



SCOTTS VALLEY WATER DISTRICT

AGENDA PACKET

REGULAR BOARD MEETING

07/08/21 at 6:00 p.m.

Santa Margarita Community Room
2 Civic Center Drive, Scotts Valley, California

This meeting is being conducted in a hybrid setting.
Public may attend the meeting remotely or in person.

Public participation is encouraged, members of the public may attend remotely through the meeting link <https://zoom.us/j/94517224190> or by phone: 669 900 9128 Webinar ID: 94517224190

The public has opportunities to make comments throughout the meeting:
to comment online, use the raise hand option, by phone press *9.

BOARD OF DIRECTORS

Bill Ekwall, President

Ruth Stiles, Vice President

Wade Leishman, Director

Chris Perri, Director

Danny Reber, Director

Noelle Downing, Associate Director

Annie Finch Associate Director

Piret Harmon, General Manager

Water Industry Acronyms

AF – Acre Foot

AFY – Acre Foot per Year

ACWA – Association of California Water Agencies

ACWA JPIA – ACWA Joint Powers Insurance Authority

AWWA – American Water Works Association

BMP – Best Management Practices

CCR – Consumer Confidence Report

CD – Certificate of Deposit

CEQA - California Environmental Quality Act

CSDA – California Special District Association

DHS – Department of Health Services

DWR – Department of Water Resources

EIR – Environmental Impact Report

EPA – Environmental Protection Agency

FY – Fiscal Year

GASB – Governmental Accounting Standards Board

IRWM – Integrated Regional Water Management

JPA – Joint Powers Agreement

LAIF – Local Agency Investment Fund

LAFCO – Local Agency Formation Commission

LID – Low Impact Development

MCL – Maximum Containment Level

MGD – Million Gallons per Day

MGY – Million Gallons per Year

MOU – Memorandum of Understanding

O&M – Operations and Maintenance

PERS – Public Employees Retirement System

PHG – Public Health Goal

PPB – Parts Per Billion

PRV – Pressure Relief Valve

PVC Pipe – Polyvinyl Chloride Pipe

RWMF – Regional Water Management Foundation

RFP – Request for Proposals

ROW – Right-of-way

RWQCB – Regional Water Quality Control Board

SCWD – Santa Cruz Water Department (City of)

SDWA – Safe Drinking Water Act

SGMA – Sustainable Groundwater Management Act

SLVWD – San Lorenzo Valley Water District

SMGWA – Santa Margarita Groundwater Agency

SqCWD – Soquel Creek Water District

SWRCB – State Water Resources Control Board

TP – Treatment Plant

WY – Water Year



SCOTTS VALLEY WATER DISTRICT

BOARD OF DIRECTORS
PRESIDENT Bill Ekwall
VICE PRESIDENT Ruth Stiles
Wade Leishman
Chris Perri
Danny Reber

ASSOCIATE DIRECTORS
Noelle Downing
Annie Finch

GENERAL MANAGER
Piret Harmon

Board of Directors
Regular Meeting
07/08/21 at 6:00 p.m.
Santa Margarita Community Room
2 Civic Center Drive, Scotts Valley, California

Agenda

This meeting is being conducted in a hybrid setting.
Public may attend remotely or in-person.

Public participation is encouraged, members of the public may attend remotely through this link <https://zoom.us/j/94517224190> or by phone: 669 900 9128 Webinar ID: 945 1722 4190

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If experiencing technological difficulties online, then join the meeting via phone.

1. Convene

- 1.1. Call to Order and Roll Call
- 1.2. Pledge of Allegiance and Invocation
- 1.3. Closed Session Report (none)
- 1.4. Additions/Deletions to the Agenda
- 1.5. Oral Communications

2. Presentations (none)

3. Administrative

Items are informational in nature and do not include an agenda report.

- 3.1. [Approval of Minutes Regular Board Meeting 06/10/21](#)
- 3.2. [Committee and other Agency Meeting Reports](#)
 - Executive & Public Affairs Committee 06/21/21
 - Engineering and Water Resources Committee 06/21/21
 - Finance & Personnel Committee 06/23/21
 - Interagency Committee (none)
 - Santa Margarita Groundwater Agency (SMGWA) Board 05/27/21 and 06/24/21

4. Consent (none)

Items are routine in nature, may be approved by one motion and each item includes an agenda report.

5. Public Hearings (none)

Items include an agenda report with recommendation, an oral staff report or presentation.

6. Business

Items are complex in nature, considered individually, each item includes an agenda report with recommendation and an oral staff report or presentation.

6.1. Rate Study and Proposed Rate Increases

Recommendation: Receive information, discuss and provide direction.

6.2. Debt Financing for Capital Projects

Recommendation: Adopt Resolution No. 07-21 authorizing the execution of an installment sale agreement with First Foundation Public Finance to provide funds in the maximum principal amount of \$6,300,000 to finance certain improvement to the Water System and approving related documents and actions.

7. Staff Reports

7.1. Legal

District Counsel - oral

7.2. Administrative

General Manager - oral

7.3. Finance

[Financial Reports 07/01/20 through 05/31/21](#)

7.4. Operations

Operations Report - oral

Production, Demand and Rainfall Data (none)

[Leak Adjustment Program Report 07/01/20 through 05/31/21](#)

8. Directors Reports

Travel and Meetings

ACWA and ACWA/JPIA Updates

Other

9. Written Correspondence

[Commentary Letter: Santa Cruz County Water Managers](#)
[ACWA Advisory: Governor Newsom and Legislature Reach Tentative Agreement of Drought and COVID-19 Water Arrearage Funding](#)

10. Community Relations

[K](#) [V](#)

11. Closed Session (none)

12. Report on Closed Session and Additional Items (none)

13. Future Items

City-District Recycled Water Allocation
Water Rate Study and Proposed Rate Increases

14. Meetings and Event Calendar

Board Meetings

08/12/21
09/09/21
10/14/21

Committee Meetings

07/26/21 Engineering & Water Resources
07/26/21 Executive & Public Affairs
07/28/21 Finance & Personnel

Santa Margarita Groundwater Agency

Board Meetings

07/22/21
08/26/21
09/23/21

Association of California Water Agencies (ACWA) Events

2021 Fall Conference and Exhibition 11/30/21 – 12/03/21 Pasadena

15. Adjourn

The next regular meeting of the Scotts Valley Board of Directors is scheduled for 08/12/21.

Scotts Valley Water District Board of Directors

Agenda – 07/08/21

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AVAILABILITY OF PUBLIC RECORDS PROVIDED TO THE BOARD OF DIRECTORS: THE DISTRICT WILL MAKE AVAILABLE FOR PUBLIC REVIEW ANY PUBLIC RECORDS FURNISHED TO THE BOARD OF DIRECTORS AT THE SAME TIME SUCH RECORDS ARE FURNISHED TO THE BOARD OF DIRECTORS. **SUCH RECORDS SHALL BE AVAILABLE AT [WWW.SVWD.ORG](http://www.svwd.org) AND AT THE DISTRICT OFFICE DURING NORMAL BUSINESS HOURS.**

PUBLIC ACCESS – ACCOMMODATIONS UNDER THE ADA: PURSUANT TO TITLE II OF THE AMERICANS WITH DISABILITIES ACT OF 1990, THE SCOTTS VALLEY WATER DISTRICT REQUESTS THAT ANY PERSON IN NEED OF ANY TYPE OF SPECIAL EQUIPMENT, ASSISTANCE OR ACCOMMODATION(S) IN ORDER TO EFFECTIVELY COMMUNICATE AT THE DISTRICT'S PUBLIC MEETING PLEASE MAKE SUCH A REQUEST TO THE DISTRICT OFFICE AT THE ABOVE ADDRESS OR BY CALLING (831) 438-2363 A MINIMUM OF THREE (3) WORKING DAYS PRIOR TO THE SCHEDULED MEETING. ADVANCE NOTIFICATION WITHIN THIS GUIDELINE WILL ENABLE THE DISTRICT TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY.

Board of Directors
Regular Meeting
06/10/21 at 6:00 p.m.

Santa Margarita Community Room
2 Civic Center Drive, Scotts Valley, California

Minutes

1. Convene

1.1. Call to Order and Roll Call

President Ekwall called the meeting to order at 6:00 p.m. The meeting was conducted in a hybrid setting.

Directors

Bill Ekwall

Wade Leishman

Chris Perri

Danny Reber

Ruth Stiles

Associate Directors

Noelle Downing

Annie Finch (absent)

Staff

Bob Bosso, Legal Counsel

Piret Harmon, General Manager

Nick Kurns, Finance & Customer Service Manager

David McNair, Operations Manager

Donna Paul, Assistant to General Manager

Audience

6 guests

1.2. Pledge of Allegiance and Invocation

Associate Director Downing led the pledge of allegiance and Director Reber provided the invocation

1.3. Closed Session Report (none)

1.4. Additions/Deletions to the Agenda

None.

1.5. Oral Communications

None.

2. Presentations (none)

3. Administrative

3.1. Approval of Minutes Regular Board Meeting 05/13/21

MOTION carried to approve the minutes of the 05/13/21 by unanimous roll call vote.

3.2. Committee and other Agency Meeting Reports

Engineering and Water Resources Committee 05/24/21

There was nothing further to add to the written report.

Executive & Public Affairs Committee 05/24/21

There was nothing further to add to the written report.

Finance & Personnel Committee 05/28/21

There was nothing further to add to the written report.

Interagency Committee (none)

Santa Margarita Groundwater Agency (SMGWA) Board 05/27/21

Director Perri and Vice President Stiles reported that the sustainability plan is coming together.

4. Consent (none)

5. Public Hearings

5.1 Draft 2020 Urban Water Management Plan and Draft 2020 Water Shortage Contingency Plan

Spencer Waterman, Water Systems Consulting presented the 2020 Urban Water Management Plan and Water Shortage Contingency Plan and responded to questions from the Board. [Click here](#) to view the presentation.

President Ekwall opened the public hearing.

Comments were received from Frank Z. Keitai.

The public hearing was closed.

MOTION carried to adopt Resolution No. 05-21 approving the 2020 Water Shortage Contingency Plan as amended by unanimous roll call vote.

MOTION carried to adopt Resolution No. 06-21 approving the 2020 Urban Water Management Plan as amended and authorizing it to be filed with the California Department of Water Resources by 06/30/21 by unanimous roll call vote.

6. Business

6.1. Rate Study and Proposed Rate Increases

Sanjay Gaur and Charles Diamond, Raftelis Financial Consultants provided an update on the Rate Study and responded to questions from the Board. [Click here](#) to view the presentation.

Comments were received from Frank Z. Kertai.

No action was taken on this item.

6.2. Fiscal Year 2022 Proposed Budget

Finance and Customer Service Manager Kurns provided the staff report.

MOTION carried to approve the Fiscal Year 2022 (FY 2022) Budget, including the FY 2022 Work Plan by unanimous roll call vote.

7. Staff Reports

7.1. Legal

District Counsel Bosso reported on discussions with the City regarding the recycled water agreement.

7.2. Administrative

General Manager
Board Compliance Tracker
Board Regulations Review Schedule

The General Managers reported is appended

7.3. Finance

Financial Reports 07/01/20 through 04/30/21

The financial reports were accepted without comment.

7.4. Operations

Operations Report
Production, Demand and Rainfall Data through 05/31/21
Leak Adjustment Program Report 07/01/20 through 04/30/21

Operations Manager McNair reported on the Orchard Run Water Treatment Plant project, public safety power shutoffs, Consumer Confidence Report and Annual Report to the Drinking Water Program.

8. Directors Reports

President Ekwall reported on the opening of the Recycled Water Fill Station.

9. Written Correspondence

SLVWD Letter and Board Memo: Exploration of Consolidation 05/24/21
Letter of Opposition: AB 377 Water Quality: Impaired Waters 05/18/21

10. Community Relations

May Newsletter

Take the Water Savings Challenge

District declares Stage 2 water shortage KSBW 05/20/21

District offers new rebates and programs amidst Stage 2 water shortage Sentinel 05/21/21

County drought conditions update: How are water restrictions affecting you? Lookout 05/21/21

Possibility of merger between SLVWD and SVWD grinds to a halt Sentinel 05/25/21

11. Closed Session (none)

12. Report on Closed Session and Additional Items (none)

13. Future Items

City-District Recycled Water Allocation

Water Rate Study and Proposed Rate Increases

14. Meetings and Event Calendar

Board Meetings

07/08/21

08/12/21

09/09/21

Committee Meetings

06/21/21 Engineering & Water Resources

06/21/21 Executive & Public Affairs

06/23/21 Finance & Personnel

Santa Margarita Groundwater Agency

Board Meetings

06/24/21

07/22/21

08/22/21

Association of California Water Agencies (ACWA) Events

2021 Fall Conference and Exhibition 11/30/21 – 12/03/21 Pasadena

15. Adjourn

The meeting adjourned at 8:16 p.m.

Approved:

Attest:

Bill Ekwall, Board President

Piret Harmon, Board Secretary

STAFF REPORT – General Items

Scotts Valley Water District

Date: 06/10/21

To: Board of Directors

From: General Manager

1. The Groundwater Sustainability Plan (GSP) for the Santa Cruz Mid-County Groundwater Agency was approved by the Department of Water Resources. It is among the first Plans (1 of the 2) to be approved by DWR under the Sustainable Groundwater Management Act (SGMA).
2. I attended ACWA Business Development Committee meeting on 5/26/21. The committee received a recap of the Spring Virtual Conference, discussed Agency Certificate of Excellence (ACE) Program, ACWA Preferred Provider Program and non-dues revenue goals.
3. I attended ACWA Local Government Committee meeting on 6/2/21. Notable items of interest:
 - a. California State Legislature and Governor have both proposed \$1 billion for water bill arrearages in the 2021-22 budget proposal
 - b. SB223 (Dodd) was held in the Senate Appropriations Committee and will not advance. SB223 would have revised SB 998 to place new statutory requirements on residential water service disconnections due to nonpayment
 - c. Discussion on fixed service charges on the property tax roll
 - d. Multiple bills (AB339, AB361, SB274) related to open meetings and possible permanent changes to open meeting law
 - e. SB 594 would provide agencies with additional time and flexibility to redistrict in light of the late delivery of decennial census data.



SCOTTS VALLEY WATER DISTRICT

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Executive and Public Affairs Committee
District Conference Room
2 Civic Center Drive, Scotts Valley, California
06/21/21 11:00 a.m.
Meeting Report

1. Convene Meeting

The meeting convened at 11:02 a.m. It was conducted in a hybrid setting.

Present

Members: President Ekwall (in person) and Vice President Stiles (in person).

Staff: General Manager Harmon (in person), Assistant to General Manager Paul.

Guests: None.

2. Discussion Items

2.1. Mentoring Junior Associate Board Members

The Committee discussed the on the ongoing mentoring of the Junior Associate Board Members and if there are any additional ways to get them more involved.

2.2. Interagency Committee Future

The Committee discussed the current value of this committee and directed the General Manager to check with other agencies regarding a suspension of the committee until a future need arises.

3. Oral Communications

This item was taken of order. The Executive and Public Affairs Committee recommends that the July 8th Board Meeting be held in a hybrid format with all Directors and Associate Directors attending in person.

4. Future Agenda Items

General Manager Mid-Contract Performance Review

Program Evaluation: Junior Associate Board Member
Community Members of Board Committee

2.3 Closed Session

Pursuant to Government Code §54957

Public Employee Performance Evaluation

Title: General Manager Mid Contract Performance Review

At 11:35 p.m. the closed session item was announced, and the committee meeting adjourned.

At 11:35 p.m., President Ekwall, Vice President Stiles and General Manager Harmon, convened a closed session to discuss a mid-contract performance evaluation of the General Manager

5. Adjournment

AT 12:08 the closed session ended, and the meeting was adjourned.



SCOTTS VALLEY WATER DISTRICT

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Engineering and Water Resources Committee
District Conference Room
2 Civic Center Drive, Scotts Valley, California
06/21/21 4:00 p.m.

Meeting Report

1. Convene

The meeting convened at 4:00 p.m. It was conducted in a hybrid setting.

Present

Members: Director Leishman (remote), Director Perri (in person), Community Member Krotcov (remote).

Staff: Finance Customer Service Manager Kurns (in person), Operations Manager McNair (remote).

Guests: Director Stiles (remote).

2. Discussion Items

2.1. Leak Adjustment Program Report 07/01/20 through 05/31/21

The Committee reviewed and discussed the leak adjustment program report.

2.2. City-District Recycled Water Allocation

The Committee received an update on discussions between the City and District on the City's recycled water allocation in case there is a disruption in availability of recycled water and a report on the day to day activities related to the operation of the recycled water plant.

2.3. AWIA Risk and Resilience Assessment Update

The Committee received an update on the risk and resilience assessment certification process due to the EPA by 06/31/21.

3. Oral Communications

Staff provided an update on the Orchard Run Treatment Plant project.

4. Future Agenda Items

None.

5. Adjourn

The meeting adjourned at 4:29 p.m.



SCOTTS VALLEY WATER DISTRICT

svwd.org  svwater

Finance and Personnel Committee
District Conference Room
2 Civic Center Drive, Scotts Valley, California
06/23/21 4:00 p.m.
Meeting Report

1. Convene

The meeting convened at 4:05 p.m. It was conducted in a hybrid setting.

Present

Members: Community Member Callahan (in person), Director Leishman (remote from 4:05 until 4:10 p.m.) Director Reber (remote arrived at 4:10 p.m.) and Vice President Stiles, Alternate (in-person).

Staff: General Manager Harmon (in person), Finance and Customer Service Manager Kurns (in person), Assistant to General Manager Paul (in person).

Guests: Director Wade Leishman (remote) and President Bill Ekwall (remote).

2. Discussion Items

2.1. Financial Reports 07/01/20 through 05/31/21

The committee reviewed and discussed the financial reports.

2.2. Water Rate Study Progress Update

Finance and Customer Service Manager Kurns reported that rate model has been updated with the most current information.

The Committee discussed communication to customers that have $\frac{3}{4}$ " meters and have been charged at the $\frac{5}{8}$ " rate, monthly billing and changing the unit of measure to 100 gallons.

2.3. Debt Financing Update

Finance and Customer Service Manager Kurns provided an update on debt financing including the details on the terms.

3. Oral Communications

The Committee briefly discussed how to convey information that the water shortage is not due to development.

4. Future Agenda Items

Water Rate Study

Compensations Adjustments At-will (July)

Identity Theft Prevention Program

5. Adjourn

The meeting adjourned at 5:13 p.m.

Board Meeting Recap: May & June 2021
Draft Groundwater Sustainability Plan nears completion

Santa Margarita Groundwater Agency held its Board meetings Thursday, May 27, and Thursday, June 24, both of which were conducted via all-remote, web- and phone-based access. The Board is working to develop the state-mandated Groundwater Sustainability Plan (GSP), aiming to complete a final public draft for review at the July 22, 2021, Board meeting.

At the May meeting, Sierra Ryan, Interim Water Resources Manager for the County of Santa Cruz, shared a proposed metering program for non de-minimis private pumpers who extract more than 2 acre feet per year and are not already required to meter. Only a small number of private pumpers meet this criteria. The metering requirements would go into effect by the end of 2022.

Board members also learned about the GSP content review process, including what to expect during the public comment period that will begin at the end of July. Representatives from the Nature Conservancy and the California Department of Fish and Wildlife shared what their respective agencies are looking for in GSPs and answered questions from the Board.

In other agenda items in May, consultant Miller Maxfield, Inc., provided an overview on the Communications & Outreach Plan, its purpose, structure and use; and the Board approved the Fiscal Year 2022 budget.

In June, Technical Consultant Georgina King from Montgomery & Associates presented updates on the statuses of the various sections of the GSP, which is due to Department of Water Resources in early 2022. The Board reviewed the GSP Sustainability Goal and several sections of the GSP. The Sustainability Goal, which was initially developed in fall 2019, works to address chronic lowering of groundwater levels, reduction of groundwater in storage, degradation of water quality and depletion of interconnected surface water. Measures that the SMGWA member and cooperating agencies will take to achieve Basin sustainability are focused on increasing Lompico aquifer groundwater levels in the Mount Hermon / South Scotts Valley area. The most immediate anticipated action is to expand conjunctive use of surface water and groundwater using existing infrastructure, King explained.

Board members also are in the process of reviewing four sections of the draft GSP and will provide comments back to staff in advance of the July board meeting. The next SMGWA Board of Directors meeting will be held Thursday, July 22, at 5:30 p.m. More information at www.smgwa.org.



SCOTTS VALLEY
WATER DISTRICT

AGENDA REPORT

Scotts Valley Water District

Date: 07/08/21
To: Board of Directors
Item: Business 6.1
Subject: **Rate Study and Proposed Rate Increases**
Reason: Supports Strategic Goal No 3 Financial Stewardship

SUMMARY

Recommendation: Receive information, discuss and provide direction.

Fiscal Impact: No definite impact from the work completed so far. The final adopted rate schedule will have an impact on District's operating revenue.

Previous Related Action: On 12/12/16 the Board held a public hearing and adopted Resolution No 10-16 establishing a new rate structure, setting rates for potable and recycled water beginning on 12/13/16 through 12/13/20, setting fees for new connections effective 12/13/16 and establishing add-on drought rates.

On 12/12/16 the Board approved the Rate Implementation Program.

On 11/09/17 and 11/08/18 the Board evaluated the need for rate increases for the upcoming year and decided to implement the rates as established by Resolution No 10-16.

On 11/14/19 the Board evaluated the need for rate increases for the upcoming year and adopted Resolution 07-19 reducing previously adopted rates and setting water rates and fees effective 12/13/19.

On 11/12/20 the Board evaluated the need for rate increases for the upcoming year and adopted Resolution 07-20 reducing previously adopted rates and setting water rates and fees effective 12/13/20.

On 03/17/21 the Finance and Personnel Committee received a presentation from Raftelis Financial Consultants and provided input to certain aspects of the financial model and rate study.

On 04/08/21 the Board received an update on the work completed: analysis of required revenue and development of financial plan.

On 05/26/21 the staff presented the Finance and Personnel Committee an update on the rate design.

On 06/10/21 the Board received an update on the cost of service analysis and proposed rate development.

BACKGROUND

The District's Strategic Goal No. 3 comprises a management objective of designing and managing balanced and fair revenue sources that are sufficient for meeting operating and capital needs while providing for adequate reserves. The District recognizes the challenges as it strives to provide essential services to the community, fully fund the costs of providing and sustaining good service and keep rates and fees fair and affordable.

In October 2020, Raftelis Financial Consultants (RFC) was hired to conduct a Water and Recycled Water Rate Study. The study comprises the following tasks:

- Develop a financial plan to determine the District's potable and recycled water revenue requirements
- Conduct potable and recycled water cost of service analyses
- Develop potable and recycled water rate models that demonstrate a clear nexus between District's costs and customer rates
- Create an administrative report that explains the proportionality of the rates to meet the requirements of Proposition 218 (Prop 218).

The first portion of the study was completed, and findings presented to the Board in April. Board was asked to review and provide their input for the financial plan scenarios. The cost of service and rate model development phase of the project was completed, and findings were presented to the Board in June.

The next phase, development of the administrative report, is underway. The legal framework for setting water rates in California is prescribed by Prop 218. Passed by ballot initiative in 1996, Prop 218 was established to protect taxpayers by limiting the methods by which local governments can exact revenue from them without their consent. Prop 218 requires that the cost of serving different customer categories is matched with the rate charged to those categories.

DISCUSSION

The original financial model included assumptions for debt financing terms and the timing of capital projects spending. As the rate study has progressed, more timely information has become available and the financial model has been updated. Updates include the specific terms of the debt financing, which includes an initial 12-month drawdown period. The updated financial model also reflects revised estimate for project expenditures in FY 2021 and carryover funds to FY 2022. The net result of these changes is that fund balance as of June 30, 2021 will significantly exceed the original projection (estimate updated from \$1.7 million to \$3.2 million).

As part of the cost of service analysis, 219 accounts were identified that are currently being billed at the incorrect service rates. These residential accounts are served by 3/4" meters to meet the fire flow requirements and have been billed for 5/8" meter basic service charge. All other residential customers who have fire sprinklers are charged either at 5/8" meter plus 5/8" fire service meter rates or 3/4" including fire service meter rates. RFC recommends that the Dis-

trict apply the correct service charge to these accounts, which will result in an approximately \$23 increase to the bi-monthly basic service charge for this set of customers. Without the correction, this set of customers would continue to have their rate subsidized by the other rate payers.

The Board discussed the potential for transitioning to monthly billing at the 06/10/2021 meeting. Staff has begun evaluating the operational impact of this change. Since the District has completed the meter replacement project, all District meters now have AMI technology. The staff time required to read meters has reduced from two weeks to 1-2 days. At the same time, transitioning to monthly billing would increase the staff time needed to generate bills and process payments. Staff is evaluating opportunities such as incentive programs for autopay enrollment and technology solutions for phone payments. The cost benefit analysis for the transition is underway. If the analysis shows that transitioning to monthly billing is advantageous to District customers, then District staff will coordinate with RFC to ensure that the proposed rate schedule is presented on monthly basis.

Also at the 06/10/2021 meeting, RFC proposed adjustment of the billing unit for volumetric water sales from 1,000 gallons to 100 gallons. This smaller unit of measure and lower per/unit price would more effectively communicate the value of water. Additionally, the Tier 1 threshold which represents efficient use is set based on 50 gallons per person per day for a two-person household, equal to 100 gallons per day. Staff is looking into whether the District software (meter reading and billing systems) can accommodate this change.

Submitted,

Piret Harmon
General Manager

AGENDA REPORT

Scotts Valley Water District

Date: 07/08/21
To: Board of Directors
Item: Business 6.2
Subject: **Debt Financing for Capital Projects**
Reason: Supports Strategic Goal No 3 Financial Stewardship

SUMMARY

Recommendation: Adopt Resolution No. 07-21 authorizing the execution of an Installment Sale Agreement with First Foundation Public Finance to provide funds in the maximum principal amount of \$6,300,000 to finance certain improvements to the Water System and approving related documents and actions.

Fiscal Impact: Annual Installment Payments under the 2021 Installment Sale Agreement, which will be on parity with the District's 2016 Installment Payments under the Installment Purchase Agreement (the 2016 Installment Purchase Agreement), between the District and JPMorgan Chase Bank, N.A. (JPMorgan), are estimated to be approximately \$386,032 on average in each fiscal year 2023 through 2042. The cost of issuance is projected to be approximately \$115,000.

Previous Related Action: On 02/24/21 the Finance and Personnel Committee discussed potential capital financing options and directed staff to evaluate debt financing options.

On 03/11/21 the Board adopted Resolution 02-21 declaring the District's intent to incur tax-exempt obligations to reimburse expenditures for the acquisition, construction and improvements of certain facilities of the District's infrastructure (the Project).

On 05/13/21 the Board authorized the staff to proceed with the efforts necessary for financing capital projects, authorized the General Manager to proceed with the winning bid and to execute necessary documents, and adopted Resolution 04-21 establishing policy P200-21-1 Debt Management.

On 06/23/21 the Finance and Personnel Committee received information about the range of debt financing terms proposed and the debt financing terms from the selected proposal.

BACKGROUND

Originally the District considered cash-funding the capital improvement program. An updated financial model was developed as part of the 2021 rate study and includes the District's updated capital improvement plan. Projects underway and in the plan represent significant investments in the water system, infrastructure that will benefit the District for many years. Considering the long-term nature of these investments, the favorable interest rate market, as well as the

potential opportunity to save on other long-term liabilities, the Board recommended to evaluate debt-financing options.

Working with the District's Municipal Advisor (Urban Futures, Inc.), the District engaged Jones Hall as Bond Counsel and Brandis Tallman as Placement Agent based on their qualifications and competitive bids. On 5/25/21, Brandis Tallman distributed a Lender Request for Proposal (RFP) to 19 financial institutions, and we received 9 bids on 6/14/21.

DISCUSSION

In response to the RFP the District received proposals from 9 financial institutions, with interest rates for a twenty-year term ranging from 2.43% to 3.02%. The District accepted the offer from First Foundation Public Finance, which was the lowest rate at 2.43% for a twenty-year term. Additionally, First Foundation Public Finance is offering the flexibility to drawdown proceeds as needed within Fiscal Year 2021-22; interest will accrue only as amounts are drawn by the District. The District will be required to draw the entire amount of funding from First Foundation Public Finance before 07/01/22, at which time interest will begin accruing on the full amount. This feature allows the District to potentially save on interest costs within the first year.

In accordance with California Government Code Section 5852.1, good faith estimates are provided with respect to the 2021 Installment Sale Agreement in Exhibit A. These good faith estimates conservatively assume a full drawdown of proceeds upon execution and delivery of the Installment Sale Agreement on 07/22/21.

The District and First Foundation Public Finance have agreed to the substantive business terms and covenants in the attached documents. Resolution 07-21 approves all documents and actions needed to authorize execution and delivery of the 2021 Installment Sale Agreement, including the following substantially final form financing documents together with any changes or additions deemed advisable and approved by the General Manager.

The **2021 Installment Sale Agreement** between the District and First Foundation Public Finance is the document under which First Foundation Public Finance agrees to provide financing for the Project and to sell the completed Project to the District, in consideration of the payment by the District of semiannual Installment Payments, to be made from the net revenues of the Water System.

The **Term Sheet** provided by First Foundation Public Finance summarizes the terms of the Installment Sale Agreement, including interest rate, repayment terms, prepayment options, rate lock, and covenants including annual reporting requirements.

The **First Amendment to 2016 Installment Purchase Agreement** between the District and JPMorgan is the document pursuant to which certain provisions of the 2016 Installment Purchase Agreement are amended to facilitate the execution and delivery of the 2021 Installment Sale Agreement. Such provisions relate specifically to the conditions the District is required to

satisfy in order to incur installment payment obligations on a parity with the 2016 Installment Purchase Agreement.

First Foundation Public Finance and the financing team are ready to proceed to close the transaction after Board adoption of the resolution. The execution and delivery of the Installment Sale Agreement is tentatively scheduled for 7/22/21.

Submitted,

Piret Harmon
General Manager

Enclosed: Good Faith Estimates
 Resolution No. 07-21
 Installment Sale Agreement
 Term Sheet
 First Amendment to 2016 Installment Purchase Agreement

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided in accordance with California Government Code Section 5852.1 with respect to the Installment Sale Agreement, dated as of July 1, 2021, between First Foundation Public Finance and Scotts Valley Water District (the "District"). Such good faith estimates have been provided to the District by Urban Futures, Inc. as municipal advisor to the District (the "Municipal Advisor") with respect to the Installment Sale Agreement.

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal components of the Installment Payments to be made by the District (the "Installment Payments") under the Installment Sale Agreement is \$6,115,000 (the "Estimated Principal Amount").

True Interest Cost of the Certificates. The Municipal Advisor has informed the District that, assuming the Estimated Principal Amount of the Installment Payments and based on the rate provided by First Foundation Public Finance in the Term Sheet, at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Installment Payments, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the total purchase price funded by First Foundation Public Finance, is 2.43%.

Finance Charge of the Certificates. The Municipal Advisor has informed the District that, assuming the Estimated Principal Amount of the Installment Payments and based on the rate provided by First Foundation Public Finance in the Term Sheet, at the time of preparation of such estimate, its good faith estimate of the finance charge for the Installment Sale Agreement, which means the sum of all fees and charges paid to third parties (or costs associated with the Installment Sale Agreement), is \$115,000.

Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming the Estimated Principal Amount of the Installment Payments and based on the rate provided by First Foundation Public Finance in the Term Sheet, at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District from First Foundation Public Finance under the Installment Sale Agreement, less the finance charge of the Installment Sale Agreement, as estimated above, and any reserve fund funded with proceeds of the Installment Sale Agreement, is \$6,000,000.

Total Payment Amount. The Municipal Advisor has informed the District that, assuming the Estimated Principal Amount of the Installment Payments and based on the rate provided by

First Foundation Public Finance in the Term Sheet, at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay the Installment Payments, plus the finance charge for the Installment Sale Agreement, as described above, not paid with the proceeds of the Installment Sale Agreement, calculated to the final maturity of the Installment Sale Agreement, is \$7,786,264.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Installment Payments, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the execution and delivery of the Installment Sale Agreement being different than the date assumed for purposes of such estimates, (b) the actual principal amount of the Installment Payments being different from the Estimated Principal Amount, (c) the actual Installment Payments being different than the Installment Payments assumed for purposes of such estimates, (d) the actual rate being different than that estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the District's financing plan, or a combination of such factors. The actual date of execution and delivery of the Installment Sale Agreement and the actual principal amount of the Installment Payments will be determined by the District based on the timing of the need for proceeds and other factors. The actual interest rate on the Installment Payments is not guaranteed until execution and delivery of the Installment Sale Agreement.

RESOLUTION No. 07-21

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SCOTTS VALLEY WATER DISTRICT
AUTHORIZING THE EXECUTION OF AN INSTALLMENT SALE AGREEMENT WITH
FIRST FOUNDATION PUBLIC FINANCE IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED
\$6,300,000 TO FINANCE CERTAIN IMPROVEMENTS TO THE WATER SYSTEM,
AND APPROVING RELATED DOCUMENTS AND ACTIONS

WHEREAS:

1. The Scotts Valley Water District (“District”) owns and operates facilities and property for the treatment and distribution of water within the service area of the District (“Water System”);
2. The District has determined to finance the acquisition and construction of improvements to the Water System, including without limitation, the replacement and upgrading of potable water mains, water treatment plant improvements, storage tank rehabilitation, and water well construction (“Project”), and the District has requested First Foundation Public Finance (“First Foundation”) to provide funds for that purpose, and to sell the completed Project to the District on an installment basis pursuant to an Installment Sale Agreement (“Installment Sale Agreement”) by and between the District and First Foundation;
3. The obligations of the District under the Installment Sale Agreement will be secured by a pledge of the net revenues from the Water System, on a parity with the District’s installment payment obligations under an Installment Purchase Agreement, dated as of December 1, 2016 (“2016 Installment Purchase Agreement”), between the District and JPMorgan Chase Bank, N.A. (“JPMorgan”);
4. In connection with the execution and delivery of the Installment Sale Agreement, the District desires to enter into a First Amendment to Installment Purchase Agreement (“First Amendment to 2016 Installment Purchase Agreement”), by and between the District and JPMorgan to amend certain provisions relating to the conditions the District is required to satisfy in order to incur obligations on a parity with the 2016 Installment Purchase Agreement;
5. The District has previously established a Debt Issuance and Management Policy which complies with Government Code Section 8855, and the Installment Sale Agreement will be in compliance with said policy;
6. Section 5852.1 of the California Government Code requires that the Board of Directors (“Board”) of the District obtain from an underwriter, financial advisor or private lender

and disclose, in a meeting open to the public, prior to authorization of the execution and delivery of the Installment Sale Agreement, good faith estimates of (a) the true interest cost of the Installment Sale Agreement, (b) the sum of all fees and charges paid to third parties with respect to the Installment Sale Agreement, (c) the amount of proceeds of the Installment Sale Agreement expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Installment Sale Agreement, and (d) the sum total of all debt service payments on the Installment Sale Agreement calculated to the final maturity of the Installment Sale Agreement, plus the fees and charges paid to third parties not paid with the proceeds of the Installment Sale Agreement;

7. In compliance with Section 5852.1 of the California Government Code, the Board has obtained from Urban Futures, Inc., the District's municipal advisor, the required good faith estimates and such estimates have been included in the staff report prepared for this resolution, and such information has been disclosed and made public;

THEREFORE, BE IT RESOLVED:

Section 1. Approval of Installment Sale Agreement. The Board hereby approves the execution of the Installment Sale Agreement providing for the payment of installment payments in the aggregate principal amount of not to exceed \$6,300,000 ("Installment Payments") for the purpose of providing financing for the Project. To that end, the Board hereby approves the Installment Sale Agreement in substantially the form submitted to this meeting and made a part hereof as though set forth herein. The General Manager is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the Installment Sale Agreement in substantially such form, with such changes therein as the General Manager may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. Approval of Term Sheet. The term sheet of First Foundation ("Term Sheet") in substantially the form submitted to this meeting and made a part hereof as though set forth herein, providing the terms of the Installment Sale Agreement, is hereby approved.

Section 3. Official Actions. Approval of First Amendment. The Board hereby approves the First Amendment to 2016 Installment Purchase Agreement in substantially the form submitted to this meeting and made a part hereof as though set forth herein. The General Manager is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the First Amendment to 2016 Installment Purchase Agreement in substantially such form, with such changes therein as the General Manager may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Official Actions. The General Manager is authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which the General Manager might 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 directed 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 in the case such officer is absent or unavailable.

Section 5. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED this 8th day of July 2021, by the following vote:

AYES:

NOES:

ABSENT:

Bill Ekwall, President
Board of Directors

Attest: _____
Piret Harmon, General Manager

INSTALLMENT SALE AGREEMENT

This Agreement (as amended and supplemented, this “Agreement”), dated as of July 1, 2021, is between FIRST FOUNDATION PUBLIC FINANCE, a Delaware statutory trust and a wholly-owned subsidiary of First Foundation Bank, as Bank (together with its successors and assigns, the “Bank”), as lender and seller, and the SCOTTS VALLEY WATER DISTRICT, a county water district duly organized and existing under the laws of the State of California (the “District”), as borrower and purchaser.

B A C K G R O U N D :

1. The District owns and operates an enterprise comprised of property and facilities necessary for the treatment and distribution of water within the service area of the District (as defined below, the “Water System”).

2. The District has determined to finance the acquisition and construction of improvements to the Water System, including without limitation, the replacement and upgrading of potable water mains, water treatment plant improvements, storage tank rehabilitation, and water well construction (the “Project”), and the District has requested that the Bank assist the District to finance the Project by entering into an installment sale agreement for said improvements as provided herein.

3. The obligation of the District to make installment payments in respect of the purchase price of the Project will be secured by a pledge of and lien on the Net Revenues of the Water System as set forth in this Agreement on a parity with the installment payments payable by the District under that certain Installment Purchase Agreement, dated December 1, 2016, by and between the District and JPMorgan Chase Bank, N.A. (the “2016 Installment Purchase Agreement”).

4. The District is authorized under Section 31042 of the California Water Code to finance the Project on an installment sale basis as provided in this Agreement and has duly authorized the execution of this Agreement.

5. All acts, conditions, and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Agreement do exist, have happened, and have been performed in regular and due time. Form and manner as required by law, and the parties hereto are not duly authorized to execute and enter into this Agreement.

A G R E E M E N T :

In consideration of the foregoing and the material covenants hereinafter contained, the District and the Bank formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.*

“Accountant’s Report” means a report of an Independent Accountant.

“Authorized Amount” means the maximum amount of the purchase price to be funded by the Bank, which amount shall not exceed \$_____, except as otherwise agreed by the District and Bank.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California are closed.

“Closing Date” means July [22], 2021.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of delivery of this Agreement or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of delivery of this Agreement, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution, sale and delivery of this Agreement. Costs of Issuance include (but are not limited to) the following: filing and recording costs, settlement costs, printing costs, reproduction and binding costs, financing discounts, legal fees (including of the Bank’s legal counsel) and charges, insurance fees and charges, California Debt Investment Advisory Commission fees, financial and other professional consultant fees, fees for execution, and any charges and fees in connection with the foregoing.

“Date of Taxability” means the date from and for which the interest component of the Installment Payments is subject to federal and State income taxation as a result of a Determination of Taxability.

“Default Rate” means the then applicable interest rate plus 300 basis points.

“Determination of Taxability” means and shall be deemed to have occurred on the first to occur of the following:

- (i) on that date when the District files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have occurred;
- (ii) on the date when the Bank notifies the District that it has received a written opinion from Bond Counsel to the effect that an Event of Taxability has occurred, which notice shall be accompanied by a copy of such opinion of Bond Counsel, unless, within 180 days after receipt by the District of such notification and copy of such opinion from the Bank, the District shall deliver to the Bank a ruling or determination letter issued to or on behalf of the District by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

- (iii) on the date when the District shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon any review or audit or upon any other ground whatsoever, an Event of Taxability has occurred; or
- (iv) on that date when the District shall receive notice from the Bank that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed the interest component of the Installment Payments as includable in the gross income of the Bank due to the occurrence of an Event of Taxability;

provided, however, that no Determination of Taxability shall occur under subparagraph (iii) or subparagraph (iv) above unless the District has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however*, that upon demand from the Bank, the District shall reimburse the Bank for any payments, including any taxes, interest, penalties or other charges, such Bank shall be obligated to make as a result of the Determination of Taxability.

“District Representative” means the General Manager of the District, or any other person authorized by resolution of the Board of Directors of the District to act on behalf of the District under or with respect to this Agreement.

“Engineer’s Report” means a report signed by an Independent Engineer.

“Environmental Regulations” means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, "CERCLA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, "RCRA"), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, "Title III"), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, "CWA"), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, "CAA") and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, "TSCA"), and any state or local similar Laws and Regulations and any so-called local, state or federal "superfund" or "superlien" law and any other applicable state, local or federal environmental laws or regulations.

“Event of Default” means an event of default under this Agreement, as described in Section 6.1.

“Event of Taxability” means a change in law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the District, or the failure to take any action by the District, or the making by the District of any misrepresentation in this Agreement or the certificate regarding federal arbitrage which has been executed and delivered by the District in connection with this Agreement) which has the effect of causing the interest component of the Installment Payments to be includable, in whole or in part, in the gross income of the Bank for federal income tax purposes.

“Excess Investment Earnings” means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Installment Payments at a yield in excess of the yield on the Installment Payments.

“Federal Securities” means: (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Final Funding Request” means the final Funding Request submitted by the District to Bank pursuant to Section 4.1(c).

“Fiscal Year” means the 12-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

“Funding Request” means a written request in the form of Appendix C submitted by the District to Bank for further funding of the purchase price under Section 4.1(b).

“Gross Revenues” means all gross income and revenue received by the District from the ownership and operation of the Water System, including, without limiting the generality of the foregoing:

- (a) all income, rents, rates, fees, charges or other moneys derived from the Water System, but excluding customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District;
- (b) the earnings on and income derived from the investment of such income, rents rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to the law applicable to the Water System;
- (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System; and
- (d) amounts transferred into the Water Fund from a Rate Stabilization Fund.

Gross Revenues do not include (i) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District relating to the Water System, and (ii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Water System.

“Independent Accountant” means any independent certified public accountant or firm of independent certified public accountants appointed and paid by the District, and who, or each of whom (a) is in fact independent and not under domination of the District; (b) does not have any substantial interest, direct or indirect, with the District; and (c) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

“Independent Engineer” means a registered engineer or firm of registered engineers generally recognized to be well-qualified in engineering matters relating to water systems, appointed and paid by the District, and who (a) is in fact independent and not under the domination of the District or any member thereof; (b) does not have a substantial financial interest, direct or indirect, in the operations of the District; and (c) is not connected with the District as an officer or employee of the District or any member thereof, but who may be regularly retained to make reports to the District.

“Installment Payment” means all payments required to be paid by the District on any date under Section 4.1 hereof, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 or 7.3 hereof.

“Installment Payment Date” means the dates specified for payment of Installment Payments in Appendix A.

“Laws and Regulations” means federal, regional, state and local laws, statutes, rules, ordinances, regulations, codes, licenses, authorizations, decisions, injunctions, interpretations, orders or decrees of any court or other governmental authority having jurisdiction as may be in effect from time to time.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Agreement or to meet or perform its obligations under this Agreement on a timely basis, (c) the validity or enforceability of this Agreement, or (d) the exclusion of the interest component of the Installment Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

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

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Operation and Maintenance Costs” means all expenses and costs of management, operation, maintenance and repair of the Water System and all incidental costs, fees and expenses properly chargeable to the Water System (but excluding debt service or other similar payments on Parity Debt or other obligations and depreciation and obsolescence charges or reserves therefor and amortization of intangibles and inter-fund transfers or other bookkeeping entries of a similar nature).

“Parity Debt” means (a) the 2016 Installment Purchase Agreement, and (b) any bonds, notes, leases, installment sale agreements or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued under and in accordance with Section 5.8.

“Parity Debt Documents” means, collectively, the indenture of trust, trust agreement or other document authorizing the issuance of any Parity Debt or any securities which evidence Parity Debt, including without limitation the 2016 Instalment Purchase Agreement.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks, provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or fully collateralized by Federal Securities.
- (d) Commercial paper rated in the highest short-term rating category by S&P.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P.
- (f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAM-G, AAAM or AAM, excluding those with a floating net asset value.
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Federal Securities.
- (h) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P.
- (i) Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by S&P.
- (j) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the District in the event such rating at any time falls below A.
- (k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code.

“Project” means the facilities, improvements and other property described more fully in Appendix B attached hereto.

“Project Costs” means, with respect to the Project, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Project;
- (b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Project;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Project;
- (d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project;
- (e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Project;
- (f) all financing costs incurred in connection with the acquisition, construction and installation of the Project; and
- (g) the interest components of the Installment Payments during the period of acquisition, construction and installation of the Project.

“Project Fund” means the fund by that name established and held by the District under Section 3.3.

“Rate Stabilization Fund” means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Water System, which fund may be established, held and maintained in accordance with Section 4.3.

“S&P” means S&P Global Ratings and its successors and assigns.

“Taxable Rate” means 3.380% per annum based on the actual number of days elapsed and a 360-day year for calculating interest.

“Term” means the time during which this Agreement is in effect, as provided in Section 3.5.

“Water Fund” means the Water Fund established and held by the District with respect to the Water System for the deposit of Gross Revenues.

“Water System” means the water service system owned by the District including all additions, betterments, extensions and improvements to said facility or any part thereof hereafter acquired or constructed, including but not limited to the Project.

“2016 Installment Purchase Agreement” means that certain Installment Purchase Agreement, dated December 1, 2016, by and between the District and JPMorgan Chase Bank, N.A.

“2016 Installment Payments” has the meaning given to such term in the 2016 Installment Purchase Agreement.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. *Representations and Warranties of the District.* The District represents and warrants to the Bank as follows:

- (a) Due Organization and Existence. The District is a county water district duly organized and validly existing under the County Water District Law of the State of California, has full legal right, power and authority under said laws to enter into this Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action the Board of Directors of the District has duly authorized the execution and delivery of this Agreement.
- (b) Due Execution. The representatives of the District executing this Agreement are fully authorized to execute the same.
- (c) Valid, Binding and Enforceable Obligations. This Agreement has been duly authorized, executed and delivered by the District and constitutes the legal, valid and binding agreement of the District enforceable against the District in accordance with its terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.
- (d) No Conflicts. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order,

or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which it or its properties are otherwise subject or bound, or 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 District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the financial condition, assets, properties or operations of the District, including but not limited to the performance of the District's obligations under this Agreement.

- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

- (f) Financial Condition. The statement of financial position of the Water System as of June 30, 2020, and the related statement of activities and statement of cash flows and changes in financial position for the year then ended and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the Water System at such date and for such period, and were prepared in accordance with generally accepted accounting principles. Since the most current date of the information, financial or otherwise, supplied by the District to the Bank:
 - (i) There has been no change in the assets, liabilities, financial position or results of operations of the Water System that might reasonably be anticipated to cause a Material Adverse Effect.
 - (ii) The Water System has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect.
 - (iii) The Water System has not (A) incurred any material indebtedness, other than the Installment Payments or as previously disclosed to Bank, and trade accounts payable arising in the ordinary course of the District's business and not past due, or (B) guaranteed the indebtedness of any other person.

- (g) Documents Provided. All information, reports and other papers and data furnished by the District to the Bank were, at the time the same were so furnished, complete and accurate in all material respects and insofar as necessary to give the Bank a true and accurate knowledge of the subject matter and were provided in expectation of the Bank' reliance thereon in entering into the transactions contemplated by this Agreement. No fact is known to the District which has had or, so far as the District can now reasonably foresee, may in the future have a Material Adverse Effect, which has not been set forth in the financial statements previously furnished to the Bank or in other such information, reports, papers and data or otherwise disclosed in writing to the Bank prior to the Closing Date. Any financial, budget and other projections furnished to the Bank by the District or its or their agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent the District's best estimate of the Water System's future financial performance. No document

furnished nor any representation, warranty or other written statement made to the Bank in connection with the negotiation, preparation or execution of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state (as of the date made or furnished) any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were or will be made, not misleading.

- (h) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement, or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement, or the financial conditions, assets, properties or operations of the District, including but not limited to the payment and performance of the District's obligations under this Agreement.
- (i) Subject to the applicable provisions of the California Constitution, the District is empowered to set rates and charges for services provided by the Water System provided to the users of the Water System without review or approval by any state or local governmental agency.
- (j) This Agreement and the pledge of Net Revenues is a first lien and pledge on Net Revenues [on a parity with the outstanding Parity Debt].
- (k) The District has never non-appropriated or defaulted under any of its payment or performance obligations or covenants, either under any financing contract of the same general nature as this Agreement, or under any of its bonds, notes, or other debt obligations.
- (l) The District is in full compliance with all Laws and Regulations, including Environmental Regulations, and the District shall remain in compliance with such Laws and Regulations, including Environmental Regulations except to the extent noncompliance thereof would not reasonably be anticipated to cause a Material Adverse Effect.
- (m) The District reasonably believes that sufficient funds can be obtained to make all Installment Payments and all other amounts required to be paid pursuant to this Agreement.
- (n) The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Agreement or otherwise with respect to the Installment Payments. To the extent the District has or hereafter may acquire under any applicable law any rights to immunity from legal proceedings on the grounds of sovereignty, the District hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to this Agreement or otherwise with respect to the Installment Payments.
- (o) The District acknowledges that (i) the Bank is acting solely for its own loan account and not as a fiduciary for the District or in the capacity of broker, dealer, placement agent, municipal securities underwriter or municipal advisor, (ii) the Bank has not provided, and will not

provide, financial, legal (including securities law), tax, accounting or other advice to or on behalf of the District or with respect to this Agreement and the financing related thereto, and (iii) the Bank has expressed no view regarding the legal sufficiency of its representations for purposes of compliance with any legal requirements applicable to any other party, or the correctness of any legal interpretation made by counsel to any other party with respect to any such matters.

SECTION 2.2. *Representations and Warranties of Bank.* The Bank represents and warrants to the District as follows:

- (a) The Bank acknowledges that the District will rely on the certifications, representations, warranties, acknowledgements, and covenants contained in this Agreement.
- (b) The Bank is authorized to enter into this Agreement as set forth herein.
- (c) The Bank is a “qualified institutional buyer” (a “Qualified Institutional Buyer”) within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”), or is an “accredited investor” as described in Section 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act (an “Institutional Accredited Investor”).
- (d) The Bank is not entering into this Agreement for more than one account, has no present intention to re-assign this Agreement, and is not entering into this Agreement with a view to distributing this Agreement.
- (e) The Bank has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal bonds and other obligations similar to this Agreement, to be capable of evaluating the merits and risks of this Agreement, and the Bank is able to bear the economic risks of this Agreement.
- (f) The Bank recognizes that this Agreement involves significant risks, that there is no established market for this Agreement and that none is likely to develop and, accordingly, that the Bank must bear the economic risk of this Agreement for an indefinite period of time.
- (g) The Bank is not relying upon the District or any of its employees or agents for advice as to the merits and risks of this Agreement. The Bank has sought such accounting, legal and tax advice as it has considered necessary to make an informed lending decision.
- (h) The Bank has conducted its own independent examination of, and has had an opportunity to ask questions and receive answers concerning the District, the Project, the Water System, the Gross Revenues and the Net Revenues, this Agreement, and the security therefor, and the transactions and documents related to or contemplated by the foregoing.
- (i) The Bank has been furnished with all documents and information regarding the District, the Project, the Water System, the Gross Revenues and the Net Revenues, this Agreement, and the security therefor, and the transactions and documents related

to or contemplated by the foregoing, and all matters related thereto, that it has requested.

- (j) The Bank understands that the offering and sale of this Agreement by the District were exempt from Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, pursuant to Section (d)(1)(i) of said Rule.
- (k) The Bank understands that this Agreement carries no rating from any rating service.
- (l) The Bank understands that this Agreement is not registered under the Securities Act and is not registered or otherwise qualified for sale under the “blue sky” laws and regulations of any state.
- (m) The person executing this Agreement on behalf of the Bank is duly authorized to do so on the Bank’s behalf.

ARTICLE III

SALE OF PROJECT TO SELLER; APPLICATION OF PROCEEDS; ACQUISITION AND CONSTRUCTION OF THE PROJECT

SECTION 3.1. *Sale of Project; Deposit of Moneys.* The Bank hereby sells and conveys the Project to the District, and the District hereby purchases the Project from the Bank. The purchase price shall be the amount funded by the Bank on a draw-down basis as described in Section 4.1(b).

On the Closing Date, the District shall cause the Bank to fund an initial amount of the purchase price, which the District will apply as set forth in Section 3.2 and Section 3.3.

All amounts subsequently funded by the Bank pursuant to Section 4.1(b) shall be deposited by the District in the Project Fund.

SECTION 3.2. *Payment of Financing Costs.* On the Closing Date, \$_____ of the purchase price that is initially funded by the Bank shall be applied to pay the financing costs identified by the District in a written requisition submitted by the District on the Closing Date.

SECTION 3.3. *Project Fund and Restricted Project Fund.*

(a) The District shall establish and maintain an account that is designated as the “Project Fund”.

(b) On the Closing Date, the Bank shall deliver to the District \$_____ of the amount initially funded by the Bank, which shall be deposited by the District into the Project Fund, which shall be applied for the purpose of financing the Project as provided in this Agreement.

Additional amounts may be deposited into the Project Fund pursuant to Sections 4.1(b) and 4.1(c).

(c) Except as otherwise provided herein, moneys in the Project Fund shall be used solely for the payment of (or reimbursement to the District for) the Project Costs. The District shall maintain accurate records showing all disbursements from the Project Fund.

SECTION 3.4. *Acquisition and Construction of the Project.*

(a) Agreement to Construct the Project. The Bank hereby agrees with due diligence to cause the acquisition, construction and installation of the Project to be supervised and provided for in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District under all applicable requirements of law. All contracts for, and all work relating to, the acquisition, construction and installation of the Project are subject to all applicable provisions of law relating to the acquisition and construction of public works by the District. The failure to complete the Project by its estimated completion date shall not constitute an Event of Default or a grounds for termination hereof, nor will any such failure result in the diminution, abatement or extinguishment of the obligations of the District hereunder to pay the Installment Payments when due.

(b) Appointment of District as Agent. The Bank hereby appoints the District as its agent to carry out all phases of the acquisition, construction and installation of the Project under and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Bank regarding the acquisition, construction and installation of the Project. As agent of the Bank hereunder, the District will enter into, administer and enforce all purchase orders or other contracts relating to the Project. Payment of Project Costs will be made by the District from amounts deposited in the Project Fund in accordance with the provisions of this Agreement.

(c) Plans and Specifications; Modification of Project Description. The District has the right to specify the exact scope, nature and identification of the Project and the respective components thereof. Before any payment is made for the Project or any component thereof from amounts on deposit in the Project Fund, the District must prepare detailed plans and specifications relating thereto. The District may from time to time amend any such plans and specifications, and thereby change or modify the description of the Project or any component thereof.

(d) Certificate of Project Completion. Not later than 30 days following the completion of the Project, a District Representative will execute and deliver to the Bank a written certificate which (i) states that the construction of the Project has been substantially completed, (ii) identifies the total Project Costs thereof, and (iii) identifies the amounts, if any, to be reserved in the Project Fund for payment of future Project Costs.

(e) Sale of Project. All right, title, and interest in the Project shall vest in the District immediately upon acquisition thereof. Such vesting shall occur automatically without further action by the Bank or the District, but the Bank shall, if requested and expenses are provided for by the District or if necessary to assure vesting of title of the Project in the District, deliver any documents required to assure vesting of title to the Project in the District.

SECTION 3.5. *Term.* The Term of this Agreement begins on the Closing Date and ends on July 1, 2041 (provided the District has paid all Installment Payments and other amounts due hereunder through such date), unless such term is extended or sooner terminated as provided herein.

SECTION 3.6. *Disclaimer of Warranties.* The Bank makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Project or any component thereof, or any other representation or warranty with respect to any of the Project or any component thereof. In no event will the Bank be liable for incidental, indirect, special, punitive or consequential damages, in connection with or arising out of this Agreement for the existence, furnishing, functioning or use of the Project.

ARTICLE IV

INSTALLMENT PAYMENTS

SECTION 4.1. *Installment Payments.*

(a) Obligation to Pay. The District agrees to pay to the Bank, its successors and assigns, as the purchase price of the Project, the Installment Payments, consisting of components of principal and interest, on the Installment Payment Dates.

The Installment Payments shall be secured by and payable from Net Revenues as hereinafter provided.

The amount of each Installment Payment shall be specified by the Bank in a written invoice to District at least 10 Business Days prior to each Installment Payment Date, which invoice shall include sufficient detail for District to verify the calculated amount of the Installment Payment.

Except as otherwise provided in this Agreement, the interest components of the Installment Payments shall be calculated based on the unpaid principal components of the Installment Payments at an interest rate of 2.43% per annum, on the basis of a 360-day year of twelve 30-day months. Any Installment Payment which is not paid in full on the applicable Installment Payment Date shall continue to accrue interest at the rate of 2.43% per annum until paid, subject to the provisions of Article VI.

From and after the Date of Taxability, if applicable, the interest rate with respect to the Installment Payments shall increase to the Taxable Rate. The District shall inform the Bank promptly upon the occurrence of a Determination of Taxability.

The principal component of each Installment Payment shall be set forth in the amortization schedule attached as Appendix A. The initial amortization schedule included in Appendix A on the Closing Date reflects the assumption that all of the Authorized Amount has been requested by the District and funded by the Bank. Following the Final Funding Request, the initial amortization schedule will be replaced with a final amortization schedule to be mutually agreed by the Bank and the District that reflects the amount actually funded by the Bank.

(b) Initial Funding of the Purchase Price; Additional Funding. On the Closing Date, Bank shall fund an initial amount of the purchase price for the Project as set forth in Section 3.2 and Section 3.3. The initial principal component of the Installment Payments shall be the amount funded by the Bank on the Closing Date. Thereafter, the District may cause an increase in the funded amount of the purchase price and a corresponding deposit into the Project Fund in an amount that does not result in the aggregate amount of deposits into the Project Fund to exceed the Authorized Amount.

The District may request that the Bank to increase the funded amount of the purchase price over an 12-month period, commencing [August 1, 2021], by submitting to Bank a Funding Request, substantially

in the form attached hereto as Appendix C, which Funding Request must be approved by the Bank; provided, however, that in no event shall the funded amount of the purchase price be increased more than [five (5)] times. Provided that all conditions are met as set forth therein, the Bank shall approve all Funding Requests submitted by the District in substantially the form of Appendix C. Any such funded amounts shall be remitted to the District for deposit by the District into the Project Fund as set forth in the Funding Request. The Bank shall fund the draws within two (2) Business Days of receiving the requests in the form acceptable to the Bank. Following each such increase in the funded amount of the purchase price, the funded amount shall be added to the outstanding principal amount of the Installment Payments and shall begin to accrue interest as described in subsection (a) above.

Amounts deposited in the Project Fund may be withdrawn from the Project Fund by the District to pay Project Costs without further approval from Bank.

(c) Final Funding Request. On or before [July 1, 2022], the District shall submit the Final Funding Request to Bank, in which the District shall notify Bank that the District wishes to draw all of the remaining portion of the Authorized Amount for deposit in the Project Fund.

(d) Reduction Upon Partial Prepayment. If the District prepays less than all of the remaining principal components of the Installment Payments under Article VII, the amount of such prepayment shall be applied to the Installment Payments in inverse order of maturity.

(e) Rate on Overdue Payments. If the District fails to make any of the payments required in this Section on or before the due date therefor, the Installment Payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the Default Rate, or, if lower, the maximum rate then permitted by law.

SECTION 4.2. *Pledge and Application of Net Revenues.*

(a) Pledge. All of the Net Revenues are hereby irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments. Such pledge, charge and assignment constitutes a lien on the Net Revenues for the payment of the Installment Payments in accordance with the terms hereof, which lien shall be on a parity with the pledge and lien which secures any Parity Debt.

(b) Deposit of Gross Revenues Into Water Fund; Transfers to Make Payments. The District has previously established the Water Fund, which the District will continue to hold and maintain for the purposes and uses set forth herein. The District will deposit all Gross Revenues in the Water Fund immediately on receipt. The District will apply amounts in the Water Fund as set forth in this Agreement, and any Parity Debt Documents. The District will apply amounts on deposit in the Water Fund to pay when due the following amounts in the following order of priority:

- (i) all Operation and Maintenance Costs;
- (ii) the Installment Payments, and all payments of principal of and interest on Parity Debt;
- (iii) to the amount of any deficiency in any reserve fund established for any Parity Debt, the notice of which deficiency has been to the District in accordance with the related Parity Debt Documents;

- (iv) any other payments required to comply with the provisions of this Agreement, and the Parity Debt Documents; and
- (v) any other purposes authorized under subsection (d) of this Section 4.2.

(c) No Preference or Priority. If, at any time, there is a deficiency in Net Revenues available to pay the Installment Payments and any amounts due with respect to Parity Debt, available Net Revenues shall be applied on a pro rata basis to the payment hereof. If, at any time, there is a deficiency in Net Revenues available to replenish any reserve fund established for any Parity Debt, available Net Revenues shall be applied to the replenishment thereof on pro rata basis.

(d) Other Uses of Net Revenues Permitted. The District will manage, conserve and apply the Net Revenues on deposit in the Water Fund in such a manner that all deposits required to be made under the preceding subsection (b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Water Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Water System, (iii) the prepayment of any other obligations of the District relating to the Water System, or (iv) any other lawful purposes of the District.

(e) Budget and Appropriation of Installment Payments. During the Term of this Agreement, the District will adopt all necessary budgets and make all necessary appropriations of the Installment Payments from the Net Revenues. If any Installment Payment requires the adoption by the District of a supplemental budget or appropriation, the District will promptly adopt the same. The covenants on the part of the District contained in this subsection (e) are duties imposed by law and it is the duty of each and every public official of the District to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this subsection (e).

SECTION 4.3. *Establishment of Rate Stabilization Fund.*

(a) *General.* The District has the right at any time to establish a fund to be held by it and administered in accordance with this Section 4.3, to be known as the “Rate Stabilization Fund,” for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System.

(b) *Deposits into Rate Stabilization Fund.* From time to time the District may deposit in the Rate Stabilization Fund any available funds, including such Net Revenues as the District shall determine are not needed to Installment Payments or any Parity Debt then outstanding. Deposits for each Fiscal Year may be made until (but not after) the date that is one hundred twenty (120) days after the end of such Fiscal Year. The District may withdraw amounts from the Rate Stabilization Fund only for inclusion in Revenues, such withdrawals to be made until (but not after) the date that is one hundred twenty (120) days after the end of such Fiscal Year. Amounts on deposit in the Rate Stabilization Fund are not pledged to and shall not secure the Installment Payments or any Parity Debt. Notwithstanding the foregoing, (i) all interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues, and (ii) no deposit of Revenues to the Rate Stabilization Fund may be made if such Revenues were included in the Engineer’s Report or Accountant’s Report submitted pursuant to Section 5.3.

(c) *Springing Amendment.* Effective on and after the payment of all of the 2016 Installment Payments and all other sums payable by the District under the 2016 Installment Purchase Agreement pursuant to Section 5.1 thereof, subsection (b) of this Section 4.3 shall be amended in its entirety to read as follows:

(b) *Deposits into Rate Stabilization Fund.* From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues that are released from the pledge and lien that secures the Loan Repayments, the Installment Payments and any Parity Debt, as the District may determine.

The District may, but is not required to, withdraw amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying Installment Payments and principal of and interest any outstanding Parity Debt coming due and payable in such Fiscal Year coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Water Fund in any Fiscal Year constitute Gross Revenues for that Fiscal Year (except for purposes of Section 5.8(b) relating to the issuance of Parity Debt), and will be applied for the purposes of the Water Fund. Gross Revenues do not include funds transferred from the Water Fund into the Rate Stabilization Fund during a Fiscal Year

Amounts on deposit in the Rate Stabilization Fund are not pledged to and shall not secure the Installment Payments or any Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the District.

SECTION 4.4. *Special Obligation of the District; Obligations Absolute.* The District's obligation to pay the Installment Payments, and any other amounts coming due and payable hereunder, is a special obligation of the District limited solely to the Net Revenues. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and such other amounts, and no other funds or property of the District are liable for the payment of the Installment Payments.

The obligation of the District to make the Installment Payments from the Net Revenues and to perform and observe the other agreements contained herein is absolute and unconditional and is not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Bank of any obligation to the District or otherwise with respect to the Water System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Bank. Until all of the Installment Payments and other amounts coming due and payable hereunder have been fully paid or prepaid, the District will:

- (a) not suspend or discontinue payment of any Installment Payments or such other amounts,
- (b) perform and observe all other agreements contained in this Agreement, and
- (c) not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction or damage to the Water System, failure to complete the acquisition and construction of the Project by the estimated completion date thereof, sale of the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in the tax or law other

laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Bank to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement.

Nothing contained in this Section releases the Bank from the performance of any of the agreements on its part contained herein, and if the Bank fails to perform any such agreements, the District may institute such action against the Bank as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the preceding paragraph. The District may, however, at its cost and expense and in its name or in the name of the Bank, prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights hereunder, and in that event the Bank will cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Bank in such action or proceeding if the District may request.

ARTICLE V

COVENANTS OF THE DISTRICT

SECTION 5.1. *Tax Covenants.*

(a) Private Activity Bond Limitation. The District will assure that the proceeds of the Certificates are not so used as to cause the obligations of the District under this Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) Federal Guarantee Prohibition. The District will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the obligations of the District under this Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) Rebate Requirement. The District will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of Excess Investment Earnings, if any, to the federal government, to the extent that such section is applicable to this Agreement.

(d) No Arbitrage. The District will not take, or permit or suffer to be taken by any third party, any action with respect to the proceeds of this Agreement which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of delivery of this Agreement would have caused any of the obligations of the District under this Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The District will take all actions necessary to assure the exclusion of interest component of the Installment Payments from the gross income of the Bank to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of delivery of this Agreement.

(f) Record Retention. The District will retain its records of all accounting and monitoring it carries out with respect to this Agreement for at least 3 years after the final maturity or prepayment of the Installment Payments; however, if the Installment Payments are prepaid and refunded, the District will retain its records of accounting and monitoring at least 3 years after the earlier of the final maturity or prepayment.

(g) Compliance with Tax Certificate. The District will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to this Agreement, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or discharge of the Installment Payments.

(h) Acquisition, Disposition and Valuation of Investments. Moneys held by the District in the Project Fund may only be invested and reinvested by the District in Permitted Investments which mature not later than the date such moneys are required or estimated by the District to be required to be expended hereunder. Except as otherwise provided in the following sentence, the District covenants that all investments of amounts deposited in any fund or account created by or under this Agreement, or otherwise containing gross proceeds of this Agreement (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of Section 148 of the Code).

For purposes of this subsection (h), the term “Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.

SECTION 5.2. *Sale of Water System.* Except as provided herein, the District covenants that the Water System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the Installment Payments and any Parity Debt, or would materially adversely affect its ability to comply with the terms of this Agreement or any Parity Debt Documents. The District may not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments and any Parity Debt. The District may sell or otherwise dispose of any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Water System or any material or equipment that has become worn out.

SECTION 5.3. *Eminent Domain of Water System.* All Net Proceeds received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District shall be applied as follows:

(a) If: (1) the District obtains and files with the Bank an Engineer’s Report or Accountant’s Report showing (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments,

extensions, or improvements to the Water System proposed to be acquired and constructed by the District from such Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions, or improvements, and (2) the District, on the basis of such Engineer's Report or Accountant's Report filed with the Bank, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive) then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions, or improvements substantially in accordance with such Engineer's Report or Accountant's Report and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Water Fund.

(b) If (1) the District obtains and files with the Bank an Engineer's Report or Accountant's Report containing an estimate of annual Net Revenues after the taking by eminent domain and (2) the District, on the basis of such Engineer's Report or Accountant's Report, determines that Net Revenues will equal at least one hundred twenty percent (120%) of the Installment Payments and debt service on all Parity Debt outstanding for each Fiscal Year in which Installment Payments are due, then the District may use such Net Proceeds for any lawful purpose.

(c) If the conditions of neither of the foregoing subsections are met, then such Net Proceeds shall be applied in part to the prepayment of Installment Payments as provided in Section 7.3 and in part to such other fund or account as may be appropriate and used for the retirement of Parity Debt in the same proportion as the aggregate unpaid principal balance of Installment Payments then bears to the aggregate unpaid principal amount of such Parity Debt.

SECTION 5.4. *Insurance.* The District will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of, or damage to the Water System. In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair, or replacement promptly after such damage or destruction shall occur; shall continue and properly complete such reconstruction, repair, or replacement as expeditiously as possible; and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair, or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be applied in part to the prepayment of Installment Payments as provided in Section 7.3 and in part to such other fund or account as may be appropriate and used for the retirement of Parity Debt in the same proportion that the aggregate unpaid principal balance of the Installment Payments then bears to the aggregate unpaid principal amount of such Parity Debt. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the Installment Payments as well as the entire obligations evidenced by Parity Debt Documents then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair, or replace the damaged or destroyed portion of the Water System, and thereupon such Net Proceeds shall be applied to the prepayment of the Installment Payments as provided in Section 7.3 and to the retirement of such Parity Debt. The insurance policy required by this subsection and provided by third party insurance carriers shall name the District and the Bank as insured parties and the Bank as loss payee and shall include a lender's loss payable endorsement for the benefit of the Bank.

The District will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District and the Bank.

Any policy of insurance required under this Section may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

SECTION 5.5. *Records and Accounts.* The District will keep proper books of record and accounts of the Water System in which complete and correct entries will be made of all transactions relating to the Water System. Said books will, upon prior request, be subject to the reasonable inspection of the Bank, or its representatives authorized in writing, upon not less than five Business Days' prior notice to the District.

The District will cause the books and accounts of the Water System to be audited annually by an Independent Accountant not more than nine months after the close of each Fiscal Year, and will make a copy of such report available for inspection by the Bank at the office of the District. Such report may be part of a combined financial audit or report covering all or part of the District's finances.

SECTION 5.6. *Rates and Charges.*

(a) Gross Revenues Covenant. The District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

- (i) All Operation and Maintenance Costs estimated by the District to become due and payable in the Fiscal Year.
- (ii) All Installment Payments and payments of principal of and interest on any Parity Debt as they become due and payable during the Fiscal Year, without preference or priority, except to the extent such Installment Payments or the principal of and interest on such Parity Debt are payable from any source of legally available funds of the District (other than Gross Revenues of the District) that have been deposited with a trustee for such purpose before the beginning of that Fiscal Year.
- (iii) All amounts, if any, required to restore the balance in any reserve fund established for any Parity Debt in accordance with the related Parity Debt Documents.
- (iv) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year, except to the extent other sources of funds are reserved or encumbered therefor.

(b) Net Revenues Covenant. In addition, the District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 1.20 times the amounts described in Section 5.6(a)(ii).

SECTION 5.7. *Superior and Subordinate Obligations.* The District shall not issue or incur any additional bonds or other obligations during the Term of this Agreement having any priority in payment of

principal or interest out of Net Revenues over the Installment Payments. Nothing herein limits or affects the ability of the District to issue or incur (a) Parity Debt under Section 5.8, or (b) obligations that are either unsecured or that are secured by an interest in the Net Revenues that is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 5.8. *Issuance of Parity Debt.* The District may issue or incur any Parity Debt during the Term hereof upon satisfaction of all of the following conditions:

- (a) No Event of Default has occurred and is continuing.
- (b) The Net Revenues for the latest Fiscal Year for which audited financial statements are available, or as shown by the books of the District for any more recent 12-month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution approving the instrument pursuant to which such proposed Parity Debt is to be issued or incurred, plus, at the option of the District, the additional allowance described below, shall have amounted to at least 1.25 times the sum of (i) the amount of Installment Payments becoming due and payable in the current or future Fiscal Year in which that amount is at its maximum and (ii) debt service on all Parity Debt outstanding immediately subsequent to the incurring of such additional obligations, in the Fiscal Year in which that amount is at its maximum, as evidenced by a calculation prepared by the District.

Either or both of the following items may be added to Net Revenues for the purpose of applying the restriction in Subsection (b) above:

- (1) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions, but that, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District and deemed acceptable by the Bank; and/or
 - (2) An allowance for earnings arising from any increase in the charges made for service from the Water System that has become effective prior to the incurring of such additional obligations but that, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of an Independent Engineer deemed acceptable by the Bank.
- (c) The District will deliver to the Bank a written certificate of a District Representative certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a) and (b) of this Section have been satisfied.
 - (d) The District may incur obligations secured by the Net Revenues to discharge or defease any Parity Debt, if the District either meets the requirements of subsection (b) above or a written

certificate of a District Representative is filed with the Bank to the effect that the debt service for each future Fiscal Year following such discharge or defeasance shall be less than or equal to the debt service for that Fiscal Year if such discharge or defeasance did not occur.

- (e) *Springing Amendment.* Effective on and after the payment of all of the 2016 Installment Payments and all other sums payable by the District under the 2016 Installment Purchase Agreement pursuant to Section 5.1 thereof, subsection (a) through (d) of this Section 5.8 shall be amended in their entirety to read as follows:

- (a) No Event of Default has occurred and is continuing.
- (b) The Net Revenues for the latest Fiscal Year for which audited financial statements are available, or as shown by the books of the District for any more recent 12-month period selected by the District, plus, at the option of the District, the additional allowance described below, shall have amounted to at least 1.25 times the sum of (i) the amount of Installment Payments becoming due and payable in the current Fiscal Year, except to the extent payable from any security deposit pursuant to this Agreement, and (ii) debt service on all Parity Debt outstanding immediately subsequent to the incurring of such additional obligations in the current Fiscal Year, except to the extent payable from any security deposit under documents authorizing the issuance thereof, as evidenced by a calculation prepared by the District. For purposes of computing such Net Revenues, the amount of Gross Revenues shall not include any amounts transferred from a Rate Stabilization Fund to the Water Fund.

Either or both of the following items may be added to Net Revenues for the purpose of applying the restriction in Subsection (b) above:

- (1) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions, but that, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District and deemed acceptable by the Bank; and/or
- (2) An allowance for earnings arising from any increase in the charges made for service from the Water System that has become effective prior to the incurring of such additional obligations but that, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such

additional obligations, as shown by the certificate or opinion of an Independent Engineer deemed acceptable by the Bank.

- (c) The District may incur obligations secured by the Net Revenues to discharge or defease any Parity Debt, if the District either meets the requirements of subsection (b) above or a written certificate of a District Representative is filed with the Bank to the effect that the debt service for each future Fiscal Year following such discharge or defeasance shall be less than or equal to the debt service for that Fiscal Year if such discharge or defeasance did not occur.
- (d) The District will deliver to the Bank a written certificate of a District Representative certifying that the conditions precedent to the issuance of such Parity Debt set forth in this Section 5.8 have been satisfied.

SECTION 5.9. *Operation of Water System in Efficient and Economical Manner.* The District will operate the Water System in an efficient and economical manner and to operate, maintain and preserve the Water System in good repair and working order.

SECTION 5.10. *Release and Indemnification Covenants.*

To the extent permitted by law, the District shall and hereby agrees to indemnify and save the Bank, its officers, directors, agents, employees, successors or assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Water System or the Project by the District, (ii) any breach or default on the part of the District in the performance of any of the District's obligations under this Agreement, (iii) any act of negligence of the District or of any of its contractors, servants, employees or licensees with respect to the Water System or the Project, (iv) any act of negligence of any assignee or sublessee of the District, or of any agents, contractors, servants, employees or licensees of the assignee or sublessee of the District with respect to the Water System or the Project, (v) any environmental claims or issues, or (vi) the acquisition of the Water System or the Project or authorization of payment of the costs of the acquisition of the Water System or the Project, to the extent permitted by law. No indemnification is made in this section or elsewhere in this Agreement for willful misconduct or gross negligence hereunder by the Bank, its officers and employees.

To the extent permitted by law, the District further covenants and agrees to indemnify and save the Bank harmless against any claim, loss, expense, advance, and liabilities which it may incur arising out of or in the exercise and performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees and disbursements) of defending against any claim of liability or enforcing any remedies, and which are not due to their gross negligence or willful misconduct. The District further covenants and agrees to advance to the Bank the amounts requested as the costs and expenses of such defense. Any and all special obligations of the District under this Section shall be and remain valid and binding special obligations of the District notwithstanding the payment in full of the Installment Payments and the termination of this Agreement.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.1. *Events of Default Defined.* The following events constitute Events of Default hereunder:

- (a) Failure by the District to pay any Installment Payment when due and payable hereunder or debt service on any Parity Debt when due and payable under the applicable Parity Debt Documents.
- (b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder or in any Parity Debt Document, other than as referred to in the preceding clause (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Bank; *provided, however*, that the Bank and the District may agree that action by the District to cure such failure may be extended beyond such 30-day period.
- (c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.
- (d) Any representation or certification of the District made hereunder or in connection with this Agreement shall have been incorrect or misleading when made.
- (e) Any event of default as defined under any Parity Debt Document and such event of default has not been cured with the timeframes provided therein.

SECTION 6.2. *Remedies on Default.* If an Event of Default occurs and is continuing, the Bank has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

- (a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon, to be immediately due and payable, whereupon the same will immediately become due and payable. Notwithstanding the foregoing provisions of this subsection (a), however, if, at any time after the principal components of the unpaid Installment Payments have been so declared due and payable under this subsection (a), and before any judgment or decree for the payment of the moneys due have been obtained or entered, the District will deposit with the Bank a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, and any and all other defaults actually known to the Bank (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been cured, then, and in every such case, the Bank will rescind and annul such declaration and its consequences. However, no such rescission and annulment will extend to or will

affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

- (b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Agreement.
- (c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bank hereunder, cause the appointment of a receiver or receivers of the Net Revenues and other amounts pledged hereunder, with such powers as the court making such appointment may confer.

Upon the occurrence and during the continuance of an Event of Default, the principal component of Installment Payments shall, at the option of the Bank, bear interest at the Default Rate.

SECTION 6.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Bank is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Bank to exercise any remedy reserved to it in this Article, it is not necessary to give any notice, other than such notice as may be required in this Article or by law.

SECTION 6.4. *Agreement to Pay Attorneys' Fees and Expenses.* If either party to this Agreement defaults under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party the reasonable fees of such attorneys and such other expenses so incurred. The provisions of this Section will survive the expiration of the Term of this Agreement.

SECTION 6.5. *No Additional Waiver Implied by One Waiver.* If any agreement contained in this Agreement is breached by either party and thereafter waived by the other party, the waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS; DISCHARGE

SECTION 7.1. *Prepayment.* The District has the right to prepay the Installment Payments, but only in the manner, at the times and in all respects in accordance with the provisions of this Article VII.

SECTION 7.2. *Optional Prepayment.* The District may exercise its option to prepay the principal components of the Installment Payments in whole or in part on any date, as set forth in the schedule below. Such option will be exercised by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the Installment Payments to be prepaid, plus (b) the interest component of the

Installment Payment required to be paid on or accrued to such date, plus (c) any premium required to be paid as specified in the schedule below.

Prepayment Period	Prepayment price (percentage of principal component prepaid)
Closing Date through July 31, 2023	103%
August 1, 2023 through July 31, 2025	102
August 1, 2025 through July 31, 2027	101
August 1, 2027 and thereafter	100

Notwithstanding the foregoing, the District may, at its option, prepay up to 10% of the aggregate principal components of the Installment Payments then remaining unpaid once per calendar year commencing calendar year 2022 by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the Installment Payments to be prepaid, plus (b) the interest component of the Installment Payment required to be paid on or accrued to such date, without premium.

The District shall give the Bank written notice of its intention to exercise its option to prepay Installment Payments (“Notice of Optional Prepayment”) pursuant to this Section 7.2 not less than 20 days in advance of the date of exercise (the “Prepayment Date”); provided that the Bank may agree to a shorter period of notice in its sole discretion. The District may rescind any Notice of Optional Prepayment prior to the Prepayment Date set forth in such notice. Any Notice of Optional Prepayment will be cancelled and annulled if for any reason funds will not be or are not available on the Prepayment Date for the payment in full of the Installment Payments proposed to be prepaid, and such cancellation will not constitute an Event of Default. The District will have no liability to the Bank or any other party related to or arising from any such rescission. The District will give notice of rescission of the prepayment in the same manner as the original Notice of Optional Prepayment was sent.

SECTION 7.3. *Mandatory Prepayment From Proceeds of Insurance or Condemnation.* The District may prepay the Installment Payments on any date, in whole, or in part among maturities on a pro rata basis, from and to the extent of any proceeds of insurance or condemnation awards with respect to the Water System not retained and used by the District in accordance with Sections 5.3 or 5.4, as applicable. Prepayments of Installment Payments under this Section shall be at a prepayment price equal to 100% of the principal components of Installment Payments to be prepaid plus accrued interest to the prepayment date, without premium.

SECTION 7.4. *Payment of all Installment Payments.* If the District shall pay or cause to be paid all the Installment Payments at the times and in the manner provided herein and also pay or cause to be paid all other sums payable hereunder by the District, then the right, title, and interest of the Bank herein shall cease, terminate, become void, and be completely discharged and satisfied.

SECTION 7.5. *Prepayment Escrow.* All or any portion of unpaid Installment Payments shall, prior to their scheduled payment dates, be deemed to have been paid within the meaning and with the effect expressed in Section 7.4 (except that the District shall remain liable for the Installment Payments, but only out of the money or securities deposited as described below for their payment), if there shall have been irrevocably deposited with an escrow agent or other fiduciary sufficient moneys and Federal Securities the principal of and interest on which when due will provide money sufficient to pay such Installment Payments when due or prepay such Installment Payments in accordance with Section 7.2.

SECTION 8.8. *Assignment and Amendment Hereof.* This Agreement may not be assigned by the District in whole or in part. The Bank's rights under this Agreement may be assigned from time to time, but only in whole, and only to a person or entity that (i) certifies in writing to the District that it is a Qualified Institutional Buyer or Institutional Accredited Investor and (ii) delivers a purchaser letter to the District making the representations and warranties in Section 2.2 hereof. The Bank shall provide written notice to the District of any such assignment, and the District shall maintain copies of all such notices as a register of assigns. This Agreement may be amended by the District and the Bank by mutual written consent.

SECTION 8.8. *Waiver of Personal Liability.* No member of the Board of Directors, officer, agent or employee of the District has any individual or personal liability for the payment of Installment Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained shall relieve any such member of the Board of Directors, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

SECTION 8.9. *Judicial Reference.*

TO THE EXTENT PERMITTED BY APPLICABLE LAWS, EACH OF THE PARTIES HERETO HEREBY WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS INSTALLMENT PURCHASE CONTRACT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, EACH OF THE PARTIES HERETO HEREBY CONSENTS TO THE ADJUDICATION OF ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ALL ISSUES IN SUCH REFERENCE, WHETHER FACT OR LAW. EACH OF THE PARTIES HERETO REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING CONSULTATION WITH LEGAL COUNSEL ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS INSTALLMENT PURCHASE CONTRACT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT OR TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

[Signature Page Follows on Next Page]

IN WITNESS WHEREOF, the Bank and the District have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

FIRST FOUNDATION PUBLIC FINANCE,
*a Delaware statutory trust and a wholly-owned
subsidiary of First Foundation Bank, as Bank*

By: _____
[Name]
[Title]

SCOTTS VALLEY WATER DISTRICT,
as Purchaser

By: _____
Piret Harmon
General Manager

APPENDIX A

SCHEDULE OF INSTALLMENT PAYMENTS

(as of July 22, 2021)

Installment Payment Date	Principal Component	Interest Component	Total Payment
	\$	\$	\$
Total	\$	\$	\$

Note: This amortization schedule included in Appendix A on the Closing Date reflects the assumption that all of the Authorized Amount has been requested by the District and funded by the Bank. It is intended for illustrative purposes. Prior to the District's submission of the Final Funding Request, the actual amounts of each Installment Payment shall be as notified by the Bank to the District under Section 4.1(a). Following the Final Funding Request, this initial amortization schedule will be replaced with a final amortization schedule that reflects the amount actually funded by the Bank. This schedule also assumes no Default Rate or Taxable Rate is applicable.

APPENDIX B

DESCRIPTION OF THE PROJECT

The District plans to use proceeds of the Agreement which have been deposited into the Project Fund to finance the acquisition and construction of improvements to the Water System, including, without limitation, the replacement and upgrading of potable water mains, water treatment plant improvements, storage tank rehabilitation, and water well construction.

APPENDIX C

**FUNDING REQUEST NO. _____
LOAN # _____**

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting _____ of the SCOTTS VALLEY WATER DISTRICT, a county water district duly organized and existing under the laws of the State of California (the “District”), and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am a “District Representative,” as such term is defined in that certain Installment Sale Agreement, dated as July 1, 2021 (the “Installment Sale Agreement”), by and between the District and First Foundation Public Finance, a Delaware statutory trust and a wholly-owned subsidiary of First Foundation Bank, as Bank (the “Bank”).

(iii) Under Section 4.1(b) of the Installment Sale Agreement, the District may request additional funding of the purchase price of the Project (as defined in the Installment Sale Agreement) by submitting a Funding Request (as defined in the Installment Sale Agreement) that has been approved by the Bank.

[(iv) This Funding Request is [not] the final Funding Request. Under Section 4.1(b) of the Installment Sale Agreement, the undersigned hereby requests that Bank fund the sum of \$_____ to the District. The amounts funded by the Bank remitted by wire transfer to the following account of the District:

[Insert wire transfer information]

The amount requested for funding shall be deposited by the District into the Project Fund and spent on Project Costs (as defined in the Installment Sale Agreement) or used to reimburse the District for Project Costs previously paid for by the District. The supporting evidence for each requested Project Cost item is enclosed. No portion of the amount herein requested to be disbursed was set forth in any Funding Request previously submitted to the Bank by the District.]

(v) After the Bank funds the amount requested in this Funding Request, the total amount funded by the Bank will be \$_____.

(vi) No Event of Default has occurred or is continuing under the Installment Sale Agreement and each representation and warranty set forth in the Installment Sale Agreement remains true and correct except for such representations and warranties that are no longer true due to the passage of time.

Dated: _____

SCOTTS VALLEY WATER DISTRICT

By: _____

Its: _____

Acknowledged and Accepted:
FIRST FOUNDATION PUBLIC FINANCE,
a Delaware statutory trust and a wholly-owned
subsidiary of First Foundation Bank

By: _____

Its: _____



June 14, 2021

RE: **Scotts Valley Water District
2021 Revenue Financing – 20yr**

Based upon your request and preliminary review of the information provided to-date, First Foundation Public Finance (“FFPF”) would like express its interest in underwriting and obtaining credit approval for the following Credit Facility to the Scotts Valley Water District, CA (“Borrower”) based on the terms outlined below. This Letter is provided by First Foundation Public Finance for discussion purposes only. *It is not intended to be binding, does not create any obligation on the part of First Foundation Public Finance to Sponsor or any third party, and is not a commitment to lend or agreement of any kind. No obligation whatsoever on the part of First Foundation Public Finance shall arise until execution and delivery of a formal commitment or loan documentation by a duly authorized officer of First Foundation Public Finance, which obligation shall be subject to all of the conditions contained therein.*

The proposed loan conditions are:

- STRUCTURE:** Term
- PURPOSE:** Water system improvements
- MAX. LOAN AMT:** \$6,300,000
- INTEREST RATE:** Tax-exempt: 2.43% (3.38% taxable equivalent)
- RATE LOCK:** The Rate will be locked for 60-days. If the Credit Facility fails to close within this period, FFPF reserves the right to adjust the rate.
- TERM:** 20-years
- DRAW PERIOD:** up to 12-months
- REPAYMENT:** Annual principal, semi-annual interest payments
- AVERAGE LIFE:** 11.33-years
- PRE-PAYMENT:** Repayable at 103% of par in years 1-2, decreasing to 102% in years 3-4, and 101% in years 5-6. Redeemable at par beginning in year 7 and thereafter. Up to 10% may be prepaid annually without penalty.
- COLLATERAL:** Net revenue pledge
- COVENANTS:** 1.20x annual debt service coverage, 1.25x ABT

ADDITIONAL TERMS: Documents to be prepared by the Borrower’s Bond Counsel for review by FFPF’s counsel Nixon Peabody, LLP. Legal fees and expenses of Nixon Peabody, LLP should not exceed \$10,000. All other filing fees and related fees shall be paid by the Borrower in connection with the issuance (including applicable CDIAAC fees).

Periodic financial and collateral reporting by the Borrower, as well as representations and warranties of the Borrower regarding its status and ability to repay, taxability gross-up and covenants and conditions that are appropriate for a Credit Facility of the scope and nature proposed above will be determined as part of FFPF’s underwriting and credit approval process.

PDF’s of all executed and other documents listed on the Closing Index shall be provided to FFPF no later than 24 hours before the time of the requested wire; provided, that if any documents can only be signed after receipt of the wire, those documents shall be provided immediately after receipt of the wire.

In an event of default, a default rate equal to the Interest Rate + 3.00% will be required.

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Deposit Insurance Corporation, Consumer Response Center, 1100 Walnut Street, Box #11, Kansas City, MO 64106.

FIRST AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT

This FIRST AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT (this “*First Amendment*”) is dated June __, 2021 (the “*First Amendment Date*”), between the SCOTTS VALLEY WATER DISTRICT, a county water district duly organized and existing under the laws of the State of California (the “*District*”), and JPMORGAN CHASE BANK, N.A. (the “*Bank*”). All capitalized terms herein and not defined herein shall have the meanings set forth in the hereinafter defined Agreement.

WITNESSETH

WHEREAS, the District and the Bank have previously entered into that certain Installment Purchase Agreement dated December 1, 2016 (the “*Agreement*”);

WHEREAS, pursuant to Section 9.2 of the Agreement, the Agreement may be amended by a written amendment thereto executed by the District and the Bank; and

WHEREAS, the District has requested that the Bank consent to certain amendments to the Agreement, and the Bank has agreed to consent to such amendments to the Agreement subject to the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the promises, the parties hereto hereby agree as follows:

SECTION 1. AMENDMENT.

Upon the satisfaction of the conditions precedent set forth in Section 2 hereof, the Agreement is hereby amended as follows:

1.01. Section 6.2(b)(2) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(2) The Net Revenues for the latest Fiscal Year for which audited financial statements are available, or as shown by the books of the District for any more recent 12-month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution approving the instrument pursuant to which such proposed Parity Debt is to be issued or incurred, plus, at the option of the District, the additional allowance described below, shall have amounted to at least 1.25 times the sum of (i) the amount of 2016 Installment Payments becoming due and payable in the current or future Fiscal Year in which that amount is at its maximum and (ii) debt service on all Parity Debt outstanding immediately subsequent to the incurring of such additional obligations, in the

Fiscal Year in which that amount is at its maximum, as evidenced by a calculation prepared by the District.

1.02. Section 6.2(c) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(c) Refundings. The District may incur obligations secured by the Net Revenues to discharge or def ease any Parity Debt, if the District either meets the requirements of subsection (b) above or a written certificate of the District Manager is filed with the Bank to the effect that the debt service for each future Fiscal Year following such discharge or defeasance shall be less than or equal to the debt service for that Fiscal Year if such discharge or defeasance did not occur.

1.03. Section 6.2 of the Agreement is hereby amended by adding the following new subsection (e) immediately after existing subsection (d) thereof:

(e) District Certificate. The District will deliver to the Bank a written certificate of the District Manger certifying that the conditions precedent to the issuance of such Parity Debt set forth in this Section 6.2 have been satisfied.

SECTION 2. CONDITIONS PRECEDENT.

This First Amendment shall be effective as of the First Amendment Date subject to the satisfaction of or waiver by the Bank of all of the following conditions precedent:

2.01. Delivery by the District and the Bank of an executed counterpart of this First Amendment.

2.02. All other legal matters pertaining to the execution and delivery of this First Amendment shall be reasonably satisfactory to the Bank and its counsel.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE DISTRICT.

3.01. The District hereby represents and warrants that the following statements are true and correct as of the First Amendment Date after giving effect to this First Amendment:

(a) the representations and warranties contained in Article II of the Agreement shall be true and correct on, and deemed made on, and as of the First Amendment Date (except to the extent the same expressly relate to an earlier date or as otherwise disclosed to the Bank by the District in writing); and

(b) no Event of Default has occurred and is continuing or would result from the execution of this First Amendment.

3.02. In addition to the representations given in Article IV of the Agreement, the District hereby represents and warrants as follows:

(a) The execution, delivery and performance by the District of this First Amendment and the Agreement, as amended hereby, are within its powers, have been duly authorized by all necessary action and do not contravene any law, rule or regulation, any judgment, order or decree or any contractual restriction binding on or affecting the District;

(b) no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the District of this First Amendment or the Agreement, as amended hereby, that has not been obtained; and

(c) this First Amendment has been duly authorized, executed and delivered by the District and this First Amendment and the Agreement, as amended hereby, constitute legal, valid and binding obligations of the District enforceable against the District in accordance with their terms subject to any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally or limitations of remedies against departments of the State of California.

SECTION 4. MISCELLANEOUS.

4.01. Except as specifically amended by this First Amendment, the Agreement shall continue in full force and effect in accordance with its terms. Reference to this First Amendment need not be made in any document, agreement, letter, certificate, the Agreement or any communication issued or made subsequent to or with respect to the Agreement, it being hereby agreed that any reference to the Agreement shall be sufficient to refer to, and shall mean and be a reference to, the Agreement, as hereby amended. In case any one or more of the provisions contained herein should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired hereby.

4.02. This First Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. This First Amendment may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered by their respective authorized officers as of the First Amendment Date.

SCOTTS VALLEY WATER DISTRICT

By: _____
Name: Piret Harmon
Title: General Manager

JPMORGAN CHASE BANK, N.A.

By: _____
Authorized Officer

STAFF REPORT - Finance

Scotts Valley Water District

Date: 07/08/21

To: Board of Directors

From: General Manager

Item: Staff Reports 7.3

Subject: **Financial Reports 07/01/20 through 5/31/21**

Summary

Fiscal Year-to-Date (YTD) preliminary figures reflect the period of 07/01/20 through 5/31/21. YTD revenues total \$7.4M and expenses total \$7.9M.

Revenue

May is the eleventh month of the fiscal year and the first month of the May-June potable water billing period. Preliminary YTD potable water sales revenue is \$3.6M, water services revenue is \$2.0M, new connections revenue is \$669K, and property tax revenue is \$965K. Total YTD revenue in the potable water fund is \$7.35M, equal to 93% of the budget and 3% higher than the same period last year.

YTD recycled water sales revenue is \$473K, water services revenue is \$57K, and no revenue from new connections for the period. Total YTD revenue of \$535K in the recycled water fund equals 71% of the budget, which is equal to the same period of last fiscal year.

Expenses

Preliminary combined operating expenses YTD are below budget, with expenses of \$5.0M representing 82% of the budget. Project expenditures total \$2.4M and the debt service principal payment of \$567K was made.

Fund Balance

Cash reserves at the end of May were approximately \$4.4M with another \$1.3M booked in Accounts Receivable.

Enclosed

Budget Status Balance 07/01/20 – 5/31/21

Budget Status Revenue 07/01/20 – 5/31/21

Budget Status Expense 07/01/20 – 5/31/21

Projects Expense 07/01/20 – 5/31/21

Balance Sheet 5/31/21

Check Register 5/01/21 – 5/31/21

Budget Status - Balance



Period: 07/01/20 - 05/31/21

FY Remain: 8%

	FY 2020 YTD Actual	FY 2021 YTD Actual	FY 2021 vs. FY 2020	YOY % change	FY 2021 Budget	FY 2021 Remaining Balance	%
Period: 07/01/20 - 05/31/21 (11 months)							
Potable Water - Fund 01							
Water Sales & Services (R10, R20)	\$ 5,543,626	\$ 5,624,305	\$ 80,679	1%	\$ 5,952,484	\$ 328,179	6%
New Connections (R25)	\$ 479,110	\$ 681,865	\$ 202,756	42%	\$ 786,110	\$ 104,245	13%
Other Revenue (R30, R40)	\$ 1,104,577	\$ 1,049,868	\$ (54,709)	-5%	\$ 1,175,391	\$ 125,523	11%
Potable Water Total	\$ 7,127,313	\$ 7,356,039	\$ 228,726	3%	\$ 7,913,985	\$ 557,946	7%
Recycled Water - Fund 02							
Water Sales & Services (R10, R20)	\$ 481,633	\$ 530,764	\$ 49,131	10%	\$ 547,998	\$ 17,234	3%
New Connections (R25)	\$ 45,104	\$ -	\$ (45,104)	-100%	\$ 32,126	\$ 32,126	100%
Other Revenue (R30, R40)	\$ 8,259	\$ 4,900	\$ (3,359)	-41%	\$ 177,985	\$ 173,085	97%
Recycled Water Total	\$ 534,996	\$ 535,664	\$ 668	0%	\$ 758,109	\$ 222,445	29%
TOTAL REVENUE	\$ 7,662,309	\$ 7,891,703	\$ 229,394	3%	\$ 8,672,094	\$ 780,392	9%
Expenses - Fund 01 and Fund 02 Combined							
Salaries & Benefits (E01)	\$ 2,561,588	\$ 2,616,540	\$ 54,952	2%	\$ 3,050,085	\$ 433,545	14%
Services & Supplies (E03-E80)	\$ 2,199,237	\$ 2,415,690	\$ 216,454	10%	\$ 3,074,046	\$ 658,356	21%
Project Expenses	\$ 954,503	\$ 2,378,965	\$ 1,424,462	149%	\$ 4,573,007	\$ 2,194,042	48%
Debt Service - Principal	\$ 460,030	\$ 567,298	\$ 107,268	23%	\$ 567,298	\$ -	0%
TOTAL EXPENSES *	\$ 6,175,358	\$ 7,978,493	\$ 1,803,135	29%	\$ 11,264,436	\$ 3,285,943	29%
NET REVENUE	\$ 1,486,951	\$ (86,790)	\$ (1,573,742)		\$ (2,592,342)	\$ (2,505,552)	
Period: 07/01/20 - 05/31/21 (11 months)							
Total Revenue	\$ 7,662,309	\$ 7,891,703	\$ 229,394	3%	\$ 8,672,094	\$ 780,392	9%
Total Expenses *	\$ 6,175,358	\$ 7,978,493	\$ 1,803,135	29%	\$ 11,264,436	\$ 3,285,943	29%
Net Revenue	\$ 1,486,951	\$ (86,790)	\$ (1,573,742)		\$ (2,592,342)		
Period: 07/01/20 - 04/30/21 (10 months)							
Total Revenue	\$ 6,585,175	\$ 6,757,221	\$ 172,046	3%	\$ 8,672,094	\$ 1,914,873	22%
Total Expenses *	\$ 5,576,519	\$ 6,940,131	\$ 1,363,612	24%	\$ 11,264,436	\$ 4,324,305	38%
Net Revenue	\$ 1,008,656	\$ (182,910)	\$ (1,191,566)		\$ (2,592,342)		

* Expense totals do not include depreciation expense

Budget Status - Revenue



Period: 07/01/20 - 05/31/21

FY Remain: 8%

Fund 01	Potable Water	FY 2020 YTD Actual	FY 2021 YTD Actual	FY 2021 vs. FY 2020	YOY % change	FY 2021 Budget	FY 2021 Remaining Balance	%
R10	Operating Revenue - Water Sales							
01-000-41101	Residential Consumption - SF	\$ 2,003,116	\$ 2,145,001	\$ 141,885	7%	\$ 2,292,073	\$ 147,072	6%
01-000-41102	Residential Consumption - MF	\$ 162,782	\$ 178,765	\$ 15,983	10%	\$ 169,499	\$ (9,266)	-5%
01-000-41103	CII Consumption	\$ 993,195	\$ 926,942	\$ (66,253)	-7%	\$ 964,099	\$ 37,157	4%
01-000-41106	CII Consumption - Other	\$ 122,773	\$ 68,080	\$ (54,693)	-45%	\$ -	\$ (68,080)	
01-000-41105	Irrigation Consumption	\$ 331,750	\$ 284,499	\$ (47,251)	-14%	\$ 332,394	\$ 47,895	14%
01-000-41200	Other - Bulk Water	\$ 56,594	\$ 16,163	\$ (40,431)	-71%	\$ 25,745	\$ 9,582	37%
	R10 Sub Totals:	\$ 3,670,210	\$ 3,619,450	\$ (50,760)	-1%	\$ 3,783,810	\$ 164,360	4%
R20	Operating Revenue - Water Services							
01-000-41300	Other - Late Penalty	\$ 15,980	\$ 14,178	\$ (1,802)	-11%	\$ 25,800	\$ 11,622	45%
01-000-42100	Standby Basic Meter Charge	\$ 1,796,140	\$ 1,925,700	\$ 129,560	7%	\$ 2,074,649	\$ 148,949	7%
01-000-42121	Standby FP Basic Meter Charge	\$ 52,346	\$ 57,002	\$ 4,656	9%	\$ 57,725	\$ 723	1%
01-000-43300	Other Operating Revenue	\$ 8,950	\$ 7,975	\$ (975)	-11%	\$ 10,500	\$ 2,525	24%
	R20 Sub Totals:	\$ 1,873,416	\$ 2,004,856	\$ 131,439	7%	\$ 2,168,674	\$ 163,818	8%
R25	Operating Revenue - New Connections							
01-000-42101	Other Meter Fee	\$ 6,452	\$ 8,361	\$ 1,909	30%	\$ 12,891	\$ 4,530	35%
01-000-42102	Other Capacity Fee	\$ 463,740	\$ 669,991	\$ 206,251	44%	\$ 761,528	\$ 91,537	12%
01-000-42120	Other FP Meter Fee	\$ 3,564	\$ 472	\$ (3,092)	-87%	\$ 4,691	\$ 4,219	90%
01-000-43100	Other Will Serve	\$ 1,000	\$ 875	\$ (125)	-13%	\$ 1,000	\$ 125	13%
01-000-43200	Other Dev Proj Review	\$ 4,354	\$ 2,166	\$ (2,187)	-50%	\$ 6,000	\$ 3,834	64%
	R25 Sub Totals:	\$ 479,110	\$ 681,865	\$ 202,756	42%	\$ 786,110	\$ 104,245	13%
R30	Non-Operating Revenue - Other							
01-000-46000	Property Taxes	\$ 938,563	\$ 965,198	\$ 26,636	3%	\$ 1,077,212	\$ 112,014	10%
01-000-47110	Interest & Dividend	\$ 22	\$ 11	\$ (11)	-52%	\$ 21	\$ 10	50%
01-000-47120	Interest - LAIF	\$ 31,865	\$ 14,236	\$ (17,629)	-55%	\$ 52,500	\$ 38,264	73%
01-000-47520	Misc. Non-Operating Revenue	\$ 124,988	\$ 29,290	\$ (95,698)	-77%	\$ 45,658	\$ 16,368	36%
01-000-47550	Third-Party Reimbursements	\$ 9,139	\$ 30,623	\$ 21,484	235%	\$ -	\$ (30,623)	
	R30 Sub Totals:	\$ 1,104,577	\$ 1,039,358	\$ (86,703)	-6%	\$ 1,175,391	\$ 166,656	14%
R40	Non-Operating Revenue - Grants							
01-000-45260	Local Grant - ACWA JPIA	\$ -	\$ 10,510	\$ 10,510		\$ -	\$ (10,510)	
	R40 Sub Totals:	\$ -	\$ 10,510	\$ 10,510		\$ -	\$ (10,510)	
	Fund 01 Revenue:	\$ 7,127,313	\$ 7,356,039	\$ 207,242	3%	\$ 7,913,985	\$ 588,569	7%
	Fund 01 Rev Excl Grants & Cap Contributions	\$ 7,127,313	\$ 7,345,529	\$ 196,732	3%	\$ 7,913,985	\$ 599,079	8%

Assumed \$330K negative adjustment due to COVID

Budget Status - Revenue



Period: 07/01/20 - 05/31/21

FY Remain: 8%

		FY 2020 YTD Actual	FY 2021 YTD Actual	FY 2021 vs. FY 2020	YOY % change	FY 2021 Budget	FY 2021 Remaining Balance	%
Fund 02	Recycled Water							
R10	Operating Revenue - Water Sales							
02-000-41105	Irrigation Consumption	\$ 438,415	\$ 439,620	\$ 1,205	0%	\$ 482,653	\$ 43,033	9%
02-000-41200	Other - Bulk Water	\$ 3,839	\$ 33,416	\$ 29,577	770%	\$ -	\$ (33,416)	
	R10 Sub Totals:	\$ 442,254	\$ 473,036	\$ 30,782	7%	\$ 482,653	\$ 9,617	2%
R20	Operating Revenue - Water Services							
02-000-42100	Standby Basic Meter Charge	\$ 39,304	\$ 57,628	\$ 18,324	47%	\$ 65,345	\$ 7,717	12%
02-000-43300	Other Operating Revenue	\$ 75	\$ 100	\$ 25	33%	\$ -	\$ (100)	
	R20 Sub Totals:	\$ 39,379	\$ 57,728	\$ 18,349	47%	\$ 65,345	\$ 7,617	12%
R25	Operating Revenue - New Connections							
02-000-42101	Other Meter Fee	\$ 1,125	\$ -	\$ (1,125)	0%	\$ 825	\$ 825	100%
02-000-42102	Other Capacity Fee	\$ 43,979	\$ -	\$ (43,979)	-100%	\$ 31,301	\$ 31,301	100%
	R25 Sub Totals:	\$ 45,104	\$ -	\$ (45,104)	-100%	\$ 32,126	\$ 32,126	100%
R30	Non-Operating Revenue - Other							
02-000-47110	Interest & Dividend	\$ 8,259	\$ 4,480	\$ (3,779)	-46%	\$ 8,573	\$ 4,093	48%
02-000-47520	Other Non-Operating Revenue	\$ -	\$ 420	\$ 420		\$ -	\$ (420)	
02-000-47560	Reduction of RW Entitlement	\$ -	\$ -	\$ -		\$ 169,412	\$ 169,412	100%
	R30 Sub Totals:	\$ 8,259	\$ 4,900	\$ (3,359)	-41%	\$ 177,985	\$ 173,085	97%
	Fund 02 Revenue:	\$ 534,996	\$ 535,664	\$ 668	0%	\$ 758,109	\$ 222,445	29%
	Fund 02 Rev Excl Grants & Cap Contributions	\$ 534,996	\$ 535,664	\$ 668	0%	\$ 758,109	\$ 222,445	29%
	Revenue Totals:	\$ 7,662,309	\$ 7,891,703	\$ 207,910	3%	\$ 8,672,094	\$ 811,015	9%
	Revenue Total Excl Grants & Cap Contributions	\$ 7,662,309	\$ 7,881,193	\$ 197,400	3%	\$ 8,672,094	\$ 821,525	9%

Budget Status - Expense



Period: 07/01/20 - 05/31/21

FY Remain: 8%

		FY 2020 YTD Actual	FY 2021 YTD Actual	FY 2021 vs. FY 2020	YOY % change	FY 2021 Budget	FY 2021 Remaining Balance	%
Fund 01 and Fund 02 Combined								
Dept	Administration							
E01	Salaries & Benefits	\$ 536,885	\$ 542,876	\$ 5,991	1%	\$ 641,272	\$ 98,396	15%
E03	General & Admin - Services	\$ 261,570	\$ 306,837	\$ 45,266	17%	\$ 470,819	\$ 163,982	35%
E05	General & Admin - Supplies	\$ 16,799	\$ 7,881	\$ (8,918)	-53%	\$ 17,200	\$ 9,319	54%
E10	Source of Supply	\$ 296,472	\$ 369,102	\$ 72,630	24%	\$ 330,490	\$ (38,612)	-12%
E70	Other	\$ 500	\$ -	\$ (500)	-100%	\$ 5,000	\$ 5,000	100%
	Dept 100 Sub Totals:	\$ 1,112,226	\$ 1,226,695	\$ 114,469	10%	\$ 1,464,781	\$ 238,086	16%
Dept	Finance/Customer Service							
E01	Salaries & Benefits	\$ 485,540	\$ 532,250	\$ 46,710	10%	\$ 563,967	\$ 31,717	6%
E03	General & Admin - Services	\$ 118,692	\$ 143,076	\$ 24,383	21%	\$ 210,163	\$ 67,087	32%
E05	General & Admin - Supplies	\$ 200	\$ -	\$ (200)	-100%	\$ 4,000	\$ 4,000	100%
E35	Customer Accounts	\$ 150,611	\$ 194,565	\$ 43,954	29%	\$ 207,113	\$ 12,548	6%
E70	Other	\$ 1,174	\$ 1,202	\$ 28	2%	\$ 1,038	\$ (164)	-16%
E80	Debt Service - Interest	\$ 64,672	\$ 37,902	\$ (26,770)	-41%	\$ 75,863	\$ 37,961	50%
	Dept 200 Sub Totals:	\$ 820,890	\$ 908,996	\$ 88,105	11%	\$ 1,062,144	\$ 153,149	14%
Dept	Operations							
E01	Salaries & Benefits	\$ 1,360,003	\$ 1,355,732	\$ (4,271)	0%	\$ 1,619,059	\$ 263,327	16%
E03	General & Admin - Services	\$ 155,409	\$ 153,665	\$ (1,744)	-1%	\$ 205,260	\$ 51,595	25%
E05	General & Admin - Supplies	\$ 31,647	\$ 31,770	\$ 123	0%	\$ 17,000	\$ (14,770)	-87%
E07	General Production	\$ 102,966	\$ 94,615	\$ (8,351)	-8%	\$ 97,000	\$ 2,385	2%
E10	Source of Supply	\$ 113,593	\$ 111,362	\$ (2,231)	-2%	\$ 130,000	\$ 18,638	14%
E15	Pumping	\$ 411,939	\$ 375,309	\$ (36,630)	-9%	\$ 513,400	\$ 138,091	27%
E20	Water Treatment	\$ 299,375	\$ 317,141	\$ 17,766	6%	\$ 430,000	\$ 112,859	26%
E25	Transmission & Distribution	\$ 75,164	\$ 115,840	\$ 40,676	54%	\$ 131,200	\$ 15,360	12%
E70	Other	\$ 21,619	\$ 99,685	\$ 78,066	361%	\$ -	\$ (99,685)	
	Dept 300 Sub Totals:	\$ 2,571,715	\$ 2,655,120	\$ 83,404	3%	\$ 3,142,919	\$ 487,799	16%
Dept	Engineering							
E01	Salaries & Benefits	\$ 80,721	\$ 92,620	\$ 11,899	15%	\$ 105,710	\$ 13,090	12%
E03	General & Admin - Services	\$ 70,536	\$ 55,081	\$ (15,455)	-22%	\$ 189,900	\$ 134,819	71%
E05	General & Admin - Supplies	\$ -	\$ 307	\$ 307		\$ 1,000	\$ 693	69%
	Dept 400 Sub Totals:	\$ 151,257	\$ 148,008	\$ (3,248)	-2%	\$ 296,610	\$ 148,602	50%
Dept	Board of Directors							
E01	Salaries & Benefits	\$ 98,439	\$ 93,061	\$ (5,377)	-5%	\$ 120,077	\$ 27,016	22%
E03	General & Admin - Services	\$ 6,297	\$ 350	\$ (5,947)	-94%	\$ 22,800	\$ 22,450	98%
E05	General & Admin - Supplies	\$ -	\$ -	\$ -		\$ 800	\$ 800	100%
	Dept 900 Sub Totals:	\$ 104,736	\$ 93,411	\$ (11,324)	-11%	\$ 143,677	\$ 50,266	35%

Capacity Buy-Back
(1x 1" and 1 x 5/8")

Budget Status - Expense



Period: 07/01/20 - 05/31/21

FY Remain: 8%

		FY 2020 YTD Actual	FY 2021 YTD Actual	FY 2021 vs. FY 2020	YOY % change	FY 2021 Budget	FY 2021 Remaining Balance	%
Summary								
E01	Salaries & Benefits	\$ 2,561,588	\$ 2,616,540	\$ 54,952	2%	\$ 3,050,085	\$ 433,545	14%
E03	General & Admin - Services	\$ 612,504	\$ 659,008	\$ 46,504	8%	\$ 1,098,942	\$ 439,934	40%
E05	General & Admin - Supplies	\$ 48,646	\$ 39,958	\$ (8,688)	-18%	\$ 40,000	\$ 42	0%
E07	General Production	\$ 102,966	\$ 94,615	\$ (8,351)	-8%	\$ 97,000	\$ 2,385	2%
E10	Source of Supply	\$ 410,066	\$ 480,464	\$ 70,399	17%	\$ 460,490	\$ (19,974)	-4%
E15	Pumping	\$ 411,939	\$ 375,309	\$ (36,630)	-9%	\$ 513,400	\$ 138,091	27%
E20	Water Treatment	\$ 299,375	\$ 317,141	\$ 17,766	6%	\$ 430,000	\$ 112,859	26%
E25	Transmission & Distribution	\$ 75,164	\$ 115,840	\$ 40,676	54%	\$ 131,200	\$ 15,360	12%
E35	Customer Accounts	\$ 150,611	\$ 194,565	\$ 43,954	29%	\$ 208,151	\$ 12,383	6%
E70	Other	\$ 23,293	\$ 100,887	\$ 77,594	333%	\$ 5,000	\$ (99,685)	-1994%
E80	Debt Service - Interest	\$ 64,672	\$ 37,902	\$ (26,770)	-41%	\$ 75,863	\$ 37,961	50%
	Purchase Order Carryover					\$ 14,000		
District Expense Total:		\$ 4,760,825	\$ 5,032,230	\$ 271,406	6%	\$ 6,124,131	\$ 1,072,901	18%
Fund 01 and 02 Combined								
E01	Salaries & Benefits	\$ 2,561,588	\$ 2,616,540	\$ 54,952	2%	\$ 3,050,085	\$ 433,545	14%
E03-E80	Services & Supplies	\$ 2,199,237	\$ 2,415,690	\$ 216,454	10%	\$ 3,060,046	\$ 644,356	21%
	Purchase Order Carryover					\$ 14,000		
District Expense Total:		\$ 4,760,825	\$ 5,032,230	\$ 271,406	6%	\$ 6,124,131	\$ 1,077,901	18%

Projects - Expense



Period: 07/01/20 - 05/31/21

FY Remain: 8%

Fund 01 and Fund 02 Combined		FY 2021 YTD Actual	FY 2021 Budget *	FY 2021 Remaining Balance	%
Project	Description				
C15016	Utility Billing Software Improvements	\$ -	\$ 26,841	\$ 26,841	100%
C15021	Purified Recycled Water Recharge	\$ 9,159	\$ 421,021	\$ 411,863	98%
C16023	Orchard Run WTP Water Quality Improvements	\$ 1,565,928	\$ 2,113,507	\$ 547,579	26%
C16024	Bethany Tank Rehabilitation	\$ 104,770	\$ 244,528	\$ 139,758	57%
M17011	Meters with AMI	\$ 57,949	\$ 75,000	\$ 17,051	23%
C17011	AMI Technology for Meters	\$ 43,953	\$ 170,053	\$ 126,100	74%
C17018	Specialized Operations Vehicle	\$ 154,181	\$ 215,603	\$ 61,422	28%
C18033	Polo Ranch Pump Station Improvements	\$ 121,160	\$ 75,000	\$ (46,160)	-62%
C18035	Sequoia Tank Rehabilitation	\$ 20,170	\$ -	\$ (20,170)	
C19020	El Pueblo WTP Improvements	\$ 59,204	\$ 56,050	\$ (3,154)	-6%
C19030	Hacienda Pump Station Improvements	\$ 163,693	\$ 57,728	\$ (105,965)	-184%
C19070	Vehicle Replacement Program	\$ 45,387	\$ 73,157	\$ 27,770	38%
C20010	Main Replacement Program - PW	\$ 21,322	\$ 675,379	\$ 654,057	97%
C20020	Treatment Facility for New Formation Well	\$ -	\$ 126,140	\$ 126,140	100%
C20040	Administrative Building Improvements	\$ 11,081	\$ 30,000	\$ 18,919	63%
TBD	Well 10 WTP Water Quality Improvements	\$ -	\$ 113,000	\$ 113,000	100%
TBD	Lompico Formation Production Well (Well 9)	\$ 1,008	\$ 100,000	\$ 98,993	99%
Projects Expense Totals:		\$ 2,378,965	\$ 4,573,007	\$ 2,194,042	48%

* Budget amounts include carryover funds from the prior year

Balance Sheet



Fund 01 and Fund 02 Combined

	5/31/20	5/31/21
Assets		
Cash	\$4,523,591	\$4,380,454
Accrued Interest	\$2,551	\$6,687
A/R Customer-Water	\$1,137,286	\$1,135,150
A/R - Other	\$211,860	\$198,809
Interfund Loan Receivable	\$888,040	\$888,040
Inventory	\$232,601	\$271,380
Prepaid Expense	\$29,741	\$70,323
Note Receivable	\$71,393	\$65,000
JPA Investment	\$332,010	\$387,112
Land & Right-of-ways	\$650,697	\$650,697
Construction-in-progress	\$1,382,415	\$2,919,537
Water Rights / Intangible Assets	\$5,267,833	\$5,267,833
Plant & Equipment	\$38,053,522	\$39,131,437
Depreciation/Amortization	(\$22,757,538)	(\$23,827,288)
Deferred Pension Outflows	\$680,989	\$694,399
Unfunded OPEB Liability	\$153,549	\$142,970
	\$30,860,540	\$32,382,540
Liabilities		
A/P & Accrued Expenses	\$20,252	\$159,774
Accrued Salaries & Wages	\$0	\$0
Accrued Interest Payable	\$23,590	\$0
Customer Deposits	\$53,210	\$57,210
Interfund Loans	\$888,040	\$888,040
LT Liabilities Due in 1 Yr	\$30,508	\$40,998
Unearned Revenue	\$61,609	\$60,907
Long-term Liabilities	\$9,589,006	\$8,773,238
Deferred Pension Inflows	\$212,281	\$215,460
	\$10,878,496	\$10,195,627
Fund Balance		
Investment in Capital Assets	\$16,974,413	\$17,684,486
Unrestricted Net Position	\$116,146	\$1,642,955
	\$17,090,559	\$19,327,441
Total Liabilities and Fund Balance:	\$27,969,055	\$29,523,068
Total Retained Earnings:	\$2,891,485	\$2,859,472
Total Fund Balance and Retained Earnings:	\$19,982,044	\$22,186,913
Total Liabilities, Fund Balance, and Retained Earnings:	\$30,860,540	\$32,382,540

Scotts Valley Water District
AP Check Register
May 2021

Vendor Name	Check Date	Check No.	Check Amount	Description
ACWA/JPIA	5/13/2021	29847	\$ 38,480.35	EE & Retiree Benefits - Jun 2021
AFLAC	5/27/2021	29901	\$ 222.72	EE Self-Funded Supplemental Benefits - May 2021
AFSCME COUNCIL 57	5/27/2021	29902	\$ 759.08	Union Dues - May 2021
AGUILAR EDWARD	5/13/2021	29848	\$ 100.00	Customer Rebate - Toilet
ALBERT ROSS	5/13/2021	29849	\$ 90.00	T3 Cert Renewal - Albert
AM CONSERVATION GROUP INC	5/27/2021	29903	\$ 383.36	WUE Supplies - Aerators
ARMSTRONG SANDRA	5/13/2021	29850	\$ 900.00	Customer Rebate - Special Lawn Replacement
ARMSTRONG SANDRA	5/13/2021	29850	\$ 250.00	Customer Rebate - Low Volume Irrigation
BABB SPRING	5/13/2021	29851	\$ 605.00	Customer Rebate - Special Lawn Replacement
BADGER METER	5/13/2021	29852	\$ 63.19	Monthly Cell Charge for RW Meter Reads - Apr 2021
BADGER METER	5/13/2021	29852	\$ 3,964.95	Monthly Cell Charge for PW Meter Reads - Apr 2021
BADGER METER	5/27/2021	29904	\$ 665.18	Meter Maint - Activation Fobs
BADGER METER	5/27/2021	29904	\$ 14,948.43	Meter Purchases - Qty: 93
BALLOW ALEX	5/27/2021	29905	\$ 79.81	Customer Rebate - Smart Irrigation Controller
BATTERIES PLUS BULBS #314	5/27/2021	29906	\$ 43.84	WTP Maint - RTU Backup Battery
BAYSIDE EQUIPMENT COMPANY	5/13/2021	29853	\$ 1,550.00	Generator Rental - Bethany PS - Apr 2021
BAYSIDE EQUIPMENT COMPANY	5/13/2021	29853	\$ 2,393.00	Generator Rental - Well 11B - Apr 2021
BIBL DAVID	5/27/2021	29907	\$ 308.76	SA-139 Deposit - Refund Remainder
BRAR KIRAN	5/13/2021	29854	\$ 79.97	Customer Rebate - Smart Irrigation Controller
BRENNTAG PACIFIC INC	5/27/2021	29908	\$ 6,423.53	Water Treatment Chemicals
BROCCHINI MARIO	5/13/2021	29856	\$ 50.00	Customer Rebate - Pressure Regulator
BUSINESS WITH PLEASURE	5/27/2021	29909	\$ 50.22	OPS Office Supplies - Magnets
CARON MICHELLE	5/13/2021	29857	\$ 1,290.00	Customer Rebate - Special Lawn Replacement
CHESTNUT IDENTITY APPAREL	5/27/2021	29910	\$ 543.52	Safety Clothing w/ District Logos - Wallace & Allen
CITY OF SANTA CRUZ	5/27/2021	29911	\$ 1,983.80	Stream Habitat & Juvenile Salmonid Monitoring - FY2021
CITY OF SCOTTS VALLEY	5/13/2021	29858	\$ 3,476.33	Bi-Monthly Treatment Disposal - Well 10
CIVIL CONSULTANTS GROUP INC	5/13/2021	29859	\$ 3,000.00	PW Main Improvements Task 5: Topo Surveying / Planning
CIVIL CONSULTANTS GROUP INC	5/13/2021	29859	\$ 515.00	General Engineering Services - Apr 2021
CIVIL CONSULTANTS GROUP INC	5/13/2021	29859	\$ 440.00	Hacienda PS Improvements - Pump Sizing Study
CIVIL CONSULTANTS GROUP INC	5/27/2021	29912	\$ 440.00	SA-170 Plan Review
CONTRACTOR COMPLIANCE & MONITORING	5/13/2021	29860	\$ 2,254.80	Orchard Run WTP Improvements - Labor Compliance Monitoring
COUNTY OF SANTA CRUZ	5/27/2021	29913	\$ 83.32	Landfill Waste - Apr 2021
CROWLEY PHILIP	5/13/2021	29861	\$ 944.00	Customer Rebate - Special Lawn Replacement
DASSELS PETROLEUM	5/27/2021	29914	\$ 1,290.08	Vehicle Fuel - Apr 2021
DUMESNY ALAIN	5/27/2021	29915	\$ 1,000.00	Customer Rebate - Pool Cover
DYNAMIC PRESS INC	5/27/2021	29916	\$ 128.41	Office Supplies - Pre-Addressed Envelopes
EMPLOYEE RELATIONS INC	5/13/2021	29862	\$ 75.37	Pre-Employment Background Check
EXCEEDIO	5/27/2021	29917	\$ 1,014.00	Monthly Managed Services: SCADA - Jun 2021
EXCEEDIO	5/27/2021	29917	\$ 5,172.15	Monthly Managed Services: HaaS/SaaS/ITaaS - Jun 2021
GRAINGER	5/13/2021	29863	\$ 215.31	WTP Maint - Air Compressor Hardware
GRAINGER	5/13/2021	29863	\$ 201.19	Polo Ranch PS Upgrades - Phase Monitor Relay
GRAINGER	5/13/2021	29863	\$ 239.27	WTP Maint - Auto Drain Valve
GRAINGER	5/27/2021	29918	\$ 1,121.17	Small Tools - Round Slings, Shackles, Backflow & Repair Kits
GRAINGER	5/27/2021	29918	\$ 462.37	Lubricant / Oil - Orchard Run Booster Pumps
GREEN WASTE RECOVERY INC	5/13/2021	29864	\$ 257.36	Trash Service - El Pueblo - Apr 2021
HAIGHT ROBERT	5/27/2021	29919	\$ 598.02	Retiree Medical - May 2021
HEALTHQUITY INC	5/13/2021	29865	\$ 38.35	HSA Admin Fees - Apr 2021
HEALTHQUITY INC	5/13/2021	29865	\$ 38.35	HSA Admin Fees - May 2021
ICON CLOUD SOLUTIONS LLC	5/13/2021	29866	\$ 121.21	Phone Service - OPS - May 2021
ICON CLOUD SOLUTIONS LLC	5/13/2021	29866	\$ 343.23	Phone Service - May 2021
ICONIX WATERWORKS (US) INC	5/13/2021	29867	\$ 4,584.32	Fire Hydrants & Hydrant Hardware
ICONIX WATERWORKS (US) INC	5/27/2021	29920	\$ 4,864.72	Service Line Maint - Stock
INDEPENDENT ELECTRIC SUPPLY	5/13/2021	29868	\$ 664.10	Polo Ranch PS Upgrades - Electrical Hardware
INFOSEND	5/13/2021	29869	\$ 610.94	UB Inserts Printing & Mailing - Apr 2021
INFOSEND	5/13/2021	29869	\$ 1,720.18	UB Statements Printing & Mailing - Apr 2021
JACKSON LANDSCAPE	5/13/2021	29870	\$ 422.50	Landscape Maint - 2 Civic Ctr - Apr 2021
JOHNSTON BRIAN	5/27/2021	29921	\$ 540.00	Customer Rebate - Special Lawn Replacement
KAMIAN GEORGE	5/13/2021	29871	\$ 1,476.00	Customer Rebate - Special Lawn Replacement
KASSIS JANETTE	5/27/2021	29922	\$ 333.80	Retiree Medical - May 2021
KBA DOCUMENT SOLUTIONS LLC	5/27/2021	29923	\$ 208.00	Copier Maint - Mar 2021
LAW OFFICE OF ROBERT E BOSSO	5/13/2021	29872	\$ 3,000.00	Legal Counsel Services - Apr 2021
LI RUI	5/13/2021	29873	\$ 45.26	UB Refund Check 010682-000
LMH ENVIRONMENTAL INC	5/27/2021	29924	\$ 12,937.00	WTP Maint - Well 10 Carbon Removal / Disposal
LOPES BENJAMIN	5/13/2021	29874	\$ 268.80	Customer Rebate - Special Lawn Replacement
MILLER MAXFIELD INC	5/13/2021	29875	\$ 2,893.75	Communication / Public Outreach Services - Apr 2021
MISSION UNIFORM SERVICE	5/13/2021	29876	\$ 389.64	Uniform Laundering & Rental Service - Apr 2021
MONRO INC	5/27/2021	29925	\$ 608.86	Vehicle Maint - New Thermostat & Overheating Service - Truck 12
MONRO INC	5/27/2021	29925	\$ 1,827.75	Vehicle Maint - New Tires & AC Service - Truck 20
MONRO INC	5/13/2021	29877	\$ 1,333.27	Vehicle Maint - Differential Service & Oil Change - Truck 11

Scotts Valley Water District
AP Check Register
May 2021

Vendor Name	Check Date	Check No.	Check Amount	Description
MONRO INC	5/27/2021	29925	\$ 29.50	Vehicle Maint - Tire Repair - Truck 12
MONTGOMERY & ASSOCIATES INC	5/27/2021	29926	\$ 1,007.50	New Production Well Site Evaluation - Project Mgmt & Site Eval
MONTGOMERY & ASSOCIATES INC	5/27/2021	29926	\$ 1,747.50	Well 3B Replacement - Technical Specs & Project Management
MONTGOMERY & ASSOCIATES INC	5/27/2021	29926	\$ 3,152.50	On-Call Tech Support - Apr 2021
MONTGOMERY & ASSOCIATES INC	5/27/2021	29926	\$ 9,800.00	2020 Annual GW Report - Mar-Apr 2021
NAPA AUTO PARTS	5/27/2021	29927	\$ 244.03	Vehicle Maint - Small Engine Oil, Jumper Cables, Misc
NAPA AUTO PARTS	5/13/2021	29879	\$ 34.74	Vehicle Maint - Windshield Wipers - Truck 11
NATIONWIDE RETIREMENT SOLUTIONS	5/13/2021	29880	\$ 2,958.86	IRS 457 Plan - Payroll Date 5/7/2021
NATIONWIDE RETIREMENT SOLUTIONS	5/27/2021	29928	\$ 3,158.86	IRS 457 Plan - Payroll Date 5/21/2021
NORTON PATRICIA	5/27/2021	29929	\$ 18.56	Retiree Vision - May 2021
NORTON PATRICIA	5/27/2021	29929	\$ 456.19	Retiree Medical - May 2021
NORTON PATRICIA	5/27/2021	29929	\$ 33.72	Retiree Dental - May 2021
OCCU-MED LTD	5/27/2021	29930	\$ 459.45	Physical Exam & Testing - WFO III
OKAMURA ALAN	5/27/2021	29931	\$ 443.00	Customer Rebate - Special Lawn Replacement
PACIFIC GAS & ELECTRIC	5/13/2021	29881	\$ 67.20	Electricity - Skypark - Apr 2021
PACIFIC GAS & ELECTRIC	5/13/2021	29881	\$ 415.44	Electricity - Santas Village Rd - Apr 2021
PACIFIC GAS & ELECTRIC	5/27/2021	29932	\$ 170.60	Electricity - RW - Apr 2021
PACIFIC GAS & ELECTRIC	5/27/2021	29932	\$ 31,794.06	Electricity - PW - Apr 2021
PACIFIC GAS & ELECTRIC	5/27/2021	29932	\$ 1,163.78	Electricity - 2 Civic Ctr - Apr 2021
PALACE BUSINESS SOLUTIONS	5/27/2021	29933	\$ 63.90	Ergonomic Back Support
PANTCHENKO OXANA	5/27/2021	29934	\$ 50.00	Customer Rebate - Pressure Regulator
PENINSULA PETROLEUM LLC	5/27/2021	29935	\$ 44.17	SA-119 Deposit - Refund Remainder
PERRI CHRISTOPHER	5/27/2021	29936	\$ 850.36	Director Medical - May 2021
PIED PIPER EXTERMINATORS	5/13/2021	29882	\$ 260.00	Pest Control @ Pump Buildings - Apr 2021
PINO DORA	5/13/2021	29883	\$ 3,274.60	Customer Rebate - Special Lawn Replacement
PRESS BANNER	5/27/2021	29937	\$ 252.00	SV Banner Ad - 2/5
PRESS BANNER	5/27/2021	29937	\$ 321.30	SV Banner Ad - Flushing 4/9
PRESS BANNER	5/13/2021	29884	\$ 252.00	SV Banner Ad - 5/7
RAFTELIS FINANCIAL CONSULTANTS INC	5/13/2021	29885	\$ 8,251.25	Water Rate Study - Rate Development
REBER DANIEL	5/27/2021	29938	\$ 1,369.71	Director Medical - May 2021
RED WING BUSINESS ADVANTAGE ACCOUNT	5/13/2021	29886	\$ 167.12	Work Boots - Wallace
REIN TERI	5/13/2021	29887	\$ 990.00	Customer Rebate - Hardscape Replacement
RICHARDS JUDY	5/13/2021	29888	\$ 25.00	Customer Rebate - Toilet
RYDER HOMES OF CALIFORNIA INC	5/13/2021	29889	\$ 2,000.00	Refund Deposit - RW Bulk Meter (Re-Issue)
SABRE BACKFLOW INC	5/27/2021	29939	\$ 112.84	WTP Maint - Backflow Prevention Kit Calibration
SACKX FILIEP	5/13/2021	29890	\$ 1,353.00	Customer Rebate - Special Lawn Replacement
SALINAS PUMP CO	5/27/2021	29940	\$ 14,300.83	Backup Pump & Motor - Well 10
SAN LORENZO VALLEY WATER DISTRICT	5/27/2021	29941	\$ 37,474.40	Intertie Water Purchased for Resale - Apr & May 2021
SCARBOROUGH LUMBER & BUILDING SUPPLY	5/13/2021	29891	\$ 372.71	WTP Maint - Bag Filter Hardware PVC Piping & Check Valve
SCARBOROUGH LUMBER & BUILDING SUPPLY	5/13/2021	29891	\$ 105.32	OPS Supplies - Combo Locks
SCARBOROUGH LUMBER & BUILDING SUPPLY	5/13/2021	29891	\$ 118.71	Water Treatment Chemicals
SCARBOROUGH LUMBER & BUILDING SUPPLY	5/13/2021	29891	\$ 150.26	Small Tools - Shovels Gloves & Misc
SCARBOROUGH LUMBER & BUILDING SUPPLY	5/13/2021	29891	\$ 54.29	Kitchen Supplies - OPS
SCARBOROUGH LUMBER & BUILDING SUPPLY	5/13/2021	29891	\$ 169.95	Main Maint - Concrete & Flushing Supplies
SCARBOROUGH LUMBER & BUILDING SUPPLY	5/13/2021	29891	\$ 46.51	Meter Maint - Connectors & Gravel
SCOTT'S VALLEY SPRINKLER	5/13/2021	29892	\$ 14.46	OPS Supplies - Marking Paint
SCOTT'S VALLEY SPRINKLER	5/13/2021	29892	\$ 88.32	Small Tools - Hand Pump & Gauges
SCOTT'S VALLEY SPRINKLER	5/13/2021	29892	\$ 23.22	WTP Maint - Bag Filter Hardware
SPRINGBROOK HOLDING COMPANY LLC	5/13/2021	29893	\$ 134.00	CC Payment Transaction Fees - Apr 2021
STEVENSON LANDSCAPING	5/27/2021	29942	\$ 650.00	Landscaping @ Misc Locations - May 2021
STILES RUTH	5/27/2021	29943	\$ 792.63	Director Medical - May 2021
SYCAL ENGINEERING INC	5/13/2021	29894	\$ 2,550.00	Engineering Services for SCADA - Apr 2021
SYCAL ENGINEERING INC	5/13/2021	29894	\$ 3,225.09	El Pueblo WTP Improvements - Panel Upgrades
U.S. BANK EQUIPMENT FINANCE	5/13/2021	29895	\$ 372.14	Copier Lease - May 2021
UNITED SITE SERVICES	5/13/2021	29896	\$ 250.39	Portable Toilet Rental - Orchard Run WTP - May 2021
UNITED SITE SERVICES	5/13/2021	29896	\$ 250.68	Portable Toilet Rental - 229 Mt Hermon - May 2021
UNIVERSAL BUILDING SERVICES	5/27/2021	29944	\$ 497.00	Janitorial Service - 2 Civic Ctr - Apr 2021
UNIVERSAL BUILDING SERVICES	5/27/2021	29944	\$ 403.00	Janitorial Service - El Pueblo - Apr 2021
USABLUBOOK	5/13/2021	29897	\$ 1,499.10	WTP Maint - Valves & PVC
USABLUBOOK	5/13/2021	29897	\$ 665.04	Water Sampling Supplies
USABLUBOOK	5/27/2021	29945	\$ 872.28	Small Tools - Gate Key Adapter & Gator Grip Socket
VALERO FLEET	5/27/2021	29946	\$ 62.93	Vehicle Fuel - May 2021
VO CYNTHIA	5/27/2021	29947	\$ 384.64	SA-162 Deposit - Refund Remainder
WATER SYSTEMS CONSULTING INC	5/13/2021	29898	\$ 7,765.00	Urban Water Mgmt Plan - Water Shortage Contingency Plan
WATER SYSTEMS CONSULTING INC	5/13/2021	29898	\$ 7,176.25	Urban Water Mgmt Plan - Complete Draft 2020 UWMP - Mar 2021
WATER SYSTEMS CONSULTING INC	5/13/2021	29898	\$ 9,575.00	Urban Water Mgmt Plan - Demand Projections - Mar 2021
WATER SYSTEMS CONSULTING INC	5/13/2021	29898	\$ 1,395.00	Urban Water Mgmt Plan - Kickoff / Preliminary Work - Mar 2021
WATER SYSTEMS CONSULTING INC	5/27/2021	29948	\$ 3,334.50	AWIA Risk & Resilience Assessment - Apr 2021
WHITLOW CONCRETE	5/13/2021	29899	\$ 1,800.00	Meter Box Sidewalk Installation

Scotts Valley Water District
 AP Check Register
 May 2021

Vendor Name	Check Date	Check No.	Check Amount	Description
YOST JOHN	5/13/2021	29900	\$ 1,196.00	Customer Rebate - Special Lawn Replacement
			\$ 312,989.28	

Wire / ACH Payments
 May 2021

Vendor Name	Trans Date	Check No.	Trans Amount	Description
ADP	5/7/2021	n/a	\$ 182.90	ADP Workforce Now HR Fees - Apr 2021
ADP	5/7/2021	n/a	\$ 185.30	ADP Time & Attendance Fees - Apr 2021
ADP	5/7/2021	n/a	\$ 394.05	ADP PW14, PW16 Fees - Apr 2021
BlueFin	5/3/2021	n/a	\$ 1,506.89	Bluefin CC Processing Fees - Apr 2021
BlueFin	5/3/2021	n/a	\$ 89.29	Bluefin Civic PayPad Fees - Apr 2021
CalPERS	5/7/2021	n/a	\$ 11,553.82	CalPERS Retirement - PW18 Ended 5/3/2021
CalPERS	5/21/2021	n/a	\$ 11,516.17	CalPERS Retirement - PW20 Ended 5/17/2021
GSE Construction	5/5/2021	n/a	\$ 458,690.87	Orchard Run WTP Improvements - Construction Pymt #4
Wells Fargo CC	5/21/2021	n/a	\$ 10,401.65	WFB CC Payment - May 2021
			\$ 494,520.94	

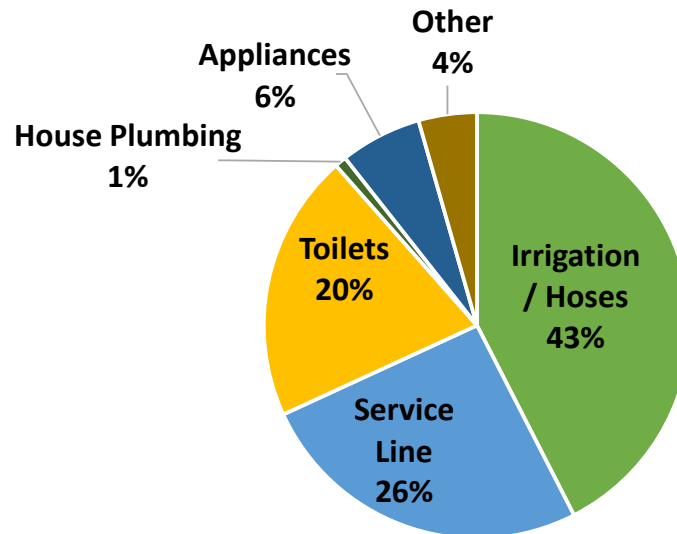
Legend:

Abbreviation:	Meaning:
PW	Potable Water
RW	Recycled Water
WW	Waste Water
WTP	Water Treatment Plant
EE	Employee
ER	Employer
CO	Change Order
TO	Task Order
SA	Service Application
FY	Fiscal Year
OPS	Operations
Eng	Engineering
Adm	Administration
Fin	Finance
WUE	Water Use Efficiency
ENR	Engineering News Record
ACWA	Association of California Water Agencies
LID	Low Impact Development
UB	Utility Billing
AMI	Advanced Metering Infrastructure
PS	Pump Station

Leak Adjustment Program Report FY 2021

	RES Requests	CII Requests	Approved	Denied	Appeals	Reason Denied	Total Adjust Credit	Total Excess Use (gallons)
JUL	8	0	8	0	0		\$1,806	148,425
AUG	9	0	8	1	0	Consumption did not exceed PY	\$4,338	301,542
SEPT	9	0	7	2	0	< 5 yrs (1), prior billing period (1)	\$1,996	129,498
OCT	16	0	12	4	0	< 5 yrs (2), cons. < PY (2)	\$4,457	304,641
NOV	18	2	20	0	0		\$6,210	494,504
DEC	14	0	13	1	0	< 5 yrs (1)	\$3,307	278,601
JAN	8	0	8	0	0		\$2,644	181,979
FEB	14	2	14	2	0		\$3,802	270,930
MAR	5	0	4	1	0	consumption < PY	\$1,444	94,257
APR	7	0	4	3	0	cons<PY(1), waste(1), past due(1)	\$878	82,892
MAY	1	1	1	1	0	< 5 yrs (1)	\$396	27,300
JUN								
Total	109	5	99	15	0		\$31,277	2,314,569
Prior Year	114	10	110	11	4		\$45,100	3,185,756

Sources of Leaks



Commentary Letter

Written By Santa Cruz County Water Managers

In response to current drought conditions and the renewed need for reduced water use, the community has shown interest in what local water agencies are doing to generate alternatives to water supply challenges. We are glad to report that we – local water agencies – are prepared.

All the water used in Santa Cruz County begins as local rainfall. The lack of rain we are now experiencing is not an anomaly – it is climate change, and it will most likely continue to bring more extreme weather events in the future. Mindful and efficient use of water is our first line of defense against drought, and our community excels at it. Despite modest growth, the county has seen 30 percent reduction in water use since peak use in the late 1990s. However, conservation is not enough to ensure the resiliency that our community needs.

The solution is investing in supplemental supply projects, which will be most successful when done collaboratively. Over the past five years, county water purveyors have made significant progress toward generating sustainable water supply alternatives, as well as protecting the precious supplies we have.

Regional agencies banded together with community members to develop the first-ever plans in the State to sustainably manage local groundwater basins, which serve as the primary water source for most county residents, other than those served by the City of Santa Cruz. The plan for the Pajaro Valley Groundwater Basin was approved in 2019. The plan for the Mid-County groundwater basin was recently approved by the State to address critical overdraft and meet the state mandate of basin sustainability by 2040. A plan for the Santa Margarita basin is about to be released in draft form for public comment. A unified, regional approach to protecting groundwater is an important improvement to the way the resource has been managed in the past.

In Soquel Creek Water District's service area, the Community Water Plan was created in 2015, following a year-long process of public meetings and gathering customer input. Over the last six years, a multi-prong approach of a pilot test water exchanges, stormwater capture and developing Pure Water Soquel (a purified recycled water project). The goal of Pure Water Soquel is to replenish the groundwater basin and create a seawater intrusion barrier to prevent contamination from moving further inland. The Project is anticipated to be online in 2023 and has received state and federal funding assistance.

The City of Santa Cruz has spent the past five years studying and piloting water supply alternatives recommended by the citizen-led Water Supply Advisory Committee, including water exchanges, banking excess water (when available) in groundwater basins, and development of advanced treated wastewater as a supply alternative, and will bring results and final recommendations for supply augmentation to City Council within the next 12 months.

In the Scotts Valley and San Lorenzo Valley, water agencies have been evaluating options for using existing water sources more efficiently. Recycled water has been an invaluable water source for irrigation in Scotts Valley for close to 20 years and three stormwater recharge basins have been installed in the last ten years. During winter, excess surface water can be used instead of groundwater allowing the basin to rest. When surface flows decline, groundwater can be used, leaving water in the streams for wildlife in a process called Conjunctive Use.

The City of Watsonville and the Pajaro Valley Water Management Agency continue their successful collaboration and operation of the Watsonville recycled water facility. PV Water is working on two water supply projects – College Lake Integrated Resources Management and Watsonville Slough System Managed Aquifer Recharge and Recovery, to supplement its recycled water supply. Water from these projects will decrease groundwater pumping while helping to maintain the valley’s agricultural economy.

While we do have challenges, we have also, collectively and collaboratively, developed a set of initiatives that will help ensure that the people of Santa Cruz County have adequate water supplies, both now and into the future. If you want to know more about what your water agency is doing, contact us, attend our meetings, take advantage of our conservation programs, and read our reports. When it comes to water, we are all in this together.

Signed by:

Ralph Bracamonte, District Manager, Central Water District

Ron Duncan, General Manager, Soquel Creek Water District

Piret Harmon, General Manager, Scotts Valley Water District

Beau Kayser, Water Division, City of Watsonville

Brian Lockwood, General Manager, Pajaro Valley Water Management Agency

Rosemary Menard, Water Director, City of Santa Cruz

Rick Rogers, District Manager, San Lorenzo Valley Water District

Sierra Ryan, Interim Water Resources Manager, County of Santa Cruz

ACWA ADVISORY

Governor Newsom and Legislature Reach Tentative Agreement on Drought and COVID-19 Water Arrearage Funding

Governor Newsom and legislative leaders have reached a tentative agreement to provide more than \$2 billion for drought infrastructure funding and \$1 billion for water arrearages that resulted from the COVID-19 pandemic.

The tentative agreement would allocate funding for drought relief, multi-benefit projects, Sustainable Groundwater Management Act (SGMA) implementation, conveyance projects, septic to sewer conversions, recycled water projects, groundwater remediation, and other drinking water and wastewater projects.

The agreement passed out of the Senate Budget and Fiscal Review Committee today and will now head to the Senate floor for a vote of the full Senate. If passed by the Senate, it will go to the Assembly for a floor vote. If it passes both houses it will go to the governor for signature.

ACWA staff has been advocating extensively for investments in water infrastructure through state funds (such as the General Fund and/or general obligation bond funds) and federal funds. This advocacy has included strong support for conveyance, SGMA implementation, groundwater remediation, recycled water projects, and other funding categories. ACWA has provided funding recommendations to Newsom Administration officials, Senate and Assembly leadership, testified during budget subcommittees, and advocated to dozens of legislators and their staff.

Some of the funding will go through existing funding programs. The details for some categories may be established through subsequent budget trailer bills.

ACWA has also been advocating extensively for the funding for COVID-19-related arrearages. The details are expected to be in a budget trailer bill. ACWA is actively engaged in this work and will keep members informed about program details as they become available.

The budget bill “junior,” [AB 129](#) (Ting D-San Francisco), which went into print today, proposes the following categories and amounts:

- \$663 million to the Department of Water Resources for the following projects and programs
 - \$200 million for small community drought relief
 - \$100 million for urban community drought relief

- \$200 million for multi-benefit projects
- \$60 million for SGMA implementation
- \$100 million for conveyance projects
- \$3 million for immediate drought support
- \$1.385 billion to the State Water Resources Control Board for the following projects and programs.
 - \$650 million for drinking water projects with priority given to disadvantaged communities
 - \$650 million for wastewater projects with priority given to septic-to-sewer conversions with local investment for wastewater projects
 - \$85 million for groundwater cleanup and recycled water projects
- \$985 million to the State Water Board for water arrearages due to COVID-19

This funding, if approved, will help to address some immediate drought-related issues. Additional funding is still needed to increase California’s water resilience. ACWA will continue to advocate for further investments, particularly in the areas of dam safety, conveyance, PFAS remediation, recycled water, flood protection and other categories.

AB 129 also includes a section that proposes additional funding that is **contingent upon the enactment of future legislation**. This contingent proposal would appropriate \$2.5 billion from the General Fund for the following purposes:

- \$730.7 million for a water and drought resilience package
- \$440 million for a climate resilience package
- \$200 million for an agricultural package
- \$65 million for a circular economy package
- \$200 million for local parks grants
- \$258 million for a wildfire prevention and forest resilience package
- \$500 million for supporting affordable student housing projects for the University of California, the California State University, and the California Community Colleges, as well as for support of campus expansions for the University of California and the California State University
- \$4.68 million for a climate-related service program
- \$67.5 million for the California Access to Justice program

ACWA staff will continue to actively advocate for funding and for reasonable implementation details.



Rate study and proposed water rate increase will be discussed at board meeting

The Scott Valley Water District Board of Directors will [receive an update on the new Water and Recycled Water Rate Study](#) at its board meeting to be held virtually this Thursday (June 10). District customers, both residential and commercial, are encouraged to attend to learn about the cost of water service and proposed changes to rate tier structure and water rates for different customer categories.

The District last reviewed and [adjusted water rates in 2016](#). The new study looks at a five-year period ending in 2026 and focuses on the cost of service and fair and equitable rate development. The cost-of-service analysis determines the costs of operating and maintaining the water system, including repair, replacement and upgrades of capital assets, debt service requirements, and maintaining the target level of reserve funding.

Any increase to water rates is necessary to fund aging infrastructure repair, replacement and upgrade needs. Recent rate-funded projects include:

- Water Main Replacement Program
- [Orchard Run Water Treatment Plant](#) Upgrades, including new technology to improve water taste and smell
- MacDorsa Tank Rehabilitation

- Well 7A Replacement
- Automated Metering Infrastructure ([i-Meter program](#)).

At the direction of the Board, the rate study process began in October 2020. The goals of the study include determining the District's revenue requirements, conducting a cost of service analysis and creating rate models that show a clear nexus between the District's costs and customer rates.

Based on the cost of service study, a 5% revenue increase per year over the next five years is required to continue implementing the infrastructure projects and maintain appropriate target reserve levels.

The legal framework for setting water rates in California is prescribed by Proposition 218. Passed by ballot initiative in 1996, Prop 218 was established to protect taxpayers by limiting the methods by which local governments can exact revenue from them without their consent. Should the Board decide to move forward with a proposed rate increase, District customers will take part in a Prop 218 process that provides opportunities to engage with the District and weigh in on the proposal, including the right to reject the proposal.

The board meeting will be at 6 p.m. Thursday and conducted in a hybrid setting. Directors and Associate Directors may attend the meeting remotely or in person. Public participation is encouraged; members of the public may attend remotely through the [meeting link](#) or by phone: 669 900 9128 (Webinar ID: 940 2988 6697). The public has opportunities to make comments throughout the meeting: to comment online, use the raise hand option, by phone press *9.

Take the Water Saving Challenge and win!

Customers can enter for a chance to win prizes — including water bill credit — by lowering their water use this summer! Take part in the [Water Saving Challenge](#) starting June 1. The four-month program encourages District customers to aim for a 15% (or more) water reduction from the same period the prior year.



SAVE WATER AND WIN!

- Monthly raffle prize: either a \$100 water bill credit or a choice of a gift certificate from a Scotts Valley business
- Grand prize: either a \$500 water bill credit or a choice of a gift certificate from a Scotts Valley business

Submit the raffle entry by 7th of the following month

- July, August, September, October for customers on i-Meters at least for a year
- July, September for customers on i-Meters for less than a year

Complete [this form](#) to submit your monthly entries. (Pro tip: bookmark it now!)

Questions? [Email us!](#)

All District potable water account holders, who have had water service at least for a year and achieve at least 15% reduction in water use in comparison with the same period prior year, are eligible to enter the [Water Saving Challenge](#). To be eligible for the grand prize, the customers have to achieve 15% savings and submit entries in all four months or two bi-monthly cycles.
