note that the agenda order is subject to change.

**MEETING INFORMATION AND ACCESSIBILITY**
Agenda Packets are available on the District’s website: [https://www.soquelcreekwater.org/who-we-are/board-meetings-standing-committees](https://www.soquelcreekwater.org/who-we-are/board-meetings-standing-committees).
1. **CALL TO ORDER AND ROLL CALL**

2. **PUBLIC HEARING** – None

3. **ANNOUNCEMENT BY BOARD MEMBERS OF ITEMS REMOVED FROM CONSENT AGENDA**

   **CONSENT AGENDA PROCEDURE**

   Consent Agenda items include routine business that do not call for discussion. One vote is taken for all Consent Agenda items. Only a Board Member may request that the Board President remove items from Consent to Regular agenda for discussion. A public member may request that a Board Member pull an item from the Consent Agenda prior to the start of the meeting. It is requested that public members provide an explanation with requests to remove Consent Agenda Items – this helps the Board determine if an item should remain on consent or be pulled for discussion. Any Consent Agenda items that are removed for discussion will be considered at the end of Administrative Business. For Consent Agenda items not removed for discussion, public members may provide comment for up to two (2) minutes, or the length of time established by the Board President, at the beginning of the Consent Agenda.

4. **CONSENT AGENDA (Pg. 4)**
   4.1 Approval of Minutes
      4.1.1 July 21, 2020 – Regular Meeting Minutes
   4.2 Board Planning Calendar
   4.3 Special Board Assignments Status Report
   4.4 Finance Status Report
   4.5 Production Reports
   4.6 Management Update
   4.7 Finance and Administrative Services Committee Meeting Summary
   4.8 Public Outreach Committee Meeting Summary
   4.9 Water Resources Management and Infrastructure Committee Meeting Summary
   4.10 Authorize General Manager to Sign a Letter of Support for Pajaro Valley Water Management Agency's Water Right Application and Request for Release of Priority for the College Lake Integrated Resources Management Project
   4.11 Approve Purchase of Dump Truck
   4.12 Receive the District’s 2019-20 Community Report
   4.13 Small Claims Report for July 2020
   4.14 Approve Temporary Hire – Retired Annuitant Special Project: Soquel Drive Main Replacement
   4.15 Consider Cancelation of the September 1, 2020 Board Meeting

5. **ORAL AND WRITTEN COMMUNICATIONS (Pg. 122)**

   Oral Communications provides the opportunity for public members to speak on any item of interest (for items not on the Agenda), within the jurisdiction of the District. Public members may provide comment for up to three (3) minutes, or the length of time established by the Board President. Individuals may speak only once during Oral Communications.

   **REGULAR AGENDA PROCEDURE**

   Regular agenda items are considered one by one. Public members may address the Board on a specific agenda item during the District’s consideration of it. Public members may provide comment for up to two (2) minutes per item, or the length of time established by the Board President. Individuals may speak only once per item.

6. **REPORTS**
   6.1 District Counsel – Oral Report

7. **ADMINISTRATIVE BUSINESS (Pg. 123)**
   7.1 Conditional and Unconditional Will Serves – None
7.2 Resolution Authorizing and Directing Execution of a WIFIA Loan Agreement in Maximum Principal Amount (Excluding Capitalized Interest) of $88,974,400 with the United States Environmental Protection Agency, and Authorizing and Directing Additional Actions With Respect Thereto

7.3 Approval of Agreement for Option to Purchase Real Property at 2455 Chanticleer Avenue, Santa Cruz, CA and the Wording and Terms Regarding the Purchase Sale Agreement

7.4 Informational - Phase 2 Water Transfer Water Quality Results

**CLOSED SESSION PROCEDURE**

The Board may conduct a Closed Session on particular agendas as necessary. Closed Sessions are not open to the public. Matters discussed during Closed Session include existing and pending litigation, personnel matters and real property negotiations. Actions taken by the Board during Closed Session will be announced during open session following the adjournment of the closed session.

8. **CLOSED SESSION**

8.1 Conference with Legal Counsel – Existing Litigation Pursuant to Government Code Section §54956.9(d)(1)
   Steinbruner vs. Soquel Creek Water District et al., Santa Cruz County Superior Court Case No. 19 CV00181; CA Sixth District Court of Appeals Case No. 19AP00031
   Steinbruner v. California Coastal Commission, et al., San Francisco Superior Court, Case No. Unspecified.

9. **ADJOURNMENT**
Consent Agenda items include routine business that do not call for discussion. One vote is taken for all Consent Agenda items. Only a Board Member may request that the Board President remove items from Consent to Regular agenda for discussion. A public member may request that a Board Member pull an item from the Consent Agenda prior to the start of the meeting. It is requested that public members provide an explanation with requests to remove Consent Agenda Items – this helps the Board determine if an item should remain on consent or be pulled for discussion. Any Consent Agenda items that are removed for discussion will be considered at the end of Administrative Business. For Consent Agenda items not removed for discussion, public members may provide comment for up to two (2) minutes, or the length of time established by the Board President, at the beginning of the Consent Agenda.

4. CONSENT AGENDA

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4.2 Board Planning Calendar
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4.13 Small Claims Report for July 2020
4.14 Approve Temporary Hire – Retired Annuitant Special Project: Soquel Drive Main Replacement
4.15 Consider Cancellation of the September 1, 2020 Board Meeting
In response to COVID-19 (coronavirus), the Governor’s state of emergency and subsequent executive orders, and the order by the Health Officer of the County of Santa Cruz to shelter-in-place, Soquel Creek Water District’s July 21, 2020 Board Meeting was held remotely via Zoom teleconference.

Recorded Meetings: Recorded meetings can be viewed anytime on the District’s website.

President Daniels called the regular meeting to order at 6:03 pm via Zoom Teleconference.

1. **CALL TO ORDER AND ROLL CALL**
   **Board Members Present:**
   Dr. Bruce Daniels, President
   Rachél Lather, Vice-President
   Carla Christensen
   Dr. Bruce Jaffe – Participated 6:00 pm – 6:33 pm
   Dr. Thomas LaHue

   **District Counsel**
   Joshua Nelson, District Counsel

   **Staff Members Present:**
   Ron Duncan, General Manager
   Shelley Flock, Conservation and Customer Service Field Manager
   Taj Dufour, Engineering Manager
   Leslie Strohm, Finance Manager
   Traci Hart, Human Resources Manager
   Christine Mead, Operations & Maintenance Manager
   Melanie Mow Schumacher, Special Projects-Communications Manager
   Emma Olin, Executive Assistant/Board Clerk
   Rebecca Rubin, Public Outreach Coordinator
   Alyssa Abbey, Staff Analyst

   **Others Present:**
   1 member of the public
   Martin Mills, PureSource Water Inc.

2. **PUBLIC HEARING** - None

3. **ANNOUNCEMENT BY BOARD MEMBERS OF ITEMS REMOVED FROM CONSENT AGENDA**

   Director Christensen requested that Item 4.3 be removed from the Consent Agenda for discussion.

   President Daniels removed Consent Agenda Item 4.3.
4. CONSENT AGENDA

MOTION: Director LaHue; Second: Vice-President Lather; To approve Consent Agenda Items 4.1, 4.2, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.12, 4.13, and 4.14. Motion passed by unanimous roll call vote.

4.1 Approval of Minutes
   4.1.1 June 16, 2020 – Regular Meeting Minutes
   Action: Approved

4.2 Board Planning Calendar
   Action: Approved

4.3 Special Board Assignments Status Report
   Action: Removed from Consent; Discussed at the end of Administrative Business

4.4 General Manager Purchase Order Approval
   Action: Approved

4.5 June Warrants
   Action: Approved

4.6 Production Reports
   Action: Approved

4.7 Management Update
   Action: Approved

   President Daniels noted a typo in the report, stating that the Finance and Administrative Services Committee Meeting will be held virtually on Monday, July 27th.

4.8 Review Annual Disclosure (Govt. Code Section 53065.5), Fiscal Year 2019-20 Director & Employee Reimbursements of at Least $100
   Action: Approved

4.9 Deny Claim of Damage – Kris and Marc Kirby, 1729 Calypso Drive, Aptos, CA
   Action: Approved

4.10 Approve CEQA Preliminary Environmental Assessment and Categorical Exemption Finding, and Direct Staff to File a Notice of Exemption for Electrical Service to Canon Del Sol Tank Site Project, CWO 18-491
   Action: Approved

4.11 Finance Status Report
   Action: Approved

4.12 Approve Annual Statement of Investment Policy, Fiscal Year 2020/21
   Action: Approved

4.13 Informational - Final Report on Educational Programs for 2019/20 School Year
   Action: Approved
4.14 Approve Professional Services for Labor Compliance Monitoring by Silveira Consulting, Inc. for Construction Activities Related to Pure Water Soquel (PWS)

Action: Approved

5. ORAL AND WRITTEN COMMUNICATIONS (items not on the Agenda)

Written communications addressed to the Board are available online.

Director Christensen stated that she participated in the 2020 WateReuse California Virtual Conference. She noted highlights of the meeting, including Ms. Mow Schumacher and Ms. Rubin’s presentation on the Pure Water Soquel Project.

Director LaHue thanked staff for their continued hard work on the Pure Water Soquel Project.

President Daniels recognized the Finance Department’s hard work on the budget, audit, and funding opportunities.

6. REPORTS

6.1 District Counsel – Oral Report

Mr. Nelson provided an update on the State of California’s response to the COVID-19 pandemic.

7. ADMINISTRATIVE BUSINESS

7.1 Conditional and Unconditional Will Serve Letters – None

7.2 Progress Report of the Performance of the Advanced Metering Infrastructure (AMI) Leak Detection, Provide Direction if Desired

Ms. Flock introduced the District’s Staff Analyst, Alyssa Abbey, who is presenting this item.

Ms. Abbey provided an update on the Advanced Metering Infrastructure (AMI) project and discussed the leak detection and water savings analysis from January through June 2020.

Ms. Abbey stated that the analysis shows that the transition to the AMI system is yielding water savings due to earlier leak notification. Staff’s estimate of yearly water savings is approximately 72 acre-feet per year. She noted that the analysis is preliminary, since the leak information used for this analysis is only representative of a few months of data collection on approximately 1/3 of District meters.

Ms. Abbey discussed the next steps of the project, stating that staff will continue to collect and analyze data while improving customer outreach. She added that the customer portal will be available in September 2020, which will be an excellent tool for customers to monitor water use.

Ms. Abbey welcomed guidance and feedback from the Board.

Director LaHue thanked staff for the excellent report and requested an update after 6 months of additional data is collected.

Director LaHue noted that the average leak duration for an AMI leak is estimated to be approximately 4 days. Directors discussed different ways to make the leak notification process more efficient.
Vice-President Lather shared a positive experience with a District customer who recently had the AMI meter installed and was able to quickly identify a leak. She thanked staff for their good work.

Director Jaffe thanked staff for the update. He requested that staff look into the possibility of reducing the duration of continuous usage (currently at 24 hours) to trigger an alert within the system.

Director Christensen thanked staff for the thorough report. She supported an update in early 2021 after more data is available. Director Jaffe agreed.

President Daniels stated that he is looking forward to revisiting the analysis once the entire metering system is installed and operational.

The Board directed staff to provide an update in approximately 6-months (early 2021), on the AMI project, including leak detection and water savings analysis.

**MOTION:** Director LaHue; Second: Director Jaffe; To direct staff to provide an update in approximately 6-months (early 2021), on the Advanced Metering Infrastructure (AMI) project, including leak detection and water savings analysis. Motion passed by unanimous roll call vote.

Director Jaffe left the meeting at 6:33 pm.

7.3 Consider Agreement Renewal for PureSource Water Emergency Water Service

Ms. Mead reviewed Item 7.3, stating that this item is presented for the Board to consider renewal of the PureSource water emergency agreement. The history of the agreement with PureSource is included in the memo.

Ms. Mead introduced Martin Mills, owner of PureSource Water, who will address the Board and answer questions.

Mr. Mills shared his perspective.

Board discussion ensued, and Mr. Mills responded to a variety of Board questions. Directors shared concerns about conservation with unmetered use and leaks from the old infrastructure in the system.

Mr. Duncan explained that the purpose of the required metering system is to conserve water and protect the aquifer. He noted that PureSource’s 2019 consumption is approximately 101 gallons of water per person per day (which is about twice the average water use of District customers).

Mr. Mills stated that he will continue to install meters but recognized PureSource’s competing priorities and financial constraints.

Vice-President Lather discussed the opportunities for grants and loans. She offered to meet with Mr. Mills and provide her insight on different funding opportunities that may be available. Mr. Duncan confirmed that District staff may be able to provide insight as well.

**MOTION:** Director LaHue; Second: Director Christensen; To authorize the General Manager to execute the agreement in Attachment 2 for emergency water service to PureSource Water, Inc. Motion passed by unanimous roll call vote. Director Jaffe ABSENT.
7.4 Soquel Drive Cast Iron Main Replacement Project Phase IV, Bid Award, CWO 16-008

Mr. Dufour stated that Item 7.4 is presented to the Board to request authorization to enter into an agreement with Pacific Underground Construction, Inc., for the Soquel Drive Main Replacement Project.

Mr. Dufour stated that work will begin next month, and staff has begun public outreach.

Mr. Dufour expressed appreciation for multiple District departments working together on this project.

Director LaHue stated that he is happy to see this project moving forward.

Vice-President Lather shared a positive experience working with Pacific Underground Construction.

In response to a question posed by Director Christensen, Mr. Dufour confirmed that Pacific Underground’s bid was below the engineer’s estimate, and the proposal is comprehensive. He explained that the contractor anticipates higher production per day.

President Daniels expressed support for award of contract to the low bidder, Pacific Underground Construction.

**MOTION:** Director LaHue; Second: Vice-President Lather; To adopt Resolution No. 20-22 rejecting all bids except the bid received from Pacific Underground Construction, Inc. in the amount of $4,814,535 for the Soquel Dr. Cast Iron Main Replacement, Phase IV Project, CWO 16-008. Motion passed by unanimous roll call vote. Director Jaffe is ABSENT.

**MOTION:** Director LaHue; Second: Vice-President Lather; To authorize the General Manager to issue a purchase order in the amount not to exceed $4,814,535 to Pacific Underground Construction, Inc. Motion passed by unanimous roll call vote. Director Jaffe is ABSENT.

4. CONSENT AGENDA - ITEMS REMOVED FOR DISCUSSION

4.3 Special Board Assignments Status Report

Director Christensen suggested deleting the item, “Potential Standing Committee Schedule Change,” explaining that the timing no longer creates an issue for committee members. Mr. Duncan agreed.

**INFORMATION ONLY**

8. CLOSED SESSION

8.1 Conference with Legal Counsel – Existing Litigation Pursuant to Government Code Section §54956.9(d)(1)

Steinbruner vs. Soquel Creek Water District et al., Santa Cruz County Superior Court Case No. 19 CV00181; CA Sixth District Court of Appeals Case No. 19AP00031

Steinbruner v. California Coastal Commission, et al., San Francisco Superior Court, Case No. Unspecified.
8.2 Conference with Real Property Negotiators
Property: 2455 Chanticleer Ave. (APN 029-013-53)
Agency negotiator: Ron Duncan
Negotiating parties: Doug Doering – Pro Vision Glass
Under negotiation: Price and terms of payment

At 7:24 pm, President Daniels announced that the Board will meet in closed session to discuss Items 8.1 and 8.2.

CONVENE TO CLOSED SESSION – 7:24 pm

RETURN TO OPEN SESSION – 7:44 pm

President Daniels adjourned the closed session and returned to open session at 7:44 pm.

Ms. Rubin reported that the Board discussed Items 8.1 and 8.2 in closed session. No action was taken.

9. ADJOURNMENT

President Daniels adjourned the meeting at 7:45 pm.

SUBMITTED:     APPROVED:

___________________________________________    ___________________________________________
Emma Olin, Board Clerk     Dr. Bruce Daniels, President
## June 2020

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|     | Board Meeting – Remote  
Approve FY-20-21 Annual Budget  
Resolution for Revolving Credit Agreement  
Bid Award and Agreement for SWIP Wells  
Bid Award and Agreement for 2020 UWMP  
Closed Session |
| 6   |     | 7   | 8   | 9   | 10  | 11  |
|     |     |     |     | Public Outreach Standing Committee (10:30-11:30 am)  
Water Resources Management and Infrastructure Standing Committee (4-5 pm) |
| 12  | 13  | 14  | 15  | 16  | 17  | 18  |
|     |     |     |     | Board Meeting – Remote  
Committee Reports  
Management Update  
Review of Board Meeting Efficiency |
|     |     |     |     | Mid-County Groundwater Agency (MGA) Board Meeting:  
7:00-9:00 pm at Simpkins Family Swim Center |
| 19  | 20  | 21  | 22  | 23  | 24  | 25  |
|     |     |     |     |     |     |     |

FY – Fiscal Year. SWIC – Seawater Intrusion Control Loan. UWMP – Urban Water Management Plan.
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**July 2020**

- **June 3**: Holiday – District Closed
- **June 4**: Publish Board Packet
- **July 7**: Board Meeting – CANCELED
- **July 12**: Finance Standing Committee (4-5 pm)
- **July 17**: PWS Labor Compliance Agreement Closed Session
- **July 19**: Board Meeting Management Update Renewal of PureSource Water Agreement Award Soquel Dr. Cast Iron Main Replacement Phase IV PWS Labor Compliance Agreement Closed Session

PWS – Pure Water Soquel.
# Board Planning Calendar

All items and dates noted are subject to change; some items may not be listed.

## August 2020

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|     |     | **Public Outreach Standing Committee**  
(10:30-11:30 am) | **Water Resources Management and Infrastructure Standing Committee** (1-5 pm) |     | **Publish Board Packet** |     |
| 16  | 17  | 18  | 19  | 20  | 21  | 22  |
|     |     | **Board Meeting**  
Management Update  
Committee Reports  
Community Report  
Authorize Loan Agreement for WIFIA  
Purchase Option for ProVision Property Information – Phase 2 Water Transfer Water Quality Results |     |     |     |     |
| 23  | 24  | 25  | 26  | 27  | 28  | 29  |
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Consent Agenda Item 4.3
Special Board Assignments Status Report
Updated for August 18, 2020

Key
Regular Font = No Change
Red Underline = New Assignment or Activity
Blue Strikethrough = Completed or moved to a Department Status Report; completed and moved items are deleted the following month

ADMINISTRATION

a. **Potential Standing Committee Schedule Change** – Director Christensen requested that an item be agendized to discuss a potential change to the Water Resources Management and Infrastructure (WRMI) committee meeting schedule (to be held after 5 pm). This will be presented to the Board and discussed after the full WRMI committee meets. (Assigned Jan. 15, 2019, Projected completion – to be determined.)

b. **Ways to Increase Board Meeting Efficiency** – The Board requested that an item be agendized to continue the effort to enhance and increase the efficiency of Board Meetings. Director Jaffe specifically requested that the following procedures be reviewed: (1) the process for removing consent agenda items for discussion, and (2) appropriate time allowances for public comment. (Assigned Jan. 21, 2020, Completed – February 4, 2020, 3-month evaluation in June 2020 – postponed to fall).

c. **Review of Board Packet Distribution** – Director LaHue requested that an item be agendized to discuss the District’s policy regarding copy fees for the provision of printed agendas and agenda packets to the public. (Assigned Jan. 21, 2020, Completed – February 4, 2020, 3-month evaluation in June 2020 – postponed to fall).

SPECIAL PROJECTS & OUTREACH

No items.

FINANCE

a. **Aid for Low Income Customers** - Since the Board has expressed an interest in ways to help low income customers with their water bills, it is noted that the State Water Resources Control Board (SWRCB) adopted Resolution No. 2016-0010 which has a section for potential future programs to assist low-income customers with paying water rates. Assembly Bill (AB) 401 (Dodd, 2015), referred to as the Low-Income Water Rate Assistance Act, requires the State Water Board, in collaboration with relevant stakeholders and the State Board of Equalization, to have developed a plan, no later than January 1, 2018, to fund and implement the Low-Income Water Rate Assistance Program. The Act required the State Water Board to report to the Legislature no later than February 1, 2018, on its findings regarding the program’s feasibility, financial stability, and desired structure, and include any recommendations for legislative action. The final report on AB 401 was published in February 2020 and recommends a state-wide program that utilizes three different methods to assist customers with paying their water bills.

The first method would be to offer a direct credit on the customer’s water bill with the amount of the credit determined by how much individual water agencies charge single family residential customers for 6 hundred cubic feet (CCF) of water (4,488 gallons). If the bill for 6 CCF of water is less than $62 the proposed credit is 20% of the water bill. If the bill for 6 CCF is between $62 and $83 the credit would be 35% of the water bill, and if the bill for 6 CCF is greater than $83 the proposed credit is 50% of the water bill. Currently the District charges $82.71 for 6 CCF of water, which would require low income customers to receive a 35% credit on the water bill if the SWRCB’s recommendations are implemented. Future rate increases would place the District in the
50% credit category. What is not certain at this time is whether each agency can adapt their billing practices to deliver the credit directly on the water bill or whether an alternate delivery method through the PG&E CARE program or CalFRESH is feasible.

The second method would assist renters who are not directly billed by the water agency for water service. This assistance would take the form of a state income tax credit and would not be administered directly by the water agency.

The third method is to provide crisis assistance to help prevent drinking water service shutoffs for low income households with past due bills. This method would be similar to the Low Income Heating and Energy Assistance Program (LIHEAP) and could be used in conjunction with either of the other two methods. It is expected that the cost of implementing the proposed methods would be funded through progressive taxes such as personal or business income taxes or a tax on bottled water.

These rate assistance programs would be available to low income customers defined in AB 401 as those households with incomes less than 200% of the federal poverty level based on household size. The 200% federal poverty threshold for a 4-person household is $52,400 for 2020.

Although the SWRCB has published their final report, the State legislature has not yet implemented any of the recommendations contained in the report. District staff will continue to monitor AB 401 and will plan to implement the provisions of the bill as directed by the State.

CONSERVATION and CUSTOMER SERVICE FIELD (CCSF)

a. **Evaluation of WDO Program Future** – President Daniels requested staff agendize the topic of the future of the WDO program when a supplemental supply is known. (Assigned June 5, 2018, Projected completion – to be determined.)

b. **Automated Metering Infrastructure (AMI) Review** – At Director Jaffe’s request, the Board directed staff to provide an update six months after Phase 1 of the AMI installation is complete. (Assigned April 2, 2019, Completed July 21, 2020). Following the July 2020 review of the AMI Project, the Board directed staff to provide an update in approximately 6-months (early 2021), on the AMI project, including leak detection and water savings analysis (Assigned July 21, 2020, Projected Completion – early 2021).

ENGINEERING

No items.

OPERATIONS & MAINTENANCE

a. **District Facility Aesthetics** –Director Jaffe requested that an item be agendized to discuss the aesthetics of District facilities. (Assigned Jan. 21, 2020, Projected completion – due to COVID-19, summer to fall 2020.)

HUMAN RESOURCES

No items.

MISCELLANEOUS ITEMS

No items.

RESERVE LIST

(Items mentioned at a Board meeting, yet not prioritized by the Board.)
a. **Aquifer Indicator** - At the Feb. 7, 2017 Board meeting, Director Jaffe asked that staff develop a simple indicator to educate the public on our overdraft problem. This request is like a previous request by Director Daniels.

b. **New District Name** - Agendize a conversation about a District name change – on hold due to higher priorities. (Assigned Pre-2016; Project completion: Unknown, maybe after the supplemental project(s) are executed.)

c. **WDO Go Green Evaluation** - The Board gave staff direction to evaluate the Water Demand Offset (WDO) Go Green program to determine whether some of the existing voluntary options should be mandatory for new water services, and whether new options should be added to the Go Green Program. (Assigned June 7, 2016, Projected completion dependent on how the WDO program implementation and other projects proceed.) President LaHue requested that a discussion regarding the Go Green reduction options be agendized. (Assigned February 5, 2019, Projected completion – to be determined).
## Investment Fund Report

### Surplus Revenue Fund

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Current Yield</th>
<th>Market Balance</th>
<th>Weighted Average Yield</th>
<th>% of Total Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAIF</td>
<td>0.92%</td>
<td>$17,968,496</td>
<td>0.50%</td>
<td>54.64%</td>
</tr>
<tr>
<td>LAIF - BNY (2013 COP Project Fund)</td>
<td>0.92%</td>
<td>5,900,531</td>
<td>0.17%</td>
<td>17.94%</td>
</tr>
<tr>
<td>Bank of New York (COP Project Fund)</td>
<td>0.00%</td>
<td>627</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Wells Fargo Surplus Revenue</td>
<td>0.01%</td>
<td>249,778</td>
<td>0.00%</td>
<td>0.76%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit October 2020</td>
<td>1.50%</td>
<td>247,000</td>
<td>0.01%</td>
<td>0.74%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit October 2021</td>
<td>1.70%</td>
<td>247,000</td>
<td>0.01%</td>
<td>0.75%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit December 2020</td>
<td>1.70%</td>
<td>249,000</td>
<td>0.01%</td>
<td>0.76%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit September 2020</td>
<td>1.95%</td>
<td>245,000</td>
<td>0.01%</td>
<td>0.74%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit January 2021</td>
<td>2.00%</td>
<td>249,000</td>
<td>0.02%</td>
<td>0.76%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit January 2022</td>
<td>2.05%</td>
<td>248,000</td>
<td>0.02%</td>
<td>0.75%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit April 2021</td>
<td>2.30%</td>
<td>247,000</td>
<td>0.02%</td>
<td>0.75%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit August 2022</td>
<td>2.40%</td>
<td>245,000</td>
<td>0.02%</td>
<td>0.74%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit September 2022</td>
<td>2.40%</td>
<td>247,000</td>
<td>0.02%</td>
<td>0.75%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit February 2021</td>
<td>2.60%</td>
<td>246,000</td>
<td>0.02%</td>
<td>0.75%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit March 2023</td>
<td>2.75%</td>
<td>245,000</td>
<td>0.02%</td>
<td>0.74%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit May 2023</td>
<td>3.15%</td>
<td>245,000</td>
<td>0.02%</td>
<td>0.74%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit May 2023</td>
<td>3.10%</td>
<td>246,000</td>
<td>0.02%</td>
<td>0.75%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit June 2023</td>
<td>3.30%</td>
<td>249,000</td>
<td>0.02%</td>
<td>0.76%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit November 2023</td>
<td>3.55%</td>
<td>245,000</td>
<td>0.03%</td>
<td>0.74%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit November 2023</td>
<td>3.55%</td>
<td>245,000</td>
<td>0.03%</td>
<td>0.74%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit November 2023</td>
<td>3.55%</td>
<td>245,000</td>
<td>0.03%</td>
<td>0.74%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit November 2023</td>
<td>3.55%</td>
<td>245,000</td>
<td>0.03%</td>
<td>0.74%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit November 2023</td>
<td>3.55%</td>
<td>245,000</td>
<td>0.03%</td>
<td>0.74%</td>
</tr>
</tbody>
</table>

**Subtotal** $28,309,432

### 2017/18 Debt Service Fund

<table>
<thead>
<tr>
<th></th>
<th>Current Yield</th>
<th>Market Balance</th>
<th>Weighted Average Yield</th>
<th>% of Total Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Debt Service</td>
<td>0.00%</td>
<td>$5</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Subtotal** $5

### 2011 Debt Reserve Fund - BNY

<table>
<thead>
<tr>
<th></th>
<th>Current Yield</th>
<th>Market Balance</th>
<th>Weighted Average Yield</th>
<th>% of Total Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Treasury Bills</td>
<td>0.00%</td>
<td>$1,630,679</td>
<td>0.00%</td>
<td>4.96%</td>
</tr>
</tbody>
</table>

**Subtotal** $1,630,679

### Restricted - Water Capacity

<table>
<thead>
<tr>
<th></th>
<th>Current Yield</th>
<th>Market Balance</th>
<th>Weighted Average Yield</th>
<th>% of Total Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAIF - Water Capacity Fees</td>
<td>0.92%</td>
<td>$2,206,748</td>
<td>0.06%</td>
<td>6.71%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit July 2021</td>
<td>1.45%</td>
<td>248,000</td>
<td>0.01%</td>
<td>0.75%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit July 2021</td>
<td>1.45%</td>
<td>248,000</td>
<td>0.01%</td>
<td>0.75%</td>
</tr>
<tr>
<td>US Bank Certificates of Deposit November 2020</td>
<td>2.80%</td>
<td>245,000</td>
<td>0.02%</td>
<td>0.74%</td>
</tr>
</tbody>
</table>

**Subtotal** $2,947,748

**Total** $32,887,863 1.10% 100.00%
Total net investments were $32,887,863 in July, an increase of a little over $13 million from the month before due in large part to a transfer of $13.5 million in interim CoBank funds from the water revenue account to LAIF. These funds will be temporarily held in LAIF until they are used for cash flow. The interest rate on federal funds rose one basis point to .09%, while the interest rate on the 6-month Treasury Bill dropped from .18% in June to .14% in July. The District’s weighted yield decreased 31 basis points to 1.10% for July, largely because of decreases in the LAIF interest rate. The District’s weighted yield still remains significantly above benchmark federal rates.

The total monthly interest received on investments was $39,388. Interest earnings fiscal year-to-date total $39,388, which is 39.39% of the $100,000 budgeted for 2020/21.
### Operating and Reserve Fund Report

<table>
<thead>
<tr>
<th></th>
<th>Water Revenue</th>
<th>M &amp; O</th>
<th>Payroll</th>
<th>Water Capacity</th>
<th>WDO Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$3,902,584</td>
<td>$128,721</td>
<td>$5,284</td>
<td>$650,891</td>
<td>$1,057,678</td>
</tr>
<tr>
<td>Cash Receipts</td>
<td>$2,090,615</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M &amp; O Account Transfers</td>
<td>-4,361,300</td>
<td>4,361,300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll Account Transfers</td>
<td>(402,200)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Capacity Account Transfers</td>
<td>(17,742)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WDO Account Transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wire Transfers</td>
<td>(113,375)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LAIF Transfers</td>
<td>(13,500,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Draws</td>
<td>15,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warrants Processed</td>
<td>(4,344,742)</td>
<td>(402,078)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Void Checks</td>
<td>40,205</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>628,480</td>
<td>(3,071)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>July Ending Balance</strong></td>
<td><strong>$3,227,062</strong></td>
<td><strong>$182,413</strong></td>
<td><strong>$5,407</strong></td>
<td><strong>$668,633</strong></td>
<td><strong>$1,057,678</strong></td>
</tr>
</tbody>
</table>

The beginning balance in the Operating Contingency Reserve (OCR) for 2020/21 was $3,632,000. The balance remaining as of July 31, 2020 is $3,632,000. Nothing has been spent from OCR fiscal year-to-date (YTD). No OCR funds were allocated in July.
Metered Consumption Report

July Consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption (Hundred Cubic Feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>247,910</td>
</tr>
<tr>
<td>2004</td>
<td>258,889</td>
</tr>
<tr>
<td>2005</td>
<td>229,589</td>
</tr>
<tr>
<td>2006</td>
<td>235,894</td>
</tr>
<tr>
<td>2007</td>
<td>230,036</td>
</tr>
<tr>
<td>2008</td>
<td>221,175</td>
</tr>
<tr>
<td>2009</td>
<td>201,464</td>
</tr>
<tr>
<td>2010</td>
<td>186,169</td>
</tr>
<tr>
<td>2011</td>
<td>175,227</td>
</tr>
<tr>
<td>2012</td>
<td>191,516</td>
</tr>
<tr>
<td>2013</td>
<td>182,168</td>
</tr>
<tr>
<td>2014</td>
<td>133,695</td>
</tr>
<tr>
<td>2015</td>
<td>121,332</td>
</tr>
<tr>
<td>2016</td>
<td>130,609</td>
</tr>
<tr>
<td>2017</td>
<td>139,004</td>
</tr>
<tr>
<td>2018</td>
<td>141,163</td>
</tr>
<tr>
<td>2019</td>
<td>128,435</td>
</tr>
<tr>
<td>2020</td>
<td>138,358</td>
</tr>
</tbody>
</table>

Consumption Fiscal YTD

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption (Hundred Cubic Feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>247,910</td>
</tr>
<tr>
<td>2004</td>
<td>258,889</td>
</tr>
<tr>
<td>2005</td>
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<td>2010</td>
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<tr>
<td>2011</td>
<td>175,227</td>
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<tr>
<td>2012</td>
<td>191,516</td>
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<tr>
<td>2013</td>
<td>182,168</td>
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<tr>
<td>2014</td>
<td>133,695</td>
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<td>2015</td>
<td>121,332</td>
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<td>2016</td>
<td>130,609</td>
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<tr>
<td>2017</td>
<td>139,004</td>
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<tr>
<td>2018</td>
<td>141,163</td>
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<tr>
<td>2019</td>
<td>128,435</td>
</tr>
<tr>
<td>2020</td>
<td>138,358</td>
</tr>
</tbody>
</table>

Actual Water Consumption Compared to Budget

<table>
<thead>
<tr>
<th>Month</th>
<th>Percentage Over (Under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul</td>
<td>9.10%</td>
</tr>
<tr>
<td>Aug</td>
<td></td>
</tr>
<tr>
<td>Sep</td>
<td></td>
</tr>
<tr>
<td>Oct</td>
<td></td>
</tr>
<tr>
<td>Nov</td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td></td>
</tr>
<tr>
<td>Jan</td>
<td></td>
</tr>
<tr>
<td>Feb</td>
<td></td>
</tr>
<tr>
<td>Mar</td>
<td></td>
</tr>
<tr>
<td>Apr</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td></td>
</tr>
<tr>
<td>Jun</td>
<td></td>
</tr>
</tbody>
</table>

- Cumulative Year to Date
- Monthly Comparison
# 6-Month Projected Cash Flows

**SOQUEL CREEK WATER DISTRICT**  
**PROJECTED STATEMENT OF CASH FLOW LIQUIDITY**  
**SIX MONTHS ENDED 01/31/2021**

<table>
<thead>
<tr>
<th></th>
<th>Aug-20</th>
<th>Sep-20</th>
<th>Oct-20</th>
<th>Nov-20</th>
<th>Dec-20</th>
<th>Jan-21</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Est. Beginning Cash Balance</strong></td>
<td>$31,724,300</td>
<td>$27,770,200</td>
<td>$21,117,300</td>
<td>$26,995,900</td>
<td>$22,773,800</td>
<td>$17,802,700</td>
<td>$31,724,300</td>
</tr>
<tr>
<td><strong>Projected Cash Source From:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>$1,649,300</td>
<td>$1,663,000</td>
<td>$1,482,000</td>
<td>$1,381,200</td>
<td>$965,300</td>
<td>$821,700</td>
<td>$7,962,500</td>
</tr>
<tr>
<td>Service Charges</td>
<td>689,500</td>
<td>689,500</td>
<td>689,500</td>
<td>689,500</td>
<td>689,500</td>
<td>689,500</td>
<td>4,137,000</td>
</tr>
<tr>
<td>Water Capacity, WDO &amp; Installation Fees</td>
<td>40,400</td>
<td>40,400</td>
<td>40,400</td>
<td>40,400</td>
<td>40,400</td>
<td>40,400</td>
<td>242,400</td>
</tr>
<tr>
<td>Grants</td>
<td>465,700</td>
<td>465,700</td>
<td>465,700</td>
<td>465,700</td>
<td>465,700</td>
<td>465,700</td>
<td>2,794,200</td>
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<tr>
<td>Revolving Credit Agreement Draw</td>
<td>0</td>
<td>0</td>
<td>10,000,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>8,300</td>
<td>8,300</td>
<td>8,300</td>
<td>8,300</td>
<td>8,300</td>
<td>8,300</td>
<td>49,800</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>8,300</td>
<td>8,300</td>
<td>8,300</td>
<td>8,300</td>
<td>8,300</td>
<td>8,300</td>
<td>49,800</td>
</tr>
<tr>
<td><strong>Estimated Total Cash Receipts</strong></td>
<td>$2,861,500</td>
<td>$2,875,200</td>
<td>$12,694,200</td>
<td>$2,593,400</td>
<td>$2,177,500</td>
<td>$2,033,900</td>
<td>$25,235,700</td>
</tr>
<tr>
<td><strong>Potential Cash Use For:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for salaries &amp; benefits</td>
<td>$666,400</td>
<td>$666,400</td>
<td>$666,400</td>
<td>$666,400</td>
<td>$999,500</td>
<td>$666,400</td>
<td>$4,331,500</td>
</tr>
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It has been verified that this Finance Status Report is in conformity with Soquel Creek Water District’s Investment Policy which was last approved by the Board of Directors on July 21, 2020. The cash flow projections provide sufficient liquidity to meet estimated future expenditures for a period of 6 months.

Leslie Strohm  
Finance and Business Services Manager
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## WARRANT LIST

**By Vendor Name**

**Payment Dates 7/1/2020 - 7/31/2020**

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## WARRANT LIST

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**Consent Agenda Item 4.4:**

- **Vendor AIRTE001 - AIRTEC SERVICE INC Total:** 6,369.00
- **Vendor BUNTE001 - AMANDA BUNTE Total:** 36.23
- **Vendor AMERI001 - AMERICAN MESSAGING Total:** 5.71
- **Vendor APTOS006 - APTOS HARDWARE Total:** 247.37
- **Vendor APTOS001 - APTOS LANDSCAPE SUPPLY Total:** 1,475.86
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Vendor BROWN002 - BROWN & CALDWELL Total: 552,795.52
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Vendor: CITYO004 - CITY OF SANTA CRUZ

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Vendor: COUNT001 - COUNTY OF SANTA CRUZ

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### WARRANT LIST

**Payment Dates:** 7/1/2020 - 7/31/2020

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## WARRANT LIST

Payment Dates: 7/1/2020 - 7/31/2020

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Vendor BRIDG001 - HANSON BRIDGET Total: 39,239.00
Vendor USABL001 - HD SUPPLY FACILITIES MAINTENANCE LTD Total: 385.41
Vendor HOMED001 - HOME DEPOT CREDIT SERVICES Total: 148.46
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48536 07/03/2020 JACOB ARNOLD 2019-2020 BOOT ALLOWANCE

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**Grand Total:** 4,344,951.50
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Transaction Type

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Total for Period: 13 3070.61

Totals by Revenue Code

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<th>Count</th>
<th>Amount</th>
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<td>3,070.61</td>
</tr>
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Refund Total: 3070.61

Total for Period: 21 3070.61
Weather Index = [Monthly Average Evapotranspiration Rate (inches) x Crop Coefficient (1)] - Effective Monthly Precipitation (inches) (50% of measured).
Precipitation data is averaged from weather stations at De Laveaga & Watsonville
Production and Weather Index data are normalized. NWS Rain Data Substituted at De Laveaga when CIMIS Data appears inaccurate.

Season to Date Rain: 0.06 inches
Average Season to Date Rain: 24.60 inches
Through July 2020
(Season: July 2020 through June 2021)

Last year: actual 36.94 inches
average 25.43 inches
Running Annual Average for Percent Production Change from 2013, July 2020: **-22%**

Running Annual Average for Residential Gallons Per Capita Per Day, July 2020: **55**
### SOQUEL CREEK WATER DISTRICT PRODUCTION

#### TOTAL PRODUCTION (Acre-Feet) (including imported water)

<table>
<thead>
<tr>
<th>Year</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
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<td>2005</td>
<td>303.56</td>
<td>287.29</td>
<td>348.40</td>
<td>290.20</td>
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<td>263.32</td>
<td>277.54</td>
<td>307.90</td>
<td>253.61</td>
<td>250.40</td>
<td>211.61</td>
<td>225.94</td>
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#### PURISIMA PRODUCTION (Acre-Feet)

<table>
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<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
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<td>168.14</td>
<td>196.13</td>
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<td>149.25</td>
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#### AROMOSA PRODUCTION (Acre-Feet)

<table>
<thead>
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<th>Year</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
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<tr>
<td>2005</td>
<td>99.34</td>
<td>105.58</td>
<td>107.00</td>
<td>101.80</td>
<td>98.90</td>
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<td>88.72</td>
<td>102.56</td>
<td>83.37</td>
<td>65.19</td>
<td>79.76</td>
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</table>

### TOTAL PRODUCTION (Acre-Feet)

$$ \text{Total Production} = 3,219.47 + 3,074.41 + 3,142.66 + 3,040.63 + 2,652.48 + 2,603.97 + 2,680.73 + 2,658.99 + 2,652.92 + 2,229.94 + 2,017.73 + 2,017.23 + 2,097.50 + 2,860.00 $$

### TOTAL IMPORTED/EXPORTED WATER (Acre-Feet)

<table>
<thead>
<tr>
<th>Year</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### TOTAL IMPORTED/EXPORTED WATER (Acre-Feet)

$$ \text{Total Imported/Exported Water} = 0.00 + 0.00 + 0.00 + 0.00 + 0.00 + 0.00 + 0.00 + 0.00 + 0.00 + 0.00 + 0.00 + 0.00 $$

Production numbers are taken from SCADA reports.
Management Update  
Consent Agenda Item 4.6  
August 18, 2020  

5.1a Conservation Customer Service Field  
5.1b Engineering  
5.1c Operations & Maintenance  
5.1d Special Projects/Community Outreach  
5.1e Finance Report  
5.1f Human Resources  
5.1g General Manager  

Conservation Customer Service Field (a)  

A. General Manager Recently Assigned Items in Progress  
None at this time.  

B. Advanced Metering Infrastructure (AMI)  
1. As of 8/12/20, Professional Meters, Inc. has upgraded approximately 13,500 (of about 16,000 total) meters to AMI by replacing their registers. The rate of installation by PMI has slowed as many of the remaining meters require assistance from District field staff to locate services (for meters obstructed by landscaping, parked vehicles, etc., or located behind fenced/gated areas). Field staff are currently focused on assisting PMI with locating these meters so they can complete as many register installations as possible over the next month and close out their work on this part of the project. District staff will complete any remaining register installs as well as about 300 whole meter replacements.  
2. Currently, about 11,300 registers (of the 13,500 meters that have been upgraded to AMI) have been reprogrammed (from drive-by reading) to read in AMI mode. About one-half of these are consistently transmitting daily reads. We are working with Master Meter to improve transmission performance by ensuring meters are programmed to connect to the base station/repeater located within the best range, and to identify locations for an additional repeater in the Seascape, Rio Del Mar and Capitola Village areas where topography appears to be affecting transmission.  
3. For the meters currently reading in AMI mode, staff continues to check the AMI software (Harmony) daily for continuous use notifications, verify continuous use is still occurring at the meter, and notify customers. Some of these cases require a significant amount of staff time to walk the customer through the data and answer questions about how the system and the meters work. We recently notified a customer with a large property of an 80 gallon per hour flow that could have resulted in a water loss of approximately 29,000 gallons had it run undetected until the next monthly read was collected with the former drive-by metering system. The customer determined that there was a leak in their irrigation system.  
4. The automated data transfer files from Tyler (billing software) and Harmony (AMI software) have been set-up and tested and are successfully uploading into the WaterSmart Customer Engagement Portal. WaterSmart is now working to complete portal configuration by the end of August. Internally, we are working with Customer Service staff on workflow planning related to assisting customers with portal registration and use, and Outreach & Customer Service staff on communications to customers about the portal roll-out. Software testing and staff training on portal use are being planned for September with a final roll-out to customers in October.  

C. Conservation/Other  
1. Most of the data and information needed to prepare the 2020 Urban Water Management Plan (UWMP) has been compiled and provided to Water Systems Consulting (WSC) for analysis. We plan to focus first on developing new 30-year demand projections using the custom demand projection model that WSC developed for our 2015 UWMP. We expect to bring draft demand projections to the Board for feedback in late October or early November and to finalize the projections before the end of 2020.  
2. Working with Operations & Maintenance staff, the 2019 water loss audit has been completed and the required validation step is scheduled for later this month.
D. New Water Service Will Serve Approvals Granted Between 7/15/20 and 8/13/20:
1. Approvals (at staff level) for Accessory Dwelling Units (ADU) (Note: Only “New Construction” ADU’s require separate water service; all ADU types are no longer subject to WDO’s):

<table>
<thead>
<tr>
<th>Conditional Will Serve</th>
<th>Unconditional Will Serve</th>
</tr>
</thead>
<tbody>
<tr>
<td>o None</td>
<td>o None</td>
</tr>
</tbody>
</table>

2. Approvals (at staff level) for projects requiring less than one (1) acre-foot of offset:

<table>
<thead>
<tr>
<th>Conditional Will Serve</th>
<th>Unconditional Will Serve</th>
</tr>
</thead>
<tbody>
<tr>
<td>o None</td>
<td>o None</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Conditional Will Serve</th>
<th>Unconditional Will Serve</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Conditional Will Serve for Tier I Single Family Home with Accessory Dwelling Unit at “0” Sumner Dr, Aptos. APN: 044-203-29 (Shingu)</td>
<td>o None</td>
</tr>
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</table>

3. Approvals (at Board level) for projects requiring one (1) acre-foot of offset or greater:

<table>
<thead>
<tr>
<th>Conditional Will Serve</th>
<th>Unconditional Will Serve</th>
</tr>
</thead>
<tbody>
<tr>
<td>o None</td>
<td>o None</td>
</tr>
</tbody>
</table>

E. Water Demand Offset Program

Water Demand Offset Bank Status (as of 8/13/20):

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<tr>
<th>Total Offsets In</th>
<th>105.8 Acre-feet</th>
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<tbody>
<tr>
<td>Total Offsets Out</td>
<td>50.7 Acre-feet</td>
</tr>
<tr>
<td>Offset Balance</td>
<td>55.1 Acre-feet</td>
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</tbody>
</table>

Engineering (b)

A. General Manager Assigned Items in Progress

1. Pure Water Soquel
   i. Conveyance - Design drawings are approximately 50% complete. The 50% Guaranteed Price is under review. The program team is on schedule to complete 60% Guaranteed Maximum Price (GMP) negotiations by the end of October.
   ii. The Willowbrook Seawater Intrusion Prevention Well is under construction with the pilot hole (800 ft) complete. Reaming will commence shortly and well construction and development will follow.

B. Capital Improvement Projects
   i. Soquel Drive Cast Iron Main Replacement Phase IV - Anticipated to begin construction in early September.
   ii. Alta Dr. Main Trench and Service Rehab project- 100% complete with services and roadway restored in partnership with County Public Works Dept.
   iii. St. Andrews Dr. and Baltusrol Dr. Area Main Replacement Project is being surveyed
   iv. Huntington Dr. Main Replacement is being surveyed
   v. Request for Proposals for CEQA and Design services for Country Club Well Treatment have been sent out.

Operations & Maintenance (c)

- The new standby generator project at Austrian facility was completed and start-up testing was successful.
- Continued work on Mar Vista standby generator project.
- Repaired the leaking filter effluent header at Garnet WTP.
- Repaired six service and one main leaks, lowered one meter, and replaced one service.
Special Projects/Community Outreach (d)

- No additional report at this time.

Finance Report (e)

- Work continues on the Preliminary Official Statement for the Refunding of the 2011 and 2013 Certificates of Participation. It is expected that a draft agreement will be brought to the Board at the September 15, 2020 meeting with an anticipated close date of October 13.
- The Finance Status Report continues to evolve, with the intent to have all financial reports consolidated into one comprehensive document. The warrants and the purchase order approval report are now part of the Finance Status Report.
- President Trump issued an Executive Order on August 10 to defer the withholding, deposit, and payment of certain payroll taxes paid from September 1 through December 31, 2020. Staff continues to monitor guidance pertaining to the implementation of the order and will provide updates as necessary.

Human Resources (f)

Benefits

- Health Benefits: the CalPERS Open Enrollment window occurs September 14 – October 16, 2020 for changes to the 2021 plan year. The District will be distributing OE information in the coming weeks.
- Medical premium rates for all available have increased moderately for the 2021 plan year. Dental, Vision plans are stable with no rate changes, and Life and EAP plans have decreased slightly. The EAP (Employee Assistant Plan) will be moving to a new carrier in 2021.

COVID-19

- Due to COVID-19, the State Water Resources Control Board has cancelled Operator certification exams in Spring and now Fall for water professionals to earn necessary certifications. The District has requested the SWRCB to conduct an emergency proctored exam. We have three staff who were scheduled for the cancelled March exam which was deferred to Fall, and which has since been cancelled. SWRCB is working to implement Operator Certification Computer Based Testing (CBT) in early 2021.
- District staff have been assigned and are fulfilling COVID-19 training mandates required under state and federal regulations.

Recruitment

- Operations & Maintenance Supervisor (vacancy) – Job Posting Closes August 24, 2020

General Manager (g)

- No additional report at this time.
In response to COVID-19 (coronavirus), the Soquel Creek Water District’s July 27, 2020 Finance and Administrative Services Committee Meeting was held remotely via Zoom teleconference.

ATTENDANCE
Finance and Administrative Services Committee
Carla Christensen
Dr. Bruce Daniels
Robert White, Public Member
Garry Ness, Public Member

Staff
Ron Duncan, General Manager
Leslie Strohm, Finance Manager
Traci Hart, Human Resource Manager
Ryan Kinney, Supervising Accountant
Emma Olin, Executive Assistant/Board Clerk

Public Members
1 member of the public

SUMMARY NOTES
• Oral Communications
  o One public comment was heard. Ms. Strohm responded to public comment.
  o Director Christensen questioned if there is a way to measure COVID-19 financial impacts on District customers.

• Update on District Response to COVID-19
  o Ms. Hart provided an update on the District’s response to COVID-19. Discussion ensued, and she responded to several questions.

• Update on District FY 2019/20 Financial Statement Audit
  o Mr. Kinney provided an update on the District’s 2019/20 audit. He stated that the auditors will perform final fieldwork the week of September 28, 2020. Discussion ensued, and he responded to several questions.
  o One public comment was heard. Ms. Strohm responded to public comment.

• Discuss Refunding the Series 2011 and 2013 Certificates of Participation
  o Ms. Strohm discussed refunding the Series 2011 and Series 2013 Certificates of Participation (COP), explaining that this will save the District approximately $5.5 million. She stated that the District selected Ramirez and Co., Inc. to provide the underwriting services necessary to refinance the COPs. It is anticipated that the refunding agreement will be presented to the Board in September 2020.
  o One public comment was heard. Ms. Strohm responded to public comment.

• Update on the WIFIA Program and Revised Close Schedule
  o Ms. Strohm stated that the Water Infrastructure Finance and Innovation Act (WIFIA) loan agreement will be presented to the Board at the August 18, 2020 Board Meeting. Discussion ensued regarding election impacts and timeline. Ms. Strohm responded to several questions.
  o One public comment was heard.

• Report or Information from Committee Members and Requests for Future Items to Discuss
  o Committee members requested a Pure Water Soquel Project update at a future meeting.

The meeting started at 4:00 pm. The meeting adjourned at 5:03 pm.
In response to COVID-19 (coronavirus), the Soquel Creek Water District's August 11, 2020 Public Outreach Committee Meeting was held remotely via Zoom teleconference.

**ATTENDANCE**

Public Outreach Committee  
Dr. Tom Lahue, Chair  
Carla Christensen, Vice-Chair  
John Dickinson, Public Member  
Jenifer Thompson, Public Member – Absent  

Staff  
Ron Duncan, General Manager  
Melanie Mow Schumacher, Special Projects-Communications Manager  
Valerie Spaugh, Customer Service Supervisor  
Rebecca Rubin, Public Outreach Coordinator  
Emma Olin, Executive Assistant/Board Clerk  

Public Members – None  

**SUMMARY NOTES**

- **Oral Communications**  
  - Director Christensen requested that staff provide an update on the Automated Metering Infrastructure (AMI) Project outreach.  
  - Director LaHue stated that there are four candidates running for the two open seats on the Soquel Creek Water District Board.  
  - Mr. Duncan discussed the public comment process for committee meetings.

- **Update on District Response to COVID-19**  
  - Mr. Duncan provided an update on the District’s response to COVID-19.

- **Website Migration and Redesign**  
  - Ms. Rubin discussed the website transition, which will be more user friendly and customizable. She invited committee members to participate in the demo of the new technology.  
  - Director LaHue requested that staff provide an update on this item at a future Board Meeting.

- **Provide Update and Receive Input on Recent and Upcoming District Activities and Outreach**  
  - Virtual Water Wise Academy  
    - Ms. Rubin stated the Virtual Water Wise Academy was held on July 30, 2020. She stated that there were eight participants, and staff obtained valuable information which will help guide future meetings. She confirmed that she will share the link to the recorded video when it is available.  
  - Virtual Water Harvest Festival  
    - Ms. Rubin stated that the Virtual Water Harvest Festival will be held on October 24, 2020, from 10 am to 2 pm.
  
  - School Programs  
    - A discussion ensued regarding the District’s role in virtual learning.

- **Project-Related Outreach**  
  - Ms. Rubin provided an update on the outreach for the Pure Water Soquel Project, Soquel Drive Cast Iron Main Replacement Project and the Automated Metering Infrastructure (AMI) Project.  
  - Ms. Rubin shared the District’s new web page, “Projects in Your Neighborhood” [online].

- **Report or Information from Committee Members and Requests for Future Items to Discuss**  
  - Ms. Mow Schumacher added that the District will be publishing an annual report on District activities next month (replacing the next What’s On Tap Newsletter).

The meeting started at 10:31 am. The meeting adjourned at 11:31 am.
In response to COVID-19 (coronavirus), the Soquel Creek Water District’s August 11, 2020 Water Resources Management and Infrastructure Committee Meeting was held remotely via Zoom teleconference.

ATTENDANCE
Water Resources Management and Infrastructure (WRMI) Committee
Rachél Lather, Chair
Carla Christensen, Vice-Chair
Kenneth Girouard, Public Member
Larry Freeman, Public Member
Miriam Kaplan, Public Member - Absent
Peter Cartwright, Public Member

Staff
Ron Duncan, General Manager
Shelley Flock, Conservation and Customer Service Field Manager
Taj Dufour, Engineering Manager
Christine Mead, Operations and Maintenance Manager
Melanie Mow Schumacher, Special Projects-Communications Manager
Emma Olin, Executive Assistant/Board Clerk

Public Members
1 member of the public

SUMMARY NOTES
• Oral Communications
  • One public comment was heard.
3.1 Update on District Response to COVID-19
  • Mr. Duncan provided an update on the District’s response to COVID-19.
3.2 Infrastructure Update
  • Mr. Dufour provided an update on the following projects: Soquel Drive Main Replacement, Alta Drive Mainline Trench Repair, St. Andrews-Baltusrol Area Main Replacement and Huntington Drive Main Replacement.
3.3 Community Water Plan – Water Conservation
  • Ms. Flock provided an update on the Automated Metering Infrastructure (AMI) Project. Discussion ensued, and she responded to several questions. She invited committee members to participate in the beta testing of the customer portal.
3.4 Community Water Plan - Groundwater Resources Management Update
  • No additional report for the Santa Cruz Mid-County Groundwater Management Plan and O’Neill Ranch Well Ammonia Study.
  • One public comment was heard.
3.5 Community Water Plan - New Water Supplies Update
  • Pure Water Soquel Update
    o Mr. Dufour and Ms. Mow Schumacher provided an update on the Pure Water Soquel Project and discussed the following components: 1) Advanced Water Purification Treatment Project, 2) Conveyance Infrastructure Project, and 3) Seawater Intrusion Prevention (SWIP) Recharge Wells Project. Discussion ensued.
  • Surface Water Transfer Pilot Project
    o Ms. Mead discussed the water transfer water quality results and shared two slides (available online). She stated that these results will be presented at the August 18th Board Meeting. Discussion ensued, and she responded to several questions.
• Stormwater Recharge Project
  o Ms. Flock provided an update on the stormwater recharge project.
  o One public comment was heard.

3.6 Report or Information from Committee Members and Requests for Future Items to Discuss
• One public comment was heard.

The meeting started at 4:00 pm. The meeting adjourned at 5:03 pm.
August 18, 2020

MEMO TO THE BOARD OF DIRECTORS

Subject: Consent Agenda Item No. 4.10

Title: Authorize General Manager to Sign a Letter of Support for Pajaro Valley Water Management Agency’s Water Right Application and Request for Release of Priority for the College Lake Integrated Resources Management Project

Attachment(s):
1. District Letter of Support to State Water Resources Control Board

Background
Pajaro Valley Water Management Agency (PV Water) is moving forward with the College Lake Integrated Resources Management Project (College Lake Project), which is a priority project in PV Water's Basin Management Plan (BMP).

The College Lake Project would develop facilities to use the lake water as an alternative to groundwater for agricultural irrigation. The proposed project would increase the storage capacity of the lake to approximately 1,700 acre-feet (the lake naturally holds about 1,000 acre-feet of water). On average, the Project will supply approximately 1,800 to 2,300 acre-feet per year of water to growers in the Pajaro Valley.

Successful implementation of this project is important because it represents a key implementation toward long-term efforts to reduce groundwater overdraft while still providing a sustainable water supply to support regional agriculture. Additional information about this project is available online: https://www.pvwater.org/college-lake-project

Discussion
PV Water has requested a letter of support for the College Lake Project’s water right application A032881 and request for release of priority from state-filed application A018334. The State Water Resources Control Board hearing will be held on August 24, 2020.

The District’s draft letter of support to the State Water Resources Control Board is included as Attachment 1.

POSSIBLE BOARD ACTION(S)

1. By MOTION, authorize the General Manager to sign the District’s letter of support (Attachment 1) for Pajaro Valley Water Management Agency’s water right application and request for release of priority for the College Lake Integrated Resources Management Project.

By ____________________________
Emma Olin
Executive Assistant/Board Clerk

By ____________________________
Ron Duncan
General Manager
Sent via Email and U.S. Mail

August 18, 2020

State Water Resources Control Board
Division of Water Rights
Attention: Michael Buckman, Hearings Unit Supervisor
PO Box 2000
Sacramento, CA 95812-2000
wrhearing@waterboards.ca.gov

Subject: College Lake Project Hearing – Policy Statement in support of Pajaro Valley Water Management Agency’s Water Right Application and Request for Release of Priority for the College Lake Integrated Resources Management Project

Dear Board Members Doduc and Firestone:

The Soquel Creek Water District strongly supports the Pajaro Valley Water Management Agency’s (PV Water) water right application A032881 and request for release of priority from state-filed application A018334 for the College Lake Integrated Resources Management Project (Project).

The California Department of Water Resources (DWR) has classified the Pajaro Valley Groundwater Subbasin as a high priority, critically overdrafted groundwater basin. Chronic groundwater overdraft has led to groundwater storage depletion and caused seawater to intrude into and contaminate the freshwater aquifers of the Pajaro Valley, a condition first documented by Bulletin 5 in 1953. The Sustainable Groundwater Management Act (SGMA) mandates that groundwater sustainability agencies such as PV Water achieve sustainable water resources by 2040.

This is important to our district because we are also actively working to achieve groundwater sustainability by 2040. As an adjacent basin and your neighbors, sustainability there helps sustainability here. This effort requires regional collaboration.

Successful implementation of PV Water’s Project is important because it represents a key implementation step in long-term efforts to reduce groundwater overdraft while still providing a sustainable water supply to support regional agriculture. Therefore, I strongly encourage you to approve PV Water’s application and request for release of priority for the College Lake Integrated Resources Management Project.

Sincerely,
SOQUEL CREEK WATER DISTRICT

By __________________________
Ron Duncan
General Manager
MEMO TO THE BOARD OF DIRECTORS

Subject: Consent Agenda Item No. 4.11

Title: Approve Purchase of Dump Truck

Attachment(s):
1. Vehicle Replacement Policy
2. Price Quotes

The 2020-21 Budget includes $75,000 for the purchase of a dump truck to replace the District’s Unit 26. Unit 26 is a 2008 Ford F-550 with 54,000 miles on it, and is used by the Distribution crew. The Gross Vehicle Weight Rating (GVWR) is 19,000 pounds.

The District’s Vehicle Replacement Policy (Attachment 1) outlines replacement criteria to be evaluated when considering vehicle replacement. The following table summarizes the evaluation performed for Unit 26.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Safety</td>
<td>• The proposed unit is a heavier-duty truck than the current Unit 26, with higher weight-carrying ability, better towing power and stronger brakes.</td>
</tr>
<tr>
<td></td>
<td>• The proposed unit will have a backup camera.</td>
</tr>
<tr>
<td></td>
<td>• The proposed unit has a back-up alarm and power mirrors.</td>
</tr>
<tr>
<td></td>
<td>• The proposed unit has Bluetooth for hands free calling.</td>
</tr>
<tr>
<td></td>
<td>• The proposed unit has a stronger frame and better crash protection for the occupants.</td>
</tr>
<tr>
<td>2. Reliability</td>
<td>See #3 and #8.</td>
</tr>
<tr>
<td>3. Repair History</td>
<td>Unit 26 has needed many repairs in the past couple of years (radiator, thermostats, belts, hoses, steering box, track bar, exhaust gas recirculation coolers, multiple exhaust and emissions sensors, aftercooler boot, main hydraulic ram and pins, hydraulic pump, and control solenoids), and will soon need another main hydraulic ram and pin replacement and more front end work.</td>
</tr>
<tr>
<td>Criteria</td>
<td>Evaluation</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| **4. Fuel Economy / Carbon Footprint**       | • Fuel economy ratings are not available from Ford for either the existing or proposed unit. However, the Equipment/Utilities Mechanic estimates (from direct experience with the District fleet) that the new unit with its more advanced diesel engine and transmission will have an approximate 10% - 20% improvement in fuel economy over the existing unit.  
• With the new emissions standards, oxidation catalyst, diesel particulate filtration and selective catalytic reduction technology, modern diesel engine emissions are similar or less than comparable gasoline engines.  
• Although as a special district Soquel Creek Water District is exempt from this regulation, the California Truck and Bus Regulation (Title 13 CCR §2025) requires 2007 – 2009 diesel vehicles with a GVWR between 14,000 and 26,000 pounds to have a 2010 or newer engine by January 1, 2023. In other words, were the District not exempt, the current Unit 26 would be illegal to use in California starting in 2023 due to emissions regulations.  
• Electric or hybrid heavy-duty pickup trucks are not yet available. Compressed natural gas engines are essentially a modified gasoline engine. The application for the proposed unit requires a high-torque diesel engine (versus gasoline or natural gas) to be safe and practical in its role towing 10,000-pound trailers and hauling heavy loads. |
| **5. Mileage – Evaluate at 100,000 miles**   | Unit 26 has 54,000 miles of hard use (short trips, heavy loads, heavy towing and extended idle time). These miles are not comparable to a typical passenger vehicle. Unit 26 regularly tows our mini excavator while carrying very heavy loads. The wear on the current unit is far more severe than the mileage number would suggest. |
| **6. Age – Evaluate at 10 years with subsequent annual evaluations** | The existing unit is 12 years old.                                                                                                                                                                                                                                                                                                      |
| **7. Effectiveness - Evaluate for changing District needs** | The current unit’s effectiveness is reduced due to frequent maintenance issues and down time. The dump truck is critical to the district both in day to day use and emergency response to main breaks and service leaks. |
| **8. Cost/benefit analysis for major repairs** | • The front end (ball joints, tie rod ends, steering box, track bar) of Unit 26 are showing wear and will need to be overhauled soon. This would be the second front end rebuild and steering box replacement. The main dump hydraulic ram and pins are worn and bending. They will need to be replaced soon. This would be the second replacement of these items as well. The estimated cost of these repairs is $9,000 ($7,000 in parts and $2,000 in staff labor).  
• Staff estimates the value of the current unit to be $7,000-$9,000. A Kelly Blue Book value is not available for this vehicle. The value will likely go down as the January 1, 2023 emissions deadline approaches. |
Three quotes were received for the replacement Unit 26, including one from the California Multiple Award Schedule (CMAS) (through Downtown Ford Sales). The proposed vehicle is a 2021 Ford F550, 2WD diesel truck, with a 4-cubic-yard Scelzi dump body, LED strobe lights, backup camera, backup alarm and heavy duty towing package. The CMAS quote was the lowest price for the proposed vehicle. A comparison of out-the-door prices is listed below, and the quotes are included as Attachment 2.

- Downtown Ford Sales (Sacramento) $76,463.57 (2021 edition)
- Mission Valley Truck Center (San Jose) $78,023.29 plus fees (2020 edition)
- North Bay Ford (Santa Cruz) $81,080.64 (2020 edition)

Staff recommends purchasing the specified dump truck from Downtown Ford Sales to replace Unit 26. The existing Unit 26 is proposed to be offered for sale in an upcoming surplus sale.

The price for the truck exceeds the staff estimate, due to price changes since budgeting and selected options. Additionally, it will cost approximately $2,000 to set up the new vehicle (radio installation, decals, computer mounts, etc.). Therefore, a transfer from the Operating Contingency Reserve (OCR) in the amount of $3,500 will be needed to fund the new vehicle.

**POSSIBLE BOARD ACTION(S)**

1. By MOTION, approve an allocation from OCR in an amount of $3,500.00 to fund the purchase and setup of new Unit 26 in excess of the budgeted amount; and

2. By MOTION, approve the purchase from Downtown Ford Sales of one 2021 Ford F550, 2WD diesel dump truck at a cost not to exceed $76,463.57, including taxes, licensing, and delivery; and

3. By MOTION, authorize the General Manager to issue a purchase order to Downtown Ford Sales in the amount of $76,463.57.

By ________________________________________________

Christine Mead
Operations and Maintenance Manager
VEHICLE REPLACEMENT POLICY
August 2009

Vehicle Replacement Criteria

1. Safety
   a. 4 wheel Anti Lock Braking System (ABS)
   b. Air bags (side airbags, if applicable)
   c. Stopping Distance (Disk brakes)
   d. Gross Vehicle Weight Rating
   e. Air Conditioning (to improve function of defrost/fog system)

2. Reliability

3. Previous repair history

4. Fuel economy
   a. Consider a new vehicle if significant fuel economy can be realized
   b. Carbon footprint reduction cost benefit analysis

5. Mileage
   a. Evaluate at 100,000 miles
   b. Consider replacement of vehicles at 150,000 miles (except Diesel vehicles)

6. Age
   a. Evaluate at 10 years or sooner, if needed, subsequent evaluations every year thereafter.
   b. Mandatory replacement at 20 years (except Diesel vehicles)

7. Effectiveness
   a. Evaluate for changing District needs

8. Cost/benefit analysis for major repairs such as those listed. When repair costs exceed a significant percentage of the vehicle’s “Blue Book” fair market value, the vehicle shall be replaced.
   a. Body damage due to an accident
   b. Engine replacement
   c. Transmission replacement
   d. Battery replacement for hybrids
   e. Other high cost repairs
### QUOTE

**Customer**

<table>
<thead>
<tr>
<th>Name</th>
<th>DAVID PATTEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>SOQUEL CREEK WATER DISTRICT</td>
</tr>
<tr>
<td>City</td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td>VIA EMAIL</td>
</tr>
<tr>
<td>Date</td>
<td>7/7/2020</td>
</tr>
<tr>
<td>Order No.</td>
<td>QUOTATION</td>
</tr>
<tr>
<td>Rep</td>
<td>SANDRA SCOTT</td>
</tr>
<tr>
<td>FOB</td>
<td>SACRAMENTO</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Qty</th>
<th>Description</th>
<th>Unit Price</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2021 FORD F550 REG CAB CHASSIS DIESEL</td>
<td>$41,147.00</td>
<td>$41,147.00</td>
</tr>
<tr>
<td></td>
<td>STATE CONTRACT 1-18-23-20A CLIN 31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>6.7L POWER STROKE V8 TURBO DIESEL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>3% PRICE INCREASE MOVING TO 2021 MODEL</td>
<td>$1,243.00</td>
<td>$1,243.00</td>
</tr>
<tr>
<td>1</td>
<td>HIGH CAPACITY TRAILER TOW PACKAGE</td>
<td>$586.00</td>
<td>$586.00</td>
</tr>
<tr>
<td>1</td>
<td>POWER GROUP</td>
<td>$1,097.00</td>
<td>$1,097.00</td>
</tr>
<tr>
<td>1</td>
<td>19500# GVWR STANDARD</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>1</td>
<td>UFPITTER SWITCHES STANDARD</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>1</td>
<td>REAR VIEW CAMERA/PREP KIT</td>
<td>$335.00</td>
<td>$335.00</td>
</tr>
<tr>
<td>1</td>
<td>RUNNING BOARDS</td>
<td>$445.00</td>
<td>$445.00</td>
</tr>
<tr>
<td>1</td>
<td>SCELZI QUOTE 203275 W/HOT SHIFT PTO</td>
<td>$24,620.00</td>
<td>$24,620.00</td>
</tr>
<tr>
<td>1</td>
<td>DOC FEE</td>
<td>$85.00</td>
<td>$85.00</td>
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</tbody>
</table>

**Payment Details**

- [ ] Cash
- [x] Check
- [ ] Credit Card

SubTotal $69,223.00  
Delivery $1,000.00  
Taxes

<table>
<thead>
<tr>
<th>Location</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANTA CRUZ</td>
<td>$5,663.90</td>
</tr>
<tr>
<td>CA Tire Tax</td>
<td>$10.50</td>
</tr>
</tbody>
</table>

**TOTAL** $76,117.49

$500 DISCOUNT WITH PAYMENT IN 20 DAYS

**Office Use Only**

SIGNATURE ___________________________ DATE ________
Hi Sandra,

I’m looking to get a quote for a 4-yard dump truck. Here is what I’m looking for:

F-550 standard cab
2x4
Diesel
High capacity trailer tow package
Power equipment group
Payload plus upgrade package
Upfitter switches
Rear view camera prep kit
Platform running boards

The body will be Scelzi quote number 203275 with the hot shift PTO option added.

Let me know what else you need.
Quotation

203275

User: Uribe, Ruben

Bill To: DOWNTOWN FORD
End User: SOQUEL CREEK WATER DISTRICT
Attn: SCOTT, SANDRA
525 N 16th St
Sacramento, CA 95811
(916) 442-6931

Ship To: Fresno Will Call
End User: SOQUEL CREEK WATER DISTRICT
Attn: Scelzi Enterprises
2316 E Annadale Ave.
Fresno, CA 93706

Quote Date: 04/29/2020
Expiration Date: 05/29/2020
Sales Tax: Fresno* @ 7.975%

Salesman: Uribe, Ruben
Ship Via: WILL CALL, Fresno, CA - Sales Office
Terms: Net 10

PO Number:

Notes:

PAINT BODY WHITE
AFT AXLE FUEL TANK
DEF TANK SET UP WITH FUEL LINE AND BEZEL

<table>
<thead>
<tr>
<th>Qty</th>
<th>Part Number</th>
<th>Description</th>
<th>Total</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customer</td>
<td>2020, FORD, F550, REG CAB, WHITE, DIESEL, DRW 84&quot; CA</td>
<td>$0.00</td>
<td></td>
</tr>
</tbody>
</table>
ATTACHMENT 2 - CONSENT AGENDA ITEM 4.11

Quotation

203275

User: Uribe, Ruben

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 DUMP</td>
<td>11' 6&quot; LONG X 86&quot; WIDE INSIDE X 13&quot; SIDES X 20&quot; TAIL GATE X 32&quot; BULKHEAD 10 GA. HIGH TENSILE STEEL THROUGHOUT 32&quot; BULKHEAD WITH SINGLE CORRUGATION AND PERFORATED WINDOW 20&quot; DOUBLE ACTING TAILGATE, 3 PANEL 13&quot; TALL FOLD DOWN SIDES 4 FLANGED BOXED TOP RAIL FRONT CORNER POST BEVELED FLOOR CORNER AT FRONT 3&quot; CHANNEL CROSSBARS ON 15&quot; CENTERS 5&quot; CHANNEL LONG SILLS 1/4 SIZE CAB SHIELD MANUALLY OPERATED TAILGATE LOCKS REAR MUD FLAPS LED LIGHT PACKAGE (oval and marker LED, OEM INCANDESCENT)</td>
</tr>
<tr>
<td>1 EA - SCELZI SEMI-AUTOMATIC TARP SYSTEM WITH BLACK MESH TARP</td>
<td></td>
</tr>
<tr>
<td>1 EA - BACKUP ALARM ECCO #510</td>
<td></td>
</tr>
<tr>
<td>1 EA - SCELZI CS815T-11 ELECTRIC OVER-HYDRAULIC UNDERBODY HOIST, CLASS 40 11.2 TON CAPACITY WITH 12’ OVERHANG, FULL STEEL SUB-FRAME, DOUBLE ACTING, POWER UP/DOWN LED BODY RAISED WARNING LIGHT, SINGLE BODY PROP INSIDE CAB CONTROL</td>
<td></td>
</tr>
<tr>
<td>1 EA - CLASS 5 DUMP HITCH WITH CLASS 4 INSERT</td>
<td></td>
</tr>
<tr>
<td>1 EA - TRAILER PLUG 7/4 OEM SOCKET</td>
<td></td>
</tr>
<tr>
<td>1 EA - INSTALL FACTORY BACK UP CAMERA</td>
<td></td>
</tr>
<tr>
<td>4 EA - WHELEN VTX609A AMBER STROBES WITH FLANG KIT # VTXFB (2EA) IN GRILLE, AND (2EA) AT REAR WIRED TO SINGLE UFPITTER SWITCH IN CAB</td>
<td></td>
</tr>
<tr>
<td>1 TOOLBOX</td>
<td>48&quot; X 18&quot; X 18&quot; UNDERBODY TOOLBOX FRAME MOUNTED PASSENGER SIDE FRONT - PAINTED WHITE</td>
</tr>
<tr>
<td>1 HAZ MAT - HWD FEE</td>
<td>HAZARDOUS WASTE DISPOSAL FEE</td>
</tr>
<tr>
<td>1 WEIGHT CERTIFICATE</td>
<td>WEIGHT CERTIFICATE OF COMPLETED UNIT</td>
</tr>
<tr>
<td>1 WILL CALL</td>
<td>CUSTOMER TO PICK UP COMPLETED UNIT FRESNO, CA</td>
</tr>
<tr>
<td>1 OPTIONS TO THE ABOVE BODY</td>
<td>HOT SHIFT PTO (ADD'L $3,676.00)</td>
</tr>
</tbody>
</table>

Sub Total $18,706.00
Sales Tax $0.00
Total $18,706.00

3,676$
Quotation

203275

User: Uribe, Ruben

DISCLAIMERS

TERMS: Standard terms are Net 10 Days, any deviations need to be in writing before production.

CHANGES: Each change after quote is accepted will constitute a $500.00 fee in addition to the cost of the change.
No changes will be made to orders 2 weeks prior to production start date.

DRAWINGS: Any changes to drawings after acceptance and 2 weeks prior to production start date will constitute a $500.00 fee or more at $150.00 per hour.
No changes will be made to drawings 2 weeks prior to production start date.

PAINT: Scelzi Enterprises, Inc. does not guarantee a perfect color match due to inconsistencies in factory paints and procedures.

THIS WORK AUTHORIZED BY

Payment in full on completion of job if credit arrangements have not been made in advance.

The above quotation is submitted according to specifications submitted by customer. Any alterations or changes increasing production costs will be charged for accordingly.

DATE

Estimate

Prepared By:

Sales Rep: Uribe, Ruben
Prepared for: DAVID PATTEN
SOQUEL WATER DISTRICT
Prepared by: Pedro Benitez
07/16/2020

2020 F-550 Chassis 4x2 SD Regular Cab 169" WB DRW XL (F5G)

Price Level: 40 | Quote ID: 207162

Major Equipment
(Based on selected options, shown at right)
- Powerstroke 6.7L V-8 OHV w/diesel direct injection 330hp
- TorqShift 10 speed automatic w/OD
- 4-wheel ABS
- Traction control
- Battery with run down protection
- Air conditioning
- AM/FM stereo with seek-scan, external memory control
- Daytime running
- Variable intermittent wipers
- Dual front airbags w/passenger cancel
- SecuriLock immobilizer
- Message Center
- Vinyl seats
- Audio control on steering wheel
- Rear axle capacity: 14706 lbs.
- Rear spring rating: 15000 lbs.
- Frame Yield Strength 50000 psi
- Axle to end of frame: 47.2"
- Engine retarder

Exterior: Oxford White
Interior: Medium Earth Gray

- Brake assistance
- LT 225/70R19.5 G BSW AS S-rated tires
- Firm suspension
- Tinted glass
- Bluetooth streaming audio
- Dual power remote heated mirrors
- 19.5 x 6 steel wheels
- Driver and front passenger seat mounted side airbags
- Tachometer
- Reclining front split-bench seats
- Side steps
- Front axle capacity: 7000 lbs.
- Front spring rating: 6000 lbs.
- Frame section modulus: 17.2 cu.in.
- Cab to axle: 84"
- Transmission PTO Provision

As Configured Vehicle

<table>
<thead>
<tr>
<th>Description</th>
<th>MSRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>STANDARD VEHICLE PRICE</td>
<td>$40,870.00</td>
</tr>
<tr>
<td>Order Code 660A</td>
<td>N/C</td>
</tr>
<tr>
<td>Monotone Paint Application</td>
<td>STD</td>
</tr>
<tr>
<td>169&quot; Wheelbase</td>
<td>STD</td>
</tr>
<tr>
<td>50-State Emissions System</td>
<td>STD</td>
</tr>
<tr>
<td>Engine: 6.7L 4V OHV Power Stroke V8 Turbo Diesel B20</td>
<td>$9,325.00</td>
</tr>
<tr>
<td>GVWR: 19,500 lb Payload Plus Upgrade Package</td>
<td>$1,155.00</td>
</tr>
<tr>
<td>Limited Slip w/4.88 Axle Ratio</td>
<td>$360.00</td>
</tr>
<tr>
<td>Power Equipment Group</td>
<td>$915.00</td>
</tr>
<tr>
<td>High Capacity Trailer Tow Package</td>
<td>$580.00</td>
</tr>
<tr>
<td>Upfitter Interface Module</td>
<td>$295.00</td>
</tr>
<tr>
<td>Platform Running Boards</td>
<td>$320.00</td>
</tr>
<tr>
<td>Rear View Camera &amp; Prep Kit</td>
<td>$415.00</td>
</tr>
<tr>
<td>Oxford White</td>
<td>N/C</td>
</tr>
<tr>
<td>Medium Earth Gray</td>
<td>N/C</td>
</tr>
<tr>
<td>Transmission Power Take-Off Provision</td>
<td>N/C</td>
</tr>
<tr>
<td>Transmission: TorqShift 10-Speed Automatic</td>
<td>Included</td>
</tr>
<tr>
<td>Tires: 225/70Rx19.5G BSW A/P</td>
<td>Included</td>
</tr>
</tbody>
</table>

Fuel Economy

Prices and content availability as shown are subject to change and should be treated as estimates only. Actual base vehicle, package and option pricing may vary from this estimate because of special local pricing, availability or pricing adjustments not reflected in the dealer’s computer system. See salesperson for the most current information.
## Major Equipment

<table>
<thead>
<tr>
<th>City</th>
<th>Hwy</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### As Configured Vehicle

<table>
<thead>
<tr>
<th>Item</th>
<th>MSRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheels: 19.5&quot; x 6&quot; Argent Painted Steel</td>
<td>Included</td>
</tr>
<tr>
<td>HD Vinyl 40/20/40 Split Bench Seat</td>
<td>Included</td>
</tr>
<tr>
<td>Radio: AM/FM Stereo w/MP3 Player</td>
<td>Included</td>
</tr>
<tr>
<td>SYNC Communications &amp; Entertainment System</td>
<td>Included</td>
</tr>
<tr>
<td>Dual 78-AH 750 CCA Batteries</td>
<td>Included</td>
</tr>
<tr>
<td>240 Amp Alternator</td>
<td>Included</td>
</tr>
<tr>
<td>Accessory Delay</td>
<td>Included</td>
</tr>
<tr>
<td>Advanced Security Pack</td>
<td>Included</td>
</tr>
<tr>
<td>Folding Trailer Tow Mirrors w/Power Heated Glass</td>
<td>Included</td>
</tr>
<tr>
<td>MyKey</td>
<td>Included</td>
</tr>
<tr>
<td>Power Front Side Windows</td>
<td>Included</td>
</tr>
<tr>
<td>Power Locks</td>
<td>Included</td>
</tr>
<tr>
<td>Remote Keyless Entry</td>
<td>Included</td>
</tr>
</tbody>
</table>

### Calculations

- **MSRP:** $55,930
- **STORE DISC.:** $1,500
- **GPC DISC.:** $5,009
- **Net:** $48,821

- **SCHELZI DUMP BODY:** $19,084
- **SCHELZI HOT SHIFT:** $3,676
- **Total:** $71,581 + SALES TAXES & REG. FEES

**Total with tax:** $78,023.29

---

Prices and content availability as shown are subject to change and should be treated as estimates only. Actual base vehicle, package and option pricing may vary from this estimate because of special local pricing, availability or pricing adjustments not reflected in the dealer’s computer system. See salesperson for the most current information.
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 DUMP</td>
<td>11' 6&quot; long x 86&quot; wide inside x 13&quot; sides x 20&quot; tail gate x 32&quot; bulkhead</td>
<td>1</td>
<td>$18,641.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10 ga. high tensile steel throughout</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>32&quot; bulkhead with single corrugation and perforated window</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20&quot; double acting tailgate, 3 panel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>13&quot; tall fold down sides</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 flanged boxed top rail</td>
<td></td>
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<tr>
<td></td>
<td>Front corner post</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Beveled floor corner at front</td>
<td></td>
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<td></td>
<td>3&quot; channel crossbars on 15&quot; centers</td>
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<td></td>
<td>5&quot; channel long sills</td>
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<td></td>
<td>1/4 size cab shield</td>
<td></td>
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<td></td>
<td>Manually operated tailgate locks</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Rear mud flaps</td>
<td></td>
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<tr>
<td></td>
<td>LED light package (oval and marker LED, OEM incandescent)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1EA - Scelzi semi-automatic tarp system with black mesh tarp</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1EA - Backup alarm ECCO #510</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1EA - Scelzi CS615T-11 electric over-hydraulic underbody hoist, class 40 11.2 ton capacity with 12&quot; overhang, full steel sub-frame, double acting, power up/down LED body raised warning light, single body prop inside cab control</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>1EA - Class 5 dump hitch with class 4 insert</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1EA - Trailer plug 7/4 OEM socket</td>
<td></td>
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<tr>
<td></td>
<td>1EA - Install factory back up camera</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4EA - Whelen VTX609A amber strobes with flang kit # VTXFB (2EA) in grille, and (2EA) at rear wired to single upfitter switch in cab</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 TOOLBOX</td>
<td>48&quot; x 18&quot; x 18&quot; underbody toolbox frame mounted passenger side front - painted white</td>
<td>1</td>
<td></td>
<td>$0.00</td>
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<tr>
<td>1 HAZ MAT - HWD FEE</td>
<td>Hazardous waste disposal fee</td>
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<td>1 WEIGHT CERTIFICATE</td>
<td>Weight certificate of completed unit</td>
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<td>$378.00</td>
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<td>Hot shift pto</td>
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<td></td>
<td>$0.00</td>
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Sub Total: $19,084.00

Sales Tax: $0.00

Total: $19,084.00
Quotation

203275

User: Uribe, Ruben

Bill To:  MISSION VALLEY FORD
End User: SOQUEL CREEK WATER DISTRICT
Attn: Benitez, Pedro
PO BOX 611150
SAN JOSE, CA 95161
408-315-4936

Ship To:  MISSION VALLEY FORD
End User: SCQUEL CREEK WATER DISTRICT
Attn: Benitez, Pedro
780. E. BROKAW RD.
SAN JOSE, CA 95112
408-315-4936

Quote Date:  04/29/2020
Expiration Date:  05/29/2020
Sales Tax:  Exempt @ 0.00%
Salesman:  Uribe, Ruben
Ship Via:  SCELZI DELIVERY
Terms:  Net 10
PO Number:

Notes:

PAINT BODY WHITE
AFT AXLE FUEL TANK
DEF TANK SET UP WITH FUEL LINE AND BEZEL

<table>
<thead>
<tr>
<th>Qty</th>
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<th>Description</th>
<th>Total</th>
<th>Tax</th>
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<td>Customer Chassis</td>
<td>2020, FORD, F550, REG CAB, WHITE, DIESEL, DRW 84&quot; CA (16Q W/ B)</td>
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https://portal.seinc.com/Pages/Quotes/QuoteView.html?cbResetParam=1&QuoteID=FJCEUUFFRSSQ
**Quotation**

203275

**User:** Uribe, Ruben

**TERMS:** Standard terms are Net 10 Days, any deviations need to be in writing before production

**CHANGES:** Each change after quote is accepted will constitute a $500.00 fee in addition to the cost of the change

- No changes will be made to orders 2 weeks prior to production start date

**DRAWINGS:** Any changes to drawings after acceptance and 2 weeks prior to production start date will constitute a $500.00 fee or more at $150.00 per hour

- No changes will be made to drawings 2 weeks prior to production start date

**PAINT:** Scelzi Enterprises, Inc. does not guarantee a perfect color match due to inconsistencies in factory paints and procedures

---

**THIS WORK AUTHORIZED BY**

Payment in full on completion of job if credit arrangements have not been made in advance

The above quotation is submitted according to specifications submitted by customer. Any alterations or changes increasing production costs will be charged for accordingly.

**DATE**

Estimated

Prepared By: Uribe, Ruben

Sales Rep: Uribe, Ruben
Quotation

203275

User: Uribe, Ruben

| Quote Date:       | 04/29/2020       |
| Salesman:         | Uribe, Ruben     |
| Expiration Date:  | 05/29/2020       |
| Ship Via:         | SCELZI DELIVERY  |
| Terms:            | Net 10           |
| PO Number:        |                  |

Notes:

PAINT BODY WHITE
AFT AXLE FUEL TANK
DEF TANK SET UP WITH FUEL LINE AND BEZEL

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<th>Part Number</th>
<th>Description</th>
<th>Total</th>
<th>Tax</th>
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<td>Customer Chassis</td>
<td>2020, FORD, F550, REG CAB, WHITE, DIESEL, DRW 84&quot; CA</td>
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| Description                                                                 | Quantity | Unit Price | Total Price  
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<tr>
<td>11' 6&quot; LONG X 86&quot; WIDE INSIDE X 13&quot; SIDES X 20&quot; TAIL GATE X 32&quot; BULKHEAD</td>
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<td>$18,641.00</td>
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<tr>
<td>10 GA. HIGH TENSILE STEEL THROUGHOUT</td>
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<tr>
<td>32&quot; BULKHEAD WITH SINGLE CORRUGATION AND PERFORATED WINDOW</td>
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<tr>
<td>20&quot; DOUBLE ACTING TAILGATE, 3 PANEL</td>
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<tr>
<td>13&quot; TALL FOLD DOWN SIDES</td>
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<tr>
<td>4 FLANGED BOXED TOP RAIL</td>
<td></td>
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<tr>
<td>FRONT CORNER POST</td>
<td></td>
<td></td>
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<tr>
<td>BEVELED FLOOR CORNER AT FRONT</td>
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<td>3&quot; CHANNEL CROSSBARS ON 15&quot; CENTERS</td>
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<td>5&quot; CHANNEL LONG SILLS</td>
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<tr>
<td>1/4 SIZE CAB SHIELD</td>
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<tr>
<td>MANUALLY OPERATED TAILGATE LOCKS</td>
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<td>REAR MUD FLAPS</td>
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<td>LED LIGHT PACKAGE (OVIAL AND MARKER LED, OEM INCANDESCENT)</td>
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<tr>
<td>1EA - SCEIZI SEMI-AUTOMATIC TARP SYSTEM WITH BLACK MESH TARP</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1EA - BACKUP ALARM ECCO #510</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1EA - SCEIZI CS615T-11 ELECTRIC OVER-HYDRAULIC UNDERBODY HOIST, CLASS 40</td>
<td>1</td>
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<tr>
<td>11.2 TON CAPACITY WITH 12&quot; OVERHANG, FULL STEEL SUB-FRAME, DOUBLE ACTING</td>
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<tr>
<td>POWER UP/DOWN LED BODY RAISED WARNING LIGHT, SINGLE BODY PROP INSIDE CAB</td>
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<td></td>
<td></td>
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<tr>
<td>CONTROL</td>
<td></td>
<td></td>
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<tr>
<td>1EA - CLASS 5 DUMP HITCH WITH CLASS 4 INSERT</td>
<td>1</td>
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<tr>
<td>1EA - TRAILER PLUG 7/4 OEM SOCKET</td>
<td>1</td>
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<tr>
<td>1EA - INSTALL FACTORY BACK UP CAMERA</td>
<td>1</td>
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<tr>
<td>4EA - WHELEN VTX609A AMBER STROBES WITH FLANG KIT # VTXFB (2EA) IN GRILLE,</td>
<td>4</td>
<td></td>
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<tr>
<td>AND (2EA) AT REAR WIRED TO SINGLE UPFITTER SWITCH IN CAB</td>
<td></td>
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<tr>
<td>1 TOOLBOX</td>
<td>1</td>
<td></td>
<td>$0.00</td>
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<tr>
<td>48&quot; X 18&quot; X 18&quot; UNDERBODY TOOLBOX FRAME MOUNTED PASSENGER SIDE FRONT</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>- PAINTED WHITE</td>
<td></td>
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<tr>
<td>1 HAZ MAT - HWD FEE</td>
<td>1</td>
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<td>$30.00</td>
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<tr>
<td>HAZARDOUS WASTE DISPOSAL FEE</td>
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<td>1 WEIGHT CERTIFICATE</td>
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<td>$35.00</td>
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<td>WEIGHT CERTIFICATE OF COMPLETED UNIT</td>
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<td>HOT SHIFT PTO</td>
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<td>[ ADD'L $3,676.00 ]</td>
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Sub Total $19,099.00
Sales Tax $0.00
Total $19,099.00
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<td>TRANS POWER TAKE-OFF PROVISION</td>
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<td>.AM/FM STEREO MP3/CLK</td>
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<td>40 GAL AFT OF AXLE FUEL TNK</td>
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<td>6.7L POWER STROKE V8 DIESEL</td>
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<td>TELESCPNG TT MIRR-POWR/HTD</td>
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TOTAL BASE AND OPTIONS

DISCOUNTS

TOTAL

$55170

NA

$55170

---

Jeff Winterhalder
North Bay Ford

77046 23

Hot Shot 3676 00

810080 4

77046 23

Customer Email:

$ 50998 - Body

$ 70087 48 Tav

10 75 Tire

115 00 Doc + AVS

77046 23

Customer Phone:

Customer Signature

This is not an invoice.

Page 95 of 308
August 18, 2020

MEMO TO THE BOARD OF DIRECTORS

Subject: Consent Agenda Item No. 4.12

Title: Receive the District’s 2019-20 Community Report

Attachment(s):
1. 2019-20 Community Report

Purpose
Attached for the Board’s review is the draft 2019-20 Community Report that will be distributed to District customers in September in lieu of the District’s Q3 2020 quarterly newsletter “What’s On Tap.”

Discussion
This Community Report provides our customers with an overview of the District’s accomplishments during the 2019-20 fiscal year. It’s an important part of our efforts in transparency and accessibility of information to our customers. Offering an easy-to-read and approachable report, with brief descriptions and selected accomplishments, will give the community a clear picture of what the District is doing as it works to fulfill its obligations to the people we serve.

The Community Report will be available in printed and electronic versions and will be used in many aspects of our outreach program including communications to existing customers, new customers that sign-up, job recruitments, and the community-at-large.

POSSIBLE BOARD ACTION(S)

1. Discuss and direct staff to make changes, if any.

By ______________________________
Rebecca Rubin
Public Outreach Coordinator

By ______________________________
Melanie Mow Schumacher
Special Projects-Communications Manager
“It’s really all about you—the people, families, businesses, and facilities we serve today, and for the generations to come.”

~ Ron Duncan, Soquel Creek Water District General Manager
MESSAGE FROM
THE GENERAL MANAGER

I’m pleased to present to you the Soquel Creek Water District’s 2019-2020 Community Report.

Everyone has had to deal with many changes during 2020, in both our professional and personal lives. How we manage our daily activities — with families, co-workers, friends, customers, and others — has been transformed in response to the COVID-19 pandemic. The District had already been using #InThisTogether to illustrate our partnership with the community around water resource issues. Now, as we’ve all worked collectively (but socially-distant) to reduce the spread of the coronavirus, that hashtag is more relevant than ever before.

Despite these and other challenges, the District was able to achieve much during the past fiscal year. Beyond providing reliable, clean drinking water every day to over 45,000 customers, we continue to confidently move into the future, toward a drought-proof water supply that will also be a barrier against further seawater contamination of our groundwater. We’ve made significant strides in the implementation of our Community Water Plan. Initial construction of the Pure Water Soquel project is underway. The community’s investment in water resources, through water rates, and your support and encouragement, have been very important in getting us to this point. We are proud to be your community partner for reliable water. Please accept my gratitude, and my assurance that we will continue to persevere toward our goals on behalf of the community we serve.

I also want to thank our District staff, who have been remarkable in carrying out their essential duties both before and after the onset of the pandemic.

My thanks as well to the members of our District Board of Directors who have shown extraordinary leadership, prudence, and foresight in their direction of the District.

We hope you enjoy this 2019-2020 Community Report. It’s really all about you — the people, families, businesses, and facilities we serve today, and for the generations to come.

Thank you,

Ron Duncan
General Manager
Our work to provide the community with water services continues 24-7-365. Rain or shine. Pandemic or not. It’s our core service, our reason for existence. Our crews are in the field making repairs, installing new systems, and maintaining the entire infrastructure, and ensuring high-quality, safe drinking water.

We know you trust us to make sure you and your family have reliable water service, and we don’t take that trust for granted. Our goal is to continue earning it every day.

Selected Operations & Maintenance accomplishments:

- Produced, treated, and delivered approximately 1.05 billion gallons of drinking water
- Performed over 26,000 water quality tests, testing for over 180 compounds
- Replaced 148 feet of water main pipeline, as part of ongoing work to replace aging infrastructure
- Repaired 14 water main leaks

“I know I can always count on reliable water service. It’s humbling to think about all of the people and facilities, the monitoring, and the testing that goes on every day – just so I can open a valve and fill a glass with water, or water my garden.”

- District Water Wise Academy Participant
“Any water customer, curious or not, would be completely surprised to learn what it really takes to deliver water to their home.”

~ District Water Wise Academy Participant

Our Engineering staff is responsible for the technical effectiveness of our day-to-day operations to efficiently deliver water to the community, manage our groundwater, enhance water supply reliability, and develop projects like Pure Water Soquel.

Based on our track record of success in these and other areas, you can have confidence in the work of our Engineering staff, knowing that when you turn on the tap or flush your toilet, the water flows.

Selected Engineering accomplishments:

» Coordinated with Operations & Maintenance to initiate City of Santa Cruz surface water purchase, including a water quality sampling program

» Completed construction of the Granite Way well in Aptos

» Completed construction oversight for a water main relocation at Capitola Library

» Administered 60 installations of water meters — seven in commercial buildings, 29 in residential buildings, and 24 fire service meters
Our Water Conservation staff is dedicated to one thing: helping you to use water as efficiently as possible. From rebates for water-efficient fixtures and turf replacements, to installation of state-of-the-art i-Meters, they’re focused on saving water, every day. And it’s working — our community is doing a remarkable job at water conservation.

Our staff is a reliable partner in your everyday water conservation — a partnership that is playing a big role in helping to protect our groundwater supply.

Selected Water Conservation accomplishments:

» Provided over 750 rebates to help customers install water-saving fixtures, ultra-high efficiency toilets, and turf replacements, resulting in estimated water savings of nearly 1 million gallons per year

» Completed an important study determining the feasibility and estimated costs of designing stormwater capture wells at several Seascape golf course locations

» Installed approximately 11,000 i-Meters, reaching an installation rate of 70% (of about 15,500 in total to be installed)

» Followed-up with customers on approximately 1,500 leaks detected by the District’s metering system and/or field staff

“When it comes to helping people save water, the District, with employees like Roy, exemplifies a model agency. I’m not alone when I say how impressed I am with your willingness to work with the community.”

~ District Customer
Special Projects staff oversees certain critical projects — such as Pure Water Soquel — overseeing project planning, permits, financials/grants, and more. Our Communications staff focus on connecting with the community members and sharing information on the District’s programs, projects, and activities.

The work in both of these functions focus on supporting the District’s guiding principles of incorporating community engagement and carrying out essential projects to ensure we can serve you — our community — a reliable water supply for current and future generations.

Selected Special Projects/Communications accomplishments:

» Conducted 15 presentations on the District’s Community Water Plan

» Conducted 22 water education classroom or assembly presentations at 13 schools (kindergarten to college)

» Participated in 10 community events, and hosted over 400 people at the annual Water Harvest Festival, providing District and water resource information

» Distributed multiple news release, email blasts, newsletters, and articles, all aimed at informing the community about District activities

“Thank you so much for creating this water education resource! I’m so glad to have the District as a real partner in a community where we all pitch in together.”

- Science Teacher, Soquel High School
The District’s 2019-20 general fund budget is about $39 million. Our costs of providing reliable water continue to increase, and we have big plans for our future water supply which come with significant capital costs. We keep in mind the very foundation of our commitment to you — the responsible, judicious handling of the District’s finances.

You can be secure in the knowledge that the District is, and has been for its entire 56-year existence, fiscally sound, stable, and healthy — we’re here for you today, and we’ll be here for the future.

Selected Finance and Customer Service accomplishments:

» Responded to approximately 100,000 phone calls to the customer service desk

» Produced a balanced budget, reflecting the District’s prudent and sensible approach to finances for both ongoing operations and future projects

» Received the Special District Leadership Foundation Transparency Certificate in recognition of outstanding transparency and good governance

» Leveraged ratepayer funds by obtaining tens-of-millions of dollars in grants and low interest loans for the Pure Water Soquel program (see next page)

“As a homeowner in Aptos, I gained an appreciation for how the District is getting such a big bang for the buck from the fees that we are charged for water.”

~ District Water Wise Academy Participant
“Our water problem isn’t ideological or political — the overdrafting of our groundwater basin is a genuine threat to our community. I applaud the District for its foresight and innovative planning to protect our water for the future — for everyone’s future here in the mid-coast area.”

~ Administrator, Twin Lakes Church

The purified water produced by Pure Water Soquel will be used to replenish the critically-overdrafted groundwater basin, preventing further seawater contamination, and supplementing our water supply. Construction on this project began this year. With the community’s support, significant outside funding was acquired from state and federal grants and low-interest loans.

The future of our water is within reach — and the District is dedicated and committed to bringing this project to the community and safeguarding our water supply for future generations.

Selected Pure Water Soquel accomplishments:

» The project was awarded a $50 million Proposition 1 Groundwater Implementation grant from the State Water Resources Control Board (SWRCB)

» The Project was selected to receive a low-interest loan through the SWRCB’s Seawater Intrusion Control Loan Program

» The federal Environmental Protection Agency selected the project for a low-interest loan through its Water Infrastructure Finance and Innovation Act Program

» The District is in various stages of design and construction of the treatment facilities, pipelines, and seawater intrusion prevention wells, and the project is on-track to be completed and operational by end of 2022/early 2023.
In early 2020, the District conducted a statistically-valid phone and online survey of over 400 local residents, asking about perceptions of the District and the understanding of water supply issues faced by our community. The results help us to identify ways we can do a better job, and how we can most effectively plan for the future.

The survey tells us that the community has a solid level of trust in the District. We will continue to earn your trust by listening to you, and carrying out our responsibilities and obligations thoughtfully and with a focus on our customers.

**Selected 2020 Community Survey results:**

- **91%** support investment in infrastructure to ensure a safe, reliable water supply
- **89%** support taking strong action now to address the issues of over-drafting and seawater contamination
- **73%** are comfortable with Pure Water Soquel

“Water purification technology has been proven safe in other places over many years, so I can see that process helping prevent saltwater contamination in our local water supply.”

~ Community Survey Respondent
ALL THE WATER THAT WILL EVER BE, IS RIGHT NOW.

National Geographic
To:

5180 Soquel Drive
Soquel, California 95073

Email: custserv@soquelcreekwater.org
Website: www.soquelcreekwater.org

Phone: 831-475-8500
Fax: 831-475-4291
<table>
<thead>
<tr>
<th>Claim No.</th>
<th>Date/Time of Incident</th>
<th>Date Claim Received</th>
<th>Claimant's Name (and driver/if auto claim)</th>
<th>Brief Description of What Happened</th>
<th>Amount of Settlement</th>
<th>Date Settled</th>
<th>Release Attached?</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-04</td>
<td>6/12/20</td>
<td>6/22/20</td>
<td>Brian Eagle</td>
<td>Damage to Service Line During a Meter Check</td>
<td>1,200.00</td>
<td>7/24/20</td>
<td>yes</td>
</tr>
</tbody>
</table>
## VENDOR: EAGLE001 BRIAN EAGLE

<table>
<thead>
<tr>
<th>DATE</th>
<th>INVOICE #</th>
<th>PO #</th>
<th>DESCRIPTION</th>
<th>DATE</th>
<th>INVOICE #</th>
<th>PO #</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/21/2020</td>
<td>072120</td>
<td></td>
<td>SETTLEMENT CLAIM # 20-04</td>
<td>07/24/2020</td>
<td>48663</td>
<td></td>
<td>SETTLEMENT CLAIM # 20-04</td>
</tr>
</tbody>
</table>

**DISCOUNT**

| 0.00 |

**AMOUNT**

| 1,200.00 |
### CHECK REQUEST

**Payable To:**

<table>
<thead>
<tr>
<th>Name</th>
<th>23541 Skyview Terrace</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>State</td>
</tr>
<tr>
<td>Los Gatos</td>
<td>CA</td>
</tr>
<tr>
<td>Zip Code</td>
<td>95033</td>
</tr>
</tbody>
</table>

**Amount Requested:** $1,200.00

**Reason:**

Settlement of claim for 514 Alta Drive in Aptos. Claim #20-04

**Requested By:** Leslie Strohm

**Date:** 7/21/2020

**Approved By:**

**Date:** 7/22/2020

**Accounting:**

**Date:**

**Charge GL Account**  **Vendor Number**  **Requested Check Disbursement Date**

---

**IN MOST CASES CHECKS CAN BE DISBURSED ON A FRIDAY IF THE CHECK REQUEST IS RECEIVED BY 10:00 A.M. ON TUESDAY**
RELEASE OF ALL CLAIMS

The undersigned, Releasor, being of lawful age, for valuable consideration, receipt of which is hereby acknowledged, does hereby and for my heirs, executors, administrators, successors and assigns, releases and forever discharges the Soquel Creek Water District, its agents, servants, employees, successors, heirs, executors and administrators of and from any and all claims, actions, causes of action, demands, rights, damages, costs, loss of service, expenses and other compensation whatsoever, which the undersigned now has or which may hereafter accrue on account of or in any way growing out of that incident described in that certain claim filed by the undersigned against the Soquel Creek Water District concerning events alleged to have occurred on June 12, 2020 (as represented by the receipt from Ken’s Plumbing and Drains totaling $1,200.00).

It is understood and agreed that this settlement is the compromise of a doubtful and disputed claim, and that any consideration given to the undersigned is not to be construed as an admission of liability on the part of the party or parties hereby released.

It is further understood and agreed that all rights under Section 1542 of the Civil Code of California and any similar law of any state or territory of the United States are hereby expressly waived. Said section reads as follows:

1542. Certain claims not affected by general release. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The undersigned further declares and represents that no promise, inducement or agreement not herein expressed has been made to the undersigned, and that this Release contains the entire agreement between the parties hereto, and that the terms of this Release are contractual and not a mere recital.


Releasor
Agent for Owner: Brian Eagle
Service Address: 514 Alta Dr., Aptos, CA
June 30, 2020

MEMO TO: Shelley Flock

Subject: Claim of Damage from Brian Eagle, 514 Alta Drive, Aptos CA

Attached is a Claim from Brian Eagle, for $1,200.00 due to damage done to the service line during a meter check on June 12, 2020. Since the amount of damages being claimed is less than $2,500.00, the District has the option to investigate and settle in-house as opposed to forwarding to JPIA for resolution.

Please investigate the merits of the claimant’s allegations and recommend to me a course of action by July 10, 2020.

☑️ District is responsible, recommend paying the claim in full
☐ District is partially responsible. Recommend paying $________
☐ District is not responsible. Recommend the claim be forwarded to JPIA for resolution

Additional Comments:

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Leslie Strohm                                                      Shelley Flock
Finance and Business Services Mgr                                  Conservation/Cust Service Field Manager
Claim Form

(A claim shall be presented by the claimant or by a person acting on his behalf.)

<table>
<thead>
<tr>
<th>NAME OF DISTRICT:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claimant name, address (mailing address if different), phone number, social security number, e-mail address, and date of birth.</td>
</tr>
<tr>
<td>Name: Brian Eagle</td>
</tr>
<tr>
<td>Address(es): 23541 Skyview Terr. &amp; mailing 93033 &amp; address</td>
</tr>
<tr>
<td>Phone Number: 408 832 8630</td>
</tr>
<tr>
<td>Social Security No.: [redacted]</td>
</tr>
<tr>
<td>E-mail: <a href="mailto:Spyglass71@Aol.com">Spyglass71@Aol.com</a></td>
</tr>
<tr>
<td>Date of Birth: 2/3/71</td>
</tr>
</tbody>
</table>

| 2 |
| List name, address, and phone number of any witnesses. |
| Name: Gerard Chambers |
| Address: 541 Alta Drive |
| Phone Number: (321) 208-1554 |
| He is the tenant here |

| 3 |
| List the date, time, place, and other circumstances of the occurrence or transaction, which gave rise to the claim asserted. |
| Date: 6/12/20 |
| Time: 940 am |
| Place: 541 Alta Drive |
| Tell What Happened (give complete information): |
| Chris from Soquel Creek Water came to check my meter at 541 Alta Drive. Upon touching the meter, service line started leaking. Chris noted service line was badly corroded & needed repair. Chris' note enclosed. Thank you. |

NOTE: Attach any photographs you may have regarding this claim.

| 4 |
| Give a general description of the indebtedness, obligation, injury, damage, or loss incurred so far as it may be known at the time of presentation of the claim. |
| My plumber needed to make spot repair at site of water meter. He needed to fix water leak using some new copper piping, a 3/4" ball valve, a 3/4" ball valve. Needed to do some trenching as well. Total paid by me $1,200.00 |

| 5 |
| Give the name or names of the public employee or employees causing the injury, damage, or loss, if known. |
| Chris |
| The note Chris left at 541 Alta Dr. included |

| 6 |
| The amount claimed if it totals less than ten thousand dollars ($10,000) as of the date of presentation of the claim, including the estimated amount of any prospective injury, damage or loss, insofar as it may be known at the time of the presentation of the claim, together with the basis of computation of the amount claimed. If the amount claimed exceeds ten thousand dollars ($10,000), no dollar amount shall be included in the claim. However, it shall indicate whether the claim would be a limited civil case. |
| Total amount of claim $1,200.00 |

Date: 6/22/20 |
Time: 11 am |
Signature: [signature]
SOQUEL CREEK WATER DISTRICT

Phone: 475-8500
Office - 5180 Soquel Drive, Soquel, CA 95073

To Notify You:

☐ Water was not turned on because of something left running inside your premises. Let us know when you will be home.
☐ Water was turned on at meter but left off at house valve.
☐ Meter indicates a leak. Please notify office when repairs are complete.
☐ Mail has been returned to us. Please contact office and furnish correct mailing address.
☐ Bill must be paid before water is turned on.
☐ Service DISCONTINUED for reasons listed in comments:

Comments: SEE OTHER SIDE

Date: 6.12.20  Time: 9:40

Service Address:
Account No.:
District Representative: CHRIS
We came to check your water today.
As soon as I touched it your service line started leaking. Your service line appears to be badly corroded and needs repair. We don't work on customers' plumbing so you will need to call a plumber and file a claim with the district to be reimbursed for the work.

Thank you

The leak is small and you won't be charged for the water.
Dear Soquel Creek Water:

If you need the plumber's receipt sent to you electronically, please let me know.

It would be wonderful if I can get reimbursed on the $1,200 plumber bill.

Thank You!

Brian Eagle
408.832.8630
spyglass71@aol.com

Mailing Address
23541 Skyview Terr.
Los Gatos, CA 95032
August 18, 2020

MEMO TO THE BOARD OF DIRECTORS

Subject: Consent Agenda Item No. 4.14

Title: Approve Temporary Hire – Retired Annuitant Special Project: Soquel Drive Main Replacement

Attachment(s):
   1. Proposed Salary Schedule – Temporary Retired Annuitant 2020-2021

Information
Construction on the Soquel Drive main replacement is scheduled to begin soon. In support of that project, staff is recommending approval to hire K.C. Cole as a Retired Annuitant on a temporary, as needed basis to provide experienced infrastructure systems guidance and construction coordination. K.C. will assist with plan review and field investigation, coordinating shutdowns, flushing and testing as the project commences and into project completion in Fall 2021. Some of the specific functions are:
   - Review Soquel Drive project plans along with District maps to create shutdown plan for tie-ins of new water main into existing mains (approximately 40 shutdowns);
   - Coordinate potholing of tie-in points to help plan connections and prepare for effects to the main;
   - Coordinate shutdowns, flushing and testing with District systems, staff and contractors;
   - Field investigations on abandoned services and active/dormant systems connections, etc.

K.C. was employed by the District for 36 years and retired as the Water Distribution Supervisor in September 2019. His expertise and keen knowledge of our water infrastructure pipeline system is unsurpassed. Throughout his career he played key roles in main construction and replacement and had daily charge on repair and maintenance.

CalPERS retired annuitants are required to comply with rules and restrictions of employment governed by California Government Code so as not to adversely affect retirement. The District is also bound to these regulations. The need for expertise on the Soquel Main replacement special project aligns with CalPERS requirements for extra-help, limited duration positions as K.C. has specific and necessary skill to perform the tasks assigned and provide the expert background and knowledge to the construction project.

Fiscal Impact
CalPERS retired annuitants are prohibited from receiving District benefits and needed work will be sought on an as-needed basis, not to exceed the 960 hours per fiscal year limit under CalPERS regulations. The proposed temporary retired annuitant employee hourly rate for this work is $62.68. The Engineering Department will be covering costs from the Operating Contingency Reserve (OCR).

POSSIBLE BOARD ACTION(S)

1. By MOTION, approve the hiring of K.C. Cole in the proposed Retired Annuitant Special Projects – Soquel Drive Main temporary job assignment and approve the hourly pay rate of $62.68 for a duration not-to-exceed 960 hours in the 2020-2021 fiscal year, and

2. By MOTION, approve budget allocation from OCR in an amount not to exceed $60,173.

By: ____________________________
Traci Hart
Human Resources Manager
<table>
<thead>
<tr>
<th>Title</th>
<th>Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired Annuitant Extra Help - Special Project SCADA</td>
<td>$62.68</td>
</tr>
<tr>
<td><strong>NEW</strong> Retired Annuitant Extra Help - Special Project Soquel Drive Main</td>
<td><strong>$62.68</strong></td>
</tr>
</tbody>
</table>
MEMO TO THE BOARD OF DIRECTORS

Subject: Consent Agenda Item No. 4.15

Title: Consider Cancelation of the September 1, 2020 Board Meeting

Information
There are no time sensitive agenda items slated for the September 1, 2020 Board Meeting. Thus, staff requests the Board consider canceling the September 1, 2020 Board Meeting.

If the Board elects to cancel the September 1, 2020 Board Meeting, then the next regular Board Meeting is scheduled for Tuesday, September 15, 2020.

POSSIBLE BOARD ACTION(S)

1. By MOTION, cancel the September 1, 2020 Board Meeting.

By _________________________________
Emma Olin
Executive Assistant/Board Clerk

By _________________________________
Ron Duncan
General Manager
ORAL AND WRITTEN COMMUNICATIONS

PUBLIC COMMENT
Public members are encouraged to provide thoughtful oral comments during Board Meetings. Those wishing to provide public comment should come to the podium and be recognized by the Board President. The maximum time set aside for public comment will be set at 15 minutes unless extended by the Board President. Speakers must address the entire Board and will not be permitted to engage in dialogue with Board Members (or other members of the public), while making their public comment. To encourage the efficient use of time, speakers are encouraged not to be repetitive, and simply to acknowledge support of positions already stated.

Public members may address the Board while adhering to the following procedures:

- Consent/Regular Agenda
  Public members may address the Board on a specific agenda item during the District’s consideration of it. Public members may provide comment for up to two (2) minutes per item, or the length of time established by the Board President. Individuals may speak only once per item.

- Oral Communications – Item 5.0 (Items not on the Agenda)
  Oral Communications provides the opportunity for public members to speak on any item of interest (for items not on the Agenda), within the jurisdiction of the District. Public members may provide comment for up to three (3) minutes, or the length of time established by the Board President. Individuals may speak only once during Oral Communications. The Board may not take action on Oral Communications but may direct that the issue discussed be agendized for a future meeting.

Organized groups wishing to make a presentation are asked to contact the Board Clerk prior to the Board Meeting.

WRITTEN COMMUNICATIONS
All written communications provided to the Board will be made available to the public at the District office and website.

Written communications to the Board can be submitted via email, regular mail and/or delivered to the District Office:

- Email: bod@soquelcreekwater.org
- Mail: Board of Directors, P.O. Box 1550, Capitola, CA 95010
- District Office: Board of Directors, 5180 Soquel Drive, Soquel, CA 95073

Deadlines for Submittal:

- Written correspondence received by 4:00 pm, on the Wednesday prior to a regular Board Meeting, will be distributed to the Board and made available on the District’s website at the time the Agenda is posted.
- Written correspondence received after 4:00 pm, on the Wednesday prior to a regular Board Meeting, will be distributed to the Board and made available on the District’s website at the earliest opportunity. Please note that written correspondence received after 9:00 am on the Monday immediately preceding a Board Meeting may not have time to reach Board members, nor be read by them prior to consideration of an item.
- Written correspondence received at the Board Meeting will be distributed to the Board and made available on the District’s website at the earliest opportunity.

Please note that all correspondence addressed to the Board becomes a public record. Please do not include any private information in your correspondence that you do not want made available to the public.
August 18, 2020

MEMO TO THE BOARD OF DIRECTORS

Subject: Agenda Item No. 7.2

Title: Resolution Authorizing and Directing Execution of a WIFIA Loan Agreement in Maximum Principal Amount (Excluding Capitalized Interest) of $88,974,400 with the United States Environmental Protection Agency, and Authorizing and Directing Additional Actions With Respect Thereto

Attachment(s):
1. Resolution No. 20-23
2. Term Sheet for WIFIA Loan Agreement
3. WIFIA Loan Agreement, including Form of WIFIA Note

Introduction
The Pure Water Soquel project (PWS) is a groundwater replenishment and seawater intrusion prevention project being undertaken by Soquel Creek Water District (District) to prevent further seawater contamination of the Santa Cruz Mid-County Groundwater Basin (Basin). The Basin is one of 21 in the state of California that has been identified as critically overdrafted with a mandate that the Basin be compliant with the Sustainable Groundwater Management Act and brought back into sustainability by 2040. To design, construct, and implement the PWS project, the District anticipates funding the project on a long-term basis through a combination of grants and low-interest financing available from the State of California, including the State’s Seawater Intrusion Control Fund (SWIC), and the federal government’s Water Infrastructure Finance and Innovation Act (WIFIA) program. The financial partnerships of these funding agencies (i.e. State Water Board, United States Environmental Protection Agency (U.S. EPA)) demonstrates belief in and support for the PWS project. We acknowledge that these partnerships will ultimately be beneficial to our rate payers.

The WIFIA Loan Agreement with the U.S. EPA reflects the terms and conditions upon which the District proposes to borrow up to $88,974,400 (excluding capitalized interest) from the U.S. EPA through the WIFIA program with an estimated interest rate of no more than 2.00%. Details of the loan and terms are presented below. The PWS project was estimated to cost $90M (based on early Class IV engineering estimates in 2022 US Dollars) with additional funding for contingencies.

The District, in its 2018 finance plan and rate development, assumed that it would borrow $90M at 3.00% interest rate to fund the Pure Water Soquel project. Borrowing money through the WIFIA program at an estimated 2.00% interest rate (or lower) provides at least a $16 million buffer for project contingencies. Borrowing money through the SWIC program at 1.3% interest provides an additional buffer. To be prudent, the District submitted a project budget to WIFIA that included enough in contingencies to ensure a loan amount adequate to cover the higher end Class IV engineering estimate and unforeseen expenses. The District can draw any amount up to the maximum loan amount and will draw only the amount necessary for project completion. Interest and principal repayment is based only on the amount drawn and there is no penalty for not drawing the entire loan amount.

1 AACE Class IV Estimate, based on 1% to 15% design, has expected accuracy is Low: -15% to -30%, High: +20% to +50% ; (Project cost range is $63M- $135M)
WIFIA Program
The Water Infrastructure Finance and Innovation Act of 2014 established the WIFIA program, a federal loan program administered by the U.S. EPA for eligible water and wastewater infrastructure projects. Benefits of the WIFIA program for borrowers such as the District include:

- **U.S. Treasury Rate of Interest:** The WIFIA program sets its interest rate based on the U.S. Treasury Bureau of Public Debt’s daily rate table for State and Local Government Series (SLGS) on the date of loan closing. The rate is calculated using the weighted average life of the loan, rather than the loan maturity date. Given that the weighted-average life is generally shorter than the loan’s actual length, a lower interest rate is available.

- **“Draw-Down Structure” Permitting Multiple Disbursements:** A borrower may receive multiple disbursements during the course of project construction, all of which are repayable to U.S. EPA at the same fixed interest rate established at the time of the loan’s closing. Interest is payable only on amounts drawn by the borrower, with no “undrawn fee” amount.

- **Long Repayment Period:** WIFIA loans may have a length of up to 35 years after the substantial completion date for the project financed, allowing payment amounts to be smaller throughout the life of the loan compared to a shorter-term borrowing.

- **Customized Repayment Schedule:** Borrowers can customize their repayment terms to match their anticipated revenues and expenses for the life of the loan. This flexibility also provides borrowers the time needed to phase in rate increases to generate revenues to repay the loan. In addition, initial payments may be deferred up to 5 years after the project’s substantial completion date.

- **Prepayments Without Penalty:** Borrowers may prepay the WIFIA Loan in whole or in part (subject to a $1 million minimum) at any time without prepayment penalty or premium.

Key Terms and Conditions of the WIFIA Loan Agreement
Drafts of the WIFIA Term Sheet, WIFIA Loan Agreement and WIFIA Promissory Note (which is an exhibit to the WIFIA Loan Agreement) are attached. In addition to the general WIFIA program terms described above, key terms and conditions of District’s WIFIA Loan Agreement are as follows:

- **Maximum Principal Amount:** The maximum aggregate principal amount that the District may draw is $88,974,400 (excluding capitalized interest). However, this amount may be reduced because (i) project costs at origination include conservative or high estimates of project contingency costs, (ii) the principal amount of the WIFIA Loan for project costs may not exceed 49% of reasonably anticipated “Eligible Project Costs” (iii) the principal amount at origination includes conservative or high estimates of closing and servicing costs through substantial completion, and (iv) the total federal assistance for the PWS project, including the WIFIA Loan and all federal direct and indirect grants, may not exceed 80% of “Total Project Costs” subject to grant funding from the U.S. Bureau of Reclamation.

- **Estimated interest Rate:** The interest rate on the WIFIA Loan Agreement will be established based on the comparable SLGS rate on the date of loan closing, which is anticipated to occur in late September. Currently, the interest rate is estimated at approximately 2.00%, but is subject to change until pricing/closing. As noted above, the District does not pay any
“undrawn fee” on amounts that are not actually drawn from U.S. EPA, so interest will be due and payable on drawn amounts.

- **Estimated Final Maturity**: September 1, 2059, subject to the fact that the final maturity date may be no later than 35 years following the substantial completion date for PWS (which date is currently projected to be January 31, 2025).

- **Pledge/Source of Repayment**: The District covenants to repay amounts due under the WIFIA Loan Agreement via a pledge of the Net Revenues of the Water System (i.e., Gross Revenues less Maintenance and Operation Expenses), on a parity basis with the District’s other existing long-term debt (i.e., 2011/2013 Certificates of Participation).

- **Other Representations, Warranties and Covenants**: The WIFIA Loan Agreement includes certain representations and warranties of the District and covenants and agreements between the parties, which are customary for a WIFIA Loan Agreement, including with respect to events of default, the incurrence of additional debt, maintaining rates and charges at certain minimum levels, periodic reporting and payment of U.S. EPA fees, and complying with applicable laws, rules and regulations (including federal procurement rules and regulations applicable to the WIFIA program).

Entrance into the WIFIA Loan Agreement on the terms contained therein is consistent with the District’s Debt Management Policy. Issuing long-term fixed rate debt to finance some of the long-lived assets that comprise the PWS project aligns the debt being incurred with the asset being financed. Moreover, the WIFIA program’s use of the U.S. Treasury’s SLGS rate allows for a very-low cost of borrowing.

Jones Hall, serving as bond counsel to the District, as well as Piper Sandler, serving as financial advisor, have reviewed the WIFIA Term Sheet, WIFIA Loan Agreement and related legal documents. Other members of the District’s team have similarly provided review and input on particular provisions of the WIFIA Loan Agreement within their expertise.

The drafts of the WIFIA Loan Agreement and WIFIA Note (included as an exhibit thereto) are in substantially final form, and the Resolution delegates authority to the General Manager or a designee to finalize and execute the WIFIA Loan Agreement and related documents, and to execute and deliver the WIFIA Note to the U.S. EPA. The remaining items to be finalized in the WIFIA Loan Agreement consist generally of various District data required for the various schedules and exhibits, which is underway, and some minor changes recommended by District Counsel.

**Good-Faith Estimates of Borrowing Costs**

In accordance with Government Code Section 5852.1, based on good faith estimates prepared by the District’s financial advisor, the following information is being obtained and disclosed to the Board of Directors prior to entrance into the WIFIA Loan Agreement:

- the estimated true interest cost of amounts to be borrowed under the WIFIA Loan Agreement (being the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the WIFIA Loan Agreement) is 2.033%,
- the estimated finance charge associated with the WIFIA Loan Agreement (being the sum of all fees and charges paid to third parties) is $560,000,

- the estimated proceeds expected to be received by the District under the WIFIA Loan Agreement, net of proceeds for finance charges described above paid from proceeds of the WIFIA Loan Agreement and net of proceeds for any reserves or capitalized interest paid or funded with the WIFIA Loan Agreement is $88,414,400, and

- the estimated total payment amount under the WIFIA Loan Agreement if the maximum amount of the loan is drawn (being the sum of debt service plus finance to be paid to final maturity, plus any financing costs not paid from proceeds of the WIFIA Loan Agreement) is $133,552,550.57.

Next Steps/Schedule
The WIFIA Loan Agreement is in substantially final form. Therefore, if Board approval is obtained at the August 18, 2020 meeting the transaction documents will be finalized relatively quickly. However, certain conditions precedent to the closing must be finalized. At this time, the estimated closing (effective) date for the WIFIA Loan Agreement is September 28, 2020.

POSSIBLE BOARD ACTION(S)
1. Approve Resolution 20-23 Authorizing and Directing Execution of a WIFIA Loan Agreement in Maximum Principal Amount (Excluding Capitalized Interest) of $88,974,400 with the U.S. EPA; or

2. Provide staff with guidance on alternatives to the proposed action; or

3. Take no action.

By ____________________________
Leslie Strohm
Financial and Business Services Manager

By ____________________________
Ron Duncan
General Manager
RESOLUTION NO. 20-23

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SOQUEL CREEK WATER DISTRICT

AUTHORIZING AND DIRECTING EXECUTION OF A WIFIA LOAN AGREEMENT IN MAXIMUM
PRINCIPAL AMOUNT (EXCLUDING CAPITALIZED INTEREST) OF $88,974,400 WITH THE
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, AND AUTHORIZING AND
DIRECTING ADDITIONAL ACTIONS WITH RESPECT THERETO

The Board of Directors of the SOQUEL CREEK WATER DISTRICT ("District") at its August 18, 2020
meeting, made the following findings:

RECITALS

WHEREAS, the District owns and operates a system for the supply, treatment and
distribution of water within the service area of the District (the "Water System"); and

WHEREAS, the District is undertaking a groundwater replenishment and seawater intrusion
prevention project for the Water System known as the "Pure Water Soquel Project" (the "Project"); and

WHEREAS, the District anticipates funding the Project on a long-term basis through a
combination of grants and low-interest financing available from the State of California and the United
States government, including through the federal Water Infrastructure Finance and Innovation Act
("WIFIA") program, which is administered by the United States Environmental Protection Agency
("U.S. EPA"); and

WHEREAS, the District is a county water district duly organized and existing under the
County Water District Law (Division 12 (commencing with Section 30000) of the California Water
Code) (the "Water Law"), which enumerates specific powers, rights and authorizations of the District,
including the power to borrow money pursuant to Part 6 of the Water Law; and

WHEREAS, the District has determined that it is in the best interests of the District at this
time to provide for the long-term financing of a portion of the costs of the Project through entrance
into a WIFIA Loan Agreement (the "Loan Agreement") with U.S. EPA, and the issuance and delivery
delivery of a promissory note to U.S. EPA in the form included in the Loan Agreement; and

WHEREAS, the information required to be obtained and disclosed by the Board of Directors
in accordance with Government Code Section 5852.1 with respect to the Loan Agreement is set forth
in the staff report accompanying this Resolution; and

WHEREAS, in connection with the foregoing, it is in the public interest and for the public
benefit that the District approve, authorize and direct District staff to accomplish the financing
contemplated by the Loan Agreement, subject to the parameters set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the SOQUEL CREEK
WATER DISTRICT as follows:

ATTACHMENT 1 - ITEM 7.2

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SECTION 1. Approval of WIFIA Loan Agreement. For the purpose of providing long-term financing for a portion of the costs of the Project, the Board of Directors hereby authorizes and approves the borrowing of funds by the District from U.S. EPA under the Loan Agreement. Amounts due under the Loan Agreement shall be payable by the District from the net revenues of the Water System and subject to the other terms and conditions set forth in the Loan Agreement as finally executed and delivered by the District; provided, that the maximum amount that may be borrowed by the District under the Loan Agreement shall not exceed $88,974,400 (excluding capitalized interest) and the interest rate on the Loan Agreement shall not exceed 2.00%. Subject to the foregoing, the General Manager or a designee (each, an "Authorized Officer") is hereby authorized and directed for and in the name and on behalf of the District to execute, and the Board Clerk is hereby authorized and directed to attest the Loan Agreement, substantially in the form on file with the Board Clerk, together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions.

SECTION 2. Approval of Related Financing Documents, Including Promissory Note. The Board of Directors hereby authorizes and approves the execution and delivery of the additional financing documents, certificates and schedules required by, and as described in, the Loan Agreement, together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. Each Authorized Officer is further authorized and directed to execute and deliver to U.S. EPA a Promissory Note, evidencing the obligation of the District to U.S. EPA under the Loan Agreement, the form of which is attached as an exhibit to the Loan Agreement. Such documents shall be consistent with the terms and conditions set forth in the Loan Agreement, as finally executed and delivered by the District.

SECTION 3. Engagement of Professional Services. In connection with entrance into the Loan Agreement and the financing described in this Resolution, the firm of Piper Sandler & Co. is hereby designated to serve as financial advisor to the District, and the firm of Jones Hall, A Professional Law Corporation, is hereby designated to serve as special counsel to the District. Compensation to said firms may be payable from the proceeds obtained by the District under the Loan Agreement or other available funds of the Water System.

SECTION 4. Official Actions. The General Manager, the Finance and Business Services Manager, the Board Clerk and all other officers of the District are each authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

SECTION 5. Effective Date. This Resolution shall take effect immediately upon its adoption.
ADOPTED, SIGNED AND APPROVED by the Board of Directors of the SOQUEL CREEK WATER DISTRICT this ___ day of ____________ 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

______________________________
Dr. Bruce Daniels
President of the Board of Directors
Soquel Creek Water District

ATTEST:

______________________________
Emma Olin
Clerk of the Board of Directors
Soquel Creek Water District
Ladies and Gentlemen:

This WIFIA Term Sheet (this “Term Sheet”) constitutes (a) the approval of the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (hereinafter, the “USEPA”), of the application for credit assistance of the Borrower (as defined below) dated May 1, 2020 (the “Application”) and (b) the agreement of USEPA to provide financing for the above-referenced project (as further described below, the “Project”) in the form of a secured loan (the “WIFIA Loan”), pursuant to the Water Infrastructure Finance and Innovation Act (“WIFIA”), § 5021 et seq. of Public Law 113-121 (as amended by Public Law 114-94, Public Law 114-322 and Public Law 115-270) (the “Act”), codified as 33 U.S.C. §§ 3901-3914, subject in all respects to (i) the terms and conditions contained herein and (ii) the execution and delivery of the WIFIA loan agreement to be entered into on or after the date hereof (the “WIFIA Loan Agreement”) and the terms and conditions contained therein. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the WIFIA Loan Agreement.

USEPA’s agreement to provide WIFIA credit assistance to the Project is based upon the Application and the supplemental information and documents, including the base case financial model, provided to USEPA. This Term Sheet is an agreement of USEPA only to the terms specified herein, which may be modified or supplemented by USEPA in its discretion at any time and from time to time during the course of its due diligence and credit approval process.

By executing this Term Sheet, the Borrower confirms its agreement to reimburse USEPA for any and all fees and expenses that USEPA incurs for legal counsel, financial advice, and other consultants in connection with the evaluation of the Project and the negotiation and preparation of the WIFIA Loan Agreement and related documents, whether or not such agreement is ultimately executed.

This Term Sheet shall be governed by the federal laws of the United States of America if and to the extent such federal laws are applicable, and the internal laws of the State of California, if and to the extent such federal laws are not applicable.
## Indicative Terms of the WIFIA Loan

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<th><strong>WIFIA Lender</strong></th>
<th>United States Environmental Protection Agency, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency (the “WIFIA Lender”).</th>
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<td><strong>Borrower</strong></td>
<td>Soquel Creek Water District, a county water district created under the laws of the State of California, with an address at 5180 Soquel Drive, Soquel, California 95073 (the “Borrower”).</td>
</tr>
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<td><strong>Project</strong></td>
<td>The project involves works undertaken by the Borrower to obtain treated municipal wastewater (source water) and purify it to produce high-quality purified water for groundwater basin recharge. Project components include a new tertiary treatment facility at the Santa Cruz Wastewater Treatment Facility (SC WWTF) in the City of Santa Cruz, an advanced water purification facility (AWPF) at a site near the intersection of Chanticleer Avenue and Soquel Drive (the Chanticleer AWPF) in Live Oak, the installation of seawater intrusion prevention (SWIP)/recharge wells and associated monitoring wells, an operations and maintenance facility to support the AWPF, an educational learning center, and the installation of new pumps and pipelines infrastructure for the conveyance of tertiary effluent (source water), reverse osmosis concentrate, and purified water between SC WWTF, the Chanticleer AWPF, and the SWIP facility.</td>
</tr>
<tr>
<td><strong>WIFIA Loan Amount</strong></td>
<td>A maximum principal amount (sum of disbursements) not to exceed eighty-eight million nine hundred seventy-four thousand four hundred Dollars ($88,974,400); provided, that (a) the maximum principal amount of the WIFIA Loan, together with the amount of any other credit assistance provided under the Act, shall not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs, (b) the total federal assistance for the Project, including but not limited to the maximum principal amount of the WIFIA Loan and all federal direct and indirect grants, shall not exceed eighty percent (80%) of Total Project Costs, and (c) such maximum principal amount does not include any interest that may be capitalized in accordance with the WIFIA Loan Agreement and added to the principal amount of the WIFIA Loan.</td>
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<td><strong>Interest Rate</strong></td>
<td>The WIFIA Loan shall bear interest at a fixed rate, calculated by adding one (1) basis point (0.01%) to the rate of securities of a similar maturity (based on the weighted-average life of the WIFIA Loan) as published, on the execution date of the WIFIA Loan.</td>
</tr>
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Interest shall accrue and be computed on the basis of a three hundred sixty (360)-day year of twelve (12) thirty (30) day months and shall be compounded semi-annually.

The WIFIA Loan shall also bear default interest at a rate of two hundred (200) basis points (2.00%) above the otherwise applicable interest rate, at such times and upon such terms as provided in the WIFIA Loan Agreement.

| PAYMENT DATES | Principal of the WIFIA Loan shall be repaid in semi-annual installments on March 1 and September 1 of each year, beginning on September 1, 2029. Interest shall be paid in arrears on March 1 and September 1 of each year, beginning on September 1, 2029. The WIFIA Debt Service Payment Date shall in no event be later than five (5) years after the Substantial Completion Date of the Project. Subject to the terms and conditions of the WIFIA Loan Agreement, no principal or interest shall be paid during the capitalized interest period. |
| FINAL MATURITY DATE | September 1, 2059; provided that the Final Maturity Date shall be no later than the date that is thirty-five (35) years following the Substantial Completion Date. |
| PROJECTED SUBSTANTIAL COMPLETION DATE | January 31, 2025. |
| DEDICATED SOURCE OF REPAYMENT | The dedicated source of repayment for the WIFIA Loan shall be Net Revenues (as defined below) derived from the existing water system of the Borrower, comprising all facilities for the transportation, treatment and distribution of water for the residential, commercial and industrial consumers of water in the territory of the Borrower, together with all additions, extensions and improvements thereto, including the Project (the “Water System”). “Net Revenues” means Gross Revenues less Maintenance and Operation Expenses. |
“Gross Revenues” means, for any period of computation, all gross charges received for, and all other gross income and revenues derived by the Borrower from, the ownership or operation of the Water System or otherwise arising from the Water System during such period, including but not limited to (a) all fees, tolls, assessments, rates and charges received by the Borrower for use of the Water System, (b) all receipts derived from the investment of funds held by the Borrower or any trustee appointed for any Debt, (c) transfers from (but exclusive of any transfers to) the Rate Stabilization Fund, and (d) all moneys received by the Borrower from other public entities whose inhabitants are served pursuant to contracts with the Borrower.

“Maintenance and Operation Expenses” means the reasonable and necessary costs spent or incurred by the Borrower for maintaining and operating the Water System, calculated in accordance with sound accounting principles, and all reasonable and necessary expenses of management and repair and other expenses to maintain and preserve the Water System in good repair and working order, and including all reasonable and necessary administrative costs of the Borrower attributable to the Water System and this Agreement, such as salaries and wages and the necessary contribution to retirement of employees, overhead, insurance, taxes (if any), expenses, compensation and indemnification of any trustee, and fees of auditors, accountants, attorneys or engineers, and including all other reasonable and necessary costs of the Borrower or charges required to be paid by it to comply with the terms of this Agreement, but excluding: (i) depreciation, replacement and obsolescence charges or reserves therefor; (ii) the costs of the Borrower’s meter replacement program; (iii) the costs of the Borrower’s conservation rebate and incentive program; (iv) staffing costs related to capital projects; and (v) amortization of intangibles or other bookkeeping entries of a similar nature.

SECURITY AND LIEN PRIORITY

The WIFIA Loan shall be secured by a pledge of the Net Revenues. The debt obligation of the Borrower under the WIFIA Loan shall be evidenced through the issuance by the Borrower of the WIFIA Note.

The Liens securing the obligations under the WIFIA Note shall be (a) pari passu in right of payment and right of security with the Liens securing all other Parity Obligations and (b) senior in right of payment and right of security to the Liens securing all Subordinated Obligations.
As set forth in the WIFIA Loan Agreement, the Borrower’s Gross Revenues shall be deposited into the Water Revenue Fund to be applied from the Water Revenue Fund in the following order of priority (the “Flow of Funds”):

(i) **first**, to pay all Maintenance and Operation Expenses of the Water System estimated by the Borrower to become due and payable in such Borrower Fiscal Year;

(ii) **second**, on an equal basis, without preference or priority among all Parity Obligations, to pay the Parity Debt Service, including the WIFIA Debt Service;

(iii) **third**, on an equal basis, without preference or priority among all Parity Obligations, if the balance of any debt service reserve account established for any Parity Obligation is less than the reserve requirement therefor (or if an amount is due by the Borrower to any provider of a debt service reserve insurance policy previously deposited to a debt service reserve account), to pay the amount due by the Borrower to cure such deficiency or pay such amount due with respect to such debt service reserve account in accordance with the terms of the applicable Parity Obligation Instrument(s);

(iv) **fourth**, to make all other payments required for compliance with the WIFIA Loan Agreement or any Parity Obligation Instrument pursuant to which any Parity Obligations relating to the Water System shall have been issued or incurred; and

(v) **fifth**, to make all payments required to meet any other obligations of the Borrower which are charges, liens, encumbrances upon or payable from the Gross Revenues or the Net Revenues of the Water System, including on Subordinate Debt.

**PREPAYMENT**

The Borrower may prepay the WIFIA Loan in whole or in part, without penalty or premium; provided that any such prepayment shall be in a minimum principal amount of one million dollars ($1,000,000) or any integral multiple of one dollar ($1.00) in excess thereof, and otherwise in accordance with the WIFIA Loan Agreement.
RATE COVENANT | As set forth in the WIFIA Loan Agreement:

The Borrower shall fix, prescribe, revise and collect fees, tolls, assessments, rates and charges for the Water System during each Borrower Fiscal Year that are sufficient to:

(i) yield Net Revenues of the Water System (exclusive of transfers to the Water Revenue Fund from the Rate Stabilization Fund) at least equal to one hundred percent (100%) of the Debt Service payable on all Obligations in each Borrower Fiscal Year, and

(ii) yield Net Revenues at least equal to one hundred twenty percent (120%) of all Debt Service on all Parity Obligations payable in each Borrower Fiscal Year (collectively, the “Rate Covenant”).

For clarity, proceeds of Parity Obligations or Subordinated Obligations, and proceeds of any grants, loans or Other Financing Documents, are not to be included within “Net Revenues” during any applicable period.

For the purpose of computing the amount of Net Revenues for any Borrower Fiscal Year for purposes of the preceding clause (ii), the Borrower shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the Water Revenue Fund (except that amounts that were transferred into the Rate Stabilization Fund from Gross Revenues received by the Borrower in such Borrower Fiscal Year shall not be double-counted), and such transfers may be made until (but not after) two hundred ten (210) days after the end of such Borrower Fiscal Year.

ADDITIONAL INDEBTEDNESS | The Borrower shall not issue or incur any Additional Obligations unless the conditions described below and in Section 15(a) of the WIFIA Loan Agreement are satisfied:

(i) Except for Permitted Debt, the Borrower shall not without the prior written consent of the WIFIA Lender issue or incur indebtedness of any kind; provided, that the Borrower shall not incur any indebtedness of any kind payable from, secured or supported by the Net Revenues, including Permitted Debt, without the prior written consent of the WIFIA Lender, while an Event of Default has occurred and is continuing.
(ii) The Borrower may not create, incur or suffer to exist (A) any Obligations the payments of which are senior or prior in right to the payment by the Borrower of the Parity Obligations or (B) any Obligations of the Project that are secured by a Lien on any assets or property of the Borrower other than the Net Revenues.

(iii) The Borrower shall not issue or incur any Parity Obligations, unless (A) the Net Revenues of the Water System, calculated on sound accounting principles, as shown by the books of the Borrower for the latest Borrower Fiscal Year or any more recent twelve (12)-month period selected by the Borrower ending not more than sixty (60) days prior to the adoption of the Parity Obligation Instrument pursuant to which such Parity Obligation is issued or incurred, plus at the option of the Borrower, Additional Revenues, are at least equal to (1) one hundred twenty percent (120%) of Maximum Annual Parity Debt Service and (2) one hundred percent (100%) of Maximum Annual Total Debt Service, (B) no Default or Event of Default has occurred and is continuing or would result from such issuance or incurrence and (C) the WIFIA Lender shall have received a certificate signed by the Borrower’s Authorized Representative certifying that the conditions precedent to the issuance of such Parity Obligations set forth in clauses (A) and (B) above, and the conditions precedent to such Parity Obligations set forth in the Parity Obligation Instruments have been satisfied and setting forth a calculation to such effect. For clarity, proceeds of Parity Obligations or Additional Subordinated Obligations, and proceeds of any grants, loans or Other Financing Documents, are not to be included within “Net Revenues” during any applicable period.

(iv) The Borrower shall not incur any Additional Obligations that bear interest at a Variable Interest Rate if such incurrence would cause the principal amount of all Outstanding Variable Interest Rate Obligations to exceed twenty-five percent (25%) of the principal amount of all Outstanding Obligations; provided that, for purposes of such calculation, Outstanding Obligations with respect to the Interim Financing Facility shall not be included in Outstanding Obligations. The Borrower shall not enter into any Swap Contract under which a termination
payment would be required to be paid from any portion of
the Net Revenues on a basis senior to or on parity with the
Lien on the Net Revenues securing the WIFIA Loan.

(v) The Borrower shall not issue or incur any Additional
Subordinated Obligations unless (A) Net Revenues as
shown by the books of the Water System for the most
recent Borrower Fiscal Year for which audited financial
statements are available, or as shown by the books of the
Water System for any more recent twelve (12)-month
period selected by the Borrower ending not more than
sixty (60) days prior to the incurrence of the Additional
Subordinated Obligations, plus at the option of the
Borrower, Additional Revenues, are at least equal to one
hundred percent (100%) of Maximum Annual Total Debt
Service, (B) no Default or Event of Default has occurred
and is continuing or would result from such issuance or
incurrence and (C) the WIFIA Lender shall have received
a certificate from the Borrower’s Authorized
Representative certifying that the conditions precedent to
the issuance of such Additional Subordinated Obligations
set forth in clauses (A) and (B) above, and the conditions
precedent to such Additional Subordinated Obligations set
forth in the Parity Obligation Instruments, have been
satisfied and setting forth a calculation to such effect, if
applicable. For clarity, proceeds of Parity Obligations or
Additional Subordinated Obligations, and proceeds of any
grants, loans or Other Financing Documents, are not to be
included within “Net Revenues” during any applicable
period.

“Additional Revenues” means, for purposes of satisfying the
Additional Parity Obligations Requirements or the Additional
Subordinated Obligations Requirements in connection with the
issuance or incurrence of additional indebtedness, the following
revenues or earnings, which may be included by the Borrower in
the calculation of Net Revenues for the latest Borrower Fiscal
Year or any more recent twelve (12)-month period selected by the
Borrower for such calculation in accordance with Section
15(a)(iii) (Negative Covenants – Indebtedness) or Section
15(a)(v) (Negative Covenants – Indebtedness) of the WIFIA Loan
Agreement:

(i) Net Revenues from any additions to or improvements or
extensions of the Water System which during all or any
part of the Borrower Fiscal Year or twelve (12)-month period selected by the Borrower in accordance with Section 15(a)(iii) (Negative Covenants – Indebtedness) or Section 15(a)(v) (Negative Covenants – Indebtedness) of the WIFIA Loan Agreement, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36)-month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of the Finance and Business Services Manager; and

(ii) Net Revenues arising from any increase in tolls, rates and charges which have been adopted by the Board of Directors of the Borrower prior to the incurring of such additional indebtedness, but which, during all or any part of the Borrower Fiscal Year or twelve (12) month-period selected by the Borrower in accordance with Section 15(a)(iii) (Negative Covenants – Indebtedness) or Section 15(a)(v) (Negative Covenants – Indebtedness) of the WIFIA Loan Agreement, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in tolls, rates and charges had been in effect during the whole of such Borrower Fiscal Year or such twelve (12)-month period, all as shown in the written report of the Finance and Business Services Manager.

RESTRICTED PAYMENTS AND TRANSFERS

The Borrower shall not permit Gross Revenues or other assets of the Water System, or any funds in any accounts held under this Agreement or the Other Financing Documents or in any other fund or account held by or on behalf of the Borrower, to be paid or transferred or otherwise applied for purposes other than ownership, operation or maintenance of the Water System and as permitted in accordance with the Flow of Funds and Section 14(h) of the WIFIA Loan Agreement, such Section 14(h) permitting the Borrower (i) to transfer funds from the Rate Stabilization Fund for purposes of satisfying the Rate Covenant or any other lawful purpose and (ii) to invest amounts in the Water System Accounts in Permitted Investments in accordance with the WIFIA Loan Agreement.
| **WIFIA LOAN DOCUMENTATION** | The WIFIA Loan shall be subject to the preparation, execution and delivery of the WIFIA Loan Agreement, the WIFIA Note and any other loan documentation required by the WIFIA Lender in connection therewith, in each case acceptable to the WIFIA Lender and the Borrower, which will contain certain conditions precedent, representations and warranties, affirmative and negative covenants, events of default, and other provisions as are typical of WIFIA loan agreements. |
| **GOVERNING LAW** | Federal laws of the United States of America, if and to the extent such federal laws are applicable, and the internal laws of the State of California, if and to the extent such federal laws are not applicable. |
| **COUNTERPARTS** | This Term Sheet, and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Electronic delivery of an executed counterpart of a signature page shall be effective as delivery of an original executed counterpart. |

[Signature pages follow]
If the foregoing terms are acceptable, please countersign this letter in the space indicated below.

Sincerely,

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, acting by and through the Administrator of the United States Environmental Protection Agency

By: _______________________________
Name: Andrew R. Wheeler
Title: Administrator
ACKNOWLEDGED AND AGREED:

SOQUEL CREEK WATER DISTRICT,
by its authorized representative

By: _______________________________
Name: _____________________________
Title: _____________________________
UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY

WIFIA LOAN AGREEMENT

For Up to $88,974,400

With

SOQUEL CREEK WATER DISTRICT

For the

PURE WATER SOQUEL PROJECT
(WIFIA – N19104CA)

Dated as of [______________], 2020

THIS FORM OF A WIFIA LOAN AGREEMENT FOR PROJECT LOAN FUNDING SETS FORTH KEY TERMS AND CONDITIONS THAT ARE TYPICALLY REQUIRED FOR EXECUTION OF A WIFIA LOAN AGREEMENT WHERE THE LOAN PAYMENTS ARE SECURED BY A LIEN ON REVENUES OF THE BORROWER. DUE TO THE WIDE DIVERSITY OF AND DIFFERENCES AMONG POTENTIAL BORROWERS AND PROJECTS, THIS DOCUMENT CANNOT ANTICIPATE ALL TERMS THAT MUST BE NEGOTIATED BETWEEN THE PARTIES. IF A PROJECT IS APPROVED FOR WIFIA PROJECT LOAN FUNDING, THE STRUCTURE OF THE WIFIA LOAN FUNDING AND THE LOAN AGREEMENT WILL BE BASED ON THE FINAL FINANCIAL MODEL AND NEGOTIATED TERMS AND CONDITIONS WITH THE BORROWER AND IS SUBJECT TO FINAL APPROVAL BY USEPA.
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EXHIBIT G-2 – Opinions Required from Special Counsel
EXHIBIT H – Form of Closing Certificate
EXHIBIT I – Form of Certificate of Substantial Completion
EXHIBIT J – Form of Quarterly Report
EXHIBIT K – Form of Public Benefits Report
WIFIA LOAN AGREEMENT

THIS WIFIA LOAN AGREEMENT (this “Agreement”), dated as of [___], 2020, is by and between SOQUEL CREEK WATER DISTRICT, a county water district created under the laws of the State of California (the “State”), with an address at 5180 Soquel Drive, Soquel, California 95073 (the “Borrower”), and the UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency (the “Administrator”), with an address at 1200 Pennsylvania Avenue NW, Washington, DC 20460 (the “WIFIA Lender”).

RECITALS:

WHEREAS, the Congress of the United States of America enacted the Water Infrastructure Finance and Innovation Act, as amended by Section 1445 of the Fixing America’s Surface Transportation Act of 2015, as further amended by Section 5008 of the Water Infrastructure Improvements For the Nation Act of 2016 and by Section 4201 of America’s Water Infrastructure Act of 2018 (collectively, as the same may be amended from time to time, the “Act” or “WIFIA”), which is codified as 33 U.S.C. §§ 3901-3914;

WHEREAS, the Act authorizes the WIFIA Lender to enter into agreements to provide financial assistance with one or more eligible entities to make secured loans with appropriate security features to finance a portion of the eligible costs of projects eligible for assistance;

WHEREAS, the Borrower has requested that the WIFIA Lender make the WIFIA Loan (as defined herein) in a principal amount not to exceed eighty-eight million nine hundred seventy-four thousand four hundred Dollars ($88,974,400) (excluding interest that is capitalized in accordance with the terms hereof) to be used to pay a portion of the Eligible Project Costs (as defined herein) related to the Project (as defined herein) pursuant to the application for WIFIA financial assistance dated May 1, 2020 (the “Application”);

WHEREAS, as of the date hereof, the Administrator has approved WIFIA financial assistance for the Project to be provided in the form of the WIFIA Loan, subject to the terms and conditions contained herein;

WHEREAS, based on the Application and the representations, warranties and covenants set forth herein, the WIFIA Lender proposes to make funding available to the Borrower through the purchase of the WIFIA Note (as defined herein), upon the terms and conditions set forth herein;

WHEREAS, the Borrower agrees to repay any amount due pursuant to this Agreement and the WIFIA Note in accordance with the terms and provisions hereof and of the WIFIA Note; and

WHEREAS, the WIFIA Lender has entered into this Agreement in reliance upon, among other things, the information and representations of the Borrower set forth in the Application and the supporting information provided by the Borrower.

NOW, THEREFORE, the premises being as stated above, and for good and valuable consideration, the receipt and sufficiency of which are acknowledged to be adequate, and intending
to be legally bound hereby, it is hereby mutually agreed by and between the Borrower and the WIFIA Lender as follows:

ARTICLE I
Definitions and Interpretation

Section 1. Definitions.

Unless the context otherwise requires, capitalized terms used in this Agreement shall have the meanings set forth below in this Section 1 or as otherwise defined in this Agreement. Any term used in this Agreement that is defined by reference to any other agreement shall continue to have the meaning specified in such agreement, whether or not such agreement remains in effect.

“2011 Certificates” shall mean the Borrower’s 2011 Certificates of Participation (Capital Projects), issued pursuant to the 2011 Installment Sale Agreement in the original principal amount of sixteen million eight hundred thousand Dollars ($16,800,000) with sixteen million one hundred five thousand Dollars ($16,105,000) outstanding as of August 1, 2020.

“2011 Installment Sale Agreement” means that certain Installment Sale Agreement between Public Property Financing Corporation of California and Borrower, dated as of May 1, 2011, relating to a sixteen million eight hundred thousand Dollars ($16,800,000) 2011 Certificates of Participation (Capital Projects), which is a Parity Obligation.

“2011 Trust Agreement” means that certain Trust Agreement between the Borrower, Public Property Financing Corporation of California and the Trustee, dated as of May 1, 2011.

“2013 Certificates” shall mean the Borrower’s 2013 Certificates of Participation (Capital Projects), issued pursuant to the 2013 Installment Sale Agreement in the original principal amount of seventeen million five hundred twenty thousand Dollars ($17,520,000) with fourteen million three hundred sixty-five thousand Dollars ($14,365,000) outstanding as of August 1, 2020.

“2013 Installment Sale Agreement” means that certain Installment Sale Agreement between Public Property Financing Corporation of California and Borrower, dated as of July 1, 2013, relating to a seventeen million five hundred twenty thousand Dollars ($17,520,000) 2013 Certificates of Participation (Capital Projects), which is a Parity Obligation.

“2013 Trust Agreement” means that certain Trust Agreement between the Borrower, Public Property Financing Corporation of California and the Trustee, dated as of July 1, 2013.

“Act” means the Act as defined in the recitals hereto.

“Additional Obligations” means Additional Parity Obligations and Additional Subordinated Obligations.

“Additional Parity Obligations” means any Parity Obligations permitted under Section 15(a) (Negative Covenants – Indebtedness) and under the Other Financing Documents, which Parity Obligations are issued or incurred on or after the Effective Date.
“Additional Parity Obligations Requirements” means the requirements for the issuance or incurrence of Additional Parity Obligations specified in Section 15(a) (Negative Covenants – Indebtedness).

“Additional Principal Project Contracts” means (a) any contract, agreement, letter of intent, understanding or instrument listed in Part B of Schedule 12(n) (Principal Project Contracts) and (b) any other contract, agreement, letter of intent, understanding or instrument entered into by (or on behalf of) the Borrower after the Effective Date with respect to the Project, in the case of this clause (b), (i) pursuant to which the Borrower has payment obligations in excess of five million Dollars ($5,000,000) in the aggregate or (ii) the termination of which could reasonably be expected to have a Material Adverse Effect, but excluding, in the case of this clause (b), any (A) insurance policies or documents pertaining to the Borrower’s self-insurance program (as applicable), (B) Governmental Approvals and (C) agreements, documents and instruments (1) providing for, governing or evidencing any Permitted Debt and any related Permitted Lien for such Permitted Debt or (2) entered into to consummate any Permitted Investment.

“Additional Revenues” means, for purposes of satisfying the Additional Parity Obligations Requirements or the Additional Subordinated Obligations Requirements in connection with the issuance or incurrence of additional indebtedness, the following revenues or earnings, which may be included by the Borrower in the calculation of Net Revenues for the latest Borrower Fiscal Year or any more recent twelve (12)-month period selected by the Borrower for such calculation in accordance with Section 15(a)(iii) (Negative Covenants – Indebtedness) or Section 15(a)(v) (Negative Covenants – Indebtedness):

(a) Net Revenues from any additions to or improvements or extensions of the Water System which during all or any part of the Borrower Fiscal Year or twelve (12)-month period selected by the Borrower in accordance with Section 15(a)(iii) (Negative Covenants – Indebtedness) or Section 15(a)(v) (Negative Covenants – Indebtedness), were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36)-month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of the Finance and Business Services Manager; and

(b) Net Revenues arising from any increase in tolls, rates and charges which have been adopted by the Board of Directors of the Borrower prior to the incurring of such additional indebtedness, but which, during all or any part of the Borrower Fiscal Year or twelve (12)-month period selected by the Borrower in accordance with Section 15(a)(iii) (Negative Covenants – Indebtedness) or Section 15(a)(v) (Negative Covenants – Indebtedness), was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in tolls, rates and charges had been in effect during the whole of such Borrower Fiscal Year or such twelve (12)-month period, all as shown in the written report of the Finance and Business Services Manager.

“Additional Subordinated Obligations” means any Subordinated Obligations permitted under Section 15(a) (Negative Covenants – Indebtedness) and under the Other Financing Documents, which Subordinated Obligations are issued or incurred after the Effective Date.
“Additional Subordinated Obligations Requirements” means the requirements for the issuance or incurrence of Additional Subordinated Obligations specified in Section 15(a) (Negative Covenants – Indebtedness).

“Administrator” has the meaning provided in the preamble hereto.

“Agreement” has the meaning provided in the preamble hereto.

“Anticipated WIFIA Loan Disbursement Schedule” means the schedule set forth in Exhibit B (Anticipated WIFIA Loan Disbursement Schedule), reflecting the anticipated disbursement of proceeds of the WIFIA Loan, as such schedule may be amended from time to time pursuant to Section 4(d) (Disbursement Conditions; Quarterly Approval of Eligible Project Costs).

“Anti-Corruption Laws” means all laws, rules and regulations of any jurisdiction from time to time concerning or relating to bribery or corruption.

“Anti-Money Laundering Laws” means all U.S. and other applicable laws, rules and regulations of any jurisdiction from time to time concerning or related to anti-money laundering, including but not limited to those contained in the Bank Secrecy Act and the Patriot Act.

“Application” has the meaning provided in the recitals hereto.

“Balloon Indebtedness” means, with respect to any Parity Obligation or Subordinated Obligation, twenty-five percent (25%) or more of the principal or other face amount of which matures or becomes due on the same date or within a twelve (12)-month period (with mandatory sinking fund payments deemed to be payments of matured principal), that portion of such Parity Obligation or Subordinated Obligation which matures or becomes due on such date or within such twelve (12)-month period.


“Bankruptcy Related Event” means, with respect to the Borrower, (a) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any of its debts, or of a substantial part of the assets thereof, under any Insolvency Laws, or (ii) the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official for the Borrower or for a substantial part of the assets thereof and, in any case referred to in the foregoing subclauses (i) and (ii), such proceeding or petition shall continue undismissed for sixty (60) days, or an order or decree approving or ordering any of the foregoing shall be entered; (b) the Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official therefor or for a substantial part of the assets thereof, (ii) generally not be paying its debts as they become due unless such debts are the subject of a bona fide dispute, or become unable to pay its debts generally as they become due, (iii) fail to make a payment of WIFIA Debt Service in accordance with the provisions of Section 8 (Payment of Principal and Interest) and such failure is not cured within thirty (30) days following notification by the WIFIA Lender of failure to make such payment, (iv) make a general assignment for the benefit of creditors, (v) consent to the institution of, or fail to contest in a timely and appropriate manner, any
proceeding or petition with respect to it described in clause (a) of this definition, (vi) commence a voluntary proceeding under any Insolvency Law, or file a voluntary petition seeking liquidation, reorganization, an arrangement with creditors or an order for relief, in each case under any Insolvency Law, (vii) file an answer admitting the material allegations of a petition filed against it in any proceeding referred to in the foregoing subclauses (i) through (v), inclusive, of this clause (b), or (viii) take any action for the purpose of effecting any of the foregoing, including seeking approval or legislative enactment by any Governmental Authority to authorize commencement of a voluntary proceeding under any Insolvency Law; (c) (i) any Person shall commence a process pursuant to which all or a substantial part of the Net Revenues may be sold or otherwise disposed of in a public or private sale or disposition pursuant to a foreclosure of the Liens thereon securing the Obligations, or (ii) any Person shall commence a process pursuant to which all or a substantial part of the Net Revenues may be sold or otherwise disposed of pursuant to a sale or disposition of such Net Revenues in lieu of foreclosure; or (d) any receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official shall transfer, pursuant to directions issued by the Noteholders, funds on deposit in any of the Water System Accounts upon the occurrence and during the continuation of an Event of Default under this Agreement or an event of default under any Other Financing Document for application to the prepayment or repayment of any principal amount of the Obligations other than in accordance with the provisions of this Agreement or the applicable Other Financing Documents.

“Base Case Financial Model/Plan” means a financial model or plan prepared by the Borrower forecasting the capital costs of the Water System (including the Project) and the rates, revenues, operating expenses and major maintenance requirements of the Water System for time periods through the Final Maturity Date and based upon assumptions and methodology provided by the Borrower and acceptable to the WIFIA Lender as of the Effective Date, which model or plan shall be provided to the WIFIA Lender as a fully functional Microsoft Excel – based financial model or plan or such other format requested by the WIFIA Lender.

“Bond Buyer 20 Bond Index” means the index of such name published by The Bond Buyer daily financial publication, which can be found at bondbuyer.com/broker/bond-buyer-data, or, if such index is no longer published, a comparable index selected by the Borrower and approved by the WIFIA Lender.

“Borrower” has the meaning provided in the preamble hereto.

“Borrower Fiscal Year” means (a) as of the Effective Date, a fiscal year of the Borrower commencing on July 1 of any calendar year and ending on June 30 of the immediately succeeding calendar year or (b) such other fiscal year as the Borrower may hereafter adopt after giving thirty (30) days’ prior written notice to the WIFIA Lender in accordance with Section 15(f) (Negative Covenants – Fiscal Year).

“Borrower’s Authorized Representative” means any Person who shall be designated as such pursuant to Section 21 (Borrower’s Authorized Representative).

“Business Day” means any day other than a Saturday, a Sunday, or a day on which offices of the Government or the State are authorized to be closed or on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York.
“Capitalized Interest Period” means the period from (and including) the Effective Date to (but excluding) the first day of the initial Payment Period, subject to earlier termination as set forth in Section 8(b) (Payment of Principal and Interest – Capitalized Interest Period).

“Closing Certificate” has the meaning provided in Section 11(a)(viii) (Conditions Precedent – Conditions Precedent to Effectiveness).

“Code” means the Internal Revenue Code of 1986, or any successor tax code, as amended from time to time, and the applicable regulations proposed or promulgated thereunder.

“Congress” means the Congress of the United States of America.

“Construction Period” means the period from the Effective Date through the Substantial Completion Date.

“Construction Period Servicing Fee” has the meaning set forth in Section 10(a)(ii) (Fees and Expenses – Fees).

“Construction Schedule” means (a) the initial schedule or schedules on which the construction timetables for the Project are set forth, attached as Schedule II (Construction Schedule), and (b) any updates thereto included in the periodic reports, submitted to the WIFIA Lender pursuant to Section 16(d) (Reporting Requirements – Construction Reporting), most recently approved by the WIFIA Lender.

“Control” means, when used with respect to any particular Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or partnership or other ownership interests, by contract or otherwise, and the terms “Controlling” and “Controlled by” have meanings correlative to the foregoing.

“COP Refunding” means the anticipated refunding of the 2011 Certificates and 2013 Certificates through the issuance of Additional Parity Obligations.

“COP Refunding Date” means the date on which the COP Refunding has occurred.

“CPI” means the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, 1982-84=100 (not seasonally adjusted) or its successor, published by the Bureau of Labor Statistics and located at https://www.bls.gov/news.release/cpi.t01.htm.

“Debt” means all items that would be classified as a liability in accordance with GAAP, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases or financing leases in accordance with GAAP; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise
to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security
interest or other charge or encumbrance on property, whether or not the obligations have been
assumed; (h) all unfunded amounts under a loan agreement, letter of credit, or other credit facility
for which the Borrower would be liable, if such amounts were advanced under the credit facility;
and (i) obligations of the Borrower under any Swap Contract. For clarity, “Debt” shall not include
(x) accounts payable to trade creditors incurred in the ordinary course of business, (y) current
operating liabilities (other than for borrowed money) incurred in the ordinary course of business,
or (z) purchase money security indebtedness, provided that such indebtedness is secured only by
the asset being acquired and does not exceed one hundred percent (100%) of the purchase price of
the asset(s) being acquired.

“Debt Service” when used with respect to any Debt, means, as of any date of calculation
and with respect to any applicable period, the sum of (i) the interest due on such Debt during such
period, (ii) the principal (including mandatory sinking fund payments) due on such Debt during
such period, and (iii) any other regularly scheduled payments due on such Debt (e.g., annual fees);
provided, however, that for purposes of such calculation:

(a) unless a different subsection of this definition applies for purposes of
determining maturities or amortization, in determining the amount due in each period,
payment shall be assumed to be made in accordance with any amortization schedule
established for such Debt;

(b) Balloon Indebtedness shall be treated as if it were to be amortized in
substantially equal annual installments during the term of twenty (20) years from the
applicable date of calculation, assuming an annual interest rate equal to the Bond Buyer
20 Bond Index;

(c) in determining the Debt Service on any Debt which provides for interest to
be payable thereon at a rate per annum that may vary from time to time over the term
thereof in accordance with procedures provided in the instrument creating such Debt, for
which a Swap Contract is not in place and which for any future period of time is not
susceptible of precise determination, the interest rate on such Debt for any period prior to
the date of calculation or for which the interest rate has been determined shall be the actual
interest payable during such period, and for each year in which such Debt is Outstanding
and for which the actual interest rate cannot be determined, the interest rate on such Debt
for the period of determination shall be deemed to be the rate of interest based on the last
twelve (12)-month average of the Bond Buyer 20 Bond Index or such other rate that, in
the reasonable judgement of the WIFIA Lender, most closely approximates the rate of
interest otherwise applicable to such Debt; and

(d) for any Debt bearing interest at a variable interest rate for which a Swap
Contract is in place providing for a synthetic fixed interest rate to maturity or for a specific
term, the interest rate on such Debt shall be assumed to be the synthetic fixed interest rate
specified in such Swap Contract for such term.

“Default” means any event or condition that, with the giving of any notice, the passage of
time, or both, would be an Event of Default.
“Default Rate” means an interest rate equal to the sum of (a) the WIFIA Interest Rate plus (b) two hundred (200) basis points.

“Development Default” means (a) the Borrower abandons work or fails, in the reasonable judgment of the WIFIA Lender, to diligently prosecute the work related to the Project or (b) the Borrower fails to achieve Substantial Completion of the Project by January 31, 2026.

“Dollars” and “$” means the lawful currency of the United States of America.

“Effective Date” means the date of this Agreement.

“Eligible Project Costs” means amounts in the Project Budget approved by the WIFIA Lender, which are paid by or for the account of the Borrower in connection with the Project (including, as applicable, Project expenditures incurred prior to the receipt of WIFIA credit assistance), which shall arise from the following:

(a) development-phase activities, including planning, feasibility analysis (including any related analysis necessary to carry out an eligible project), revenue forecasting, environmental review, permitting, preliminary engineering and design work and other preconstruction activities;

(b) construction, reconstruction, rehabilitation, and replacement activities;

(c) the acquisition of real property or an interest in real property (including water rights, land relating to the Project and improvements to land), environmental mitigation (including acquisitions pursuant to Section 3905(8) of Title 33 of the United States Code), construction contingencies, and acquisition of equipment; or

(d) capitalized interest (with respect to Obligations other than the WIFIA Loan) necessary to meet market requirements, reasonably required reserve funds, capital issuance expenses, and other carrying costs during construction;

provided, that Eligible Project Costs must be consistent with all other applicable federal law, including the Act.

“Eligible Project Costs Documentation” has the meaning provided in Section 1 of Exhibit D-1 (Requisition Procedures).

“EMMA” means the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)1 of the Securities Exchange Act of 1934, as amended, and its successors.

“Environmental Laws” has the meaning provided in Section 12(p) (Representations and Warranties of Borrower – Environmental Matters).

“EPA” means the United States Environmental Protection Agency.
“Event of Default” has the meaning provided in Section 17(a) (Events of Default and Remedies).

“Event of Loss” means any event or series of events that causes any portion of the Water System to be damaged, destroyed or rendered unfit for normal use for any reason whatsoever, including through a casualty, a failure of title, or any loss of such property through eminent domain.

“Existing Indebtedness” means indebtedness of the Borrower that has been issued or incurred prior to the Effective Date, as listed and described in Schedule III (Existing Indebtedness).

“Existing Principal Project Contract” means each contract of the Borrower set forth in Part A of Schedule 12(n) (Principal Project Contracts).

“Federal Fiscal Year” means the fiscal year of the Government, which is the twelve (12)-month period that ends on September 30 of the specified calendar year and begins on October 1 of the preceding calendar year.

“Final Disbursement Date” means the earliest of (a) the date on which the WIFIA Loan has been disbursed in full; (b) the last anticipated date of disbursement set forth in the then-current Anticipated WIFIA Loan Disbursement Schedule; (c) the date on which the Borrower has certified to the WIFIA Lender that it will not request any further disbursements under the WIFIA Loan; (d) the date on which the WIFIA Lender terminates its obligations relating to disbursements of any undisbursed amounts of the WIFIA Loan in accordance with Section 17 (Events of Default and Remedies); and (e) the date that is one (1) year after the Substantial Completion Date.

“Final Maturity Date” means the earlier of (a) September 1, 2059 (or such earlier date as is set forth in an updated Exhibit F (WIFIA Debt Service) pursuant to Section 8(e) (Payment of Principal and Interest – Adjustments to Loan Amortization Schedule)); and (b) the Payment Date immediately preceding the date that is thirty-five (35) years following the Substantial Completion Date.

“Finance and Business Services Manager” means the chief financial officer and business manager for the Borrower.

“Financial Statements” has the meaning provided in Section 12(t) (Representations and Warranties of Borrower – Financial Statements).

“Fitch” means Fitch Inc. and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody’s) designated by the Borrower with written notice to the WIFIA Lender.

“GAAP” means generally accepted accounting principles for U.S. state and local governments, as established by the Government Accounting Standards Board (or any successor entity with responsibility for establishing accounting rules for governmental entities), in effect from time to time in the United States of America.
“Government” means the United States of America and its departments and agencies.

“Governmental Approvals” means all authorizations, consents, approvals, waivers, exceptions, variances, filings, permits, orders, licenses, exemptions and declarations of or with any Governmental Authority.

“Governmental Authority” means any federal, state, provincial, county, city, town, village, municipal or other government or governmental department, commission, council, court, board, bureau, agency, authority or instrumentality (whether executive, legislative, judicial, administrative or regulatory), of or within the United States of America or its territories or possessions, including the State and its counties and municipalities, and their respective courts, agencies, instrumentalities and regulatory bodies, or any entity that acts “on behalf of” any of the foregoing, whether as an agency or authority of such body.

“Gross Revenues” means, for any period of computation, all gross charges received for, and all other gross income and revenues derived by the Borrower from, the ownership or operation of the Water System or otherwise arising from the Water System during such period, including but not limited to (a) all fees, tolls, assessments, rates and charges received by the Borrower for use of the Water System, (b) all receipts derived from the investment of funds held by the Borrower or any trustee appointed for any Debt, (c) transfers from (but exclusive of any transfers to) the Rate Stabilization Fund, and (d) all moneys received by the Borrower from other public entities whose inhabitants are served pursuant to contracts with the Borrower.

“Hedging Termination Obligations” means the aggregate amount payable to the Hedging Transaction counterparties by the Borrower upon the early termination of all or a portion of the Hedging Transaction, net of all amounts payable to the Borrower by such Hedging Transaction counterparties upon such early termination.

“Hedging Transaction” means any interest rate protection agreement, interest rate swap transaction, interest rate “cap” transaction, interest rate future, interest rate option or other similar interest rate hedging arrangement commonly used in loan transactions to hedge against interest rate increases.

“Indemnitee” has the meaning provided in Section 32 (Indemnification).

“Insolvency Laws” means the United States Bankruptcy Code, 11 U.S.C. § 101 et seq., as from time to time amended and in effect, and any state bankruptcy, insolvency, receivership, conservatorship or similar law now or hereafter in effect.

“Installment Sale Agreements” means, collectively, the 2011 Installment Sale Agreement and the 2013 Installment Sale Agreement, and “Installment Sale Agreement” means, individually, either of the 2011 Installment Sale Agreement or the 2013 Installment Sale Agreement, as the context requires.

“Installment Sale Agreements Documents” means the 2011 Certificates, the 2011 Installment Sale Agreement, the 2011 Trust Agreement, the 2013 Certificates, the 2013 Installment Sale Agreement, the 2013 Trust Agreement and each other agreement, instrument and document executed and delivered pursuant to or in connection with any of the foregoing.
“Interest Payment Date” means each March 1 and September 1, commencing on the WIFIA Debt Service Payment Commencement Date.

“Interim Financing Facility” means the revolving credit facility provided to the Borrower pursuant to the Interim Financing Agreement. As of the date hereof, the Interim Financing Facility is a Subordinated Obligation. Upon the COP Refunding, the Interim Financing Facility will become a Parity Obligation in accordance with the terms of the Interim Financing Agreement.

“Interim Financing Agreement” means that certain credit agreement, dated as of July 8, 2020, by and between the Borrower, and COBANK, ACB, a federally-chartered instrumentality of the United States relating to the Borrower’s seventy-five million Dollars ($75,000,000) aggregate principal amount water revenue term revolving obligation.

“Investment Grade Rating” means a public rating no lower than ‘BBB-’, ‘Baa3’, ‘bbb-’, ‘BBB (low)’, or higher, from a Nationally Recognized Rating Agency.

“Lien” means any mortgage, pledge, hypothecation, assignment, mandatory deposit arrangement, encumbrance, attachment, lien (statutory or other), charge or other security interest, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including any sale-leaseback arrangement, any conditional sale or other title retention agreement, any financing lease having substantially the same effect as any of the foregoing, and the filing of any financing statement or similar instrument under the UCC or any other applicable law.

“Loan Amortization Schedule” means the Loan Amortization Schedule reflected in the applicable column of Exhibit F (WIFIA Debt Service), as amended from time to time in accordance with Section 8(e) (Payment of Principal and Interest – Adjustments to Loan Amortization Schedule).

“Loss Proceeds” means any proceeds of builders’ risk or casualty insurance (other than any proceeds from any policy of business interruption insurance insuring against loss of revenues upon the occurrence of certain casualties or events covered by such policy of insurance) or proceeds of eminent domain proceedings resulting from any Event of Loss.

“Maintenance and Operation Expenses” means the reasonable and necessary costs spent or incurred by the Borrower for maintaining and operating the Water System, calculated in accordance with sound accounting principles, and all reasonable and necessary expenses of management and repair and other expenses to maintain and preserve the Water System in good repair and working order, and including all reasonable and necessary administrative costs of the Borrower attributable to the Water System and this Agreement, such as salaries and wages and the necessary contribution to retirement of employees, overhead, insurance, taxes (if any), expenses, compensation and indemnification of any trustee, and fees of auditors, accountants, attorneys or engineers, and including all other reasonable and necessary costs of the Borrower or charges required to be paid by it to comply with the terms of this Agreement, but excluding: (i) depreciation, replacement and obsolescence charges or reserves therefor; (ii) the costs of the Borrower’s meter replacement program; (iii) the costs of the Borrower’s conservation rebate and
incentive program; (iv) staffing costs related to capital projects; and (v) amortization of intangibles or other bookkeeping entries of a similar nature.

“Material Adverse Effect” means a material adverse effect on (a) the Water System, the Project or the Gross Revenues, (b) the business, operations, properties, condition (financial or otherwise) or prospects of the Borrower, (c) the legality, validity or enforceability of any material provision of any WIFIA Loan Document or any other Related Document, (d) the ability of the Borrower to enter into, perform or comply with any of its material obligations under any WIFIA Loan Document or any other Related Document, (e) the validity, enforceability or priority of the Liens provided under this Agreement on the Net Revenues in favor of the WIFIA Lender or (f) the WIFIA Lender’s rights or remedies available under any WIFIA Loan Document.

“Maximum Annual Parity Debt Service” means, as of the date of calculation, the maximum amount of Parity Debt Service due in any Borrower Fiscal Year prior to the anticipated Final Maturity Date of the WIFIA Loan, and for purposes of the Additional Parity Obligations Requirements and the Additional Subordinated Obligations Requirements includes the maximum amount of Debt Service due on any Parity Obligations or Subordinated Obligations subsequent to the issuance of such Parity Obligations or Subordinated Obligations.

“Maximum Annual Total Debt Service” means, as of the date of calculation, the maximum amount of Total Debt Service due in any Borrower Fiscal Year prior to the anticipated Final Maturity Date of the WIFIA Loan, and for purposes of the Additional Parity Obligations Requirements and the Additional Subordinated Obligations Requirements includes the maximum amount of Debt Service due on any Parity Obligations or Subordinated Obligations subsequent to the issuance of such Parity Obligations or Subordinated Obligations.

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or S&P) designated by the Borrower with written notice to the WIFIA Lender.

“Nationally Recognized Rating Agency” means any nationally recognized statistical rating organization identified as such by the Securities and Exchange Commission.

“NEPA” means the National Environmental Policy Act of 1969, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time.

“NEPA Determination” means the [Finding of No Significant Impact][Categorical Exclusion][Record of Decision] for the Project issued by EPA on [___], 20[__] in accordance with NEPA.

“Net Loss Proceeds” means Loss Proceeds after excluding any proceeds of delay-in-start-up insurance and proceeds covering liability of the Borrower to third parties.

“Net Revenues” means Gross Revenues less Maintenance and Operation Expenses.
“Non-Debarment Certificate” means a certificate, signed by the Borrower’s Authorized Representative, as to the absence of debarment, suspension or voluntary exclusion from participation in Government contracts, procurement and non-procurement matters with respect to the Borrower and its principals (as defined in 2 C.F.R. § 180.995 and supplemented by 2 C.F.R. 1532.995), substantially in the form attached hereto as Exhibit C (Form of Non-Debarment Certificate).

“Non-Lobbying Certificate” means a certificate, signed by the Borrower’s Authorized Representative, with respect to the prohibition on the use of appropriated funds for lobbying pursuant to 49 C.F.R. § 20.100(b), substantially in the form attached hereto as Exhibit E (Form of Non-Lobbying Certificate).

“Note” means any notes (including the WIFIA Note) or any other evidences of indebtedness for borrowed money issued from time to time pursuant to this Agreement or any Other Financing Document.

“Noteholder” means, when used with respect to the WIFIA Note, the WIFIA Lender (and any subsequent registered holder of the WIFIA Note) and, when used with respect to any other Note or Obligation, the registered owner of such Note or Obligation.

“Obligation” means any Debt that is secured by a pledge and lien on all or a portion of the Net Revenues, including the WIFIA Loan, the Parity Obligations, and Subordinated Obligations.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Operating Period Servicing Fee” has the meaning set forth in Section 10(a)(iii) (Fees and Expenses – Fees).

“Organizational Documents” means: (a) the constitutional and statutory provisions that are the basis for the existence and authority of the Borrower, including any enabling statutes, ordinances or public charters and any other organic laws establishing the Borrower and (b) the resolutions, bylaws, code of regulations, operating procedures or other organizational documents (including any amendments, modifications or supplements thereto) of or adopted by the Borrower by which the Borrower, its powers, operations or procedures or its securities, bonds, notes or other obligations are governed or from which such powers are derived.

“Other Financing Documents” means (a) the Installment Sale Agreements, (b) the Interim Financing Agreement, (c) the SWRCB Loan Agreement, (d) Parity Obligations Instruments with respect to the COP Refunding, (e) any other Parity Obligations Instruments with respect to Additional Parity Obligations and (f) any Subordinated Obligations Instruments with respect to Additional Subordinated Obligations.

“Outstanding” means, with respect to Obligations, Obligations that have not been cancelled or legally defeased or discharged within the meaning of the WIFIA Loan Documents and the Other Financing Documents.
“Outstanding WIFIA Loan Balance” means the sum of (i) the aggregate principal amount of the WIFIA Loan drawn by the Borrower plus (ii) capitalized interest added to the principal balance of the WIFIA Loan minus (iii) the aggregate principal amount of the WIFIA Loan repaid by the Borrower, as determined in accordance with Section 8(e) (Payment of Principal and Interest – Adjustments to Loan Amortization Schedule).

“Parity Debt Service” means, for any period of calculation, Debt Service on Parity Obligations during such period.

“Parity Obligations” means any borrowing or indebtedness of the Borrower permitted under Section 15(a) (Negative Covenants – Indebtedness) and under the Other Financing Documents which ranks pari passu in right of payment and right of security with the WIFIA Loan, including the Existing Indebtedness listed in Part A of Schedule III (Existing Indebtedness).

“Parity Obligations Instruments” means the Installment Sale Agreements and any other resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement or other instrument under which any Additional Parity Obligation is issued or incurred.

“Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended, and all regulations promulgated thereunder.

“Payment Date” means each Interest Payment Date and each Principal Payment Date.

“Payment Default” has the meaning provided in Section 17(a)(i) (Events of Default and Remedies – Payment Default).

“Payment Period” means the six (6)-month period beginning on March 1, 2029 and ending on August 31, 2029 and each succeeding six (6)-month period thereafter; provided, that, if the WIFIA Debt Service Payment Commencement Date is earlier than September 1, 2029, the first Payment Period shall be the six (6)-month period ending on the date immediately prior to the WIFIA Debt Service Payment Commencement Date.

“Permitted Debt” means:

(a) Existing Indebtedness;

(b) the WIFIA Loan;

(c) Additional Parity Obligations that satisfy the Additional Parity Obligations Requirements and the requirements for the issuance or incurrence of Parity Obligations in the Other Financing Documents;

(d) Additional Subordinated Obligations that satisfy the Additional Subordinated Obligations Requirements and the requirements for the issuance or incurrence of Subordinated Obligations in the Other Financing Documents; and
(e) obligations incurred in respect of Hedging Transactions permitted under this Agreement.

“Permitted Investments” means (with respect to the investment of the proceeds of the WIFIA Loan or any construction or reserve account established and maintained pursuant to the Other Financing Documents):

(a) U.S. Government Obligations;

(b) obligations of any of the following Federal agencies which obligations represent the full faith and credit of the United States of America, including:

   (i) Export-Import Bank;
   
   (ii) Farm Credit Water System Financial Assistance Corporation;
   
   (iii) Rural Economic Community Development Administration (formerly the Farmers Home Administration);
   
   (iv) General Services Administration;
   
   (v) U.S. Maritime Administration;
   
   (vi) Small Business Administration;
   
   (vii) Government National Mortgage Association (GNMA);
   
   (viii) U.S. Department of Housing & Urban Development (PHA’s);
   
   (ix) Federal Housing Administration; and
   
   (x) Federal Financing Bank;

(c) direct obligations of any of the following Federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

   (i) senior debt obligations rated “Aaa” by Moody’s or Fitch and “AAA” by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
   
   (ii) obligations of the Resolution Funding Corporation (REFCORP); and
   
   (iii) senior debt obligations of the Federal Home Loan Bank Water System;

(d) U.S. dollar denominated deposit accounts (certificates of deposit), federal funds and bankers’ acceptances with domestic commercial banks which may include the
Trustee and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s or Fitch, and “A-1” or “A-1+” by S&P;

(e) commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s or Fitch and “A-1+” by S&P;

(f) a taxable or tax exempt government money market fund rated in one of the two highest categories by Moody’s, Fitch or Standard & Poor’s. Such money market funds may include funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(g) pre-refunded “Municipal Obligations” defined as follows: any obligations or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account of fund (the “escrow”), in the highest rating category of S&P and Moody’s (or Fitch) or any successors thereto; or

(ii) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (i) of the definition of U.S. Government Obligations hereinafter, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such obligations or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the obligations or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) municipal obligations rated “Aaa/AAA” or general obligations of the State with a rating of at least “A2/A” or higher by both S&P and Moody’s (or Fitch);

(i) investment agreements: (1) with financial institutions whose long-term general credit rating is A or better from the Nationally Recognized Rating Agency, by the terms of which the Trustee may withdraw funds from the provider of such investment agreement if such rating falls below “A”; or (2) which are fully collateralized by Permitted Investments described in (a), (b) or (c) of this definition in an amount at least equal to one hundred five percent (105%) of the amount being invested in such investment agreement, by the terms of which such collateral is valued at least quarterly, and the Trustee may withdraw funds from the provider of such investment agreement if the market value of such collateral falls below one hundred five percent (105%) of the amount invested in such investment agreement; and
the Local Agency Investment Fund referred to in Section 16429.1 of the Government Code of the State.

“Permitted Liens” means:

(a) Liens imposed pursuant to the WIFIA Loan Documents;
(b) Liens imposed pursuant to the Installment Sale Agreements Documents;
(c) Liens imposed pursuant to the Interim Financing Agreement;
(d) Liens imposed pursuant to any other Parity Obligations Instruments or Subordinated Obligations Instruments;
(e) Liens imposed by law, including Liens for taxes that are not yet due or are being contested in compliance with Section 14(j) (Affirmative Covenants – Material Obligations);
(f) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than thirty (30) days or are being contested in compliance with Section 14(j) (Affirmative Covenants – Material Obligations);
(g) pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, unemployment insurance, and other social security laws or regulations;
(h) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;
(i) judgment Liens in respect of judgments that do not constitute an Event of Default under Section 17(a)(vi) (Events of Default and Remedies – Material Adverse Judgment); and
(j) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that, in any case, do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower.

“Person” means and includes an individual, a general or limited partnership, a joint venture, a corporation, a limited liability company, a trust, an unincorporated organization and any Governmental Authority.

“Principal Payment Date” means each March 1 and September 1, commencing on the WIFIA Debt Service Payment Commencement Date.
“Principal Project Contracts” means the Existing Principal Project Contracts and the Additional Principal Project Contracts.

“Principal Project Party” means any Person (other than the Borrower) party to a Principal Project Contract.

“Project” means works undertaken by the Borrower to obtain treated municipal wastewater (source water) and purify it to produce high-quality purified water for groundwater basin recharge. Project components include a new tertiary treatment facility at the Santa Cruz Wastewater Treatment Facility (SC WWTF) in the City of Santa Cruz, an advanced water purification facility (AWPF) at a site near the intersection of Chanticleer Avenue and Soquel Drive (the Chanticleer AWPF) in Live Oak, the installation of seawater intrusion prevention (SWIP)/recharge wells and associated monitoring wells, an operations and maintenance facility to support the AWPF, an educational learning center, and the installation of new pumps and pipelines infrastructure for the conveyance of tertiary effluent (source water), reverse osmosis concentrate, and purified water between SC WWTF, the Chanticleer AWPF, and the SWIP facility.

“Project Budget” means the budget for the Project attached to this Agreement as Schedule I (Project Budget) showing a summary of Total Project Costs with a breakdown of all Eligible Project Costs and the estimated sources and uses of funds for the Project.

“Projected Substantial Completion Date” means January 31, 2025, as such date may be adjusted in accordance with Section 16(d) (Reporting Requirements – Construction Reporting).

“Public Benefits Report” has the meaning provided in Section 16(e) (Reporting Requirements – Public Benefits Report).

“Rate Covenant” has the meaning set forth in Section 14(a) (Affirmative Covenants – Rate Covenant).

“Rate Stabilization Fund” means any fund established and maintained within Borrower’s treasury in accordance with Section 14(h)(ii) (Affirmative Covenants – Water System Accounts; Permitted Investments) and Section 5.02 of the Installment Sale Agreements.

“Related Documents” means the WIFIA Loan Documents, the Installment Sale Agreements Documents, the Interim Financing Agreement, the SWRCB Loan Agreement, the Hedging Transactions (if any) and the Principal Project Contracts.

“Requisition” has the meaning provided in Section 4(a) (Disbursement Conditions; Quarterly Approval of Eligible Project Costs).

“Sanctioned Country” means, at any time, a country or territory which is itself the subject or target of any Sanctions.

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC or the U.S. Department of State, (b) any Person operating, organized or resident in a Sanctioned Country, or (c) any Person owned or controlled by any such Person or Persons.
“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered, or enforced from time to time by the Government, including those administered by OFAC or the U.S. Department of State.

“Servicer” means such entity or entities as the WIFIA Lender shall designate from time to time to perform, or assist the WIFIA Lender in performing, certain duties hereunder.

“Servicing Fee” means the Servicing Set-Up Fee and any Construction Period Servicing Fee or Operating Period Servicing Fee.

“Servicing Set-Up Fee” has the meaning set forth in Section 10(a)(i) (Fees and Expenses – Fees).

“State” has the meaning provided in the preamble hereto.

“Standard & Poor’s” or “S&P” means S&P Global Ratings Inc., and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” or “S&P” shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or Moody’s) designated by the Borrower with written notice to the WIFIA Lender.

“Subordinated Obligations” means any Obligation that (a) is fully subordinated to the WIFIA Loan and the WIFIA Note in priority of payment (as to both principal and interest), voting and priority of security interest in the Net Revenues, including with respect to payment from revenues and reserves and payment upon default or acceleration of any such Obligations, and (b) upon issuance, will not adversely affect the then-applicable ratings of Parity Obligations or the WIFIA Loan.

“Subordinated Obligations Instruments” means the Interim Financing Agreement (until the COP Refunding Date) and any other resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement or other instrument under which any Additional Subordinated Obligation is issued or incurred.

“Substantial Completion” means, with respect to the Project, the stage at which the Project is able to perform the functions for which the Project is designed.

“Substantial Completion Date” means the date on which the Borrower certifies to the WIFIA Lender, with evidence satisfactory to the WIFIA Lender, that Substantial Completion has occurred.

“Swap Contract” means any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is
governed by or subject to any master agreement, and any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“SWRCB” means the California State Water Resources Control Board.

“SWRCB Grant Agreement” means a grant agreement anticipated to be entered into by the Borrower with the SWRCB pursuant to the SWRCB’s Proposition 1 Groundwater Grant Program and evidencing a grant to the Borrower in an amount equal to [fifty million Dollars ($50,000,000)], as identified in the Base Case Financial Model/Plan.

“SWRCB Loan Agreement” means a loan agreement anticipated to be entered into by the Borrower with the SWRCB pursuant to the SWRCB’s Seawater Intrusion Control (SWIC) Loan Program and evidencing a loan to the Borrower in an amount anticipated to equal to [thirty-six million Dollars ($36,000,000)], as identified in the Base Case Financial Model/Plan.

“Technical and Rate Consultant” means a single individual or firm, or a combination of one or more individuals or firms, not related to the Borrower and considered independent with respect to the Borrower (i.e. not an employee of the Borrower or any affiliate of the Borrower) authorized to do business in and qualified to practice in the areas required to provide the services required of the Technical and Rate Consultant, that together have expertise in the technical requirements for operation and maintenance of water systems similar in size and scope to the Water System and delivering the services provided by the Water System, and establishing rates and charges for governmental water or wastewater systems similar in size and scope to the Water System, selected by the Borrower and not unacceptable to the WIFIA Lender, acting reasonably.

“Total Debt Service” means, for any period of calculation, Debt Service on all Obligations, including the WIFIA Loan, Parity Obligations and Subordinated Obligations, during such period.

“Total Project Costs” means (a) the costs paid or incurred or to be paid or incurred by the Borrower in connection with or incidental to the acquisition, design, construction and equipping of the Project, including legal, administrative, engineering, planning, design, insurance and financing (including costs of issuance); (b) amounts, if any, required by the WIFIA Loan Documents or any Other Financing Documents to be paid into any fund or account upon the incurrence of the WIFIA Loan, any Parity Obligations, or any Subordinated Obligations, in each case in respect of the Project; (c) payments when due (whether at the maturity of principal, the due date of interest, or upon optional prepayment) during the Construction Period in respect of any indebtedness of the Borrower, in each case in connection with the Project (other than the WIFIA Loan); and (d) costs of equipment and supplies and initial working capital and reserves required by the Borrower for the commencement of operation of the Project, including general administrative expenses and overhead of the Borrower.
“Trustee” means The Bank of New York Mellon Trust Company, N.A., as Trustee under the 2011 Trust Agreement and the 2013 Trust Agreement.

“Uncontrollable Force” means any cause beyond the control of the Borrower, including: (a) a hurricane, tornado, flood or similar occurrence, landslide, earthquake, fire or other casualty, strike or labor disturbance, freight embargo, act of a public enemy, explosion, war, blockade, terrorist act, insurrection, riot, general arrest or restraint of government and people, civil disturbance or similar occurrence, sabotage, or act of God (provided, that the Borrower shall not be required to settle any strike or labor disturbance in which it may be involved) or (b) the order or judgment of any federal, state or local court, administrative agency or governmental officer or body, if it is not also the result of willful or negligent action or a lack of reasonable diligence of the Borrower and the Borrower does not control the administrative agency or governmental officer or body; provided, that the diligent contest in good faith of any such order or judgment shall not constitute or be construed as a willful or negligent action or a lack of reasonable diligence of the Borrower.

“Uniform Commercial Code” or “UCC” means the Uniform Commercial Code, as in effect from time to time in the State.

“Updated Financial Model/Plan” means the Base Case Financial Model/Plan, updated in accordance with Section 16(a) (Reporting Requirements – Updated Financial Model/Plan), or an up-to-date financial plan in a form acceptable to the WIFIA Lender.

“U.S. Government Obligations” any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein: (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and (b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America.

“Variable Interest Rate” means a variable interest rate to be borne by any Permitted Debt. The method of computing such variable interest rate shall be specified in the Other Financing Document pursuant to which such Permitted Debt is incurred. Such Other Financing Document shall also specify either (a) the particular period or periods of time for which each value of such variable interest rate shall remain in effect or (b) the time or times upon which any change in such variable interest rate shall become effective.

“Variable Interest Rate Obligations” means Permitted Debt which bears a Variable Interest Rate, but does not include any Permitted Debt for which the interest rate has been fixed during the remainder of the term thereof to maturity.

“Water Revenue Fund” means the “Water Revenue Fund” account established and maintained by the Borrower.

“Water System” means the existing water system of the Borrower, comprising all facilities for the transportation, treatment and distribution of water for the residential, commercial and
industrial consumers of water in the territory of the Borrower, together with all additions,
extensions and improvements thereto, including the Project.

“Water System Accounts” means the Water Revenue Fund and the Rate Stabilization Fund.

“WIFIA” has the meaning provided in the recitals hereto.

“WIFIA Debt Service” means with respect to any Payment Date occurring on or after the WIFIA Debt Service Payment Commencement Date, the principal portion of the Outstanding WIFIA Loan Balance and any interest payable thereon (including interest accruing after the date of any filing by the Borrower of any petition in bankruptcy or the commencement of any bankruptcy, insolvency or similar proceeding with respect to the Borrower), in each case, (a) as set forth on Exhibit F (WIFIA Debt Service) and (b) due and payable on such Payment Date in accordance with the provisions of Section 8(a) (Payment of Principal and Interest – Payment of WIFIA Debt Service).

“WIFIA Debt Service Payment Commencement Date” means the earliest to occur of either (a) September 1, 2029; or (b) if the Capitalized Interest Period ends pursuant to Section 8(b) (Payment of Principal and Interest – Capitalized Interest Period) due to the occurrence of an Event of Default, the first Payment Date immediately following the end of the Capitalized Interest Period; or (c) the Payment Date falling closest to, but not later than, the fifth anniversary of the Substantial Completion Date.

“WIFIA Interest Rate” has the meaning provided in Section 6 (Interest Rate).

“WIFIA Lender” has the meaning provided in the preamble hereto.

“WIFIA Lender’s Authorized Representative” means the Administrator and any other Person who shall be designated as such pursuant to Section 22 (WIFIA Lender’s Authorized Representative).

“WIFIA Loan” means the secured loan made by the WIFIA Lender to the Borrower on the terms and conditions set forth herein, pursuant to the Act, in a principal amount not to exceed eighty-eight million nine hundred seventy-four thousand four hundred Dollars ($88,974,400) (excluding capitalized interest), to be used in respect of Eligible Project Costs paid or incurred by the Borrower.

“WIFIA Loan Documents” means this Agreement and the WIFIA Note.

“WIFIA Note” means the Note delivered by the Borrower in substantially the form of Exhibit A (Form of WIFIA Note).

“WIFIA Resolution” means Resolution No. 20-[, ], adopted by the Board of Directors of the Borrower on August [, ] 2020, authorizing the execution and delivery of this Agreement, the WIFIA Note, and certain related actions by the Borrower in connection with the issuance of the WIFIA Loan.
Section 2. Interpretation.

(a) Unless the context shall otherwise require, the words “hereto,” “herein,” “hereof” and other words of similar import refer to this Agreement as a whole.

(b) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and vice versa.

(c) Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise require.

(d) The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.”

(e) Whenever the Borrower’s knowledge is implicated in this Agreement or the phrase “to the Borrower’s knowledge” or a similar phrase is used in this Agreement, the Borrower’s knowledge or such phrase(s) shall be interpreted to mean to the best of the Borrower’s knowledge after reasonable and diligent inquiry. Unless the context shall otherwise require, references to any Person shall be deemed to include such Person’s successors and permitted assigns.

(f) Unless the context shall otherwise require, references to preambles, recitals, sections, subsections, clauses, schedules, exhibits, appendices and provisions are to the applicable preambles, recitals, sections, subsections, clauses, schedules, exhibits, appendices and provisions of this Agreement.

(g) The schedules and exhibits to this Agreement, and the appendices and schedules to such exhibits, are hereby incorporated by reference and made an integral part of this Agreement.

(h) The headings or titles of this Agreement and its sections, schedules or exhibits, as well as any table of contents, are for convenience of reference only and shall not define or limit its provisions.

(i) Unless the context shall otherwise require, all references to any resolution, contract, agreement, lease or other document shall be deemed to include any amendments or supplements to, or modifications or restatements or replacements of, such documents that are approved from time to time in accordance with the terms thereof and hereof.

(j) Every request, order, demand, application, appointment, notice, statement, certificate, consent or similar communication or action hereunder by any party shall, unless otherwise specifically provided, be delivered in writing in accordance with Section 31 (Notices) and signed by a duly authorized representative of such party.

(k) References to “disbursements of WIFIA Loan proceeds” or similar phrasing shall be construed as meaning the same thing as “paying the purchase price of the WIFIA Note.”

(l) Whenever this Agreement requires a change in principal amount, interest rate or amortization schedule of the WIFIA Loan, it is intended that such change be reflected in the WIFIA
Note. Whenever there is an optional prepayment of the WIFIA Loan, it is intended that such prepayment be implemented through a prepayment of the WIFIA Note.

ARTICLE II
THE WIFIA LOAN

Section 3. WIFIA Loan Amount. The principal amount of the WIFIA Loan shall not exceed eighty-eight million nine hundred seventy-four thousand four hundred Dollars ($88,974,400) (excluding any interest that is capitalized in accordance with the terms hereof). WIFIA Loan proceeds available to be drawn shall be disbursed from time to time in accordance with Section 4 (Disbursement Conditions; Quarterly Approval of Eligible Project Costs) and Section 11(b) (Conditions Precedent – Conditions Precedent to Disbursements).

Section 4. Disbursement Conditions; Quarterly Approval of Eligible Project Costs.

(a) WIFIA Loan proceeds shall be disbursed solely in respect of Eligible Project Costs paid or incurred and approved for payment by or on behalf of the Borrower in connection with the Project, including for the purpose of paying or redeeming, in whole or in part, amounts owed by the Borrower under the Interim Financing Agreement the proceeds of which were applied to pay Eligible Project Costs. If the Borrower intends to utilize the WIFIA Loan proceeds to make progress payments for Project construction work performed under the Principal Project Contracts, the Borrower shall demonstrate to the satisfaction of the WIFIA Lender that such progress payments are commensurate with the cost of the work that has been completed. Each disbursement of the WIFIA Loan shall be made pursuant to a requisition and certification (a “Requisition”) in the form set forth in Appendix 1 (Form of Requisition) to Exhibit D-1 (Requisition Procedures), along with all documentation and other information required thereby, submitted by the Borrower to, and approved by, the WIFIA Lender, all in accordance with the procedures of Exhibit D-1 (Requisition Procedures) and subject to the requirements of this Section 4 and the conditions set forth in Section 11(b) (Conditions Precedent – Conditions Precedent to Disbursements); provided, that no disbursements of WIFIA Loan proceeds shall be made after the Final Disbursement Date.

(b) Each Requisition shall include a certification by the Borrower certifying as to the following: (i) whether reimbursement or payment is being requested with respect to (A) Eligible Project Costs for which Eligible Project Costs Documentation has been submitted by the Borrower pursuant to Section 4(e) and approved by the WIFIA Lender pursuant to Section 4(f) or (B) other Eligible Project Costs incurred by the Borrower; (ii) the amount for which reimbursement or payment is being requested has not been reimbursed or paid by any previous disbursement of WIFIA Loan proceeds; and (iii) to the extent any Eligible Project Costs described in clause (i)(B) above are included in the Requisition, that such Eligible Project Costs have not and will not be submitted by the Borrower for approval pursuant to Section 4(e) and Section 4(f).

(c) The Borrower shall deliver copies of each Requisition to the WIFIA Lender and the Servicer (if any) on or before the first (1st) Business Day of each month for which a disbursement is requested. If the WIFIA Lender shall expressly approve a Requisition or shall not expressly deny a Requisition, disbursements of funds shall be made on the fifteenth (15th) day of
the month for which a disbursement has been requested, or on the next succeeding Business Day if such fifteenth (15th) day is not a Business Day. Express WIFIA Lender approval or denial shall be substantially in the form annexed hereto as Appendix 2 ([Approval/Disapproval of the WIFIA Lender]) to Exhibit D-1 (Requisition Procedures). In no event shall disbursements be made more than once each month.

(d) At the time of any disbursement, the sum of all prior disbursements of WIFIA Loan proceeds and the disbursement then to be made shall not exceed the cumulative disbursements through the end of the then-current Federal Fiscal Year set forth in the Anticipated WIFIA Loan Disbursement Schedule, as the same may be amended from time to time in accordance with the terms of this Agreement. Subject to this Section 4, any scheduled disbursement (as reflected in the Anticipated WIFIA Loan Disbursement Schedule) that remains undrawn at the end of any Federal Fiscal Year shall automatically roll forward to be available in the next succeeding Federal Fiscal Year up to the last anticipated date of disbursement set forth in the Anticipated WIFIA Loan Disbursement Schedule, having the effect of automatically updating the Anticipated WIFIA Loan Disbursement Schedule without need for the WIFIA Lender’s approval. The Borrower may also amend the Anticipated WIFIA Loan Disbursement Schedule by submitting a revised version thereof to the WIFIA Lender no later than thirty (30) days prior to the proposed effective date of such amendment, together with a detailed explanation of the reasons for such revisions. Such revised Anticipated WIFIA Loan Disbursement Schedule shall become effective upon the WIFIA Lender’s approval thereof, which approval shall be granted in the WIFIA Lender’s sole discretion.

(e) On a quarterly basis, the Borrower shall submit to the WIFIA Lender Eligible Project Costs Documentation, satisfactory to the WIFIA Lender in form and substance, with respect to any costs incurred by the Borrower in respect of the Project evidencing that such costs are Eligible Project Costs, or, if the Borrower elects in any quarter not to submit Eligible Project Costs Documentation, a written statement indicating such election; provided that no such submission shall be required (x) before the date that is sixty (60) days after the Effective Date or (y) for any costs incurred prior to the Effective Date.

(f) The Eligible Project Costs Documentation submitted pursuant to Section 4(e) shall contain sufficient detail to enable the WIFIA Lender to verify that any costs submitted by the Borrower for reimbursement are Eligible Project Costs. Within thirty (30) days following the receipt of the Eligible Project Costs Documentation, the WIFIA Lender shall deliver a notice to the Borrower confirming (i) which Eligible Project Costs incurred by the Borrower have been approved or denied (and, if denied, the reasons therefor) and (ii) the cumulative amount of Eligible Project Costs that have been approved with respect to the Borrower. Any approved amounts of Eligible Project Costs shall be disbursed at such time as the Borrower submits a Requisition in respect of such approved amounts in accordance with Section 4(a) and Section 4(b). The Borrower shall not submit a Requisition that seeks reimbursement of Eligible Project Costs for which the related Eligible Project Costs Documentation was not delivered to the WIFIA Lender and the Servicer (if any) at least one (1) month prior to the date such Requisition is submitted.
Section 5. Term. The term of the WIFIA Loan shall extend from the Effective Date to the Final Maturity Date or to such earlier date as all amounts due or to become due to the WIFIA Lender hereunder have been irrevocably paid in full in immediately available funds.

Section 6. Interest Rate. The interest rate with respect to the Outstanding WIFIA Loan Balance (the “WIFIA Interest Rate”) shall be [●] and [●] hundredths percent ([___]%) per annum. Interest will accrue and be computed on the Outstanding WIFIA Loan Balance (as well as on any past due interest) from time to time on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months; provided, that, upon the occurrence of an Event of Default, the Borrower shall pay interest on the Outstanding WIFIA Loan Balance at the Default Rate, (a) in the case of any Payment Default, from (and including) its due date to (but excluding) the date of actual payment and (b) in the case of any other Event of Default, from (and including) the date of such occurrence to (but excluding) the earlier of the date on which (i) such Event of Default has been cured (if applicable) in accordance with the terms of this Agreement and (ii) the Outstanding WIFIA Loan Balance has been irrevocably paid in full in immediately available funds. For the avoidance of doubt, interest on the WIFIA Loan (and the corresponding WIFIA Note) shall accrue and be payable only on those amounts for which a Requisition has been submitted and funds (or such portion of funds as have been approved by the WIFIA Lender) have been disbursed to the Borrower in respect of Eligible Project Costs in accordance with Section 4 (Disbursement Conditions; Quarterly Approval of Eligible Project Costs).

Section 7. Security and Priority; Flow of Funds.

(a) As security for the WIFIA Loan, and concurrently with the issuance and delivery of this Agreement, the Borrower shall pledge, assign and grant to the WIFIA Lender for its benefit, Liens on the Net Revenues and shall deliver to the WIFIA Lender, as the registered owner, the WIFIA Note. The WIFIA Loan shall be secured by the Liens on the Net Revenues on a parity basis with the Parity Obligations and senior to all Subordinated Obligations. The obligations of the Borrower to pay WIFIA Debt Service under this Agreement constitute “Parity Obligations” under and as defined in the Installment Sale Agreements and the Interim Financing Agreement, and this Agreement constitutes a “Parity Obligations Instrument” under and as defined in the Installment Sale Agreements and the Interim Financing Agreement.

(b) Except (i) for Permitted Liens, or (ii) to the extent otherwise provided in Section 7(a), the Net Revenues will be free and clear of any pledge, Lien, charge or encumbrance thereon or with respect thereto, that is of equal rank with or senior to the pledge of the Borrower created under the WIFIA Loan Documents for the benefit of the WIFIA Lender, and all organizational, regulatory or other necessary action on the part of the Borrower with respect to the foregoing has been duly and validly taken.

(c) The Borrower shall not use Gross Revenues to make any payments or satisfy any obligations other than in accordance with the provisions of this Section 7 and shall not apply any portion of the Gross Revenues in contravention of this Agreement.

(d) All Gross Revenues shall be deposited into the Water Revenue Fund. Amounts deposited in the Water Revenue Fund shall be applied in the following order of priority:
(i) all Maintenance and Operation Expenses of the Water System estimated by the Borrower to become due and payable in such Borrower Fiscal Year;

(ii) on an equal basis, without preference or priority among all Parity Obligations, the Parity Debt Service, including the WIFIA Debt Service;

(iii) on an equal basis, without preference or priority among all Parity Obligations, if the balance of any debt service reserve account established for any Parity Obligation is less than the reserve requirement therefor (or if an amount is due by the Borrower to any provider of a debt service reserve insurance policy previously deposited to a debt service reserve account), the amount due by the Borrower to cure such deficiency or pay such amount due with respect to such debt service reserve account in accordance with the terms of the applicable Parity Obligation Instrument(s);

(iv) all other payments required for compliance with this Agreement or any Parity Obligation Instrument pursuant to which any Parity Obligations relating to the Water System shall have been issued or incurred; and

(v) all payments required to meet any other obligations of the Borrower which are charges, liens, encumbrances upon or payable from the Gross Revenues or the Net Revenues of the Water System, including on Subordinate Debt.

Section 8. Payment of Principal and Interest.

(a) Payment of WIFIA Debt Service.

(i) On each Payment Date occurring on or after the WIFIA Debt Service Payment Commencement Date, the Borrower shall pay WIFIA Debt Service by making (A) semi-annual payments of interest, on each Interest Payment Date, (B) semi-annual payments of principal, on each Principal Payment Date, and (C) payments of any other amounts on each other date on which payment thereof is required to be made hereunder (including the Final Maturity Date and any date on which payment is due by reason of the prepayment or the acceleration of the maturity of the WIFIA Loan or otherwise); provided, that if any such date is not a Business Day, payment shall be made on the next Business Day following such date. Payments of WIFIA Debt Service shall be made in the amounts and on the Payment Dates as set forth in Exhibit F (WIFIA Debt Service), as the same may be revised pursuant to Section 8(e) (Payment of Principal and Interest – Adjustments to Loan Amortization Schedule), and shall be calculated by the WIFIA Lender in such manner that each payment of WIFIA Debt Service is approximately equal, in order for the Outstanding WIFIA Loan Balance to be reduced to zero Dollars ($0) on the Final Maturity Date.

(ii) Notwithstanding anything herein to the contrary, the Outstanding WIFIA Loan Balance and any accrued interest thereon shall be due and payable in full on the Final Maturity Date (or on any earlier date on which the WIFIA Loan and
(b) **Capitalized Interest Period.** No payment of the principal of or interest on the WIFIA Loan is required to be made during the Capitalized Interest Period. Interest on amounts capitalized pursuant to this Section 8(b) shall commence on the date such interest is added to the principal balance of the WIFIA Loan (and corresponding WIFIA Note) during the Capitalized Interest Period. On each Principal Payment Date occurring during the Capitalized Interest Period, interest accrued on the WIFIA Loan in the six (6)-month period ending immediately prior to such date shall be capitalized and added to the Outstanding WIFIA Loan Balance. Within thirty (30) days after the end of the Capitalized Interest Period, the WIFIA Lender shall give written notice to the Borrower stating the Outstanding WIFIA Loan Balance as of the close of business on the last day of the Capitalized Interest Period, which statement thereof shall be deemed conclusive absent manifest error; provided, however, that no failure to give or delay in giving such notice shall affect any of the obligations of the Borrower hereunder or under any of the other WIFIA Loan Documents. Notwithstanding the foregoing, the Capitalized Interest Period shall end immediately upon written notification to the Borrower by the WIFIA Lender that an Event of Default has occurred, in which case the provisions of this Section 8(b) shall no longer apply and payments of principal and interest shall be currently due and payable in accordance with the terms hereof and interest shall no longer be capitalized. For purposes of this subsection, an Event of Default under Section 17(a)(v) (Events of Default and Remedies – Cross Default with Other Financing Documents) shall be deemed to have occurred upon the occurrence of any nonpayment of principal of, interest on or redemption price of Parity Obligations when due, regardless of whether the holders of the applicable Obligations or the Trustee for the applicable obligations, or any legal order, has waived, permitted deferral of, or forgiven any such payment.

(c) **WIFIA Note.** As evidence of the Borrower’s obligation to repay the WIFIA Loan, the Borrower shall issue and deliver to the WIFIA Lender, on or prior to the Effective Date, the WIFIA Note substantially in the form of Exhibit A (Form of WIFIA Note), having a maximum principal amount (excluding capitalized interest) of eighty-eight million nine hundred seventy-four thousand four hundred Dollars ($88,974,400), bearing interest at the WIFIA Interest Rate and having principal and interest payable on the same dates set forth herein. Any payment in respect of the WIFIA Note shall be treated as a payment in respect of the WIFIA Loan and any prepayment of principal in respect of the WIFIA Loan shall be treated as a redemption in respect of the WIFIA Note.

(d) **Manner of Payment.** Payments under this Agreement (and the WIFIA Note, which payments shall not be duplicative) shall be made by wire transfer on or before each Payment Date in Dollars and in immediately available funds (without counterclaim, offset or deduction) in accordance with the payment instructions set forth in Schedule IV (WIFIA Payment Instructions), as may be modified in writing from time to time by the WIFIA Lender.

(e) **Adjustments to Loan Amortization Schedule.** (i) The Outstanding WIFIA Loan Balance will be (A) increased on each occasion on which the WIFIA Lender disburses loan proceeds hereunder, by the amount of such disbursement of loan proceeds; (B) increased on each occasion on which interest on the WIFIA Loan is capitalized pursuant to the provisions of Section 8(b) (Payment of Principal and Interest – Capitalized Interest Period), by the amount of interest
so capitalized; and (C) decreased upon each payment or prepayment of the Outstanding WIFIA Loan Balance, by the amount of principal so paid. The WIFIA Lender may in its discretion at any time and from time to time, or when so requested by the Borrower, advise the Borrower by written notice of the amount of the Outstanding WIFIA Loan Balance as of the date of such notice, and its determination of such amount in any such notice shall be deemed conclusive absent manifest error.

(ii) The WIFIA Lender is hereby authorized to modify the Loan Amortization Schedule included in Exhibit F (WIFIA Debt Service) from time to time, in accordance with the principles set forth below in this Section 8(e), to reflect (A) any change to the Outstanding WIFIA Loan Balance, (B) any change to the date and amount of any principal or interest due and payable or to become due and payable by the Borrower under this Agreement, and (C) such other information as the WIFIA Lender may determine is necessary for administering the WIFIA Loan and this Agreement. Any calculations described above shall be rounded up to the nearest whole cent. Any adjustments or revisions to the Loan Amortization Schedule as a result of changes in the Outstanding WIFIA Loan Balance shall be applied to reduce future payments due on the WIFIA Note in inverse order of maturity, other than prepayments which shall be applied in accordance with Section 9(c) (Prepayment – General Prepayment Instructions). Absent manifest error, the WIFIA Lender’s determination of such matters as set forth on Exhibit F (WIFIA Debt Service) shall be conclusive evidence thereof; provided, however, that neither the failure to make any such recordation nor any error in such recordation shall affect in any manner the Borrower’s obligations hereunder or under any other WIFIA Loan Document. The WIFIA Lender shall provide the Borrower with a copy of Exhibit F (WIFIA Debt Service) as revised, but no failure to provide or delay in providing the Borrower with such copy shall affect any of the obligations of the Borrower under this Agreement or the other WIFIA Loan Documents.

Section 9. Prepayment.

(a) Optional Prepayments. The Borrower may prepay the WIFIA Loan in whole or in part (and, if in part, the amounts thereof to be prepaid shall be determined by the Borrower; provided, however, that such prepayments shall be in principal amounts of one million Dollars ($1,000,000) or any integral multiple of one Dollar ($1.00) in excess thereof), from time to time, but not more than one time annually, without penalty or premium, by paying to the WIFIA Lender such principal amount of the WIFIA Loan to be prepaid, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment, which shall be on a Payment Date unless otherwise agreed by the WIFIA Lender. Each prepayment of the WIFIA Loan pursuant to this Section 9(a) shall be made on such Payment Date and in such principal amount as shall be specified by the Borrower in a written notice delivered to the WIFIA Lender not less than ten (10) days or more than thirty (30) days prior to the date set for prepayment, unless otherwise agreed by the WIFIA Lender. At any time between delivery of such written notice and the applicable optional prepayment, the Borrower may, without penalty or premium, rescind its announced optional prepayment by further written notice to the WIFIA Lender. Anything in this Section 9(a) to the contrary notwithstanding, the failure by the Borrower to make any optional prepayment shall not constitute a breach or default under this Agreement.
(b) **Borrower’s Certificate.** Each prepayment pursuant to this Section 9 shall be accompanied by a certificate signed by the Borrower’s Authorized Representative containing a statement of the principal amount being repaid and a calculation in reasonable detail of the amount of interest due in connection with such prepayment.

(c) **General Prepayment Instructions.** Upon the WIFIA Lender’s receipt of confirmation that payment in full in immediately available funds of the entire Outstanding WIFIA Loan Balance and any unpaid interest, fees and expenses with respect thereto has occurred as a result of an optional prepayment, the WIFIA Lender shall surrender the WIFIA Note to the Borrower or its representative at the principal office of the WIFIA Lender. If the Borrower prepays only part of the unpaid balance of principal of the WIFIA Loan, the WIFIA Lender may make a notation on **Exhibit F (WIFIA Debt Service)** indicating the amount of principal of and interest on the WIFIA Loan then being prepaid. Absent manifest error, the WIFIA Lender’s determination of such matters as set forth on **Exhibit F (WIFIA Debt Service)** shall be conclusive evidence thereof; provided, however, that neither the failure to make any such recordation nor any error in such recordation shall affect in any manner the Borrower’s obligations hereunder or under any other WIFIA Loan Document. All partial prepayments of principal shall be applied to reduce future payments due on the WIFIA Loan in inverse order of maturity. If such funds have not been so paid on the prepayment date, such principal amount of the WIFIA Loan shall continue to bear interest until payment thereof at the rate provided for in Section 6 (**Interest Rate**).

Section 10. **Fees and Expenses.**

(a) **Fees.** The Borrower shall pay to the WIFIA Lender:

(i) a servicing set-up fee equal to [ten thousand four hundred ten Dollars ($10,410)] (the “**Servicing Set-Up Fee**”), which shall be due and payable within thirty (30) days after receipt of an invoice from the WIFIA Lender with respect thereto (or, if earlier, the first disbursement date of the WIFIA Loan);

(ii) an annual construction period servicing fee equal to [ten thousand four hundred ten Dollars ($10,410)] (the “**Construction Period Servicing Fee**”), which shall accrue on the first Business Day of the then-current Federal Fiscal Year and shall be due and payable on or prior to each November 15 during the Construction Period (including the Federal Fiscal Year during which the Substantial Completion Date occurs); provided, that the initial Construction Period Servicing Fee shall be due and payable within thirty (30) days after receipt of an invoice from the WIFIA Lender with respect thereto (or, if earlier, the first disbursement date of the WIFIA Loan), in a pro-rated amount equal to [zero Dollars ($0)]; and

(iii) an annual operating period servicing fee equal to [seven thousand eight hundred ten Dollars ($7,810)] (the “**Operating Period Servicing Fee**”), which shall accrue on the first Business Day of the then-current Federal Fiscal Year and shall be due and payable on or prior to each November 15, beginning with the first November 15 following the end of the Federal Fiscal Year during which the Substantial Completion Date occurs after September.

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1 **Note to Draft:** Each bracketed fee amount assumes a September close and is subject to adjustment if the closing occurs after September.
occurs, until (and including) the Final Maturity Date; provided, that the Operating Period Servicing Fee due and payable with respect to the Federal Fiscal Year during which the Final Maturity Date occurs shall be equal to the pro-rata monthly portion of the then applicable Operating Period Servicing Fee multiplied by the number of partial or whole months remaining between October 1 and the Final Maturity Date.

(b) The amount of each Construction Period Servicing Fee (other than the initial Construction Period Servicing Fee) and each Operating Period Servicing Fee shall be adjusted in proportion to the percentage change in CPI for the calendar year immediately preceding the calendar year during which such fee is due. The WIFIA Lender shall notify the Borrower of the amount of each such fee at least thirty (30) days before payment is due, which determination shall be conclusive absent manifest error.

(c) Expenses. The Borrower agrees, whether or not the transactions hereby contemplated shall be consummated, to reimburse the WIFIA Lender on demand from time to time, within thirty (30) days after receipt of any invoice from the WIFIA Lender, for any and all fees, costs, charges, and expenses incurred by it (including the fees, costs, and expenses of its legal counsel, financial advisors, auditors and other consultants and advisors) in connection with the negotiation, preparation, execution, delivery, and performance of this Agreement and the other WIFIA Loan Documents and the transactions hereby and thereby contemplated, including attorneys’, and engineers’ fees and professional costs, including all such fees, costs, and expenses incurred as a result of or in connection with: (i) the enforcement of or attempt to enforce, or the protection or preservation of any right or claim under, the Net Revenues or any provision of this Agreement or any of the other WIFIA Loan Documents or the rights of the WIFIA Lender thereunder; (ii) any amendment, modification, waiver, or consent with respect to this Agreement or any other Related Document; and (iii) any work-out, restructuring, or similar arrangement of the obligations of the Borrower under this Agreement or the other WIFIA Loan Documents, including during the pendency of any Event of Default.

(d) The obligations of the Borrower under this Section 10 shall survive the payment or prepayment in full or transfer of the WIFIA Note, the enforcement of any provision of this Agreement or the other WIFIA Loan Documents, any such amendments, waivers or consents, any Event of Default, and any such workout, restructuring, or similar arrangement.

ARTICLE III
CONDITIONS PRECEDENT

Section 11. Conditions Precedent.

(a) Conditions Precedent to Effectiveness. Notwithstanding anything in this Agreement to the contrary, this Agreement shall not become effective until each of the following conditions precedent has been satisfied or waived in writing by the WIFIA Lender in its sole discretion:

(i) The Borrower shall have duly executed and delivered to the WIFIA Lender this Agreement and the WIFIA Note, each in form and substance satisfactory to the WIFIA Lender.
The Borrower shall have delivered to the WIFIA Lender complete and fully executed copies of each Other Financing Document, together with any amendments, supplements, waivers or modifications thereto, that has been entered into on or prior to the Effective Date, along with a certification in the Closing Certificate that each such document is complete, fully executed and in full force and effect, and that all conditions contained in such documents that are necessary to the closing of the WIFIA transactions contemplated hereby have been fulfilled.

The Borrower shall have delivered to the WIFIA Lender complete and fully executed copies of each Existing Principal Project Contract, together with any amendments, supplements, waivers or modifications thereto, along with a certification in the Closing Certificate that each such document is complete, fully executed and in full force and effect.

The Borrower shall have delivered to the WIFIA Lender (A) a copy of its Organizational Documents, as in effect on the Effective Date (and certified by the Secretary of State of the State, to the extent applicable), along with a certification in the Closing Certificate that such Organizational Documents are in full force and effect, (B) a copy of the WIFIA Resolution, and (C) all further instruments and documents (including any resolutions, ordinances, and supplements) as are necessary for the Borrower to execute and deliver, and to perform its obligations under, the WIFIA Loan Documents to which it is a party and to consummate and implement the transactions contemplated by the WIFIA Loan Documents.

Counsel to the Borrower shall have rendered to the WIFIA Lender legal opinions satisfactory to the WIFIA Lender in its sole discretion (including those opinions set forth on Exhibit G-1 (Opinions Required from General Counsel to Borrower) and special counsel to the Borrower shall have rendered to the WIFIA Lender legal opinions satisfactory to the WIFIA Lender in its sole discretion (including those opinions set forth on Exhibit G-2 (Opinions Required from Special Counsel)).

The Borrower shall have delivered to the WIFIA Lender the Non-Debarment Certificate.

The Borrower shall have delivered to the WIFIA Lender the Non-Lobbying Certificate.

The Borrower shall have delivered to the WIFIA Lender a certificate, signed by the Borrower’s Authorized Representative, substantially in the form attached hereto as Exhibit H (Form of Closing Certificate) (the “Closing Certificate”) (A) designating the Borrower’s Authorized Representative, (B) confirming such person’s position and incumbency, and (C) certifying as to the satisfaction of the following conditions precedent:

1) the aggregate of all funds committed to the development and construction of the Project as set forth in the Base Case Financial Model/Plan and in the Project Budget are sufficient to carry out the Project,
pay all Total Project Costs anticipated for the Project and achieve Substantial Completion by the Projected Substantial Completion Date;

(2) the Borrower has obtained all Governmental Approvals necessary (x) as of the Effective Date in connection with the Project and (y) to execute and deliver, and perform its obligations under the WIFIA Loan Documents, and all such Governmental Approvals are final, non-appealable, and in full force and effect (and are not subject to any notice of violation, breach, or revocation);

(3) as of the Effective Date, (x) the maximum principal amount of the WIFIA Loan (excluding any interest that is capitalized in accordance with the terms hereof), together with the amount of any other credit assistance provided under the Act to the Borrower, does not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs and (y) the total federal assistance provided to the Project, including the maximum principal amount of the WIFIA Loan (excluding any interest that is capitalized in accordance with the terms hereof), does not exceed eighty percent (80%) of Total Project Costs;

(4) the Borrower is in compliance with NEPA and any applicable federal, state or local environmental review and approval requirements with respect to the Project, and, if requested by the WIFIA Lender, has provided evidence satisfactory to the WIFIA Lender of such compliance;

(5) the Borrower has developed, and identified adequate revenues to implement, a plan for operating, maintaining and repairing the Project during its useful life;

(6) the Borrower has (A) obtained a Federal Employer Identification Number, (B) obtained a Data Universal Numbering System number, and (C) registered with, and obtained confirmation of active registration status from, the federal System for Award Management (www.SAM.gov);

(7) the Borrower has obtained a CUSIP number for the WIFIA Loan for purposes of monitoring through EMMA;

(8) the representations and warranties of the Borrower set forth in the WIFIA Loan Agreement are true and correct on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct as of such earlier date; and

(9) no Material Adverse Effect, or any event or condition that could reasonably be expected to have a Material Adverse Effect, has occurred or arisen since May 1, 2020.
(ix) The Borrower shall have provided evidence to the WIFIA Lender’s satisfaction, no more than thirty (30) days prior to the Effective Date, of the assignment by at least two (2) Nationally Recognized Rating Agencies of a public Investment Grade Rating to the Parity Obligations then Outstanding and any Parity Obligations proposed to be issued for the Project (including the WIFIA Loan), along with a certification in the Closing Certificate that no such rating has been reduced, withdrawn or suspended as of the Effective Date.

(x) The Borrower shall have delivered to the WIFIA Lender a Base Case Financial Model/Plan in form and substance acceptable to the WIFIA Lender, along with a certification in the Closing Certificate that such Base Case Financial Model/Plan (A) demonstrates that projected Net Revenues are sufficient to meet the Loan Amortization Schedule, (B) demonstrates compliance with the Rate Covenant for each Borrower Fiscal Year through the Final Maturity Date, (C) reflects principal amortization and interest payment schedules acceptable to the WIFIA Lender and (D) demonstrates that the Borrower has developed, and identified adequate revenues to implement, a plan for operating, maintaining and repairing the Project over the useful life of the Project.

(xi) The Borrower shall have delivered to the WIFIA Lender (A) certificates of insurance along with a certification in the Closing Certificate that such insurance certificates are true and correct and demonstrates compliance with the requirements of Section 14(f) (Affirmative Covenants – Insurance) and (B) at the WIFIA Lender’s request, copies of such insurance policies.

(xii) No later than thirty (30) days prior to the Effective Date, the Borrower shall have delivered to the WIFIA Lender the Public Benefits Report.

(xiii) The Borrower shall have paid in full all invoices delivered by the WIFIA Lender to the Borrower as of the Effective Date for the fees and expenses of the WIFIA Lender’s counsel and financial advisors and any auditors or other consultants retained by the WIFIA Lender for the purposes hereof.

(xiv) The Borrower shall have delivered such other agreements, documents, instruments, opinions and other items required by the WIFIA Lender, all in form and substance satisfactory to the WIFIA Lender.2

(b) Conditions Precedent to Disbursements. Notwithstanding anything in this Agreement to the contrary, the WIFIA Lender shall have no obligation to make any disbursement of the WIFIA Loan proceeds to the Borrower (including the initial disbursement hereunder) until each of the following conditions precedent has been satisfied or waived in writing by the WIFIA Lender in its sole discretion:

(i) The Borrower shall have provided to the WIFIA Lender (A) evidence satisfactory to the WIFIA Lender that (1) the aggregate amount of all disbursements of the WIFIA Loan (including the requested disbursement but excluding any interest that is capitalized in accordance with the terms hereof) shall not exceed (x) the

2 Note to Draft: List of CPs to closing remains subject to review.
maximum principal amount of the WIFIA Loan, (y) the amount of Eligible Project Costs paid or incurred by the Borrower, and (z) the cumulative disbursements through the end of the current Federal Fiscal Year as set forth in the Anticipated WIFIA Loan Disbursement Schedule; and (2) the Borrower has sufficient funds committed to the Project, which together with funds that remain available and not yet drawn under the WIFIA Loan, will be sufficient to pay the reasonably anticipated remaining Total Project Costs; and (B) a certification that the total federal assistance provided to the Project, including the maximum principal amount of the WIFIA Loan (excluding any interest that is capitalized in accordance with the terms hereof), does not exceed eighty percent (80%) of Total Project Costs.

(ii) The Borrower shall have provided an Updated Financial Model/Plan in compliance with the requirements of Section 16(a) (Reporting Requirements – Updated Financial Model/Plan).

(iii) The Borrower shall have delivered to the WIFIA Lender a Requisition that complies with the provisions of Section 4 (Disbursement Conditions; Quarterly Approval of Eligible Project Costs) (including satisfactory Eligible Project Costs Documentation relating to such Requisition), and the WIFIA Lender shall have approved (or be deemed to have approved in accordance with Section 4(c) (Disbursement Conditions; Quarterly Approval of Eligible Project Costs)) such Requisition. The Borrower’s Authorized Representative shall also certify in such Requisition that:

1. all Governmental Approvals necessary as of the time of such disbursement for the development, construction, operation and maintenance of the Project have been issued and are in full force and effect (and are not subject to any notice of violation, breach or revocation);

2. each of the insurance policies obtained by the Borrower and by any applicable Principal Project Party in satisfaction of the requirements of Section 14(f) (Affirmative Covenants – Insurance) is in full force and effect, and no notice of termination thereof has been issued by the applicable insurance provider;

3. at the time of, and immediately after giving effect to, any disbursement of WIFIA Loan proceeds then currently requested, (1) no Default or Event of Default hereunder shall have occurred and be continuing and (2) no event of default or default that, with the giving of notice or the passage of time or both, would constitute an event of default, in each case, under any other Related Document, shall have occurred and be continuing. No Material Adverse Effect, or any event or condition that could reasonably be expected to result in a Material Adverse Effect, shall have occurred since May 1, 2020;

4. (1) the Borrower, and each of its contractors and subcontractors at all tiers with respect to the Project, has complied with all applicable laws, rules, regulations and requirements, including without limitation 40 U.S.C. §§3141-3144, 3146, and 3147 (relating to Davis-Bacon...
Act requirements) (and regulations relating thereto) and 33 U.S.C. §3914 (relating to American iron and steel products); and (2) supporting documentation, such as certified payroll records and certifications for all iron and steel products used for the Project, are being maintained and are available for review upon request by the WIFIA Lender; and

(5) the representations and warranties of the Borrower set forth in this Agreement (including Section 12 (Representations and Warranties of Borrower)) and in each other Related Document shall be true and correct as of each date on which any disbursement of the WIFIA Loan is made, except to the extent such representations and warranties expressly relate to an earlier date (in which case, such representations and warranties shall be true and correct as of such earlier date).

(iv) To the extent necessary to make the corresponding representations and warranties true, correct and complete as of the date of the applicable disbursement, the Borrower shall have delivered an updated version, in form and substance satisfactory to the WIFIA Lender, of Schedule 12(p) (Environmental Matters).

(v) To the extent not previously delivered to the WIFIA Lender, the Borrower shall have delivered to the WIFIA Lender copies of any Other Financing Document (including any amendment, waiver, modification or supplement thereto) entered into after the Effective Date, along with a certification in the Requisition that each such document is complete, fully executed and in full force and effect.

(vi) To the extent not previously delivered to the WIFIA Lender, the Borrower shall have provided copies of any Principal Project Contracts (including any amendment, waiver, modification or supplement thereto) entered into after the Effective Date, along with a certification in the Requisition that each such document is complete, fully executed and in full force and effect.

(vii) The Borrower shall have paid in full (A) any outstanding Servicing Fees due and payable under Section 10 (Fees and Expenses) and (B) all invoices received from the WIFIA Lender as of the date of disbursement of the WIFIA Loan and delivered by the WIFIA Lender to the Borrower, for the fees and expenses of the WIFIA Lender’s counsel and financial advisors and any auditors or other consultants retained by the WIFIA Lender for the purposes hereof.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Section 12. Representations and Warranties of Borrower. The Borrower hereby represents and warrants that, as of the Effective Date and, as to each of the representations and warranties below other than those contained in Section 12(b) (Representations and Warranties of Borrower – Officers’ Authorization), the first sentence of Section 12(f) (Representations and Warranties of Borrower – Litigation), Section 12(k) (Representations and Warranties of Borrower – Credit Ratings), and the first sentence of Section 12(n) (Representations and Warranties of
Borrower – Principal Project Contracts), as of each date on which any disbursement of the WIFIA Loan is requested or made:

(a) Organization; Power and Authority. The Borrower is a county water district duly organized and validly existing under its Organizational Documents and the laws of the State, has full legal right, power and authority to do business in the State and to enter into the Related Documents then in existence, to execute and deliver this Agreement and the WIFIA Note, and to carry out and consummate all transactions contemplated hereby and thereby and has duly authorized the execution, delivery and performance of this Agreement, the WIFIA Note, and the other Related Documents.

(b) Officers’ Authorization. As of the Effective Date, the officers of the Borrower executing (or that previously executed) the Related Documents, and any certifications or instruments related thereto, to which the Borrower is a party are (or were at the time of such execution) duly and properly in office and fully authorized to execute the same.

(c) Due Execution; Enforceability. Each of the Related Documents in effect as of any date on which this representation and warranty is made, and to which the Borrower is a party has been duly authorized, executed and delivered by the Borrower and constitutes the legal, valid and binding agreement of the Borrower enforceable against the Borrower in accordance with its terms, except as such enforceability (i) may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and (ii) is subject to general principles of equity (regardless of whether enforceability is considered in equity or at law).

(d) Non-Contravention. The execution and delivery of the Related Documents (except for the Installment Sale Agreements Documents), the consummation of the transactions contemplated by the Related Documents (except for the Installment Sale Agreements Documents), and the fulfillment of or compliance with the terms and conditions of all of the Related Documents (except for the Installment Sale Agreements Documents), will not (i) conflict with the Borrower’s Organizational Documents, (ii) conflict in any material respect with, or constitute a violation, breach or default (whether immediately or after notice or the passage of time or both) by the Borrower of or under, any applicable law, administrative rule or regulation, any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties or assets are otherwise subject or bound, or (iii) result in the creation or imposition of any prohibited Lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower.

(e) Consents and Approvals. No consent or approval of any trustee, holder of any indebtedness of the Borrower or any other Person, and no consent, permission, authorization, order or license of, or filing or registration with, any Governmental Authority is necessary in connection with (i) the execution and delivery by the Borrower of the Related Documents (except for the Installment Sale Agreements Documents), except as have been obtained or made and as are in full force and effect, or (ii) the consummation of any transaction contemplated by any Related Document (except for any Installment Sale Agreements Document) or (B) the fulfillment of or compliance by the Borrower with the terms and conditions of any Related Document (except
for any Installment Sale Agreements Document), except as have been obtained or made and as are in full force and effect or as are ministerial in nature and can reasonably be expected to be obtained or made in the ordinary course on commercially reasonable terms and conditions when needed.

(f) **Litigation.** Except as set forth in Schedule 12(f) (Litigation), there is no action suit, proceeding or, to the knowledge of the Borrower, any inquiry or investigation, in any case before or by any court or other Governmental Authority pending or, to the knowledge of the Borrower, threatened against or affecting the Water System (including the Project) or the ability of the Borrower to execute, deliver and perform its obligations under the WIFIA Loan Documents or any other Related Document. As of the Effective Date and as of each other date on which the representations and warranties herein are made or confirmed, there is no action, suit, proceeding or, to the knowledge of the Borrower, any inquiry or investigation before or by any court or other Governmental Authority pending, or to the knowledge of the Borrower, threatened against or affecting the Water System (including the Project), the Borrower or the assets, properties or operations of the Borrower, that in any case could reasonably be expected to result in a Material Adverse Effect. To the Borrower’s knowledge, there are no actions of the type described above pending or, threatened against or affecting any of the Principal Project Parties, except for matters arising after the Effective Date that could not reasonably be expected to (i) result in a Material Adverse Effect or (ii) adversely affect the Borrower’s ability to receive Net Revenues in amounts sufficient to meet the financial projections contained in the Base Case Financial Model/Plan (or any Updated Financial Model/Plan, to the extent any Updated Financial Model/Plan has been approved by the WIFIA Lender). The Borrower is not in default (and no event has occurred and is continuing that, with the giving of notice or the passage of time or both, could constitute a default) with respect to any Governmental Approval, which default could reasonably be expected to result in a Material Adverse Effect.

(g) **Security Interests.** (i) This Agreement and California Government Code Section 5451 establish, and (ii) the Borrower has taken all necessary action to pledge, assign, and grant, in each case in favor of the WIFIA Lender, legal, valid, binding and enforceable Liens on the Net Revenues purported to be created, pledged, assigned, and granted pursuant to and in accordance with this Agreement, irrespective of whether any Person has notice of the pledge and without the need for any physical delivery, recodification, filing, or further act, and the security interests created in the Net Revenues have been duly perfected under applicable State law. Such Liens are in full force and effect and are not subordinate or junior to any other Liens in respect of the Net Revenues, and not pari passu with any Liens other than the Liens on the Net Revenues in favor of the Parity Obligations. The Borrower is not in breach of any covenants set forth in Section 14(b) (Affirmative Covenants – Securing Liens) or in any Other Financings Documents with respect to the matters described in Section 14(b) (Affirmative Covenants – Securing Liens). As of the Effective Date and as of each other date this representation and warranty is made, (A) no recordation or filing of any documents or taking of any actions is necessary to establish a legal, valid, binding, and enforceable and perfected Lien on the Net Revenues in favor of the WIFIA Lender, and (B) no taxes or filing fees are due and payable in connection with the execution, delivery or recordation of this Agreement and WIFIA Loan Documents or any instruments, certificates or financing statements in connection with the foregoing. Neither the attachment, perfection, validity, enforceability or priority of the security interest in the Net Revenues granted pursuant to this Agreement and the WIFIA Loan Documents is governed by Article 9 of the UCC.
(h) **No Debarment.** The Borrower has fully complied with its verification obligations under 2 C.F.R. § 180.320 and confirms, based on such verification, that, to its knowledge, neither the Borrower nor any of its principals (as defined in 2 C.F.R. § 180.995 and supplemented by 2 C.F.R § 1532.995) is debarred, suspended or voluntarily excluded from participation in Government contracts, procurement or non-procurement matters or delinquent on a Government debt as more fully set forth in the certificate delivered pursuant to Section 11(a)(vi) *(Conditions Precedent – Conditions Precedent to Effectiveness)*.

(i) **Accuracy of Representations and Warranties.** The representations, warranties and certifications of the Borrower set forth in this Agreement and the other Related Documents are true, correct, and complete, except to the extent such representations and warranties expressly relate to an earlier date (in which case, such representations and warranties shall be true, correct, and complete as of such earlier date).

(j) **Compliance with Laws.**

(i) The Borrower, and each of its contractors and subcontractors at all tiers with respect to the Project, has complied with all applicable laws, rules, regulations and requirements, including without limitation 40 U.S.C. §§3141-3144, 3146, and 3147 (relating to Davis-Bacon Act requirements) (and regulations relating thereto) and 33 U.S.C. §3914 (relating to American iron and steel products).

(ii) To ensure such compliance, the Borrower has included in all contracts with respect to the Project (A) the contract clauses relating to the Davis-Bacon Act requirements that are set forth in the Code of Federal Regulations, Title 29 Part 5.5 and (B) requirements that its contractor(s) (1) shall comply with all applicable laws, rules, regulations, and requirements set forth in this Section 12(j) and follow applicable federal guidance and (2) incorporate in all subcontracts (and cause all subcontractors to include in lower tier subcontracts) such terms and conditions as are required to be incorporated therein by any applicable laws, rules, regulations and requirements set forth in this Section 12(j) (including without limitation with respect to the Davis-Bacon Act requirements).

(iii) No notices of violation of any applicable law have been issued, entered or received by the Borrower or, to the Borrower’s knowledge and solely in respect of the Project or any Principal Project Contract, any Principal Project Party, other than, in each case, notices of violations that are immaterial.

(iv) None of the Borrower nor, to the knowledge of the Borrower, any Principal Project Party, is (A) a Sanctioned Person or (B) in violation of or, since the date that is five (5) years prior to the Effective Date, has violated: (1) any applicable Anti-Money Laundering Laws; (2) any applicable Sanctions; (3) any applicable Anti-Corruption Laws; or (4) any applicable anti-drug trafficking, anti-terrorism, or anti-corruption laws, civil or criminal. There are no pending or, to the knowledge of the Borrower, threatened claims or investigations by any Governmental Authority against, or any internal investigations conducted by, the Borrower or any Principal Project Party, with respect to any possible or alleged violations of any Sanctions, Anti-Money Laundering Laws, Anti-Corruption Laws, or any anti-drug trafficking or anti-terrorism laws. No use of proceeds
of the WIFIA Loan or any other transaction contemplated by this Agreement or any other Related Document will violate any applicable Sanctions, Anti-Money Laundering Laws, or Anti-Corruption Laws, or any applicable anti-drug trafficking or anti-terrorism laws.

(k) **Credit Ratings.** The WIFIA Loan and the Parity Obligations then Outstanding have received a public Investment Grade Rating from at least two (2) Nationally Recognized Rating Agencies, written evidence of such ratings has been provided to the WIFIA Lender prior to the Effective Date, and no such rating has been reduced, withdrawn or suspended as of the Effective Date.

(l) **No Defaults.** No Default or Event of Default, and no default or event of default by the Borrower under any other Related Document (excluding Principal Project Contracts), has occurred and is continuing.

(m) **Governmental Approvals.** All Governmental Approvals required as of the Effective Date and any subsequent date on which this representation is made (or deemed made) for the undertaking and completion by the Borrower of the Project, and for the operation and management thereof, have been obtained or effected and are in full force and effect and there is no basis for, nor proceeding that is pending or threatened that could reasonably be expected to result in, the revocation of any such Governmental Approval.

(n) **Principal Project Contracts.** Attached as Schedule 12(n) *(Principal Project Contracts)* is a list of the Existing Principal Project Contracts and all Additional Principal Project Contracts that are expected to be entered into. With respect to each Principal Project Contract executed as of any date on which this representation and warranty is made, (x) it is in full force and effect, (y) all conditions precedent to the obligations of the respective parties under each such Principal Project Contract have been satisfied and (z) the Borrower has delivered to the WIFIA Lender a fully executed, complete and correct copy of each such Principal Project Contract, including any amendments or modifications thereto and any related credit support instruments or side letters. No event has occurred that gives the Borrower or, to the Borrower’s knowledge, any Principal Project Party, the right to terminate any such Principal Project Contract. The Borrower is not in breach of any material term in or in default under any of such Principal Project Contracts, and to the knowledge of the Borrower no party to any of such agreements or contracts is in breach of any material term therein or in default thereunder.

(o) **Information.** The information furnished by, or on behalf of, the Borrower to the WIFIA Lender, when taken as a whole, is true and correct in all material respects (other than for projections and other forward-looking statements contained in the Base Case Financial Model/Plan and any Updated Financial Model/Plan which have been made in good faith and based on reasonable assumptions) and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein not misleading as of the date made or furnished.

(p) **Environmental Matters.** Each of the Borrower and, to the Borrower’s knowledge, each Principal Project Party, is in compliance with all laws applicable to the Water System (including the Project) relating to (i) air emissions, (ii) discharges to surface water or ground water, (iii) noise emissions, (iv) solid or liquid waste disposal, (v) the use, generation,
storage, transportation or disposal of toxic or hazardous substances or wastes, (vi) biological
resources (such as threatened and endangered species), and (vii) other environmental, health or
safety matters, including all laws applicable to the Water System (including the Project)
(collectively, the “Environmental Laws”). All Governmental Approvals for the Project relating
to Environmental Laws have been, or, when required, will be, obtained and are (or, as applicable,
will be) in full force and effect. The Borrower has not received any written communication or
notice, whether from a Governmental Authority, employee, citizens group, or any other Person,
that alleges that the Borrower is not in full compliance with all Environmental Laws and
Governmental Approvals relating thereto in connection with the Project and, to the Borrower’s
knowledge, there are no circumstances that may prevent or interfere with full compliance in the
future by the Borrower with any such Environmental Law or Governmental Approval. The
Borrower has provided to the WIFIA Lender all material assessments, reports, results of
investigations or audits, and other material information in the possession of or reasonably available
to the Borrower regarding the Borrower’s or the Project’s compliance with (A) Environmental
Laws and (B) Governmental Approvals that are required for the Project and relate to
Environmental Laws.

(q) **Sufficient Rights.** The Borrower possesses either valid legal and beneficial
title to, leasehold title in, or other valid legal rights with respect to the real property relating to the
Water System (including the Project), in each case as is necessary and sufficient as of the date this
representation is made for the construction, operation, maintenance and repair of the Water System
(including the Project). As of any date on which this representation and warranty is made, the
Principal Project Contracts then in effect and the Governmental Approvals that have been obtained
and are then in full force and effect create rights in the Borrower sufficient to enable the Borrower
to own, construct, operate, maintain and repair the Water System (including the Project) and to
perform its obligations under the Principal Project Contracts to which it is a party.

(r) **Insurance.** The Borrower is in compliance with all insurance obligations
required under each Principal Project Contract and the other Related Documents as of the date on
which this representation and warranty is made. To the extent the Borrower self-insures, the
Borrower’s self-insurance program is actuarially sound and the Borrower has received an opinion
from an accredited actuary within the last twelve (12) months, which opinion confirms that the
Borrower’s self-insurance program is actuarially sound.

(s) **No Liens.** Except for Permitted Liens, the Borrower has not created, and is
not under any obligation to create, and has not entered into any transaction or agreement that would
result in the imposition of, any Lien on the Net Revenues, the Water System, the Project, the Net
Revenues, or the properties or assets in relation to the Project.

(t) **Financial Statements.** Each income statement, balance sheet and statement
of operations and cash flows (collectively, “**Financial Statements**”) delivered to the WIFIA
Lender pursuant to Section 16(b) (**Reporting Requirements – Annual Financial Statements**) has
been prepared in accordance with GAAP and presents fairly, in all material respects, the financial
condition of the Borrower as of the respective dates of the balance sheets included therein and the
results of operations of the Borrower for the respective periods covered by the statements of
income included therein. Except as reflected in such Financial Statements, there are no liabilities
or obligations of the Borrower of any nature whatsoever for the period to which such Financial Statements relate that are required to be disclosed in accordance with GAAP.

(u) Securities Laws. Under existing law, the WIFIA Note may be issued and sold without registration under the Securities Act of 1933, as amended, and any State blue sky laws, and the WIFIA Note and WIFIA Loan Documents are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(v) Taxes. The Borrower is not required to file tax returns with any Governmental Authority.

(w) Sufficient Funds. The amount of the WIFIA Loan, when combined with all other funds committed for the development and construction of the Project as set forth under the various sources of funds in the Base Case Financial Model/Plan and the Project Budget will be sufficient to carry out the Project, pay all Total Project Costs anticipated for the development and construction of the Project and achieve Substantial Completion by the Projected Substantial Completion Date.

(x) Sovereign Immunity. The Borrower either has no immunity from the jurisdiction of any court of competent jurisdiction or from any legal process therein which could be asserted in any action to enforce the obligations of the Borrower under any of the Related Documents to which it is a party or the transactions contemplated hereby or thereby, including the obligations of the Borrower hereunder and thereunder, or, to the extent that the Borrower has such immunity, the Borrower has waived such immunity pursuant to Section 14(o) (Affirmative Covenants – Immunity).

(y) Patriot Act. The Borrower is not required to establish an anti-money laundering compliance program pursuant to the Patriot Act.

(z) No Federal Debt. The Borrower has no delinquent federal debt (including tax liabilities but excluding any delinquencies that have been resolved with the appropriate federal agency in accordance with the standards of the Debt Collection Improvement Act of 1996).

Section 13. Representations and Warranties of WIFIA Lender. The WIFIA Lender represents and warrants that:

(a) Power and Authority. The WIFIA Lender has all requisite power and authority to make the WIFIA Loan and to perform all transactions contemplated by the Related Documents to which it is a party.

(b) Due Execution; Enforceability. The Related Documents to which it is a party have been duly authorized, executed and delivered by the WIFIA Lender, and are legally valid and binding agreements of the WIFIA Lender, enforceable in accordance with their terms.

(c) Officers’ Authorization. The officers of the WIFIA Lender executing each of the RelatedDocuments to which the WIFIA Lender is a party are duly and properly in office and fully authorized to execute the same on behalf of the WIFIA Lender.
ARTICLE V
COVENANTS

Section 14. Affirmative Covenants. The Borrower covenants and agrees as follows until the date the WIFIA Note and the obligations of the Borrower under this Agreement (other than contingent indemnity obligations) are irrevocably paid in full in immediately available funds, unless the WIFIA Lender waives compliance in writing:

(a) Rate Covenant.

(i) The Borrower shall fix, prescribe, revise and collect fees, tolls, assessments, rates and charges for the Water System during each Borrower Fiscal Year (A) that are sufficient to yield Net Revenues of the Water System (exclusive of transfers to the Rate Stabilization Fund) at least equal to one hundred percent (100%) of the Debt Service payable on all Obligations in each Borrower Fiscal Year, and (B) that are sufficient to yield Net Revenues at least equal to one hundred twenty percent (120%) of all Debt Service on all Parity Obligations payable in each Borrower Fiscal Year (collectively, the “Rate Covenant”). For clarity, proceeds of Parity Obligations or Subordinated Obligations, and proceeds of any grants, loans or Other Financing Documents, are not to be included within “Net Revenues” during any applicable period.

(ii) For the purpose of computing the amount of Net Revenues for any Borrower Fiscal Year for purposes of the preceding clause (a)(i)(B), the Borrower shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the Water Revenue Fund (except that amounts that were transferred into the Rate Stabilization Fund from Gross Revenues received by the Borrower in such Borrower Fiscal Year shall not be double-counted), and such transfers may be made until (but not after) two hundred ten (210) days after the end of such Borrower Fiscal Year.

(iii) If the Borrower fails to satisfy the Rate Covenant for the most recently ended Borrower Fiscal Year, the Borrower shall (A) within thirty (30) days after request by the WIFIA Lender, engage the Technical and Rate Consultant to review and analyze the operations of the Water System and recommend actions regarding revising the rates or changing the methods of operations, or any other actions to increase the Net Revenues so as to satisfy the Rate Covenant, (B) cause the Technical and Rate Consultant to issue its report, including any such recommended actions, no later than ninety (90) days following such engagement, and (C) either, within thirty (30) days, (1) implement the Technical and Rate Consultant’s recommendation or (2) undertake an alternative course of action after demonstrating to the WIFIA Lender’s satisfaction that an alternative plan will generate an equivalent or greater increase to the Net Revenues so as to satisfy the Rate Covenant.

(b) Securing Liens. The Borrower shall at any and all times, to the extent permitted by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable in connection with assuring, conveying, granting, assigning, securing and confirming
the Liens on the Net Revenues (whether now existing or hereafter arising) granted to the WIFIA Lender for its benefit pursuant to this Agreement and the WIFIA Loan Documents, or intended so to be granted pursuant to this Agreement and the WIFIA Loan Documents, or which the Borrower may become bound to grant. The Borrower shall at all times maintain the Net Revenues free and clear of any pledge, Lien, charge or encumbrance thereon or with respect thereto that has priority over, or equal rank with, the Liens created by this Agreement and the WIFIA Loan Documents, other than as permitted by this Agreement, and all organizational, regulatory or other necessary action on the part of the Borrower to that end shall be duly and validly taken at all times. The Borrower shall at all times, to the extent permitted by law, defend, preserve and protect the Liens on the Net Revenues granted pursuant to this Agreement and the WIFIA Loan Documents and for the benefit of the WIFIA Lender under this Agreement and the WIFIA Loan Documents against all claims and demands of all Persons whomsoever, subject to Permitted Liens.

(c) Use of Proceeds. The Borrower shall use the proceeds of the WIFIA Loan for purposes permitted by applicable law and as otherwise permitted under this Agreement and the other Related Documents.

(d) Prosecution of Work; Verification Requirements.

(i) The Borrower shall diligently prosecute the work relating to the Project and complete the Project in accordance with the Construction Schedule, the Governmental Approvals in connection with the Project, and the highest standards of the Borrower’s industry.

(ii) The Borrower shall ensure that each Principal Project Party complies with all applicable laws and legal or contractual requirements with respect to any performance security instrument delivered by such Principal Project Party to the Borrower and shall ensure that any letter of credit provided pursuant to any Principal Project Contract meets the requirements therefor set forth in such Principal Project Contract.

(iii) The Borrower shall comply with Subpart C of 2 C.F.R. Part 180, as supplemented by Subpart C of 2 C.F.R. Part 1532 (relating to debarment), including the verification requirements set forth in 2 C.F.R. §§ 180.300 and 180.320, and shall include in its contracts with respect to the Project similar terms or requirements for compliance.

(e) Operations and Maintenance. The Borrower shall (i) operate and maintain the Water System (including, but not limited to, the Project) (A) in a reasonable and prudent manner and (B) substantially in accordance with the Updated Financial Model/Plan most recently approved by the WIFIA Lender (except as necessary to prevent or mitigate immediate threats to human health and safety or to prevent or mitigate physical damage to material portions of the Water System (including the Project) and (ii) maintain the Water System (including the Project) in good repair, working order and condition and in accordance with the requirements of all applicable laws and each applicable Related Document. The Borrower shall at all times do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the Governmental Approvals and any other rights, licenses, franchises, and authorizations material to the conduct of its business.
(f) **Insurance.**

(i) The Borrower shall at all times procure and maintain or cause to be maintained insurance on the Water System and the construction of the Project, with responsible insurers, or as part of a reasonable system of self-insurance that is adequately funded, in such amounts and against such risks (including damage to or destruction of the Water System) as are customarily maintained with respect to works and properties of like character against accident to, loss of, or damage to such works or properties. All policies of insurance required to be maintained herein shall, to the extent reasonably obtainable, provide that the WIFIA Lender shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby. The Borrower shall cause each Principal Project Party to obtain and maintain builders risk and casualty and liability insurance in accordance with the requirements of the applicable Principal Project Contract.

(ii) The Borrower shall (by self-insuring or maintaining with responsible insurers or by a combination thereof) provide for workers’ compensation insurance for Borrower’s workers and insurance against public liability and property damage to the Water System (including the Project) to the extent reasonably necessary to protect the Borrower and the WIFIA Lender.

(iii) The Borrower shall cause all liability insurance policies that it maintains (and, during the Construction Period, that are maintained by any Principal Project Party), other than workers’ compensation insurance, to reflect the WIFIA Lender as an additional insured to the extent of its insurable interest.

(iv) Promptly upon request by the WIFIA Lender, the Borrower shall deliver to the WIFIA Lender copies of any underlying insurance policies obtained by or on behalf of the Borrower in respect of the Project. All such policies shall be available at all reasonable times for inspection by the WIFIA Lender, its agents and representatives.

(v) The Borrower shall comply with the insurance requirements of this Agreement and shall deliver to the WIFIA Lender within thirty (30) days after receipt thereof any certifications or opinions provided to the Borrower pursuant to this Agreement with respect to the Borrower’s program of insurance or self-insurance.

(g) **Maintain Legal Structure.** The Borrower shall maintain its existence as a county water district organized and existing under its Organizational Documents and the laws of the State.

(h) **Water System Accounts; Permitted Investments.**

(i) The Borrower shall maintain the Water Revenue Fund during the term of, and in accordance with, this Agreement. All Net Revenues received shall be deposited into the Water Revenue Fund when and as received in trust for the benefit of the holders of the Obligations, subject to the application of Gross Revenues to Maintenance and Operation Expenses of the Water System.
(ii) The Borrower shall maintain the Rate Stabilization Fund in accordance with the terms hereof and the Parity Obligations Instruments. The Rate Stabilization Fund is not pledged to secure payment of WIFIA Debt Service or other Obligations. Amounts in the Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in this Section 14(h)(ii). The Borrower shall have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Borrower Fiscal Year may be made until (but not after) two hundred ten (210) days following the end of such Borrower Fiscal Year. For the purpose of computing the amount of Gross Revenues and Net Revenues for any Borrower Fiscal Year for purposes of the Rate Covenant in Section 14(a)(i)(B), the Borrower shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the Water Revenue Fund for purposes of such computation, such transfers to be made until (but not after) two hundred ten (210) days after the end of such Borrower Fiscal Year. In addition, the Borrower shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose.

(iii) Amounts on deposit in the Water System Accounts shall be held uninvested or invested in Permitted Investments in accordance with this Agreement and the Installment Sale Agreements Documents. Permitted Investments must mature or be redeemable at the election of the holder at such times as may be necessary to ensure that funds will be available within the applicable account to be applied towards the purpose for which the applicable account has been established.

(i) Compliance with Laws.

(i) The Borrower shall, and shall require its contractors and subcontractors at all tiers with respect to the Project, to comply with all applicable laws, rules, regulations and requirements, including without limitation 40 U.S.C. §§3141-3144, 3146, and 3147 (relating to Davis-Bacon Act requirements) (and regulations relating thereto) and 33 U.S.C. §3914 (relating to American iron and steel products).

(ii) To ensure such compliance, the Borrower shall include in all contracts with respect to the Project (A) the contract clauses relating to the Davis-Bacon Act requirements that are set forth in the Code of Federal Regulations, Title 29 Part 5.5 and (B) requirements that its contractor(s) (1) shall comply with all applicable laws, rules, regulations, and requirements set forth in this Section 14(i) and follow applicable federal guidance and (2) incorporate in all subcontracts (and cause all subcontractors to include in lower tier subcontracts) such terms and conditions as are required to be incorporated therein by any applicable laws, rules, regulations and requirements set forth in this Section 14(i) (including without limitation with respect to the Davis-Bacon Act requirements).

(iii) No use of proceeds of the WIFIA Loan or any other transaction contemplated by this Agreement or any other Related Document shall violate any applicable Sanctions, Anti-Money Laundering Laws, or Anti-Corruption Laws, or any applicable anti-drug trafficking or anti-terrorism laws.
(j) **Material Obligations.** The Borrower shall pay its material obligations promptly and in accordance with their terms and pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon it or upon the Gross Revenues or other assets of the Water System, before the same shall become delinquent or in default, as well as all lawful and material claims for labor, materials and supplies or other claims which, if unpaid, might give rise to a Lien upon such properties or any part thereof or on the Gross Revenues or the Net Revenues; provided, however, that such payment and discharge shall not be required with respect to any such tax, assessment, charge, levy, claim or Lien so long as the validity or amount thereof shall be contested by the Borrower in good faith by appropriate proceedings and so long as the Borrower shall have set aside adequate reserves with respect thereto in accordance with and to the extent required by GAAP, applied on a consistent basis.

(k) **[Reserved.]**

(l) **SAM Registration.** The Borrower shall (i) obtain prior to the Effective Date and maintain through the Final Disbursement Date an active registration status with the federal System for Award Management (www.SAM.gov) (or any successor system or registry) and provide such registration information to the WIFIA Lender and (ii) within sixty (60) days prior to each anniversary of the Effective Date until the Final Disbursement Date, provide to the WIFIA Lender evidence of such active registration status with no active exclusions reflected in such registration.

(m) **DUNS Number.** The Borrower shall (i) obtain prior to the Effective Date and maintain from Dun & Bradstreet (or a successor entity) a Data Universal Numbering System Number (a “DUNS Number”) and provide such number to the WIFIA Lender and (ii) within sixty (60) days prior to each anniversary of the Effective Date, provide to the WIFIA Lender evidence of the continuing effectiveness of such DUNS Number, in each case until the Final Maturity Date or to such earlier date as all amounts due or to become due to the WIFIA Lender under this Agreement have been irrevocably paid in full in immediately available funds.

(n) **Events of Loss; Loss Proceeds.** If an Event of Loss shall occur with respect to the Water System (including the Project) or any part thereof, the Borrower shall (i) diligently pursue all of its rights to compensation against all relevant insurers, reinsurers and Governmental Authorities, as applicable, in respect of such Event of Loss and (ii) apply all Net Loss Proceeds in respect of such Event of Loss to repair, reconstruct, and/or replace the portion of the Water System in respect of which the applicable Loss Proceeds were received or to prepay amounts due under this Agreement or with respect to any Parity Obligations. The Borrower shall begin such repair, reconstruction or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such repair, reconstruction or replacement as expeditiously as possible, and shall pay out of such Loss Proceeds all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and Liens. If such Net Loss Proceeds exceed the costs of such repair, reconstruction or replacement, then the excess Net Loss Proceeds shall be deposited in the Water Revenue Fund and be available for other proper uses of funds deposited in the Water Revenue Fund. If such Net Loss Proceeds are insufficient to enable the Borrower to restore or replace the damaged portions of the Water System, the Borrower shall provide additional funds for that purpose.
(o) **Immunity.** To the fullest extent permitted by applicable law, the Borrower agrees that it will not assert any immunity (and hereby waives any such immunity) it may have as a governmental entity from lawsuits, other actions and claims, and any judgments with respect to the enforcement of any of the obligations of the Borrower under this Agreement or any other WIFIA Loan Document.

(p) **Accounting and Audit Procedures.**

(i) The Borrower shall establish fiscal controls and accounting procedures sufficient to assure proper accounting for all (A) Gross Revenues, operating expenses, capital expenses, depreciation, reserves, debt issued and outstanding and debt payments and (B) Project-related costs, WIFIA Loan requisitions submitted, WIFIA Loan proceeds received, payments made by the Borrower with regard to the Project, other sources of funding for the Project (including amounts paid from such sources for Project costs so that audits may be performed to ensure compliance with and enforcement of this Agreement). The Borrower shall use accounting, audit and fiscal procedures conforming to GAAP, including, with respect to the WIFIA Loan, accounting of principal and interest payments, disbursements, prepayments and calculation of interest and principal amounts Outstanding.

(ii) The Borrower shall have a single or program-specific audit conducted in accordance with 2 C.F.R. Part 200 Subpart F and 31 U.S.C. § 7502 for 2020 and annually thereafter, except to the extent biennial audits are permitted for the Borrower pursuant to 2 C.F.R. § 200.504 and 31 U.S.C. § 7502(b). Upon reasonable notice, the Borrower shall cooperate fully in the conduct of any periodic or compliance audits conducted by the WIFIA Lender, or designees thereof, pursuant to 40 C.F.R. Part 35, 31 U.S.C. § 7503(b), or 31 U.S.C. § 6503(h) and shall provide full access to any books, documents, papers or other records that are pertinent to the Project or the WIFIA Loan, to the WIFIA Lender, or the designee thereof, for any such project or programmatic audit.

(q) **Access; Records.**

(i) So long as the WIFIA Loan or any portion thereof shall remain outstanding and until five (5) years after the WIFIA Loan shall have been paid in full, the WIFIA Lender shall have the right, upon reasonable prior notice, to visit and inspect any portion of the Project, to examine books of account and records of the Borrower relating to the Project, to make copies and extracts therefrom at the Borrower’s expense, and to discuss the Borrower’s affairs, finances and accounts relating to the Project with, and to be advised as to the same by, its officers and employees and its independent public accountants (and by this provision the Borrower irrevocably authorizes its independent public accountants to discuss with the WIFIA Lender the affairs, finances and accounts of the Borrower, whether or not any representative of the Borrower is present, it being understood that nothing contained in this Section 14(q) is intended to confer any right to exclude any such representative from such discussions), all at such reasonable times and intervals as the WIFIA Lender may request. The Borrower agrees to pay all out-of-pocket expenses incurred by the WIFIA Lender in connection with the WIFIA Lender’s exercise
of its rights under this Section 14(q) at any time when an Event of Default shall have occurred and be continuing.

(ii) The Borrower shall maintain and retain all files relating to the Project and the WIFIA Loan until five (5) years after the later of the date on which (A) all rights and duties under this Agreement and under the WIFIA Note (including payments) have been fulfilled and any required audits have been performed and (B) any litigation relating to the Project, the WIFIA Loan or this Agreement is finally resolved or, if the WIFIA Lender has reasonable cause to extend such date, a date to be mutually agreed upon by the WIFIA Lender and the Borrower. The Borrower shall provide to the WIFIA Lender in a timely manner all records and documentation relating to the Project that the WIFIA Lender may reasonably request from time to time.

(r) Other Agreements. While this Agreement remains in effect, if the Borrower executes and delivers a final agreement or amends an existing agreement (each, an “Additional Agreement”) relating to Parity Obligations or Subordinated Obligations and such Additional Agreement provides greater collateral than the collateral provided to the WIFIA Lender in this Agreement, more restrictive covenants than are provided to the WIFIA Lender in this Agreement, and/or events of default and/or remedies that are more favorable than are provided to the WIFIA Lender in this Agreement (collectively, the “Additional Rights”), then the Borrower shall provide the WIFIA Lender with a copy of such Additional Agreement and the Additional Rights shall be automatically deemed incorporated into this Agreement and the WIFIA Lender shall have the benefit of the Additional Rights. The Borrower shall promptly cooperate with the WIFIA Lender to enter into an amendment of this Agreement to include such Additional Rights.

(s) Compliance with Obligations. The Borrower shall comply with and observe the obligations and requirements arising in connection with any Parity Obligations and Subordinated Obligations.

Section 15. Negative Covenants. The Borrower covenants and agrees as follows until the date the WIFIA Note and the obligations of the Borrower under this Agreement (other than contingent indemnity obligations) are irrevocably paid in full in immediately available funds, unless the WIFIA Lender waives compliance in writing:

(a) Indebtedness.

(i) Except for Permitted Debt, the Borrower shall not without the prior written consent of the WIFIA Lender issue or incur indebtedness of any kind; provided, that the Borrower shall not incur any indebtedness of any kind payable from, secured or supported by the Net Revenues, including Permitted Debt, without the prior written consent of the WIFIA Lender, while an Event of Default has occurred and is continuing.

(ii) The Borrower may not create, incur or suffer to exist (A) any Obligations the payments of which are senior or prior in right to the payment by the Borrower of the Parity Obligations, or (B) any Obligations of the Project that are secured by a Lien on any assets or property of the Borrower other than the Net Revenues.
(iii) The Borrower shall not issue or incur any Parity Obligations, unless (A) the Net Revenues of the Water System, calculated on sound accounting principles, as shown by the books of the Borrower for the latest Borrower Fiscal Year or any more recent twelve (12)-month period selected by the Borrower ending not more than sixty (60) days prior to the adoption of the Parity Obligation Instrument pursuant to which such Parity Obligation is issued or incurred, plus at the option of the Borrower, Additional Revenues, are at least equal to (1) one hundred twenty (120%) of Maximum Annual Parity Debt Service and (2) one hundred percent (100%) of Maximum Annual Total Debt Service, (B) no Default or Event of Default has occurred and is continuing or would result from such issuance or incurrence and (C) the WIFIA Lender shall have received a certificate signed by the Borrower’s Authorized Representative certifying that the conditions precedent to the issuance of such Parity Obligations set forth in clauses (A) and (B) above, and the conditions precedent to such Parity Obligations set forth in the Parity Obligation Instruments have been satisfied and setting forth a calculation to such effect. For clarity, proceeds of Parity Obligations or Additional Subordinated Obligations, and proceeds of any grants, loans or Other Financing Documents, are not to be included within “Net Revenues” during any applicable period.

(iv) The Borrower shall not incur any Additional Obligations that bear interest at a Variable Interest Rate if such incurrence would cause the principal amount of all Outstanding Variable Interest Rate Obligations to exceed twenty-five percent (25%) of the principal amount of all Outstanding Obligations; provided that, for purposes of such calculation, Outstanding Obligations with respect to the Interim Financing Facility shall not be included in Outstanding Obligations. The Borrower shall not enter into any Swap Contract under which a termination payment would be required to be paid from any portion of the Net Revenues on a basis senior to or on parity with the Lien on the Net Revenues securing the WIFIA Loan. The Borrower shall not issue or incur any Additional Subordinated Obligations unless (A) Net Revenues as shown by the books of the Water System for the most recent Borrower Fiscal Year for which audited financial statements are available, or as shown by the books of the Water System for any more recent twelve (12)-month period selected by the Borrower ending not more than sixty (60) days prior to the incurrence of the Additional Subordinated Obligations, plus at the option of the Borrower, Additional Revenues, are at least equal to one hundred percent (100%) of Maximum Annual Total Debt Service, (B) no Default or Event of Default has occurred and is continuing or would result from such issuance or incurrence and (C) the WIFIA Lender shall have received a certificate from the Borrower’s Authorized Representative certifying that the conditions precedent to the issuance of such Additional Subordinated Obligations set forth in clauses (A) and (B) above, and the conditions precedent to such Additional Subordinated Obligations set forth in the Parity Obligation Instruments, have been satisfied and setting forth a calculation to such effect, if applicable. For clarity, proceeds of Parity Obligations or Additional Subordinated Obligations, and proceeds of any grants, loans or Other Financing Documents, are not to be included within “Net Revenues” during any applicable period.

(vi) Upon the incurrence of Permitted Debt described in clauses (c), (d) and (e) of the definition thereof, the Borrower shall provide to the WIFIA Lender a certificate signed by the Borrower’s Authorized Representative, (A) specifying the closing
date with respect to such proposed Debt and (B) confirming that such proposed Debt is authorized pursuant to this Section 15(a) and satisfies the applicable requirements under the definitions of “Permitted Debt” and “Additional Parity Obligations,” or “Additional Subordinated Obligations,” as applicable.

(b) **No Lien Extinguishment or Adverse Amendments.** The Borrower shall not, and shall not permit any Person to, without the prior written consent of the WIFIA Lender, (i) use any part of the Water System or any facility thereof free of charge (except for official fire and emergency response services), (ii) extinguish or impair the Liens on the Net Revenues or any dedicated source of repayment of the WIFIA Loan granted pursuant to this Agreement or any other Obligations the proceeds of which are applied to fund Total Project Costs, (iii) amend, modify, replace or supplement any Related Document or Other Financing Document or permit a waiver of any provision thereof in a manner that could adversely affect the WIFIA Lender or could reasonably be expected to result in a Material Adverse Effect, or (iv) terminate, assign or replace any Related Document or Other Financing Document (other than the replacement of any Principal Project Contract permitted under Section 17(a)(xi) (Events of Default and Remedies – Default Under Principal Project Contracts) in a manner that could adversely affect the WIFIA Lender or could reasonably be expected to have a Material Adverse Effect.

(c) **No Prohibited Liens.** Except for Permitted Liens, the Borrower shall not create, incur, assume or permit to exist any Lien on the Project, the Net Revenues, the Gross Revenues, or the Borrower’s respective rights therein.

(d) **Restricted Payments and Transfers.** The Borrower shall not permit Gross Revenues or other assets of the Water System, or any funds in any accounts held under this Agreement or the Other Financing Documents or in any other fund or account held by or on behalf of the Borrower, to be paid or transferred or otherwise applied for purposes other than ownership, operation or maintenance of the Water System and as permitted in accordance with Section 7(d) (Security and Priority; Flow of Funds) and Section 14(h) (Affirmative Covenants – Water System Accounts; Permitted Investments) of this Agreement.

(e) **No Prohibited Sale, Lease or Assignment.** The Borrower shall not sell, lease or assign its rights in and to the Water System, a substantial portion of the assets included in the Water System, or its rights and obligations under any Principal Project Contract, in each case unless such sale, lease or assignment (i) could not reasonably be expected to have a Material Adverse Effect and (ii) is made by the Borrower in the ordinary course of business.

(f) **Fiscal Year.** The Borrower shall not at any time adopt any fiscal year other than the Borrower Fiscal Year, except with thirty (30) days’ prior written notice to the WIFIA Lender.

(g) **Mergers and Acquisitions.** The Borrower shall not, and shall not agree to, reorganize, consolidate with or merge into another Person unless (i) such reorganization, merger or consolidation is with or into another entity established by State law and such reorganization, merger or consolidation does not adversely affect or impair to any extent or in any manner (A) the Gross Revenues or other elements of the Net Revenues or (B) the availability of the Net Revenues for the payment and security of the obligations of the Borrower under this Agreement; and (ii) the
Borrower provides to the WIFIA Lender, no later than sixty (60) days prior to the date of reorganization, consolidation or merger, prior written notice of such reorganization, consolidation or merger and the agreements and documents authorizing the reorganization, consolidation or merger, satisfactory in form and substance to the WIFIA Lender. In addition, the Borrower shall provide all information concerning such reorganization, consolidation or merger as shall have been reasonably requested by the WIFIA Lender.

(h) **No Defeasance.** Notwithstanding anything to the contrary in this Agreement or any Other Financing Document, no amounts in respect of the WIFIA Loan shall be considered or deemed to have been paid until the WIFIA Lender shall have received irrevocable payment in immediately available funds in accordance with the requirements for payment set forth in this Agreement.

(i) **Hedging.** The Borrower shall not enter into any Hedging Transaction with respect to or payable from Net Revenues for any speculative purpose. The Borrower shall not create, incur, assume or permit to exist any Lien on the Net Revenues (or any moneys in the Water Revenue Fund or the Rate Stabilization Fund as may from time to time be deposited therein) securing payment of any obligations to the Hedging Transaction counterparties by the Borrower (excluding Hedging Termination Obligations) except on a parity basis with or on a basis subordinate in all respects to the pledge of and lien thereon securing the Obligations with respect to which such Hedging Transaction is entered into. The Borrower shall not create, incur, assume or permit to exist any Lien on the Net Revenues or any moneys in the Water Revenue Fund or the Rate Stabilization Fund as may from time to time be deposited therein securing payment of any Hedging Termination Obligations related to Parity Obligations except on a basis subordinate in all respects to the pledge of and lien thereon provided herein.

**Section 16. Reporting Requirements.**

(a) **Updated Financial Model/Plan.**

(i) The Borrower shall provide to the WIFIA Lender not later than nine (9) months after the end of each Borrower Fiscal Year (currently April 1, given the Borrower’s Fiscal Year ends June 30), an Updated Financial Model/Plan reflecting the then-current and projected conditions for a period not less than the greater of (A) the next five (5) succeeding Borrower Fiscal Years and (B) the duration of the Borrower’s then-current adopted capital improvement plan period for the Water System.

(ii) The Updated Financial Model/Plan shall include: (A) the Borrower’s capital improvement plan, major maintenance plan, projected rates and charges, projected debt outstanding and annual debt service, projected operation and maintenance costs of the Water System; (B) evidence of compliance with the Rate Covenant for the most recent Borrower Fiscal Year and the projected Rate Covenant coverages through the later of: (1) the next five (5) succeeding Borrower Fiscal Years and (2) the duration of the Borrower’s then-current adopted capital improvement plan period for the Water System; (C) a written narrative identifying any material changes to the underlying assumptions from the previous Updated Financial Model/Plan and (D) a certificate signed by the Borrower’s Authorized Representative, certifying that (1) the
Updated Financial Model/Plan, including the assumptions and supporting documentation, as of its date, is accurate and reasonable to the best of the Borrower’s knowledge and belief, (2) the annual projected Net Revenues will be sufficient to meet the Loan Amortization Schedule and to satisfy the Rate Covenant through the Final Maturity Date, and (3) the Borrower is in compliance with its obligations in respect of the Rate Covenant pursuant to Section 14(a) (Affirmative Covenants – Rate Covenant).

(iii) The Borrower represents and warrants that the Updated Financial Model/Plan reflects the Borrower’s reasonable expectations, using assumptions that the Borrower believes to be reasonable, of the Water System’s expected operations, including capital costs, capital spending schedule, rates and revenues or charges (if applicable), Gross Revenues, operating and maintenance expenses, major maintenance costs, financing structure and other scheduling, cost and financing elements required to be included in the Base Case Financial Model/Plan.

(b) Annual Financial Statements. The Borrower shall deliver to the WIFIA Lender, as soon as available, but no later than one hundred eighty (180) days after the end of each Borrower Fiscal Year:

(i) a copy of the audited income statement and balance sheet of the Borrower as of the end of such Borrower Fiscal Year and the related audited statements of operations and of cash flow of the Borrower for such Borrower Fiscal Year, (A) setting forth in each case in comparative form the figures for the previous fiscal year, (B) certified without qualification or exception, or qualification as to the scope of the audit, by an independent public accounting firm selected by the Borrower and (C) which shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein (except, with respect to the annual financial statements, for changes approved or required by the independent public accountants certifying such statements and disclosed therein); and

(ii) together with each delivery of such annual audited financial statements, a certificate signed by the Borrower’s Authorized Representative, stating whether or not, to the Borrower’s knowledge, during the annual period covered by such financial statements, there occurred any Default or Event of Default and, if any such Default or Event of Default shall have occurred during such period, the nature of such Default or Event of Default and the actions that the Borrower has taken or intends to take in respect thereof;

provided, however, that the failure of the Borrower to deliver to the WIFIA Lender the annual audited financial statements required under this Section 16(b) during the period specified above shall not constitute a Default or an Event of Default, so long as the Borrower provides such annual audited financial statements within ninety (90) days after such date due.

(c) Final Design Specifications. The Borrower shall deliver to the WIFIA Lender, no later than thirty (30) days prior to (i) bid advertisement, a copy of the final specifications relating to the development and construction of the Project and (ii) any notice to
proceed for the Project, a copy of the executed construction contract related to such notice to proceed and the final Project specifications.

(d) **Construction Reporting.** The WIFIA Lender shall have the right in its sole discretion to monitor (or direct its agents to monitor) the development of the Project, including environmental compliance, design, and construction of the Project. The Borrower shall be responsible for administering construction oversight of the Project in accordance with applicable federal, state and local governmental requirements. The Borrower agrees to cooperate in good faith with the WIFIA Lender in the conduct of such monitoring by promptly providing the WIFIA Lender with such reports, documentation or other information as shall be requested by the WIFIA Lender or its agents, including any independent engineer reports, documentation or information. During the period through Substantial Completion of the Project, the Borrower shall furnish to the WIFIA Lender, on a quarterly basis, a report on the status of the Project, substantially in the form of Exhibit J (Form of Quarterly Report). The report shall be executed by the Borrower’s Authorized Representative and, for any quarter, shall be delivered to the WIFIA Lender within forty-five (45) days of the following quarter (or if such day is not a Business Day, on the next following Business Day). If the then-current projection for the Substantial Completion Date is a date later than the Projected Substantial Completion Date, the Borrower shall provide in such report a description in reasonable detail to the reasonable satisfaction of the WIFIA Lender of the reasons for such projected delay, an estimate of the impact of such delay on the capital and operating costs of the Water System (if any), and that the new date could not reasonably be expected to result in a Material Adverse Effect.

(e) **Public Benefits Report.** The Borrower shall deliver to the WIFIA Lender a report, in the form of Exhibit K (Form of Public Benefits Report) (the “Public Benefits Report”), (i) no later than thirty (30) days prior to the Effective Date, (ii) within ninety (90) days following the Substantial Completion Date and (iii) within ninety (90) days following the fifth (5th) anniversary of the Substantial Completion Date. The Borrower agrees that information described under this Section 16(e) may be made publicly available by the WIFIA Lender at its discretion.

(f) **Modifications to Total Project Costs.** For the period through the Substantial Completion Date, the Borrower shall provide the WIFIA Lender with written notification at least thirty (30) days prior to instituting any increase or decrease to the aggregate Total Project Costs in an amount equal to or greater than five percent (5%), which notification shall set forth the nature of the proposed increase or decrease and an estimate of the impact of such increase or decrease on the capital costs and operating costs of the Water System. The Borrower’s notice shall demonstrate that the proposed increase or decrease is consistent with the provisions of this Agreement, is necessary or beneficial to the Project, does not materially impair the WIFIA Lender’s security or the Borrower’s ability to comply with its obligations under the Related Documents (including any financial ratios or covenants included therein), and could not reasonably be expected to result in a Material Adverse Effect.

(g) **Operations and Maintenance.** The WIFIA Lender shall have the right, in its sole discretion, to monitor (or direct its agents to monitor) the Project’s operations and, as the WIFIA Lender may request from time to time, to receive reporting on the operation and management of the Project, and copies of any contracts relating to the operation and maintenance of the Project. The Borrower agrees to cooperate in good faith with the WIFIA Lender in the
conduct of such monitoring by promptly providing the WIFIA Lender with such reports, documentation, or other information requested by the WIFIA Lender. The WIFIA Lender has the right, in its sole discretion, to retain such consultants or advisors, to carry out the provisions of this Section 16(g). On or prior to the Substantial Completion Date, the Borrower shall deliver to the WIFIA Lender an operations and maintenance manual with respect to the Project, in form and substance reasonably acceptable to the WIFIA Lender.

(h) **Notices.**

(i) The Borrower shall, within fifteen (15) days after the Borrower learns of the occurrence, give the WIFIA Lender notice of any of the following events or receipt of any of the following notices, as applicable, setting forth details of such event:

(A) **Substantial Completion:** the occurrence of Substantial Completion, such notice to be provided in the form set forth in Exhibit I (Form of Certificate of Substantial Completion);

(B) **Defaults; Events of Default:** any Default or Event of Default;

(C) **Litigation:** (1) the filing of any litigation, suit or action, or the commencement of any proceeding, against the Borrower before any arbitrator, Governmental Authority, alternative dispute resolution body, or other neutral third-party, or the receipt by the Borrower in writing of any threat of litigation, suit, action, or proceeding, or of any written claim against the Borrower that, in each case, could reasonably be expected to have a Material Adverse Effect, and any material changes in the status of such litigation, suit, action or claim, and (2) any judgments against the Borrower that could reasonably be expected to have a Material Adverse Effect, either individually or in the aggregate;

(D) **Delayed Governmental Approvals:** any failure to receive or delay in receiving any Governmental Approval or making any required filing, notice, recordation or other demonstration to or with a Governmental Authority, in each case to the extent such failure or delay will or could reasonably be expected to result in a delay to any major milestone date (including the Projected Substantial Completion Date) set forth in the Construction Schedule, together with a written explanation of the reasons for such failure or delay and the Borrower’s plans to remedy or mitigate the effects of such failure or delay;

(E) **Environmental Notices:** any material notice of violation or material change in finding under any Environmental Law related to the Project or any material changes to the NEPA Determination;

(F) **Amendments:** except as otherwise agreed by the WIFIA Lender in writing, copies of (1) any proposed material amendments to any Related Documents or Other Financing Document at least thirty (30) days prior to the effective date thereof and (2) copies of fully executed material amendments of any Related Document or Other Financing Document within ten (10) days following execution thereof; provided,
that such notice can be accomplished through an email to the WIFIA Lender that includes a link to the posting of the relevant documents on EMMA;

(G) **Related Document Defaults:** any material breach or default or event of default on the part of the Borrower or any other party under any Related Document or Other Financing Document; **provided** that such notice can be accomplished through an email to the WIFIA Lender that includes a link to the posting of the relevant documents on EMMA;

(H) **Uncontrollable Force:** the occurrence of any Uncontrollable Force that could reasonably be expected to materially and adversely affect the Project;

(I) **Ratings Changes:** any change in the rating assigned to the WIFIA Loan, any Parity Obligations or any Subordinated Obligations, in each case by any Nationally Recognized Rating Agency that has provided a public rating on such indebtedness, and any notices, reports or other written materials (other than those that are ministerial in nature) received from any such rating agencies; **provided,** that such notice can be accomplished through an email to the WIFIA Lender that includes a link to the posting of the relevant documents on EMMA;

(J) 2 C.F.R. § 180.350 Notices: any notification required pursuant to 2 C.F.R. § 180.350, whether attributable to a failure by the Borrower to disclose information previously required to have been disclosed or due to the Borrower or any of its principals meeting any of the criteria set forth in 2 C.F.R. § 180.335;

(K) **Additional Principal Project Contracts:** copies of any executed Additional Principal Project Contracts (together with any related contracts, side letters or other understandings);

(L) **Issuance of Obligations:** copies of any final issuing instrument (together with any continuing disclosure documents, ordinances, official statement, certifications or cash flow projections in connection therewith), prepared in connection with the incurrence of any Permitted Debt (including any Additional Obligations); **provided** that such notice can be accomplished through an email to the WIFIA Lender that includes a link to the posting of the relevant documents on EMMA;

(M) **Postings on EMMA:** the posting of any document on EMMA in accordance with the requirements of any continuing disclosure agreement with respect to any Outstanding Obligations relating to annual financial information and operating data and the reporting of significant events; **provided** that such notice can be accomplished through an email to the WIFIA Lender that includes a link to the posting of the relevant document on EMMA; and

(N) **Other Adverse Events:** the occurrence of any other event or condition, including without limitation any notice of breach from a contract counterparty or any holder of any Obligations, that could reasonably be expected to result in a Material Adverse Effect.
Within thirty (30) calendar days after the Borrower learns of the occurrence of an event specified in clause (i) above (other than sub-clauses (A) (Substantial Completion), (F) (Amendments), (I) (Ratings Changes) (in the case of a ratings upgrade), (K) (Additional Principal Project Contracts), (L) (Issuance of Obligations), and (M) (Postings on EMMA)), the Borrower’s Authorized Representative shall provide a statement to the WIFIA Lender setting forth the actions the Borrower proposes to take with respect thereto. The Borrower shall also provide the WIFIA Lender with any further information reasonably requested by the WIFIA Lender from time to time concerning the matters described in clause (i) above.

(i) Requested Information. The Borrower shall, at any time while the WIFIA Loan remains outstanding, promptly deliver to the WIFIA Lender such additional information regarding the business, financial, legal or organizational affairs of the Borrower or regarding the Water System, the Project or the Gross Revenues as the WIFIA Lender may from time to time reasonably request.

ARTICLE VI
EVENTS OF DEFAULT

Section 17. Events of Default and Remedies.

(a) An “Event of Default” shall exist under this Agreement if any of the following occurs:

(i) Payment Default. The Borrower shall fail to pay when due any part of the principal amount of or interest on the WIFIA Loan (including WIFIA Debt Service required to have been paid pursuant to the provisions of Section 8 (Payment of Principal and Interest)), when and as the payment thereof shall be required under this Agreement or the WIFIA Note or on the Final Maturity Date, and such failure continues for a period of five (5) days (each such failure, a “Payment Default”).

(ii) Covenant Default. The Borrower shall fail to observe or perform any covenant, agreement or obligation of the Borrower under this Agreement, the WIFIA Note or any other WIFIA Loan Document (other than in the case of any Payment Default, any Development Default or any failure to comply with the Rate Covenant), and such failure shall not be cured within thirty (30) days after the earlier to occur of (A) receipt by the Borrower from the WIFIA Lender of written notice thereof or (B) the Borrower’s knowledge of such failure; provided, however, that if such failure is capable of cure but cannot reasonably be cured within such thirty (30) day cure period, then no Event of Default shall be deemed to have occurred or be continuing under this Section 17(a)(ii), and such thirty (30) day cure period shall be extended by up to one hundred fifty (150) additional days, if and so long as (x) within such thirty (30) day cure period the Borrower shall commence actions reasonably designed to cure such failure and shall diligently pursue such actions until such failure is cured and (y) such failure is cured within one hundred eighty (180) days of the date specified in either (A) or (B) above, as applicable.
(iii) **Misrepresentation Default.** Any of the representations, warranties or certifications of the Borrower made in or delivered pursuant to the WIFIA Loan Documents (or in any certificates delivered by the Borrower in connection with the WIFIA Loan Documents) shall prove to have been false or misleading in any material respect when made or deemed made (or any representation and warranty that is subject to a materiality qualifier shall prove to have been false or misleading in any respect); provided, that no Event of Default shall be deemed to have occurred under this Section 17(a)(iii) if and so long as (A) such misrepresentation is not intentional, (B) such misrepresentation is not a misrepresentation in respect of Section 12(h) (*Representations and Warranties of Borrower – No Debarment*), Section 12(j) (*Representations and Warranties of Borrower – Compliance with Laws*), or Section 12(y) (*Representations and Warranties of Borrower – Patriot Act*), (C) in the reasonable determination of the WIFIA Lender, such misrepresentation has not had, and would not reasonably be expected to result in, a Material Adverse Effect, (D) in the reasonable determination of the WIFIA Lender, the underlying issue giving rise to the misrepresentation is capable of being cured and (E) the underlying issue giving rise to the misrepresentation is cured by the Borrower within thirty (30) days after the date on which the Borrower first became aware (or reasonably should have become aware) of such misrepresentation.

(iv) **Acceleration of Parity Obligations.** Any acceleration shall occur of the maturity of any Parity Obligation, or any such Parity Obligation shall not be paid in full upon the final maturity thereof.

(v) **Cross Default with Other Financing Documents.** Any default shall occur in respect of the performance of any covenant, agreement or obligation of the Borrower under any of the Other Financing Documents, and such default shall be continuing after the giving of any applicable notice and the expiration of any applicable grace period specified in the applicable Other Financing Document (as the case may be) with respect to such default, and the Borrower shall have failed to cure such default or to obtain an effective written waiver thereof in accordance with the terms thereof.

(vi) **Material Adverse Judgment.** Any final, non-appealable judgment related to the Net Revenues, the Water System or the Project that has a Material Adverse Effect is entered against the Borrower.

(vii) **Occurrence of a Bankruptcy Related Event.** A Bankruptcy Related Event shall occur with respect to the Borrower.

(viii) **Invalidity of WIFIA Loan Documents.** (A) Any WIFIA Loan Document ceases to be in full force and effect (other than as a result of the termination thereof in accordance with its terms) or becomes void, voidable, illegal or unenforceable, or the Borrower contests in any manner the validity or enforceability of any WIFIA Loan Document to which it is a party or denies it has any further liability under any WIFIA Loan Document to which it is a party, or purports to revoke, terminate or rescind any WIFIA Loan Document to which it is a party; or (B) any event occurs that results in the material impairment in the perfection or priority of the WIFIA Lender’s security interest in the Net Revenues or in the value of such Net Revenues.
Failure to Satisfy Rate Covenant. The Borrower fails to satisfy the Rate Covenant for two (2) consecutive Borrower Fiscal Years.

Development Default. A Development Default shall occur.

Default Under Principal Project Contracts. The Borrower shall default in the timely performance of any covenant, agreement or obligation under any Principal Project Contract or any Principal Project Contract shall be terminated prior to its scheduled expiration (unless in any case such default or termination could not reasonably be expected to have a Material Adverse Effect), and the Borrower shall have failed to cure such default or to obtain an effective written waiver or revocation thereof prior to the expiration of the applicable grace period specified in any such Principal Project Contract, or to obtain an effective revocation of such termination (as the case may be); provided, however, that no Event of Default shall be deemed to have occurred or be continuing under this Section 17(a)(xi) if, in the case of any termination of a Principal Project Contract, the Borrower replaces such Principal Project Contract with a replacement agreement (A) entered into with another counterparty that (1) is of similar or greater creditworthiness (including credit support), technical capability and relevant experience as the counterparty being replaced was at the time the applicable Principal Project Contract was originally executed (or otherwise reasonably acceptable to the WIFIA Lender), (2) is not, at the time of such replacement, suspended or debarred or subject to a proceeding to suspend or debar from bidding, proposing or contracting with any federal or state department or agency, and (3) is not, at the time of such replacement, in violation of any applicable laws; (B) on substantially the same terms and conditions as the Principal Project Contract being replaced (or otherwise reasonably acceptable to the WIFIA Lender) and (C) effective as of the date of termination of the Principal Project Contract being replaced.

Cessation of Water System Operations. Operation of the Water System shall cease for a continuous period of not less than one hundred eighty (180) days unless (A) such cessation of operations shall occur by reason of an Uncontrollable Force that is not due to the fault of the Borrower (and which the Borrower could not reasonably have avoided or mitigated) or (B) the Borrower shall either be self-insured in an amount sufficient to cover, or shall have in force an insurance policy or policies under which the Borrower is entitled to recover amounts sufficient to pay (and may use such amounts to pay), Debt Service for all Parity Obligations (including WIFIA Debt Service) and costs and expenses of the Borrower during such cessation of operations.

Upon the occurrence of any Bankruptcy Related Event, all obligations of the WIFIA Lender hereunder with respect to the disbursement of any undisbursed amounts of the WIFIA Loan shall automatically be deemed terminated, and the Outstanding WIFIA Loan Balance, together with all interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under this Agreement, the WIFIA Note or the other WIFIA Loan Documents, shall automatically become immediately due and payable, without presentment, demand, notice, declaration, protest or other requirements of any kind, all of which are hereby expressly waived.
Upon the occurrence of any Event of Default, the WIFIA Lender, by written notice to the Borrower, may exercise any or all of the following remedies:

(i) the WIFIA Lender may suspend or terminate all of its obligations hereunder with respect to the disbursement of any undisbursed amounts of the WIFIA Loan;

(ii) the WIFIA Lender may cease permitting interest on the WIFIA Loan to be capitalized;

(iii) the WIFIA Lender may apply the Default Rate provisions of Section 6 (Interest Rate);

(iv) the WIFIA Lender may suspend or debar the Borrower from further participation in any Government program administered by the WIFIA Lender and to notify other departments and agencies of such default;

(v) the WIFIA Lender shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of any sums due and unpaid hereunder or under the WIFIA Note or the other WIFIA Loan Documents, and may prosecute any such judgment or final decree against the Borrower and collect in the manner provided by law out of the property of the Borrower the moneys adjudged or decreed to be payable, and the WIFIA Lender shall have all of the rights and remedies of a creditor, including all rights and remedies of a secured creditor under the Uniform Commercial Code, and may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by Borrower under this Agreement, the WIFIA Note or the other WIFIA Loan Documents then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement, the WIFIA Note or the other WIFIA Loan Documents; and/or

(vi) the WIFIA Lender may declare the unpaid principal amount of the WIFIA Note to be, and the same shall thereupon forthwith become, immediately due and payable, together with the interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under this Agreement, the WIFIA Note or the other WIFIA Loan Documents, all without presentment, demand, notice, protest or other requirements of any kind, all of which are hereby expressly waived.

No action taken pursuant to this Section 17 shall relieve Borrower from its obligations pursuant to this Agreement, the WIFIA Note or the other WIFIA Loan Documents, all of which shall survive any such action.

ARTICLE VII
MISCELLANEOUS

Section 18. Disclaimer of Warranty. The WIFIA Lender makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or
fitness for a particular purpose or fitness for use of the Project or any portion thereof or any other warranty with respect thereto. In no event shall the WIFIA Lender be liable for any incidental, indirect, special or consequential damages incidental to or arising out of this Agreement or the Water System (including the Project) or the existence, furnishing, functioning or use of the Project or any item or products or services provided for in this Agreement.

Section 19. **No Personal Recourse.** No official, employee or agent of the WIFIA Lender or the Borrower or any Person executing this Agreement or any of the other WIFIA Loan Documents shall be personally liable on this Agreement or such other WIFIA Loan Documents by reason of the issuance, delivery or execution hereof or thereof.

Section 20. **No Third Party Rights.** The parties hereby agree that this Agreement creates no third party rights against the Borrower, the Government, or the WIFIA Lender, solely by virtue of the WIFIA Loan, and the Borrower agrees to indemnify and hold the WIFIA Lender, the Servicer (if any), the Administrator, and the Government harmless, to the extent permitted by law and in accordance with Section 32 (Indemnification), from any lawsuit or claim arising in law or equity solely by reason of the WIFIA Loan, and that no third party creditor of the Borrower shall have any right against the WIFIA Lender with respect to the WIFIA Loan made pursuant to this Agreement.

Section 21. **Borrower’s Authorized Representative.** The Borrower shall at all times have appointed a Borrower’s Authorized Representative by designating such Person or Persons from time to time to act on the Borrower’s behalf pursuant to a written certificate furnished to the WIFIA Lender and the Servicer, if any, containing the specimen signature or signatures of such Person or Persons and signed by the Borrower.

Section 22. **WIFIA Lender’s Authorized Representative.** The WIFIA Lender hereby appoints the Director of the WIFIA Program, whose notice details are set forth below in Section 31 (Notices), to serve as the WIFIA Lender’s Authorized Representative under this Agreement until such time as a successor or successors shall have been appointed. Thereafter, the successor in office shall serve as the WIFIA Lender’s Authorized Representative. The WIFIA Lender shall provide notice to the Borrower within a reasonable time period following the succession.

Section 23. **Servicer.** The WIFIA Lender may from time to time designate another entity or entities to perform, or assist the WIFIA Lender in performing, the duties of the Servicer or specified duties of the WIFIA Lender under this Agreement and the WIFIA Note. The WIFIA Lender shall give the Borrower written notice of the appointment of any successor or additional Servicer and shall enumerate the duties or any change in duties to be performed by any Servicer. Any references in this Agreement to the WIFIA Lender shall be deemed to be a reference to the Servicer with respect to any duties which the WIFIA Lender shall have delegated to such Servicer. The WIFIA Lender may at any time assume the duties of any Servicer under this Agreement and the WIFIA Note. The Borrower shall cooperate and respond to any reasonable request of the Servicer for information, documentation or other items reasonably necessary for the performance by the Servicer of its duties hereunder.
Section 24. Amendments and Waivers. No amendment, modification, termination, or waiver of any provision of this Agreement shall in any event be effective without the written consent of each of the parties hereto.

Section 25. Governing Law. This Agreement shall be governed by the federal laws of the United States of America if and to the extent such federal laws are applicable and the internal laws of the State, if and to the extent such federal laws are not applicable.

Section 26. Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal, or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

Section 27. Successors and Assigns. This Agreement shall be binding upon the parties hereto and their respective permitted successors and assigns and shall inure to the benefit of the parties hereto and their permitted successors and assigns. Neither the Borrower’s rights or obligations hereunder nor any interest therein may be assigned or delegated by the Borrower without the prior written consent of the WIFIA Lender.

Section 28. Remedies Not Exclusive. No remedy conferred herein or reserved to the WIFIA Lender is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 29. Delay or Omission Not Waiver. No delay or omission of the WIFIA Lender to exercise any right or remedy provided hereunder upon a default of the Borrower (except a delay or omission pursuant to a written waiver) shall impair any such right or remedy or constitute a waiver of any such default or acquiescence therein. Every right and remedy given by this Agreement or by law to the WIFIA Lender may be exercised from time to time, and as often as may be deemed expedient by the WIFIA Lender.

Section 30. Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto or in connection herewith may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Electronic delivery of an executed counterpart of a signature page of this Agreement or any document or instrument delivered in connection herewith in accordance with Section 31 (Notices) shall be effective as delivery of an original executed counterpart of this Agreement or such other document or instrument, as applicable.

Section 31. Notices. Notices hereunder shall be (a) in writing, (b) effective as provided below and (c) given by (i) nationally recognized courier service, (ii) hand delivery, or (iii) email, in each case to:
Unless otherwise instructed by the WIFIA Lender’s Authorized Representative, all notices to the WIFIA Lender should be made by email to the email address noted above for the WIFIA Lender. Notices required to be provided herein shall be provided to such different addresses or to such further parties as may be designated from time to time by a Borrower’s Authorized Representative, with respect to notices to the Borrower, or by the WIFIA Lender’s Authorized Representative, with respect to notices to the WIFIA Lender or the Servicer. Each such notice, request or communication shall be effective (x) if delivered by hand or by nationally recognized courier service, when delivered at the address specified in this Section 31 (or in accordance with the latest unrevoked written direction from the receiving party) and (y) if given by email, when such email is delivered to the address specified in this Section 31 (or in accordance with the latest unrevoked written direction from the receiving party); provided, that notices received on a day that is not a Business Day or after 5:00 p.m. Eastern Time on a Business Day will be deemed to be effective on the next Business Day.

Section 32. Indemnification. The Borrower shall, to the extent permitted by law, indemnify the WIFIA Lender and any official, employee, agent or representative of the WIFIA Lender (each such Person being herein referred to as an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, fines, penalties, costs and expenses (including the fees, charges and disbursements of any counsel for any Indemnitee and the costs of environmental remediation), whether known, unknown, contingent or otherwise, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (a) the execution, delivery and performance of this Agreement or any of the other Related Documents, (b) the WIFIA Loan or the use of the proceeds thereof, or (c) the violation of any law, rule, regulation, order, decree, judgment or administrative decision relating to the environment, the preservation or reclamation of natural resources, the management, release or threatened release of any hazardous material or to health and safety matters; in each case arising out of or in direct relation to the Project; provided, that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities, fines, penalties, costs or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. In case any action or proceeding is brought against an Indemnitee by reason of any claim with respect to which such Indemnitee is entitled to indemnification hereunder, the Borrower shall be entitled, at its expense, to participate in the defense thereof; provided, that such Indemnitee has the right to retain its own counsel, at the Borrower’s expense, and such participation by the Borrower in the defense thereof

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shall not release the Borrower of any liability that it may have to such Indemnitee. Any Indemnitee against whom any indemnity claim contemplated in this Section 32 is made shall be entitled, after consultation with the Borrower and upon consultation with legal counsel wherein such Indemnitee is advised that such indemnity claim is meritorious, to compromise or settle any such indemnity claim. Any such compromise or settlement shall be binding upon the Borrower for purposes of this Section 32. Nothing herein shall be construed as a waiver of any legal immunity that may be available to any Indemnitee. To the extent permitted by applicable law, neither the Borrower nor the WIFIA Lender shall assert, and each of the Borrower and the WIFIA Lender hereby waives, any claim against any Indemnitee or the Borrower, respectively, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any of the other Related Documents, the other transactions contemplated hereby and thereby, the WIFIA Loan or the use of the proceeds thereof, provided, that nothing in this sentence shall limit the Borrower’s indemnity obligations to the extent such damages are included in any third party claim in connection with which an Indemnitee is entitled to indemnification hereunder. All amounts due to any Indemnitee under this Section 32 shall be payable promptly upon demand therefor. The obligations of the Borrower under this Section 32 shall survive the payment or prepayment in full or transfer of the WIFIA Note, the enforcement of any provision of this Agreement or the other Related Documents, any amendments, waivers (other than amendments or waivers in writing with respect to this Section 32) or consents in respect hereof or thereof, any Event of Default, and any workout, restructuring or similar arrangement of the obligations of the Borrower hereunder or thereunder.

Section 33. Sale and Transfer of WIFIA Loan. The WIFIA Lender shall not sell the WIFIA Loan at any time prior to the Substantial Completion Date. After such date, the WIFIA Lender may sell the WIFIA Loan to another entity or reoffer the WIFIA Loan into the capital markets only in accordance with the provisions of this Section 33. Such sale or reoffering shall be on such terms as the WIFIA Lender shall deem advisable. However, in making such sale or reoffering the WIFIA Lender shall not change the terms and conditions of the WIFIA Loan without the prior written consent of the Borrower in accordance with Section 24 (Amendments and Waivers). The WIFIA Lender shall provide, at least sixty (60) days prior to any sale or reoffering of the WIFIA Loan, written notice to the Borrower of the WIFIA Lender’s intention to consummate such a sale or reoffering. The provision of any notice pursuant to this Section 33 shall not (x) obligate the WIFIA Lender to sell nor (y) provide the Borrower with any rights or remedies in the event the WIFIA Lender, for any reason, does not sell the WIFIA Loan. After the closing of any sale or reoffering of the WIFIA Loan, the WIFIA Lender shall provide, within thirty (30) days of closing, written notice to the Borrower providing for notice details of the purchaser of the WIFIA Loan.

Section 34. Effectiveness. This Agreement shall be effective on the Effective Date.

Section 35. Termination. This Agreement shall terminate upon the irrevocable payment in full in immediately available funds by the Borrower of the Outstanding WIFIA Loan Balance, together with all accrued interest, fees and expenses with respect thereto; provided, however, that the indemnification requirements of Section 32 (Indemnification), the access and record keeping requirements of Section 14(q) (Affirmative Covenants – Access; Records) and the payment requirements of Section 10 (Fees and Expenses) shall survive the termination of this Agreement as provided in such Sections.
Section 36. **Integration.** This Agreement constitutes the entire contract between the parties relating to the subject matter hereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

[The remainder of this page intentionally left blank; signature pages immediately follow.]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SOQUEL CREEK WATER DISTRICT,
by its authorized representative

By: ______________________________
Name: ____________________________
Title: _____________________________
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, acting by and through the Administrator of the Environmental Protection Agency

By: ______________________________
Name: Andrew R. Wheeler
Title: Administrator
## SCHEDULE I

### PROJECT BUDGET

<table>
<thead>
<tr>
<th>SOURCES OF FUNDS</th>
<th>AMOUNT ($ USD)</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WIFIA Loan</td>
<td>$88,974,400</td>
<td>49.0%</td>
</tr>
<tr>
<td>Sea Water Intrusion Control Loan (SWIC)</td>
<td>$36,000,000</td>
<td>19.8%</td>
</tr>
<tr>
<td>Prop 1 Implementation Grant (California)</td>
<td>$50,000,000</td>
<td>27.5%</td>
</tr>
<tr>
<td>Cash</td>
<td>$6,606,009</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td><strong>$181,580,409</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USES OF FUNDS</th>
<th>AMOUNT ($ USD)</th>
<th>PERCENTAGE (%)</th>
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<tbody>
<tr>
<td>Project Administration</td>
<td>$6,879,794</td>
<td>3.8%</td>
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<tr>
<td>Planning/Design/Engineering/Environmental</td>
<td>$22,680,858</td>
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<tr>
<td>Construction/Implementation</td>
<td>$144,112,610</td>
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<tr>
<td>Monitoring/Performance</td>
<td>$567,500</td>
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<tr>
<td>Outreach</td>
<td>$454,650</td>
<td>0.3%</td>
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<tr>
<td>Additional Project-level Contingency</td>
<td>$6,324,997</td>
<td>3.5%</td>
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<tr>
<td>Issuance Costs</td>
<td>$560,000</td>
<td>0.3%</td>
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<tr>
<td><strong>Total Uses of Funds</strong></td>
<td><strong>$181,580,409</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

**Total Eligible Project Costs** $181,580,409 100.0%

**Total Project Costs** $181,580,409 100.0%
## SCHEDULE II

### CONSTRUCTION SCHEDULE

<table>
<thead>
<tr>
<th>Project Element</th>
<th>Planning Completion</th>
<th>Preliminary Design Completion</th>
<th>Design Contract</th>
<th>Permitting Completion</th>
<th>Construction Contracts</th>
<th>Substantial Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seawater Intrusion Prevention (SWIP)/Recharge Wells and Monitoring Wells</td>
<td>November 2017</td>
<td>July 2019</td>
<td>February 2020</td>
<td>Mar 2022-Feb 2023</td>
<td>July 2020</td>
<td>September 2024</td>
</tr>
</tbody>
</table>
SCHEDULE III
EXISTING INDEBTEDNESS

A. Parity Obligations

<table>
<thead>
<tr>
<th>Agreement/Series</th>
<th>Outstanding Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Certificates of Participation, Series 2011, as further defined in the Loan Agreement. The Borrower expects to refund this obligation by December 1, 2020.</td>
<td>$[16,105,000]</td>
</tr>
<tr>
<td>2. Certificates of Participation, Series 2013, as further defined in the Loan Agreement. The Borrower expects to refund this obligation by December 1, 2020.</td>
<td>$[14,365,000]</td>
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</tbody>
</table>

B. Subordinated Obligations

<table>
<thead>
<tr>
<th>Agreement/Series</th>
<th>Outstanding Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interim Financing Agreement, Series 2020, as further defined in the Loan Agreement. Upon the refunding of the senior Certificates of Participation listed in Section A of this Schedule, this Subordinate Obligation will become a Parity Obligation.</td>
<td>$[75,000,000]</td>
</tr>
</tbody>
</table>

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3 Note to Draft: To be updated as necessary as of the Effective Date.
SCHEDULE IV

WIFIA PAYMENT INSTRUCTIONS

Acceptable Methods for WIFIA Payments to EPA

Option 1 PAY.GOV
Use of Pay.gov to make payments to EPA is the preferred electronic payment method. In Pay.gov, users can track their payments to EPA and schedule recurring or automatic payments. Although it is not mandatory to register for a user id to access and use Pay.Gov, registration is recommended to have access to all Pay.gov system functionality.

1. Access the Pay.gov system by going to https://www.pay.gov and search for WIFIA or click on the following hyperlink to directly launch the WIFIA Loan Collection & Fees Form.
2. Provide the following information on your payment to ensure proper credit:
   - Remitter’s contact phone number
   - Company/Organization Name as it appears on EPA document
   - Complete address, including city, state, zip code
   - Project Name
   - Loan Number: this is EPA WIFIA Loan number, NOT the remitter's number
   - From the “Payment Type” drop down menu select the type from the Fee Notice letter
   - Other Description: please note the reference number from the Fee Notice letter
3. Follow the remaining on-screen instructions to successfully process the payment to EPA.
4. Send an email to OCFO-OC-ACAD-WIFIA@epa.gov and wifia_portfolio@epa.gov informing that a payment has been made.

Option 2 FEDWIRE
Wire transfers made through FedWire are an alternative electronic wire transfer initiated between the borrower and its organization’s financial institution (bank) and EPA. FedWire is typically used to initiate financial institution (bank) generated “same day” electronic payments.

Borrowers must work within the processing guidelines established by their bank, which may include processing cutoffs, transaction fees, and other bank requirements.

Banks that do not maintain an account at a Federal Reserve Bank (FRB) must use the services of correspondent banks that do have an FRB account. To process a payment using FedWire please:

1. Send FedWire deposits as early as possible and no later than 5 p.m. ET on the desired EPA receipt date
2. Review the FedWire form Instructions provided in Attachment 1 and complete the form. It is very important that all relevant details identified in the instructions are accurate.
3. Send an email to OCFO-OC-ACAD-WIFIA@epa.gov and wifia_portfolio@epa.gov informing that a payment has been made.

Option 3 CHECK PAYMENTS (Not allowed for payment of Principal or Interest)

1. Send checks to:
   - USPS Mailing Address
     Laura Collier
     USEPA Headquarters
     William Jefferson Clinton Building
     1200 Pennsylvania Avenue, N. W.
     Mail Code: 2733R
     Washington, DC 20460
   - Courier Address (e.g., FEDEX, UPS)
     Laura Collier
     Ronald Reagan Building
     1300 Pennsylvania Ave., N.W.
     Rm # 81164
     Washington, DC 20004
2. Provide the following information on your check payment to ensure proper credit please:
   - Company/remitter's name (borrower name as it appears on EPA document)
   - Complete address, including city, state, zip
   - Remitter’s point of contact person and phone number
   - EPA WIFIA Loan # (NOT the remitter's number)
Payment Type/Reason for payment from the Fee Notice letter
Reference number from the Fee Notice letter.

3. Send an email to OCFO-OC-ACAD-WIFIA@epa.gov and wifia_portfolio@epa.gov informing that a payment has been submitted.

NOTES:

1. When checks are provided as payment, you authorize the EPA to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. When the EPA uses information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day we receive your payment, and you will not receive your check back from your financial institution.
2. Prior to sending any paper check, contact EPA to determine whether paper checks are acceptable for payment at the time.

Attachment 1 – FedWire Payment Form and Instructions

To: 021030004
Type: 10

U.S. Environmental Protection Agency
FUNDS TRANSFER DEPOSIT

<table>
<thead>
<tr>
<th>PC</th>
<th>FROM</th>
<th>TO (ABA)</th>
<th>TYPE</th>
<th>RECEIVER</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>021030004</td>
<td>10</td>
<td>TREAS NYC/(6801099)EPA</td>
</tr>
</tbody>
</table>

SENDERS REF AMOUNT

The above FedWire form presented to your bank (who will initiate and transmit the FedWire payment) MUST contain all details below: *

TO (ABA) 021030004
Type 10
Receiver TREAS NYC/(6801099)EPA

THIRD PARTY INFORMATION

To ensure proper credit please include the following information on your payment:
- Company/remitter's name (borrower name as it appears on EPA document)
- Complete address, including city, state, zip code
- Remitter's point of contact person and phone number
- EPA WIFIA Loan # (NOT the remitter's number)
- Payment Type/Reason for payment from the Fee Notice letter
- Reference number from the Fee Notice letter

Shaded Areas Those items that are shaded on the Form are to be entered by the bank on the funds transfer message. (Depending on the Federal Reserve District, some items may not be required.)

*Important: Failure to initiate the FedWire electronic wire transaction properly with the above fields included, will result in untimely or non-receipt of funds at EPA.

For questions about payments to EPA please contact EPA's Office of the Controller:
Phone: 202-564-7593. Voicemails can be left when calling outside business hours
Email: OCFO-OC-ACAD-WIFIA@epa.gov

For questions about the WIFIA program: Email: wifia@epa.gov
# SCHEDULE 12(f)

## LITIGATION

<table>
<thead>
<tr>
<th>No.</th>
<th>Parties</th>
<th>Date Initiated</th>
<th>Description</th>
<th>Venue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Cruz County Superior Court Case No. 19CV00181</td>
<td>Rebecca (Becky) Steinbruner v. Soquel Creek Water District, Board of Directors for the Soquel Creek Water District, Ron Duncan</td>
<td>Filed: 1/17/2019</td>
<td>Petitioner, acting pro per, challenged the District’s certification of the Environmental Impact Report (&quot;EIR&quot;) for, and approval of, the Pure Water Soquel: Groundwater Replenishment and Seawater Intrusion Prevention Project (&quot;Project&quot;) on California Environmental Quality Act (&quot;CEQA&quot;) grounds. Petitioner sought a writ of mandate to set aside the EIR and Project approvals, given that monetary damages are not available under CEQA. In November of 2019, the trial court denied in full the Petition for Writ of Mandate, and ruled in favor of the District on all elements of the lawsuit. In December of 2019, Petitioner filed an appeal to the Sixth District Court of Appeal. However, the District’s counsel anticipates an affirmation of the trial court’s ruling. Briefing on the merits is anticipated to be completed this fall.</td>
<td>Santa Cruz County Superior Court</td>
</tr>
<tr>
<td>San Francisco County Superior</td>
<td>Rebecca (Becky) Steinbruner v. California Coastal Commission</td>
<td>Filed: 6/11/2020</td>
<td>Petitioner, acting pro per, is challenging the California Coastal Commission’s (&quot;CCC&quot;) issuance of a</td>
<td>San Francisco County</td>
</tr>
<tr>
<td>Court Case No. CPF-20-51711</td>
<td>coastal development permit. Petitioner seeks a writ of mandate ordering the CCC to vacate its approval of the District’s application for a coastal development permit for the Project, and to engage in additional process and analysis prior to issuing any new coastal development permit. Petitioner seeks no damages. The case is still in its infancy and has not been served on the respondents. The District was named as a real party in interest.</td>
<td>Superior Court</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>----------------</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### SCHEDULE 12(n)

**PRINCIPAL PROJECT CONTRACTS**

#### A. Existing Principal Project Contracts

<table>
<thead>
<tr>
<th>Contract</th>
<th>Date</th>
<th>Parties</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garney Pacific - 2020</td>
<td>02/18/2020</td>
<td>Soquel Creek Water District and Garney Pacific, Inc</td>
<td>Design Build Agreement for Phase 1 of the Pure Water Soquel Conveyance Infrastructure Project</td>
</tr>
<tr>
<td>Black and Veatch - 2020</td>
<td>03/04/2020</td>
<td>Soquel Creek Water District and Black and Veatch Construction, Inc.</td>
<td>Design Build Agreement for Phase 1 of the Pure Water Soquel Treatment Facilities Project</td>
</tr>
<tr>
<td>ZIM Industries - 2020</td>
<td>06/09/2020</td>
<td>Soquel Creek Water District and Zim Industries, Inc.</td>
<td>Agreement for the Construction of the Seawater Intrusion Prevention Recharge Wells Project, CWO 20-3000</td>
</tr>
</tbody>
</table>

#### B. Additional Principal Project Contracts

<table>
<thead>
<tr>
<th>Contract</th>
<th>Expected Effective Date (if known)</th>
<th>Parties</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garney Pacific (if agreement and GMP is agreed upon)- Construction</td>
<td>November 2020</td>
<td>Soquel Creek Water District and Garney Pacific, Inc</td>
<td>Phase 2 (Construction) of the Pure Water Soquel Conveyance Infrastructure Project</td>
</tr>
<tr>
<td>Black and Veatch (if agreement and GMP is agreed upon)- Construction</td>
<td>January 2021</td>
<td>Soquel Creek Water District and Black and Veatch Construction, Inc.</td>
<td>Phase 2 (Construction) of the Pure Water Soquel Treatment Facilities Project</td>
</tr>
</tbody>
</table>

---

**Note to Draft:** To be updated by Borrower where applicable.
<table>
<thead>
<tr>
<th>TBD</th>
<th>November 2020</th>
<th>Construction of the civil and well equipping of the Pure Water Soquel Seawater Intrusion Prevention Wells Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>TBD</td>
<td>December 2020/Jan 2021</td>
<td>Construction of the operational monitoring wells for the Pure Water Soquel Project</td>
</tr>
</tbody>
</table>
EXHIBIT A

FORM OF WIFIA NOTE

SOQUEL CREEK WATER DISTRICT

PURE WATER SOQUEL PROJECT

(WIFIA – N19104CA)

WIFIA NOTE

Maximum Principal Amount: $88,700,000 (Eighty-Eight Million Seven Hundred Thousand Dollars) (excluding capitalized interest)

Interest Rate: __________%

Effective Date: ____________  Due: __________

SOQUEL CREEK WATER DISTRICT, a state water district under the laws of the State of California (the “Borrower”), for value received, hereby promises to pay to the order of the UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, acting by and through the Administrator of the United States Environmental Protection Agency, or its assigns (the “WIFIA Lender”), the lesser of (x) the Maximum Principal Amount set forth above and (y) the aggregate unpaid principal amount of all disbursements (the “Disbursements”) made by the WIFIA Lender (such lesser amount, together with any interest that is capitalized and added to principal in accordance with the provisions of the WIFIA Loan Agreement (as defined below), being hereinafter referred to as the “Outstanding Principal Sum”), together with accrued and unpaid interest (including, if applicable, interest at the Default Rate, as defined in the WIFIA Loan Agreement) on the Outstanding Principal Sum and all fees, costs and other amounts payable in connection therewith, all as more fully described in the WIFIA Loan Agreement. The principal hereof shall be payable in the manner and at the place provided in the WIFIA Loan Agreement in accordance with Exhibit F (WIFIA Debt Service) to the WIFIA Loan Agreement, as revised from time to time in accordance with the WIFIA Loan Agreement, until paid in full (which Exhibit F, as modified from time to time in accordance with the terms of the WIFIA Loan Agreement, is incorporated in and is a part of this WIFIA Note). The WIFIA Lender is hereby authorized to modify the Loan Amortization Schedule included in Exhibit F to the WIFIA Loan Agreement from time to time in accordance with the terms of the WIFIA Loan Agreement to reflect the amount of each disbursement made thereunder and the date and amount of principal or interest paid by the Borrower thereunder. Absent manifest error, the WIFIA Lender’s determination of such matters as set forth on Exhibit F to the WIFIA Loan Agreement shall be conclusive evidence thereof; provided, however, that neither the failure to make any such recordation nor any error in such recordation shall affect in any manner the Borrower’s obligations hereunder or under any other WIFIA Loan Document.

Payments hereon are to be made in accordance with Section 8(d) (Payment of Principal and Interest – Manner of Payment) and Section 31 (Notices) of the WIFIA Loan Agreement as the same become due. Principal of and interest on this WIFIA Note shall be paid in funds available
on or before the due date and in any lawful coin or currency of the United States of America that at the date of payment is legal tender for the payment of public and private debts. If the Final Maturity Date is amended in connection with an update to the Updated Financial Model/Plan approved by the WIFIA Lender pursuant to Section 16(a) (Reporting Requirements – Updated Financial Model/Plan) of the WIFIA Loan Agreement, the due date of this WIFIA Note shall be deemed to be amended to change the due date to such revised Final Maturity Date without any further action required on the part of the Borrower or the WIFIA Lender and such amendment shall in no way amend, modify or affect the other provisions of this WIFIA Note without the prior written agreement of the WIFIA Lender. Any such amendment shall be reflected in a revised Exhibit F.

This WIFIA Note has been executed under and pursuant to that certain WIFIA Loan Agreement, dated as of the date hereof, between the WIFIA Lender and the Borrower (the “WIFIA Loan Agreement”) and is issued to evidence the obligation of the Borrower under the WIFIA Loan Agreement to repay the loan made by the WIFIA Lender and any other payments of any kind required to be paid by the Borrower under the WIFIA Loan Agreement or the other WIFIA Loan Documents referred to therein. Reference is made to the WIFIA Loan Agreement for all details relating to the Borrower’s obligations hereunder. All capitalized terms used in this WIFIA Note and not defined herein shall have the meanings set forth in the WIFIA Loan Agreement.

This WIFIA Note is a limited obligation of the Borrower, payable solely from the Net Revenues which have been pledged under the WIFIA Loan Agreement, on a parity basis with Parity Obligations previously issued or incurred by the Borrower and that may be incurred in the future in accordance with the terms of the WIFIA Loan Agreement. Neither the general fund, the full faith and credit, nor the taxing power of the Borrower, the State of California or any other political subdivision thereof is pledged to the payment of this WIFIA Note. This WIFIA Note is not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the Borrower or any of its income or receipts except the Net Revenues.

This WIFIA Note may be prepaid at the option of the Borrower in whole or in part (and, if in part, the principal installments and amounts thereof to be prepaid are to be determined in accordance with the WIFIA Loan Agreement; provided, however, such prepayments shall be in principal amounts of at least $1,000,000 or any integral multiple of $1 in excess thereof), from time to time, but not more than annually, without penalty or premium, by paying to the WIFIA Lender all or part of the principal amount of the WIFIA Note in accordance with the WIFIA Loan Agreement.

Any delay on the part of the WIFIA Lender in exercising any right hereunder shall not operate as a waiver of any such right, and any waiver granted with respect to one default shall not operate as a waiver in the event of any subsequent default.

This WIFIA Note is transferable by the WIFIA Lender only in the manner, and subject to the limitations, provided in the WIFIA Loan Agreement.

All acts, conditions and things required by the Constitution and laws of the State to happen, exist, and be performed precedent to and in the issuance of this WIFIA Note have happened, exist and have been performed as so required. This WIFIA Note is issued with the intent that the federal
laws of the United States of America shall govern its construction to the extent such federal laws are applicable and the internal laws of the State shall govern its construction to the extent such federal laws are not applicable.

IN WITNESS WHEREOF, SOQUEL CREEK WATER DISTRICT has caused this WIFIA Note to be executed in its name and attested by its duly authorized officer, all as of the Effective Date set forth above.

SOQUEL CREEK WATER DISTRICT,
by its authorized representative

By ___________________________________________
Name: _______________________________________
Title: _______________________________________

ATTEST:

_________________________
Board Clerk
(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto __________________________ whose address and social security or other tax identifying number is ____________________, the within-mentioned WIFIA Note and hereby irrevocably constitute(s) and appoint(s) ___________________________ attorney, to notify the Borrower of the same so the Borrower can record such transfer in its books, with full power of substitution in the premises.

Dated: __________________________

Signature Guaranteed: ____________

________________________________________

Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agent Medallion Program or in such other guarantee program acceptable to the Borrower.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within WIFIA Note in every particular without alteration or enlargement or any change whatsoever.
### EXHIBIT B

**ANTICIPATED WIFIA LOAN DISBURSEMENT SCHEDULE**

<table>
<thead>
<tr>
<th>Federal Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

*Note to Draft:* WIFIA to provide after receipt of new draw schedule (to be provided by Borrower).
EXHIBIT C

FORM OF NON-DEBARMENT CERTIFICATE

The undersigned, on behalf of Soquel Creek Water District (the “Borrower”), hereby certifies that the Borrower has fully complied with its verification obligations under 2 C.F.R. § 180.320 and hereby further confirms, based on such verification, that, to its knowledge, the Borrower and its principals (as defined in 2 C.F.R. § 180.995 and supplemented by 2 C.F.R. 1532.995):

(a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal department or agency;

(b) Have not within a three (3) year period preceding the Effective Date been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (federal, state or local) with commission of any of the offenses enumerated in paragraph (b) of this certification; and

(d) Have not within a three (3) year period preceding the Effective Date had one or more public transactions (federal, state or local) terminated for cause or default.

Capitalized terms used in this certificate and not defined shall have the respective meanings ascribed to such terms in the WIFIA Loan Agreement, dated as of [_______], 2020, by and between the Borrower and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency.

Dated: _________________

SOQUEL CREEK WATER DISTRICT,
by its authorized representative

By: ______________________________________
Name:____________________________________
Title:____________________________________
EXHIBIT D-1

REQUISITION PROCEDURES

This Exhibit D-1 sets out the procedures which the Borrower agrees to follow in submitting Requisitions for the disbursement of WIFIA Loan proceeds in respect of the Eligible Project Costs incurred in connection with the Project. Section 1 sets out the manner in which Requisitions are to be submitted and reviewed. Sections 2 through 4 set out the circumstances in which the WIFIA Lender may reject or correct Requisitions submitted by the Borrower or withhold a disbursement. The Borrower expressly agrees to the terms hereof, and further agrees that (i) the rights of the WIFIA Lender contained herein are in addition to (and not in lieu of) any other rights or remedies available to the WIFIA Lender under the WIFIA Loan Agreement, and (ii) nothing contained herein shall be construed to limit the rights of the WIFIA Lender to take actions including administrative enforcement action and actions for breach of contract against the Borrower if it fails to carry out its obligations under the WIFIA Loan Agreement during the term thereof.

Section 1. General Requirements. All requests by the Borrower for the disbursement of WIFIA Loan proceeds shall be made by electronic mail or overnight delivery service by submission to the WIFIA Lender, in accordance with Section 31 (Notices) of the WIFIA Loan Agreement, of a Requisition, in form and substance satisfactory to the WIFIA Lender and completed and executed by the Borrower’s Authorized Representative. The form of Requisition is attached as Appendix 1 (Form of Requisition) to this Exhibit D-1.

Supporting documentation should be submitted with the requisition. If the Borrower anticipates that it will draw down all or a portion of the proceeds of the WIFIA Loan to reimburse the Borrower for Eligible Project Costs paid by or on behalf of the Borrower prior to such disbursement of WIFIA Loan proceeds, whether paid from funds of the Borrower or proceeds of Obligations issued by the Borrower, including for the purpose of paying or redeeming such Obligations, the Borrower shall deliver appropriate documentation, including invoices and records, evidencing such incurred or paid Eligible Project Costs (the “Eligible Project Costs Documentation”). Each time the Borrower delivers Eligible Project Costs Documentation to the WIFIA Lender, and the Servicer (if any), the Borrower shall also deliver to such entities a certificate, substantially in the form of Exhibit D-2 (Certification of Eligible Project Costs Documentation) and duly executed by the Borrower’s Authorized Representative. The Eligible Project Costs Documentation must provide sufficient detail to enable the WIFIA Lender to verify that such costs are Eligible Project Costs paid by the Borrower, in connection with the reimbursement of such Eligible Project Costs or for the purpose of paying or redeeming, in whole or part, the portion of the Interim Financing Facility in respect of which the proceeds were used to pay such documented Eligible Project Costs. The WIFIA Lender shall review the Eligible Project Costs Documentation for compliance with WIFIA disbursement requirements, and any amounts approved by the WIFIA Lender as Eligible Project Costs will be disbursed at such time as the Borrower submits a Requisition in respect of such approved amounts.

The WIFIA Lender agrees to promptly send to the Borrower in accordance with Section 31 (Notices) of the WIFIA Loan Agreement, an acknowledgement of receipt of each Requisition in the form attached as Appendix 2 ([Approval/Disapproval] of the WIFIA Lender) to this Exhibit

D1-1
setting forth the date of receipt by the WIFIA Lender of such Requisition and setting forth the Business Day on which disbursement will be made absent denial by the WIFIA Lender. All disbursement requests must be received by the WIFIA Lender at or before 5:00 P.M. (EST) on the first (1st) Business Day of a calendar month in order to obtain disbursement by the fifteenth (15th) day of such calendar month or, if either such day is not a Business Day, the next succeeding Business Day. If a Requisition is approved by the WIFIA Lender, the WIFIA Lender will notify the Borrower of such approval and of the amount so approved.

Section 2. Rejection. A Requisition may be rejected in whole or in part by the WIFIA Lender if it is: (a) submitted without signature; (b) submitted under signature of a Person other than a Borrower’s Authorized Representative; (c) submitted after prior disbursement of all proceeds of the WIFIA Loan; (d) submitted without adequate Eligible Project Costs Documentation, including (i) copies of invoices and records evidencing the Eligible Project Costs, (ii) a summary of the progress of construction of the Project and a general description of the work done for which the funds being requisitioned are being applied (or a certification that no change has occurred since the date of the latest quarterly report provided pursuant to Section 16(d) (Reporting Requirements – Construction Reporting), and (iii) a copy of the most recent update to the Borrower’s risk register, if requested by the WIFIA Lender.

The WIFIA Lender will notify the Borrower of any Requisition so rejected, and the reasons therefor. Any Requisition rejected for the reasons specified above (other than Section 2(c)) must be resubmitted in proper form in order to be considered for approval. If a Requisition exceeds the balance of the WIFIA Loan proceeds remaining to be disbursed, the request will be treated as if submitted in the amount of the balance so remaining, and the WIFIA Lender will so notify the Borrower.

Section 3. Correction. A Requisition containing an apparent mathematical error will be corrected by the WIFIA Lender, after telephonic or email notification to the Borrower, and will thereafter be treated as if submitted in the corrected amount.

Section 4. Withholding. The WIFIA Lender shall be entitled to withhold approval (in whole or in part) of any pending or subsequent requests for the disbursement of WIFIA Loan proceeds if: (a) a Default or an Event of Default shall have occurred and be continuing; (b) the Borrower (i) knowingly takes any action, or omits to take any action, amounting to fraud or violation of any applicable law, in connection with the transactions contemplated hereby; (ii) prevents or materially impairs the ability of the WIFIA Lender to monitor compliance by the Borrower with applicable law pertaining to the Project or with the terms and conditions of the WIFIA Loan Agreement; (iii) fails to observe or comply with any applicable law, or any term or condition of the WIFIA Loan Agreement; (iv) fails to satisfy the conditions set forth in Section 4 (Disbursement Conditions; Quarterly Approval of Eligible Project Costs) and Section 11(b) (Conditions Precedent – Conditions Precedent to Disbursements) of the WIFIA Loan Agreement; or (v) fails to deliver Eligible Project Costs Documentation satisfactory to the WIFIA Lender at the times and in the manner specified by the WIFIA Loan Agreement; provided, that in such case of Section 4(v), the WIFIA Lender may, in its sole discretion, partially approve a disbursement request in respect of any amounts for which adequate Eligible Project Costs has been provided and may, in its sole discretion, disburse in respect of such properly documented amounts.
APPENDIX 1
FORM OF REQUISITION

United States Environmental Protection Agency
1200 Pennsylvania Avenue NW
WJC-W 6201A
Washington, D.C. 20460
Attention: WIFIA Director

Re: Pure Water Soquel Project (WIFIA Ref N19104CA)

Ladies and Gentlemen:

Pursuant to Section 4 (Disbursement Conditions; Quarterly Approval of Eligible Project Costs) of the WIFIA Loan Agreement, dated as of [date], 2020 (the “WIFIA Loan Agreement”), by and between SOQUEL CREEK WATER DISTRICT (the “Borrower”) and the UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, acting by and through the Administrator (the “WIFIA Lender”), the Borrower hereby requests disbursement in the amount set forth below in respect of Eligible Project Costs paid or incurred by the Borrower. Capitalized terms used but not defined herein have the meaning set forth in the WIFIA Loan Agreement.

In connection with this Requisition the undersigned, as the Borrower’s Authorized Representative, hereby represents and certifies the following:

1. Project name [___]
2. Borrower name [___]
3. WIFIA reference number [___]
4. Requisition number [___]
5. Requested disbursement amount $[___]
6. Requested disbursement date [___]

---

6 If there is a Servicer for the WIFIA Loan, provide a copy to the Servicer as well and include its notice details here.
7. Total amounts previously disbursed under the WIFIA Loan Agreement $[___]

8. Wire instructions [___]

9. The amounts hereby requisitioned are being requested with respect to [Eligible Project Costs previously submitted to and approved by the WIFIA Lender in accordance with the WIFIA Loan Agreement] [Eligible Project Costs which have not and will not be otherwise submitted to the WIFIA Lender for approval].

10. The amounts hereby requisitioned have been paid or incurred and approved for payment by or on behalf of the Borrower for Eligible Project Costs and have not been paid for or reimbursed by any previous disbursement from WIFIA Loan proceeds. No portion of the amounts requisitioned will be applied to pay for Eligible Project Costs that have been previously paid, or are expected to be paid, with proceeds of debt of the Borrower that is not the WIFIA Loan (“Other Debt”)[.][, except as set forth below:

<table>
<thead>
<tr>
<th>Source of Other Debt</th>
<th>Amount of Other Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>[___]</td>
<td>$[___]</td>
</tr>
<tr>
<td><strong>Total Amount of Other Debt</strong></td>
<td>$[___]</td>
</tr>
</tbody>
</table>

The portion of the amount requisitioned equal to the total amount of the Other Debt set forth above will be promptly applied by the Borrower to either (i) discharge a like principal amount of such Other Debt or (ii) reimburse the applicable fund or account from which the proceeds of such Other Debt were spent.]

11. The aggregate amount of all disbursements of the WIFIA Loan (including the amount requested under this Requisition but excluding any interest that is capitalized in accordance with the WIFIA Loan Agreement) does not exceed (a) the amount of the

---

7 This paragraph should be included when the Eligible Project Costs for which the proceeds of the requisition are to be applied were previously funded with bond anticipation notes or other short-term interim financing by the Borrower on a temporary basis with the intent of redeeming the bond anticipation notes or other obligations with proceeds of the WIFIA Loan as permanent financing, or reimbursing the applicable funds of the other obligations such that they become available for payment of other Project costs.
WIFIA Loan, (b) the amount of Eligible Project Costs paid or incurred by the Borrower, and (c) the cumulative disbursements through the end of the current Federal Fiscal Year as set forth in the Anticipated WIFIA Loan Disbursement Schedule.

12. The Borrower has sufficient available funds committed to the Project, which together with funds that remain available and not yet drawn under the WIFIA Loan, will be sufficient to pay the reasonably anticipated remaining Total Project Costs.

13. The total federal assistance provided to the Project, including the maximum principal amount of the WIFIA Loan (excluding any interest that is capitalized in accordance with the terms hereof), does not exceed eighty percent (80%) of Total Project Costs.

14. The Borrower has all Governmental Approvals necessary as of the date hereof and as of the Disbursement Date (immediately after giving effect to the above-requested disbursement of WIFIA Loan proceeds), for the development, construction, operation and maintenance of the Project and each such Governmental Approval has been issued and is in full force and effect (and is not subject to any notice of violation, breach or revocation).

15. Each of the insurance policies obtained by the Borrower in satisfaction of Section 11(a)(xvi) (Conditions Precedent – Conditions Precedent to Effectiveness) of the WIFIA Loan Agreement is in full force and effect, and no notice of termination thereof has been issued by the applicable insurance provider.

16. As of the date hereof and on the Disbursement Date (immediately after giving effect to the above-requested disbursement of WIFIA Loan proceeds), (i) no Default or Event of Default and (ii) no event of default under any other Related Document and no event that, with the giving of notice or the passage of time or both, would constitute an event of default under any Related Document, in each case, has occurred and is continuing. No Material Adverse Effect, or any event or condition that could reasonably be expected to have a Material Adverse Effect, has occurred or arisen since the [Application date].

17. The Borrower, and each of its contractors and subcontractors at all tiers with respect to the Project, has complied with all applicable laws, rules, regulations and requirements, including without limitation 40 U.S.C. §§3141-3144, 3146, and 3147 (relating to Davis-Bacon Act requirements) (and regulations relating thereto) and 33 U.S.C. §3914 (relating to American iron and steel products). Supporting documentation, such as certified payroll records and certifications for all iron and steel products used for the Project, are being maintained and are available for review upon request by the WIFIA Lender.

18. The representations and warranties of the Borrower set forth in the WIFIA Loan Agreement and in each other Related Document are true and correct as of the date hereof and as of the Disbursement Date, except to the extent such representations and warranties expressly relate to an earlier date (in which case, such representations and warranties shall be true and correct as of such earlier date).
19. Each Other Financing Document and Principal Project Contract that has been delivered by the Borrower to the WIFIA Lender pursuant to Section 11(b) (Conditions Precedent – Conditions Precedent to Disbursements) is complete, fully executed and in full force and effect.

20. The current estimated percentage of physical completion of the Project is [___]%}. The Borrower is in compliance with Section 16(d) (Reporting Requirements – Construction Reporting) and no change has occurred since the date of the most recently delivered quarterly construction progress report that could reasonably be expected to cause a Material Adverse Effect.⁸

21. All documentation evidencing the Eligible Project Costs to be reimbursed to the Borrower [or to be used to pay Eligible Project Costs previously paid from proceeds of Other Debt] by the above-requested disbursement has been delivered by the Borrower to the WIFIA Lender at the times and in the manner specified by the WIFIA Loan Agreement, including the details set forth [in the attachment hereto, which is in form satisfactory to the WIFIA Lender][below:

<table>
<thead>
<tr>
<th>Vendor or Contractor Name⁹</th>
<th>Invoice Number¹⁰</th>
<th>Invoice Date</th>
<th>Payment Date</th>
<th>Invoice Amount</th>
<th>WIFIA Requested Amount¹¹</th>
<th>Activity Type¹²</th>
<th>Description of Activity¹³</th>
<th>Approved Amount</th>
<th>Notes</th>
</tr>
</thead>
</table>

⁸ The most recent quarterly progress report should set out a summary of the progress of construction of the Project, as well as a general description of the work done for which the funds being requisitioned are being applied and a summary of any material changes/risk. If not, PM should request additional information (including a risk register, if applicable), pursuant to Section 11(b)(vii) (Conditions Precedent – Conditions Precedent to Disbursement),

⁹ If seeking reimbursement for internal costs, enter “Internally financed activities.”

¹⁰ Vendor’s number indicated on the invoice sent to the Borrower.

¹¹ If the amount requested for reimbursement by the WIFIA Lender is less than the total amount of the invoice, include an explanation for the difference.

¹² Specify whether activity is: (a) Development phase activity, which includes planning, preliminary engineering, design, environmental review, revenue forecasting and other pre-construction activities; (b) Construction, which includes construction, reconstruction, rehabilitation and replacement activities; (c) Acquisition of real property, which includes acquiring an interest in real property, environmental mitigation, construction contingencies and acquisition of equipment; (d) Carrying costs, including capitalized interest, as necessary to meet market requirements, reasonably required reserve funds, capital issuance expenses and other carrying costs during construction; (e) WIFIA fees, including for application and credit processing; or (f) Other, with an explanation in the “Description of Activity” column.

¹³ Provide a brief description of the activities included in the invoice for which WIFIA funds are being requested and any other notes that will aid in the review of the disbursement request.
The undersigned acknowledges that if the Borrower makes a false, fictitious, or fraudulent claim, statement, submission, or certification to the Government in connection with the Project, the Government reserves the right to impose on the Borrower the penalties of 18 U.S.C. § 1001, to the extent the Government deems appropriate.

Date: _________________________

SOQUEL CREEK WATER DISTRICT,
by its authorized representative

By: ______________________________
Name: ____________________________
Title: ____________________________
APPENDIX 2 TO EXHIBIT D-1

[APPROVAL/DISAPPROVAL] OF THE WIFIA LENDER
(To be delivered to the Borrower)

Requisition Number [_______________] is [approved in the amount of $[_______]] [approved in part in the amount of $[_________]] [not approved, for the reasons set forth in Annex A attached hereto.] by the WIFIA Lender (as defined herein) pursuant to Section 4 (Disbursement Conditions; Quarterly Approval of Eligible Project Costs) of the WIFIA Loan Agreement, dated as of [Dated Date], by and between [Borrower] (the “Borrower”) and the United States Environmental Protection Agency, acting by and through the Administrator (the “WIFIA Lender”).

Any determination, action or failure to act by the WIFIA Lender with respect to the Requisition set forth above, including any withholding of a disbursement, shall be at the WIFIA Lender’s sole discretion, and in no event shall the WIFIA Lender be responsible for or liable to the Borrower for any and/or all consequence(s) which are the result thereof.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, acting by and through the Administrator

By: ___________________________
WIFIA Lender’s Authorized Representative
Name: _______________________
Title: _______________________
Dated: _______________________

D1-9
EXHIBIT D-2

CERTIFICATION OF ELIGIBLE PROJECT COSTS DOCUMENTATION

[Date]

United States Environmental Protection Agency
1200 Pennsylvania Avenue NW
WJC-W 6201A
Washington, D.C. 20460
Attention: WIFIA Director

Re: Pure Water Soquel Project (WIFIA Ref N19104CA)

Ladies and Gentlemen:

Pursuant to Section 4 (Disbursement Conditions; Quarterly Approval of Eligible Project Costs) of the WIFIA Loan Agreement, dated as of [date], 2020 (the “WIFIA Loan Agreement”), by and between SOQUEL CREEK WATER DISTRICT (the “Borrower”) and the UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, acting by and through the Administrator (the “WIFIA Lender”), we hereby present this certificate in connection with the Borrower’s delivery of Eligible Project Costs Documentation to the WIFIA Lender. Capitalized terms used but not defined herein have the meaning set forth in the WIFIA Loan Agreement.

The undersigned does hereby represent and certify the following:

1. This certificate is being delivered to the WIFIA Lender in connection with the Eligible Project Costs Documentation and is applicable to the period between [__________] and [__________].

2. Documentation evidencing the Eligible Project Costs to be reimbursed to the Borrower is set forth [in the attachment hereto, which is in form satisfactory to the WIFIA Lender][below:

14 If there is a Servicer for the WIFIA Loan, provide a copy to the Servicer as well and include its notice details here.
3. The sources of funding for such Eligible Project Costs are [listed below / set forth in Exhibit [] to this certificate].

4. [The funds for which reimbursement will be sought were expended solely in connection with the payment or reimbursement of Eligible Project Costs.]

Date: _______________________

SOQUEL CREEK WATER DISTRICT

By: ____________________________

Name: ___________________________

Title: ___________________________

---

15 If seeking reimbursement for internal costs, enter “Internally financed activities.”

16 Vendor’s number indicated on the invoice sent to the Borrower.

17 Specify whether activity is: (a) Development phase activity, which includes planning, preliminary engineering, design, environmental review, revenue forecasting and other pre-construction activities; (b) Construction, which includes construction, reconstruction, rehabilitation and replacement activities; (c) Acquisition of real property, which includes acquiring an interest in real property, environmental mitigation, construction contingencies and acquisition of equipment; (d) Carrying costs, including capitalized interest, as necessary to meet market requirements, reasonably required reserve funds, capital issuance expenses and other carrying costs during construction; (e) WIFIA fees, including for application and credit processing; or (f) Other, with an explanation in the “Description of Activity” column.

18 Provide a brief description of the activities included in the invoice for which WIFIA funds are being requested and any other notes that will aid in the review of the documentation.

19 To be executed by the Borrower’s Authorized Representative.
EXHIBIT E
FORM OF NON-LOBBYING CERTIFICATE

The undersigned, on behalf of Soquel Creek Water District (the “Borrower”), hereby certifies, to the best of his or her knowledge and belief, that:

(a) No Federal appropriated funds have been paid or will be paid, by or on behalf of the Borrower, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the making of the WIFIA Loan and the amendment or modification of the WIFIA Loan Agreement.

(b) If any funds other than proceeds of the WIFIA Loan have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the WIFIA Loan, the Borrower shall complete and submit Standard Form-LLL, “Disclosure Form to Report Lobbying,” in accordance with its instructions.

(c) The Borrower shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

Capitalized terms used in the certificate and not defined shall have the respective meanings ascribed to such terms in the WIFIA Loan Agreement, dated as of [●], 2020 (the “WIFIA Loan Agreement”), by and between the United States Environmental Protection Agency, acting by and through the Administrator (the “WIFIA Lender”), and the Borrower, as the same may be amended from time to time.

This certification is a material representation of fact upon which reliance was placed when the WIFIA Lender entered into the WIFIA Loan Agreement. Submission of this certification is a prerequisite to the effectiveness of the WIFIA Loan Agreement imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

Dated: [●]

SOQUEL CREEK WATER DISTRICT,
by its authorized representative

By: ________________________________
Name:
Title:

E-1
EXHIBIT F

WIFIA DEBT SERVICE\textsuperscript{20}

\textsuperscript{20} \textbf{Note to Draft}: WIFIA to provide. Will be finalized on the day of closing to account for the final interest rate.
An opinion of Best, Best & Krieger LLP, as general counsel of the Borrower, dated as of the Effective Date, to the effect that:

(a) the Borrower is duly formed, validly existing, and in good standing under the laws of the State of California;

(b) the Borrower has all requisite power and authority to conduct its business and to execute and deliver, and to perform its obligations under the WIFIA Loan Documents;

(c) the execution and delivery by the Borrower of, and the performance of its respective obligations under, the WIFIA Loan Documents have been duly authorized by all necessary organizational or regulatory action;

(d) Resolution No. 20-[__] adopted by the Board of Directors of the Borrower (the “Board”) on [_______], 2020, approving, among other things, the execution and delivery by the District of the WIFIA Loan Agreement and the WIFIA Note was duly adopted at a meeting of the Board, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption, and said Resolution has not been modified, amended, rescinded or revoked and is in full force and effect on the date hereof;

(e) the Borrower has duly executed and delivered each of the WIFIA Loan Documents and each WIFIA Loan Document constitutes the legal, valid and binding obligation of the Borrower; enforceable against the Borrower in accordance with their respective terms;

(f) no authorization, consent, or other approval of, or registration, declaration or other filing with any governmental authority of the United States of America or of the State is required on the part of the Borrower for the execution and delivery by such party of, and the performance of such party under, the WIFIA Loan Documents other than authorizations, consents, approvals, registrations, declarations and filings that have already been timely obtained or made by the Borrower;

(g) the execution and delivery by the Borrower of, and compliance with the provisions of, the WIFIA Loan Documents do not (i) violate the Organizational Documents of the Borrower, (ii) violate the law of the United States of America or of the State or (iii) conflict with or constitute a breach of or default under any material agreement or other instrument known to such counsel to which the Borrower is a party, or to the best of such counsel’s knowledge, after reasonable review, any court order, consent decree, statute, rule, regulation or any other law to which the Borrower is subject;

(h) the Borrower is not an investment company required to register under the Investment Company Act of 1940, as amended; and
(i) to the knowledge of such counsel after due inquiry, there are no actions, suits, proceedings or investigations against the Borrower by or before any court, arbitrator or any other Governmental Authority in connection with the WIFIA Loan Documents or the Water System (including the Project) that are pending.
EXHIBIT G-2

OPINIONS REQUIRED FROM SPECIAL COUNSEL

An opinion of Jones Hall, A Professional Law Corporation, as special counsel to the Borrower, dated as of the Effective Date, to the effect that:

(a) the Borrower is validly existing as a county water district under and pursuant to the County Water District Law, being Division 12 (commencing with Section 30000) of the California Water Code, as amended to the date hereof (the “Borrower Act”), with the power to execute and deliver the WIFIA Loan Agreement, perform the agreements on its part contained therein, and issue the WIFIA Note;

(b) the Borrower has the right and power under the laws of the State, including the Borrower Act, to enter into the WIFIA Loan Documents and the WIFIA Note, and each has been duly authorized, executed and delivered by the Borrower, is in full force and effect, and constitutes a legal, valid and binding agreement of the Borrower enforceable against the Borrower in accordance with its respective terms and conditions;

(c) the WIFIA Note (i) is secured by the Net Revenues, (ii) is enforceable under the laws of the State without any further action by the Borrower or any other Person, and (iii) ranks pari passu in right of payment and right of security with all Parity Obligations and is senior in right of payment and right of security to all Subordinated Obligations;

(d) the WIFIA Loan Agreement creates the valid and binding assignment and pledge of the Net Revenues to secure the payment of the principal of, interest on, and other amounts payable in respect of, the WIFIA Note, irrespective of whether any party has notice of the pledge and without the need for any physical delivery, recordation, filing or further act;

(e) all actions by the Borrower that are required for the application of Net Revenues as required under the WIFIA Loan Agreement have been duly and lawfully performed;

(f) the Borrower has complied with the requirements of State law to lawfully pledge the Net Revenues and use the Net Revenues as required by the terms of the WIFIA Loan Agreement; and

(g) the Borrower is not entitled to claim governmental immunity in any breach of contract action under the WIFIA Loan Agreement or the WIFIA Note.

The opinion may provide that counsel expresses no opinion regarding any tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the WIFIA Note.

The opinion may also provide that rights of the owners of the WIFIA Note, and the enforceability of the WIFIA Note and the WIFIA Loan Agreement, are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, and by equitable principles, whether considered at law or in equity.
The opinion may also provide that the opinion is given as of the date thereof, and counsel assumes no obligation to revise or supplement the opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur.
EXHIBIT H

FORM OF CLOSING CERTIFICATE

Reference is made to that certain WIFIA Loan Agreement, dated as of [______], 2020 (the “WIFIA Loan Agreement”), by and among Soquel Creek Water District (the “Borrower”) and the United States Environmental Protection Agency, acting by and through the Administrator (the “WIFIA Lender”). Capitalized terms used in this certificate and not defined shall have the respective meanings ascribed to such terms in the WIFIA Loan Agreement.

In connection with Section 11(a) (Conditions Precedent – Conditions Precedent to Effectiveness) of the WIFIA Loan Agreement, the undersigned, [___], as Borrower’s Authorized Representative, does hereby certify on behalf of the Borrower and not in his/her personal capacity, as of the date hereof:

(a) pursuant to Section 11(a)(viii) of the WIFIA Loan Agreement, attached hereto as Annex A is an incumbency certificate that lists all persons, together with their positions and specimen signatures, who are duly authorized by the Borrower to execute the Related Documents to which the Borrower is or will be a party, and who have been appointed as a Borrower’s Authorized Representative in accordance with Section 21 (Borrower’s Authorized Representative) of the WIFIA Loan Agreement;

(b) pursuant to Section 11(a)(ii) of the WIFIA Loan Agreement, the Borrower has delivered to the WIFIA Lender copies of each Other Financing Document, together with any amendments, waivers or modifications thereto, that has been entered into on or prior to the Effective Date, and each such document is complete, fully executed, and in full force and effect, and all conditions contained in such documents that are necessary to the closing of the WIFIA transactions contemplated by the WIFIA Loan Agreement have been fulfilled;

(c) pursuant to Section 11(a)(iii) of the WIFIA Loan Agreement, the Borrower has delivered to the WIFIA Lender copies of each Existing Principal Project Contract, together with any amendments, waivers or modifications thereto, and each such document is complete, fully executed, and in full force and effect;

(d) pursuant to Section 11(a)(iv) of the WIFIA Loan Agreement, the Borrower has delivered to the WIFIA Lender (i) a copy of the Borrower’s Organizational Documents, as in effect on the Effective Date (and certified by the Secretary of State of the State, to the extent applicable), which Organizational Documents are in full force and effect; (ii) a copy of the WIFIA Resolution; and (iii) all further instruments and documents (including any resolutions, ordinances, and supplements) as are necessary for the Borrower to execute and deliver, and to perform its obligations under, the WIFIA Loan Documents to which it is a party and to consummate and implement the transactions contemplated by the WIFIA Loan Documents;
(e) pursuant to Section 11(a)(viii)(1) of the WIFIA Loan Agreement, the aggregate of all funds committed to the development and construction of the Project as set forth in the Base Case Financial Model/Plan and in the Project Budget are sufficient to carry out the Project, pay all Total Project Costs anticipated for the Project and achieve Substantial Completion by the Projected Substantial Completion Date;

(f) pursuant to Section 11(a)(viii)(2) of the WIFIA Loan Agreement, the Borrower has obtained all Governmental Approvals necessary (i) as of the Effective Date in connection with the Project and (ii) to execute and deliver, and perform its obligations under the WIFIA Loan Documents, and each such Governmental Approval is final, non-appealable and in full force and effect (and is not subject to any notice of violation, breach or revocation);

(g) pursuant to Section 11(a)(viii)(3) of the WIFIA Loan Agreement, (i) the maximum principal amount of the WIFIA Loan (excluding any interest that is capitalized in accordance with the terms of the WIFIA Loan Agreement), together with the amount of any other credit assistance provided under the Act to the Borrower, does not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs and (ii) the total federal assistance provided to the Project, including the maximum principal amount of the WIFIA Loan (excluding any interest that is capitalized in accordance with the terms hereof), does not exceed eighty percent (80%) of Total Project Costs;

(h) pursuant to Section 11(a)(viii)(4) of the WIFIA Loan Agreement, the Borrower is in compliance with NEPA and any applicable federal, state or local environmental review and approval requirements with respect to the Project, and, if requested by the WIFIA Lender, has provided evidence satisfactory to the WIFIA Lender of such compliance;

(i) pursuant to Section 11(a)(vii)(5) of the WIFIA Loan Agreement, the Borrower has developed, and identified adequate revenues to implement, a plan for operating, maintaining and repairing the Project during its useful life;

(j) pursuant to Section 11(a)(vii)(6) of the WIFIA Loan Agreement, (i) the Borrower’s Federal Employer Identification Number is [___], (ii) the Borrower’s Data Universal Numbering System number is [___], and (iii) the Borrower has registered with, and obtained confirmation of active registration status from, the federal System for Award Management (www.SAM.gov), which confirmation is attached hereto as Annex [___];

(k) pursuant to Section 11(a)(viii)(7) of the WIFIA Loan Agreement, the CUSIP number for the WIFIA Loan is [___];

(l) pursuant to Section 11(a)(viii)(8) of the WIFIA Loan Agreement, the representations and warranties of the Borrower set forth in the WIFIA Loan Agreement and in each other Related Document to which the Borrower is a party are true and correct on and as of the date hereof, except to the extent that such
representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct as of such earlier date;

(m) pursuant to Section 11(a)(viii)(9) of the WIFIA Loan Agreement, no Material Adverse Effect, or any event or condition that could reasonably be expected to have a Material Adverse Effect, has occurred or arisen since [May 1, 2020];

(n) pursuant to Section 11(a)(ix) of the WIFIA Loan Agreement, none of the rating letters delivered to the WIFIA Lender pursuant to such Section 11(a)(ix) has been reduced, withdrawn or suspended as of the Effective Date;

(o) pursuant to Section 11(a)(x) of the WIFIA Loan Agreement, [the Borrower has delivered to the WIFIA Lender][attached hereto as Annex [___] is] the Base Case Financial Model/Plan, which (i) demonstrates that projected Net Revenues are sufficient to meet the Loan Amortization Schedule, (ii) demonstrates compliance with the Rate Covenant for each Borrower Fiscal Year through the Final Maturity Date, (iii) reflects principal amortization and interest payment schedules acceptable to the WIFIA Lender, (iv) demonstrates that the Borrower has developed, and identified adequate revenues to implement, a plan for operating, maintaining and repairing the Project over its useful life and (v) otherwise meets the requirements of such Section 11(a)(x); [and]

(p) pursuant to Section 11(a)(xi) of the WIFIA Loan Agreement, attached hereto as Annex [___] [are certificates of insurance][is a certificate of the Borrower’s risk management department pertaining to the Borrower’s self-insurance program], and such insurance certificate is true and correct and demonstrates compliance with the requirements of Section 14(f) (Affirmative Covenants – Insurance) of the WIFIA Loan Agreement[; and][.]

(q) [any other attachments and provisions, as may apply to the specific WIFIA Loan Agreement].

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date first mentioned above.

SOQUEL CREEK WATER DISTRICT,
by its authorized representative

By: _______________________________
Name: ____________________________
Title: _____________________________

H-5
ANNEX A TO EXHIBIT H

INCUMBENCY CERTIFICATE

The undersigned certifies that he/she is the [Secretary] of Soquel Creek Water District, a county water district, (the “Borrower”), and as such he/she is authorized to execute this certificate and further certifies that the following persons have been elected or appointed, are qualified, and are now acting as officers or authorized persons of the Borrower in the capacity or capacities indicated below, and that the signatures set forth opposite their respective names are their true and genuine signatures. He/She further certifies that any of the officers listed below is authorized to sign agreements and give written instructions with regard to any matters pertaining to the WIFIA Loan Documents as the Borrower’s Authorized Representative (each as defined in that certain WIFIA Loan Agreement, dated as of the date hereof, between the Borrower and the United States Environmental Protection Agency, acting by and through the Administrator):

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<thead>
<tr>
<th>Name</th>
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<th>Signature</th>
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IN WITNESS WHEREOF, the undersigned has executed this certificate as of this _____ day of [___], 2020.

SOQUEL CREEK WATER DISTRICT,
by its authorized representative

By: _______________________________
   Name: ___________________________
   Title: ___________________________
EXHIBIT I

FORM OF CERTIFICATE OF SUBSTANTIAL COMPLETION

[Letterhead of Borrower]

[Date]

WIFIA Program Office
[Insert Proper Address]
Attention: Administrator

Project: Pure Water Soquel Project (WIFIA – N19104CA)

Dear Director:

This Notice is provided pursuant to Section 16(h)(i)(A) (Reporting Requirements – Notices – Substantial Completion) of that certain WIFIA Loan Agreement (the “WIFIA Loan Agreement”), dated as of [___], 2020, by and between Soquel Creek Water District (the “Borrower”) and the United States Environmental Protection Agency, acting by and through its Administrator (the “WIFIA Lender”).

Unless otherwise defined herein, all capitalized terms in this certificate have the meanings assigned to those terms in the WIFIA Loan Agreement.

I, the undersigned, in my capacity as the Borrower’s Authorized Representative and not in my individual capacity, do hereby certify to the WIFIA Lender that:

(a) on [insert date Substantial Completion requirements were satisfied], the Project satisfied each of the requirements for Substantial Completion set forth in the [insert reference to the concession agreement, design-build or similar agreement for the Project];

(b) Substantial Completion has been declared under each of the above-referenced agreements and copies of the notices of Substantial Completion under such agreements are attached to this certification; and

(c) Substantial Completion, as defined in the WIFIA Loan Agreement, has been achieved.

SOQUEL CREEK WATER DISTRICT,
by its authorized representative

By: _______________________________
   Name: ___________________________
   Title: ___________________________
EXHIBIT J

FORM OF QUARTERLY REPORT

United States Environmental Protection Agency  
WIFIA Director  
WJC-W 6201A  
1200 Pennsylvania Avenue NW  
Washington, DC 20460  
WIFIA_Portfolio@epa.gov

Re: Pure Water Soquel Project (WIFIA – N19104CA)

This Quarterly Report for the period of [insert relevant quarterly period] is provided pursuant to Section 16(d) (Reporting Requirements – Construction Reporting) of the WIFIA Loan Agreement, dated as of [___], 2020 (the “WIFIA Loan Agreement”), by and between Soquel Creek Water District (the “Borrower”) and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “WIFIA Lender”). Unless otherwise defined herein, all capitalized terms in this Quarterly Report have the meanings assigned to those terms in the WIFIA Loan Agreement.

(i) Amount Expended

<table>
<thead>
<tr>
<th>Principal Project Contract (PPC)</th>
<th>Original Contract Amount</th>
<th>Change Orders to Date</th>
<th>Total Estimated Costs</th>
<th>Estimated Costs to Complete</th>
<th>Costs Earned or Paid Through Previous Reporting period</th>
<th>Current Reporting Period Costs Earned or Paid</th>
<th>Total Costs Earned or Paid to date</th>
<th>% Costs Earned or Paid to Date</th>
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(ii) Construction Progress, Governmental Approvals, Updated Schedule

Assessment of overall construction progress:


Notice of receipt of relevant Governmental Approvals since the Effective Date and since the prior Quarterly Report:


Assessment of construction progress compared to Construction Schedule provided in the prior Quarterly Report:

<table>
<thead>
<tr>
<th>Principal Project Contract (PPC)</th>
<th>NTP Effective Date</th>
<th>Original Time for Completion (days)</th>
<th>Original Contract Completion (date)</th>
<th>Time Added to Date (days)</th>
<th>Current Contract Completion (date)</th>
<th>Days Elapsed</th>
<th>% Contract Duration</th>
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(iii) Substantial Completion Date

Current projection for the Substantial Completion Date: _____________________________

If the current projection for the substantial completion date is later than previously reported in the prior Quarterly Report, provide a description in reasonable detail for such projected delay:

(iv) Material Problems (if any)

Detailed description of all material problems (including actual and anticipated cost and/or schedule overruns, if any), encountered or anticipated in connection with the construction of the Project during the preceding quarter, together with an assessment of how such problems may impact the Construction Schedule and the meeting of critical dates thereunder and a detailed description of the proposed solutions to any such problems:

(v) Proposed or pending change orders that exceed the threshold set out in Section 16(f) (Reporting Requirements – Modifications to Total Project Costs) or could reasonably be expected to result in a Material Adverse Effect

(vi) Other matters related to the Project

Date: _______________________

SOQUEL CREEK WATER DISTRICT,
by its authorized representative

By: ___________________________
Name: _____________________________
Title: _____________________________
EXHIBIT K

FORM OF PUBLIC BENEFITS REPORT

Pursuant to Section 11(a)(xii) (Conditions Precedent – Conditions Precedent to Effectiveness) and Section 16(e) (Reporting Requirements – Public Benefits Report) of the WIFIA Loan Agreement, Soquel Creek Water District (the “Borrower”) is providing this Public Benefits Report in connection with the Pure Water Soquel Project (WIFIA – N19104CA):

(i) **The estimated interest savings the Borrower is realizing through the use of the WIFIA Loan compared to comparable market rate financing:**

The estimated interest savings from use of the WIFIA Loan compared to a comparable market rate financing is $[___] million on a gross savings basis and $[___] million on a present value basis.

(ii) **With respect to the report delivered prior to the Effective Date or within ninety (90) days following the Substantial Completion Date or within ninety (90) following the fifth (5th) anniversary of the Substantial Completion Date, the number of jobs projected to be created by the Project during each period described below:**

The Borrower projects [___] jobs to be created by the Project during the period between [[(1)] the Effective Date and the Substantial Completion Date]21 [and] [[(2)] the Substantial Completion Date and the fifth (5th) anniversary of the Substantial Completion Date]22.

(iii) **Whether the Project will assist the Borrower in complying with applicable regulatory requirements, and if so, a narrative description describing such enhancements:**

[___].

(iv) **The amount by which the Project will increase the volume of potable water produced (measured in MGD annually) or increase the volume of water recycled, recharged or redirected (measured in MGD annually)23:**

[___].

---

21 Include for both the reports delivered (i) prior to the Effective Date and (ii) 90 days following the Substantial Completion Date.
22 Include for both the reports delivered (i) prior to the Effective Date and (ii) 90 days following the fifth anniversary of the Substantial Completion Date.
23 Include one of the bracketed items as applicable.
August 18, 2020

MEMO TO THE BOARD OF DIRECTORS

Subject: Agenda Item No. 7.3

Title: Approval of Agreement for Option to Purchase Real Property at 2455 Chanticleer Avenue, Santa Cruz, CA and the Wording and Terms Regarding the Purchase Sale Agreement

Attachment(s):
1. Agreement for Option to Purchase Real Property

Attached for the Board’s consideration for approval is an Option Agreement to purchase the Provision Glass & Window shop property located at 2455 Chanticleer Avenue, Santa Cruz, CA. The subject property is County Assessor Parcel Number (APN) is 029-013-57. The purchase option has been signed by the seller.

Three main business terms of the Option Agreement are: (1) potential future purchase price of $1,300,00 (2) the District will pay the owner $5,500 per month while the option is exercised, of which 50% will be credited toward the purchase price if the sell/purchase is realized and (3) the option expires on December 15, 2020. If the District desires to consider purchasing the property at a future date (and thus exercise the purchase option), staff would return at that time for Board consideration and approval. The potential purchase option cannot be exercised until the District has complied with the California Environmental Quality Act (CEQA).

POSSIBLE BOARD ACTION(S)

1. By MOTION, direct the authorized District representative (i.e. the Board President) to sign the Agreement for Option to Purchase Real Property for APN 029-013-57; and

2. By MOTION, if the District desires to consider purchasing the property at a future date (and thus exercise the purchase option), direct staff to return at that time for Board consideration, or

3. Take no action.

By __________________________

Ron Duncan
General Manager
AGREEMENT FOR OPTION TO PURCHASE
REAL PROPERTY

This Agreement for Option to Purchase Real Property (hereinafter “Agreement”) is made and entered into as of __________, 2020 (“Effective Date”) by and between DOUGLAS WILLIAM DOERING, TRUSTEE OF THE DOUGLAS DOERING 2007 TRUST, dated May 18, 2007 (the "Owner") and Soquel Creek Water District, a County Water District organized pursuant to California Water Code Section 30,000 et seq., (hereinafter “District”).

RECITALS

A. Owner is the owner of real property located at 2455 Chanticleer Avenue in the County of Santa Cruz, State of California, commonly known as Santa Cruz Assessor Parcel Number 029-013-57, and more particularly described in Exhibit A attached hereto and by this reference incorporated herein (“Property”).

B. District wishes to purchase an option to purchase the Property on the following terms and conditions.

NOW THEREFORE IT IS HEREBY AGREED:

1. OPTION. Owner hereby grants to District an option (“Option”) to purchase the Property on the terms and conditions hereinafter set forth.

   (a) Term of Option. The term of the Option (“Option Period”) shall be for a period commencing on the Effective Date and ending on December 15, 2020.

   (b) Expiration of Option. Unless extended by mutual agreement of the Parties, the Option shall expire on the last day of the Option Period. If the expiration date of the Option Period falls on a Saturday, Sunday or national holiday, then the expiration date shall be extended to the following business day.

2. OPTION CONSIDERATION.

   (a) The Option is granted in consideration of the District paying a fee to Owner of Five Thousand Five Hundred Dollars ($5,500) per month payable on or before the first (1st) day of each month following Effective Date. In the event that the District notifies Owner of its intent not to continue the Option or the Option is not exercised on the last day of the Option Period, the Option shall cease, and District shall execute a recordable document indicating that the Option Agreement has expired.
Upon closing of the purchase of the Property by District, Owner agrees to credit District an amount equal to one-half (50 percent) of the Option payments towards the purchase price for the Property.

3. **PURCHASE PRICE.** If the Option is exercised as set forth below, the parties agree that the purchase price shall be $1,300,000.

4. **ACTIVITIES DURING OPTION PERIOD.** During the Option Period, the District shall be entitled to conduct studies of the Property, including due diligence tests on the Property that include but are not limited to: a physical inspection of the Property and all improvements thereon, including building, structural system and roof inspections, soil, geological and other tests, and engineering evaluations of the mechanical, electrical, HVAC and other systems; review of all governmental matters affecting the Property, including zoning, environmental and building permit and occupancy matters; review and verification of all financial and other information provided by Owner relating to the operation of the Property; and review of such other matters pertaining to the purchase of the Property. To provide access to the site, Owner will provide District’s representatives access to the site and building with 24-hour advance notice to the Owner. Owner hereby provides District, its agents and consultants, with a non-exclusive license to enter the property to conduct its due diligence activities. In the event the Option is not exercised, District shall furnish copies of all studies conducted on the Property to the Owner.

5. **INDEMNIFICATION.** District agrees to indemnify and hold harmless Owner from any costs or liability relating to personal injury or property damage which occur as a result of the District’s physical inspection of the Property in conducting its due diligence during the Option Period; provided, however, the foregoing indemnification will not apply if it is determined that the injury or damage was caused by the negligence or willful misconduct of Owner.

6. **EXERCISE OF OPTION.** At any time during the Option Period, District may exercise the Option to purchase the Property by giving written notice to Owner (“Option Notice”) and opening an escrow with Karen Talbot, Escrow Officer, at Stewart Title Company, Santa Cruz, California. The purchase of the Property shall be pursuant to a separate Purchase and Sale Agreement that would be in substantially in the same form as the Draft Purchase and Sale Agreement attached as Exhibit C, which shall only be effective upon subsequent exercise of the option. Within twelve (12) days after exercise of the Option, the parties shall execute a Purchase and Sale Agreement and shall deposit the funds and documents in escrow that the Purchase and Sale Agreement requires to be deposited when the Purchase and Sale Agreement is executed.

Notwithstanding any other provision of this Option Agreement, the District and Owner acknowledge and agree that the District will retain full authority and
discretion as a lead agency to evaluate the environmental impacts of the potential purchase of the Property (including but not limited to the institution of mitigation measures) as necessary to comply with the California Environmental Quality Act (“CEQA”). Further, any obligations of the Owner and District with regard to the execution of any future Purchase and Sale Agreement regarding the Property will be conditioned upon compliance with CEQA. The Option shall not be exercised unless and until the District has finalized the CEQA process and following all legally required procedures. Pending the exercise of the Option and the execution of the Purchase and Sale Agreement, the potential purchase of the Property remains subject to the District’s full exercise of discretion as a lead agency to consider any CEQA documentation related to the purchase and to approve or disapprove the purchase based on the imposition of any mitigation measures as may be set forth in the CEQA documentation. The District and Owner further acknowledge and agree that modifications may be required to the draft Purchase and Sale Agreement resulting from the District’s compliance with CEQA.

7. **ESCROW.** Escrow shall be at Stewart Title Company, Santa Cruz, California with Karen Talbot as Escrow Officer. The parties shall share escrow costs in the manner customary in the County of Santa Cruz. District shall be furnished an ALTA Policy of Title Insurance showing clear title to the Property.

8. **ATTORNEYS’ FEES.** The parties agree that if an action is brought to enforce, interpret, or avoid this Agreement on any grounds, that the prevailing party shall be entitled to attorneys’ fees and court costs incurred.

9. **BINDING EFFECT.** This Agreement is binding upon the parties, their heirs, successors and assigns.

10. **ENTIRE AGREEMENT.** The parties agree that this is the entire agreement between the parties on the subjects contained herein, and that there are no collateral agreements, oral or written.

11. **COUNTERPARTS.** This Agreement may be signed in counterparts with each having the effect of an original.

12. **MEMORANDUM OF OPTION.** Concurrently with the execution and delivery of this Agreement, Owner and District shall execute a memorandum of option in the form attached hereto as Exhibit B. The parties shall cause the memorandum to be recorded in the Office of the County Recorder of the County of Santa Cruz.

13. **DRAFTING.** The terms of this Agreement have been negotiated by the parties and the language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent.

14. **NOTICE.** Any and all notices desired or required by either party to this Agreement shall be provided as follows:
To: District
    Ron Duncan,
    General Manager
    Soquel Creek Water District
    5180 Soquel Drive
    Soquel, CA 95073

To: Owner
    Douglas William Doering,
    2455 Chanticleer Ave
    Santa Cruz, CA 95062

To: Escrow Holder
    Karen Talbot
    Stewart Title Company
    1541 Pacific Avenue, Suite D
    Santa Cruz, CA 95060

15. GOVERNING LAW. This Agreement has been negotiated and entered into in the State of California and is to be performed in the County of Santa Cruz, California, and as such, shall be governed by the laws of the State of California.

16. TIME OF THE ESSENCE. Time is expressly declared to be of the essence of this Agreement.

WHEREFORE, the parties have hereinafter affixed their signatures on the dates indicated.

Dated: 8/13/2020

[Signature]
Douglas William Doering, Trustee of the Douglas Doering 2007 Trust

Dated: ________________________________

[Signature]
Authorized Officer
Soquel Creek Water District
EXHIBIT A

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Santa Cruz, State of California, described as follows:

SITUATE IN THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

BEING A PORTION OF THE LANDS CONVEYED TO DUNN BY DEED RECORDED IN DOCUMENT #2000-015103, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A 3/8 INCH IRON PIPE AT THE SOUTHWESTERN CORNER OF THE LANDS OF DOERING AS DESCRIBED IN RECORD DOCUMENT #2000-000790, SANTA CRUZ COUNTY RECORDS FROM WHICH A 1/2" IRON POLE, TAGGED LS 7367, AT THE NORTHWESTERN CORNER OF SAID LANDS BEARS NORTH 03° 34' 01" EAST 61.91 FEET; THENCE ALONG THE NORTHERLY LINE OF SAID LANDS OF DUNN, SOUTH 80° 38' 21" EAST 32.32 FEET TO THE TRUE POINT OF THE BEGINNING; THENCE CONTINUING ALONG THE NORTHERLY LINE OF SAID LANDS OF DUNN, SOUTH 80° 38' 21" EAST 107.69 FEET TO THE WEST SIDE OF CHANTICLEER AVENUE FROM WHICH A LEAD PLUG AND TAG, LS 7367, BEARS SOUTH 80° 38' 21" EAST 10.00 FEET; THENCE SOUTHERLY ALONG THE WEST SIDE OF CHANTICLEER AVENUE SOUTH 05° 34' 01" WEST 1.10 FEET; THENCE LEAVING THE WEST SIDE OF CHANTICLEER AVENUE NORTH 80° 38' 21" WEST 107.70 FEET TO A POINT; THENCE NORTH 06° 06' 36" EAST 1.11 FEET TO THE TRUE POINT OF BEGINNING.

A.P.N. 029-013-52

PARCEL TWO:

BEGINNING IN THE MIDDLE OF THE COUNTY ROAD FORTY FEET WIDE KNOWN AS CHANTICLEER AVENUE, AT A POINT FROM WHICH A HALF INCH GALVANIZED PIPE BEARS NORTH 81° 50' WEST 20.04 FEET DISTANT; SAID BEGINNING POINT IS IN TURN SOUTH 4° 27' WEST 284.06 FEET FROM AN IRON PIPE 3/4 INCH IN DIAMETER SET IN THE SOUTHEASTERLY CORNER OF LANDS OF ANGEL, AS RECORDED IN VOLUME 158 OF DEEDS AT PAGE 340, SANTA CRUZ COUNTY RECORDS; THENCE SOUTH 4° 27' WEST 52.0 FEET TO A POINT IN THE CENTER OF SAID ROAD; THENCE NORTH 81° 50' WEST 170.04 FEET TO DRIVEN IRON PIPE; THENCE NORTH 4° 27' EAST 52.0 FEET TO A DRIVEN IRON PIPE; THENCE SOUTH 81° 50' EAST 170.24 FEET TO THE POINT OF BEGINNING.

A.P. No.: 029-013-53
This Memorandum of Agreement ("Memorandum"), dated for reference purposes only as of _________, 2020, is entered into by and between Douglas William Doering, Trustee of the Douglas Doering 2007 Trust, ("Owner") and the Soquel Creek Water District, a County Water District created pursuant to Section 30,000 et. seq. of the California Water Code ("District").

Owner and District have entered in that certain Agreement for Option to Purchase Real Property (see Attachment 1 for legal description) dated ______________ ("Agreement").

The Agreement grants certain rights to District with respect to property legally described in Attachment 1 attached hereto and by this reference incorporated herein including the right to purchase all of said property in accordance with the Agreement. This Memorandum has been recorded to give notice to all interest persons of the existence of the Agreement and the right, title and interest of District thereunder for the purpose preserving its rights under that Agreement as against any person who might otherwise acquire an interest in said property without notice of the District rights under the Agreement.

Dated: __________________________

Douglas Doering 2007 Trust

Soquel Creek Water District, A County Water District

Douglas Doering
Trustee

Ron Duncan
General Manager
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of

On ____________________, before me, ____________________________, a Notary Public, personally appeared ______________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ________________________________
ATTACHMENT 1 to EXHIBIT B

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Santa Cruz, State of California, described as follows:

SITUATE IN THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

BEING A PORTION OF THE LANDS COVEYED TO DUNN BY DEED RECORDED IN DOCUMENT #2000-013103, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A 3/8 INCH IRON PIPE AT THE SOUTHWESTERLY CORNER OF THE LANDS OF DOERING AS DESCRIBED IN RECORD DOCUMENT #2000-002790, SANTA CRUZ COUNTY RECORDS FROM WHICH A 1/2" IRON POPE, TAGGED LS 7367, AT THE NORTHWESTERLY CORNER OF SAID LANDS BEARS NORTH 05°34'01" EAST 61.95 FEET; THENCE ALONG THE NORTHERLY LINE OF SAID LANDS OF DUNN, SOUTH 80°38'21" EAST 32.32 FEET TO THE TRUE POINT OF THE BEGINNING; THENCE CONTINUING ALONG THE NORTHERLY LINE OF SAID LANDS OF DUNN, SOUTH 80°38'21" EAST 107.69 FEET TO THE WEST SIDE OF CHANTICLEER AVENUE FROM WHICH A LEAD PLUG AND TAG, LS 7367, BEARS SOUTH 80°38'21" EAST 10.00 FEET; THENCE SOUTHERLY ALONG THE WEST SIDE OF CHANTICLEER AVENUE SOUTH 05°34'01" WEST 1.10 FEET; THENCE LEAVING THE WEST SIDE OF CHANTICLEER AVENUE NORTH 80°38'21" WEST 107.70 FEET TO A POINT; THENCE NORTH 06°06'36" EAST 1.11 FEET TO THE TRUE POINT OF BEGINNING.

A.P.N. 029-013-52

PARCEL TWO:

BEGINNING IN THE MIDDLE OF THE COUNTY ROAD FORTY FEET WIDE KNOWN AS CHANTICLEER AVENUE, AT A POINT FROM WHICH A HALF INCH GALVANIZED PIPE BEARS NORTH 81° 50' WEST 20.04 FEET DISTANT; SAID BEGINNING POINT IS IN TURN SOUTH 4° 27' WEST 284.06 FEET FROM AN IRON PIPE 3/4 INCH IN DIAMETER SET IN THE SOUTHEASTERLY CORNER OF LANDS OF ANGEL, AS RECORDED IN VOLUME 156 OF DEEDS AT PAGE 340, SANTA CRUZ COUNTY RECORDS; THENCE SOUTH 4° 27' WEST 52.0 FEET TO A POINT IN THE CENTER OF SAID ROAD; THENCE NORTH 81° 50' WEST 170.04 FEET TO DRIVEN IRON PIPE; THENCE NORTH 4° 27' EAST 52.0 FEET TO A DRIVEN IRON PIPE; THENCE SOUTH 81° 50' EAST 170.24 FEET TO THE POINT OF BEGINNING.

A.P. No.: 029-013-53
EXHIBIT C – DRAFT PURCHASE AND SALE AGREEMENT
PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of the _____ day of ___________, 2020 (the "Effective Date"), by and between DOUGLAS WILLIAM DOERING, TRUSTEE OF THE DOUGLAS DOERING 2007 TRUST, dated May 18, 2007 (the "Seller") and Soquel Creek Water District, a County Water District organized pursuant to California Water Code Section 30,000 et. seq., or its assignee (the "Purchaser" and together with the Seller, the "Parties").

RECITALS

A. Seller is the owner of the Seller's Assets (as defined below).

B. Seller is interested in selling the Seller's Assets to Purchaser and Purchaser is interested in purchasing the Seller's Assets from Seller.

C. Parties have previously entered into an Agreement for Option to Purchase Real Property to enable the purchase/sale of the property, and are now ready to proceed with the purchase.

D. That Agreement provides that, in the event that the Parties wish to proceed with the purchase/sale, that the terms and conditions of the Transaction be provided in a separate Purchase and Sale Agreement.

NOW, THEREFORE, Purchaser and Seller agree as follows:

AGREEMENT

SECTION 1. PURCHASE AND SALE.

1.1 On the terms and conditions set forth herein, on the Closing Date (as defined below) Seller shall sell to Purchaser and Purchaser shall purchase from Seller the following:

1.1.1 The real property situated in the State of California (the "State"), located at 2455 Chanticleer Avenue, Santa Cruz, California 95062, referred to as Assessor’s Parcel No. 029-013-57 which is more particularly described in Exhibit A attached hereto (the "Real Property") and the Improvements, including, but not limited to, a commercial building located at 2455 Chanticleer Avenue, Santa Cruz, California, thereon, together with all of Seller's right, title and interest in and to all tenements, hereditaments, rights, privileges, interests, easements and appurtenances now or hereafter belonging or in any way pertaining to the Real Property;

1.1.2 All fixtures (the "Fixtures") attached or appurtenant to the Real Property;
1.1.3 All furnishings, equipment, tools, machinery, fixtures, appliances and all other tangible personal property located on or about the Real Property which is owned by Seller, but excluding the security camera system inside and outside of the Improvements (collectively, the "Personal Property"). Seller shall remove the security camera system on or before the Closing (defined below);

1.1.4 To the extent assignable, all of the permits, licenses, approvals, entitlements and other governmental and quasi-governmental authorizations including, without limitation, certificates of occupancy and other similar permits relating to all or any part of the Real Property and all amendments, modifications, supplements, general conditions and addenda thereto, required in connection with the ownership of the Real Property (the "Permits and Approvals"). As used herein, "quasi-governmental" shall include the providers of all utility services to the Real Property;

1.1.5 Any and all original reports, drawings, plans, blueprints, studies, specifications, certificates of occupancy, building permits and grading permits relating to all or any part of the Real Property and all amendments, modifications, supplements, general conditions and addenda thereto, which are in the actual possession of Seller (the "Reports and Studies");

1.1.6 To the extent assignable, any and all warranties, representations and guaranties with respect to the ownership of the Real Property, whether express or implied, which Seller now holds or under which Seller is the beneficiary (the "Warranties");

1.1.7 To the extent assignable, all of Seller's legal and equitable claims, causes of action, and rights against the architects, engineers, designers, contractors, subcontractors, suppliers and materialmen and any other party who has supplied labor, services, materials or equipment, directly or indirectly, in connection with the design, planning, construction or ownership of all or any part of the Real Property (the "Claims"); and

1.1.8 To the extent assignable, all rights to lien waivers, surety agreements, bonds, warranties, guaranties, utility use agreements, covenants, commitments, permits, certificates, approvals, and other intangible personal property of every kind and nature whatsoever owned by Seller as of the date of this Agreement or hereafter acquired, which can be legally transferred and which relate directly and specifically to the ownership of the Real Property (the "Intangible Property ").

Hereinafter the assets described in Section 1.1.1 through 1.1.8 shall sometimes be collectively referred to as "Seller's Assets" or "Property."

1.2 Purchaser does not hereby or in connection herewith assume any liability of Seller or any other party whatsoever in relation to Seller's Assets arising prior to the Closing Date.

2
SECTION 2. PURCHASE PRICE.

The purchase price (the "Purchase Price") payable by Purchaser for Seller's Assets shall be:

2.1 One Million Three Hundred Thousand Dollars ($1,300,000.00) (the "Purchase Price"). The Parties acknowledge and agree, the Purchase Price includes, without limitation, full payment of just compensation, relocation benefits, lease bonus value, attorneys’ fees, costs, interest, and damages in complete settlement of all claims (known and unknown), causes of action and demands of Seller against Purchaser because of Purchaser’s purchase of the property, and for any and all claims (known and unknown) arising from or relating to the Purchase and Sale which is the subject of this Agreement. The Purchase Price shall be payable as follows:

2.2 Purchaser shall deposit Twenty Five Thousand Dollars ($25,000.00) into Escrow (the "Deposit"). The Deposit shall be refundable to Purchaser unless Purchaser waives all contingencies by the expiration of the Due Diligence Period. If the Closing of the transaction contemplated by this transaction occurs, the Deposit shall be disbursed to Seller and applied to the Purchase Price at Closing.

2.3 Total Payment. On or before the Closing Date (as defined below), Purchaser will deposit with Stewart Title Company, One Million Two Hundred Seventy Five Thousand Dollars and 00/100 ($1,275,000) ("Escrow Holder") an amount equal to the entire purchase price, subject to adjustment by reason of any credits from option payments, applicable prorations, and the allocation of closing costs described below, and minus any Deposit amount applied.

SECTION 3. DUE DILIGENCE PERIOD

3.1 Due Diligence Period. The "Due Diligence Period" means the period beginning the later of (a) the Effective Date or (b) the date on which Purchaser has received all of the Due Diligence Documents (defined in Section 3.2) from Seller and ending at 5:00 p.m. on the date thirty (30) days later.

3.1.1 Access to Information and the Property. Purchaser shall conduct its investigation of the Property during the Due Diligence Period at no cost to Seller. This investigation ("Due Diligence Investigation") may include, at Purchaser's option: a physical inspection of the Real Property and all Improvements thereon, including soil, geological and other tests, engineering evaluations of the mechanical, electrical, HVAC and other systems in the Improvements and review of the Plans; review of all governmental matters affecting the Property, including zoning, environmental and building permit and occupancy matters; review and verification of all financial and other information previously provided by Seller relating to the operation of the Property; review of the condition of title to the Property, including the building, structural system and roof inspection; and review of such other matters pertaining to an investment in the Property as Purchaser deems advisable. In addition to the Preliminary Documents delivered to Purchaser pursuant to Section 3.2, Purchaser and its representatives shall have the right of access during reasonable
business hours to all files, books and records maintained by Seller or its agents (including, without limitation, all of the Additional Documents to be made available to Purchaser at the Property pursuant to Section 3.3), wherever located, relating to the Property, including the right to copy the same. Purchaser and its representatives shall also have the right of access to the Property during reasonable business hours to conduct its investigation of the physical condition of the Property. Seller agrees that the rights granted to Purchaser herein and the results of its Due Diligence Investigation shall not relieve Seller of any obligations Seller may have under any other provisions of this Agreement, or under other documents entered into concurrently herewith, or implied by law, nor shall they constitute a waiver by Purchaser of the right to enforce any of the same. Seller shall cooperate with Purchaser in its due diligence activities and provide access to the Property, its records, or provide information so long as it is within Seller's control.

3.2 Delivery of Preliminary Documents. Within 5 business days after the Effective Date, Seller shall deliver to Purchaser, at Seller's expense, all of the documents described in the remaining subsections of this Section 3.2 (collectively, the "Preliminary Documents") in Seller's possession or control.

3.2.1 Title Report and Survey. A preliminary title report or commitment for title insurance (the "Preliminary Title Report"), dated no earlier than 10 days before the Effective Date, covering the Property and issued by a title insurance company or companies acceptable to Purchaser (the "Title Company"), together with a legible copy of each document, map and survey referred to in the Preliminary Title Report. Purchaser, at Purchaser's sole cost, may obtain an as-built survey of the Property (the "Survey") prepared by a certified land surveyor in accordance with the most recent American Land Title Association standards, certified by such surveyor to Purchaser and the Title Company in a form acceptable to the Title Company for the purpose of deleting any survey exception from the Title Policy described in Section 14.1.3.

3.2.2 Plans. Copies of all as-built plans and specifications for the Improvements, including without limitation the plans and specifications for and a complete description of all existing renovations and improvements to the Property and all rentable space therein, and as-built drawings for all underground utilities (collectively, the "Plans"), together with a certificate from an architect approved by Purchaser certifying to Purchaser that the Improvements were constructed and completed in accordance with the Plans;

3.2.3 Soils Report. Any soils report on the Land prepared at Seller's request or in the possession or control of Seller, including (if available) a report on compliance with any soils work recommended to be done prior to construction of the Improvements;

3.2.4 Engineers' Reports. Any structural, mechanical, environmental or geological reports concerning the Property which have been prepared at Seller's request or which are within Seller's possession or control;
3.2.5 Inspection Reports. Copies of all written reports received by Seller within three (3) years prior to the Effective Date from Seller's insurance companies, any governmental agency or any other person or entity, which requires or demands correction of any condition, or requests modification in or termination of any uses of the Property, accompanied by Seller's summary of (a) any oral reports from such insurance companies or governmental agencies, and (b) the present status of any matter noted in any oral or written report.

3.3 Additional Documents and Information. From the Effective Date through the Closing Date, Seller shall make available to Purchaser at the Property in accordance with Section 3.1, the documents and information described in this Section 3.3 (collectively, the "Additional Documents"): 

3.3.1 Agreements. Copies of written, and written descriptions of oral, easements, covenants, restrictions, agreements, contracts and other documents, whether existing or, to the knowledge of Seller, proposed as of the Effective Date, including without limitation any agreements relating to the insurance, service, operation, repair, supply, advertising, promotion, sale, leasing or management of the Property, which (a) affect the Property, (b) are not disclosed by the Preliminary Title Report, and (c) have not been delivered to Purchaser pursuant to Section 3.2. If no such documents exist, Seller shall furnish its certification to that effect;

3.3.2 Warranties/Roof Inspections/HVAC Inspections. Copies of any and all guarantees or warranties and other rights given to Seller in connection with the construction, maintenance, repair or remodeling of the Improvements, periodic inspections, or the purchase of any of the Personal Property. If no such documents exist, Seller shall furnish its certification to that effect;

3.3.3 Insurance Policies. Copies of certificates evidencing the insurance carried by Seller of the Property;

3.3.4 Other Documents. All data, correspondence, documents, agreements, waivers, notices, applications and other records with respect to the Property relating to transactions with taxing authorities, governmental agencies, utilities, vendors and others with whom Purchaser may be dealing from and after the Closing Date; and

3.3.5 Requested Information. Such other documents and information concerning the Property as Purchaser may reasonably request.

3.4 Approval/Disapproval of Due Diligence Investigations. Purchaser shall approve or disapprove the results of Purchaser's Due Diligence Investigation, in the exercise of Purchaser's sole discretion, by written notice delivered to Seller no later than the expiration of the Due Diligence Period. Purchaser's disapproval shall terminate this Agreement unless, at the time Purchaser gives notice of its disapproval, Purchaser also notifies Seller of Purchaser's desire to enter into negotiations with Seller for the purpose of reaching an accommodation concerning the disapproval. If Purchaser so notifies Seller and the parties have not reached a written
agreement satisfactory to both of them regarding the disapproval within 10 days after the date of
the disapproval notice, Purchaser, at its option, may either (a) elect to terminate this Agreement
by so notifying Seller and recover the Deposit, or (b) elect to proceed with the transactions
contemplated by this Agreement notwithstanding its earlier disapproval. If Purchaser fails to
deliver to Seller notice of its approval or disapproval of the results of its Due Diligence
Investigation, Purchaser shall be deemed to have disapproved such results. If Purchaser elects to
terminate the Agreement, Purchaser shall return to Seller all of the Preliminary Documents and
Additional Documents previously delivered by Seller to Purchaser within 5 business days of
such termination.

3.5 Title Review.

3.5.1 Monetary Liens. At its expense, Seller shall remove all liens on the Property at or prior to the Closing (collectively, "Monetary Liens"): (i) all delinquent taxes, bonds and assessments and interest and penalties thereon (it being agreed that Seller shall not be required to remove any non delinquent taxes and assessments imposed by any governmental agency that are paid with the property taxes for the Property); and (ii) all other monetary liens, including without limitation all those shown on the Preliminary Title Report (including judgment and mechanics' liens, whether or not liquidated, and mortgages and deeds of trust, with Seller being fully responsible for any fees or penalties incurred in connection therewith).

3.5.2 Approval/Disapproval of Title Review. Purchaser shall approve or disapprove of the Preliminary Title Report, the Survey and any exceptions to title shown thereon (other than the Monetary Liens) in the exercise of Purchaser's sole discretion, by the expiration of the Due Diligence Period. If Purchaser disapproves, Purchaser may either (a) terminate this Agreement by giving Seller written notice of termination or (b) give Seller a written notice ("Disapproval Notice") identifying the disapproved title matters ("Disapproved Title Matters"). With respect to any Disapproved Title Matters, other than the Monetary Liens, Seller shall notify Purchaser in writing within 5 days after Seller's receipt of the Disapproval Notice whether Seller will cause the Disapproved Title Matters to be removed or cured at or prior to Closing. If Seller elects not to remove or cure all Disapproved Title Matters, Purchaser may, at its option: (i) subject to satisfaction of the other conditions to Closing, close the purchase of the Property and take title subject to the Disapproved Title Matters which Seller elects not to remove or cure; or (ii) terminate this Agreement in accordance with Section 9.6.1.

3.5.3 Purchaser's Options. If any Disapproved Title Matters (including the Monetary Liens) have not been removed at least 5 days prior to Closing or provision for their removal at the Closing has not been made to Purchaser's satisfaction, Purchaser may, at its option: (i) close the purchase of the Property and take title subject to the Disapproved Title Matters which have not been removed; (ii) close the purchase of the Property and cure or remove the Disapproved Title Matters which have not been removed. Purchaser may credit the costs of such cure or removal against the Purchase Price by reducing the amount of cash payable by Purchaser at the Closing, but only to the extent such costs are expended to remove (A) Monetary Liens
referred to in Section 3.5.1 or (B) Disapproved Title Matters which Seller agreed to remove; or (iii) terminate this Agreement in accordance with Section 16.1.3.

3.5.4 Failure to Disapprove. If Purchaser fails to notify Seller of its approval or disapproval of the Preliminary Title Report, the Survey or the exceptions shown thereon by the end of the Due Diligence Period, then Purchaser shall be deemed to have disapproved the same.

SECTION 4. CLOSING.

4.1 The Closing Date. Provided all of the conditions to closing set forth in Section 14 of this Agreement have been satisfied or waived, the closing (the "Closing") of the Transaction shall take place on or before December 31st, 2020 (the "Closing Date").

4.2 The Closing Process. The Closing shall occur through escrow and accordingly, at or prior to the Closing Date, the Parties shall deposit in escrow with Escrow Holder (the "Title Company") all documents and monies necessary to close this transaction as herein provided. Time is of the essence of this Agreement. Closing shall occur in accordance with the procedures and instructions given by the Parties to the Title Company prior to Closing.

SECTION 5. CONVEYANCES/DELIVERIES AT CLOSING.

5.1 Seller's Closing Deliveries. Seller shall deliver the following documents to the Title Company for recording and/or delivery to Purchaser on or before Closing:

5.1.1 One (1) original of Grant Deed with respect to the Real Property (the "Deed"), executed and acknowledged in the form attached hereto as Exhibit B;

5.1.2 Two (2) original counterparts of the Bill of Sale and Assignment and Assumption Agreement with respect to the balance of the Seller's Assets, signed by Seller in the form attached hereto as Exhibit C;

5.1.3 An affidavit executed by Seller under penalty of perjury, stating Seller's United States taxpayer identification numbers and that Seller is not a foreign person, in accordance with the Internal Revenue Code, Section 1445(b)(2), in the form attached hereto as Exhibit D (the "FIRPTA Affidavit");

5.1.4 An Owner's Affidavit duly executed by Seller in such form and content as may be reasonably required by the Title Company;

5.1.5 Such other affidavits and indemnities and other documents as may be customarily and reasonably required for the issuance of the Title Policy in accordance with the terms of this Agreement;

5.1.6 A closing statement duly executed by Seller;
5.1.7 A 593W in the form proscribed by the California Department of Revenue (the "California FIRPTA"); and

5.1.8 The originals (or copies if originals are unavailable) of the Service Contracts Purchaser has elected to assume, if any, and estoppel certificates from the other parties to such Service Contracts in form and substance satisfactory to Purchaser;

5.1.9 All costs of Closing, including, but not limited to, the CLTA increment of the premium for the Title Policy, recording fees, transfer taxes and fees, one half of the escrow fees, sales tax and any other costs of Closing customarily paid by sellers of real property, plus or minus prorations as provided in Section 6.2; provided that, Purchaser and Seller shall bear their own attorneys' fees and costs in connection with the negotiation and preparation of this Agreement and the transactions completed by this Agreement;

5.1.10 All records and files relating to the management or operation of the Property, including, without limitation, property tax bills, insurance, and property taxes; and

5.1.11 Documentation, reasonably acceptable to Purchaser and the Title Company, confirming the authority of Seller to execute and deliver this Agreement and all of the documents described in this Section 5 and to consummate the Transaction.

5.2 Purchaser's Deliveries. Purchaser shall deliver or cause to be delivered to the Title Company for recording and/or delivery to Seller the following:

5.2.1 The Purchase Price, plus or minus prorations as provided in Section 6.2, on or before the Closing Date;

5.2.2 Two (2) original counterparts of the Bill of Sale and Assignment and Assumption Agreement signed by Purchaser;

5.2.3 One (1) original of Preliminary Change of Ownership Report (the "PCOR") signed by Purchaser;

5.2.4 A closing statement duly executed by Purchaser; and

5.2.5 Documentation, reasonably acceptable to Seller and the Title Company, confirming the authority of Purchaser to execute and deliver this Agreement and all of the documents described in this Section 5 and to consummate the Transaction.
SECTION 6.  CLOSING COSTS AND PRORATIONS.

6.1 Costs and Expenses. All costs and expenses associated with the sale of Seller's Assets to Purchaser, including, without limitation, all title insurance premiums, real estate excise taxes, transfer taxes and escrow fees, shall be allocated between Seller and Purchaser as follows:

6.1.1 Seller and Purchaser shall pay for the transfer taxes due upon the conveyance of the Real Property to Purchaser, and any recording fees, as customary in the County of Santa Cruz;

6.1.2 Purchaser shall pay for the premiums for an extended coverage ALTA owner's policy of title insurance in the full amount of the Purchase Price;

6.1.3 Purchaser shall pay for the cost of the ALTA survey required in order for the Title Company to issue an extended coverage policy of title insurance;

6.1.4 Seller and Purchaser shall share on a 50-50 basis any escrow fees charged by Escrow Holder; and

6.1.5 Seller and Purchaser shall each pay their own legal fees and expenses.

6.2 Prorations and Adjustments.

6.2.1 Real and personal property taxes shall be prorated as of the Closing Date, with Seller responsible therefor for the period prior to the Closing Date and with Purchaser responsible therefor for the period from and after the Closing Date.

6.2.2 Seller shall arrange for a final statement with respect to all utilities serving the Real Property as of the Closing Date and shall pay all fees identified thereon and Purchaser shall arrange for all such utilities to be billed in its name from and after the Closing Date and shall pay all fees and deposits due therefor as of the Closing Date.

SECTION 7.  POSSESSION.

On the Closing Date, Seller shall deliver to Purchaser possession of the Seller's Assets.

SECTION 8.  REPRESENTATIONS AND WARRANTIES OF SELLER.

Seller does hereby warrant and represent to Purchaser that:

8.1 Authority. Seller has full power and authority to execute and deliver this Agreement and all related documents, and to carry out the transactions contemplated herein. This Agreement is valid, binding and enforceable against Seller in accordance with its terms, except as such enforceability may be limited by creditors' rights laws or general principals of equity. The execution of this Agreement and the consummation of the transactions contemplated herein do not result in a breach of the terms and conditions of nor constitute a default under or
violation of Seller's corporate formation documents or of any law, regulation, court order, mortgage, note, bond, indenture, agreement, license or other instrument or obligation to which Seller is now a party or by which Seller or any of the assets of Seller may be bound or affected.

8.2 **Necessary Action.** Seller will take all action and obtain all consents required of Seller prior to the Closing Date necessary for it to lawfully enter into and carry out the terms of this Agreement, including.

8.3 **Litigation.** There are no claims, actions, suits, investigations or proceedings pending or, to the best of such Seller's knowledge, threatened by or before any court, administrative agency or other governmental authority or any arbitrator against or relating to Seller or with respect to the ownership or operation of the Seller's Assets. The transactions contemplated herein have not been challenged by any governmental agency or any other person against the Seller, nor does Seller know or have reasonable grounds to know, of any basis for any such actions, suits or proceedings against the Seller. For purposes hereof, a claim, action, suit, investigation or proceeding shall be deemed to be pending if the same has been served upon Seller or Seller otherwise has actual knowledge of the existence thereof.

8.4 **Compliance with Law.**

8.4.1 To Seller's knowledge, the Real Property and its use are now in compliance with all applicable municipal, county, state and federal laws, regulations, statutes, ordinances, standards and orders and all administrative rulings and with all municipal, health, building, land use and zoning laws and regulations, including, but not limited to building and firecodes; and

8.4.2 Seller has not received any notice from any governmental body claiming a violation of any building, zoning, environmental or other laws or ordinances which violation is uncured as of the Effective Date.

8.5 **Hazardous Materials.** To Seller's knowledge, Seller has not used, nor authorized, nor knowingly allowed the use of the Real Property and the Real Property has not been used by Seller for the generating, handling, storage, disposal, or release of hazardous substances or hazardous waste or petroleum or petroleum products (collectively referred to as "Hazardous Substances") defined as such under any applicable local, state, or federal law or regulation which regulates the discharge of solid, liquid, or gaseous wastes into the environment or the placement of structures or materials into any waters or otherwise (hereinafter referred to as "Environmental Laws") except such Hazardous Substances as are used, generated, handled, stored, disposed of and/or released at the Real Property in the ordinary course of the operation of the Seller's Assets where such use, generation, handling, storage, disposal and/or release complies with applicable Environmental Laws. Seller has not used nor authorized nor allowed the use of the Real Property, and, to Seller's knowledge, the Real Property has not been used by Seller, in a matter other than in full compliance with Environmental Laws. Seller has received no notice of any claims, actions, suits or proceedings or investigations relating to Hazardous Substances pending or threatened against Seller with respect to ownership, condition, or operation of any of the Seller's Assets, including, but not limited to, the Real Property, in any court or before or by any federal, state, or other governmental agency or private arbitration.
(hereinafter referred to "Environmental Litigation"). To Seller's knowledge, there are no underground tanks or any other underground storage facility presently located on the Real Property.

8.6 **Condemnation.** There is presently no pending or, to the best of Seller's knowledge, contemplated or threatened, (i) proceedings with respect to the condemnation of the Real Property or any part thereof, (ii) reclassification of any or all of the Real Property for local zoning purposes, or (iii) reassessment or reclassification of any or all of the Real Property or state or local real property taxation purposes.

8.7 **Other Sales.** From and after the Execution Date until the earlier to occur of the Closing Date or the termination of this Agreement in accordance with the terms hereof, neither Seller nor anyone authorized to act on its behalf shall, directly or indirectly, initiate or solicit or otherwise engage in discussions relating to any alternative acquisition proposal or similar transaction with respect to the Seller's Assets.

8.8 **Occupancy Rights.** As of the Closing Date there shall be no occupancy rights (written or oral), leases or tenancies granted by Seller with respect to the Real Property.

8.9 **Condition of Real Property.** To Seller's knowledge, there are no defects in the Seller's Assets which materially adversely affect the use or value of the Seller's Assets. The Improvements and the Personal Property are in good condition and repair and are free of any latent or patent design, construction, physical or mechanical defects and there is no actual or threatened settlement, earth movement, termite infestation or damage affecting the Property.

8.10 **Permits, Filings.** To Seller's knowledge, Seller has filed or has caused to be filed all required filings for the lawful operation of the Seller's Assets.

8.11 **Executive Order 13224.** Seller is not, and the entities or individuals that constitute Seller, or that may own or control Seller, or that may be owned or controlled by Seller (in all cases, other than through the ownership of publicly traded, direct or indirect, ownership interests) are not (i) in violation of any laws relating to terrorism or money laundering, or (ii) among the individuals or entities identified on any list compiled pursuant to Executive Order 13224 for the purpose of identifying suspected terrorists or on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, http://www.treas.gov/ofac/tllsdn.pdf or any replacement website or other replacement official publication of such list which identifies an "Specially Designated National" or "blocked person."

8.12 **Disclosure.** Seller has not withheld from Purchaser any material facts relating to the Real Property or the Seller's Assets. No representation or warranty in this Agreement or in any letter, certificate, schedule, statement or other document furnished or to be furnished pursuant hereto or in connection with the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact required to be stated herein or therein or necessary to make the statements herein or therein not misleading. For purposes of this Agreement, without creating any personal liability on behalf of such individual, usage of "to Seller's actual knowledge," to Seller's knowledge," or other words
to such effect, shall mean the present knowledge of Seller after due inquiry and investigation, existing as of the Execution Date.

In the event that from and after the date hereof, Seller obtains any knowledge of any fact or condition, or receives any notice, that would cause any of the above representations and warranties to no longer be true and correct in all material respects, Seller shall give Purchaser notice of such fact or condition and shall give Purchaser a copy of any such notice. In the event that the fact or condition disclosed by Seller will have a material adverse effect on the Seller's Assets, Purchaser shall have a period of five (5) business days after receipt of such notice to terminate this Agreement, whereupon the Deposit shall be returned to Purchaser and neither Purchaser nor Seller shall have any further liabilities or obligations one to the other. If Purchaser shall not so terminate this Agreement, then the representations and warranties shall be deemed modified to except such fact or condition as noted by Seller in such notice.

SECTION 9. REPRESENTATIONS AND WARRANTIES OF PURCHASER.

Purchaser does hereby represent and warrant to Seller that:

9.1 Authority. Purchaser has full power and authority to execute and to deliver this Agreement and all related documents, and to carry out the transactions contemplated herein and therein at the times provided for herein.

9.2 Enforceability/No Conflict. This Agreement is valid, binding and enforceable against Purchaser in accordance with its terms except as such enforceability may be limited by creditors rights laws and general principles of equity. The execution of this Agreement and the consummation of the transactions contemplated herein in accordance with the terms hereof do not and will not result in a breach of the terms and conditions of nor constitute a default under Purchaser's corporate documents or any law, regulation, court order, mortgage, note, bond, indenture, agreement, license or other instrument or obligation to which Purchaser is now a party or by which any of the assets of Purchaser is bound or affected.

9.3 Necessary Action. Purchaser will take all action and obtain all consents required of Purchaser prior to the Closing Date necessary for it to lawfully enter into and carry out the terms of this Agreement.

SECTION 10. BROKERS.

EACH OF THE PARTIES EACH REPRESENT, COVENANT, AND WARRANT TO THE OTHER THAT EACH HAS EMPLOYED NO BROKER, EXCEPT SBA COMMERCIAL, INC. OR FINDER IN CONNECTION WITH THE TRANSACTION CONTEMPLATED HEREIN. EACH PARTY AGREES TO INDEMNIFY AND HOLD HARMLESS THE OTHER PARTIES FROM AND AGAINST ALL LIABILITY, CLAIMS, DEMANDS, DAMAGES OR COSTS OF ANY KIND, INCLUDING ATTORNEYS' FEES, ARISING FROM OR CONNECTED WITH ANY BROKER'S COMMISSION OR FINDER'S FEE OR COMMISSION OR CHARGE CLAIMED TO BE DUE ANY PERSON ARISING FROM SUCH PARTY'S CONDUCT WITH RESPECT TO THE TRANSACTION.
SECTION 11. SELLER'S COVENANTS.

11.1 Pre-Closing. Between the date hereof and the Closing Date, except as contemplated by this Agreement or with the consent of Purchaser, Seller does hereby covenant as follows:

11.1.1 Seller will operate the Seller's Assets in the ordinary course of business and will not enter into any contract, commitment or agreement affecting Seller's Assets except in the ordinary course of business;

11.1.2 Seller will not take any action inconsistent with its obligations under this Agreement or which could hinder or delay the consummation of the transactions contemplated by this Agreement;

11.1.3 Seller shall not sell, encumber or otherwise transfer any interest in all or any portion of the Property, or agree to do so.

11.1.4 At its sole cost and expense, Seller shall operate and maintain the Property such that on the Closing Date the Property shall be in at least as good a condition and repair as on the Effective Date, reasonable wear and tear excepted. Without limiting the generality of the foregoing, Seller shall, at a minimum, spend such amounts for repair and maintenance as are consistent with its prior practice. Seller shall promptly advise Purchaser of any significant repair or improvement required to keep the Property in such condition. Seller shall not make any material alterations to the Property, or remove any of the Personal Property therefrom, without Purchaser's prior consent, unless such Personal Property so removed is simultaneously replaced with new Personal Property of similar quality and utility.

11.1.5 Seller will maintain in force the existing hazard and liability insurance policies, or comparable coverage, for Seller's Assets;

11.1.6 Seller will maintain Seller's Assets in substantially the same condition as they are in as of the Execution Date, ordinary wear and tear excepted; and

11.1.7 Seller will promptly notify Purchaser of any changes affecting the validity or accuracy of its representations and warranties of which it becomes aware prior to the Closing Date.

11.2 Closing. At the Closing, Seller agrees that it will:

11.2.1 Execute and deliver such endorsements, assignments and other instruments of transfer and conveyance as shall be reasonable or necessary to transfer and assign Seller's Assets to Purchaser as herein provided, conveying title to the Real Property and conveying title to the remainder of Seller's Assets free and clear of all liens and encumbrances;

11.2.2 Deliver to Purchaser a certificate dated as of the date of Closing certifying that Seller's representations and warranties contained in this
Agreement or in any certificate or document delivered in connection with this Agreement or the transactions contemplated herein are true at and as of the date of Closing as though such representations and warranties were then again made and that Seller shall have performed its obligations under this Agreement that are to be performed prior to or at Closing;

11.2.3 Pay for any of the costs and expenses identified in Section 6 for which it is responsible; and

11.2.4 Deliver the documents described in Section 5.1.

11.3 Post-Closing. After the Closing, Seller agrees that it will take such actions and properly execute and deliver to Purchaser such further instruments of assignment, conveyance and transfer as may be necessary to assure, complete and evidence the full and effective transfer and conveyance of Seller's Assets.

SECTION 12. PURCHASER'S COVENANTS.

12.1 Pre-Closing. Between the date hereof and the Closing Date, except as contemplated by this Agreement or with the consent of Seller, Purchaser agrees that:

12.1.1 Purchaser will not take any action inconsistent with its obligations under this Agreement or which could hinder or delay the consummation of the Transaction contemplated by this Agreement; and

12.1.2 Purchaser will make all reasonable efforts, with all due diligence, to obtain all consents, approvals and licenses necessary to permit the consummation of the Transactions contemplated by this Agreement.

12.2 Closing. At the Closing, Purchaser agrees that it will:

12.2.1 Pay the cash due from it under Section 2;

12.2.2 Pay for any of the costs and expenses specified in Section 6 for which it is responsible; and

12.2.3 Deliver or caused to be delivered the documents described in Section 5.2 to which it is a party.

12.3 Post-Closing. After the Closing Date, Purchaser agrees that it will take such actions and properly execute and deliver such further instruments as Seller may reasonably request to assure, complete and evidence the Transaction provided for in this Agreement.

SECTION 13. MUTUAL COVENANTS.

Following the execution of this Agreement, the Parties agree:
13.1 If any event should occur, either within or without the knowledge or control of any of the Parties which would prevent fulfillment of the conditions to the obligations of any Party hereto to consummate the transactions contemplated by this Agreement, such Party shall use its or their reasonable efforts to cure the same as expeditiously as possible.

13.2 To cooperate fully with each other in preparing, filing, prosecuting, and taking any other actions which are or may be reasonable and necessary to obtain the consent of any governmental instrumentality or any third party or to accomplish the Transactions contemplated by this Agreement; provided that said cooperation shall not require either Party to incur any additional cost or expense.

SECTION 14. CONDITIONS PRECEDENT TO CLOSING.

14.1 Purchaser's Conditions. Purchaser's obligation to purchase Seller's Assets hereunder is subject to the following conditions on or before the Closing Date, any one or all of which may be waived by Purchaser by written notice to Seller:

14.1.1 Due Diligence. Purchaser having approved of the results of its Due Diligence Investigation pursuant to Section 3.

14.1.2 Title Review. Purchaser having approved of the results of its review of title pursuant to Section 3.5.

14.1.3 Title Policy. Seller having caused the Title Company to deliver to Purchaser (a) a CLTA Owner's policy of title insurance, provided that Purchaser may require an ALTA Owner's Policy if Purchaser pays the incremental premium for ALTA coverage ("Title Policy") (or at Purchaser's election a binder therefor) for the Property, or (b) the Title Company's irrevocable commitment to issue such policy of title insurance, (including such coinsurance, reinsurance and endorsements as Purchaser shall require), with liability equal to the Purchase Price showing fee title to the Property vested in Purchaser and subject only to: (i) the matters and exceptions which were approved by Purchaser pursuant to Section 3.5; and (ii) the standard printed exceptions in the form of title policy called for (collectively, "Conditions of Title").

14.1.4 Performance of Covenants. Seller performing and complying in all material respects with all of the terms of this Agreement to be performed and complied with by Seller prior to or at the Closing.

14.1.5 Damage and Destruction.

14.1.5.1 Prior to the Closing Date, the risk of physical loss to Seller's Assets shall be borne by Seller. Accordingly, it shall be a condition to Purchaser's obligation hereunder that from the Effective Date to the Closing Date, no material portion of any of Seller's Assets shall have been damaged or destroyed by fire or other casualty. If Seller's Assets shall have been so damaged or destroyed, both Seller and Purchaser shall have the right to terminate this Agreement by delivery of written notice to the other Party within thirty (30) days after gaining knowledge of such damage or destruction. If neither Party terminates this Agreement,
then at Closing, Seller shall assign to Purchaser all of its rights to any insurance proceeds in the connection therewith.

14.1.6 **Seller's Performance.** Seller shall have performed or shall have caused to be performed in all material respects all of its obligations under this Agreement that are to be performed prior to or at Closing to the extent the same have not been waived by Purchaser in accordance with the terms hereof.

14.1.7 **Seller's Representations and Warranties.** Seller's representations and warranties contained in this Agreement or in any certificate or document delivered in connection with this Agreement or the transactions contemplated herein shall be true in all material respects at and as of the date of Closing as though such representations and warranties were then again made.

14.2 **Seller's Conditions.** Seller's obligation to sell Seller's Assets hereunder is subject to the fulfillment of each of the following conditions, any one or all of which may be waived by Seller in writing:

14.2.1 **Purchaser's Representations and Warranties.** Purchaser's representations and warranties contained in this Agreement or in any certificate or document delivered in connection with this Agreement or the Transaction contemplated herein shall be true in all material respects at and as of the Closing as though such representations and warranties were then again made.

14.2.2 **Purchaser's Performance.** Purchaser shall have performed its obligations under this Agreement that are to be performed in all material respects prior to or at Closing to the extent the same have not been waived by Seller in accordance with the terms hereof.

SECTION 15. **INDEMNIFICATION.**

15.1 **By Seller.** Seller shall indemnify, defend and hold harmless Purchaser, its officials, officers, employees, volunteers, and agents from and against any and all costs, losses, damages, liabilities and obligations arising from or related to:

15.1.1 The ownership of the Sellers' Assets and the operation of the Seller's Assets which exist as of the Closing Date; and

15.1.2 Any misrepresentation, breach of warranty or non-fulfillment of any agreement or covenant on the part of Seller under this Agreement or from any misrepresentation in or omission from any certificate furnished or to be furnished by Seller to Purchaser hereunder.

15.2 **By Purchaser to Seller.** Purchaser shall indemnify, defend and hold Seller harmless from and against any and all costs, losses, damages, liabilities and obligations arising from or related to:
15.2.1 Any misrepresentation, breach of warranty or non-fulfillment of any agreement on the part of Purchaser under this Agreement or from any misrepresentation in or omission from any certificate furnished or to be furnished by Purchaser to Seller hereunder.

For purposes of this Section 15, an obligation shall be deemed to "exist" as of the Closing Date if it relates to events which occurred prior to the Closing Date even if it is not asserted until after the Closing Date.

SECTION 16. TERMINATION.

16.1 Grounds for Termination. This Agreement may be terminated and the transaction contemplated herein abandoned at any time prior to Closing:

16.1.1 By mutual written agreement of the parties;

16.1.2 By Seller if the conditions to Closing set forth in Section 14.2 have not been satisfied or waived by the Closing Date or such earlier date as may be set forth in Section 14.2 other than as a result of a breach or default by Seller in its obligations hereunder;

16.1.3 By Purchaser if the conditions to Closing set forth in Section 14.1 have not been satisfied or waived by the Closing Date or such earlier date as may be set forth in Section 14.1 other than as a result of a breach or default by Purchaser in its obligations hereunder; or, Purchaser having exercised its right to terminate this Agreement pursuant to Section 3.4 (disapproval of Due Diligence Investigation) or Section 3.5 (disapproval of title);

16.1.4 By Purchaser if required to do so as a result of the litigation brought by Ms. Becky Steinbruner;

16.1.5 By either Party in the event of a material breach by another Party of its obligations hereunder; and

16.1.6 By either Seller or Purchaser if the Closing has not occurred by the Closing Date specified in Section 4.

16.2 Seller's Remedies Upon Termination. In the event of the termination of this Agreement by Seller under Sections 16.1.2, 16.1.4, or 16.1.5 or under Section 16.1.6 in the event the Closing has failed to occur as a result of a material breach by Purchaser of its obligations hereunder, Purchaser and Seller acknowledge and agree as follows:

SELLER SHALL BE ENTITLED TO TERMINATE THIS AGREEMENT AND TO RETAIN THE DEPOSIT AS SELLER'S SOLE AND EXCLUSIVE REMEDY AND ALL ACCRUED INTEREST THEREON AS LIQUIDATED DAMAGES, THE PARTIES ACKNOWLEDGING AND AGREEING THAT THE AMOUNT OF DAMAGES WHICH SELLER MAY INCUR AS
A RESULT OF SUCH TERMINATION MAY BE DIFFICULT TO ASCERTAIN AND THAT THE AMOUNT PREVIOUSLY PAID TO ON OR ON BEHALF OF SELLER (INCLUDING THE SURVEY COSTS) IS A REASONABLE AND FAIR ESTIMATE THEREOF, AFTER WHICH THE PARTIES SHALL HAVE NO FURTHER RIGHTS OR OBLIGATIONS HEREUNDER.

___________________
Seller's Initials       Purchaser's Initials

16.3 **Purchaser's Remedies Upon Termination.** In the event Purchaser has the right to terminate this Agreement by Purchaser under Sections 16.1.3, 16.1.4, or 16.1.5 or under Section 16.1.6 in the event the Closing has failed to occur as of a material breach by Seller of its obligations hereunder, Purchaser shall have the right either to (i) waive the condition or covenant or breach at issue and proceed with the transaction on the terms contemplated herein, (ii) seek specific performance of Seller's obligations hereunder or (iii) to terminate this Agreement and secure the return of the Deposit and any accrued interest thereon in accordance with the terms of the Escrow Agreement, after which neither Party shall have any further rights or obligations hereunder.

16.4 **Other Termination Provisions.** In the event this Agreement is terminated pursuant to Section 16.1.1 or in the event this Agreement is terminated pursuant to Section 16.1.6 as a result of no fault or breach by either Seller or Purchaser, then the entire Deposit and any accrued interest thereon shall immediately be refunded and returned to Purchaser, after which neither Party shall have any further rights or obligations hereunder.

16.5 **Expenses.** In the event the transaction contemplated hereby is not closed for any reason other than a breach by Purchaser or Seller, Seller and Purchaser shall pay equal shares of all escrow cancellation fee and title charges. In the event the transaction contemplated hereby is not closed as a result of a breach by Purchaser, Purchaser shall pay all escrow cancellation fees and title charges and in the event the transaction contemplated hereby is not closed as a result of a breach by Seller, Seller shall pay all escrow cancellation fees and title charges.

SECTION 17. **MISCELLANEOUS.**

17.1 **Notice.** Any notice, request or other communication to be given by any Party hereunder shall be in writing and shall be personally delivered or sent by registered or certified mail, postage prepaid, by overnight courier guaranteeing overnight delivery or by facsimile transmission (if confirmed verbally or in writing by mail as aforesaid), to the following address:

If to Seller to: Douglas William Doering
2455 Chanticleer Ave
Santa Cruz, CA 95062
With a copy to: __________________________
______________________________
Attention: __________________________
Email: __________________________

If to Purchaser to: Soquel Creek Water District
5180 Soquel Drive
Soquel, CA 95073
Attention: Ron Duncan, General Manager
RonD@soquelcreekwater.org

With a copy to: Joshua Nelson
Best Best & Krieger LLP
500 Capitol Mall, Suite 1700
Sacramento CA, 95814
Joshua.Nelson@bbklaw.com

Notice shall be deemed upon the actual receipt or refusal of receipt thereof regardless of the method of delivery used.

17.2 Sole Agreement. This Agreement may not be amended or modified in any respect whatsoever except by instrument in writing signed by the parties hereto. This Agreement constitutes the entire agreement between the parties hereto with respect to the Transaction and supersedes all prior negotiations, discussions, writings and agreements between them.

17.3 Assignment. Purchaser shall have the right to assign its interest under this Agreement for the purposes of financing the project, and in the event of such an assignment, shall provide notice to Seller. Seller shall not have the right to assign all or any portion of its interest in this Agreement without Purchaser's prior written consent.

17.4 Captions. The captions of this agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

17.5 Survival. All covenants, indemnities, warranties and representations of Purchaser and Seller herein shall survive the Closing and shall continue in effect for a period six (6) months after the Closing Date, after which they shall terminate and be of no further force or effect except with respect to claims made within such one year period, in which case the applicable covenant, indemnity, warranty and/or representation shall survive until the full and final resolution thereof.

17.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

17.7 Severability. Should any one or more of the provisions of this Agreement be determined to be invalid, unlawful or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
17.8 **Counterparts/Electronic Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument. In order to expedite the transaction contemplated herein, facsimile or .pdf signatures may be used in place of original signatures on this Agreement. Seller and Purchaser intend to be bound by the signatures on the facsimile or .pdf document, are aware that the other party will rely on the facsimile or .pdf signatures, and hereby waive any defenses to the enforcement of the terms of this Agreement based on the form of signature.

17.9 **Construction.** Each Party acknowledges and agrees that it has participated in the drafting and the negotiation of this Agreement and has been represented by counsel during the course thereof. Accordingly, in the event of a dispute with respect to the interpretation or enforcement of the terms hereof, no provision shall be construed so as to favor or disfavor any Party hereto.

17.10 **Attorneys' Fees.** In the event of litigation or other proceedings involving the parties to this Agreement to enforce any provision of this Agreement, to enforce any remedy available upon default under this Agreement, or seeking a declaration of the rights of either Party under this Agreement, the prevailing Party shall be entitled to recover from the other such reasonable attorneys' fees and costs as may be actually incurred, including its costs and fees on appeal.

17.11 **Waiver of Jury Trial.** TO THE EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, INCLUDING TO ENFORCE OR DEFEND ANY RIGHTS HEREUNDER AND AGREES THAT ANY SUCH ACTION SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

17.12 **Calculation of Time Periods.** Unless otherwise specified, in computing any period of time described herein, the day of the act or event on which the designated period of time begins to run shall not be included and the last day of the period so computed shall be included, unless such last day is a Saturday, Sunday or legal holiday, in which event the period shall run until the next day which is not a Saturday, Sunday or a legal holiday.

17.13 **Expenses.** Except as otherwise specifically provided herein, each Party shall bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the Transaction.

17.14 **Third Party Beneficiary.** Nothing in this Agreement express or implied is intended to and shall not be construed to confer upon or create in any person (other than the parties hereto and their permitted assigns) any rights or remedies under or by reason of this Agreement, including without limitation, any right to enforce this Agreement.
17.15 **Accounts Receivable.**

**17.15.1** From and after the Closing Date, Purchaser shall assume responsibility for the billing for and collection of payments on account of services rendered or goods sold by it on and after the Closing Date and Seller shall retain all right, title and interest in and to and all responsibility for the collection of its accounts receivable for services rendered or goods sold prior to the Closing Date.

[SIGNATURE PAGES FOLLOWS]
IN WITNESS WHEREOF, the Parties hereby execute this Purchase and Sale Agreement as of the Effective Date.

SELLER:

DOUGLAS WILLIAM DOERING, TRUSTEE OF THE DOUGLAS DOERING 2007 TRUST, dated May 18, 2007
By: ________________________________
Name: ______________________________
Its: Trustee

PURCHASER:

SOQUEL CREEK WATER DISTRICT,
a county water district organized pursuant to California Water Code Section 30000 et. seq.

By: ________________________________
Name: ______________________________
Its: District Manager

[Signature Page]
EXHIBIT A
LEGAL DESCRIPTION

SITUATE IN THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

BEING A PORTION OF THE LANDS CONVEYED TO DUNN BY DEED RECORDED IN DOCUMENT #2000-015103, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A 3/8 INCH IRON PIPE AT THE SOUTHWEST CORNER OF THE LANDS OF DEERING AS DESCRIBED IN RECORD DOCUMENT #2000-002790, SANTA CRUZ COUNTY RECORDS FROM WHICH A 1/2" IRON POLE, TAGGED LS 7367, AT THE NORTHWEST CORNER OF SAID LANDS BEARS NORTH 05°34'01" EAST 61.55 FEET; THENCE ALONG THE NORTHERLY LINE OF SAID LANDS OF DUNN, SOUTH 80°38'21" EAST 107.69 FEET TO THE WEST SIDE OF CHANTICLEER AVENUE FROM WHICH A LEAD PLUG AND TAG, LS 7367, BEARS SOUTH 80°38'21" EAST 10.00 FEET; THENCE SOUTHERLY ALONG THE WEST SIDE OF CHANTICLEER AVENUE, SOUTH 05°34'01" WEST 1.10 FEET; THENCE LEAVING THE WEST SIDE OF CHANTICLEER AVENUE NORTH 80°38'21" WEST 107.70 FEET TO A POINT; THENCE NORTH 08°06'36" EAST 1.11 FEET TO THE TRUE POINT OF BEGINNING.

A.P.N. 029-013-52

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PARCEL TWO:

BEGINNING IN THE MIDDLE OF THE COUNTY ROAD FORTY FEET WIDE KNOWN AS CHANTICLEER AVENUE, AT A POINT FROM WHICH A HALF INCH GALVANIZED PIPE BEARS NORTH 81° 50' WEST 20.04 FEET DISTANT; SAID BEGINNING POINT IS IN TURN SOUTH 4° 27' WEST 284.06 FEET FROM AN IRON PIPE 3/4 INCH IN DIAMETER SET IN THE SOUTHEASTERLY CORNER OF LANDS OF ANGEL, AS RECORDED IN VOLUME 156 OF DEEDS AT PAGE 340, SANTA CRUZ COUNTY RECORDS; THENCE SOUTH 4° 27' WEST 52.00 FEET TO A POINT IN THE CENTER OF SAID ROAD; THENCE NORTH 81° 50' WEST 170.04 FEET TO DRIVEN IRON PIPE; THENCE NORTH 4° 27' EAST 52.0 FEET TO A DRIVEN IRON PIPE; THENCE SOUTH 81° 50' EAST 170.24 FEET TO THE POINT OF BEGINNING.

A.P. No.: 029-013-53

Exhibit A
EXHIBIT B
FORM OF GRANT DEED

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO

Soquel Creek Water District
5180 Soquel Drive
Soquel, CA 95073
Attn: Ron Duncan, General Manager

EXEMPT FROM RECORDING FEES PURSUANT
TO GOVERNMENT CODE SECTION 27383

APN: 029-013-57

Grant Deed

The undersigned Grantor(s) declare(s): Soquel Creek Water District is exempt from property taxes.
Documentary transfer tax is $0.00.
☐ Computed on full value of property conveyed, or
☐ Computed on full value less value of liens and encumbrances remaining at time of sale.
☒ Unincorporated area County of Santa Cruz and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

DOUGLAS WILLIAM DOERING, TRUSTEE OF THE DOUGLAS DOERING 2007 TRUST, dated May 18, 2007

hereby GRANT(S) to

SOQUEL CREEK WATER DISTRICT, a water district organized pursuant to the County Water District Law under Section 30000 et. seq. of the California Water Code

the following described real property in the Unincorporated area
County of Santa Cruz
State of California:
SEE ATTACHED EXHIBIT A

Dated: _______________, 2020

DOUGLAS WILLIAM DOERING, TRUSTEE OF THE
DOUGLAS DOERING 2007 TRUST, dated May 18, 2007

By: ___[Exhibit Only Do Not Execute]__________

Exhibit B
ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )
COUNTY OF ___________________________ )

On ________, 20___ before me, ________________________________, Notary Public, personally appeared ________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: ________________________________ (seal)
EXHIBIT A TO GRANT DEED
LEGAL DESCRIPTION OF PROPERTY

SITUATE IN THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

BEING A PORTION OF THE LANDS COVEYED TO DUNN BY DEED RECORDED IN DOCUMENT #2000-002796, SANTA CRUZ COUNTY RECORDS FROM WHICH A 1/2" IRON PIPE, TAGGED LS 7207, AT THE NORTHWES TERLY CORNER OF SAID LANDS BEARS NORTH 05°34'01" EAST 61.93 FEET: THENCE ALONG THE NORTHERLY LINE OF SAID LANDS OF DUNN, SOUTH 80°38'21" EAST 107.32 FEET TO THE TRUE POINT OF THE BEGINNING: THENCE CONTINUING ALONG THE NORTHERLY LINE OF SAID LANDS OF DUNN, SOUTH 80°38'21" EAST 107.69 FEET TO THE WEST SIDE OF CHANTICLEER AVENUE FROM WHICH A LEAD PLUG AND TAG, LS 7267, BEARS SOUTH 80°38'21" EAST 10.00 FEET: THENCE SOUTHERLY ALONG THE WEST SIDE OF CHANTICLEER AVENUE SOUTH 05°34'01" WEST 1.10 FEET: THENCE LEAVING THE WEST SIDE OF CHANTICLEER AVENUE NORTH 80°38'21" WEST 107.70 FEET TO A POINT: THENCE NORTH 05°06'50" EAST 1.11 FEET TO THE TRUE POINT OF BEGINNING.

A.P.N. 029-013-52

PARCEL TWO:

BEGINNING IN THE MIDDLE OF THE COUNTY ROAD FORTY FEET WIDE KNOWN AS CHANTICLEER AVENUE, AT A POINT FROM WHICH A HALF INCH GALVANIZED PIPE BEARS NORTH 81° 50' WEST 20.04 FEET DISTANT; SAID BEGINNING POINT IS IN TURN SOUTH 4° 27' WEST 284.05 FEET FROM AN IRON PIPE 3/4 INCH IN DIAMETER SET IN THE SOUTHEASTERLY CORNER OF LANDS OF ANGEL. AS RECORDED IN VOLUME 156 OF DEEDS AT PAGE 340, SANTA CRUZ COUNTY RECORDS; THENCE SOUTH 4° 27' WEST 52.00 FEET TO A POINT IN THE CENTER OF SAID ROAD; THENCE NORTH 81° 50' WEST 170.04 FEET TO DRIVEN IRON PIPE; THENCE NORTH 4° 27' EAST 52.00 FEET TO A DRIVEN IRON PIPE; THENCE SOUTH 81° 50' EAST 170.24 FEET TO THE POINT OF BEGINNING.

A.P. No.: 029-013-53

Exhibit B
CERTIFICATE OF ACCEPTANCE

Pursuant to Section 27281 of the California Government Code

This is to certify that the interest in real property conveyed by the Grant Deed dated __________________, 2020, from DOUGLAS WILLIAM DOERING, TRUSTEE OF THE DOUGLAS DOERING 2007 TRUST, dated May 18, 2007, to SOQUEL CREEK WATER DISTRICT, a water district organized pursuant to the County Water District Law under Section 30000 et. seq. of the California Water Code, is hereby accepted by the undersigned officer on behalf of Soquel Creek Water District, pursuant to the authority conferred by Resolution No. _______, adopted by the Board of Directors of the Soquel Creek Water District on __________________, and the Grantee consents to recordation thereof by its duly authorized officer.

Dated: _________________, 2020

SOQUEL CREEK WATER DISTRICT

By: ______________________________
Name: ___________________________
Its: _____________________________
EXHIBIT C

FORM OF BILL OF SALE

BILL OF SALE AND ASSIGNMENT AND ASSUMPTION AGREEMENT

This Bill of Sale (the "Bill of Sale") is made as of ______________, 2020, by DOUGLAS WILLIAM DOERING, TRUSTEE OF THE DOUGLAS DOERING 2007 TRUST, dated May 18, 2007 ("Seller").

In consideration of ______________ ($_______________) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, effective as of ______________, 20__ (the "Effective Date") ______________, a Seller does hereby grant, bargain, sell, convey, transfer and assign to ______________, SOQUEL CREEK WATER DISTRICT, a water district organized pursuant to the County Water District Law under Section 30000 et. seq. of the California Water Code ("Purchaser") pursuant to the terms of that Purchase Agreement dated as of ______________, 20__ between Seller and ______________ (the "Purchase Agreement") all of its right, title and interest in and to, all and singular the following (collectively, the "Assigned Properties"):

A. All fixtures (the "Fixtures") attached or appurtenant to the real property located within or used in connection with that certain improved real property commonly known as 2455 Chanticleer, Ave. Santa Cruz, CA and identified as Assessor's Parcel No. 029-013-57 (the "Real Property");

B. All furnishings, equipment, tools, machinery, fixtures, appliances and all other tangible personal property located on or about the Real Property which is owned by Seller (collectively, the "Personal Property");

C. All books, files and records related to the ownership and/or operation of the Seller's Assets that belong to Seller and can be legally transferred to Purchaser, including, but not limited to, employee files and resident records, but expressly excluding any of Seller's proprietary or organizational documents and Seller's financial, accounting and/or tax records (the "Books and Records");

D. To the extent assignable, all of the permits, licenses, approvals, entitlements and other governmental and quasi-governmental authorizations including, without limitation, certificates of occupancy and other similar permits relating to all or any part of the Real Property and all amendments, modifications, supplements, general conditions and addenda thereto, required in connection with the ownership of the Seller's Assets (the "Permits and Approvals");

(i) Any and all original reports, drawings, plans, blueprints, studies, specifications, certificates of occupancy, building permits and grading permits relating to all or any part of the Real Property and all amendments, modifications, supplements, general conditions and addenda thereto, which are in the actual possession of Seller (the "Reports and Studies");
(ii) To the extent assignable, any and all warranties, representations and guaranties with respect to the ownership of the Real Property, whether express or implied, which Seller now holds or under which Seller is the beneficiary (the "Warranties");

(iii) To the extent assignable, all of Seller's legal and equitable claims, causes of action, and rights against the architects, engineers, designers, contractors, subcontractors, suppliers and materialmen and any other party who has supplied labor, services, materials or equipment, directly or indirectly, in connection with the design, planning, construction or ownership of all or any part of the Real Property (the "Claims"); and

(iv) To the extent assignable, all rights to lien waivers, surety agreements, bonds, warranties, guaranties, utility use agreements, covenants, commitments, permits, certificates, approvals, and other intangible personal property of every kind and nature whatsoever owned by Seller as of the date of this Agreement or hereafter acquired, which can be legally transferred and which relate directly and specifically to the ownership of the Seller's Assets (the "Intangible Property").

TO HAVE AND TO HOLD, all and singular, the foregoing hereby sold, assigned, transferred and conveyed to Purchaser, its successors and assigns, to and for its own use and benefit. Assignor and Assignee further agree as follows:

1. By accepting this Assignment and by its execution hereof, Assignee hereby agrees to perform and discharge all of the duties and obligations to be performed or discharged by Assignor under the Assigned Properties accruing after the date hereof. Assignee agrees to indemnify, defend and hold Assignor harmless from and against any and all loss, liability, claims or causes of action arising out of or relating to Assignee's failure to perform any of the obligations of the owner under the Assigned Properties from and after the date of this Assignment. Assignor agrees to indemnify, defend and hold Assignee harmless from and against any and all loss, liability, claims or causes of action arising out of or relating to Assignor's failure to perform any of the obligations of the owner under the Assigned Properties prior to the date of this Assignment.

2. This Assignment is made subject to the liens and encumbrances, if any, described in Exhibit A hereto.

Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Purchase Agreement.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute but one and the same instrument.

[Signature Page Follows]
IN WITNESS WHEREOF, the parties hereby execute this Bill of Sale as of the day and year first set forth above.

SELLER:

__________________________________

a ________________________________

By: ____________________________________________
Name: ________________________________
Its: ________________________________

PURCHASER:

__________________________________

a ________________________________

By: ____________________________________________
Name: ________________________________
Its: ________________________________
EXHIBIT D

FIRPTA AFFIDAVIT

AFFIDAVIT REGARDING NONFOREIGN STATUS

Section 1445 of the Internal Revenue Code of 1986, as revised (the "Code"), provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. The undersigned hereby makes this affidavit on behalf of ________________, a __________________ (the "Transferor"), in connection with the transfer to ________________, a ________________, of certain real property located in ________________, California, as more particularly described in EXHIBIT A attached hereto (the "Property").

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate, as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder;

2. Transferor's U.S. employer identification number is [__________].

3. Transferor's address is _________________________________.

4. Transferor understands that this affidavit may be disclosed to the Internal Revenue Service by Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both; and

5. Transferor understands that Transferee is relying on this affidavit in determining whether withholding is or will be required in connection with its purchase of the Property and may face liabilities if any statement in this affidavit is false.

Under penalty of perjury, the undersigned declares that he/she has examined this affidavit and to the best of his/her knowledge and belief, it is true, correct, and complete, and the undersigned further declares that he/she has authority to sign this document on behalf of Transferor.

[Signature Page Follows]
Executed as of this date, ________, 20__.  


By:__________________________  
Name:_________________________  
Its:___________________________
EXHIBIT A TO FIRPTA

DESCRIPTION OF THE PROPERTY

SITUATE IN THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

BEING A PORTION OF THE LANDS CONVEYED TO DUNN BY DEED RECORDED
IN DOCUMENT #2000-015103, OFFICIAL RECORDS OF SANTA CRUZ COUNTY,
AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A 3/8 INCH IRON PIPE AT THE SOUTHWESTERLY CORNER OF
THE LANDS OF DOERING AS DESCRIBED IN RECORD DOCUMENT #2000-
002790, SANTA CRUZ COUNTY RECORDS FROM WHICH A 1/2" IRON PIPE,
TAGGED LS 7357, AT THE NORTHWESTERLY CORNER OF SAID LANDS
BEARS NORTH 05°34'01" EAST 61.95 FEET; THENCE ALONG THE NORTHERLY
LINE OF SAID LANDS OF DUNN, SOUTH 80°38'21" EAST 32.32 FEET TO THE
TRUE POINT OF THE BEGINNING; THENCE CONTINUING ALONG THE
NORTHERLY LINE OF SAID LANDS OF DUNN, SOUTH 80°38'21" EAST 167.69
FEET TO THE WEST SIDE OF CHANTICLEER AVENUE FROM WHICH A LEAD
PLUG AND "T" ADJ., LS 7357, BEARS SOUTH 80°38'21" EAST 1.00 FEET; THENCE
SOUTHERLY ALONG THE WEST SIDE OF CHANTICLEER AVENUE, SOUTH
05°34'01" WEST 1.10 FEET; THENCE LEAVING THE WEST SIDE OF
CHANTICLEER AVENUE NORTH 80°38'21" WEST 107.70 FEET TO A POINT;
THENCE NORTH 06°05'30" EAST 1.11 FEET TO THE TRUE POINT OF
BEGINNING.

A.P.N. 029-013-52

PARCEL TWO:

BEGINNING IN THE MIDDLE OF THE COUNTY ROAD FORTY FEET WIDE KNOWN AS
CHANTICLEER AVENUE, AT A POINT FROM WHICH A HALF INCH GALVANIZED PIPE BEARS NORTH
81° 60' WEST 20.04 FEET DISTANT; SAID BEGINNING POINT IS IN TURN SOUTH 4° 27' WEST
284.06 FEET FROM AN IRON PIPE 3/4 INCH IN DIAMETER SET IN THE SOUTHEASTERLY CORNER
OF LANDS OF ANGEL, AS RECORDED IN VOLUME 166 OF DEEDS AT PAGE 946, SANTA CRUZ
COUNTY RECORDS; THENCE SOUTH 4° 27' WEST 52.0 FEET TO A POINT IN THE CENTER OF SAID
ROAD; THENCE NORTH 81° 60' WEST 170.04 FEET TO DRIVEN IRON PIPE; THENCE NORTH 6° 27'
EAST 52.0 FEET TO A DRIVEN IRON PIPE; THENCE SOUTH 81° 50' EAST 170.24 FEET TO THE
POINT OF BEGINNING.

A.P. No.: 029-013-63
August 18, 2020

MEMO TO THE BOARD OF DIRECTORS

Subject: Agenda Item No. 7.4

Title: Informational - Phase 2 Water Transfer Water Quality Results

Attachment(s):

2. Phase 2 Disinfection Byproduct Monitoring Summary

Background
Soquel Creek Water District’s (District’s) Community Water Plan outlines the various approaches and projects the District is taking to prevent further seawater intrusion and to help the basin become sustainable, see link at: https://www.soquelcreekwater.org/cwp. Evaluating and implementing multiple options will result in a diversified water supply portfolio which could include importing excess treated surface water provided from the City of Santa Cruz Water Department (City), often referred to as water transfers or conjunctive use.

On August 1, 2016, the City and District collaboratively entered into a Water Transfer Pilot Project for Groundwater Recharge and Water Resource Management agreement, covering the District’s purchase of excess treated surface water during the months of November-April as a pilot study, allowing District wells to pump less groundwater. The agreement expires December 31, 2020. The agreement can be read here: https://www.soquelcreekwater.org/sites/default/files/documents/Back_Up_Options/Cooperative_Water_Transfer_Pilot_Project_Water_Purchase_7-22-16_signed.pdf.

Over the past 4 years, District and City staff, guided by Black and Veatch, worked closely to understand water quality and operational challenges associated with the surface water transfer project. This is important because we are testing introducing surface water in a system that has historically delivered groundwater.

The pilot study looks to evaluate all the crucial components/impacts/benefits of using treated surface water as a source of supply within the District’s distribution system. Specifically, the program is an opportunity for the two agencies to collect information related to:

1. Physical operational challenges in both the City’s and District’s distribution systems.
2. System water quality.
3. Response of groundwater levels from in-lieu recharge.
4. The potential opportunity of developing a longer-term agreement in which the groundwater basin would be used for a combined in-lieu and aquifer storage and recovery program that would help resolve the basin overdraft that would protect City and District wells from additional seawater intrusion and provide needed drought storage for the City.

Throughout the pilot study period, the City has shared costs associated with studies and water quality testing and that partnership will continue this winter as Staff prepares for transfers to begin November 1st, 2020.
Water Quality Monitoring

Before initiating the water transfers under the pilot project, desktop and bench-scale studies were conducted in 2016 and 2018, respectively. These reports can be found here: https://www.soquelcreekwater.org/sites/default/files/documents/WQ_BV_Memo.pdf and https://www.soquelcreekwater.org/sites/default/files/documents/Bench-test-TM.pdf.

Phase 1 Water Transfer. Phase 1 of the water transfer began December 4, 2018 and ended April 30, 2019. Approximately 165 acre feet of drinking water was imported to approximately 2,300 service connections in an isolated zone. Leading up to the first phase, water samples were collected and tested beginning October 24, 2018 to establish baseline conditions. Water sampling continued throughout the winter and 3 months after the transfer, through July 2019. The water quality results from those samples were analyzed in Black and Veatch's Technical Memo that can be found here: https://www.soquelcreekwater.org/sites/default/files/documents/Reports/Phase_I_Water_Transfer_TM_Final_100919_0.pdf.

Phase 2 Water Transfer. Phase 2 of the water transfer began December 6, 2019 and ended January 31, 2020. Almost 104 acre feet of drinking water was imported to approximately 5,300 service connections. The area receiving surface water included parts of the distribution system with higher water age than in Phase 1. The water transfer period was cut short by the City due to the City's operational issues (main break on Majors Creek pipeline and fish flow requirements due to lack of precipitation).

Distribution system water quality monitoring began on October 8, 2019, and extended 3 months after the end of the water transfer through April 28, 2020. Three locations in Service Area 1 were monitored weekly before, during and after the water transfer. In addition, during the water transfer, the water quality at the O'Neill Ranch intertie was monitored weekly. At the request of the Board of Directors, disinfection byproducts (DBPs) were monitored biweekly in the following three tanks in Service Area 1: Crestline 2, Fairway, and Ironwood. Residence time (water age) in these tanks increases progressively from Crestline 2 through Ironwood.

The results of the water quality monitoring were submitted to the State Water Resources Control Board, Division of Drinking Water (DDW), as required by the water transfer permit. Attachment 1 includes a copy of the monitoring results letter sent to the DDW.

The water quality issue of primary concern identified through the Phase 2 monitoring is the concentrations of DBPs. This issue is not unexpected. The levels of DBPs in the surface water are in general higher than the District's water supply and fluctuate depending upon which City sources are in use at the time. DBPs increase with water age and are expected to increase as the City's water moves through the District's distribution system.

Two figures are presented in the letter to the DDW (Attachment 1) that present graphs of DBPs measured while monitoring the Phase 2 transfer. Total trihalomethanes (TTHMs), with a maximum contaminant level (MCL) of 80 micrograms per liter (ug/L), and haloacetic acids (HAA5s), with an MCL of 60 ug/L, are included in the graphs. Attachment 2 includes a tabulated summary of the TTHM and HAA5 data.

During the water transfer, the TTHM MCL was exceeded once at each of the intertie and Ironwood Tank, and the HAA5 MCL was exceeded once at each of the intertie, 210 Sacramento Avenue and Crestline Tank II. Concentrations dropped quickly after the water transfer ended.
Compliance with DBP drinking water standards (or MCLs) is based on a locational running annual average at selected compliance points within the distribution system. Since transfer of excess surface water will occur only in winter months, it appears unlikely that a DBP MCL will be exceeded. However, based on the data there is potential that the operational evaluation levels (OELs) could be exceeded at one or two of the five compliance locations during an extended water transfer without any mitigations.

The OELs were established as part of the Stage 2 Disinfectant Byproducts Rule to address concerns related to individual (i.e., not averaged) DBP measurements exceeding DBP MCLs. OELs are determined with an algorithm based on monitoring results. If OELs are exceeded, the drinking water system is required to conduct an operational evaluation and submit the report of the evaluation to the DDW. The evaluation must include what steps could be considered to minimize future exceedances. Since the Phase 2 water transfer was cut short due to City operational issues and lack of precipitation, an assessment of DBP levels with respect to the OELs could not be made.

**Next Steps**

Since the existing pilot project agreement does not expire until December 31, 2020, there is a potential for a 2 months of water transfer next winter, unless the agreement is extended. The District’s budget for fiscal year 2020/21 includes budget for 2 months of water purchase and associated water quality monitoring. The District will apply with the DDW for a Domestic Water Supply Permit to import City water next winter.

**POSSIBLE BOARD ACTION(S)**

Informational; no action necessary.

By ______________________________
Christine Mead
Operations and Maintenance Manager
July 30, 2020

Jonathan Weininger  
State Water Resources Control Board, Division of Drinking Water (DDW)  
1 Lower Ragsdale, Building 1, Suite 120  
Monterey, California 93940-5741

Subject: Review of Water Quality Results from Water Transfer, Winter 2019/2020

Dear Mr. Weininger:

Summary:  On August 1, 2016, Soquel Creek Water District (District) and City of Santa Cruz Water Department (City) entered into an agreement covering the import of surplus treated surface water as a pilot project. The agreement ends on December 31, 2020 and can only be extended with written agreement from the City Council and District Board of Directors.

Water is imported from the City through the O’Neill Ranch Intertie. After a successful first phase was completed for an isolated zone of the District in the winter of 2018-2019, the second phase in the winter of 2019-2020 expanded the area of influence to all of Service Area 1 with some spillover into Service Area 2 likely as well.

A total of roughly 38 million gallons was imported for phase 2, by comparison the phase 1 volume was 54 million gallons. Surface water import began on December 6, 2019 and ran continuously (except for a brief interruption from January 17, 2020 to January 24, 2020) until January 31st, 2020.

A condition of the District’s Domestic Water Supply Permit Amendment #13 allowing for the phase 2 water transfer required submittal of water quality results from the increased monitoring that was done as part of the project. Table 1 summarizes the monitoring program.

Water Quality Results and Discussion: Water quality results from the phase 2 transfer are included in separately attached Tables 2 through 4. Results are organized by analyte category, sample site (distribution sample stations and storage tanks) and time period (pre, during and post transfer). Additionally, disinfection byproduct graphs from the distribution system and tanks are included as well as the calculated chloride to sulfate mass ratio (CSMR) (Figures 1 through 3).

A consultant review of water quality was done by Black and Veatch 1 for data from the previous phase 1 winter period. That review highlighted differences in total organic carbon (TOC), orthophosphate (which is added by the city of Santa Cruz as a corrosion inhibitor), pH, and disinfection byproducts. The conclusions were:

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1 Black & Veatch, October 9, 2019, Phase I Water Transfer Technical Memorandum, prepared for Soquel Creek Water District, B&V Project No. 402214.
1. bench scale testing of corrosion potential was validated
2. additional lead and copper tap sample results were below action levels, and it was determined that current Lead and Copper Rule sampling was sufficient
3. distribution samples for metals were below state detection limits for purposes of reporting (DLRs)
4. Disinfection byproducts (Total Trihalomethanes- TTHMs and Haloacetic Acids- HAA5s) increased during the transfer period due to higher TOC in the source water and additional aging in the District’s distribution system
5. A calculated ‘worst case’ locational running annual average (LRAA) for disinfection byproducts was estimated to be half of the maximum contaminant level (MCL)

Phase 2 monitoring largely corroborates the conclusions of the previous winter, although firm conclusions are difficult to draw given the limited import volume and interrupted and shortened transfer period. The phase 2 results are presented in Tables 2 through 4.

Disinfection byproducts: Disinfection byproducts increased significantly, and it is not clear that the LRAA would have remained at or below half the MCL had two or more quarters worth of compliance data been taken with the full allotment of transferred surface water. The maximum residence time sample site at 4601 Fairway Dr, a compliance sample point, remained at or above half the MCL for TTHMs for the full sampling period from pre to post transfer, approached 80 parts per billion during the transfer and briefly exceeded 60 parts per billion in HAA5s (see Figure 1). The LRAA calculated for compliance purposes likely would have remained below the MCL if a full transfer occurred if levels dropped quickly post-transfer, which they appeared to do within 2 months after the transfer period (see Figure 2). In addition to compliance locations outlined in Table 1, disinfection byproduct samples were collected at three tanks (non-compliance locations) at the direction of the District Board of Directors. The Ironwood tank has the longest residence time of the three tanks and did tend to show the highest concentration of TTHMs, although it wasn’t clear to what degree the Ironwood tank contained imported water vs. District water. The Crestline tank showed higher concentrations of HAA5s, up to what would be the MCL level if those trends continued for multiple quarters, however HAA5 concentrations appeared to be decreasing at the O’Neill Ranch intertie and in the storage tanks later in the season.

Metals, and chloride to sulphate ratio: There were no significant changes in metals (cadmium, cobalt, molybdenum, zinc) during phase 2. The CSMR averaged between 0.5 – 0.6 for the three sample stations with regular weekly sampling over the full pre to post sampling period, though it did tend to decrease during the active water transfer phase, particularly at the Sacramento Ave. sample station (see Figure 3). The O’Neill intertie showed a lower average CSMR at 0.27. A lower CSMR can be an indicator of lower lead release, possibly due to the formation of insoluble lead sulphate precipitates.

Heterotrophic Plate Count: In phase 1 of the water transfer there was a transient, low-level spike in heterotrophic plate count bacteria (HPC) at the Cherryvale sample station and it was speculated that either increased phosphate as a nutrient source or sloughing of biofilm was the cause. In this round of the water transfer, a similar, transient and low-level increase in HPC was noted. Levels in both cases were well below the regulatory guideline of 500 colony forming units per milliliter and in both cases returned to baseline levels quickly.

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Complaints: In phase 1 of the water transfer there were complaints from the Wharf Rd. area about discoloration and it was speculated that a change in flow direction may have caused a temporary disturbance to distribution piping. In phase 2, there were no customer complaints directly attributable to the water transfer.

If you have any questions regarding this letter-report, please call Greg Wilson at 831-475-8501 x138 or Christine Mead at x129.

Sincerely,

SOQUEL CREEK WATER DISTRICT

Greg Wilson
Water Quality Program Coordinator

Reviewed by:

Christine L.H. Mead, PG
Operations & Maintenance Manager
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<tr>
<th>Parameter</th>
<th>4601 Fairway Dr.</th>
<th>3345 Putter Dr.</th>
<th>210 Sacramento Ave.</th>
<th>4005 Cherryvale Ave.</th>
<th>O’Neill Ranch Intertie</th>
<th>Field-Tested</th>
<th>Lab-Tested</th>
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*Fe, Mn, Ca, Mg, Cd, Co, Mo, and Zn. Fe, Mn, Ca and Mg tested weekly, Cd, Co, Mo and Zn tested monthly.

**For the first 4 weeks, lab test for turbidity to confirm field results.
ATTACHMENT 1 - ITEM 7.4

Water Transfer Monitoring 2019 - 2020

Soquel Creek Water District

08 October 2019 - 30 April 2020

Disinfectants

Table 2

Corrosion Inhibitor

Metals

Microorganisms

Water Transfer 19-20

Sampling Point
O'Neill Ranch Intertie
O'Neill Ranch Intertie
O'Neill Ranch Intertie
O'Neill Ranch Intertie
O'Neill Ranch Intertie
O'Neill Ranch Intertie
O'Neill Ranch Intertie
Pre WaterTransfer
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
During Water Transfer
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Post Water Transfer
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
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Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Fairway Dr 4601
Pre WaterTransfer
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
Putter Dr 3345
During WaterTransfer
Putter Dr 3345
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Putter Dr 3345
Post WaterTransfer
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Putter Dr 3345
Putter Dr 3345
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Putter Dr 3345
Pre Water Transfer
Sacramento Ave 210
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During Water Transfer
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Post Water Transfer
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Sacramento Ave 210

Collection Date

Chlorine (free)

Free Chlorine

o-Phosphate (as
P)

o-Phosphate
(as PO4)

Cadmium
(total)

Calcium
(total)

Cobalt (total)

Iron (total)

Magnesium (total)

Manganese (total)

Molybdenum (total)

Zinc (total)

Heterotrophic Plate
Count / HPC

Lab Data

Test Kit

Lab Data

Lab Data

Lab Data

Lab Data

Lab Data

Lab Data

Lab Data

Lab Data

Lab Data

Lab Data

Lab Data

mg/L

mg/L

mg/L

mg/L

ug/L

mg/L

ug/L

ug/L

mg/L

ug/L

ug/L

ug/L

MPN/ml

12/10/2019
12/17/2019
12/26/2019
01/02/2020
01/07/2020
01/14/2020
01/28/2020
10/08/2019
10/15/2019
10/21/2019
10/22/2019
10/29/2019
11/04/2019
11/05/2019
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12/10/2019
12/16/2019
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10/22/2019
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04/14/2020
04/21/2020
04/27/2020

Report created on 05/08/2020 11:41:06

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page 1 of 1

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## Table A1 - Item 7.4

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### Notes

- Pre Water Transfer: Water is transferred before any treatment processes.
- During Water Transfer: Water is transferred while treatment processes are ongoing.
- Post Water Transfer: Water is transferred after all treatment processes.

*ATTACHMENT 1 - ITEM 7.4*
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**ATTACHMENT 1 - ITEM 7.4**

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Chloride to Sulphate Ratio, Phase 2 Water Transfer

- Fairway Dr.
- Putter Dr.
- Sacramento Ave.

Figure 3
### PHASE 2 WATER TRANSFER MONITORING
#### DISINFECTION BYPRODUCTS
concentrations in micrograms per liter (ug/L)

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