



**SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT**

Post Office Box 339, Oceano, California 93475-0339  
1600 Aloha, Oceano, California 93445-9735  
Telephone (805) 489-6666 FAX (805) 489-2765  
[www.sslocsd.us](http://www.sslocsd.us)

**AGENDA  
BOARD OF DIRECTORS MEETING**

# **VIRTUAL ZOOM MEETING**

You are invited to a Zoom webinar.

When: August 5, 2020 06:00 PM Pacific Time (US and Canada)

Please click the link below to join the webinar:

<https://us02web.zoom.us/j/85651477987?pwd=ZExwZmt6KzJra1JZZEpnWVRLSXlYQT09>  
Passcode: 791473

Or Telephone:

Dial (for higher quality, dial a number based on your current location):

1 669 900 6833  
1 408 638 0968  
1 346 248 7799  
1 253 215 8782  
1 646 876 9923  
1 301 715 8592  
1 312 626 6799

Webinar ID: 856 5147 7987

Passcode: 791473

Or iPhone one-tap :

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14086380968,,85651477987#,,,,,0#,,791473#

**Wednesday, August 5, 2020 at 6:00 p.m.**

**Board Members**

Caren Ray Russom, Chair  
Jeff Lee, Vice Chair  
Linda Austin, Director

**Agencies**

City of Arroyo Grande  
City of Grover Beach  
Oceano Community Services District

**Alternate Board Members**

Karen Bright, Director  
Lan George, Director  
Shirley Gibson, Director

City of Grover Beach  
City of Arroyo Grande  
Oceano Community Services District

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**1. CALL TO ORDER AND ROLL CALL**

**2. PLEDGE OF ALLEGIANCE**

### **3. AGENDA REVIEW**

### **4. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON AGENDA**

#### **Public Participation:**

In order to prevent and mitigate the effects of the COVID-19 pandemic, the District, in accordance with Executive Order N-29-20, will not make available a physical location from which members of the public may observe the meeting and offer public comment. Remote public participation is allowed in the following ways:

Community members are encouraged to submit agenda correspondence in advance of the meeting via email to the District Secretary at [amy@sslocsd.us](mailto:amy@sslocsd.us) prior to the meeting and will be published on the District website. Agenda correspondence received less than 3 hours before the meeting start time may not be posted until after the meeting. Members of the public may watch the meeting either on cable Channel 20 or as streamed on SLOSPAN <https://slo-span.org/static/index.php>

Alternatively, members of the public may watch the meeting and speak during general Public Comment or on a specific agenda item by logging in to the Zoom webinar using the information provided above. Please use the “raise hand” feature to indicate your desire to provide public comment. Each speaker will be allowed three minutes to provide input.

This public comment period is an invitation to members of the community to present comments, thoughts or suggestions on matters not scheduled on this agenda. Comments should be limited to those matters which are within the jurisdiction of the District. The Brown Act restricts the Board from taking formal action on matters not published on the agenda. In response to your comments, the Chair or presiding Board Member may:

- Direct Staff to assist or coordinate with you.
- Direct Staff to place your issue or matter on a future Board meeting agenda.

Please adhere to the following procedures when addressing the Board:

- Comments should be limited to three (3) minutes or less.
- Your comments should be directed to the Board as a whole and not directed to individual Board members.
- Slanderous, profane or personal remarks against any Board Member, Staff or member of the audience shall not be permitted

Any writing or document pertaining to an open-session item on this agenda which is distributed to a majority of the Board after the posting of this agenda will be available for public inspection at the time the subject writing or document is distributed. The writing or document will be available for public review in the offices of the Oceano CSD, a member agency located at 1655 Front Street, Oceano, California. Consistent with the Americans with Disabilities Act (ADA) and California Government Code §54954.2, requests for disability-related modification or accommodation, including auxiliary aids or services, may be made by a person with a disability who requires modification or accommodation in order to participate at the above referenced public meeting by contacting the District Administrator or Bookkeeper/Secretary at (805) 481-6903. So that the District may address your request in a timely manner, please contact the District two business days in advance of the meeting.

**5. CONSENT AGENDA:**

The following routine items listed below are scheduled for consideration as a group. Each item is recommended for approval unless noted. Any member of the public who wishes to comment on any Consent Agenda item may do so at this time. Any Board Member may request that any item be withdrawn from the Consent Agenda to permit discussion or to change the recommended course of action. The Board may approve the remainder of the Consent Agenda on one motion.

**5A. Approval of Warrants**

**5B. Approval of Meeting Minutes of July 1, 2020**

**6. ACTION ITEMS:**

**6A. AWARD A CONTRACT FOR COATING SERVICES TO NATIONAL COATING AND LINING COMPANY FOR THE PRIMARY CLARIFIER NO. 2 REHABILITATION AND COATINGS PROJECT AND INCREASE CANNON'S CONSTRUCTION MANAGEMENT CONTRACT**

Recommendation:

1. Award a contract for coating services to National Coating and Lining Company for the Primary Clarifier No. 2 Rehabilitation and Coatings Project in the amount of \$41,968.00; and
2. \$4,500 increase for Cannon's Construction Management Contract

**6B. ADOPTION OF RESOLUTION NO. 2020-417 APPROVING THE 2020 UPDATE TO THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT LOCAL HAZARD MITIGATION PLAN**

Recommendation: Adoption of Resolution No. 2020-417 Approving the 2020 Update to the South San Luis Obispo County Sanitation District Local Hazard Mitigation Plan

**6C. DEBT FINANCING REDUNDANCY PROJECT**

Recommendation:

1. Adopt Resolution No. 2020-418 Adopting a Debt Management Policy; and
2. Adopt Resolution No. 2020-419 Authorizing the execution, delivery, and sale of wastewater revenue Certificates of Participation in the maximum principal amount of \$25,000,000 to finance wastewater projects, and approving related documents and actions; and
3. Adopt Resolution No. 2020-420 Authorizing and providing for the incurrence of indebtedness for the purpose of providing a portion of the cost of acquiring, constructing, enlarging, improving, and/or extending its wastewater treatment facility to serve an area lawfully within its jurisdiction to serve; and
4. Adopt Resolution No. 2020-421 Authorizing the execution, delivery, and sale of certificates of participation to US Department of

Agriculture in the maximum principal amount of \$4,464,000 to finance wastewater projects, and approving related documents and actions

**6D. AUTHORIZE STAFF TO BID WWTP REDUNDANCY PROJECT**

Recommendation: Adopt Resolution No. 2020-422 Authorizing the District Administrator to advertise bidding documents for the Wastewater Treatment Plant Redundancy Project.

**6E. DISTRICT ADMINISTRATOR AND PLANT OPERATIONS REPORT**

Recommendation: Receive and File.

**7. BOARD MEMBER COMMUNICATIONS:**

**8. CLOSED SESSION:**

**Public Employee Performance Evaluation pursuant to Government Code Section 54957:**

Title: District Legal Counsel

Title: District Administrator

**9. ADJOURNMENT:**

**The next regularly scheduled Board Meeting will be held September 2, 2020, at 6:00 pm. This meeting will be held either virtually via ZOOM or depending on the status of the COVID-19 Emergency at the Oceano Community Services District Board Room, 1655 Front Street, Oceano, California 93445**



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT  
WARRANT REGISTER  
8/5/2020

VENDOR	BUDGET LINE ITEM	DETAIL	WARRANT NO.	ACCT	ACCT BRKDN	TOTAL
ADVANCED FLOW MEASUREMENT	EQUIPMENT MAINTENANCE	2020 COMPLIANCE CHECKS	070120-4626	8030	2,063.44	2,063.44
ADVANTAGE TECHNICAL SERVICE	STRUCTURE MAINTENANCE	PRIMARY CLARIFIER NO 2	4627	26-8065	7,715.00	7,715.00
AIRFLOW FILTER SERVICE	EQUIPMENT MAINTENANCE	48531	4628	8030	70.40	70.40
ALLIED ADMINISTRATORS	DENTAL	AUGUST 2020	4629	6025	815.10	815.10
ALLSTAR INDUSTRIAL	SAFETY SUPPLIES	2565	4630	8056	1,266.94	1,266.94
ARAMARK	UNIFORMS	06/05; 06/12; 06/19	4631	7025	958.92	958.92
AT&T	TELEPHONE	06/11/20-07/10/20	4632	7013	415.75	415.75
BC PUMP SALES	EQUIPMENT MAINTENANCE	34251	4633	8030	314.05	314.05
BRENNTAG	PLANT CHEMICALS	BPI57631; BPI57632	4634	8050	11,814.48	11,814.48
CAL COAST REFRIGERATION	EQUIPMENT MAINTENANCE	177929	4635	8030	122.50	122.50
CALPORTLAND	EMERGENCY REPAIR	MULTIPLE	4636	26-8670	2,078.43	2,078.43
CAREN RAY RUSSOM	BOARD SERVICE	JULY	4637	7075	100.00	100.00
CARQUEST	EQUIPMENT MAINTENANCE	1162455; 1164541	4638	8030	31.96	31.96
CHARTER	COMMUNICATIONS	06/29/20-07/28/20	4639	7011	309.95	309.95
CHRISTOPHER RIGONI	UNIFORMS	BOOT ALLOWANCE FY 20/21	4640	7025	250.00	250.00
CITY OF GROVER BEACH	AGENCY BILLING	MAY 2020	4641	7081	1,755.00	1,755.00
COASTAL ROLL OFF	RUBBISH	JUNE 2020	4642	7093	726.24	726.24
DE JESUS GARDENING	STRUCTURE MAINTENANCE	JUNE 23-JULY 7	4643	8060	450.00	450.00
ENDRESS HAUSER	STRUCTURE MAINTENANCE	CHLORINE SYSTEM	4644	26-8065	5,746.64	5,746.64
ENGEL & GRAY	BIOSOLIDS HANDLING	JUNE 2020	4645	7085	4,005.59	4,005.59
ERIKA FROST	UNIFORMS	BOOT ALLOWANCE FY 20/21	4646	7025	250.00	250.00
EVERYWHERE RIGHT NOW	COMPUTER SUPPORT	JULY 2020	4647	7082	100.00	100.00
FGL	CHEMICAL ANALYSIS	081187A	4648	7078	3,352.00	3,352.00
FLUID RESOURCE MNGMT	STRUCTURE MAINTENANCE	PRIMARY CLARIFIER NO 2	4649	26-8065	21,044.43	21,044.43
GRAINGER	SAFETY SUPPLIES	EYEWASH SHOWER	4650	8056	712.35	712.35
HAULAWAY	RENTAL EQUIPMENT	MAY AND MOVE OUT	4651	7032	157.45	157.45
I.I. SUPPLY	EQUIPMENT MAINTENANCE	70267	4652	8030	99.32	170.00
	SAFETY SUPPLIES	70268		8056	70.68	
INDUSTRIAL MEDICAL GROUP	SAFETY SUPPLIES	95684	4653	8056	85.00	85.00
JAN PRO	STRUCTURE MAINTENANCE	JUNE AND JULY	4654	8060	398.00	398.00
JB DEWAR	FUEL	936772; 940430	4655	8020	95.60	95.60
JEFF LEE	BOARD SERVICE	JULY	4656	7075	100.00	100.00
LARA HR SERVICES	HUMAN RESOURCES	MARCH TO MAY	4657	7076	370.00	370.00
LINDA AUSTIN	BOARD SERVICE	JULY	4658	7075	100.00	100.00
MARIO DE LEON	UNIFORMS	BOOT ALLOWANCE FY 20/21	4659	7025	250.00	250.00
MICHAEL K NUNLEY & ASSOC.	REDUNDANCY	ADMIN SUPPORT	4660	20-7080	10,310.57	10,310.57
MICHAEL ARIAS	UNIFORMS	BOOT ALLOWANCE FY 20/21	4661	7025	250.00	250.00
MINERS	EQUIPMENT MAINTENANCE	MAY AND JUNE	4662	8030	1,294.91	1,294.91
MYCHAL JONES	UNIFORMS	BOOT ALLOWANCE FY 20/21	4663	7025	250.00	250.00
NBS	AGENCY BILLING	JULY TO SEPTEMBER	4664	7074	1,676.99	1,676.99
OILFIELD ENVIRONMENTAL	CHEMICAL ANALYSIS	2002614; 200295	4665	7078	170.00	170.00
OVIVO	STRUCTURE MAINTENANCE	PRIMARY CLARIFIER NO 2	4666	26-8065	14,778.41	14,778.41
POLYDYNE	PLANT CHEMICALS	1461403; 1465187	4667	8050	7,280.78	7,280.78
PRAXAIR	RENTAL EQUIPMENT	05/20/20-06/20/20	4668	7032	33.16	33.16
R. BAKER	EMERGENCY REPAIR	OUTFALL LINE	4669	26-8670	6,715.63	6,715.63
RAIN FOR RENT	EMERGENCY REPAIR	OUTFALL LINE	4670	26-8670	8,142.40	8,142.40
READY REFRESH	ADMIN BUILDING SUPPLIES	05/25/20-06/24/20	4671	8045	158.32	158.32
RINCON	REDUNDANCY	CEQA PLUS USDA FUNDING	4672	20-7080	2,227.50	2,227.50
SAFETY KLEEN	EQUIPMENT MAINTENANCE	83370812	4673	8030	176.96	176.96
SO CAL GAS	UTILITY GAS	05/29/20-06/29/20	4674	7092	2,061.46	2,061.46
SO COUNTY SANITATION	RUBBISH	JULY	4675	7093	391.48	391.48
STANLEY SECURITY	ALARMS	AUGUST 2020	4676	7011	75.55	75.55
TOTAL COMPENSATION	AUDIT	GASB 75 VALUATION	4677	7072	1,485.00	1,485.00
ULINE	EQUIPMENT MAINTENANCE	121183204	4678	8030	117.06	117.06
USA BLUEBOOK	STRUCTURE MAINTENANCE	POLYBLEND POLYMER FEED SYSTEM	4679	26-8065	8,506.12	8,506.12
WILLIAM JACKMAN	UNIFORMS	BOOT ALLOWANCE FY 20/21	4680	7025	250.00	250.00
WILLIAM ROMHILD	UNIFORMS	BOOT ALLOWANCE FY 20/21	4681	7025	250.00	250.00
<b>SUB TOTAL</b>					<b>134,797.52</b>	<b>134,797.52</b>
<b>TOTAL</b>					<b>\$ 134,797.52</b>	<b>134,797.52</b>

VENDOR	BUDGET LINE ITEM	DETAIL	WARRANT NO.	ACCT	ACCT BRKDN	TOTAL
AGP VIDEO	PROFESSIONAL SERVICE	JUNE 3, 2020	071520-4682	7080	460.00	460.00
AMERICAN BUSINESS MACHINES	OFFICE SUPPLIES	520818	4683	8045	149.66	149.66
ARAMARK	UNIFORMS	06/26; 07/03; 07/10	4684	7025	915.16	915.16
AUTOSYS	SCADA	2669; 2670	4685	20-	2,880.00	2,880.00
BRENNTAG	PLANT CHEMICALS	BPI62625	4686	8050	6,283.82	6,283.82
CANNON	STRUCTURE MAINTENANCE	PRIMARY CLARIFIER NO 2	4687	26-8065	1,370.50	1,370.50
CULLIGAN CCWT	ADMIN BUILDING SUPPLIES	63578	4688	7032	60.00	60.00
FGL ENVIRONMENTAL	CHEMICAL ANALYSIS	081186A	4689	7078	6,326.00	6,326.00
GRAINGER	EQUIPMENT MAINTENANCE	9579477846	4690	8030	208.71	208.71
INDUSTRIAL MEDICAL GROUP	SAFETY SUPPLIES	95965; 95968	4691	8056	330.00	330.00
JONES & MAYER	LEGAL COUNSEL	JUNE	4692	7071	2,343.50	2,343.50
KENNEDY JENKS	REDUNDANCY	139909	4693	20-7080	19,966.65	19,966.65
MNS	REDUNDANCY	CONSTRUCTION MANAGEMENT	4694	20-7080	5738.00	5,738.00
OVIVO	STRUCTURE MAINTENANCE	FFR BLOWER	4695	26-8065	5282.56	5,282.56
SPRINT	CELL PHONE	06/04/2020-07/03/2020	4696	7014	170.46	170.46
STATE FUND COMPENSATION	INSURANCE	RENEWAL	4697	6080	596.91	596.91
THE TRIBUNE	ADVERTISING	BUDGET	4698	7005	285.56	285.56
UMPQUA BANK	CREDIT CARD	JUNE 2020	4699		1,791.48	1,791.48
VWR INTERNATIONAL	LAB SUPPLIES	2020-036; 037; 040	4700	8040	742.02	742.02
<b>SUB TOTAL</b>					<b>55,900.99</b>	<b>55,900.99</b>
SSLOCD	JUNE TRANSFER	PAYROLL	4701		60,901.09	92,403.73
		RETIREMENT		6060	11,760.51	
		MEDICAL		6010	18,865.49	
		LIFE INSURANCE		6030	64.17	
		MEDICAL REIMBURSEMENT		6075	812.47	
<b>TOTAL</b>					<b>92,403.73</b>	<b>92,403.73</b>
<b>GRAND TOTAL</b>					<b>\$ 148,304.72</b>	<b>148,304.72</b>

VENDOR	BUDGET LINE ITEM	DETAIL	WARRANT NO.	ACCT	ACCT BRKDN	TOTAL
ARAMARK	UNIFORMS	07/17/2020	072320-4702	7025	354.31	354.31
AT&T	COMMUNICATIONS	07/11/20-08/10/20	4703	7013	417.67	417.67
BRENNTAG	PLANT CHEMICALS	BPI62695	4704	8050	5,397.85	5,397.85
GRAINGER	EQUIPMENT MAINTENANCE	9588173071	4705	8030	169.13	546.95
	SAFETY SUPPLIES	9583047262; 9581969913		8056	377.82	
INDUSTRIAL MEDICAL GROUP	SAFETY SUPPLIES	95965; 95968	4706	8056	115.00	115.00
JB DEWAR	FUEL	941668	4707	8020	33.53	33.53
NOBLE SAW	EQUIPMENT MAINTENANCE	465471	4708	8030	41.01	41.01
PG&E	ELECTRICITY	06/10/20-07/08/20	4709	7091	17,839.55	17,839.55
RINCON CONSULTANTS	REDUNDANCY	COASTAL HAZARDS MONITORING	4710	20-7080	21,033.70	21,033.70
SLOACTTC	LAFCO BUDGET SHARE	FY 2020/2021	4711	7069	14,151.83	14,151.83
S & L SAFETY PRODUCTS	SAFETY SUPPLIES	141711	4712	8056	387.90	387.90
VWR INTERNATIONAL	LAB SUPPLIES	208801587864; 8801520619	4713	8040	112.54	112.54
<b>SUB TOTAL</b>					<b>60,431.84</b>	<b>60,431.84</b>
<b>GRAND TOTAL</b>					<b>343,534.08</b>	<b>343,534.08</b>

We hereby certify that the demands numbered serially from 070120-4626 to 072320-4713 together with the supporting evidence have been examined, and that they comply with the requirements of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT. The demands are hereby approved by motion of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, together with warrants authorizing and ordering the issuance of checks numbered identically with the particular demands and warrants.

BOARD OF DIRECTORS:

DATE:

Chairman

Board Member

Board Member

Secretary



# **SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

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## **SUMMARY ACTION MINUTES Virtual Zoom Meeting of Wednesday, July 1, 2020**

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### **1. CALL TO ORDER AND ROLL CALL**

Chair Ray Russom called the meeting to order and recognized a quorum.

Present: Caren Ray Russom, Chair, City of Arroyo Grande  
Jeff Lee, Vice Chair, City of Grover Beach  
Linda Austin, Director, Oceano Community Services District

District Staff: Jeremy Ghent, District Administrator  
Mychal Jones, Superintendent  
Keith Collins, District Legal Counsel  
Amy Simpson, District Bookkeeper/Secretary

### **2. PLEDGE OF ALLEGIANCE**

Chair Ray Russom led the Pledge of Allegiance.

### **3. AGENDA REVIEW**

Approved as presented.

### **4. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON AGENDA**

There was no Public Comment.

### **5. CONSENT AGENDA:**

**5A. Approval of Warrants**

**5B. Approval of Meeting Minutes of June 3, 2020**

**5C. Request Approval to Purchase Chemical Pumping Systems \*Updated Cost\***

The Board asked about the PG&E warrant.

Superintendent Jones will provide an energy cost comparison for the May through June 2019 and May through June 2020 billing period at the August meeting.

There was no Public Comment.

**Motion:** Director Lee motioned to approve the Consent Agenda as presented.  
**Second:** Director Austin  
**Action:** Approved unanimously by roll call vote.

**6. ACTION ITEMS:**

**6A. 6A. APPROVAL OF LEGAL SERVICES CONTRACT WITH THE LAW FIRM OF JONES & MAYER (revised)**

Recommendation: That the Board of Directors enter into the revised contract with the law firm of Jones & Mayer to provide General Counsel legal services to the South San Luis Obispo Sanitation District.

Legal Counsel Collins recused himself from this item.

District Bookkeeper/Secretary read the staff report.

There was no public comment.

**Motion:** Director Lee made a motion to enter into the revised contract with the law firm of Jones & Mayer to provide General Counsel legal services to the South San Luis Obispo County Sanitation District.

**Second:** Director Austin

**Action** Approved unanimously by roll call vote.

Interim Legal Counsel Keith Collins rejoined the meeting.

**6B. ADOPTION OF RESOLUTION 2020-416 FOR COLLECTING FISCAL YEAR 2020-21 DISTRICT ANNUAL WASTEWATER TREATMENT CHARGES FROM THE COMMUNITY OF OCEANO THROUGH THE COUNTY PROPERTY TAX ROLL**

Administrator Ghent presented this item. The Board had a brief discussion on this item and Administrator Ghent confirmed that the residents of Halcyon that received refunds last year were not included in current report. Director Austin noted that collecting the charges on the tax bill has been a great benefit to the Oceano Community Services District and to the District.

There was no public comment.

**Motion:** Director Ray Russom made a motion to approve Resolution No. 2020-416 authorizing the transmittal of the report to the County to collect District wastewater treatment charges from the OCSD service area for Fiscal Year 2020-21 on the County Property Tax Roll.

**Second:** Director Austin

**Action** Approved unanimously by roll call vote.

## **6C. DISTRICT ADMINISTRATOR AND PLANT OPERATIONS REPORT**

Administrator Ghent presented the Administrator Report. He said the USDA application has been accepted by the U.S. Department of Agriculture (USDA). He provided key dates for the Redundancy Project. He provided an update on Central Coast Blue. He said the District received a Cease and Desist letter that is attached to the Staff Report.

The Board discussed the interest rate of the USDA loan.

Superintendent Jones presented the Superintendents Report. He reported that the District did have a violation during this period and that the District may be assessed a fine. Immediately following the violation all numbers were within permit limitations. He provided pictures to show progress on the emergency repair of the outfall line and the Primary Clarifier No. 2 project. He presented the maintenance tasks and work orders performed.

The Board had a brief discussion about the violation fine that will be assessed and the cause of the violation.

Julie Tacker provided comments on the USDA loan and her cease and desist letter.

Administrator Ghent responded that the 4.6 number of the loan is a fixed number.

**Action:** The Board received and filed this report.

## **7. BOARD MEMBER COMMUNICATIONS**

Director Lee announced that Alternate Barbara Nicolls has resigned from the City Counsel Board and he will update the District Board when the new alternate is decided.

## **8. ADJOURNMENT:**

6:45 p.m.

***THESE MINUTES ARE DRAFT AND NOT OFFICIAL UNTIL APPROVED BY THE BOARD OF DIRECTORS AT A SUBSEQUENT MEETING.***



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### **STAFF REPORT**

**Date:** August 05, 2020

**To:** Board of Directors

**From:** Jeremy Ghent, District Administrator

**Via:** Mychal Jones, Plant Superintendent

**Subject:** **AWARD A CONTRACT FOR COATING SERVICES TO NATIONAL COATING AND LINING COMPANY FOR THE PRIMARY CLARIFIER NO. 2 REHABILITATION AND COATINGS PROJECT AND INCREASE CANNON'S CONSTRUCTION MANAGEMENT CONTRACT**

#### **RECOMMENDATION:**

1. Award a contract for coating services to National Coating and Lining Company for the Primary Clarifier No. 2 Rehabilitation and Coatings Project in the amount of \$41,968.00; and
2. \$4,500 increase for Cannon's Construction Management Contract

#### **BACKGROUND:**

On February 5, 2020, the District awarded a contract for its Primary Clarifier No. 2 Rehabilitation and Coatings Project. The project consists of removal and disposal of the old clarifier mechanism, installation of a new District furnished clarifier mechanism, sandblast and coating of the new clarifier mechanism, and sandblast and coating of the concrete launder, scum box, and effluent box.

#### **DISCUSSION:**

During the coating of the concrete scum box and effluent box, the District observed a final coating roughness that would not be ideal for the coating of the concrete launder. Ideally, the coating of the launder should be smooth to assist with easy weekly wash down of the clarifier, minimize algae growth and debris buildup. A rough surface supports increased growth of algae and is substantially more difficult to wash down. The following photos show the scum box and effluent box coating roughness, clarifier launder with a rough coating surface, an ideal launder coating smoothness, and a cross section schematic of a clarifier:



Scum and effluent box coating roughness:



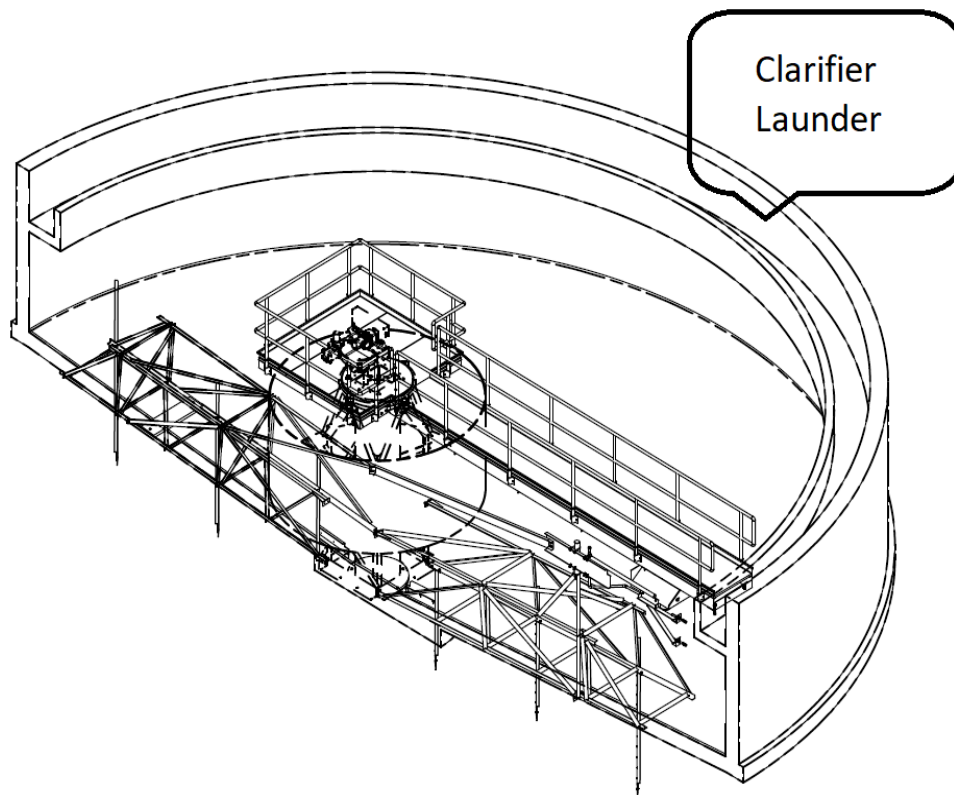
Clarifier launder with rough coating and buildup:



Ideal launder coating smoothness:



Cross section of a clarifier





After multiple attempts, the current contractor has not been able, nor do they believe they will be able to, produce a finished smoothness that would provide an easily cleaned surface. Due to the District's contractor not being able to meet the smoothness needs of the District, the contractor issued a contract credit in the amount of \$15,748.38 for the non-performed work.

To provide reasonable maintenance, proper operation of the Primary Clarifier No. 2, and ensure the necessary coating work is completed, Staff solicited two contractors for proposals to complete the coating of the launder. The proposal from Sancon was \$37,625.53 (Attachment 1) but did not meet the requirements and specifications of the District. The proposal from National Coating and Lining Company was \$41,968.00 (Attachment 2) and did meet all the requirements and specifications of the District.

In addition, Staff is seeking approval to increase Cannon's construction management contract in the amount of \$4,500.00 for the additional services provided for the above project.

**FISCAL CONSIDERATION:**

There are adequate funds in the District's Adopted Budget for Fiscal Year 2020/21, Capital Replacement Fund 26, to cover the \$46,468.00 increase in costs.

**Attachments:**

Sancon Proposal

National Coatings and Lining Company Proposal

Cannon Additional Construction Management Proposal

# SANCON TECHNOLOGIES, INC.

GENERAL ENGINEERING CONTRACTOR  
STATE CONTRACTORS LICENSE #774055  
DIR REGISTRATION # 1000008879

Tel: (714) 891-2323  
Fax: (714) 891-2524

**BID # BT20337**

**Date:** July 17, 2020  
**To:** Cannon Corp  
**Attention:** Amando Garza  
**Phone:** (805) 544-7407 **Email:** amandog@cannoncorp.us  
**Project:** Clarifier Launder Channel Coating  
**Agency:** South San Luis Obispo Sanitation District

**Scope of work:** Coating interior concrete surfaces of (1) 55 diameter Clarifier Launder Channel using Sancon100 Polyurethane

**This bid includes the following:**

- Prevailing wage / certified payroll if required, In-Place insurance coverage
- Surface preparation via hydro blasting
- Mortar repair as needed to fill deep voids and bug holes
- Application of 125 mils of Sancon 100 Polyurethane
- High voltage spark test while on-site, at the completion of our work

**Assumptions:**

- Regular working hours M – F 7AM to 5PM
- Proposal is subject to mutually acceptable contract language and must be incorporated in any subsequent contract/purchase order

**This bid excludes the following:**

- 3<sup>rd</sup> party testing or testing other than spark testing
- Preparing As-builts
- BMP's, NPDES Permits, SWWP's, Survey & Staking

<b>Clarifier Launder Coating</b>	<b>\$37,253 (Lump Sum)</b>
<b>Bond</b>	<b>\$372.53 (Lump Sum)</b>

**Total:** **\$37,625.53**

STAND BY RATE / ADDITIONAL WORK NOT LISTED ABOVE @ \$ 250.00 / MAN Hr. PRICE IS BASED ON ONE MOBILIZATION. ADDITIONAL MOBILIZATIONS BILLED AT: \$6,950.00 EACH. SANCON SHALL NOT BE RESPONSIBLE FOR LIQUIDATED DAMAGES OR PENALTY DUE TO DELAY BY OTHERS. PRICE IS BASED ON RETENTION BEING WITHHELD A MAXIMUM OF 90 DAYS AFTER COMPLETION OF OUR WORK. PRICE IS FIRM FOR A PERIOD OF THIRTY DAYS FROM RECEIPT. PAYMENT TERMS NET 30 DAYS OR PER CONTRACT.

Respectfully Submitted,

Accepted By: \_\_\_\_\_



John Hernandez  
Sancon Technologies, INC.

Date: \_\_\_\_\_

PO: \_\_\_\_\_

# SANCON TECHNOLOGIES, INC.

GENERAL ENGINEERING CONTRACTOR  
STATE CONTRACTORS LICENSE #774055

Tel: (714) 891-2323  
Fax: (714) 891-2524

4/25/2019

TO: Whom It May Concern

This is to certify that Sancon Technologies, Inc is the manufacturer / owner of Sancon 100 polyurethane protective coating and that Sancon Technologies, Inc. is a licensed applicator of the Sancon 100 polyurethane protective coating process.

All Sancon Technologies, Inc. applicators have been fully trained, have completed our certified applicator course, and all have a minimum of 5 years experience in the application of Sancon 100 polyurethane protective coating. Additionally, installation personnel are adequately trained in the maintenance and operation of the required installation equipment.

Sancon Technologies, Inc. has been in service since 1980 and certifies that all employees are cognizant and have sufficient ability to comply with all Federal and State OSHA regulations regarding Confined Space Entry.

Sincerely  
SANCON TECHNOLOGIES, INC.

A handwritten signature in blue ink, appearing to read 'C. Parsons'.

Chuck Parsons  
President



# **Sancon 100®** EPOXY/URETHANE COATING SYSTEM

- Designed for Sanitation Systems
- High Build, Flexible, Non Shrinking
- Bonds to Damp Concrete
- Meets or Exceeds SSPWC "Greenbook" Section 500-2.4

## Product Description

Sancon 100 is a two coat protective coating system for concrete which uses a high adhesion and moisture tolerant epoxy base coat and a high build polyurethane elastomer top coat. The resulting system provides the adhesion of epoxy and the flexibility of polyurethane.

## Recommended Uses

Sancon 100 was specifically developed for protecting concrete and steel surfaces exposed to the corrosive and abrasive environment of sanitary systems. The typical application involves coating below grade concrete in a live sewer condition.

## Characteristics

The Sancon 100 system is a fast drying and fast curing protective lining which develops high bond strengths to both dry and damp concrete. It contains no solvents to evaporate, therefore, no drying shrinkage occurs.

Sancon 100 polyurethane remains flexible throughout its life, yet is highly resistant to abrasion and impact.

## Surface Preparation

**Concrete.** No surface preparation is required on clean concrete surfaces free from curing compounds, oils, existing coatings or other foreign materials. Grit blasting is required where the coating is subject to immersion service.

Newly placed concrete or gunned mortar may be coated as soon as the initial set.

Deteriorated concrete surfaces must be cleaned by high pressure water to sound concrete. The surface must be free of oil, grease, soft concrete or existing coatings.

**Steel.** Steel surfaces require grit blast to near white metal. (SSPC SP-10) Primer must be applied to a dust free surface prior to surface rust appearing.

## Application

**Concrete.** Epoxy and polyurethane are applied through plural component equipment which mixes both components before the spray gun. Both materials are applied in one continuous coat until the desired thickness is reached. Recommended thickness for the epoxy coat is between 1 to 2 mils. Recommended thickness for the polyurethane is between 60 and 125 mils depending on the particular service requirements and the surface profile.

Application of the polyurethane must take place prior to the epoxy becoming tack free. Where the coating application cannot be completed in one continuous operation, or where a second coat of polyurethane is needed, a 1 to 2 mil thick prime coat of epoxy must be used for the adhesion of the polyurethane to the cured polyurethane.

**Steel.** Steel surfaces require polyurethane primer in lieu of epoxy. Primer thickness should be 1 to 2 mils. Recommended thickness on steel is between 40 to 60 mils.

## Chemical Resistance @ 70°F

### Acids

50% Sulfuric	I
43% Phosphoric	I
37% Hydrochloric	FC
50% Acetic	I
15% Chromic	FC
14% Nitric	FC

### Bases

25% Sodium Hydroxide	I
20% Potassium Hydroxide	I
29% Ammonium Hydroxide	I

### Salts

20% Sodium Chloride	I
1% Ferric Chloride	I

### Hydrocarbons

Soaps and Detergents	I
Petroleum Oils	I
Vegetable Oils	I

### Solvents Not Recommended

### Weathering Discoloration, No Physical Degradation

I—Immersion FC—Frequent Contact



# Sancon 100®

## Warranty

The technical data contained herein is accurate to the best of our knowledge. Sancon Engineering, Inc. warrants coatings that are presented herein meet their formulation standards. No other warranty is expressed or implied, including warranties of merchantability, fitness and coverage for a particular purpose. Published technical data and instructions are subject to change without notice. Contact Sancon Engineering for current technical data, instructions and chemical resistance.

## Physical Properties

Type	Epoxy	Polyurethane
	Modified Amine	Aromatic
Components	2	2
Color	Purple	Tan
Application	Plural Spray	Plural Spray
Mixing Ratio	2:1	3:1
Pot Life, Mass	15 Minutes	0.5 Minutes
Standard Thickness	2-5 Mils	60-125 Mils
Cure To Tack Free	2 Hours @ 70°F	30 Min. @ 70°F
Minimum Cure Time For Submersion	4 Hours @ 70°F	4 Hours @ 70°F
Recoating Time	2 Hours @ 70°F	30 Min. @ 70°F
Application Surface Temperatures	50°F - 150°F	32°F - 150°F
Maximum Service Temperature	250°F Dry 140°F Wet	250°F Dry 140°F Wet
Typical Coverage On New Concrete	200 s.f./gal. @ 5 Mils	1200 s.f./gal./mil
Combined Weight	9.6 lb./gal.	10.8 lb./gal.
Flash Point	> 400°F	> 400°F
Thinning	None	None
Shelf Life	1 Year	1 Year
Transport Index	Non-Hazardous	Non-Hazardous



5841 Engineer Dr.  
Huntington Beach, CA 92649  
(714) 891-2323  
(800) 726-2664



SOCAL PACIFIC CONSTRUCTION CORPORATION  
Telephone: (951) 674-1030 Fax: (951) 674-1035

DBA

NATIONAL COATING & LINING COMPANY  
26713 Madison Ave  
Murrieta, CA 92562

Telephone: (951) 471-3388 Fax: (951) 471-3779  
[www.socal-pacific.com](http://www.socal-pacific.com) / [www.nc-lc.com](http://www.nc-lc.com)

June 17, 2020 DIR Registration #1000013795 SMALL BUSINESS CERTIFICATION NO. 39380 EXPIRES 3/31/2021

TO: Cannon

Quote No.: NCLC – 4655 REVISED

Project: Oceano Primary Clarifier No. 2 Launder Coatings Project  
Section 099720 – Field Coating Proposal

Attn: Amando Garza, PE, BCEE

We are pleased to submit our proposal to furnish all labor, materials, tools, equipment, taxes and our standard one million dollar single with two million dollar aggregate and a two million dollar umbrella insurance policy required to perform the work as noted herein.

1. **Bid Scope** Furnish and install protective coatings

- A. Pressure wash, resurface to fill bug holes, imperfections and smooth out surface with Rapid Set Blue Bag, cut keyways, prime and apply 100mils of Sherwin Williams Poly-Cote 115 to the interior concrete surfaces of the existing Clarifier launder.

**TOTAL: \$41,968.00**

**EXCLUSIONS:**

1. Providing dehumidification/heating or other controls for the environment to perform painting or surface preparation work.
2. **Rebar, crack or concrete repair**, masonry repair. Any concrete defects exposed during concrete preparation.
3. Any repairs required to completed work damaged by others.
4. All disassembly and reassembling of items to be removed for painting and coating to be performed by others.
5. Testing, removal or disposal of hazardous materials.
6. Removal of efflorescence, or existing coating.
7. Bypassing, water infiltration, rechanneling or testing for volatile organic compounds.
8. Any and all third party inspection services.

**COMMENTS AND NOTATIONS:**

1. **Costs for Payment and Performance Bonds are included.**
2. Payment terms Net 30 days based on progress billings from the date of our invoice.
3. There is a 30 day pay or a late fee of 1 ½ percent per month interest charge will be applied to any overdue balance.
4. Open-air surface preparation and painting practices are figured in our bid.
4. General contractor or owner to provide all necessary permits and fees.
5. One site mobilization and demobilization included. Site mobilization fee will be initially billed at 5% of the total contract value.
6. This proposal is based on working straight time working hours. No overtime or premium time is included
7. Prior to commencement of work structures must be clean and dry.
8. We offer our standard one year warranty; any extended warranty by specifications is between manufacture and owner.
9. Notice to proceed shall allow at least three weeks lead time.
10. Proposal valid for 120 days.
11. Additional mobilizations will be billed at \$2,500.00. Standby time will be billed at \$450.00 per Hour.

We hope that you find this proposal acceptable and we look forward in working with your company on this project.

Should you have any questions regarding this proposal, please do not hesitate to contact the undersigned.

Very truly yours,

NATIONAL COATING & LINING COMPANY

  
Sean Donegan

Estimator

Cell: (562)449-5455

[sean@nc-lc.com](mailto:sean@nc-lc.com)

**AGREED AND ACCEPTED:**

Signature: \_\_\_\_\_

Name/Title: \_\_\_\_\_

Date: \_\_\_\_\_





### ADDITIONAL SERVICES AGREEMENT

Project Client: South San Luis Obispo Sanitation District Date: July 31, 2020  
Project Name: Primary Clarifier No. 2 Rehab Project Number: 190634

Phase Name: Clarifier Launder Coating

#### **PROJECT UNDERSTANDING AND APPROACH**

SSLOCSD is moving forward with the Primary Clarifier No. 2 Mechanism replacement and Valve replacement. As part of this work, Management and staff would like to address the coating of the effluent launder. The added coating will extend the useful life of the clarifier. Cannon has been requested to incorporate the necessary plans and specification to include the coating of the effluent Launder. The project has been extended and will require some additional monitoring efforts.

#### **SCOPE OF WORK**

*Task 2.5 Cannon will provide additional Construction monitoring for National Coating (alternate coating contractor) to complete the coating of the launder of Clarifier No. 2. Efforts include monitoring inspection work by ATS. One Submittal review, Answer RFI, Conduct a Pre-Construction Kickoff meeting with National.*

#### **ASSUMPTIONS & EXCLUSION**

**COATING OF LAUNDER IS ANTICIPATED TO BE COMPLETED IN A 3 WEEK PERIOD**

#### **FEE**

Time & Materials Not to Exceed Total: \$4,500.00

#### **Authorization:**

In witness whereof, the parties hereto have caused this agreement consisting of the Request for Additional Services, and the original Agreement "Engineering Services Agreement" dated August 28, 2019 and any other necessary and applicable documents to be executed of the date and year first above written. Payment is due within 15 days of completion of work. Any additions and/or corrections to this agreement will be addressed in a separate agreement.

South San Luis Obispo County Sanitation District      Cannon  
Client

\_\_\_\_\_  
Date  
Jeremy Ghent- General Manager

*[Signature]*      Date *7/31/2020*  
Amando Garza, PE  
Senior Civil Principal Engineer  
CE 54148



## **SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

Post Office Box 339, Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

Telephone (805) 489-6666 FAX (805) 489-2765

[www.sslocsd.org](http://www.sslocsd.org)

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### **STAFF REPORT**

**Date:** August 05, 2020

**To:** Board of Directors

**From:** Jeremy Ghent, District Administrator

**Via:** Mychal Jones, Plant Superintendent

**Subject:** **ADOPTION OF RESOLUTION NO. 2020-417 APPROVING THE 2020 UPDATE TO THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT LOCAL HAZARD MITIGATION PLAN**

#### **RECOMMENDATION:**

1. Adopt Resolution No. 2020-417 approving the 2020 update to the South San Luis Obispo County Sanitation District Local Hazard Mitigation Plan

#### **BACKGROUND AND DISCUSSION:**

In April 2019, the District agreed to be involved in the Multi-Jurisdictional Hazard Mitigation Planning (MJHMP) process for the County of San Luis Obispo. The jurisdictions involved included the County of San Luis Obispo, all Municipalities and Community Service Districts within the county, the Flood Control and Water Conservation District, and several Sanitation Districts. In all, 20 governmental agencies were involved in the development of a county-wide Hazard Mitigation Plan.

A Local Hazard Mitigation Plan (LHMP) builds on this countywide work by incorporating mitigation strategies and actions the District could take to mitigate or reduce impacts from possible future disasters, including, but not limited to: earthquakes, flooding, drought, extreme heat, storm water, landslides, wildland fires, and hazardous material incidents. Federal regulations governing assistance from the Federal Emergency Management Agency (FEMA) provide that local jurisdictions must have a FEMA approved LHMP in order to apply for Hazard Mitigation Grants and disaster relief.

Development of the countywide MJHMP process took place over the last two years and involved multiple meetings with the involved agencies and two public workshops that occurred on March 19, 2019 and April 30, 2019. The MJHMP was prepared by the John Wood Group with draft copies submitted to the California Office of Emergency Services and to FEMA for their approval. On April 7, 2020, FEMA reported their approval with the MJHMP. The proposed MJHMP update will supersede the District's current 2015 Local Hazard Mitigation Plan. The District's LHMP Annex T is provided in Attachment 1.



**FISCAL CONSIDERATION:**

The Multi-Jurisdictional Hazard Mitigation Plan's total cost was \$175,000. Participating in an operational area wide LHMP allowed the County to apply for a federal hazard mitigation grant and was successful in obtaining the grant which reduced costs by 75%. The remaining 25% costs were divided on a per capita basis among the participating agencies, requiring the District to contribute \$750.00 (paid in 2019).

**Attachment:**

2020 District Local Hazard Mitigation Plan Annex T

**RESOLUTION NO. 2020-417**

**A RESOLUTION OF THE BOARD OF SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT ADOPTING THE 2020 UPDATE TO THE LOCAL HAZARD  
MITIGATION PLAN**

**WHEREAS**, on August 05, 2020, pursuant to Federal Disaster Mitigation Act of 2000, the District has prepared an updated 2020 Local Hazard Mitigation Plan to identify the risks to lives and property created by natural and artificial hazards to the District, and to formulate a set of goals, objectives and actions to mitigate risks created by these hazards; and

**WHEREAS**, an adopted Local Hazard Mitigation Plan is required as a condition of future funding for mitigation projects under multiple Federal Emergency Management Agency (FEMA) pre- and post-disaster mitigation grant programs;

**WHEREAS**, the District, in coordination with the County of San Luis Obispo, all local Municipalities, Community Service Districts, and local Sanitation Districts participated in the FEMA-prescribed mitigation planning process to prepare a Multi-Jurisdictional Hazard Mitigation Plan; and

**WHEREAS**, the California Office of Emergency Services and FEMA officials have reviewed the San Luis Obispo County Multi-Jurisdictional Hazard Mitigation Plan and approved it contingent upon this official adoption of the participating governing bodies;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of South San Luis Obispo County Sanitation District:

1. The Board adopts the San Luis Obispo County Multi-Jurisdictional Hazard Mitigation Plan, and in particular, the Local Hazard Mitigation Plan for the South San Luis Obispo County Sanitation District as outlined in Annex T; and
2. The District will submit this adoption resolution to the County of San Luis Obispo to be included with the submissions to the California Office of Emergency Services and FEMA officials to enable the plan's final approval in accordance with requirements of the Disaster

Mitigation Act of 2000.

**PASSED AND ADOPTED** at a regular meeting of the South San Luis Obispo County Sanitation District held August 5, 2020.

\_\_\_\_\_  
BOARD CHAIR

ATTEST:

\_\_\_\_\_

APPROVED AS TO FORM:

BY:

\_\_\_\_\_  
DISTRICT COUNSEL

CONTENTS:

BY:

\_\_\_\_\_  
DISTRICT ADMINISTRATOR



## T.1 District Profile

### T.1.1 Mitigation Planning History and 2019 Process

This Annex was created during the development of the 2019 San Luis Obispo County Hazard Mitigation Plan Update. The South San Luis Obispo County Sanitation District was previously part of the Multi-Jurisdictional Local Hazard Mitigation Plan for the cities of Grover Beach, Arroyo Grande, and Lucia Mar Unified School District which was approved by FEMA in December 2015. The previous mitigation plan was not incorporated into other District planning mechanisms.

The Plant Superintendent of the South San Luis Obispo County Sanitation District (South SLO County Sanitation District, or the District) was the representative on the county Hazard Mitigation Planning Committee and took the lead for developing the plan and this annex in coordination with the South SLO District Local Planning Team (Planning Team). The local (District) Planning Team will be responsible for implementation and maintenance of the plan.

**Table T.1 South San Luis Obispo County Sanitation District Hazard Mitigation Plan Planning Team**

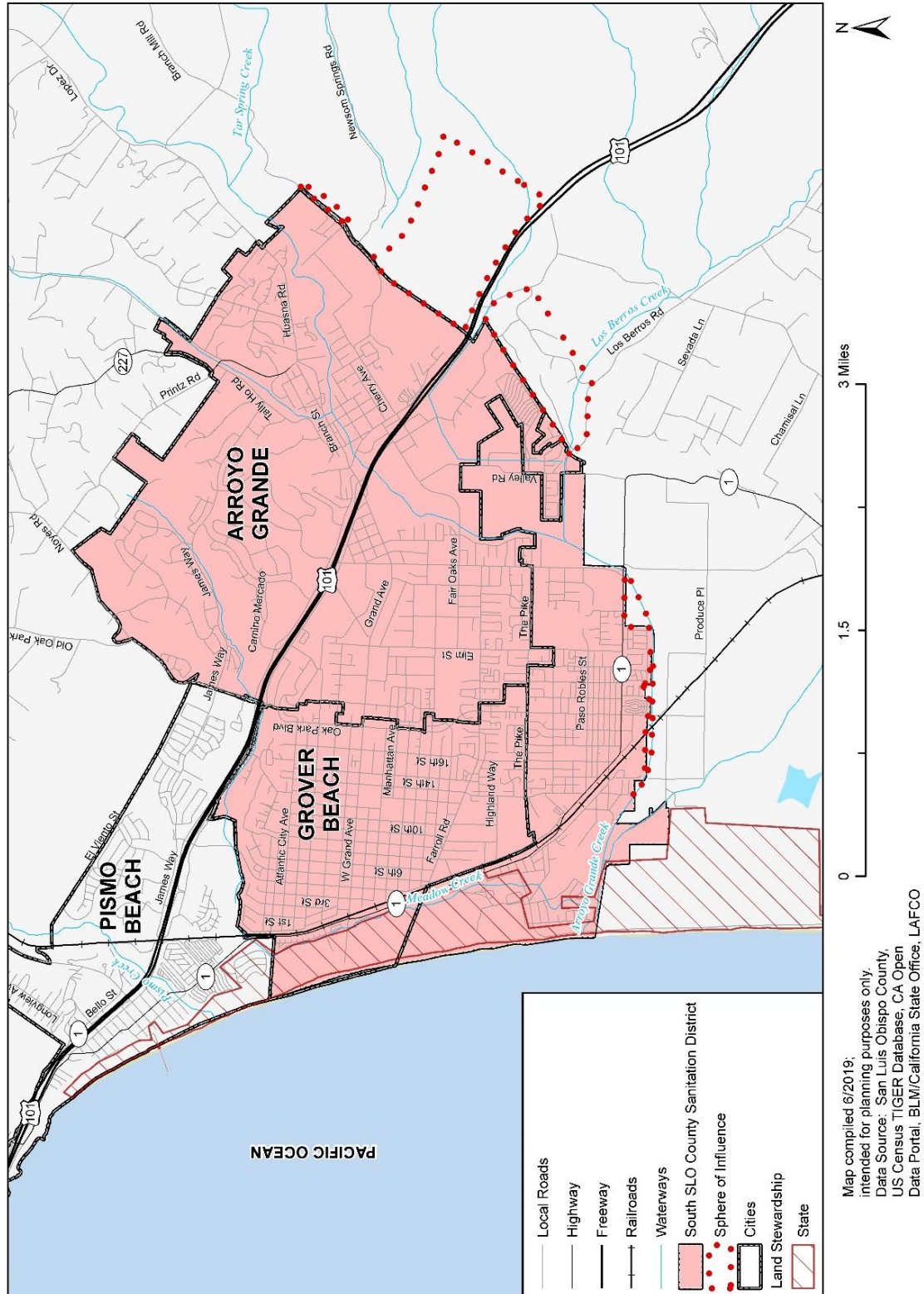
Department or Stakeholder	Title
South SLO County Sanitation District	Plant Superintendent
South SLO County Sanitation District	District Administrator

More details on the planning process followed and how the jurisdictions, service districts and stakeholders participated can be found in Section 3 of the Base Plan, along with how the public was involved during the 2019 update.

Figure T.1 below is a map showing the South SLO County Sanitation District including its sphere of influence and nearby areas.



Figure T.1 South San Luis Obispo County Sanitation District





## T.1.2 District Overview

In 1958 the Grover City County Water Board commissioned several engineering studies aimed at investigating the rising nitrate levels observed in the local groundwater sources. At that time both Grover City and the Oceano community were entirely unsewered and depended on individual septic tanks. While Arroyo Grande had sewer systems at that time, said systems led to a wastewater treatment facility located at the "sewer farm," and the partially treated wastewater was disposed onto nearby lands. Because of the studies carried out upon that engineering commissioning, it was determined there was a need to better address the septic tank and sewer farm impacts on nearby lands and groundwater resources. To solve these issues, the South San Luis Obispo County Sanitation District was founded on September 3, 1963. Upon this new sanitation district development, nine miles of trunk sewer lines were built, as well as a new wastewater treatment plant and an ocean outfall line to get rid of the treated wastewater. To date, further improvements have taken place as well expansions in the wastewater systems. Key years when improvements, additions, or other constructions were incorporated into the District's infrastructure include 1978, 1979, 1986, 1990, and 2005.

Currently, the District provides wastewater collection, treatment and disposal services to the three-member agencies of Arroyo Grande, Grover Beach, and the Oceano Community Services District (CSD). The District is governed by a District Board composed of three members appointed by each of the member agencies. This Board makes policy and operational decisions based on recommendations of the District Administrator, engineers, and District staff, and establishes policies, goals, and objectives in the best interest of the District. It additionally approves budgets, expenditures, and related District functions.

The District's commitment to public health is focused on sound environmental design, educational opportunities, effectively working with homeowners and businesses, and appropriate and responsible construction mechanisms. The District engages in a fats, oils, and grease (FOG) safe release program as well as a pretreatment of chemicals and substances program to prevent the introduction of pollutants into the water and land, while protecting personnel from hazardous materials exposure. Currently the District's staff is composed of the District Administrator, a bookkeeper/secretary, and six operational staff.

## T.1.3 Development Trends

Since the Sanitation District encompasses and provides services for Arroyo Grande, Grover Beach, and the Oceano Community Services District it is expected that development and changes in the community will follow those of the two cities and Service District (i.e. the Sanitation District's members). For more information on these member communities refer to the Base Plan as well as Annex A (Arroyo Grande), Annex C (Grover Beach), and Annex M (Oceano).

## T.1.4 Other Community Planning Efforts

Coordination and synchronization with other community planning mechanisms and efforts are vital to the success of this Plan. To have a thorough evaluation of hazard mitigation practices already in place, appropriate planning procedures should also involve identifying and reviewing existing plans, policies, regulations, codes, tools, and other actions are designed to reduce a community's risk and vulnerability from natural hazards.

As an unincorporated community, the South SLO County Sanitation District is referenced in other County and City planning documents and regulated by County policies and planning mechanisms. Integrating existing planning efforts, mitigation policies, and action strategies into this annex establishes a credible, comprehensive document that weaves the common threads of a community's values together. The development of this Special District annex involved a comprehensive review of existing plans, studies, reports, and initiatives from San Luis Obispo County and the Sanitation District that relate to hazards or hazard mitigation. A high-level summary of



the key plans, studies and reports is summarized in Table T.2. Information on how they informed the update are noted and incorporated where applicable.

In addition to the development standards within the existing Local Hazard Mitigation Plans by Arroyo Grande and Grover Beach, there are County planning mechanisms that regulate future and existing development within the District's planning area. Refer to Sea Level Rise as well as Section 6 of the Base Plan for more information on the plans, policies, regulations and staff that govern the South SLO County Sanitation District.

**Table T.2 Summary of Review of Key Plans, Studies, and Reports for the Sanitation District**

Plan, Study, Report Name	How Document Informed the Annex
County of San Luis Obispo Local Hazard Mitigation Plan (2014)	Informed past hazard event history, hazard profile and background, and mitigation strategy information.
South SLO County Sanitation District 2018 Strategic Plan	Obtained current District information, ongoing efforts, water use information, etc.
San Luis Obispo County 2014 Integrated Regional Water Management Plan	Obtained information on water use in Nipomo, water management regions, and the drought/water scarcity hazard.
State of California's Hazard Mitigation Plan – Updated 2018	General information on hazards, events, and vulnerability assessments.
San Luis Obispo County Dam and Levee Failure Evacuation Plan – Updated 2016	Flooding, dam, and levee hazard information and recent studies.
2014-2016 Resource Summary Report for San Luis Obispo County's General Plan	Pulled information about water resources, reliability, and ongoing efforts to increase resilience in the county and District of Nipomo as related to drought.
Multi-Jurisdictional Local Hazard Mitigation Plan for the City of Arroyo Grande, City of Grover Beach, Lucia Mar Unified School District, and the South San Luis Obispo County Sanitation District - 2015	General background information on the Sanitation District and its member communities as well as hazards, events, mitigation capabilities, goals, etc.
Oceano Community Services District Local Hazard Mitigation Plan – 2018	General background information on the community as well as hazards, events, mitigation capabilities, goals, etc.

## T.2 Hazard Identification and Summary

The Sanitation District Planning Team identified the key hazards that affect the District, and summarized their frequency of occurrence, spatial extent, potential magnitude, and overall significance specific to the District (see Table T.3 South SLO County Sanitation District Hazard Risk Summary). There are no hazards that are unique to this Sanitation District.

**Table T.3 South SLO County Sanitation District Hazard Risk Summary**

Hazard	Geographic Area	Probability of Future Occurrence	Magnitude/Severity (Extent)	Overall Significance
Agricultural Pest Infestation and Disease	Limited	Highly Likely	Negligible	Medium
Coastal Flood/Coastal Erosion/Sea Level Rise	Limited	Likely	Critical	Medium
Dam Incidents and Failure	Extensive	Unlikely	Catastrophic	Medium
Drought and Water Shortage	Significant	Likely	Limited	Low
Earthquake and Liquefaction	Significant	Highly Likely	Critical	High
Flood	Significant	Highly Likely	Limited	Medium
Tsunami and Seiche	Limited	Occasional	Limited	Low
Wildfire	Significant	Occasional	Limited	Low
<b>Geographic Area</b> Limited: Less than 10% of planning area Significant: 10-50% of planning area Extensive: 50-100% of planning area <b>Probability of Future Occurrences</b> Highly Likely: Near 100% chance of occurrence in next year or happens every year. Likely: Between 10 and 100% chance of occurrence in next year or has a recurrence interval of 10 years or less. Occasional: Between 1 and 10% chance of occurrence in the next year or has a recurrence interval of 11 to 100 years. Unlikely: Less than 1% chance of occurrence in next 100 years or has a recurrence interval of greater than every 100 years.		<b>Magnitude/Severity (Extent)</b> Catastrophic—More than 50 percent of property severely damaged; shutdown of facilities for more than 30 days; and/or multiple deaths Critical—25-50 percent of property severely damaged; shutdown of facilities for at least two weeks; and/or injuries and/or illnesses result in permanent disability Limited—10-25 percent of property severely damaged; shutdown of facilities for more than a week; and/or injuries/illnesses treatable do not result in permanent disability Negligible—Less than 10 percent of property severely damaged, shutdown of facilities and services for less than 24 hours; and/or injuries/illnesses treatable with first aid <b>Significance</b> Low: minimal potential impact Medium: moderate potential impact High: widespread potential impact		

### T.3 Vulnerability Assessment

The intent of this section is to assess the Sanitation District's vulnerability separately from that of the County, which has already been assessed in Section 5 Hazard Identification and Risk Assessment of the Base Plan. This vulnerability assessment analyzes the population, property, and other assets (e.g. critical facilities, historic assets) at risk to hazards ranked of medium or high significance, or that may vary from other parts of the planning area.

The key information to support the Hazard Identification and Risk Assessment (HIRA) for this Annex was collected through a Data Collection Guide document, which was distributed to each participating municipality, community services district, or special district to complete during the planning process. Information was collected for the Oceano CSD as well as the cities of Arroyo Grande and Grover Beach, and was analyzed and summarized to identify and rank all the hazards that could impact anywhere within the County, as well as to rank the hazards and identify the related vulnerabilities unique to this District. In addition, the Sanitation District planning team was asked to share information on past hazard events that have affected the District.





Each participating jurisdiction or district was in support of the main hazard summary identified in the Base Plan (See Section 5.1). However, the hazard summary rankings for each jurisdictional annex may vary slightly due to specific hazard risk and vulnerabilities unique to that jurisdiction. Identifying these differences helps the reader to differentiate the Sanitation District's risk and vulnerabilities from that of the overall County.

The hazard summaries in Table T.3 reflect the hazards that could potentially affect the District in major ways. Based on this analysis, the priority hazard (High Significance) for mitigation is Earthquake/Liquefaction. The second priority hazards (Medium Significance) are Agricultural Pest Infestation/Disease, Dam Incidents/Failure, and Flood. The discussion of vulnerability for each of the assessed hazards is contained in the following sections. Those of Medium or High significance for the Sanitation District are identified below.

- Agricultural Pest Infestation/Disease
- Coastal Flood/Coastal Erosion/Sea Level Rise
- Dam Incidents/Failure
- Earthquake/Liquefaction
- Flood

### Other Hazards

Hazards assigned a significance rating of Low or Not Applicable may not be assessed within this annex. The hazards to the planning area which were rated by the Planning Committee are summarized under Section T.2 herein (Hazard Identification and Summary). The majority were given minimum priority due to a lack of exposure, vulnerability, and/or no probability of occurrence or previous history or losses, though some may contain a loss estimate discussion and further information, based again on potential risk to the District, under Section 5 of the Base Plan.

### T.3.1 Assets at Risk

This section considers the District's assets at risk, including values at risk, critical facilities and infrastructure, historic assets, economic assets, and growth and development trends.

#### Values at Risk

The following data on property exposure is derived from San Luis Obispo County Assessor's data. This data should only be used as a guideline to overall values in the Sanitation District (which is again composed of the Cities of Arroyo Grande and Grover Beach as well as the Oceano CSD), given the information has some limitations. Table T.4 shows the exposure of properties (e.g., the values at risk based on improvement and content values only) broken down by property type for the South SLO County Sanitation District. Refer to the Base Plan Section 5.2 (HIRA Asset Summary) for more details on value information, content calculations, and overall parcel analysis methodology.

**Table T.4 Property Exposure Values for the Sanitation District by Parcel Type**

Property Type	Parcel Count	Improved Value	Content Value	Total Value
Agricultural	11	\$968,849	\$968,849	\$1,937,698
Commercial	615	\$258,747,007	\$258,747,007	\$517,494,014
Government/ Utilities	159	\$89,487	--	\$89,487
Other/Exempt/Misc.	430	\$95,164,067	--	\$95,164,067
Residential	9,574	\$1,839,157,626	\$919,578,813	\$2,758,736,439
Multi-Family Residential	1,480	\$311,791,472	\$155,895,736	\$467,687,208
Mobile/Manufactured Homes	69	\$19,177,930	\$9,588,965	\$28,766,895





Property Type	Parcel Count	Improved Value	Content Value	Total Value
Residential: Other	1,161	\$252,818,098	\$126,409,049	\$379,227,147
Industrial	32	\$12,647,758	\$18,971,637	\$31,619,395
Vacant	69	\$16,911,610	--	\$16,911,610
<b>TOTAL</b>	<b>13,600</b>	<b>\$2,807,473,904</b>	<b>\$1,490,160,056</b>	<b>\$4,297,633,960</b>

Source: San Luis Obispo County 2019 Assessor data; ParcelQuest; Wood Plc analysis

Note: these values contain a combination of properties found within the Cities of Arroyo Grande and Grover Beach, and the Oceano CSD. Refer to the respective annexes and Base Plan documents for additional information.

### Critical Facilities and Infrastructure

A critical facility is one that is essential to providing utility or direction either during the response to an emergency or during the recovery operation. See Section 5 of the Base Plan for more details on the definitions and categories of critical facilities.

An inventory of critical facilities in the Sanitation District based on San Luis Obispo County GIS data as well as structures obtained from the Homeland Infrastructure Foundation-Level Dataset (HIFLD) is provided in Table T.5 and Table T.6, as well as illustrated in Figure T.2. The four types of Critical Facilities categorized by San Luis Obispo County and its jurisdictions' and Districts' planning teams are: Emergency Services, High Potential Loss Facilities, Lifeline Utility Systems, and Transportation Systems. Note that the Sanitation District has identified 49 critical facilities total, although there are no High Potential Loss Facilities within the District's boundaries. In addition, 10 of the 49 total facilities in the Sanitation District are found within the Oceano boundaries alone but are accounted for as part of the South SLO County District for reference; these Oceano facilities will be marked with asterisks (\*) in Table T.6. Refer to Section 5.2 of the Base Plan for more information on the Assets used throughout this annex and the county-wide analyses.

**Table T.5 Summary of Sanitation District's Critical Facilities**

Facility Category	Facility Type	Count
Emergency Services	Day Care Facilities	14
	Emergency Medical Service Stations	4
	Fire Stations	3
	Hospitals	2
	Local Law Enforcement	3
	Nursing Homes	2
	Private Schools	5
	Public Schools	9
	Urgent Care	1
Lifeline Utility Systems	FM Transmission Towers	1
	Microwave Service Towers	1
	Paging Transmission Towers	1
	Wastewater Treatment Plants	1
	Water Treatment Facilities	1
Transportation Systems	Airports	1
<b>TOTAL</b>		<b>49</b>

Source: San Luis Obispo County Planning and Building; LAFCO; HIFLD; Wood Plc analysis

**Table T.6 Details about Sanitation District's Critical Facilities**

Facility Type	Name
Airport	Oceano County Airport
Day Care Facilities	Arroyo Grande Montessori School
	Arroyo Grande United Methodist Children's Center
	California State Preschool at Grover Beach
	Capslo - Oceano Migrant Children's Center
	Capslo - Five Cities Head Start
	Child's Smile Day Care
	Dandy Lion Montessori School
	Oceano First 5
	Open Door Pre-School
	Peace Christian Preschool
	St Patrick's Mercy Preschool
	Valley View Children's Center
	Village Preschool
	YMCA South County Preschool
Emergency Medical Service Stations	Arroyo Grande Fire Department
	Grover Beach Fire Department
	Oceano Community Services District
	San Luis Ambulance Service - Arroyo Grande
Fire Stations	Arroyo Grande Fire Department
	Grover Beach Fire Department
	Oceano Community Services District
FM Transmission Towers	--
Hospitals	Arroyo Grande Community Hospital
	Marian Regional Medical Center, Arroyo Grande
Local Law Enforcement	Arroyo Grande Police Department
	Grover Beach Police Department
	San Luis Obispo County Sheriff's Department - South Station
Microwave Service Towers	--
Nursing Homes	Alder House
	Wyndham Residence
Paging Transmission Towers	--
Private Schools	Arroyo Grande Montessori School
	Coastal Christian School
	Dandy Lion Montessori School
	St. Patrick's Catholic School
	Valley View Adventist Academy
Public Schools	Arroyo Grande High
	Fairgrove Elementary
	Grover Beach Elementary
	Grover Heights Elementary
	Harloe Elementary
	Ocean View Elementary
	Oceano Elementary



Facility Type	Name
	Paulding Middle
	Santa Lucia ROP
Urgent Care	Doctors Office - Urgent Care
Water Treatment Facilities	Central Coast Water Treatment
Wastewater Treatment Plant	South San Luis Obispo Sd Wastewater Treatment Plant

Source: San Luis Obispo County Planning and Building; LAFCO; HIFLD

### Critical Processes at Wastewater Treatment Plant

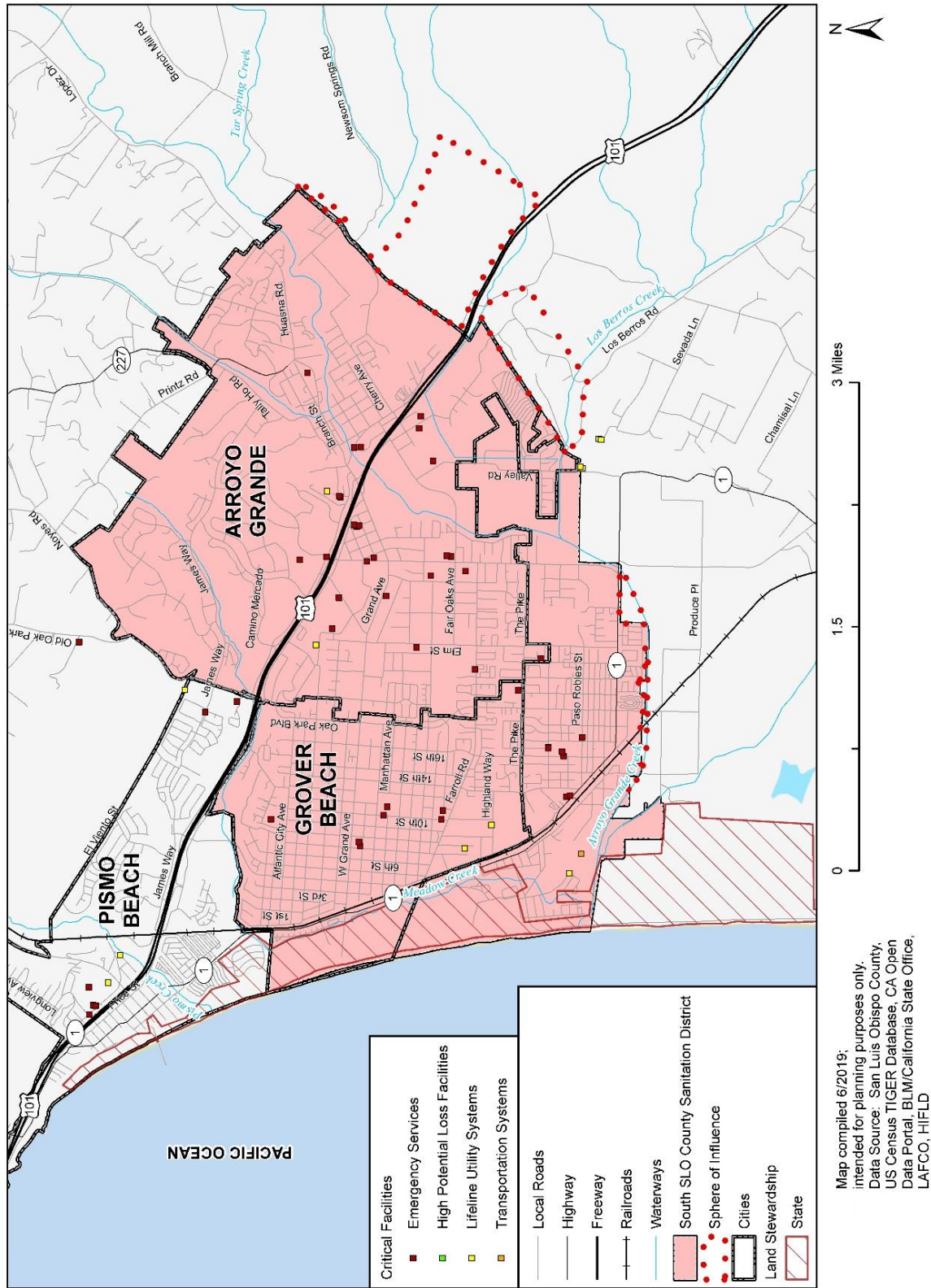
Additional Essential Infrastructures to the District noted by the Planning Team are noted below and fall under the Lifeline Utility System category:

- Headworks
- Main Control Center
- Primary Clarifiers (2)
- Fixed Film Reactor
- Secondary Clarifier
- Chlorine Contact Tank
- Emergency Generator





Figure T.2 Critical Facilities in the Sanitation District





### Emergency Service Facilities

The Sanitation District contains 43 Emergency Services facilities aimed at providing for the health and welfare of the entire community. These include day care facilities, emergency medical service stations, fire stations, hospitals/urgent care facilities, local law enforcement, nursing homes, and schools as noted in Table T.5.

### Transportation Systems and High Potential Loss Facilities

One critical transportation facility is present within the boundaries of the Sanitation District. This is the Oceano County Airport located within the Oceano CSD.

No high potential loss facilities such as power plants were identified by the County, HIFLD dataset, or the Planning Team.

### Lifeline Utility Systems

A potential of five lifeline facilities have been identified for the South SLO County Sanitation District. These are noted in Table T.5 and Table T.6. Other facilities or structures falling within the lifeline utility systems category may be present in or nearby the District (e.g. oil/gas, electric power, communication systems), but those were not found to serve a critical purpose or function to the Sanitation District.

### Historic and Cultural Resources

Historical assets include local, county, state, and potentially federally listed historic sites. Based on data provided by the County of San Luis Obispo and LAFCO, it was found that there are three historic and cultural resources in the Sanitation District boundaries. These are summarized in Table T.7 below.

**Table T.7 Sanitation District's Historic and Cultural Resources**

Area Plan Where Noted	Property Name	Year	Description	At Risk of These Hazards
San Luis Bay Area Plan – Inland	South Pacific Railroad Depot	--	South Pacific Railroad Depot	Dam inundation (by Lopez Dam); Moderate liquefaction risk; Tsunami inundation
	Temple of the People, Halcyon	1903	Built by a utopian religious group	Dam inundation (by Lopez Dam); Moderate liquefaction risk
San Luis Bay Area Plan - Coastal	Coffee T. Rice House	1886	--	Dam inundation (by Lopez Dam); Moderate liquefaction risk

Source: San Luis Obispo County Planning and Building; LAFCO

### Natural Resources

Natural assets may include wetlands, threatened and endangered species, or other environmentally sensitive areas. Natural and environmental resources are important to include in benefit-cost analyses for future projects and may be used to leverage additional funding for projects that also contribute to community goals for protecting sensitive natural resources. Awareness of natural assets can lead to opportunities for meeting multiple objectives. For instance, protecting wetlands areas protects sensitive habitat as well as attenuates and stores floodwaters. Because the Sanitation District encompasses the Cities of Arroyo Grande and Grover Beach as well as the Oceano CSD, referring to these respective annexes as well as the documents within the Base Plan is recommended to get more details on natural resources of interest within this special district.



## Economic Assets

Because the Sanitation District encompasses the Cities of Arroyo Grande and Grover Beach as well as the Oceano CSD, referring to these respective annexes as well as the documents within the Base Plan is recommended to get more details on economic assets within this special district. However, below is some key information about the economic assets in these three Sanitation District member communities:

- Grover Beach has recently experienced growth in Wholesale Trade and the Manufacturing sectors; some amount of land is available in the business park area of the city for business expansion and relocation. Because of this, certain hazards such as those affecting the landscape (e.g. earthquake, liquefaction) could be important if choosing to develop in these available areas.
- Arroyo Grande contains two of the largest employers in the County, such as the Arroyo Grande Community Hospital which employs over 400 people. This facility is located within a dam inundation zone, which could have devastating impacts on the local economy due to financial losses as well as affect the community's ability to respond to and recover from potential dam failure events.
- The Oceano CSD's top two industries are retail trade and agriculture/forestry/fishing/hunting. A natural disaster that affected these and forced shops or commercial spaces to close would have significant impacts on the local economy, as would events such as severe weather, flooding, or earthquakes on the agricultural and tourism industries.

### T.3.2 Estimating Potential Losses

This section details vulnerability to specific hazards of medium or high significance, where quantifiable, noted by the Planning Team. Impacts of past events and vulnerability to specific hazards are further discussed below, though Section 5 of the Base Plan should be referenced for more details on the County's HIRA findings and hazard profiles.

#### Agricultural Pest Infestation and Disease

Due to Arroyo Grande, Grover Beach, and Oceano CSD containing relatively large amounts of agricultural fields, this hazard was ranked as a **Medium Significance** hazard in the District. Pests and related diseases/pathogens have the potential to affect the local economy and agricultural landscapes by hurting or destroying crops and livestock. The number of invasive pests and pathogens newly detected in California and the rest of the United States has increased at alarming rates in recent years, and that trend is projected to continue into the future. A specific concern of the County is tree vulnerability and mortality. Over 100 million trees have died and more continue to die due to many years of drought that have weakened trees, and left millions of acres of forestland highly susceptible to insect attacks. The drought stress is exacerbated in forests with too many trees competing for limited resources, especially water. Forest pests (insects and diseases) annually destroy ten times the volume of timber lost to due to forest fires. For more information and details on this hazard and its effects on the county and the communities refer to Section 5.3.2 Agricultural Pest and Disease.

#### Dam Incidents and Failure

The Sanitation District is at risk of dam failure incidents based on its location downstream of the Lopez Dam. The Lopez Dam is a high hazard earthen dam located just southwest of the Lopez Lake, about eight miles northeast of Arroyo Grande. If this dam were to fail and flood through the Arroyo Grande River into the Sanitation District or any of its three-member communities, major damages could be expected; it could inundation more than half of Grover Beach and Arroyo Grande, as well as the vast majority of the Oceano CSD. Refer to the Arroyo Grande, Grover Beach, and Oceano Annexes in this Plan. Table T.8 summarizes the critical facilities that fall within the Lopez Dam's inundation extents as determined by the GIS overlay analysis.



**Table T.8 Critical Facilities in the Sanitation District within the Lopez Dam Inundation Extents**

Critical Facility Type	Facility Total
Day Care Facilities	9
Emergency Medical Service Stations	2
Fire Stations	2
Hospitals	2
Local Law Enforcement	1
Microwave Service Stations	2
Nursing Homes	2
Private Schools	2
Public Schools	6
Wastewater Treatment Plants	1
Water Treatment Facilities	1
Airports	1
<b>TOTAL</b>	<b>31</b>

Source: San Luis Obispo County Planning and Building Dept., HIFLD, Wood Plc Analysis

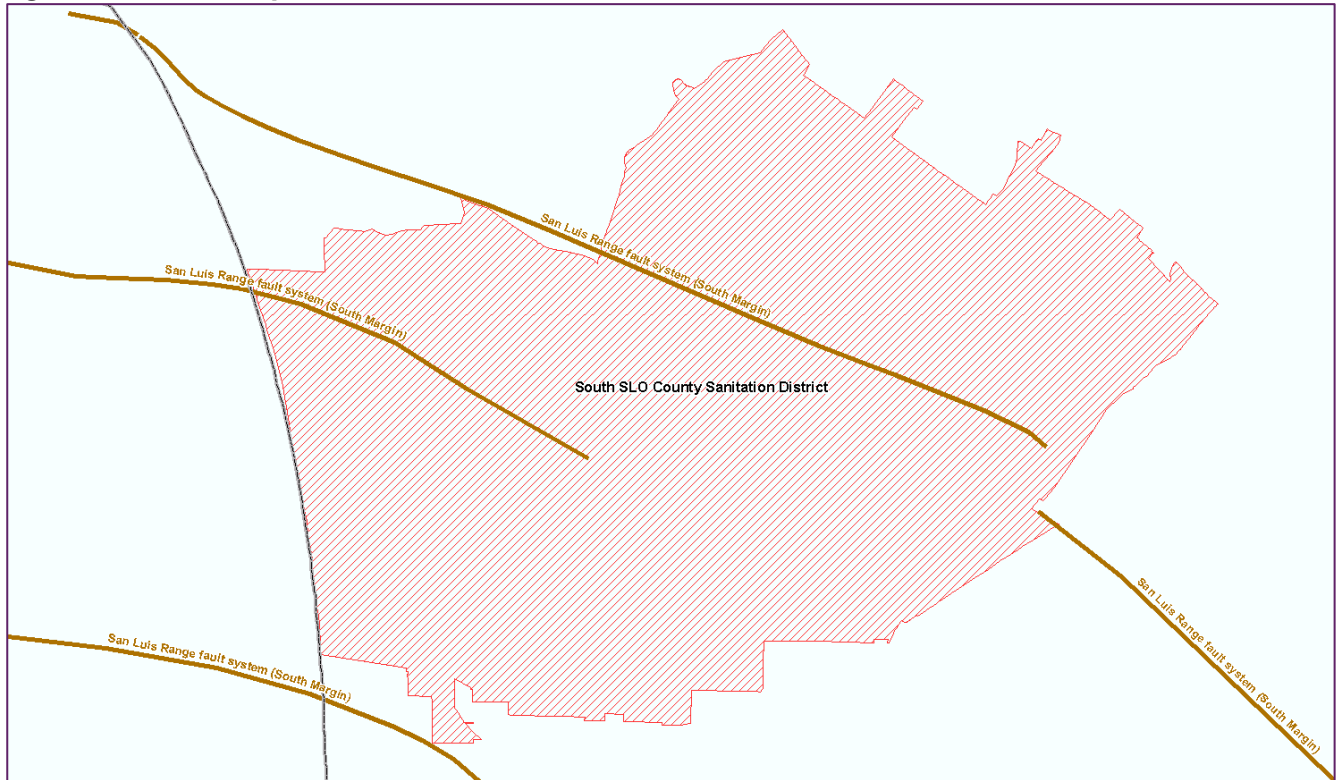
A failure of the Lopez Dam would also affect Highway 101 and other important local roads, hence impeding or reducing flows of goods, people, and resources into and out of the cities and CSD, potentially impacting the entire region. Refer to Section 5.3.5 Dam Incidents for more details on the hazard and the analysis performed at the County level. This hazard holds **Medium Significance** for the Sanitation District.

### Earthquake and Liquefaction

The Sanitation District is underlaid by several earthquake faults such as those part of the San Luis Range/South Margin fault system. (See a very basic layout of the District and surrounding faults in Figure T-3). The seismic hazards of earthquake coupled with liquefaction (both of which are discussed in more detail in Section 5.3.7 of the Base Plan) are ranked as **High Significance** hazards due to the large degree of liquefiable soil risk in the Grover Beach, Arroyo Grande, and Oceano communities (see each respective City or CSD Annex for more information).



**Figure T.3 Earthquake Faults near the Sanitation District**



Source: USGS; San Luis Obispo County Planning and Building; LAFCO

Many people and properties would be expected to be affected by a moderate or major seismic event in the area, as noted in the Base Plan and three community Annexes. Additionally, 44 of the Sanitation District's 49 critical facilities are located within moderately liquefiable soils (based on GIS analysis). Table T.9 summarizes these facilities based on type and count.



**Table T.9 Critical Facilities in Moderate Liquefaction Risk Areas in the Sanitation District**

Critical Facility Type	Facility Total
Day Care Facilities	12
Emergency Medical Service Stations	4
Fire Stations	3
Hospitals	2
Local Law Enforcement	3
Microwave Service Stations	2
Nursing Homes	2
Private Schools	3
Public Schools	8
Wastewater Treatment Plants	1
Water Treatment Facilities	1
Airports	1
Paging Transmission Towers	1
Urgent Care	1
<b>TOTAL</b>	<b>44</b>

Source: San Luis Obispo County Planning and Building Dept., HIFLD, Wood Plc Analysis

### Flood

The Sanitation District is at risk of riverine flooding based on FEMA data last updated for San Luis Obispo County in February of 2019. Per the maps and analysis available in Section 5.3.8 of the Base Plan, as well as the Arroyo Grande, Grover Beach, and Oceano CSD Annexes, major sources of flooding in the District include the 100- and 500-year flood events as well as coastal flooding. These major sources of flooding are summarized in the bullet list below based on the three member communities. The main areas that would experience major flooding are the Oceano CSD (on the west, south, and east), the west and north of Grover Beach, and the northwest, south, central-east, and north/northeast of Arroyo Grande. Based on the information summarized in this chapter as well as the Planning Team's recommendations, flood is ranked as a **Medium Significance** hazard for the Sanitation District.

The Sanitation District is not required to participate separately in the National Flood Insurance Program (NFIP) but will continue to support the County's participation in and compliance with the NFIP.

Major Sources of Flooding in the District:

- Arroyo Grande Creek
- Pismo Creek
- Tar Spring Creek
- Meadow Creek
- Los Berros Creek
- Smaller tributaries of the five waterways named above
- Coastal flooding (of type VE based on FEMA flood zone designations) on the beach front

### Flood Control Zones

The San Luis Obispo County Flood Control and Water Conservation District was founded in 1945, and this entity provides general funding to help communities identify flooding problems, recommend solutions, and help



implement projects while establishing zones to benefit the funding of specific mitigation projects. The following two zones encompass portions of the Sanitation District:

- Zone 1: Arroyo Grande Creek Channel/Zone 1A – Los Berros Diversion Channel of Arroyo Grande Creek
- Zone 3: Arroyo Grande Creek

Refer to Section 5.3.8 of the Base Plan for more details on these flood control zones as well as past or ongoing projects that affect or relate to this Sanitation District.

#### *Levees*

There is one levee system that provides flood protection and hence reduces the risk to people and structures in the Sanitation District, per the San Luis Obispo County Dam and Levee Failure Evacuation Plan completed in 2016. The Arroyo Grande Creek Levee System is especially vulnerable to flooding, and severe riverine-based inundation occurred from the Arroyo Grande Creek back in the 1950s, causing damages on farmlands and nearby infrastructure. The Arroyo Grande Creek Flood Control Project was established as a result of these flooding events to confine the Arroyo Grande Creek from its confluence with Los Berros Creek downstream. While this levee confines water and potential losses just south of the Oceano CSD, south and east of the Oceano Airport (refer to Figure 5-4 Arroyo Grande Levee System of the Section 5.3.8 in the Base Plan), future potential damages or losses could be greatly avoided to the Sanitation District's members, particularly between Highway 1 and the 22<sup>nd</sup> Street bridges, thanks to this levee system.

A main failure of this levee system was noted in March of 2001 when a heavy rain event caused breaching on the south side of the levee, between the Arroyo Grande Creek and the Union Pacific railroad bridge. Hundreds of acres of farmland, as well as residences and properties, were flooded and damaged.

#### *Critical Facilities at Risk*

Based on GIS overlay analysis of the Sanitation District's boundaries with the FEMA flood hazard areas, a total of five critical facilities were found to overlap with the District's floodplains. Two are located in the Oceano CSD, while three are in parts of Arroyo Grande or Grover Beach. Table T.10 below summarizes these facilities.

**Table T.10 Critical Facilities in FEMA Flood Hazard Areas in the Sanitation District**

Critical Facility Type	Name	Flood Event	Total Facilities
Day Care Facilities	YMCA South County Preschool	500-Year	5
Public Schools	Arroyo Grande High School		
	Santa Lucia ROP		
Airports	Oceano County Airport	100-Year	
Wastewater Treatment Plants	South San Luis Obispo SD Wastewater Treatment Plant		

Source: San Luis Obispo County Planning and Building Dept., HIFLD, FEMA NFHL, Wood Plc Analysis

#### **Coastal Storm/Coastal Erosion/Sea Level Rise**

As part of the 2019 HMP planning effort, a sea level rise risk assessment was completed to determine how sea level rise may affect coastal jurisdictions and critical facilities and how coastal flooding might be exacerbated in the future. The only critical facility that would be affected by sea level rise is the wastewater treatment plan, and there is no risk until the 300 cm scenario. Table T.11 and Table T.12 summarize the other properties at risk of inundation by sea level rise and sea level rise combined with a 1% annual chance coastal flood. The area of inundation by sea level rise and sea level rise combined with the 1% coastal flood are shown in Figure T.4 and



Figure T.5, respectively. See Section 5.3.4 Coastal Storm/Coastal Erosion/Sea Level Rise in the base plan for more details on the scenarios and data sources used for this analysis.

**Table T.11 Properties Inundated by Sea Level Rise and Sea Level Rise with 1% Annual Chance Flood**

Property Type	25-cm SLR	75-cm SLR	300-cm SLR	25-cm SLR w/ 1% Flood	75-cm SLR w/ 1% Flood	300-cm SLR w/ 1% Flood
Agricultural	--	--	1	--	--	1
Commercial	--	--	15	--	--	19
Government/Utilities	--	--	13	--	--	16
Other/Exempt/Misc.	--	--	21	--	--	29
Residential	--	--	147	--	--	177
Multi-Family Residential	--	--	74	--	--	85
Mobile/Manufactured Homes	--	--	1	--	--	2
Residential: Other	--	--	20	--	--	24
Industrial	--	--	1	--	--	3
Vacant	--	--	2	--	--	2
<b>Total</b>	--	--	<b>295</b>	--	--	<b>358</b>

Source: Wood analysis with USGS CoSMoS 3.1 data

**Table T.12 Improved Values of Properties Inundated by Sea Level Rise and Sea Level Rise with 1% Annual Chance Flood\***

Property Type	25-cm SLR	75-cm SLR	300-cm SLR	25-cm SLR w/ 1% Flood	75-cm SLR w/ 1% Flood	300-cm SLR w/ 1% Flood
Agricultural	--	--	\$165,701	--	--	\$165,701
Commercial	--	--	\$2,392,580	--	--	\$2,929,341
Government/Utilities**	--	--	\$0	--	--	\$0
Other/Exempt/Misc.**	--	--	\$6,073,385	--	--	\$6,928,953
Residential	--	--	\$23,571,351	--	--	\$28,460,496
Multi-Family Residential	--	--	\$7,721,566	--	--	\$12,459,912
Mobile/Manufactured Homes	--	--	\$281,303	--	--	\$586,646
Residential: Other	--	--	\$2,792,785	--	--	\$4,238,793
Industrial	--	--	\$62,392	--	--	\$107,956
Vacant	--	--	\$242,315	--	--	\$242,315
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$43,303,378</b>	<b>\$0</b>	<b>\$0</b>	<b>\$56,120,113</b>

\*South SLO Sanitation District encompasses the Cities of Grover Beach and Arroyo Grande as well as the majority of the Oceano CSD. As such, the totals for the Sanitation District may be duplicative when compared to the other cities' and the CSD's totals.

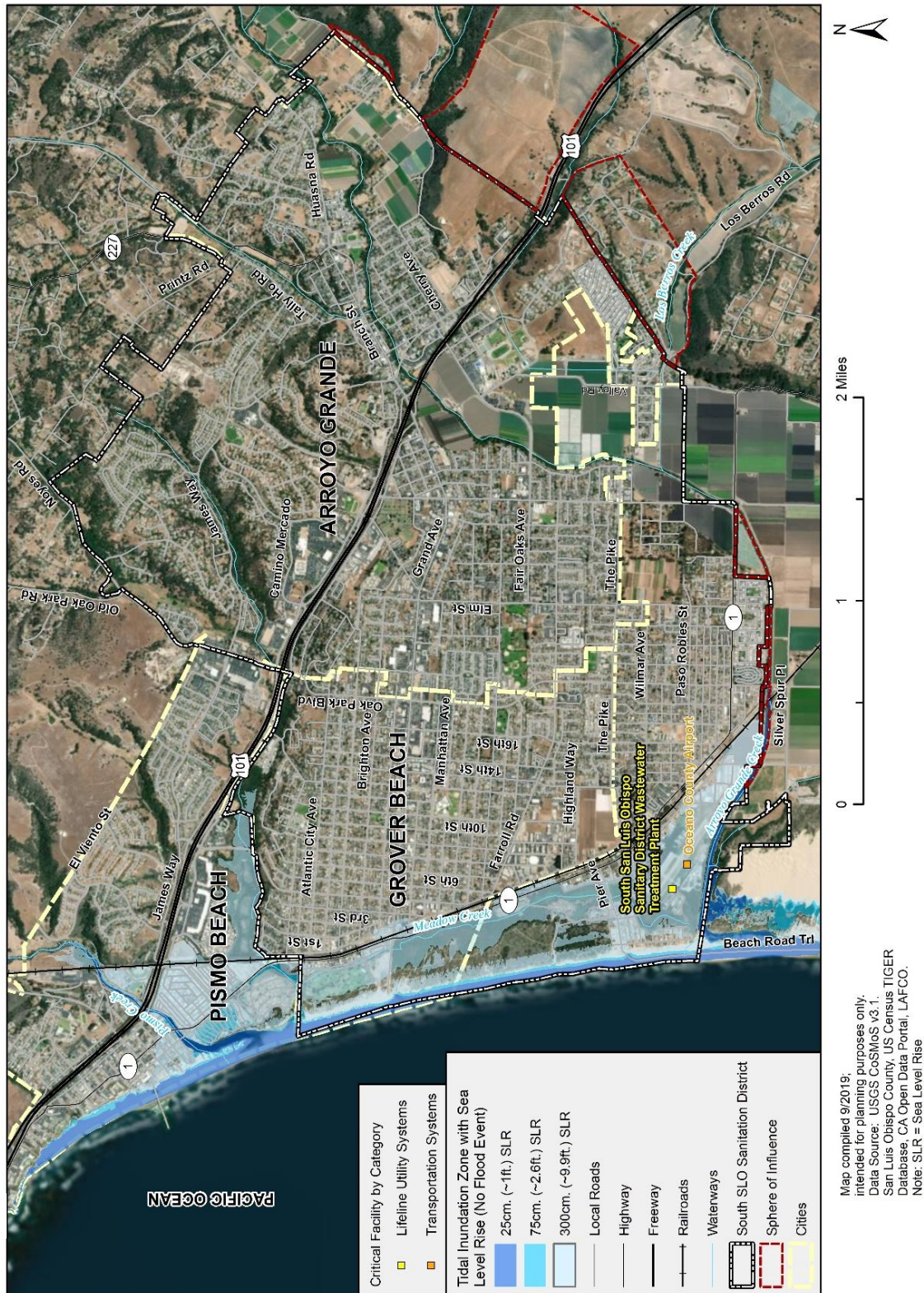
\*\*Values may be underestimated as some values not available in parcel data due to being exempt from tax assessment; Port San Luis values represent pier valuations provided by the District.

Source: Wood analysis with USGS CoSMoS 3.1 data





Figure T.4 South SLO Sanitation District Sea Level Rise Scenario Analysis: Tidal Inundation Only









## T.4 Capability Assessment

Capabilities are the programs and policies currently in use to reduce hazard impacts, or that could be used to implement hazard mitigation activities. This capability assessment is divided into five sections: regulatory mitigation capabilities, administrative and technical mitigation capabilities, fiscal mitigation capabilities, mitigation outreach and partnerships, and other mitigation efforts.

To develop this capability assessment, the jurisdictional and District planning representatives used a matrix of common mitigation activities to inventory policies or programs in place. The team then supplemented this inventory by reviewing additional existing policies, regulations, plans, and programs to determine if they contributed to reducing hazard-related losses.

During the plan update process, this inventory was reviewed by the jurisdictional and district planning representatives and Wood consultant team staff to update information where applicable and note ways in which these capabilities have improved or expanded. In summarizing current capabilities and identifying gaps, the jurisdictional planning representatives also considered their ability to expand or improve upon existing policies and programs as potential new mitigation strategies. The Sanitation District capabilities are summarized below.

### T.4.1 Regulatory Mitigation Capabilities

Table T.11 identifies existing regulatory capabilities the District has in place to help with future mitigation efforts. Note: many of the regulatory capabilities that can be used for the District are within the County's jurisdiction. Refer to the Base Plan's Section 6 Capability Assessment for specific information related to the County's mitigation capabilities as well as more details on this topic.

**Table T.13 Sanitation District Regulatory Mitigation Capabilities**

Regulatory Tool	Yes/No	Comments
General plan	No	
Zoning ordinance	No	
Subdivision ordinance	No	
Growth management ordinance	No	
Floodplain ordinance	No	
Other special purpose ordinance (stormwater, water conservation, wildfire)	Yes	Sanitary Sewer System Use Ordinance 2011-1 and Pretreatment Ordinance 1994-1
Building code	No	
Fire department ISO rating	No	
Erosion or sediment control program	No	
Stormwater management program	No	
Site plan review requirements	No	
Capital improvements plan	No	
Economic development plan	No	
Local emergency operations plan	No	
Other special plans	No	
Flood Insurance Study or other engineering study for streams	No	
Elevation certificates (for floodplain development)	No	

Source: Wood Data Collection Guide, 2019; Sanitation District



### T.4.2 Administrative/Technical Mitigation Capabilities

Table T.12 identifies the personnel responsible for activities related to mitigation and loss prevention in the South SLO County Sanitation District.

**Table T.14 Sanitation District Administrative/Technical Mitigation Capabilities**

Personnel Resources	Yes/No	Department/Position/Comments
Planner/engineer with knowledge of land development/land management practices	Yes	District Administrator
Engineer/professional trained in construction practices related to buildings and/or infrastructure	Yes	District Administrator
Planner/engineer/scientist with an understanding of natural hazards	Yes	District Administrator
Personnel skilled in GIS	Yes	Operators
Full time building official	No	
Floodplain manager	No	
Emergency manager	No	
Grant writer	No	
Other personnel	Yes	District Administrator (Professional Engineer), Certified Wastewater Treatment Plant Operators, ELAP Certified Laboratory Technician, Secretary/Bookkeeper
GIS Data Resources (Hazard areas, critical facilities, land use, building footprints, etc.)	Yes	Arc GIS of Trunk Sewer Line
Warning systems/services (Reverse 9-11, outdoor warning signals)	No	

Source: Wood Data Collection Guide, 2019; Sanitation District

### T.4.3 Fiscal Mitigation Capabilities

Table T.13 identifies financial tools or resources that the District could potentially use to help fund mitigation activities.

**Table T.15 Sanitation District Fiscal Mitigation Capabilities**

Financial Resources	Accessible/Eligible to Use (Yes/No)
Community Development Block Grants	No
Capital improvements project funding	Yes
Authority to levy taxes for specific purposes	No
Fees for water, sewer, gas, or electric services	Yes
Impact fees for new development	No
Incur debt through general obligation bonds	Yes
Incur debt through special tax bonds	No
Incur debt through private activities	No
Withhold spending in hazard prone areas	No





#### T.4.4 Mitigation Outreach and Partnerships

The South SLO County Sanitation District runs a responsible water use outreach program to encourage conservation and efficiency by sending out public notices via quarterly newsletters, school outreach efforts, and bill stuffers for water conservation, responsible water use, and sewer misuse examples. Other outreach, partnership, and general District efforts include those stated in existing planning mechanisms such as the Local Hazard Mitigation Plan shared by the participating jurisdictions (Arroyo Grande and Grover Beach) and the special district (Oceano), last updated in 2015.

#### T.4.5 Other Mitigation Efforts

The following mitigation projects were noted by the Planning Team as being completed since the 2015 plan.

- Completed August 2016: Sea Level Rise Analysis. To assess the existing and future flood exposure of the wastewater treatment facility, including estimates of the flood elevations and frequencies, which will be used to inform the environmental review, permitting, and design of the District's Redundancy Project.
- Completed December 2018: Coastal Hazards Monitoring Plan. Study to prepare a Coastal Hazards Monitoring Plan that can be implemented by the District to track how hazards change over time, and to document actions and responses for managing those hazards.
- Completed January 2019: SSLO Sanitation District Wastewater Treatment Plant Redundancy Project Geotechnical Report. This report provides geotechnical recommendations for the design of a new clarifier, aeration basin, blower building, equipment pads and associated piping. The proposed improvements if implemented according to the recommendations in the report will add redundancy to the existing wastewater treatment plant and add resiliency to the plan relative to flooding, seismic, and coastal hazards, notably soil liquefaction.

#### T.4.6 Opportunities for Enhancement

Based on this capability assessment and the noted information from existing plans and efforts (e.g., those noted in the District's Strategic Plan from 2018), the South SLO County Sanitation District has several existing mechanisms in place that help to mitigate hazards. There are also opportunities for the District to expand or improve on these policies and programs to further protect the community. Future improvements may include: providing training for staff members related to hazards or hazard mitigation grant funding in partnership with the County and Cal OES; or obtaining official certification such as Storm Ready or FireWise certifications. Additional training opportunities will help to inform District staff and board members on how best to integrate hazard information and mitigation projects into the District policies and ongoing duties of the District. Continuing to train District staff on mitigation and the hazards that pose a risk to the South SLO County Sanitation District will lead to more informed staff members who can better communicate this information to the public and prevent or respond to changes in development and the District makeup overall. Furthermore, the Planning Team for the District noted that South SLO Sanitation District often seeks to find opportunities to reinforce and strengthen its infrastructure during the initial design of facilities planned to be built. The District has developed a robust Coastal Hazards Monitoring Plan. A review process that involves assessing existing facilities against hazards to determine their vulnerability has not been fully cataloged, so the District hopes to continue these ongoing efforts in the future.

### T.5 Mitigation Strategy

#### T.5.1 Mitigation Goals and Objectives

The Sanitation District adopts those hazard mitigation goals and objectives developed by the County Planning Team and described in Section 7 of the Base Plan: Mitigation Strategy.



## T.5.2 Completed 2015 Mitigation Actions

The South SLO County Sanitation District has completed two mitigation actions identified in the 2015 plan. These completed actions have reduced vulnerability to hazards and increased local capability to implement additional mitigation actions. The following are the completed mitigation actions:

- SD.3 Sea Level Rise Analysis. To assess the existing and future flood exposure of the wastewater treatment facility, including estimates of the flood elevations and frequencies, which will be used to inform the environmental review, permitting, and design of the District's Redundancy Project.
- SD.4 Coastal Hazards Monitoring Plan. Study to prepare a Coastal Hazards Monitoring Plan that can be implemented by the District to track how hazards change over time, and to document actions and responses for managing those hazards.

## T.5.3 Mitigation Actions

The Planning Team for the South SLO County Sanitation District identified and prioritized the following mitigation actions based on the conducted risk assessment (see Table T.1). Actions were prioritized using the process described in Section 7.2.1 of the Base Plan. Background information and information on how each action will be implemented and administered, such as ideas for implementation, responsible office, potential funding, estimated cost, and timeline are also included. Actions with an asterisk (\*) are those that mitigate losses to future development.

**Table T.14 South SLO County Sanitation District's Mitigation Action Plan**

ID	Hazard(s) Mitigated	Description/Background/Benefits	Lead Agency and Partners	Cost Estimate	Potential Funding	Priority	Timeline	Status/ Implementation Notes
SD.1	Coastal Flood/ Coastal Erosion/ Sea Level Rise	Coastal Monitoring Program. Regularly monitoring flood and other coastal hazards at the site and management responses to those hazards both on and off site. Identifying how those hazards are impacting and affecting operations of the wastewater treatment plant. Identifying changes necessary to allow continued appropriate and required functioning of the plant. Identifying flood/hazard "triggers" to establish when actions (such as retrofits, upgrades, and including plant relocation) need to be pursued in response to specific flood/hazard events or flood management activities.	SSLOCSD	\$10,000 to \$50,000	SSLOCS/ FEMA HMA	High	Annual implementation	New. Benefits would include reduced coastal flooding impacts
SD.2	Flood; Coastal Flood/ Coastal Erosion/ Sea Level Rise; Earthquake, Dam incident	Redundancy Project - Flood Risk Mitigation Strategy. All critical new and existing facilities will be installed or upgraded to be protected from the 100-year flood event on Arroyo Grande Creek as defined by Flood Insurance Rate Map (FIRM) maps. This would also protect these facilities from floods caused by sea level rise for the design life of the facilities and provide additional protection from dam incident flooding.	SSLOCSD	\$10,000 to \$50,000	SSLOCS/ Redundancy Project	High	2-3 yrs.	New Benefits include Protection of critical structures, equipment, continued operations of the wastewater treatment plant during a 100-year flood event. Redundant facilities will also be designed according to current state seismic design standards.
SD.3	Earthquake	Wastewater Treatment Plant Redundancy Project – Implementation of liquefaction hazard mitigation measures per	SSLOCSD	\$10,000 to \$50,000	SSLOCSD/ Redundancy Project	High	More than 5 yrs.	New Benefits: Ability to conceptualize the



ID	Hazard(s) Mitigated	Description/Background/Benefits	Lead Agency and Partners	Cost Estimate	Potential Funding	Priority	Timeline	Status/ Implementation Notes
		the 2019 Redundancy Project Geotechnical Report during construction of additional treatment infrastructure.						cost of relocating the plant if necessary, in the future. (\$130,000,000 in 2016 dollars to relocate); relocation would incorporate current seismic design and provide added dam incident mitigation benefits.





## **T.6 Implementation and Maintenance**

Moving forward, the South SLO County Sanitation District will use the mitigation action table in the previous section to track progress on implementation of each project. Implementation of the plan overall is discussed in Section 8 Implementation and Monitoring of the Base Plan.

### **T.6.1 Incorporation into Existing Planning Mechanisms**

The information contained within this annex and the Base Plan, including results from the Vulnerability Assessments and the Mitigation Strategy, will be used by the District to help inform updates of the Sanitation District's existing plans (e.g. Strategic Plan) as well as in the development of additional local plans, programs, regulations, and policies. Understanding the hazards that pose a risk and the specific vulnerabilities to the District and its sphere of influence will help in future capital improvement planning and development for the District. The San Luis Obispo County Planning & Building Department may utilize the hazard information when reviewing a site plan or other type of development applications within or nearby the boundaries of the South SLO County Sanitation District area. As noted in Section 8 Implementation and Monitoring, the Planning Team representative/s from the South SLO County Sanitation District will report on efforts to integrate the hazard mitigation plan into local plans, programs, regulations, and policies and will report on these efforts at the annual Hazard Mitigation Plan and Planning Team review meeting.

### **T.6.2 Monitoring, Evaluation and Updating the Plan**

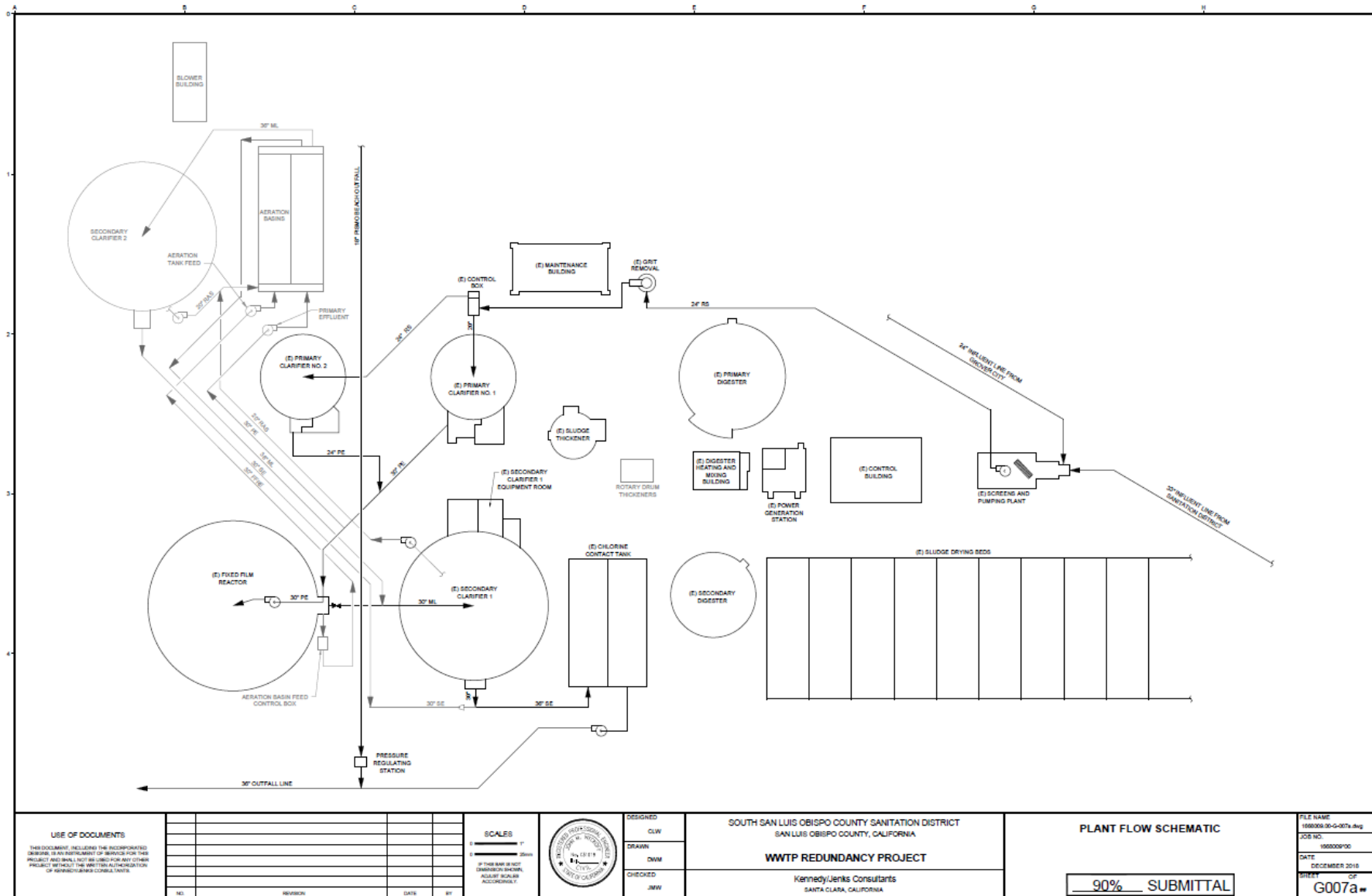
The South SLO County Sanitation District will follow the procedures to monitor, review, and update this plan in accordance with San Luis Obispo County as outlined in Section 8 of the Base Plan. The District will continue to involve the public in mitigation, as described in Section 8.3 of the base plan. The CSD General Manager will be responsible for representing the Community Services District in related County Hazard Mitigation Plan meetings or events, and for coordination with County staff and departments during plan updates. The Sanitation District realizes it is important to review the plan regularly and update it every five years in accordance with the FEMA Disaster Mitigation Act Requirements as well as other State of California requirements.



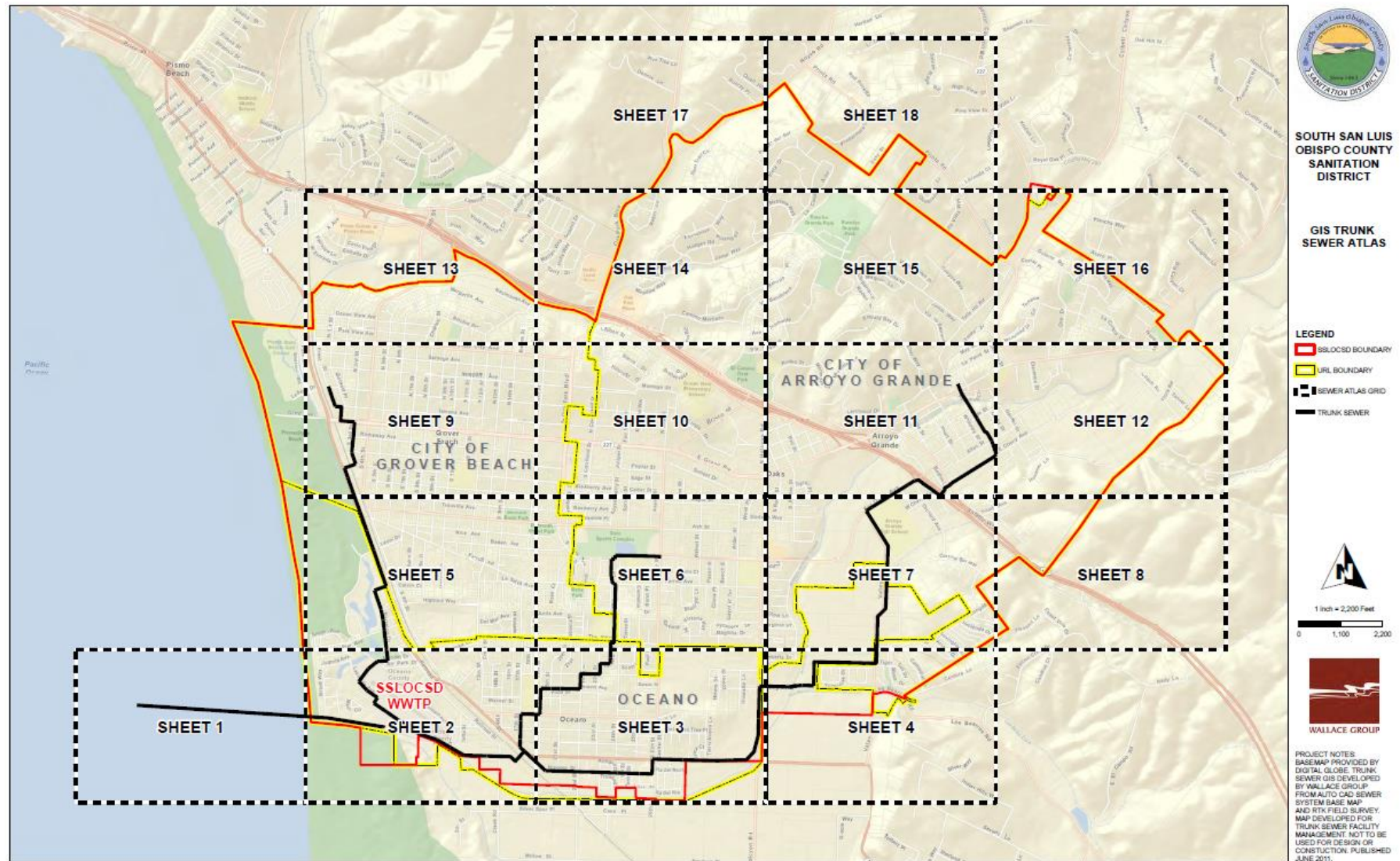


## T.7 Attachments











# **SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

Post Office Box 339 Oceano, California 93475-0339  
1600 Aloha Oceano, California 93445-9735  
Telephone (805) 489-6666 FAX (805) 489-2765  
[www.sslocsd.org](http://www.sslocsd.org)

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## **STAFF REPORT**

**Date:** August 05, 2020  
**To:** Board of Directors  
**From:** Jeremy Ghent, District Administrator  
**Subject:** **DEBT FINANCING REDUNDANCY PROJECT**

### **RECOMMENDATION:**

1. Adopt Resolution No. 2020-418 Adopting a Debt Management Policy; and
2. Adopt Resolution No. 2020-419 Authorizing the execution, delivery, and sale of wastewater revenue Certificates of Participation in the maximum principal amount of \$25,000,000 to finance wastewater projects, and approving related documents and actions; and
3. Adopt Resolution No. 2020-420 Authorizing and providing for the incurrence of indebtedness for the purpose of providing a portion of the cost of acquiring, constructing, enlarging, improving, and/or extending its wastewater treatment facility to serve an area lawfully within its jurisdiction to serve; and
4. Adopt Resolution No. 2020-421 Authorizing the execution, delivery, and sale of certificates of participation to US Department of Agriculture in the maximum principal amount of \$4,464,000 to finance wastewater projects, and approving related documents and actions

### **BACKGROUND:**

A number of Resolutions are required to authorize the District to issue debt to finance its Redundancy Project and approve related matters. The Resolutions and key documents are described below. In order to meet the requirements of the USDA Loan, the Resolutions need to be adopted before the District can advertise for construction bids.

The District plans to fund its Redundancy Project with a combination of funding sources including a) a low-interest rate USDA Loan, b) Certificates of Participation (COPs), and c) cash funding. The District was successful in obtaining a commitment from USDA for a \$4,464,000, 40-year loan with an annual interest rate of 1.375%. The remainder of the project will be financed by a combination of cash funding from rates and fund reserves, and Certificates of Participation which are very similar to bonds and are widely used to finance public infrastructure projects in California. The amount of

funding from cash and COPs will be determined after the District receives construction bids based on the cost of the project and an updated analysis of District finances. The USDA is not providing loan funding until after the project is complete. Hence the COPs will also include interim financing for the USDA Loan. This prevents the District from needing a separate debt issue to fund project costs that will ultimately be refunded by the USDA Loan.

### **Rate History**

In February 2016, the District adopted a multi-year rate increase designed to provide funding for operation and maintenance expenses, capital improvement needs, and debt service to finance the Redundancy Project. The rate increases were fully phased in as of July 1, 2019. Prior to these rate increases, the District had not adjusted its rates for almost 6 years.

The sewer service charges for all three SSLOCSD member agencies remain among the lowest in the region. No additional rate increases are needed at this time to provide financial security for issuing debt. However, small inflationary rate adjustments will likely be needed in future years to keep revenues aligned with costs of service.

### **Schedule & Next Steps**

A summary of key milestones related to the bidding and award of project construction, and the issuance of debt to finance the project is listed below.

- August – Board authorization to bid out construction
- Late August/Early September – Advertise for construction bids
- October Board Meeting – Board approval of Preliminary Official Statement for sale of COPs
- Late October – Bid opening & analysis of construction bids
- Late October – Finalize debt financing estimates and level of funding from COPs
- Early November – Sale of COPs to provide project funding & interim financing for USDA Loan
- Late November/Early December – Close COPs & receive funding
- Early December – Issue Notice of Award for project construction

### **Summary of Resolutions & Related Documents**

#### **Resolution No. 2020-418 Approving a Debt Management Policy**

This Resolution approves a Debt Management Policy in compliance with Government Code Section 8855(i), which became effective on January 1, 2017. The Code requires the District to adopt a written Debt Management Policy prior to issuing any new debt. The proposed Debt Management Policy is designed to comply with Government Code requirements and provide the District with reasonable and flexible guidelines for issuing debt. The policy can be amended in the future if ever needed.

#### **Resolution No. 2020-419 Approving Financing Through Publicly-Offered Certificates of Participation (COPs)**

This Resolution a) authorizes the District to issue up to a maximum of \$25 million of COPs (similar to bonds), b) approves the form of financing documents including an Installment Sale Agreement and a Trust Agreement (summarized below), c) authorizes the preparation of a Preliminary Official Statement describing the District and the COPs, d) approves engagement of financing professionals, e) and authorizes members of the Board of Directors and the District Administrator to take actions as needed and execute final documents. The \$25 million maximum authorized amount would allow the District to issue debt for up to roughly \$20 million of long-term financing in addition to providing interim financing for the USDA Loan. While the District anticipates issuing less than the maximum,

the authorized level provides a buffer to account for costs of issuance, potential funding of a debt service reserve fund, and contingency to account for construction bid results.

- **Installment Sale Agreement** – This agreement is a contract between the District and Public Property Financing Corporation of California serving in the role as seller of the Project. The agreement includes the District's legal requirements related to the COPs which include a covenant to adopt service charges and fees as needed to generate adequate revenues each year to a) fund operating and maintenance expenses and b) cover 120% of annual debt service (in order to provide adequate repayment security to investors).
- **Trust Agreement** – This agreement is a contract between the District, Public Property Financing Corporation of California, and the Bank of New York Mellon Trust Company who will serve as trustee for the COPs. Pursuant to this agreement, the District will make semi-annual payments to the trustee based on the final principal amount and interest rates of the COPs.

#### **Resolution 2020-420 USDA Loan Resolution**

This Resolution is a standard template resolution required by USDA that authorizes the District to issue debt to fund a portion of Project costs that will subsequently be refunded by the USDA financing, subject to certain requirements of USDA.

#### **Resolution No. 2020-421 Approving Financing Through USDA Certificates of Participation (COPs)**

This Resolution a) authorizes the District to issue up to \$4,464,000 of COPs to USDA (to refund the portion of COPs initially issued to provide interim financing for the USDA Loan), b) approves the form of financing documents including an Installment Sale Agreement and a Trust Agreement, and c) authorizes members of the Board of Directors and the District Administrator to take actions as needed and execute final documents.

- **USDA Installment Sale Agreement** – This agreement details the District's legal requirements related to the COPs that will be issued to USDA (aka, the USDA Loan), which include similar provisions as the District's publicly-offered COPs.
- **USDA Trust Agreement** – This agreement is a contract between the District, Public Property Financing Corporation of California, and the District Administrator who is assigned to serve as trustee for the USDA Loan. Pursuant to this agreement, the District will make semi-annual payments based on the final amortization schedule of the USDA Loan.

#### **Good Faith Estimates of Debt**

California Government Code Section 5852.1, which became effective on January 1, 2018, requires that prior to authorization of the issuance of bonds with a term greater than 13 months, the governing body of a public body shall obtain and disclose all of the following information in a meeting open to the public:

- A. The true interest cost of the bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds.
- B. The finance charge of the bonds, which means the sum of all fees and charges paid to third parties.
- C. The amount of proceeds received by the public body for sale of the bonds less the finance charge of the bonds described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the bonds.

- D. The total payment amount, which means the sum total of all payments the borrower will make to pay debt service on the bonds plus the finance charge of the bonds described in subparagraph (B) not paid with the proceeds of the bonds. The total payment amount shall be calculated to the final maturity of the bonds.

The attached Table A in Attachment No. 1 provides good faith estimates regarding the proposed Wastewater Revenue COPs and USDA Loan in compliance with California Government Code Section 5852. The estimates were provided from Bartle Wells Associates, the municipal advisor to the District, and are based on a number of assumptions. Key assumptions include:

- Assumes issuance of \$20,000,000 of Wastewater Revenue COPs, Series A to provide long-term project financing, and \$4,465,000 of Wastewater Revenue COPs, Series B to provide interim financing for the USDA Loan. The final amount of Series A COPs issued will be determined after receiving construction bids.
- Assumes conservatively-high estimates of financing costs. Actual financing costs may vary depending on factors such as the cost and use of municipal bond insurance, issue size and underwriter's discount, and other factors.
- Assumes conservatively-high estimates of interest rates based on current municipal bond market conditions. Interest rates are subject to change and will be based on market conditions at the time of sale.

The attached Table B in Attachment No. 2 shows projected annual payment for the 2020 Wastewater Revenue COPs and USDA Loan by fiscal year. Payments for the Series B COPs, which provide interim financing for the USDA Loan are net of the anticipated USDA Loan which will be used to pay off the Series B COPs. Actual USDA Loan payments will not begin until after USDA Loan funding is received.

**FISCAL CONSIDERATION:**

The District's Adopted Rates and Financial Plan estimated an annual debt service payment of \$1,125,000. Table B in the attached Good Faith Debt Estimates details the projected debt service expense.

**Attachments:**

1. Bartle Wells Report of Good Faith Debt Estimates 2020 Wastewater Revenue COPs & USDA Loan
2. Resolution No. 2020-418 Approving Debt Management Policy
  - a. Debt Management Policy
3. Resolution No. 2020-419 Approving Financing Through Publicly-Offered Certificates of Participation (COPs)
  - a. Installment Sale Agreement
  - b. Trust Agreement
4. Resolution 2020-420 USDA Loan Resolution (Public Bodies) [*Note: This is a standard template resolution required by USDA – no changes should be made.*]
5. Resolution 2020-421 Approving Financing Through USDA Certificates of Participation (COPs)
  - a. Installment Sale Agreement (USDA)
  - b. Trust Agreement (USDA)



# South San Luis Obispo County Sanitation District



## Good Faith Debt Estimates

2020 Wastewater Revenue COPs & USDA Loan

July 29, 2020



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS

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Table A  
South San Luis Obispo County Sanitation District  
Good Faith Estimates  
*Information required by California Government Code 5852.1*

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**Wastewater Revenue COPs, Series A & B**

A) True Interest Cost (TIC)	2.667%
B) Finance Charges	\$395,000
C) Debt Proceeds to District (includes USDA interim financing)	\$24,070,000
D) Gross Debt Service Payments	\$33,998,239

**USDA Loan**

A) True Interest Cost (TIC)	1.375%
B) Finance Charges	\$50,000
C) Debt Proceeds to District	\$4,464,000
D) Gross Debt Service Payments	\$5,818,976

**Combined COPs & USDA Loan**

*Net of USDA Loan Refunding of Series B COPs*

A) True Interest Cost (TIC)	2.553%
B) Finance Charges	\$445,000
C) Debt Proceeds to District (Net of USDA Refunding)	\$24,070,000
D) Gross Debt Service Payments	\$35,353,215

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Source: Good faith estimates provided by Bartle Wells Associates

Note: The estimates are based on a number of assumptions including:

- 1) Assumes issuance of \$20,000,000 of Wastewater Revenue COPs, Series A and \$4,465,000 of Series B COPs; the actual amount of debt issued will be determined after receiving construction bids.
  - 2) Assumes conservatively-high estimates of financing costs.
  - 3) Assumes conservatively-high estimates of interest rates for the Series A & B COPs based on current municipal bond market conditions. Interest rates are subject to change and will be based on market conditions at the time of sale.
- 

California Government Code Section 5852.1 requires that prior to authorization of the issuance of bonds with a term greater than 13 months, the governing body of a public body shall obtain and disclose all of the following information in a meeting open to the public:

- (A) The true interest cost of the bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds.
- (B) The finance charge of the bonds, which means the sum of all fees and charges paid to third parties.
- (C) The amount of proceeds received by the public body for sale of the bonds less the finance charge of the bonds described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the bonds.
- (D) The total payment amount, which means the sum total of all payments the borrower will make to pay debt service on the bonds plus the finance charge of the bonds described in subparagraph (B) not paid with the proceeds of the bonds. The total payment amount shall be calculated to the final maturity of the bonds.



Table B  
South San Luis Obispo County Sanitation District  
Projected Debt Service  
*Net of USDA Loan Refunding of Series B COPs*

Fiscal Year Ending 6/30	2020 COPs Installment Payments		USDA Loan Payments <sup>2</sup>	Total Payments
	Series A	Series B <sup>1</sup>		
2021	118,720.63	11,162.50	23,038.52	152,921.65
2022	973,632.50	44,650.00	137,151.02	1,155,433.52
2023	970,757.50	44,650.00	145,633.75	1,161,041.25
2024	972,238.75	44,650.00	145,523.62	1,162,412.37
2025	973,050.00	44,650.00	145,320.50	1,163,020.50
2026	973,180.00		145,024.38	1,118,204.38
2027	972,485.00		144,793.75	1,117,278.75
2028	975,655.00		145,614.98	1,121,269.98
2029	972,665.00		145,343.11	1,118,008.11
2030	973,480.00		144,985.01	1,118,465.01
2031	973,025.00		145,678.76	1,118,703.76
2032	971,401.25		145,417.20	1,116,818.45
2033	973,657.50		145,076.57	1,118,734.07
2034	974,847.50		144,656.88	1,119,504.38
2035	975,082.50		145,281.88	1,120,364.38
2036	974,332.50		144,944.04	1,119,276.54
2037	972,727.50		145,527.79	1,118,255.29
2038	975,337.50		145,033.13	1,120,370.63
2039	972,146.25		145,575.63	1,117,721.88
2040	973,135.00		145,147.30	1,118,282.30
2041	973,216.25		144,655.43	1,117,871.68
2042	972,553.75		145,093.13	1,117,646.88
2043	976,060.00		145,553.13	1,121,613.13
2044	973,730.00		145,033.89	1,118,763.89
2045	975,747.50		145,452.64	1,121,200.14
2046	971,906.25		144,809.38	1,116,715.63
2047	972,200.00		145,186.88	1,117,386.88
2048	971,756.25		144,576.25	1,116,332.50
2049	975,275.00		144,912.50	1,120,187.50
2050	972,750.00		145,188.76	1,117,938.76
2051			144,476.88	144,476.88
2052			144,767.49	144,767.49
2053			145,007.49	145,007.49
2054			145,196.88	145,196.88
2055			145,381.88	145,381.88
2056			144,559.43	144,559.43
2057			144,703.18	144,703.18
2058			144,806.25	144,806.25
2059			144,895.00	144,895.00
2060			144,958.96	144,958.96
2061			144,992.71	144,992.71
Total	28,346,751.88	189,762.50	5,818,975.96	34,355,490.34

1 Series B Payments are net of the anticipated \$4,464,000 refunding payment from the USDA Loan.

2 Assumes USDA Loan Payment begin 03/01/21; actual payments will be begin after USDA Loan funding.

## **2020 Wastewater Revenue Certificates of Participation**

Table 1  
 South San Luis Obispo County Sanitation District  
 COPs Sources & Uses of Funds

<b>Dated Date/Closing Date</b>	tbd	12/01/20
<b>Sources</b>		
Series A Principal	tbd	\$20,000,000
Series B Principal		4,465,000
Original Issue Premium	tbd	0
Total Sources		24,465,000
<b>Uses</b>		
Project Fund, Series A	tbd	19,605,000
Project Fund, Series B*		4,465,000
Underwriter's Discount (est)	est	170,000
Costs of Issuance	est	140,000
Bond Insurance & Reserve Surety	tbd	75,000
Rounding/Contingency		10,000
Total Uses		24,465,000

\* Provides interim financing for USDA Loan

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Table 2  
South San Luis Obispo County Sanitation District  
COPs Estimated Costs of Issuance

<b>Estimated Costs of Issuance</b>		
Bond & Disclosure Counsel	Jones Hall	\$65,000
Municipal Advisor	Bartle Wells Associates	35,000
Bond Rating	S&P Global Ratings	25,000
Third-Party Seller	Public Property Financing Corp of CA	4,500
Trustee & Trustee Counsel	Bank of New York Mellon Trust	4,000
Printing/Distribution		3,000
Misc Expenses/Contingency		<u>3,500</u>
<b>Total</b>		140,000

Table 3  
South San Luis Obispo County Sanitation District  
2020 Wastewater Revenue COPs, Series A

Dated Date	12/01/20
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Payment Date	Principal	Rate	Interest	Installment Payment	Annual Payments	Fiscal Year Payments
03/01/21			118,720.63	118,720.63		118,720.63
09/01/21	500,000	0.500%	237,441.25	737,441.25	856,161.88	
03/01/22			236,191.25	236,191.25		973,632.50
09/01/22	500,000	0.650%	236,191.25	736,191.25	972,382.50	
03/01/23			234,566.25	234,566.25		970,757.50
09/01/23	505,000	0.750%	234,566.25	739,566.25	974,132.50	
03/01/24			232,672.50	232,672.50		972,238.75
09/01/24	510,000	0.900%	232,672.50	742,672.50	975,345.00	
03/01/25			230,377.50	230,377.50		973,050.00
09/01/25	515,000	1.000%	230,377.50	745,377.50	975,755.00	
03/01/26			227,802.50	227,802.50		973,180.00
09/01/26	520,000	1.200%	227,802.50	747,802.50	975,605.00	
03/01/27			224,682.50	224,682.50		972,485.00
09/01/27	530,000	1.400%	224,682.50	754,682.50	979,365.00	
03/01/28			220,972.50	220,972.50		975,655.00
09/01/28	535,000	1.600%	220,972.50	755,972.50	976,945.00	
03/01/29			216,692.50	216,692.50		972,665.00
09/01/29	545,000	1.800%	216,692.50	761,692.50	978,385.00	
03/01/30			211,787.50	211,787.50		973,480.00
09/01/30	555,000	2.000%	211,787.50	766,787.50	978,575.00	
03/01/31			206,237.50	206,237.50		973,025.00
09/01/31	565,000	2.150%	206,237.50	771,237.50	977,475.00	
03/01/32			200,163.75	200,163.75		971,401.25
09/01/32	580,000	2.300%	200,163.75	780,163.75	980,327.50	
03/01/33			193,493.75	193,493.75		973,657.50
09/01/33	595,000	2.400%	193,493.75	788,493.75	981,987.50	
03/01/34			186,353.75	186,353.75		974,847.50
09/01/34	610,000	2.500%	186,353.75	796,353.75	982,707.50	
03/01/35			178,728.75	178,728.75		975,082.50
09/01/35	625,000	2.600%	178,728.75	803,728.75	982,457.50	
03/01/36			170,603.75	170,603.75		974,332.50
09/01/36	640,000	2.650%	170,603.75	810,603.75	981,207.50	
03/01/37			162,123.75	162,123.75		972,727.50
09/01/37	660,000	2.700%	162,123.75	822,123.75	984,247.50	
03/01/38			153,213.75	153,213.75		975,337.50
09/01/38	675,000	2.750%	153,213.75	828,213.75	981,427.50	
03/01/39			143,932.50	143,932.50		972,146.25
09/01/39	695,000	2.800%	143,932.50	838,932.50	982,865.00	
03/01/40			134,202.50	134,202.50		973,135.00
09/01/40	715,000	2.850%	134,202.50	849,202.50	983,405.00	
03/01/41			124,013.75	124,013.75		973,216.25
09/01/41	735,000	2.850%	124,013.75	859,013.75	983,027.50	



Table 3

South San Luis Obispo County Sanitation District  
2020 Wastewater Revenue COPs, Series A

Dated Date	12/01/20
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Payment Date	Principal	Rate	Interest	Installment Payment	Annual Payments	Fiscal Year Payments
03/01/42			113,540.00	113,540.00		972,553.75
09/01/42	760,000	2.900%	113,540.00	873,540.00	987,080.00	
03/01/43			102,520.00	102,520.00		976,060.00
09/01/43	780,000	2.900%	102,520.00	882,520.00	985,040.00	
03/01/44			91,210.00	91,210.00		973,730.00
09/01/44	805,000	2.900%	91,210.00	896,210.00	987,420.00	
03/01/45			79,537.50	79,537.50		975,747.50
09/01/45	825,000	2.950%	79,537.50	904,537.50	984,075.00	
03/01/46			67,368.75	67,368.75		971,906.25
09/01/46	850,000	2.950%	67,368.75	917,368.75	984,737.50	
03/01/47			54,831.25	54,831.25		972,200.00
09/01/47	875,000	2.950%	54,831.25	929,831.25	984,662.50	
03/01/48			41,925.00	41,925.00		971,756.25
09/01/48	905,000	3.000%	41,925.00	946,925.00	988,850.00	
03/01/49			28,350.00	28,350.00		975,275.00
09/01/49	930,000	3.000%	28,350.00	958,350.00	986,700.00	
03/01/50			14,400.00	14,400.00		972,750.00
09/01/50	960,000	3.000%	14,400.00	974,400.00	988,800.00	974,400.00
Total	20,000,000		9,321,151.88	29,321,151.88	29,321,151.88	29,321,151.88

Table 4

South San Luis Obispo County Sanitation District

Wastewater Revenue COPs, Series B

USDA Loan Interim Financing

Dated Date	12/01/20
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Payment Date	Principal	Rate	Interest	Installment Payment	Annual Payments	Fiscal Year Payments
03/01/21			11,162.50	11,162.50		11,162.50
09/01/21			22,325.00	22,325.00	33,487.50	
03/01/22			22,325.00	22,325.00		44,650.00
09/01/22			22,325.00	22,325.00	44,650.00	
03/01/23			22,325.00	22,325.00		44,650.00
09/01/23			22,325.00	22,325.00	44,650.00	
03/01/24			22,325.00	22,325.00		44,650.00
09/01/24			22,325.00	22,325.00	44,650.00	
03/01/25			22,325.00	22,325.00		44,650.00
09/01/25	4,465,000	1.000%	22,325.00	4,487,325.00	4,509,650.00	4,509,650.00
Total	4,465,000		212,087.50	4,677,087.50	4,677,087.50	4,699,412.50

Table 5

South San Luis Obispo County Sanitation District  
Wastewater Revenue COPs, Series A & B Combined

Dated Date	12/01/20
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Payment Date	Principal	Rate	Interest	Installment Payment	Annual Payments	Fiscal Year Payments
03/01/21			129,883.13	129,883.13		129,883.13
09/01/21	500,000	0.500%	259,766.25	759,766.25	889,649.38	
03/01/22			258,516.25	258,516.25		1,018,282.50
09/01/22	500,000	0.650%	258,516.25	758,516.25	1,017,032.50	
03/01/23			256,891.25	256,891.25		1,015,407.50
09/01/23	505,000	0.750%	256,891.25	761,891.25	1,018,782.50	
03/01/24			254,997.50	254,997.50		1,016,888.75
09/01/24	510,000	0.900%	254,997.50	764,997.50	1,019,995.00	
03/01/25			252,702.50	252,702.50		1,017,700.00
09/01/25	4,980,000	1.000%	252,702.50	5,232,702.50	5,485,405.00	
03/01/26			227,802.50	227,802.50		5,460,505.00
09/01/26	520,000	1.200%	227,802.50	747,802.50	975,605.00	
03/01/27			224,682.50	224,682.50		972,485.00
09/01/27	530,000	1.400%	224,682.50	754,682.50	979,365.00	
03/01/28			220,972.50	220,972.50		975,655.00
09/01/28	535,000	1.600%	220,972.50	755,972.50	976,945.00	
03/01/29			216,692.50	216,692.50		972,665.00
09/01/29	545,000	1.800%	216,692.50	761,692.50	978,385.00	
03/01/30			211,787.50	211,787.50		973,480.00
09/01/30	555,000	2.000%	211,787.50	766,787.50	978,575.00	
03/01/31			206,237.50	206,237.50		973,025.00
09/01/31	565,000	2.150%	206,237.50	771,237.50	977,475.00	
03/01/32			200,163.75	200,163.75		971,401.25
09/01/32	580,000	2.300%	200,163.75	780,163.75	980,327.50	
03/01/33			193,493.75	193,493.75		973,657.50
09/01/33	595,000	2.400%	193,493.75	788,493.75	981,987.50	
03/01/34			186,353.75	186,353.75		974,847.50
09/01/34	610,000	2.500%	186,353.75	796,353.75	982,707.50	
03/01/35			178,728.75	178,728.75		975,082.50
09/01/35	625,000	2.600%	178,728.75	803,728.75	982,457.50	
03/01/36			170,603.75	170,603.75		974,332.50
09/01/36	640,000	2.650%	170,603.75	810,603.75	981,207.50	
03/01/37			162,123.75	162,123.75		972,727.50
09/01/37	660,000	2.700%	162,123.75	822,123.75	984,247.50	
03/01/38			153,213.75	153,213.75		975,337.50
09/01/38	675,000	2.750%	153,213.75	828,213.75	981,427.50	
03/01/39			143,932.50	143,932.50		972,146.25
09/01/39	695,000	2.800%	143,932.50	838,932.50	982,865.00	
03/01/40			134,202.50	134,202.50		973,135.00
09/01/40	715,000	2.850%	134,202.50	849,202.50	983,405.00	
03/01/41			124,013.75	124,013.75		973,216.25
09/01/41	735,000	2.850%	124,013.75	859,013.75	983,027.50	

Table 5

South San Luis Obispo County Sanitation District  
Wastewater Revenue COPs, Series A & B Combined

Dated Date	12/01/20
------------	----------

Payment Date	Principal	Rate	Interest	Installment Payment	Annual Payments	Fiscal Year Payments
03/01/42			113,540.00	113,540.00		972,553.75
09/01/42	760,000	2.900%	113,540.00	873,540.00	987,080.00	
03/01/43			102,520.00	102,520.00		976,060.00
09/01/43	780,000	2.900%	102,520.00	882,520.00	985,040.00	
03/01/44			91,210.00	91,210.00		973,730.00
09/01/44	805,000	2.900%	91,210.00	896,210.00	987,420.00	
03/01/45			79,537.50	79,537.50		975,747.50
09/01/45	825,000	2.950%	79,537.50	904,537.50	984,075.00	
03/01/46			67,368.75	67,368.75		971,906.25
09/01/46	850,000	2.950%	67,368.75	917,368.75	984,737.50	
03/01/47			54,831.25	54,831.25		972,200.00
09/01/47	875,000	2.950%	54,831.25	929,831.25	984,662.50	
03/01/48			41,925.00	41,925.00		971,756.25
09/01/48	905,000	3.000%	41,925.00	946,925.00	988,850.00	
03/01/49			28,350.00	28,350.00		975,275.00
09/01/49	930,000	3.000%	28,350.00	958,350.00	986,700.00	
03/01/50			14,400.00	14,400.00		972,750.00
09/01/50	960,000	3.000%	14,400.00	974,400.00	988,800.00	974,400.00
Total	24,465,000		9,533,239.38	33,998,239.38	33,998,239.38	33,998,239.38

Table 6

South San Luis Obispo County Sanitation District  
Series A & B Combined TIC

Dated Date	12/01/20
------------	----------

Payment Date	Principal	Rate	Interest	Installment Payment	Semi-Annual Period	Present Value 2.66694%
03/01/21			129,883.13	129,883.13	0.500	129,025.71
09/01/21	500,000	0.500%	259,766.25	759,766.25	1.500	744,818.79
03/01/22			258,516.25	258,516.25	2.500	250,095.32
09/01/22	500,000	0.650%	258,516.25	758,516.25	3.500	724,151.91
03/01/23			256,891.25	256,891.25	4.500	242,025.53
09/01/23	505,000	0.750%	256,891.25	761,891.25	5.500	708,356.60
03/01/24			254,997.50	254,997.50	6.500	233,960.19
09/01/24	510,000	0.900%	254,997.50	764,997.50	7.500	692,648.89
03/01/25			252,702.50	252,702.50	8.500	225,792.62
09/01/25	4,980,000	1.000%	252,702.50	5,232,702.50	9.500	4,613,954.83
03/01/26			227,802.50	227,802.50	10.500	198,222.46
09/01/26	520,000	1.200%	227,802.50	747,802.50	11.500	642,138.00
03/01/27			224,682.50	224,682.50	12.500	190,395.99
09/01/27	530,000	1.400%	224,682.50	754,682.50	13.500	631,102.51
03/01/28			220,972.50	220,972.50	14.500	182,356.37
09/01/28	535,000	1.600%	220,972.50	755,972.50	15.500	615,652.71
03/01/29			216,692.50	216,692.50	16.500	174,148.91
09/01/29	545,000	1.800%	216,692.50	761,692.50	17.500	604,092.78
03/01/30			211,787.50	211,787.50	18.500	165,756.81
09/01/30	555,000	2.000%	211,787.50	766,787.50	19.500	592,233.75
03/01/31			206,237.50	206,237.50	20.500	157,192.87
09/01/31	565,000	2.150%	206,237.50	771,237.50	21.500	580,096.75
03/01/32			200,163.75	200,163.75	22.500	148,574.68
09/01/32	580,000	2.300%	200,163.75	780,163.75	23.500	571,468.41
03/01/33			193,493.75	193,493.75	24.500	139,868.68
09/01/33	595,000	2.400%	193,493.75	788,493.75	25.500	562,469.38
03/01/34			186,353.75	186,353.75	26.500	131,185.51
09/01/34	610,000	2.500%	186,353.75	796,353.75	27.500	553,223.77
03/01/35			178,728.75	178,728.75	28.500	122,528.27
09/01/35	625,000	2.600%	178,728.75	803,728.75	29.500	543,749.00
03/01/36			170,603.75	170,603.75	30.500	113,900.24
09/01/36	640,000	2.650%	170,603.75	810,603.75	31.500	534,062.08
03/01/37			162,123.75	162,123.75	32.500	105,408.80
09/01/37	660,000	2.700%	162,123.75	822,123.75	33.500	527,490.32
03/01/38			153,213.75	153,213.75	34.500	97,011.26
09/01/38	675,000	2.750%	153,213.75	828,213.75	35.500	517,504.23
03/01/39			143,932.50	143,932.50	36.500	88,751.85
09/01/39	695,000	2.800%	143,932.50	838,932.50	37.500	510,496.37
03/01/40			134,202.50	134,202.50	38.500	80,588.55
09/01/40	715,000	2.850%	134,202.50	849,202.50	39.500	503,235.26
03/01/41			124,013.75	124,013.75	40.500	72,523.16
09/01/41	735,000	2.850%	124,013.75	859,013.75	41.500	495,740.14



Table 6

South San Luis Obispo County Sanitation District  
Series A & B Combined TIC

Dated Date	12/01/20
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Payment Date	Principal	Rate	Interest	Installment Payment	Semi-Annual Period	Present Value 2.66694%
03/01/42			113,540.00	113,540.00	42.500	64,662.12
09/01/42	760,000	2.900%	113,540.00	873,540.00	43.500	490,942.84
03/01/43			102,520.00	102,520.00	44.500	56,859.60
09/01/43	780,000	2.900%	102,520.00	882,520.00	45.500	483,021.94
03/01/44			91,210.00	91,210.00	46.500	49,264.25
09/01/44	805,000	2.900%	91,210.00	896,210.00	47.500	477,690.12
03/01/45			79,537.50	79,537.50	48.500	41,836.51
09/01/45	825,000	2.950%	79,537.50	904,537.50	49.500	469,523.37
03/01/46			67,368.75	67,368.75	50.500	34,509.30
09/01/46	850,000	2.950%	67,368.75	917,368.75	51.500	463,733.80
03/01/47			54,831.25	54,831.25	52.500	27,352.69
09/01/47	875,000	2.950%	54,831.25	929,831.25	53.500	457,744.47
03/01/48			41,925.00	41,925.00	54.500	20,367.57
09/01/48	905,000	3.000%	41,925.00	946,925.00	55.500	453,971.64
03/01/49			28,350.00	28,350.00	56.500	13,412.61
09/01/49	930,000	3.000%	28,350.00	958,350.00	57.500	447,436.55
03/01/50			14,400.00	14,400.00	58.500	6,634.63
09/01/50	960,000	3.000%	14,400.00	974,400.00	59.500	443,035.73
Total	24,465,000		9,533,239.38	33,998,239.38		24,220,000.00
<b>TIC Target</b>						
Par Amount of COPs						24,465,000.00
Plus Original Issue Premium						0.00
Less Underwriter's Discount						(170,000.00)
Less Bond Insurance Premium						(75,000.00)
Total						24,220,000.00
<b>True Interest Cost (TIC)</b>						<b>2.66694%</b>

Table 7

South San Luis Obispo County Sanitation District  
Series A TIC

Dated Date	12/01/20
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Payment Date	Principal	Rate	Interest	Installment Payment	Semi-Annual Period	Present Value 2.79359%
03/01/21			118,720.63	118,720.63	0.500	117,900.07
09/01/21	500,000	0.500%	237,441.25	737,441.25	1.500	722,255.87
03/01/22			236,191.25	236,191.25	2.500	228,140.94
09/01/22	500,000	0.650%	236,191.25	736,191.25	3.500	701,303.24
03/01/23			234,566.25	234,566.25	4.500	220,372.04
09/01/23	505,000	0.750%	234,566.25	739,566.25	5.500	685,241.76
03/01/24			232,672.50	232,672.50	6.500	212,611.90
09/01/24	510,000	0.900%	232,672.50	742,672.50	7.500	669,291.98
03/01/25			230,377.50	230,377.50	8.500	204,754.81
09/01/25	515,000	1.000%	230,377.50	745,377.50	9.500	653,350.30
03/01/26			227,802.50	227,802.50	10.500	196,926.46
09/01/26	520,000	1.200%	227,802.50	747,802.50	11.500	637,541.22
03/01/27			224,682.50	224,682.50	12.500	188,914.97
09/01/27	530,000	1.400%	224,682.50	754,682.50	13.500	625,802.33
03/01/28			220,972.50	220,972.50	14.500	180,711.96
09/01/28	535,000	1.600%	220,972.50	755,972.50	15.500	609,719.99
03/01/29			216,692.50	216,692.50	16.500	172,363.02
09/01/29	545,000	1.800%	216,692.50	761,692.50	17.500	597,524.42
03/01/30			211,787.50	211,787.50	18.500	163,852.12
09/01/30	555,000	2.000%	211,787.50	766,787.50	19.500	585,062.88
03/01/31			206,237.50	206,237.50	20.500	155,192.57
09/01/31	565,000	2.150%	206,237.50	771,237.50	21.500	572,357.26
03/01/32			200,163.75	200,163.75	22.500	146,500.89
09/01/32	580,000	2.300%	200,163.75	780,163.75	23.500	563,139.99
03/01/33			193,493.75	193,493.75	24.500	137,744.20
09/01/33	595,000	2.400%	193,493.75	788,493.75	25.500	553,580.00
03/01/34			186,353.75	186,353.75	26.500	129,031.59
09/01/34	610,000	2.500%	186,353.75	796,353.75	27.500	543,800.63
03/01/35			178,728.75	178,728.75	28.500	120,366.01
09/01/35	625,000	2.600%	178,728.75	803,728.75	29.500	533,819.85
03/01/36			170,603.75	170,603.75	30.500	111,750.52
09/01/36	640,000	2.650%	170,603.75	810,603.75	31.500	523,655.14
03/01/37			162,123.75	162,123.75	32.500	103,290.21
09/01/37	660,000	2.700%	162,123.75	822,123.75	33.500	516,565.62
03/01/38			153,213.75	153,213.75	34.500	94,942.75
09/01/38	675,000	2.750%	153,213.75	828,213.75	35.500	506,153.54
03/01/39			143,932.50	143,932.50	36.500	86,751.00
09/01/39	695,000	2.800%	143,932.50	838,932.50	37.500	498,675.92
03/01/40			134,202.50	134,202.50	38.500	78,673.37
09/01/40	715,000	2.850%	134,202.50	849,202.50	39.500	490,969.13
03/01/41			124,013.75	124,013.75	40.500	70,711.25
09/01/41	735,000	2.850%	124,013.75	859,013.75	41.500	483,052.77

Table 7

South San Luis Obispo County Sanitation District  
Series A TIC

Dated Date	12/01/20
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Payment Date	Principal	Rate	Interest	Installment Payment	Semi-Annual Period	Present Value 2.79359%
03/01/42			113,540.00	113,540.00	42.500	62,967.89
09/01/42	760,000	2.900%	113,540.00	873,540.00	43.500	477,780.91
03/01/43			102,520.00	102,520.00	44.500	55,300.67
09/01/43	780,000	2.900%	102,520.00	882,520.00	45.500	469,485.41
03/01/44			91,210.00	91,210.00	46.500	47,853.73
09/01/44	805,000	2.900%	91,210.00	896,210.00	47.500	463,723.25
03/01/45			79,537.50	79,537.50	48.500	40,587.92
09/01/45	825,000	2.950%	79,537.50	904,537.50	49.500	455,226.15
03/01/46			67,368.75	67,368.75	50.500	33,437.58
09/01/46	850,000	2.950%	67,368.75	917,368.75	51.500	449,051.45
03/01/47			54,831.25	54,831.25	52.500	26,470.13
09/01/47	875,000	2.950%	54,831.25	929,831.25	53.500	442,698.29
03/01/48			41,925.00	41,925.00	54.500	19,685.78
09/01/48	905,000	3.000%	41,925.00	946,925.00	55.500	438,501.24
03/01/49			28,350.00	28,350.00	56.500	12,947.45
09/01/49	930,000	3.000%	28,350.00	958,350.00	57.500	431,649.19
03/01/50			14,400.00	14,400.00	58.500	6,396.54
09/01/50	960,000	3.000%	14,400.00	974,400.00	59.500	426,869.97
Total	20,000,000		9,321,151.88	29,321,151.88		19,755,000.00
<b>TIC Target</b>						
Par Amount of COPs						20,000,000.00
Plus Original Issue Premium						0.00
Less Underwriter's Discount						(170,000.00)
Less Bond Insurance Premium						(75,000.00)
Total						19,755,000.00
<b>True Interest Cost (TIC)</b>						<b>2.79359%</b>

## USDA Loan

Table 8  
South San Luis Obispo County Sanitation District  
USDA Loan

Loan Amount	\$4,464,000
Interest Rate	1.375%
Day Count	Actual/365
Dated Date	12/01/20

Payment Date	Principal	Interest	Installment Payment	Annual Payments	Fiscal Year Payments	Balance
03/01/21		23,038.52	23,038.52		23,038.52	4,464,000.00
09/01/21	84,000	23,038.52	107,038.52	130,077.04		4,380,000.00
03/01/22		30,112.50	30,112.50		137,151.02	
09/01/22	86,000	30,112.50	116,112.50	146,225.00		4,294,000.00
03/01/23		29,521.25	29,521.25		145,633.75	
09/01/23	87,000	29,521.25	116,521.25	146,042.50		4,207,000.00
03/01/24		29,002.37	29,002.37		145,523.62	
09/01/24	88,000	29,002.37	117,002.37	146,004.74		4,119,000.00
03/01/25		28,318.13	28,318.13		145,320.50	
09/01/25	89,000	28,318.13	117,318.13	145,636.26		4,030,000.00
03/01/26		27,706.25	27,706.25		145,024.38	
09/01/26	90,000	27,706.25	117,706.25	145,412.50		3,940,000.00
03/01/27		27,087.50	27,087.50		144,793.75	
09/01/27	92,000	27,087.50	119,087.50	146,175.00		3,848,000.00
03/01/28		26,527.48	26,527.48		145,614.98	
09/01/28	93,000	26,527.48	119,527.48	146,054.96		3,755,000.00
03/01/29		25,815.63	25,815.63		145,343.11	
09/01/29	94,000	25,815.63	119,815.63	145,631.26		3,661,000.00
03/01/30		25,169.38	25,169.38		144,985.01	
09/01/30	96,000	25,169.38	121,169.38	146,338.76		3,565,000.00
03/01/31		24,509.38	24,509.38		145,678.76	
09/01/31	97,000	24,509.38	121,509.38	146,018.76		3,468,000.00
03/01/32		23,907.82	23,907.82		145,417.20	
09/01/32	98,000	23,907.82	121,907.82	145,815.64		3,370,000.00
03/01/33		23,168.75	23,168.75		145,076.57	
09/01/33	99,000	23,168.75	122,168.75	145,337.50		3,271,000.00
03/01/34		22,488.13	22,488.13		144,656.88	
09/01/34	101,000	22,488.13	123,488.13	145,976.26		3,170,000.00
03/01/35		21,793.75	21,793.75		145,281.88	
09/01/35	102,000	21,793.75	123,793.75	145,587.50		3,068,000.00
03/01/36		21,150.29	21,150.29		144,944.04	
09/01/36	104,000	21,150.29	125,150.29	146,300.58		2,964,000.00
03/01/37		20,377.50	20,377.50		145,527.79	
09/01/37	105,000	20,377.50	125,377.50	145,755.00		2,859,000.00
03/01/38		19,655.63	19,655.63		145,033.13	
09/01/38	107,000	19,655.63	126,655.63	146,311.26		2,752,000.00
03/01/39		18,920.00	18,920.00		145,575.63	
09/01/39	108,000	18,920.00	126,920.00	145,840.00		2,644,000.00
03/01/40		18,227.30	18,227.30		145,147.30	
09/01/40	109,000	18,227.30	127,227.30	145,454.60		2,535,000.00
03/01/41		17,428.13	17,428.13		144,655.43	
09/01/41	111,000	17,428.13	128,428.13	145,856.26		2,424,000.00
03/01/42		16,665.00	16,665.00		145,093.13	
09/01/42	113,000	16,665.00	129,665.00	146,330.00		2,311,000.00
03/01/43		15,888.13	15,888.13		145,553.13	
09/01/43	114,000	15,888.13	129,888.13	145,776.26		2,197,000.00
03/01/44		15,145.76	15,145.76		145,033.89	
09/01/44	116,000	15,145.76	131,145.76	146,291.52		2,081,000.00



Table 8  
South San Luis Obispo County Sanitation District  
USDA Loan

Loan Amount	\$4,464,000
Interest Rate	1.375%
Day Count	Actual/365
Dated Date	12/01/20

Payment Date	Principal	Interest	Installment Payment	Annual Payments	Fiscal Year Payments	Balance
03/01/45		14,306.88	14,306.88		145,452.64	
09/01/45	117,000	14,306.88	131,306.88	145,613.76		1,964,000.00
03/01/46		13,502.50	13,502.50		144,809.38	
09/01/46	119,000	13,502.50	132,502.50	146,005.00		1,845,000.00
03/01/47		12,684.38	12,684.38		145,186.88	
09/01/47	120,000	12,684.38	132,684.38	145,368.76		1,725,000.00
03/01/48		11,891.87	11,891.87		144,576.25	
09/01/48	122,000	11,891.87	133,891.87	145,783.74		1,603,000.00
03/01/49		11,020.63	11,020.63		144,912.50	
09/01/49	124,000	11,020.63	135,020.63	146,041.26		1,479,000.00
03/01/50		10,168.13	10,168.13		145,188.76	
09/01/50	125,000	10,168.13	135,168.13	145,336.26		1,354,000.00
03/01/51		9,308.75	9,308.75		144,476.88	
09/01/51	127,000	9,308.75	136,308.75	145,617.50		1,227,000.00
03/01/52		8,458.74	8,458.74		144,767.49	
09/01/52	129,000	8,458.74	137,458.74	145,917.48		1,098,000.00
03/01/53		7,548.75	7,548.75		145,007.49	
09/01/53	131,000	7,548.75	138,548.75	146,097.50		967,000.00
03/01/54		6,648.13	6,648.13		145,196.88	
09/01/54	133,000	6,648.13	139,648.13	146,296.26		834,000.00
03/01/55		5,733.75	5,733.75		145,381.88	
09/01/55	134,000	5,733.75	139,733.75	145,467.50		700,000.00
03/01/56		4,825.68	4,825.68		144,559.43	
09/01/56	136,000	4,825.68	140,825.68	145,651.36		564,000.00
03/01/57		3,877.50	3,877.50		144,703.18	
09/01/57	138,000	3,877.50	141,877.50	145,755.00		426,000.00
03/01/58		2,928.75	2,928.75		144,806.25	
09/01/58	140,000	2,928.75	142,928.75	145,857.50		286,000.00
03/01/59		1,966.25	1,966.25		144,895.00	
09/01/59	142,000	1,966.25	143,966.25	145,932.50		144,000.00
03/01/60		992.71	992.71		144,958.96	
09/01/60	144,000	992.71	144,992.71	145,985.42	144,992.71	0.00
Total	4,464,000	1,354,975.96	5,818,975.96	5,818,975.96	5,818,975.96	

Table 9  
South San Luis Obispo County Sanitation District  
USDA Loan

Dated Date	12/01/20
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Payment Date	Principal	Interest	Installment Payment	Semi-Annual Period	Present Value 1.37513%
03/01/21		23,038.52	23,038.52	0.493	22,960.80
09/01/21	84,000	23,038.52	107,038.52	1.501	105,943.00
03/01/22		30,112.50	30,112.50	2.493	29,602.45
09/01/22	86,000	30,112.50	116,112.50	3.501	113,359.91
03/01/23		29,521.25	29,521.25	4.493	28,626.21
09/01/23	87,000	29,521.25	116,521.25	5.501	112,210.62
03/01/24		29,002.37	29,002.37	6.499	27,739.24
09/01/24	88,000	29,002.37	117,002.37	7.507	111,136.19
03/01/25		28,318.13	28,318.13	8.499	26,716.16
09/01/25	89,000	28,318.13	117,318.13	9.507	109,919.39
03/01/26		27,706.25	27,706.25	10.499	25,783.13
09/01/26	90,000	27,706.25	117,706.25	11.507	108,782.00
03/01/27		27,087.50	27,087.50	12.499	24,864.23
09/01/27	92,000	27,087.50	119,087.50	13.507	108,560.55
03/01/28		26,527.48	26,527.48	14.504	24,017.85
09/01/28	93,000	26,527.48	119,527.48	15.512	107,474.55
03/01/29		25,815.63	25,815.63	16.504	23,055.22
09/01/29	94,000	25,815.63	119,815.63	17.512	106,267.31
03/01/30		25,169.38	25,169.38	18.504	22,172.13
09/01/30	96,000	25,169.38	121,169.38	19.512	106,005.26
03/01/31		24,509.38	24,509.38	20.504	21,296.85
09/01/31	97,000	24,509.38	121,509.38	21.512	104,855.85
03/01/32		23,907.82	23,907.82	22.510	20,490.62
09/01/32	98,000	23,907.82	121,907.82	23.518	103,763.94
03/01/33		23,168.75	23,168.75	24.510	19,586.92
09/01/33	99,000	23,168.75	122,168.75	25.518	102,570.70
03/01/34		22,488.13	22,488.13	26.510	18,752.76
09/01/34	101,000	22,488.13	123,488.13	27.518	102,267.29
03/01/35		21,793.75	21,793.75	28.510	17,926.36
09/01/35	102,000	21,793.75	123,793.75	29.518	101,125.01
03/01/36		21,150.29	21,150.29	30.515	17,159.65
09/01/36	104,000	21,150.29	125,150.29	31.523	100,837.89
03/01/37		20,377.50	20,377.50	32.515	16,307.65
09/01/37	105,000	20,377.50	125,377.50	33.523	99,645.99
03/01/38		19,655.63	19,655.63	34.515	15,515.86
09/01/38	107,000	19,655.63	126,655.63	35.523	99,291.72
03/01/39		18,920.00	18,920.00	36.515	14,731.88
09/01/39	108,000	18,920.00	126,920.00	37.523	98,144.72
03/01/40		18,227.30	18,227.30	38.521	13,998.82
09/01/40	109,000	18,227.30	127,227.30	39.529	97,039.65
03/01/41		17,428.13	17,428.13	40.521	13,202.87
09/01/41	111,000	17,428.13	128,428.13	41.529	96,622.30
03/01/42		16,665.00	16,665.00	42.521	12,452.92
09/01/42	113,000	16,665.00	129,665.00	43.529	96,225.09
03/01/43		15,888.13	15,888.13	44.521	11,710.81
09/01/43	114,000	15,888.13	129,888.13	45.529	95,078.73
03/01/44		15,145.76	15,145.76	46.526	11,011.27
09/01/44	116,000	15,145.76	131,145.76	47.534	94,689.14

Table 9  
South San Luis Obispo County Sanitation District  
USDA Loan

Dated Date	12/01/20
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Payment Date	Principal	Interest	Installment Payment	Semi-Annual Period	Present Value 1.37513%
03/01/45		14,306.88	14,306.88	48.526	10,259.81
09/01/45	117,000	14,306.88	131,306.88	49.534	93,515.10
03/01/46		13,502.50	13,502.50	50.526	9,551.18
09/01/46	119,000	13,502.50	132,502.50	51.534	93,082.20
03/01/47		12,684.38	12,684.38	52.526	8,850.35
09/01/47	120,000	12,684.38	132,684.38	53.534	91,941.31
03/01/48		11,891.87	11,891.87	54.532	8,184.15
09/01/48	122,000	11,891.87	133,891.87	55.540	91,511.81
03/01/49		11,020.63	11,020.63	56.532	7,481.32
09/01/49	124,000	11,020.63	135,020.63	57.540	91,027.24
03/01/50		10,168.13	10,168.13	58.532	6,808.65
09/01/50	125,000	10,168.13	135,168.13	59.540	89,886.38
03/01/51		9,308.75	9,308.75	60.532	6,148.36
09/01/51	127,000	9,308.75	136,308.75	61.540	89,411.14
03/01/52		8,458.74	8,458.74	62.537	5,510.69
09/01/52	129,000	8,458.74	137,458.74	63.545	88,934.91
03/01/53		7,548.75	7,548.75	64.537	4,850.91
09/01/53	131,000	7,548.75	138,548.75	65.545	88,420.07
03/01/54		6,648.13	6,648.13	66.537	4,214.02
09/01/54	133,000	6,648.13	139,648.13	67.545	87,908.67
03/01/55		5,733.75	5,733.75	68.537	3,584.96
09/01/55	134,000	5,733.75	139,733.75	69.545	86,765.33
03/01/56		4,825.68	4,825.68	70.542	2,976.02
09/01/56	136,000	4,825.68	140,825.68	71.551	86,249.94
03/01/57		3,877.50	3,877.50	72.542	2,358.73
09/01/57	138,000	3,877.50	141,877.50	73.551	85,711.44
03/01/58		2,928.75	2,928.75	74.542	1,757.34
09/01/58	140,000	2,928.75	142,928.75	75.551	85,171.28
03/01/59		1,966.25	1,966.25	76.542	1,163.75
09/01/59	142,000	1,966.25	143,966.25	77.551	84,621.87
03/01/60		992.71	992.71	78.548	579.53
09/01/60	144,000	992.71	144,992.71	79.556	84,062.08
Total	4,464,000	1,354,975.96	5,818,975.96	3,201.86	4,464,000.00
<b>TIC Target</b>					
Par Amount of COPs					4,464,000.00
Plus Original Issue Premium					0.00
Less Underwriter's Discount					0.00
Less Bond Insurance Premium					0.00
Total					4,464,000.00
<b>True Interest Cost (TIC)</b>					<b>1.37513%</b>

## Combined Debt

Table 11  
South San Luis Obispo County Sanitation District  
Total Debt (Net of USDA Loan Refunding of Series B COPs)

Fiscal Year Ending 6/30	2020 COPs Installment Payments		USDA Loan Payments <sup>2</sup>	Total Payments
	Series A	Series B <sup>1</sup>		
2021	118,720.63	11,162.50	23,038.52	152,921.65
2022	973,632.50	44,650.00	137,151.02	1,155,433.52
2023	970,757.50	44,650.00	145,633.75	1,161,041.25
2024	972,238.75	44,650.00	145,523.62	1,162,412.37
2025	973,050.00	44,650.00	145,320.50	1,163,020.50
2026	973,180.00		145,024.38	1,118,204.38
2027	972,485.00		144,793.75	1,117,278.75
2028	975,655.00		145,614.98	1,121,269.98
2029	972,665.00		145,343.11	1,118,008.11
2030	973,480.00		144,985.01	1,118,465.01
2031	973,025.00		145,678.76	1,118,703.76
2032	971,401.25		145,417.20	1,116,818.45
2033	973,657.50		145,076.57	1,118,734.07
2034	974,847.50		144,656.88	1,119,504.38
2035	975,082.50		145,281.88	1,120,364.38
2036	974,332.50		144,944.04	1,119,276.54
2037	972,727.50		145,527.79	1,118,255.29
2038	975,337.50		145,033.13	1,120,370.63
2039	972,146.25		145,575.63	1,117,721.88
2040	973,135.00		145,147.30	1,118,282.30
2041	973,216.25		144,655.43	1,117,871.68
2042	972,553.75		145,093.13	1,117,646.88
2043	976,060.00		145,553.13	1,121,613.13
2044	973,730.00		145,033.89	1,118,763.89
2045	975,747.50		145,452.64	1,121,200.14
2046	971,906.25		144,809.38	1,116,715.63
2047	972,200.00		145,186.88	1,117,386.88
2048	971,756.25		144,576.25	1,116,332.50
2049	975,275.00		144,912.50	1,120,187.50
2050	972,750.00		145,188.76	1,117,938.76
2051			144,476.88	144,476.88
2052			144,767.49	144,767.49
2053			145,007.49	145,007.49
2054			145,196.88	145,196.88
2055			145,381.88	145,381.88
2056			144,559.43	144,559.43
2057			144,703.18	144,703.18
2058			144,806.25	144,806.25
2059			144,895.00	144,895.00
2060			144,958.96	144,958.96
2061			144,992.71	144,992.71
Total	28,346,751.88	189,762.50	5,818,975.96	34,355,490.34

1 Series B Payments are net of the anticipated \$4,464,000 refunding payment from the USDA Loan.

2 Assumes USDA Loan Payment begin 03/01/21; actual payments will be begin after USDA Loan funding.



Table 12

South San Luis Obispo County Sanitation District

Dated Date 12/01/20

Total Debt (Net of USDA Loan Refunding of Series B COPs)

Payment	COPs Installment Payments		USDA Loan	Total	Semi-Annual	Present Value
Date	Series A	Series B <sup>1</sup>	Payments <sup>2</sup>	Payments	Period	2.55344%
03/01/21	118,720.63	11,162.50	23,038.52	152,921.65	0.500	151,954.70
09/01/21	737,441.25	22,325.00	107,038.52	866,804.77	1.500	850,465.78
03/01/22	236,191.25	22,325.00	30,112.50	288,628.75	2.500	279,618.25
09/01/22	736,191.25	22,325.00	116,112.50	874,628.75	3.500	836,642.72
03/01/23	234,566.25	22,325.00	29,521.25	286,412.50	4.500	270,519.53
09/01/23	739,566.25	22,325.00	116,521.25	878,412.50	5.500	819,210.53
03/01/24	232,672.50	22,325.00	29,002.37	283,999.87	6.500	261,520.37
09/01/24	742,672.50	22,325.00	117,002.37	881,999.87	7.500	801,948.12
03/01/25	230,377.50	22,325.00	28,318.13	281,020.63	8.500	252,293.65
09/01/25	745,377.50	23,325.00	117,318.13	886,020.63	9.500	785,420.67
03/01/26	227,802.50		27,706.25	255,508.75	10.500	223,642.65
09/01/26	747,802.50		117,706.25	865,508.75	11.500	748,015.66
03/01/27	224,682.50		27,087.50	251,770.00	12.500	214,849.12
09/01/27	754,682.50		119,087.50	873,770.00	13.500	736,236.07
03/01/28	220,972.50		26,527.48	247,499.98	14.500	205,913.82
09/01/28	755,972.50		119,527.48	875,499.98	15.500	719,211.85
03/01/29	216,692.50		25,815.63	242,508.13	16.500	196,705.89
09/01/29	761,692.50		119,815.63	881,508.13	17.500	706,004.96
03/01/30	211,787.50		25,169.38	236,956.88	18.500	187,387.72
09/01/30	766,787.50		121,169.38	887,956.88	19.500	693,352.43
03/01/31	206,237.50		24,509.38	230,746.88	20.500	177,905.09
09/01/31	771,237.50		121,509.38	892,746.88	21.500	679,627.96
03/01/32	200,163.75		23,907.82	224,071.57	22.500	168,430.22
09/01/32	780,163.75		121,907.82	902,071.57	23.500	669,521.65
03/01/33	193,493.75		23,168.75	216,662.50	24.500	158,780.71
09/01/33	788,493.75		122,168.75	910,662.50	25.500	658,964.20
03/01/34	186,353.75		22,488.13	208,841.88	26.500	149,214.95
09/01/34	796,353.75		123,488.13	919,841.88	27.500	648,930.64
03/01/35	178,728.75		21,793.75	200,522.50	28.500	139,681.40
09/01/35	803,728.75		123,793.75	927,522.50	29.500	637,955.36
03/01/36	170,603.75		21,150.29	191,754.04	30.500	130,226.91
09/01/36	810,603.75		125,150.29	935,754.04	31.500	627,492.13
03/01/37	162,123.75		20,377.50	182,501.25	32.500	120,837.79
09/01/37	822,123.75		125,377.50	947,501.25	33.500	619,451.20
03/01/38	153,213.75		19,655.63	172,869.38	34.500	111,592.69
09/01/38	828,213.75		126,655.63	954,869.38	35.500	608,628.11
03/01/39	143,932.50		18,920.00	162,852.50	36.500	102,492.68
09/01/39	838,932.50		126,920.00	965,852.50	37.500	600,204.96
03/01/40	134,202.50		18,227.30	152,429.80	38.500	93,529.59
09/01/40	849,202.50		127,227.30	976,429.80	39.500	591,575.98
03/01/41	124,013.75		17,428.13	141,441.88	40.500	84,613.16
09/01/41	859,013.75		128,428.13	987,441.88	41.500	583,259.45
03/01/42	113,540.00		16,665.00	130,205.00	42.500	75,939.59
09/01/42	873,540.00		129,665.00	1,003,205.00	43.500	577,724.34
03/01/43	102,520.00		15,888.13	118,408.13	44.500	67,329.11
09/01/43	882,520.00		129,888.13	1,012,408.13	45.500	568,417.37
03/01/44	91,210.00		15,145.76	106,355.76	46.500	58,960.76
09/01/44	896,210.00		131,145.76	1,027,355.76	47.500	562,358.56

Table 12

South San Luis Obispo County Sanitation District

Dated Date 12/01/20

Total Debt (Net of USDA Loan Refunding of Series B COPs)

Payment Date	COPs Installment Payments		USDA Loan Payments <sup>2</sup>	Total Payments	Semi-Annual Period	Present Value 2.55344%
	Series A	Series B <sup>1</sup>				
03/01/45	79,537.50		14,306.88	93,844.38	48.500	50,721.38
09/01/45	904,537.50		131,306.88	1,035,844.38	49.500	552,799.57
03/01/46	67,368.75		13,502.50	80,871.25	50.500	42,614.53
09/01/46	917,368.75		132,502.50	1,049,871.25	51.500	546,248.13
03/01/47	54,831.25		12,684.38	67,515.63	52.500	34,685.55
09/01/47	929,831.25		132,684.38	1,062,515.63	53.500	538,976.69
03/01/48	41,925.00		11,891.87	53,816.87	54.500	26,955.26
09/01/48	946,925.00		133,891.87	1,080,816.87	55.500	534,524.36
03/01/49	28,350.00		11,020.63	39,370.63	56.500	19,225.52
09/01/49	958,350.00		135,020.63	1,093,370.63	57.500	527,185.58
03/01/50	14,400.00		10,168.13	24,568.13	58.500	11,696.57
09/01/50	974,400.00		135,168.13	1,109,568.13	59.500	521,591.89
03/01/51			9,308.75	9,308.75	60.500	4,320.74
09/01/51			136,308.75	136,308.75	61.500	62,471.41
03/01/52			8,458.74	8,458.74	62.500	3,827.84
09/01/52			137,458.74	137,458.74	63.500	61,420.12
03/01/53			7,548.75	7,548.75	64.500	3,330.46
09/01/53			138,548.75	138,548.75	65.500	60,356.17
03/01/54			6,648.13	6,648.13	66.500	2,859.62
09/01/54			139,648.13	139,648.13	67.500	59,310.96
03/01/55			5,733.75	5,733.75	68.500	2,404.52
09/01/55			139,733.75	139,733.75	69.500	57,860.46
03/01/56			4,825.68	4,825.68	70.500	1,973.01
09/01/56			140,825.68	140,825.68	71.500	56,851.66
03/01/57			3,877.50	3,877.50	72.500	1,545.62
09/01/57			141,877.50	141,877.50	73.500	55,841.30
03/01/58			2,928.75	2,928.75	74.500	1,138.19
09/01/58			142,928.75	142,928.75	75.500	54,845.67
03/01/59			1,966.25	1,966.25	76.500	744.99
09/01/59			143,966.25	143,966.25	77.500	53,859.73
03/01/60			992.71	992.71	78.500	366.70
09/01/60			144,992.71	144,992.71	79.500	52,884.74
Total	29,321,151.88	213,087.50	5,818,975.96	35,353,215.34		24,220,000.00
<b>TIC Target</b>						
Par Amount of Combined Debt						28,929,000.00
Less USDA Loan Refunding of Series B COPs						(4,464,000.00)
Plus Original Issue Premium						0.00
Less Underwriter's Discount						(170,000.00)
Less Bond Insurance Premium						(75,000.00)
Total						24,220,000.00
<b>True Interest Cost (TIC)<sup>2</sup></b>						<b>2.55344%</b>

1 Series B Installment Payments are net of the anticipated \$4,464,000 refunding payment from the USDA Loan.

2 Assumes USDA Loan Payment begin 03/01/21; actual payments will be begin after USDA Loan funding.

**RESOLUTION NO. 2020-418**

**A RESOLUTION OF THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT  
BOARD OF DIRECTORS ADOPTING A DEBT MANAGEMENT POLICY**

**WHEREAS**, the South San Luis Obispo County Sanitation District (the "District") owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the "Wastewater System"); and

**WHEREAS**, the Board of Directors of the District wishes to provide funds to finance certain capital expenditures relating to the Wastewater System, including the "Redundancy Project," through the issuance or incurrence of long-term obligations; and

**WHEREAS**, California Government Code Section 8855(i) requires that, in connection with issuing or incurring long-term obligations, the Board of Directors of the District adopt a debt management policy meeting such requirements, and the Board of Directors wishes to adopt a compliant policy at this time.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of the South San Luis Obispo County Sanitation District as follows:

**Section 1. Adoption of Debt Management Policy.** The Board of Directors hereby approves and adopts the Debt Management Policy in the form presented to the Board. The Debt Management Policy shall govern the administration of debt and other long-term obligations issued or incurred by the District, all in accordance and subject to the conditions set forth in such policy.

**Section 2. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

**PASSED AND ADOPTED** at a regular meeting of the South San Luis Obispo County Sanitation District Board of Directors held this \_\_\_\_ day of \_\_\_\_\_ 2020.

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, and by the following roll call vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAINED:**

**RESOLUTION NO. 2020-418**

**CERTIFICATION:**

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the South San Luis Obispo County Sanitation District held this 5th day of August 2020.

---

**CHAIR, BOARD OF DIRECTORS  
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

**ATTEST:**

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**DISTRICT BOOKKEEPER/SECRETARY**

**APPROVED AS TO FORM:**

---

**JONES HALL, A PROFESSIONAL LAW CORPORATION  
SPECIAL COUNSEL TO THE DISTRICT**

**CONTENTS:**

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**JEREMY GHENT  
DISTRICT ADMINISTRATOR**

# **South San Luis Obispo County Sanitation District**

## **Debt Management Policy**

Approved by a Resolution adopted by the Board of Directors on  
August 5, 2020



This Debt Management Policy (the “Debt Policy”) of the South San Luis Obispo County Sanitation District (the “District”) was approved by the Board of Directors to be effective as of the date first set forth above. The Debt Policy may be utilized by staff with the discretion to deviate as determined appropriate by the District Administrator, and may be amended by the Board of Directors of the District as it deems appropriate from time to time in the prudent management of the debt and financing needs of the District.

## **1. Findings**

This Debt Policy is intended to comply with Government Code Section 8855(i), which became effective on January 1, 2017, and shall govern all debt undertaken by the District.

The District hereby recognizes that a fiscally prudent debt policy is required in order to:

- Help maintain the District’s financial health.
- Ensure the District has the flexibility to meet its financial needs.
- Protect the District’s credit-worthiness.
- Ensure that all debt is structured to benefit both current and future constituents of the District.
- Ensure that the District’s debt is consistent with the District’s planning goals and objectives.

## **2. Policies**

### **A. Purposes For Which Debt May Be Issued**

(i) Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and/or rehabilitation of capital improvements and facilities, property and other assets, equipment and land to be owned and operated by the District or funded for the benefit of the District.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the District and its constituents.
- When the debt is issued to refinance outstanding debt in order to produce savings or to realize other benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for recurring operating expenses and routine maintenance expenses.

(c) The District may use long-term debt financings subject to the following conditions:

- The project and/or costs to be financed must be approved by the District Board.
- The weighted average maturity of the debt will generally not exceed the average useful life of project being financed.
- The District estimates that sufficient revenues will be available to service the debt through its maturity.
- The District determines that the issuance of the debt will comply with the applicable state and federal law.

(ii) Short-term debt. Short-term debt may be issued to provide financing for the District's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects or provide interim funding for capital projects; for example, the District may undertake lease-purchase financing for equipment.

(iii) Financings on Behalf of Other Entities. The District may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of District. In such cases, the District shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.

## **B. Types of Debt**

The following types of debt are allowable under this Debt Policy:

- Installment sale agreements, loans and similar debt-financing contracts
- Loans and contracts with State or Federal agencies, including the United States Department of Agriculture–Rural Development
- Lines of credit
- General obligation bonds (GO Bonds)
- Bond or grant anticipation notes (BANs)
- Lease revenue bonds, certificates of participation (COPs) and lease-purchase transactions
- Other revenue bonds and Certificates of Participation (COPs)
- Tax and revenue anticipation notes (TRANS)
- Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- Refunding bonds, notes, loans, and other obligations

The District Board may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

Debt shall be issued as fixed rate debt unless the District makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

### **C. Relationship of Debt to Capital Improvement Program and Budget**

The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's capital budget and the capital improvement plan. Items outside the capital budget or capital improvement plan may also be financed.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues.

The District shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that funding is available for capital and non-capital projects when needed in furtherance of the District's public purposes.

### **D. Policy Goals Related to Planning Goals and Objectives**

The District is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's annual operations budget.

It is a policy goal of the District to protect its constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

When refinancing debt, it shall be the policy goal of the District to realize, whenever possible, and subject to any overriding non-financial policy considerations, minimum net present value debt service savings equal to at least 3.0% of the refunded principal amount.

### **E. Internal Control Procedures**

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

Without limiting the foregoing, the District will periodically review the requirements of and will remain in compliance with the following:

- Any continuing disclosure undertakings entered into by the District in accordance with Securities and Exchange Commission (SEC) Rule 15c2-12.
- Any reporting obligations to the California Debt and Investment Advisory Commission (CDIAC)
- Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance.
- The District's investment policies as they relate to the use and investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written requisitions by the District Administrator (or his or her designee), or (b) by the District, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the District.

#### **END OF DEBT MANAGEMENT POLICY**

## **RESOLUTION NO. 2020-419**

### **A RESOLUTION OF THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT BOARD OF DIRECTORS AUTHORIZING THE EXECUTION, DELIVERY AND SALE OF WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION IN THE MAXIMUM PRINCIPAL AMOUNT OF \$25,000,000 TO FINANCE WASTEWATER PROJECTS, AND APPROVING RELATED DOCUMENTS AND ACTIONS**

**WHEREAS**, the South San Luis Obispo County Sanitation District (the "District") owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the "Wastewater System"); and

**WHEREAS**, the Board of Directors of the District wishes at this time to provide funds to finance certain capital expenditures relating to the Wastewater System referred to as the "Redundancy Project" (the "Project"); and

**WHEREAS**, in order to provide financing for the Project, including interim financing anticipated to be later repaid when amounts become available from the United States Department of Agriculture-Rural Development, the District has requested that the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), enter into an Installment Sale Agreement (the "Installment Sale Agreement") with the District; and

**WHEREAS**, in order to raise funds for such purposes, the Corporation proposes to assign its rights under the Installment Sale Agreement to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the Corporation, the Trustee and the District propose to enter into a Trust Agreement under which the Trustee will execute and deliver 2020 Wastewater Revenue Certificates of Participation, in one or more series (collectively, the "Certificates"), representing the direct, undivided fractional interests of the owners thereof in the semiannual payments which the District is obligated to make thereunder in respect of debt service on the Certificates; and

**WHEREAS**, California Government Code Section 5852.1 requires that certain financial information be obtained and disclosed with respect to the Certificates by the Board of Directors of the District, and said information is set forth in the staff report accompanying this Resolution; and

**WHEREAS**, the Board of Directors wishes to authorize the execution, delivery and sale of the Certificates at this time for the purpose of providing funds to finance the Project;

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of the South San Luis Obispo County Sanitation District as follows:

**Section 1. Approval of Financing Plan and Related Documents.** The Board of Directors hereby approves the execution, delivery and sale of the Certificates in the maximum principal amount of \$25,000,000 for the purpose of providing funds to finance the Project and pay all the costs of issuance related to the Certificates. To that end, the Board of Directors hereby approves each of the following financing documents in substantially the respective forms on file with the Secretary, together with any changes therein or additions thereto approved by

the Chair or the District Administrator (each, an “Authorized Officer”), and the execution thereof by an Authorized Officer shall be conclusive evidence of such approval:

- **Installment Sale Agreement** between the District and the Corporation, under which the Corporation agrees to provide funds to finance the Project in consideration of semi-annual payments to be made by the District from the net revenues of the Wastewater System.
- **Trust Agreement** among the District, the Corporation and the Trustee, whereby the Trustee agrees to execute and deliver the Certificates and to apply the proceeds thereof to accomplish the purposes of the financing.

Each Authorized Officer, acting alone, is hereby authorized and directed for and in the name and on behalf of the District to execute the final form of each of the foregoing documents, and the Secretary is hereby authorized and directed to attest to the final form of each of the foregoing documents, if necessary. The schedule of semiannual payments attached to the Installment Sale Agreement shall correspond to the payments of principal and interest represented by the Certificates, to be determined upon the sale thereof.

**Section 2. Preliminary Official Statement and Method of Sale.** The Board of Directors hereby authorizes and directs the Authorized Officers, working with the District’s financial advisor, Bartle Wells Associates, and the District’s disclosure counsel, Jones Hall, to prepare a Preliminary Official Statement describing the District and the Certificates so that the Certificates may be sold via a public offering. The form of such Preliminary Official Statement shall be approved at a later public meeting of the Board of Directors. In addition, the Board of Directors hereby authorizes and directs the Authorized Officers, working with the District’s financial advisor, Bartle Wells Associates, to determine the most advantageous method of sale for the Certificates (i.e., through negotiated sale with a chosen underwriting firm or via competitive sale), and such chosen method of sale shall be approved at a later public meeting of the Board of Directors.

**Section 3. Engagement of Professional Services.** The Board of Directors hereby approves, confirms and ratifies the engagement of Bartle Wells Associates to act as financial advisor to the District in connection with the sale of the Certificates. The Board of Directors hereby further approves, confirms, and ratifies the engagement of the law firm of Jones Hall, A Professional Law Corporation, to act as special counsel and disclosure counsel to the District in connection with the execution and delivery of the Certificates. The Bank of New York Mellon Trust Company, N.A. is hereby approved, confirmed and ratified to serve as trustee for the Certificates. Each Authorized Officer, acting alone, is hereby authorized and directed to execute an agreement with each of said firms on behalf of the District.

**Section 4. Official Actions.** The Chair, the District Administrator, the Secretary and all other officers of the Board of Directors and the District are each authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the execution, delivery and sale of the Certificates and any of the other transactions contemplated by the agreements and documents approved pursuant to this Resolution. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf 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** at a regular meeting of the South San Luis Obispo County Sanitation District Board of Directors held this \_\_\_\_ day of \_\_\_\_\_ 2020.

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, and by the following roll call vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAINED:**

**RESOLUTION NO. 2020-419**

**CERTIFICATION:**

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the South San Luis Obispo County Sanitation District held this \_\_\_\_ day of \_\_\_\_\_ 2020.

---

**CHAIR, BOARD OF DIRECTORS  
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

**ATTEST:**

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**DISTRICT BOOKKEEPER/SECRETARY**

**APPROVED AS TO FORM:**

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**JONES HALL, A PROFESSIONAL LAW CORPORATION  
SPECIAL COUNSEL TO THE DISTRICT**

**CONTENTS:**

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**JEREMY GHENT  
DISTRICT ADMINISTRATOR**

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# INSTALLMENT SALE AGREEMENT

Dated as of \_\_\_\_\_ 1, 2020

between the

**PUBLIC PROPERTY FINANCING CORPORATION OF  
CALIFORNIA, *as Seller***

and the

**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT,  
*as Purchaser***

*Relating to:*

**\$ \_\_\_\_\_  
2020 Wastewater Revenue  
Certificates of Participation, Series A**

and

**\$ \_\_\_\_\_  
2020 Wastewater Revenue  
Certificates of Participation, Series B**

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## INSTALLMENT SALE AGREEMENT

This **INSTALLMENT SALE AGREEMENT** (this "Agreement"), dated as of \_\_\_\_\_ 1, 2020, is between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as seller, and the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, a sanitary district duly organized and existing under the laws of the State of California (the "District"), as purchaser.

### **WITNESSETH:**

**WHEREAS**, the District owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the "Wastewater System").

**WHEREAS**, the District is proceeding to finance the acquisition and construction of certain improvements to the Wastewater System as more particularly described in Appendix A hereto (the "Project"), and in order to provide such financing the Corporation has proposed to acquire and construct the Project and sell the completed Project to the District as provided in this Agreement.

**WHEREAS**, the Corporation has been formed for the purpose of providing financial assistance to local agencies in the State of California, including the District.

**WHEREAS**, under this Agreement, the District agrees to pay semiannual installments of the purchase price of the Project (collectively, the "Installment Payments"), to be payable from and secured by a pledge of and lien on the net revenues received by the District from the Wastewater System.

**WHEREAS**, for the purpose of obtaining the moneys required to finance the Project in accordance with the terms of this Agreement, the Corporation, the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") have entered into a Trust Agreement dated as of \_\_\_\_\_ 1, 2020 (the "Trust Agreement"), under which the Corporation has assigned and transferred certain of its rights under this Agreement to the Trustee, and the Trustee has executed and delivered the Certificates (defined herein), evidencing direct, undivided fractional interests in the Installment Payments, the proceeds of which will be applied to finance the Project as provided herein and in the Trust Agreement.

**NOW, THEREFORE**, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## **ARTICLE I**

### **DEFINITIONS ; RULES OF INTERPRETATION**

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms used in this Agreement have the respective meanings given them in Appendix A attached to the Trust Agreement.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes 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, Covenants and Warranties of the District.* The District represents, covenants and warrants to the Corporation as follows:

- (a) Due Organization and Existence. The District is a county sanitation district, duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under said laws to enter into this Agreement and the Trust Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the Board of Directors of the District has duly authorized the execution and delivery of this Agreement and the Trust Agreement.
- (b) Due Execution. The representatives of the District executing this Agreement and the Trust Agreement are fully authorized to execute the same.
- (c) Valid, Binding and Enforceable Obligations. This Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute the legal, valid and binding agreements of the District enforceable against the District in



accordance with their respective 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 and the Trust Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, 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 Trust 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 and the Trust 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 Trust Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) 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 the Trust 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 Trust

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 and the Trust Agreement.

- (g) No Outstanding Senior or Parity Obligations. The District has not issued or incurred any obligations which are currently outstanding that are secured by a pledge of the Gross Revenues or the Net Revenues on a basis that is senior or on parity with the pledge of the Net Revenues to the Installment Payments hereunder.

SECTION 2.2. *Representations, Covenants and Warranties of the Corporation.*  
The Corporation represents, covenants and warrants to the District as follows:

- (a) Due Organization and Existence. The Corporation is a nonprofit public benefit corporation organized and existing under the laws of the State of California, and has power to enter into this Agreement and the Trust Agreement and to perform the duties and obligations imposed on it hereunder and thereunder. The Board of Directors of the Corporation has duly authorized the execution and delivery of this Agreement and the Trust Agreement.
- (b) Due Execution. The representatives of the Corporation executing this Agreement and the Trust Agreement are fully authorized to execute the same.
- (c) Valid, Binding and Enforceable Obligations. This Agreement and the Trust Agreement have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective 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 hereof and of the Trust Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, 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 Corporation 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 Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the

consummation of the transactions contemplated hereby or by the Trust Agreement or the financial condition, assets, properties or operations of the Corporation, including but not limited to the performance of the Corporation's obligations under this Agreement and the Trust Agreement.

- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Corporation, 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 hereof or of the Trust Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) 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 Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation 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 the Trust Agreement, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation 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 Trust Agreement or the financial conditions, assets, properties or operations of the Corporation, including but not limited to the performance of the Corporation's obligations hereunder and under the Trust Agreement.

## **ARTICLE III**

### **ISSUANCE OF CERTIFICATES; APPLICATION OF PROCEEDS; ACQUISITION AND CONSTRUCTION OF PROJECTS**

SECTION 3.1. *The Certificates.* The Corporation shall cause the Series A Certificates to be executed and delivered under the Trust Agreement in the aggregate principal amount of \$\_\_\_\_\_ and the Series B Certificates to be executed and delivered under the Trust Agreement in the aggregate principal amount of \$\_\_\_\_\_. The District hereby approves the Trust Agreement, the assignment thereunder to the Trustee of certain rights of the Corporation, and the execution and delivery of the Certificates.

SECTION 3.2. *Deposit and Application of Funds.* The Trustee shall deposit the proceeds received by it from the sale of the Certificates to the Original Purchaser in the respective funds and accounts, and in the respective amounts, as set forth in Section 3.01 of the Trust Agreement.

SECTION 3.3. *Acquisition and Construction of the Project.* The Corporation hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided for, the Acquisition and Construction of the Project in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District. All contracts for, and all work relating to, the Acquisition and Construction of the Project are subject to all applicable provisions of law relating to the acquisition and construction of public works by the District. The Corporation expects that the Acquisition and Construction of the Project will be completed on or before [\_\_\_\_\_, 20\_\_]. If the Corporation fails to complete the Project by that date, such failure will not constitute an Event of Default hereunder or a grounds for termination hereof, nor shall will failure result in the diminution, abatement or extinguishment of the obligations of the District hereunder to pay the Installment Payments when due hereunder.

SECTION 3.4. *Appointment of District as Agent.* The Corporation hereby appoints the District as its agent to carry out all phases of the Acquisition and Construction 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 Corporation regarding the Acquisition and Construction of the Project. The District, as agent of the Corporation hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the Project. The District shall pay the Project Costs from amounts held by it in the accounts within the Construction Fund or other District funds in accordance with the provisions of this Agreement and the provisions of the Trust Agreement.

SECTION 3.5. *Plans and Specifications.* 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 accounts within the Construction 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 may thereby change or modify the description of the Project or any component thereof.

SECTION 3.6. *Certificate of Project Completion.* Upon the completion of the Acquisition and Construction of the Project, but in any event not later than 30 days following such completion, the District Representative shall execute and deliver to the Corporation and the Trustee a written certificate of the District Representative which (a) states that the Acquisition and Construction of the Project have been substantially completed, (b) identifies the total Project Costs thereof, and (c) identifies the amounts, if any, to be reserved in the accounts within the Construction Fund for payment of future Project Costs.

## ARTICLE IV

### SALE OF PROJECT; INSTALLMENT PAYMENTS

SECTION 4.1. *Sale.* The Corporation hereby sells the Project to the District, and the District hereby purchases the Project from the Corporation, upon the terms and conditions set forth in this Agreement.

SECTION 4.2. *Term.* The Term of this Agreement commences on the Closing Date, and ends on [September 1, 20\_\_], or such later or earlier date on which the Certificates cease to be Outstanding under and within the meaning of the Trust Agreement.

SECTION 4.3. *Title.* Title to the Project, and each component thereof, shall be deemed conveyed to and vested in the District immediately following the completion of the Project as evidenced in accordance with Section 3.7. The Corporation and the District shall execute, deliver and cause to be recorded any and all documents reasonably required by the District to consummate such transfers of title.

#### SECTION 4.4. *Installment Payments.*

(a) Purchase Price of Project. The District hereby agrees to pay to the Corporation, as the purchase price of the Project hereunder, the aggregate principal amount of \$\_\_\_\_\_, together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual Installment Payments in the respective amounts and on the respective Interest Payment Dates specified in Appendix B hereto.

(b) Allocation to Series of Certificates. The Installment Payments which are payable under subsection (a) of this Section as the purchase price of the Project shall be allocated between the Series A Certificates and the Series B Certificates as set forth in Appendix B.

(c) Payment Provisions. The District shall deposit the Installment Payments with the Trustee, as assignee of the Corporation under the Trust Agreement, on the Installment Payment Date preceding each Interest Payment Date, in an amount which, together with amounts then held by the Trustee in the Installment Payment Fund, is equal to the full amount of the Installment Payment coming due and payable on that Interest Payment Date. The Installment Payments will be secured by and payable solely from the sources specified in Section 4.5.

(d) Effect of Prepayment. If the District prepays all remaining Installment Payments in full under Sections 7.2 or 7.3, the District's obligations under this Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to pay Installment Payments under this Section 4.4; except that ~~that~~ the District's obligations to compensate and indemnify the Trustee under Sections 4.7 and 5.2 shall survive such prepayment. If the District prepays the Installment Payments in part but not in whole under Sections 7.2 or 7.3, the principal component of each succeeding Installment Payment will be reduced as provided in such Sections, and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with

respect to the Certificates thereby prepaid under the applicable provisions of Section 4.01 of the Trust Agreement.

(e) Rate on Overdue Payments. If the District fails to make any of the payments required in this Section 4.4 or Section 4.7, the payment in default shall continue as an obligation of the District until the amount in default has been fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate.

(f) Assignment. The District understands and agrees that certain rights of the Corporation, including but not limited to the right of the Corporation to receive payment of the Installment Payments, have been assigned by the Corporation to the Trustee in trust under the Trust Agreement, for the benefit of the Owners of the Certificates, and the District hereby consents to such assignment. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Trustee at its Trust Office, all payments payable by the District under this Section 4.4 and all amounts payable by the District under Article VII.

#### SECTION 4.5. *Pledge and Application of Net Revenues.*

(a) Pledge and Assignment of Net Revenues. All of the Net Revenues, and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Trust Agreement, are hereby irrevocably pledged to the punctual payment of the Installment Payments. Such pledge constitutes a lien on and security interest in the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof. Such pledge and lien on, and security interest in, the Net Revenues shall be on a parity with the pledge, lien and security interest which secures any Parity Obligations.

(b) Deposit to Wastewater System Funds; Payment of Operations and Maintenance Costs. The District has heretofore established the Wastewater System Funds, which the District agrees to continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all of the Gross Revenues in the Wastewater System Funds immediately upon receipt, and shall pay Operation and Maintenance Costs therefrom.

(c) Payment of Installment Payments and Parity Obligations. In addition to the transfers required to be made under the documents authorizing the issuance of any Parity Obligations, the District shall withdraw amounts on deposit in the Wastewater System Funds constituting Net Revenues, and apply such Net Revenues at the times and for the purposes, and in the priority, as follows:

- (i) Payment of Installment Payments and Parity Obligations. On or before each Installment Payment Date, the District shall withdraw from the Wastewater System Funds and transfer to the Trustee for deposit in the Installment Payment Fund an amount of Net Revenues which, together with the balance then on deposit in the Installment Payment Fund, is equal to the aggregate amount of the Installment Payment coming due and payable on the next succeeding Interest Payment Date. In addition, the District shall withdraw from the Wastewater System Funds and pay the principal of and interest on any Parity Obligations from Net Revenues,

without preference or priority among the Installment Payments and Parity Obligations. If the amount of Net Revenues on deposit in the Wastewater System Funds is at any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on the Parity Obligations, such payments shall be made on a pro rata basis.

- (ii) Reserve Fund Deposits and Transfers. Promptly upon receipt by the District of knowledge that the amount on deposit in any reserve fund established for any Parity Obligation has fallen below the amount required to be on deposit therein (or that there is an amount due to any provider of an insurance policy on deposit in any reserve fund), the District shall promptly (A) withdraw such amount due from available Net Revenues on deposit in the Wastewater System Funds, and (B) transfer such amount for deposit in such reserve fund (or to the provider of such insurance policy). If the amount of Net Revenues on deposit in the Wastewater System Funds is any time insufficient to enable the District to pay when due all amounts required by this subsection (ii), such payments shall be made on a pro rata basis.
- (iii) Other Uses of Net Revenues Permitted. The District shall manage, conserve and apply moneys in the Wastewater System Funds in such a manner that all deposits required to be made under this Section and the documents authorizing the issuance of any Parity Obligations will be made at the times and in the amounts so required. Subject to the foregoing sentence, the District may at any time and from time to time use and apply moneys in the Wastewater System Funds for (i) the acquisition and construction of improvements to the Wastewater System, (ii) the prepayment of the Installment Payments and Parity Obligations, or (iii) any other lawful purpose of the Wastewater System.

SECTION 4.6. *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 are a special obligation of the District limited solely to the Net Revenues and the other amounts pledged under this Agreement. 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, nor are any other funds or property of the District be liable for the payment of the Installment Payments and any other amounts coming due and payable hereunder.

The obligations of the District to make the Installment Payments from the Net Revenues and to perform and observe the other agreements contained herein are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Corporation or the Trustee of any obligation to the District or otherwise with respect to the Wastewater System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trustee. Until such time as all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder have been fully paid or prepaid, the District (a) will not suspend or discontinue



payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in this Agreement, and (c) will 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 of or damage to the Wastewater System, sale of the Wastewater System, the taking by eminent domain of title to or temporary use of any component of the Wastewater System, commercial frustration of purpose, any change in the laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement.

Nothing contained in this Section 4.6 shall release the Corporation from the performance of any of its agreements contained herein or in the Trust Agreement. If the Corporation fails to perform any such agreements, the District may institute such action against the Corporation as the District deems 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 the District's own cost and expense and in the District's own name or in the name of the Corporation 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 such event the Corporation will cooperate fully with the District and take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District shall so request.

SECTION 4.7. *Additional Payments.* In addition to the Installment Payments, the District shall pay when due the following amounts to the following parties:

- (a) to the Corporation, all costs and expenses incurred by the Corporation to comply with the provisions of this Agreement and the Trust Agreement; and
- (b) to the Trustee upon request therefor, all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Trust Agreement or any related documents;
- (c) to the Corporation and the Trustee, all amounts required to indemnify the Corporation and the Trustee under Section 5.2 hereof and under Section 10.03 of the Trust Agreement; and
- (d) all costs and expenses of auditors, engineers and accountants of the District related to the Project.

Subject to the provisions of Section 7.03 of the Trust Agreement, the Additional Payments shall be payable from, but are not secured by a pledge or lien upon, the Net Revenues. The rights of the Trustee and the Corporation under this Section 4.7, and the obligations of the District under this Section 4.7, shall survive the termination of this Agreement.

## ARTICLE V

### FINANCIAL COVENANTS

SECTION 5.1. *Disclaimer of Warranties.* The Corporation 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 shall the Corporation be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Agreement or the Trust Agreement for the existence, furnishing, functioning or use of the Project.

SECTION 5.2. *Release and Indemnification Covenants.* The District shall indemnify the Corporation and the Trustee, and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on or about the Wastewater System by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Agreement or the Trust Agreement, (c) any act or omission of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Wastewater System, or (d) any act or omission of any lessee of the District with respect to the Wastewater System. No indemnification is made under this Section 5.2 or elsewhere in this Agreement for willful misconduct or negligence under this Agreement by the Corporation or the Trustee, or their respective officers, agents, employees, successors or assigns. The provisions of this Section 5.2 shall survive the expiration of the Term of this Agreement.

SECTION 5.3. *Sale or Eminent Domain of Wastewater System.* Except as provided herein, the District covenants that the Wastewater System shall 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 principal of or interest on the Installment Payments or any Parity Obligations, or would materially adversely affect its ability to comply with the terms of this Agreement. The District shall not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments or any Parity Obligations, or which otherwise would impair the rights of the Certificate Owners with respect to the Net Revenues. If any substantial part of the Wastewater System is sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to prepay or redeem the Installment Payments and any Parity Obligations, in amounts determined in the District's sole discretion.

Any amounts received as awards as a result of the taking of all or any part of the Wastewater 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 either (a) be used for the acquisition or construction of improvements and extension of the Wastewater System, or (b) be applied to prepay or redeem the Installment Payments and any Parity Obligations, in amounts determined in the District's sole discretion.

SECTION 5.4. *Insurance.* The District shall at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the District. The District shall apply amounts collected from insurance against accident to or destruction of any portion of the Wastewater System to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, to prepay or redeem any Parity Obligations, in the District's discretion. The District shall 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, the Trustee and the Owners of the Certificates. Any insurance required by this Section may be maintained by the District in the form of self-insurance through a joint powers agreement or otherwise.

SECTION 5.5. *Records and Accounts.* The District ~~it~~ shall keep proper books of record and accounts of the Wastewater System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater System. Said books shall, upon reasonable request, be subject to the inspection of the Owners of not less than 10% of the Outstanding Certificates or their representatives authorized in writing.

The District will cause the books and accounts of the Wastewater System to be audited annually, not later than 9 months after the close of each Fiscal Year by an Independent Certified Public Accountant. The District will make a copy of such report available to the Certificate Owners upon reasonable request.

SECTION 5.6. *Rates and Charges.*

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

(i) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;

(ii) The principal of and interest of the Installment Payments and any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such interest is payable from proceeds of any Parity Obligations deposited for such purpose; and

(iii) 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, including replenishment of any reserve account or fund established for any Parity Obligations.

(b) Net Revenue Covenant. In addition, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (a)(ii) above, for such Fiscal Year. For purposes of this clause (b), the amount of Net Revenues for a Fiscal Year will be computed on the basis that the District's unencumbered fund balance at the end of the applicable Fiscal Year is included as "Gross Revenues" in the calculation of Net Revenues. Notwithstanding the foregoing provisions, in the event that the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet the requirements of this subsection, such event shall not constitute an Event of Default unless it has continued uncured for a period of at least 12 months.

(c) Rate Stabilization Fund. The District may at any time create a separate fund to be known as the "Rate Stabilization Fund," to be held and maintained by the District. The Rate Stabilization Fund is not pledged to secure payment of the Installment Payments. Amounts in the Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in this subsection (c). The District shall have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Fiscal Year may be made until (but not after) 180 days following the end of such Fiscal Year. For the purpose of computing the amount of Net Revenues for any Fiscal Year for purposes of the preceding subsection (a) or (b), the District shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund for purposes of such computation, such transfers to be made until (but not after) 180 days after the end of such Fiscal Year. In addition, the District shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose.

SECTION 5.7. *Superior and Subordinate Obligations*. The District shall not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. Nothing herein is intended or may be construed to limit or affect the ability of the District to issue or incur (a) Parity Obligations, or (b) obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 5.8. *Issuance of Parity Obligations*. The District may issue or incur Parity Obligations in such principal amount as the District may determine, subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of the Parity Obligations:

- (a) No Event of Default has occurred and is continuing; and
- (b) Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, plus (at the option of the District) Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service with respect to the Installment Payments and all Parity Obligations then outstanding (including the Parity Obligations then proposed to be issued).

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

SECTION 5.10. *Assignment and Amendment Hereof.* This Agreement may not be assigned by the District in whole or in part. This Agreement may be amended by the District and the Corporation, but only (a) for the purpose of providing for the issuance of Parity Obligations under Section 5.8, or (b) otherwise under the circumstances and to the extent permitted under Sections 8.01 or 8.02 of the Trust 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.
- (b) Failure by the District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of 30 days.
- (c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), 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 Corporation or the Trustee; *provided, however*, that if the District notifies the Corporation and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if the District commences to cure such failure within such 30-day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.
- (d) 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.

- (e) The occurrence of any event which constitutes a default under any Parity Obligation.

SECTION 6.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Trustee as assignee of the Corporation has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

- (a) Acceleration. Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall 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, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the District deposits with the Trustee 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, with interest on such overdue principal and interest components calculated at the Overdue Rate, and the reasonable fees and expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (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 made good, then, and in every such case, the Trustee shall rescind and annul such declaration and its consequences. However, no such rescission and annulment extends to or affects any subsequent default, or impairs or exhausts any right or power consequent thereon. As provided in Section 6.6, the Trustee is required to exercise the remedies provided herein in accordance with the Trust Agreement.
- (b) Action at Law or in Equity. 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) Appointment of Receiver. 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 Trustee and the Certificate Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

SECTION 6.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive, and every such remedy shall be cumulative and shall 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 shall impair any such right or power or shall 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 Corporation to exercise any remedy reserved to it in this Article VI, it is not necessary to give any notice, other than such notice as may be required in this Article VI 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 nondefaulting party, the Trustee or the Owner of any Certificates 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 nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred. The provisions of this Section 6.4 shall survive the expiration of the Term of this Agreement.

SECTION 6.5. *No Additional Waiver Implied by One Waiver.* If the District or the Trustee breaches any agreement contained in this Agreement and thereafter the other party waives the breach, the waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 6.6. *Trustee and Certificate Owners to Exercise Rights.* Such rights and remedies as are given to the Corporation under this Article VI have been assigned by the Corporation to the Trustee under the Trust Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement.

## ARTICLE VII

### PREPAYMENT OF INSTALLMENT PAYMENTS

SECTION 7.1. *Security Deposit.* Notwithstanding any other provision of this Agreement, the District may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either

- (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under Section 4.4(a), or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Certified Public Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due under Section 4.4(a).

If a security deposit is posted under this Section for the payment of all remaining Installment Payments, all obligations of the District hereunder, and the pledge of Net Revenues and all other security provided by this Agreement for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be



made, all Installment Payments from such security deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of such Installment Payments in accordance with the provisions hereof.

**SECTION 7.2. *Optional Prepayment.***

(a) Series A Certificates. The District is hereby granted an option to prepay the principal components of the Installment Payments allocable to the Series A Certificates in whole or in part on date on or after [September 1, 2028].

(b) Series B Certificates. The District is hereby granted an option to prepay the principal components of the Installment Payments allocable to the Series B Certificates in whole or in part on date on or after [September 1, 20\_\_].

(c) The foregoing prepayment options shall be exercised by payment of a prepayment price equal to the sum of (i) the aggregate principal components of the Installment Payments to be prepaid, (ii) the interest component of the Installment Payment required to be paid on or accrued to such date, and (iii) the premium (if any) then required to be paid upon the corresponding prepayment of the applicable Certificates pursuant to Section 4.01 of the Trust Agreement. Such prepayment price shall be deposited by the Trustee in the Installment Payment Fund to be applied to the prepayment of Certificates pursuant to Section 4.01 of the Trust Agreement. If the District prepays the Installment Payments in part but not in whole, the principal components thereof shall be prepaid among such maturities and in such integral multiples of \$5,000 as the District designates in written notice to the Trustee. The District shall give the Trustee written notice of its intention to exercise its option not less than 30 days in advance of the date of exercise, or such shorter period of time as may be agreed to by the Trustee.

**SECTION 7.3. *Credit for Amounts on Deposit.*** In the event of prepayment of the Installment Payments in full under Section 7.2, such that the Trust Agreement is discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Trust Agreement shall be credited towards the amounts then required to be so prepaid.

## **ARTICLE VIII**

### **MISCELLANEOUS**

**SECTION 8.1. *Further Assurances.*** The District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Corporation or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

**SECTION 8.2. *Notices.*** Any notice, request, complaint, demand or other communication under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or

other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by fax or other form of telecommunication, (b) upon actual receipt after deposit in the United States of America mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Corporation, the District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the District  
or the Corporation:* South San Luis Obispo County Sanitation District  
1600 Aloha Place  
Oceano, California 93445  
Attention: District Administrator

*If to the Trustee:* [TRUSTEE]  
\_\_\_\_\_  
\_\_\_\_\_, California \_\_\_\_\_  
Attention: Corporate Trust Services

SECTION 8.3. *Governing Law.* This Agreement shall be construed in accordance with and governed by the laws of the State of California.

SECTION 8.4. *Binding Effect.* This Agreement inures to the benefit of and shall be binding upon the Corporation, the District and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 8.5. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Agreement are for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation and the District each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

SECTION 8.6. *Article and Section Headings and References.* The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. 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; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 8.7. *Payment on Non-Business Days.* Whenever any payment is required to be made by the District hereunder on a day which is not a Business Day, such payment shall be made on the immediately preceding Business Day.

SECTION 8.8. *Execution of Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

SECTION 8.9. *Waiver of Personal Liability.* No member of the Board of Directors, officer, agent or employee of the District shall be individually or personally liable for the payment of Installment Payments or Additional 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 8.10. *Trustee as Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary hereof and shall be entitled to the benefits of this Agreement with the same force and effect as if the Trustee were a party hereto.

IN WITNESS WHEREOF, the Corporation 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.

**PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA, as  
Seller**

By \_\_\_\_\_  
President

ATTEST:

By \_\_\_\_\_  
Treasurer

**SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT, as Purchaser**

By \_\_\_\_\_  
District Administrator

ATTEST:

By \_\_\_\_\_  
Secretary

## **APPENDIX A**

### **DESCRIPTION OF THE PROJECT**

The Project consist of the following facilities, equipment and other properties known as the "Redundancy Project," together with other capital expenditures approved by the District Board of Directors:

**[To Come]**

## APPENDIX B

### SCHEDULE OF INSTALLMENT PAYMENTS

<u>Installment Payment Date</u> <sup>(1)</sup>	<b>Series A Certificates</b>		<b>Series B Certificates</b>		<u>Total Payment</u>
	<u>Principal Component</u>	<u>Interest Component</u>	<u>Principal Component</u>	<u>Interest Component</u>	

#### TOTALS

- (1) Installment Payment Dates are the 3rd Business Day immediately preceding each Interest Payment Date shown in the table.

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## TRUST AGREEMENT

Dated as of \_\_\_\_\_ 1, 2020

among

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
*as Trustee*

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,

and the

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

*Relating to:*

\$ \_\_\_\_\_  
2020 Wastewater Revenue  
Certificates of Participation, Series A

and

\$ \_\_\_\_\_  
2020 Wastewater Revenue  
Certificates of Participation, Series B

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## **TRUST AGREEMENT**

This TRUST AGREEMENT (this "Trust Agreement"), dated as of \_\_\_\_\_ 1, 2020, is among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), and the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, a county sanitation district duly organized and existing under and by virtue of the laws of the State of California (the "District").

### ***B A C K G R O U N D :***

1. The District owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the "Wastewater System").

2. The District is proceeding to finance the acquisition and construction of certain improvements to the Wastewater System, including its "Redundancy Project" (the "Project"), and in order to provide financing for the Project, the Corporation has proposed to acquire and construct the Project and sell the Project to the District under an Installment Sale Agreement dated as of \_\_\_\_\_ 1, 2020 (the "Installment Sale Agreement"), between the Corporation as seller and the District as purchaser.

3. The Corporation has been formed for the purpose of providing financial assistance to local agencies in the State of California, including the District.

4. Under the Installment Sale Agreement, the District agrees to pay semiannual installments of the purchase price of the Project (collectively, the "Installment Payments"), to be payable from and secured by a pledge of and lien on the net revenues received by the District from the Wastewater System.

5. For the purpose of obtaining the moneys required to provide financing to the District in accordance with the terms of the Installment Sale Agreement, the Corporation, the District and the Trustee have agreed to enter into this Trust Agreement under which the Corporation assigns and transfers certain of its rights under the Installment Sale Agreement to the Trustee, and the Trustee agrees to execute and deliver the Certificates (defined herein), evidencing direct, undivided fractional interests in the Installment Payments as provided herein and in the Installment Sale Agreement.

### ***A G R E E M E N T :***

In consideration of the premises and the material covenants contained herein, the District, the Corporation and the Trustee hereby agree as follows:

# **ARTICLE I**

## **DEFINITIONS ; RULES OF INTERPRETATION**

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms used in this Trust Agreement have the respective meanings given them in Appendix A attached to this Trust Agreement.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes 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 Trust Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### THE CERTIFICATES OF PARTICIPATION

SECTION 2.01. *Authorization.* The Trustee is hereby authorized and directed upon written request from the Corporation to register, execute and deliver, to the Original Purchaser, the Series A Certificates in an aggregate principal amount of \$\_\_\_\_\_ and the Series B Certificates in the aggregate principal amount of \$\_\_\_\_\_. The Certificates evidence the direct, undivided fractional interests of the Owners thereof in the Installment Payments, to be allocated between each Series of Certificates as set forth in Section 4.4(b) of the Installment Sale Agreement. The Certificates shall be executed and delivered on the Closing Date.

SECTION 2.02. *Date.* Each Certificate shall be dated as of the Closing Date, and interest represented thereby is payable from the Interest Payment Date next preceding the date of execution thereof, unless:

- (a) it is executed after a Record Date and on or before the following Interest Payment Date, in which event interest represented thereby is payable from such Interest Payment Date; or
- (b) it is executed on or before the first Record Date, in which event interest represented thereby shall be payable from the Closing Date; or
- (c) interest represented by such Certificate is in default as of the date of execution of such Certificate, in which event interest represented thereby is payable from the Interest Payment Date to which interest represented thereby has previously been paid or made available for payment.

SECTION 2.03. *Terms of Certificates.* Principal represented by the Series A Certificates is payable on September 1 in each of the respective years and in the respective amounts, and interest represented thereby is computed at the respective rates, as follows:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
	\$	%

Principal represented by the Series B Certificates is payable on September 1 in each of the respective years and in the respective amounts, and interest represented thereby is computed at the respective rates, as follows:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
	\$	%

SECTION 2.04. *Fully Registered Form; Interest.* The Certificates will be delivered in the form of fully registered Certificates without coupons in the authorized denominations of \$5,000 or any integral multiple thereof, except that no Certificate shall represent principal payable in more than one year. The Certificates will be assigned such alphabetical and numerical designation as the Trustee deems appropriate.

Interest represented by the Certificates is payable on each Interest Payment Date to and including the date of maturity or prepayment, whichever is earlier, as provided in Section 2.09. Said interest represents the portion of the Installment Payments designated as interest and coming due on each of the respective Interest Payment Dates. The share of the portion of Installment Payments designated as interest with respect to any Certificate is computed by multiplying the portion of Installment Payments designated as principal represented by such Certificate by the rate of interest represented by such Certificate (on the basis of a 360-day year of twelve 30-day months).

SECTION 2.05. *Book Entry System.*

(a) Original Delivery. The Certificates shall be initially delivered in the form of a separate single fully registered Certificate (which may be typewritten) for each maturity of the Certificates. Upon initial delivery, the ownership of each such Certificate shall be registered on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Certificates shall be registered in the name of the Nominee on the Registration Books.

With respect to Certificates the ownership of which is registered in the name of the Nominee, the District and the Trustee have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the District holds an interest in the Certificates. Without limiting the generality of the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Registration Books, of any notice with respect to the Certificates, including any notice of prepayment, (iii) the selection by the Depository of the beneficial interests in the Certificates to be redeemed in the event the District elects to prepay the Certificates in part, (iv) the payment to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest represented by the Certificates or (v) any consent given or other action taken by the Depository as Owner of the Certificates. The District and the Trustee may treat and consider the person in whose name each Certificate is registered as the absolute owner

of such Certificate for the purpose of payment of principal, premium, if any, and interest represented by such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers of ownership of such Certificate, and for all other purposes whatsoever. The Trustee shall pay the principal, interest and premium, if any, represented by the Certificates only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal, interest and premium, if any, represented by the Certificates to the extent of the sum or sums so paid. No person other than a Certificate Owner shall receive a Certificate evidencing the obligation of the District to make payments of principal, interest and premium, if any, under this Trust Agreement. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Certificates for the Depository's book-entry system, the District and the Trustee, if applicable, shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Certificates. The execution and delivery of such letter in no way limits the provisions of subsection (a) above or otherwise imposes upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Certificates other than the Certificate Owners. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Certificates, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the execution and delivery of replacement Certificates by providing the Trustee with a list showing the interests of the Depository System Participants in the Certificates, and by surrendering the Certificates, registered in the name of the Nominee, to the Trustee on or before the date such replacement Certificates are to be executed and delivered. The Depository, by accepting delivery of the Certificates, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Certificates shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Certificates shall designate, in accordance with the provisions hereof.

If the District determines that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the District may notify the Depository System Participants of the availability of such certificated Certificates through the Depository. In such event, the Trustee will execute, transfer and exchange Certificates as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the District shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Certificates to any Depository System Participant having Certificates credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Certificates, all at the District's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal, interest and premium, if any, represented by such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.06. *Form and Execution of Certificates.* The Certificates shall be substantially in the respective forms set forth in Appendix B attached hereto and by this reference incorporated herein. An authorized signatory of the Trustee shall execute the Certificates in the name and on behalf of the Trustee. If any person whose signature appears on any Certificate ceases to be an authorized signatory before the date of delivery of said Certificate, such signature shall nevertheless be as effective as if such person had remained an authorized signatory until such date.

SECTION 2.07. *Transfer and Exchange.*

(a) Transfer of Certificates. The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of such Certificate for cancellation at the Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates representing the same Series, maturity, interest rate and aggregate principal amount, in any authorized denominations. The District shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Certificate Owner of any tax or other governmental charge required to be paid with respect to such transfer.

(b) Exchange of Certificates. Certificates may be exchanged at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates representing other authorized denominations of the same Series, interest rate and maturity. The District shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

(c) Limitations on Transfer or Exchange. The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) the portion of any Certificate which the Trustee has selected for prepayment under the provisions of Section 4.02.

SECTION 2.08. *Certificates Mutilated, Lost, Destroyed or Stolen.* If any Certificate is mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity in replacement for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed by the Trustee, who shall, upon request of the District, deliver a certificate of destruction to the District. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft must be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and the District and, if an indemnity satisfactory to the Trustee and the District shall be given, the Trustee, at the expense of the Certificate Owner, shall execute



and deliver a new Certificate of like principal amount, interest rate and maturity and numbered as the Trustee shall determine in lieu of and in replacement for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each replacement Certificate delivered under this Section 2.08 and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.08. Any Certificate executed and delivered under the provisions of this Section 2.08 in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee is not required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section 2.08, in lieu of delivering a replacement for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trustee and the District.

SECTION 2.09. *Payment.* Payment of interest represented by any Certificate on any Interest Payment Date shall be made to the person appearing on the Registration Books as the Owner thereof as of the close of business on the Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed to such Owner, by first class mail postage prepaid, at such Owner's address as it appears on the Registration Books; *provided, however*, that at the written request of the Owner of Certificates in an aggregate principal amount of at least \$1,000,000, which written request shall be on file with the Trustee as of the Record Date preceding any Interest Payment Date, interest represented by such Certificates coming due and payable on such Interest Payment Date shall be paid by wire transfer in immediately available funds to such account in the United States as shall be specified in such written request. The principal and prepayment price represented by any Certificate at maturity or upon prior prepayment shall be payable in lawful money of the United States of America upon surrender of such Certificate at the Corporate Trust Office of the Trustee.

SECTION 2.10. *Execution of Documents and Proof of Ownership.* Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

- (a) The fact and date of the execution by any Owner, attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or

partnership, such certificate shall also constitute sufficient proof of authority.

- (b) The fact of the ownership of Certificates by any person and the amount, the maturity and the numbers of such Certificates and the date of holding the same shall be proved by the Registration Books.

Nothing contained in this Section 2.10 may be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Certificate binds every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee under such request or consent.

SECTION 2.11. *Registration Books.* The Trustee shall keep or cause to be kept sufficient records for the registration and registration of transfer of the Certificates, which shall at all reasonable times upon prior notice be open to inspection by the District and the Corporation during regular business hours; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Certificates as hereinbefore provided.

## **ARTICLE III**

### **DISPOSITION OF PROCEEDS; CONSTRUCTION FUND, COSTS OF ISSUANCE FUND**

#### *SECTION 3.01. Application of Proceeds.*

(a) Application of Proceeds of Series A Certificates. The Trustee shall apply the proceeds received by it from the sale of the Series A Certificates on the Closing Date as follows:

- (i) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Series A Proceeds Account within the Costs of Issuance Fund.
- (ii) The Trustee shall transfer the amount of \$\_\_\_\_\_, constituting the remainder of such proceeds, to the District for deposit in the Series A Proceeds Account within the Construction Fund.

(b) Application of Proceeds of Series B Certificates. The Trustee shall apply the proceeds received by it from the sale of the Series B Certificates on the Closing Date as follows:

- (i) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Series B Proceeds Account within the Costs of Issuance Fund.
- (ii) The Trustee shall transfer the amount of \$\_\_\_\_\_, constituting the remainder of such proceeds, to the District for deposit in the Series B Proceeds Account within the Construction Fund.

For the purpose of making any or all of the foregoing deposits, the Trustee may establish one or more temporary funds for the deposit and transfer of the proceeds of the Certificates, which the Trustee shall promptly close following the foregoing transfers.

SECTION 3.02. *Costs of Issuance Fund and Accounts Therein.* The Trustee shall establish and maintain a special fund designated as the "Costs of Issuance Fund" to be held by the Trustee in trust for the benefit of the District, and applied solely as provided herein. Within the Costs of Issuance Fund, the Trustee shall establish, maintain and hold two separate accounts, the "Series A Proceeds Account" and the "Series B Proceeds Account."

The Trustee shall disburse moneys in the Series A Proceeds Account within the Costs of Issuance Fund to pay the Costs of Issuance of the Series A Certificates, and the Trustee shall disburse moneys in the Series B Proceeds Account within the Costs of Issuance Fund to pay the Costs of Issuance of the Series B Certificates. Such disbursements shall be from time to time upon the receipt of written requisitions of the District setting forth the amounts to be disbursed for payment or reimbursement of Costs of Issuance and the name and address of the person or persons to whom said amounts are to be disbursed, stating that all amounts to be disbursed are for Costs of Issuance properly chargeable to the related account within the Costs of Issuance Fund. The Trustee shall withdraw any amounts remaining in the Series A Proceeds Account within the Costs of Issuance Fund on [March 1, 2021], and transfer such amounts to the District for deposit in the Series A Proceeds Account within the Construction Fund. The Trustee shall withdraw any amounts remaining in the Series B Proceeds Account within the Costs of Issuance Fund on or after [March 1, 2021], and transfer such amounts to the District for deposit in the Series B Proceeds Account within the Construction Fund. Following such transfers, the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 3.03. *Construction Fund and Accounts Therein.* The District shall establish and maintain a special fund designated as the "Construction Fund" to be held by the District and applied solely as provided herein. Within the Construction Fund, the District shall establish, maintain and hold two separate accounts, the "Series A Proceeds Account" and the "Series B Proceeds Account." The District shall deposit a portion of the proceeds of the Certificates in the respective accounts within Construction Fund as provided in Section 3.01, any amounts transferred to the District for that purpose from the Costs of Issuance Fund under Section 3.02, and all earnings received from the investment of amounts in the Construction Fund.

The District shall disburse amounts in the Construction Fund from time to time to pay Project Costs. The District shall keep accurate records showing, with respect to each disbursement from the Construction Fund, the amount and the purpose of each disbursement and the person(s) to whom each payment is made.

All unexpended moneys remaining in the Construction Fund and not identified in writing by a District Representative to be required for payment of Project Costs shall, on the date of completion of the Project, be transferred to the Trustee for deposit into the Installment Payment Fund and applied to pay the Installment Payments as the same come due and payable.

## ARTICLE IV

### PREPAYMENT OF CERTIFICATES

#### SECTION 4.01. *Prepayment.*

(a) Optional Prepayment – Series A Certificates. The Series A Certificates maturing on or before September 1, 20\_\_, are not subject to optional prepayment prior to the respective stated maturities. The Series A Certificates maturing on or after September 1, 20\_\_, are subject to optional prepayment in whole or in part on any date on or after September 1, 20\_\_, from prepayments of the Installment Payments made at the option of the District under Section 7.2 of the Installment Sale Agreement, at a prepayment price equal to 100% of the principal amount of Series A Certificates or portions thereof to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium.

The District shall give the Trustee written notice of its intention to prepay any Series A Certificates, and the amount of the prepayment price, in sufficient time to enable the Trustee to give notice of such prepayment in accordance with Section 4.03.

(b) Optional Prepayment – Series B Certificates. The Series B Certificates are subject to optional prepayment in whole or in part on any date from prepayments of the Installment Payments made at the option of the District under Section 7.2 of the Installment Sale Agreement, at a prepayment price equal to 100% of the principal amount of Series B Certificates or portions thereof to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium.

The District shall give the Trustee written notice of its intention to prepay any Series B Certificates, and the amount of the prepayment price, in sufficient time to enable the Trustee to give notice of such prepayment in accordance with Section 4.03.

(c) Sinking Fund Prepayment – Series A Certificates. The Series A Certificates maturing on September 1, 20\_\_ (the "Term Series A Certificates") are subject to mandatory sinking fund prepayment by lot on September 1 in each year as set forth in the following table, from the principal components of the Installment Payments relating to the Series A Certificates which are required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

Sinking Fund Prepayment Date (September 1)	Principal Amount To Be Prepaid
	\$

20\_\_ (Maturity)

Notwithstanding the foregoing provisions of this subsection (c), if some but not all of the Term Series A Certificates are prepaid under any of the preceding provisions of this Section 4.01, the aggregate principal amount of the Term Series A Certificates to be prepaid in each year thereafter under this subsection (c) shall be reduced by the aggregate principal

amount of Term Series A Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis in integral multiples of \$5,000 such that the resulting amount of principal represented by the Term Series A Certificates subject to prepayment on any date under this subsection (c) is equal to the aggregate principal components of the Installment Payments allocable to the Series A Certificates coming due and payable on such date.

(d) Sinking Fund Prepayment – Series B Certificates. The Series B Certificates are subject to mandatory sinking fund prepayment by lot on September 1 in each year as set forth in the following table, from the principal components of the Installment Payments relating to the Series B Certificates which are required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

Sinking Fund Prepayment Date <u>(September 1)</u>	Principal Amount <u>To Be Prepaid</u>
	\$

20\_\_ (Maturity)

Notwithstanding the foregoing provisions of this subsection (d), if some but not all of the Series B Certificates are prepaid under any of the preceding provisions of this Section 4.01, the aggregate principal amount of the Series B Certificates to be prepaid in each year thereafter under this subsection (c) shall be reduced by the aggregate principal amount of Series B Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis in integral multiples of \$5,000 such that the resulting amount of principal represented by the Series B Certificates subject to prepayment on any date under this subsection (d) is equal to the aggregate principal components of the Installment Payments allocable to the Series B Certificates coming due and payable on such date.

SECTION 4.02. *Selection of Certificates for Prepayment.* Whenever provision is made herein for the prepayment of Certificates and less than all Outstanding Certificates of any one maturity are called for prepayment, the Trustee shall select Certificates for prepayment within such maturity by lot in any manner deemed fair by the Trustee. For the purposes of such selection, Certificates shall be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates or portions thereof so selected for prepayment. The selection by the Trustee of any Certificates for prepayment shall be final and conclusive.

SECTION 4.03. *Notice of Prepayment.* When prepayment is authorized or required under Section 4.01, the Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the District. Such notice shall state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates of any maturity are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the designated prepayment date at the Corporate Trust

Office of the Trustee for prepayment at said prepayment price. Such notice shall further state that on the specified date there shall come due and payable upon each Certificate, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of such prepayment shall be mailed by first class mail with postage prepaid, to one or more of the Information Services, and the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books. Such notice shall be mailed at least 20 days but not more than 60 days prior to the prepayment date. In addition, notice of prepayment shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories at the time of such mailing to the Certificate Owners. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid; *provided, however*, that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

The District has the right to rescind any notice of the optional prepayment of the Certificates by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default. The District and the Trustee have no liability to the Certificate Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent under this Section.

SECTION 4.04. *Partial Prepayment of Certificates.* Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

SECTION 4.05. *Effect of Notice of Prepayment.* Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Installment Payment Fund, the Certificates shall be due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Corporate Trust Office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus any applicable premium and plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and be payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust, uninvested, for the account of the Owners of the Certificates so to be prepaid.

All Certificates paid at maturity or prepaid prior to maturity under this Article IV shall be canceled upon surrender thereof and destroyed under Section 12.10.

SECTION 4.06. *Purchase of Certificates.* In lieu of prepayment of Certificates as provided in this Article IV, amounts held by the Trustee for such prepayment shall, at the written request of the District Representative received by the Trustee no later than 60 days prior to the prepayment date, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment under this Section 4.06 may not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment.

## **ARTICLE V**

### **INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND**

SECTION 5.01. *Assignment of Rights in Installment Sale Agreement.* The Corporation hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Corporation, all of its rights in the Installment Sale Agreement (excepting only the Corporation's rights under Sections 4.7, 5.2 and 6.4 thereof), including but not limited to all of the Corporation's rights to receive and collect all of the Installment Payments and all other amounts required to be deposited in the Installment Payment Fund. The Trustee hereby accepts such assignment for the benefit of the Certificate Owners. Such assignment shall neither create any obligations nor give rise to any duties on the part of the Trustee other than those obligations and duties contained herein and shall not be liable for any covenants, representations or warranties of the Corporation. All Installment Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee, and all of the Installment Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one (1) Business Day after the receipt thereof, and all such Installment Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Installment Payment Fund.

SECTION 5.02. *Establishment of Installment Payment Fund.* The Trustee shall establish and maintain a special fund designated as the "Installment Payment Fund," into which the Trustee shall deposit all amounts paid to the Trustee for such purpose under the Installment Sale Agreement. All moneys at any time deposited by the Trustee in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation has any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in the Installment Sale Agreement or herein, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

SECTION 5.03. *Application of Moneys.* Except as provided in Section 5.04, the Trustee shall use and withdraw amounts in the Installment Payment Fund solely for the purpose of paying the principal, interest and prepayment premiums (if any) represented by the Certificates as the same are due and payable, in accordance with the provisions of Article II and Article IV.

SECTION 5.04. *Surplus.* At the written request of the District, the Trustee shall withdraw and remit to the District any surplus remaining in the Installment Payment Fund, after prepayment and payment of all Certificates, including all premiums and accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such prepayment or payment having been made in accordance with Section 12.01.

## **ARTICLE VI**

### **MONEYS IN FUNDS; INVESTMENT**

SECTION 6.01. *Held in Trust.* The moneys and Permitted Investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the District and the Owners of the Certificates solely for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the District or the Owner of any Certificates.

SECTION 6.02. *Investments Authorized.* Upon the written direction of the District filed with the Trustee from time to time, moneys held by the Trustee in any fund or account established hereunder shall be invested and reinvested by the Trustee 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. In the absence of any written direction of the District directing the investment of uninvested moneys held by the Trustee hereunder, the Trustee shall invest such moneys in Permitted Investments described in clause (f) of the definition thereof, which mature not later than the date such moneys are required or estimated by the Trustee to be required to be expended hereunder. Such investments, if registrable, shall be registered in the name of the Trustee, as trustee or in the name of its nominee, and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 6.02 and shall be entitled to its customary fee therefor. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. Whenever in this Trust Agreement any moneys are required to be transferred by the District to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee has no responsibility or liability for any loss suffered in connection with any investment of funds made by it in accordance with this Section 6.02.

The District shall invest amounts held by it in any fund or account established hereunder or under the Installment Sale Agreement in any investments which are authorized for the investment of District funds under the laws of the State of California.

SECTION 6.03. *Accounting.* The Trustee shall furnish to the District, not less than quarterly, an accounting (in the form customarily used by the Trustee) of all investments and other transactions made by the Trustee under this Trust Agreement. The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of



security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law.

SECTION 6.04. *Allocation of Earnings.* Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made.

SECTION 6.05. *Valuation and Disposition of Investments.*

(a) The District covenants that all investments of amounts deposited in any fund or account created by or under this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Trust Agreement or the Tax Code) at Fair Market Value as such term is defined in subsection (c) below. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the District in any written directions of a District Representative.

(b) For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the District at least quarterly at the market value thereof. The Trustee may sell or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(c) For purposes of this Section 6.05, the term "Fair Market Value" shall mean 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 Tax 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 Tax 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 Tax 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 any 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.

## ARTICLE VII

### THE TRUSTEE

SECTION 7.01. *Appointment of Trustee.* The Bank of New York Mellon Trust Company, N.A. is hereby appointed Trustee by the Corporation and the District for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided herein. The District agrees that it will maintain a Trustee having a corporate trust office in California, with a reported capital and surplus of at least \$50,000,000, duly authorized to exercise trust powers and subject to supervision or examination by Federal or state authority, so long as any Certificates are Outstanding. If such bank or trust company publishes a report of condition at least annually under law or the requirements of any supervising or examining authority above referred to then for the purpose of this Section 7.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The District and the Corporation covenant that they will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Section 7.01, so long as any Certificates are Outstanding.

The Trustee is hereby authorized to pay or prepay the Certificates when duly presented for payment at maturity, or on prepayment, or on purchase by the Trustee as directed by the District prior to maturity in accordance with Section 4.06, and to cancel all Certificates upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Certificates paid and discharged. The Trustee shall be compensated for its services rendered under the provisions hereof.

SECTION 7.02. *Acceptance of Trusts.* The Trustee hereby accepts the trusts imposed upon it hereby, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee, prior to the occurrence of an Event of Default and after curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth herein, and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee. In case an Event of Default has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.
- (b) No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if the repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee shall be entitled to interest on any amounts advanced by it in the performance of its duties hereunder.
- (c) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents or

receivers and the Trustee is not responsible for any misconduct or negligence on the part of any attorney, agent or receiver appointed with due care by it hereunder. The Trustee shall be entitled to rely conclusively on the advice or opinion of counsel concerning all matters of trust and its duty hereunder and shall be protected in any action taken or suffered by it hereunder in reliance on such advice or opinion.

- (d) The Trustee is not responsible for the validity hereof or for any recital herein, or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates executed and delivered hereunder or intended to be secured hereby and the Trustee is not bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Corporation or the District under the Installment Sale Agreement. The Trustee is not responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Article VI hereof.
- (e) The Trustee is not accountable for the use or application of any Certificates or the proceeds thereof. The Trustee may be the Owner of Certificates secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Certificates then Outstanding.
- (f) In the absence of bad faith on its part, Trustee shall be protected in acting upon any notice, request, consent, certificate, order, requisition, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith hereunder upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates executed and delivered in exchange therefor or in place thereof.
- (g) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by a Corporation Representative or a City Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice or is deemed to have notice, as provided in Section 7.02(i), shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be

bound to secure the same. The Trustee may accept a certificate of a Corporation Representative or a City Representative to the effect that an authorization in the form therein set forth has been adopted by the Corporation or the District, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

- (h) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.
- (i) The Trustee is not required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the District to make any of the Installment Payments to the Trustee required to be made by the District under the Installment Sale Agreement or failure by the Corporation or the District to file with the Trustee any document required hereby or by the Installment Sale Agreement to be so filed subsequent to the delivery of the Certificates, unless the Trustee is specifically notified in writing of such default by the Corporation, the District or the Owners of at least 25% in aggregate principal amount of Certificates then Outstanding and all notices or other instruments required hereby or by the Installment Sale Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Corporate Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.
- (j) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) to inspect the Wastewater System including all books, papers and records of the District pertaining to the Wastewater System and the Certificates, and to take such memoranda from and with regard thereto as may be desired.
- (k) The Trustee is not required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.
- (l) Notwithstanding anything elsewhere herein with respect to the execution of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview hereof, the Trustee has the right, but is not required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing any right to the execution of any Certificates, the withdrawal of any cash, or the taking of any other action by the Trustee.
- (m) Before taking any action referred to in Section 11.02 at the direction of the Certificate Owners, the Trustee may require that a satisfactory indemnity bond or other indemnification acceptable to the Trustee be

furnished by the Certificate Owners, or any of them, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

- (n) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee has no liability for interest on any moneys received hereunder except such as may be agreed upon.
- (o) The Trustee is not responsible for the sufficiency of the Installment Sale Agreement or its right to receive moneys under the Installment Sale Agreement.
- (p) The Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Outstanding Certificates relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, hereunder.
- (q) The Trustee is not liable for any error of judgment made by a responsible officer of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts relating thereto.
- (r) The Trustee has no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Certificates.
- (s) The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses survive its resignation or removal and final payment or discharge of the Certificates.
- (t) The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

SECTION 7.03. *Fees, Charges and Expenses of Trustee.* The Trustee shall be paid and reimbursed by the District and the Corporation for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default, but only upon such occurrence, the Trustee shall have a first lien with right of payment prior to payment on account of principal, premium, if any, and interest represented by any Certificate upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

SECTION 7.04. *Notice to Certificate Owners of Default.* If an Event of Default occurs of which the Trustee has been given or is deemed to have notice, as provided in Section 7.02(i), then the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, by first class mail, postage prepaid, to the Owner of each Outstanding Certificate,

unless such Event of Default shall have been cured before the giving of such notice; *provided, however*, that unless such Event of Default consists of the failure by the District to make any Installment Payment when due, the Trustee may elect not to give such notice to the Certificate Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Certificate Owners not to give such notice.

SECTION 7.05. *Removal of Trustee.* So long as no Event of Default has occurred and is continuing the District may, upon at least 30 days' prior written notice and with the consent of the Corporation (such consent not to be unreasonably withheld), remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee and the Corporation, and may appoint a successor or successors thereto; provided that any such successor shall be a commercial bank or trust company meeting the requirements set forth in Section 7.01.

SECTION 7.06. *Resignation by Trustee.* The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall be effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the District shall mail notice thereof to the Certificate Owners at their respective addresses set forth on the Registration Books.

SECTION 7.07. *Appointment of Successor Trustee.* In the event of the removal or resignation of the Trustee under Sections 7.05 or 7.06, respectively, with the prior written consent of the Corporation, the District shall promptly appoint a successor Trustee. In the event the District for any reason whatsoever fails to appoint a successor Trustee within 30 days following the delivery to the Trustee of the instrument described in Section 7.05 or within 30 days following the receipt of notice by the District under Section 7.06, at the expense of the District the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 7.01. Any such successor Trustee appointed by such court shall be the successor Trustee hereunder notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such 30 day period.

SECTION 7.08. *Merger or Consolidation.* Any company or association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 7.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 7.09. *Concerning any Successor Trustee.* Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Corporation and the District an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall be fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Corporation, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor

hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Corporation be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Corporation.

SECTION 7.10. *Non-Liability of Trustee.* The recitals, statements and representations by the District and the Corporation contained herein or in the Certificates shall be taken and construed as made by and on the part of the District and the Corporation, as the case may be, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Wastewater System. In no event shall the Trustee be liable for special or consequential damages in connection with or arising from the Installment Sale Agreement for the existence, furnishing or use of the Wastewater System.

SECTION 7.11. *Nature of Trust Engagement.* The Trustee undertakes to perform such duties and only such duties as are specifically set forth herein and no implied covenants or obligations shall be read into the Trust Agreement against the Trustee. In accepting the trusts hereby created, the Trustee acts solely as Trustee and not in its individual capacity and all persons, including without limitation the Certificate Owners, the District and the Corporation having any claim against the Trustee arising from the Trust Agreement shall look only to the funds and accounts hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations represented by the Certificates.

## **ARTICLE VIII**

### **MODIFICATION OR AMENDMENT OF AGREEMENTS**

SECTION 8.01. *Amendments Permitted Without Consent of Owners.* This Trust Agreement and the rights and obligations of the Owners of the Certificate, and the Installment Sale Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any of the Certificate Owners, only to the extent permitted by law and only for any one or more of the following reasons:

- (a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the District,
- (b) to cure, correct or supplement any ambiguous or defective provision contained herein or therein,
- (c) in any respect whatsoever in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or

desirable and which do not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates,

- (d) to provide for matters relating to the issuance of Parity Obligations, or
- (e) to amend any provision hereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment does not adversely affect the exclusion from gross income of interest represented by the Certificates for federal income tax purposes.

Any such supplemental agreement entered into under this Section will be effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee may obtain an opinion of Independent Counsel stating that any amendment to be accomplished by a supplemental agreement entered into under this Section 8.01 complies with the provisions of this Article VIII and the Trustee may conclusively rely on such opinion.

SECTION 8.02. *Amendments Permitted Without Consent of Owners.* Except as permitted under Section 8.01, this Trust Agreement and the rights and obligations of the Owners of the Certificates, and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which will be effective when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 12.03, have been filed with the Trustee.

No modification or amendment under this Section 8.01 may (a) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, without the consent of the Owners of 100% in aggregate principal amount of the Outstanding Certificates, or (c) modify any of the rights or obligations of the Trustee without its written assent thereto.

Any such supplemental agreement may not take effect unless there is filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 12.04) and the Trustee has given the notice required below. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.10. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Certificates have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section (but failure to mail copies of



said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall take effect upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto, the Owners of all Certificates at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60 day period.

SECTION 8.03. *Effect of Supplemental Agreement.* From and after the time any supplemental agreement takes effect under this Article VIII, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Installment Sale Agreement for any and all purposes.

SECTION 8.04. *Endorsement or Replacement of Certificates Delivered After Amendments.* The Trustee may determine that Certificates shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of such Owner's Certificate for the purpose at the Corporate Trust Office of the Trustee, a suitable notation shall be made on such Certificate. The Trustee may determine that the delivery of substitute Certificates, so modified as in the opinion of the Trustee is necessary to conform to such Certificate Owners' action, which substitute Certificates shall thereupon be prepared, executed and delivered at the expense of the District. In that case, upon demand of the Owner of any Certificate then Outstanding, such substitute Certificate shall be exchanged at the Corporate Trust Office of the Trustee, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Outstanding Certificate.

SECTION 8.05. *Amendatory Endorsement of Certificates.* The provisions of this Article VIII do not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by such Owner, provided that proper notation thereof is made on such Certificates.

## ARTICLE IX

### OTHER COVENANTS

SECTION 9.01. *Compliance With and Enforcement of Installment Sale Agreement.* The District covenants and agrees with the Trustee, for the benefit of the Owners of the Certificates, to perform all obligations and duties imposed on it under the Installment Sale Agreement.

SECTION 9.02. *Observance of Laws and Regulations.* The District will observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued

enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on business as a public agency, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not be abandoned, forfeited or in any manner impaired.

SECTION 9.03. *Recordation and Filing.* The District shall record and file all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Certificate Owners.

SECTION 9.04. *Tax Covenants Relating to All Certificates.*

(a) Private Business Use Limitation. The District shall assure that the proceeds of the Certificates are not so used as to cause either Series of the Certificates to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the either Series of the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused either Series of the Certificates to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Rebate of Excess Investment Earnings to United States. The District shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The District shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the District from any source of legally available funds of the District.

The District shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Certificates, records of the determinations made under this subsection (d). In order to provide for the administration of this subsection (d), the District may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the District may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the District of any of the requirements herein.

SECTION 9.05. *Continuing Disclosure.* The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the District as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with such Continuing Disclosure Certificate does not constitute an Event of Default, although any Owner or

beneficial owner of the Certificates may take such actions as are granted to it under the Continuing Disclosure Certificate.

SECTION 9.06. *Further Assurances.* The Corporation and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and of the Installment Sale Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

## **ARTICLE X**

### **LIMITATION OF LIABILITY**

SECTION 10.01. *Limited Liability of District and Corporation.* Except for the payment of Installment Payments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in the Installment Sale Agreement and herein, the District has no pecuniary obligation or liability to the Corporation, the Trustee or the Owners of the Certificates with respect hereto or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trustee, except as expressly set forth herein.

The Corporation has no pecuniary obligation or liability to the District or the Trustee, or to any of the Owners of the Certificates, with respect to the performance by the District of its obligations under the Installment Sale Agreement or this Trust Agreement, with respect hereto or the terms, execution, delivery or transfer of the Certificates, or with respect to the distribution of Installment Payments to the Owners by the Trustee.

SECTION 10.02. *No Liability for Trustee Performance.* Neither the District nor the Corporation has any obligation or liability with respect to the performance by the Trustee of any duty imposed upon it hereunder.

SECTION 10.03. *Indemnification of Corporation and Trustee.* The District shall indemnify and save the Corporation and Trustee, and their respective officers, agents and employees, harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of or in connection with any of the following:

- (a) the use, maintenance, condition or management of, or from any work or thing done on, the Wastewater System by the District,
- (b) any breach or default on the part of the District in the performance of any of its obligations hereunder and any other agreement made and entered into for purposes of the Wastewater System,
- (c) any act of the District or of any of its agents, contractors, servants, employees, licensees with respect to the Wastewater System,
- (d) any act of any assignee of, or purchaser from the District or of any of its agents, contractors, servants, employees or licensees with respect to the Wastewater System,

- (e) the actions of any other party, including but not limited to the ownership, operation or use of the Wastewater System by the District,
- (f) the Trustee's exercise and performance of its powers and duties hereunder or under the Installment Sale Agreement, or
- (g) the execution, delivery and sale of the Certificates.

No indemnification will be made under this Section or elsewhere herein for willful misconduct or negligence by the Trustee or the Corporation, or their respective officers, agents, employees, successors or assigns. The District's obligations under this Section 10.03 shall remain valid and binding notwithstanding the maturity and payment of the Certificates or the resignation or removal of the Trustee.

SECTION 10.04. *Opinion of Counsel.* Before being required to take any action, the Trustee may require an opinion of counsel acceptable to the Trustee, or an opinion of Bond Counsel acceptable to the Trustee with respect to any federal tax matters, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, Trustee shall be absolutely protected in relying conclusively on any such opinion or certificate obtained by the Trustee.

SECTION 10.05. *Limitation of Rights to Parties and Certificate Owners.* Nothing herein or in the Certificates expressed or implied is intended or shall be construed to give any person other than the District, the Corporation, the Trustee and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect hereof or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the District, the Corporation, the Trustee and the Owners.

## **ARTICLE XI**

### **REMEDIES OF CERTIFICATE OWNERS**

SECTION 11.01. *Assignment of Rights.* Under Section 5.01, the Corporation transfers, assigns and sets over to the Trustee all of the Corporation's rights in and to the Installment Sale Agreement (excepting only the Corporation's rights under Sections 4.7, 5.2 and 6.4 thereof), including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation under the Installment Sale Agreement as may be necessary or convenient (a) to enforce payment of the Installment Payments and any other amounts required to be deposited in the Installment Payment Fund, and (b) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners upon the occurrence of an Event of Default.

SECTION 11.02. *Remedies.* If an Event of Default happens, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding the Trustee (to the extent indemnified as provided herein) shall, exercise any and all remedies available under law or granted under the Installment Sale Agreement.

SECTION 11.03. *Application of Funds.* All moneys received by the Trustee as a result of any right given or action taken under the provisions of this Article XI or Article VI of the Installment Sale Agreement shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee and of the Certificate Owners in declaring and enforcing such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the Overdue Rate (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

SECTION 11.04. *Institution of Legal Proceedings.* If one or more Events of Default happens and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

SECTION 11.05. *Non-waiver.* Nothing in this Article XI or in any other provision hereof or in the Certificates, affects or impairs the obligation of the District, which is absolute and unconditional, to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XI to the Trustee or the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

SECTION 11.06. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee or the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

SECTION 11.07. *Power of Trustee to Control Proceedings.* If the Trustee takes any action upon the occurrence of an Event of Default, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the

Owners of a majority in aggregate principal amount of the Certificates then Outstanding, then the Trustee has full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

SECTION 11.08. *Limitation on Certificate Owners' Right to Sue.* No Owner of any Certificate executed and delivered hereunder has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates have any right in any manner whatever by its or their action to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's direct, undivided fractional interest in the Installment Payments as the same come due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision hereof.

## **ARTICLE XII**

### **MISCELLANEOUS**

SECTION 12.01. *Discharge of this Trust Agreement.* If and when the obligations represented by any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest and prepayment premiums (if any) represented by such Certificates Outstanding, as and when the same become due and payable; or
- (b) by irrevocably depositing with the Trustee or any fiduciary, under an escrow deposit and trust agreement, security for the payment of Installment Payments relating to such Certificates as more particularly described in Section 7.1 of the Installment Sale Agreement, said security to be held by the Trustee on behalf of the District to be applied by the Trustee or by such fiduciary to pay or prepay such Installment Payments

as the same become due, under Section 7.1 of the Installment Sale Agreement;

then, notwithstanding that such Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only the obligations of the Trustee under Sections 2.07 and 2.08, and the obligation of the Trustee to pay or cause to be paid, from Installment Payments paid by or on behalf of the District from funds deposited under the preceding paragraph (b) of this Section, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits under the preceding paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Installment Payments.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in the preceding paragraphs (a) or (b) of this Section, which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees) then due, be paid over to the District.

SECTION 12.02. *Notices.* Any notice, request, complaint, demand or other communication hereunder shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by fax or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The District, the Corporation or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

<i>If to the District or the Corporation:</i>	South San Luis Obispo County Sanitation District 1600 Aloha Place Oceano, California 93445 Attention: District Administrator
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<i>If to the Trustee:</i>	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, 5th Floor Los Angeles, California 90071 Attention: Corporate Trust Services
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SECTION 12.03. *Records.* The Trustee shall keep complete and accurate records of all moneys received and disbursed hereunder by the Trustee, which shall be available for inspection by the District, the Corporation and any Owner, or the agent of any of them, upon prior written request during regular business hours.

SECTION 12.04. *Disqualified Certificates.* In determining whether the Owners of the requisite aggregate principal amount of Certificates have concurred in any demand, request, direction, consent or waiver hereunder, Certificates which are owned or held by or for the account of the District or the Corporation (but excluding Certificates held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, *provided, however*, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or

waiver, only Certificates which the Trustee knows to be so owned or held shall be disregarded.

SECTION 12.05. *Payment of Certificates After Discharge.* Notwithstanding any provisions hereof, but subject to any applicable laws of the State of California relating to the escheat of funds or property, any moneys held by the Trustee for the payment of the principal or interest represented by any Certificates and remaining unclaimed for two years after the principal represented by all of the Certificates has become due and payable (whether at maturity or upon call for prepayment or by acceleration as provided herein), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Certificates became due and payable, shall be repaid to the District free from the trusts created hereby upon, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail, by first class mail postage prepaid, to the Owners of Certificates which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Certificates so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

SECTION 12.06. *Payment on Business Days.* Whenever in this Indenture any amount is required to be paid on a day which is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day, provided that interest shall not accrue from and after such day.

SECTION 12.07. *Governing Law.* This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 12.08. *Binding Effect; Successors; Benefits Limited to Parties.* This Trust Agreement shall be binding upon and inure to the benefit of the parties, and their respective successors and assigns. Whenever herein either the Corporation, the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements contained herein by or on behalf of the Corporation, the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not. Nothing herein expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Corporation, the District, the Trustee or the Certificate Owners, any right, remedy or claim hereunder or by reason hereof or of any covenant, condition or stipulation contained herein. All covenants, stipulations, promises and agreements contained herein by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Corporation, the District, the Trustee and the Certificate Owners.

SECTION 12.09. *Execution in Counterparts.* This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

SECTION 12.10. *Delivery of Canceled Certificates.* Whenever provision is made herein for the surrender to or cancellation by the Trustee of any Certificates, the Trustee shall cancel and destroy such Certificates and shall deliver a certificate of destruction with respect thereto to the District.



SECTION 12.11. *Corporation and District Representatives.* Whenever under the provisions hereof the approval of the Corporation or the District is required, or a written certificate, requisition, direction or order is required to be delivered by the District or the Corporation to the Trustee, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given, and such certificate, requisition, direction or order shall be executed, for the Corporation by an Corporation Representative and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval, request, certificate, requisition, direction or order.

SECTION 12.12. *Waiver of Notice.* Whenever the giving of notice by mail or otherwise is required hereunder, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 12.13. *Severability of Invalid Provisions.* In case any one or more of the provisions contained herein or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases hereof may be held illegal, invalid or unenforceable.

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date and year first above written.

**THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.,  
*as Trustee***

By \_\_\_\_\_  
Authorized Officer

**PUBLIC PROPERTY FINANCING CORPORATION  
OF CALIFORNIA**

By \_\_\_\_\_  
President

ATTEST:

By \_\_\_\_\_  
Treasurer

**SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT**

By \_\_\_\_\_  
District Administrator

ATTEST:

By \_\_\_\_\_  
Secretary

## APPENDIX A

### DEFINED TERMS

“Acquisition and Construction” means, with respect to the Project, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be financed from the proceeds of such Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12-month period selected by the District under Section 5.8(b) of the Installment Sale Agreement, were not in service, all in an amount equal to the estimated additional Net Revenues to be derived from such additions, improvements and extensions based on the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by a certificate of a District Representative.
- (ii) An allowance for Net Revenues arising from any increase in rates and charges made for service from the Wastewater System which has become adopted by the Board of Directors of the District prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the total 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 or such 12-month period, all as shown by a certificate of a District Representative.

“Additional Payments” means the amounts payable by the District under Section 4.7 of the Installment Sale Agreement.

“Corporation” means the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, and any successor thereto.

“Corporation Representative” means the President, Secretary or Treasurer of the Corporation, or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Installment Sale Agreement and the Trust Agreement.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code.

"Bond Year" means any 12-month period commencing on September 2 in a year and ending on the next succeeding September 1, both dates inclusive; except that the first Bond Year commences on the Closing Date and ends on September 1, 2021.

"Business Day" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, or in any state in which the Corporate Trust Office of the Trustee is located, are closed.

"Certificates" means, collectively, the Series A Certificates and the Series B Certificates.

"Closing Date" means \_\_\_\_\_, 2020, being the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser.

"Construction Fund" means the fund by that name established and held by the District under Section 3.03.

"Corporate Trust Office" means, with respect to the Trustee, the corporate trust office of the Trustee at its address set forth in Section 12.02; except that for purposes of the payment, prepayment, cancellation, surrender, transfer or exchange of Certificates, such term means the corporate trust office of the Trustee located in Los Angeles, California, or at such other or additional offices as may be specified by the Trustee in writing to the District.

"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 the Certificates, including but not limited to filing and recording costs, settlement costs, underwriter's discount and original issue discount (if any), printing costs, reproduction and binding costs, initial fees and charges of the Trustee and its counsel, initial charges of the Corporation, out-of-pocket expenses incurred by the District, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, bond insurance and reserve insurance premiums (if any), fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.02.

"Depository System Participant" means any participant in the Depository's book-entry system.

"District" means the South San Luis Obispo County Sanitation District, a county sanitation district, duly organized and existing under the laws of the State of California, and any successor thereto.

"District Representative" means the Chair, the District Administrator, 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 the Installment Sale Agreement and this Trust Agreement.

"DTC" means The Depository Trust Company, and its successors and assigns.

"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 Certificates at a yield in excess of the yield represented by the Certificates.

“Event of Default” means an event of default under the Installment Sale Agreement, as described in Section 6.1 thereof.

“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.

“Fiscal Year” means the twelve-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.

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

- (a) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Wastewater System, including connection fees,
- (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 under applicable law to the Wastewater System, and
- (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System as permitted in this Trust Agreement.

The term “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District, and (iii) 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.

“Independent Certified Public Accountant” means any certified public accountant or firm of such 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.

“Information Services” means the Municipal Securities Rulemaking Board’s EMMA System; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to municipal securities as the District may designate in a written request delivered to the Trustee.

“Installment Payment” means all payments required to be paid by the District on any date under Section 4.4 of the Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Section 7.2 of the Installment Sale Agreement.

“Installment Payment Date” means, with respect to any Interest Payment Date, the 3rd Business Day preceding such Interest Payment Date.

“Installment Payment Fund” means the fund by that name established and held by the Trustee under Section 5.02.

“Installment Sale Agreement” means the Installment Sale Agreement, dated as of \_\_\_\_\_ 1, 2020, between the District and the Corporation, together with any duly authorized and executed amendments thereto.

“Interest Payment Date” means, with respect to any Certificate, March 1, 2021, and each March 1 and September 1 thereafter to and including the date of maturity or the date of prepayment of such Certificate.

“Maximum Annual Debt Service” means with respect to the Installment Payments and any Parity Obligations, as of the date of any calculation, the maximum sum obtained for the current or any future Bond Year by totaling the following amounts for such Bond Year:

- (a) the principal amount of the Installment Payments and any Parity Obligations coming due and payable by their terms in such Bond Year, including the principal amount required to be paid by operation of mandatory sinking fund redemption in such Bond Year; and
- (b) the amount of interest which would be due during such Bond Year on the aggregate principal amount of the Installment Payments and any Parity Obligations which would be Outstanding in such Bond Year if the Installment Payments and any Parity Obligations are retired as scheduled. Notwithstanding the foregoing, with respect to any Parity Obligations which then bear interest at a variable rate, such interest shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if such Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if such Parity Obligations have been outstanding for at least 12 months, the average rate of the 12 months immediately preceding the date of calculation, (iii)(A) if interest on such Parity Obligations is excludable from gross income under the Tax Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus 50 basis points; *provided, however*, that for purposes of any rate covenant measuring actual debt service coverage during a certain period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during such period.

“Moody’s” means Moody’s Investors Service, and its successors and assigns.

"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 coming payable during such period.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.05(a).

"Operation and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (b) all administrative costs of the District that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance. "Operating and Maintenance Costs" do not include (i) administrative costs of the Certificates which the District is required to pay hereunder, (ii) payments of debt service on bonds, notes or other long-term obligations of the District with respect to the Wastewater System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, (iv) discretionary payments made by the District not required for operations, such as voluntary prepayment of pension liability, and (v) amortization of intangibles or other bookkeeping entries of a similar nature.

"Original Purchaser" means \_\_\_\_\_, as original purchaser of the Certificates.

"Outstanding," when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 12.05) all Certificates theretofore executed and delivered by the Trustee hereunder except (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates paid and discharged in accordance with Section 12.01, provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment has been given as provided in Section 4.03 or provision satisfactory to the Trustee has been made for the giving of such notice; and (c) Certificates in lieu of or in exchange for which other Certificates have been executed and delivered by the Trustee under Section 2.08.

"Overdue Rate" means the highest rate of interest represented by any of the Outstanding Certificates.

"Owner," when used with respect to a Certificate, means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

"Parity Obligations" means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred on a parity with the Installment Payments under Section 5.8 of the Installment Sale 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 and Moody's.
- (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 (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P and Moody's; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated in the highest short-term rating category by S&P and Moody's.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which is an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P and Moody's.
- (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 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P and Moody's, 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 and Moody's.
- (i) Bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by such rating agencies.
- (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 and Moody's at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee 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, to the extent the Trustee is authorized to register such investment in its name.

"Project" means, collectively, the facilities, improvements and other property constituting part of the Wastewater System, the Acquisition and Construction of which are



financed in whole or in part from amounts on deposit in the Construction Fund. The exact description of the Project shall be made by the District by reference to the plans and specifications therefor.

"Project Costs" means, with respect to the Project, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Construction 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 and Construction of the Project;
- (b) obligations incurred for labor and materials in connection with the Acquisition and Construction 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 and Construction 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 and Construction 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 and Construction of the Project;
- (f) all Costs of Issuance and other financing costs incurred in connection with the Acquisition and Construction of the Project; and
- (g) the interest components of the Installment Payments during the period of Acquisition and Construction of the Project.

"Record Date" means the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day.

"Registration Books" means the records maintained by the Trustee under Section 2.11 for registration of the ownership and transfer of ownership of the Certificates.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Request of the District delivered by the District to the Trustee.

"Series" means either the Series A Certificates or the Series B Certificates.

"Series A Certificates" means the \$\_\_\_\_\_ aggregate principal amount of 2020 Wastewater Revenue Certificates of Participation, Series A, executed and delivered hereunder and at any time Outstanding.

"Series B Certificates" means the \$\_\_\_\_\_ aggregate principal amount of 2020 Wastewater Revenue Certificates of Participation, Series B, executed and delivered hereunder and at any time Outstanding.

"S&P" means S&P Global Ratings, and its successors and assigns.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official guidance published, under the Tax Code.

"Term" means, when used with respect to the Installment Sale Agreement, the time during which the Installment Sale Agreement is in effect, as provided in Section 4.2 thereof.

"Term Series A Certificates" means the Series A Certificates maturing on September 1, 20\_\_\_\_.

"Trust Agreement" means this Trust Agreement, together with any amendments or supplements hereto permitted to be made under the Trust Agreement.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as Trustee under the Trust Agreement.

"Wastewater System" means any and all facilities now existing or hereafter acquired or constructed which are owned, controlled or operated by the District for the transportation, treatment, disposal or reuse of wastewater, including sewage treatment plants, intercepting and collecting sewers, outfall sewers, force mains, pumping stations, ejector stations, oxidation ponds, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, purification, reclamation or disposal of sewage, and any necessary lands, rights of way and other real or personal property useful in connection therewith.

"Wastewater System Funds" means the fund or funds established and held by the District with respect to the Wastewater System, into which all or any part of the Gross Revenues are deposited.



during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable from the Interest Payment Date next preceding the date of execution of this Certificate unless (a) this Certificate is executed after the close of business on the 15th day of the month immediately preceding an Interest Payment Date and on or before such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (b) unless this Certificate is executed on or before August 15, 2020, in which event interest shall be payable from the Original Issue Date identified above.

The Registered Owner's share of the portion of the Installment Payments designated as interest is the result of the multiplication of the aforesaid share of the portion of the Installment Payments designated as principal by the Rate of Interest per annum identified above, calculated on the basis of a 360-day year comprised of twelve 30-day months. Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Trust Office of the Trustee. Interest represented hereby is payable by check mailed by first class mail by the Trustee on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trustee as of the close of business on the 15th day of the preceding month; *provided, however*, that at the written request of the owner of Certificates in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of the 15th day of the month preceding an Interest Payment Date, interest represented by such Certificates shall be paid on such Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such request.

This Certificate is one of a series designated the ["2020 Wastewater Revenue Certificates of Participation, Series A", which have been executed and delivered by the Trustee in the aggregate principal amount of \$\_\_\_\_\_ pursuant to the terms of a Trust Agreement dated as of \_\_\_\_\_ 1, 2020, among the Trustee, the Corporation and the District (the "Trust Agreement"), being issued on a parity with the "2020 Wastewater Revenue Certificates of Participation, Series B", which have been executed and delivered by the Trustee in the aggregate principal amount of \$\_\_\_\_\_ . ]

The District has certified that it is authorized to enter into the Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of financing improvements to the Wastewater System. Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Trust Office of the Trustee) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the District under the Installment Sale Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The District is obligated under the Installment Sale Agreement to pay the Installment Payments relating to the Certificates from the Net Revenues of the Wastewater System (as such term is defined in the Installment Sale Agreement). The obligation of the District to pay the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay the Installment Payments does not constitute a debt of the District, the State of California or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

[Series A: The Certificates maturing on or before September 1, 20\_\_\_\_, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after September 1, 20\_\_\_\_, are subject to optional prepayment in whole or in part on any date on or after September 1, 20\_\_\_\_, from prepayments of the Installment Payments made at the option of the District, at a prepayment price equal to 100% of the principal amount of the Certificates or portions thereof to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium.]

[Series B: The Certificates are subject to optional prepayment in whole or in part on any date on or after September 1, 20\_\_\_\_, from prepayments of the Installment Payments made at the option of the District, at a prepayment price equal to 100% of the principal amount of the Certificates or portions thereof to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium.]

[Series A: The Certificates maturing on September 1, 20\_\_\_\_, are Term Certificates which are subject to mandatory sinking fund prepayment by lot on September 1 in each year as set forth in the following table (subject to adjustment under certain circumstances as set forth in the Trust Agreement), from the principal components of the Installment Payments relating to the Certificates which are required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

Sinking Fund Prepayment Date <u>(September 1)</u>	Principal Amount <u>To Be Prepaid</u>
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20\_\_\_\_ (Maturity)

As provided in the Trust Agreement, notice of prepayment shall be mailed by the Trustee by first class mail, postage prepaid, not less than 20 nor more than 60 days before the prepayment date, to the registered owners of the Certificates to be prepaid, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment or the cessation of accrual of interest represented thereby. If this Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

The District has the right to rescind any notice of the optional prepayment of the Certificates by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an event of default under and as defined in the Trust Agreement. The District and the Trustee have no liability to the Owners of the Certificates or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent under the Trust Agreement.

This Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates, of authorized denomination or denominations, representing the same aggregate principal amount and representing the same rate of interest, will be delivered to the transferee in exchange herefor. The District, the Corporation and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the District, the Corporation and the Trustee shall not be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the outstanding certificates of participation delivered thereunder, and may be amended without such consent under certain circumstances; provided that no such amendment shall extend the fixed maturity of any Certificate or reduce the interest or principal represented thereby, without the express consent of the owner of such Certificate.

The District has certified, recited and declared that all things, conditions and acts required by the laws of the State of California, the Installment Sale Agreement and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, do exist, have happened and have been performed in due time, form and manner as required by law.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any Certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by The Bank of New York Mellon Trust Company, N.A., as trustee, acting under the Trust Agreement.

Execution Date: \_\_\_\_\_, 2020

**THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee**

By: \_\_\_\_\_  
Authorized Officer

## FORM OF ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Name, Address and Tax Identification or Social Security Number of Assignee)

the within registered Certificate and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor institution (banks, stockbrokers, saving and loan associations and credit unions with membership in an approved signature medallion program) pursuant to Securities and Exchange Commission Rule 17Ad-15.

\_\_\_\_\_  
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular without alteration or enlargement or any change whatsoever.

**LOAN RESOLUTION**

(Public Bodies)

A RESOLUTION OF THE OF THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT BOARD OF DIRECTORS AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS WASTEWATER TREATMENT FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

**WHEREAS**, it is necessary for the South San Luis Obispo County Sanitation District  
(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its certificates of participation in the principal amount of \$4,464,000 pursuant to the provisions of a resolution entitled "A RESOLUTION OF THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT BOARD OF DIRECTORS AUTHORIZING THE EXECUTION, DELIVERY AND SALE OF CERTIFICATES OF PARTICIPATION TO USDA IN THE MAXIMUM PRINCIPAL AMOUNT OF \$4,464,000 TO FINANCE WASTEWATER PROJECTS, AND APPROVING RELATED DOCUMENTS AND ACTIONS"; and

**WHEREAS**, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of certificates of participation lawfully issued, in the event that no other acceptable purchaser for such certificates of participation is found by the Association:

**NOW THEREFORE**, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its certificates of participation containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its certificates of participation upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its certificates of participation by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the certificates of participation or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the certificates of participation or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the certificates of participation or any other legally permissible source), incur and pay reasonable expenses for

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.



repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.

6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.

7. Not to defease the certificates of participation, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the certificates of participation.

8. To place the proceeds of the certificates of participation on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.

10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.

12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.

13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.

14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the certificates of participation if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.

15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.

16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the certificates of participation are held or insured by the Government or assignee. The provisions of sections 6 through 16 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was:                Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Absent \_\_\_\_\_

IN WITNESS WHEREOF, the Board of Directors of the South San Luis Obispo County Sanitation District, has duly adopted this resolution and caused it to be executed by the officers below in duplicate on this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT

By \_\_\_\_\_  
Title: \_\_\_\_\_

Attest:

\_\_\_\_\_  
\_\_\_\_\_  
Title: Secretary

\_\_\_\_\_

**CERTIFICATION TO BE EXECUTED AT USDA LOAN CLOSING**

I, the undersigned, as Secretary of the South San Luis Obispo County Sanitation District, hereby certify that the Board of Directors of such District is composed of five members, of whom, all constituting a quorum, were present at a meeting thereof duly called and held on the \_\_\_\_ day of \_\_\_\_\_, 2020; and that the foregoing resolution was adopted at such meeting by the vote shown above, I further certify that as of \_\_\_\_\_, 2020, the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this \_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Title: Secretary

## **RESOLUTION NO. 2020-421**

### **A RESOLUTION OF THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT BOARD OF DIRECTORS AUTHORIZING THE EXECUTION, DELIVERY AND SALE OF CERTIFICATES OF PARTICIPATION TO USDA IN THE MAXIMUM PRINCIPAL AMOUNT OF \$4,464,000 TO FINANCE WASTEWATER PROJECTS, AND APPROVING RELATED DOCUMENTS AND ACTIONS**

**WHEREAS**, the South San Luis Obispo County Sanitation District (the "District") owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the "Wastewater System"); and

**WHEREAS**, the Board of Directors of the District wishes at this time to provide funds to finance certain capital expenditures relating to the Wastewater System referred to as the "Redundancy Project" (the "Project"); and

**WHEREAS**, in order to provide financing for the Project from the United States Department of Agriculture-Rural Development ("USDA"), the District has requested that the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), enter into an Installment Sale Agreement (the "Installment Sale Agreement") with the District; and

**WHEREAS**, in order to raise funds for such purposes, the Corporation proposes to assign its rights under the Installment Sale Agreement to the District Administrator, as trust administrator (the "Trust Administrator"), and the Corporation, the Trust Administrator and the District propose to enter into a Trust Agreement under which the Trust Administrator will execute and deliver Certificates of Participation (Redundancy Project), or similar designation (the "Certificates"), representing the direct, undivided fractional interests of the owners thereof in the semiannual payments which the District is obligated to make thereunder in respect of debt service on the Certificates; and

**WHEREAS**, California Government Code Section 5852.1 requires that certain financial information be obtained and disclosed with respect to the Certificates by the Board of Directors of the District, and said information is set forth in the staff report accompanying this Resolution; and

**WHEREAS**, the Board of Directors wishes to authorize the execution, delivery and sale of the Certificates at this time for the purpose of providing funds to finance the Project;

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of the South San Luis Obispo County Sanitation District as follows:

**Section 1. Approval of Financing Plan and Related Documents.** The Board of Directors hereby approves the execution, delivery and sale of the Certificates to USDA in the maximum principal amount of \$4,464,000 for the purpose of providing funds to finance the Project and pay all the costs of issuance related to the Certificates. To that end, the Board of Directors hereby approves each of the following financing documents in substantially the respective forms on file with the Secretary, together with any changes therein or additions thereto approved by the Chair or the District Administrator (each, an "Authorized Officer"), and the execution thereof by an Authorized Officer shall be conclusive evidence of such approval:

- **Installment Sale Agreement** between the District and the Corporation, under which the Corporation agrees to provide funds to finance the Project in consideration of semi-annual payments to be made by the District from the net revenues of the Wastewater System.
- **Trust Agreement** among the District, the Corporation and the Trust Administrator, whereby the Trust Administrator agrees to execute and deliver the Certificates and to apply the proceeds thereof to accomplish the purposes of the financing.

Each Authorized Officer, acting alone, is hereby authorized and directed for and in the name and on behalf of the District to execute the final form of each of the foregoing documents, and the Secretary is hereby authorized and directed to attest to the final form of each of the foregoing documents, if necessary. The schedule of semiannual payments attached to the Installment Sale Agreement shall correspond to the payments of principal and interest represented by the Certificates, to be determined upon the sale thereof to USDA.

**Section 2. Sale of Certificates to USDA.** An offer to purchase the Certificates, submitted to the District by the United States of America, acting through Rural Utilities Service, U.S. Department of Agriculture, is hereby approved, and the District Administrator is hereby authorized and directed to indicate the District's acceptance of such offer by the execution thereof, with such changes, insertions, and omissions as may be approved by such official, so long as the aggregate principal amount of the Certificates does not exceed \$4,464,000.

**Section 3. Official Actions.** The Chair, the District Administrator, the Secretary and all other officers of the Board of Directors and the District are each authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the execution, delivery and sale of the Certificates and any of the other transactions contemplated by the agreements and documents approved pursuant to this Resolution. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

**Section 4. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

**PASSED AND ADOPTED** at a regular meeting of the South San Luis Obispo County Sanitation District Board of Directors held this \_\_\_\_ day of \_\_\_\_\_ 2020.

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, and by the following roll call vote:

**AYES:**  
**NOES:**  
**ABSENT:**  
**ABSTAINED:**

**RESOLUTION NO. 2020-421**

**CERTIFICATION:**

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the South San Luis Obispo County Sanitation District held this \_\_\_\_ day of \_\_\_\_\_ 2020.

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**CHAIR, BOARD OF DIRECTORS  
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

**ATTEST:**

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**DISTRICT BOOKKEEPER/SECRETARY**

**APPROVED AS TO FORM:**

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**JONES HALL, A PROFESSIONAL LAW CORPORATION  
SPECIAL COUNSEL TO THE DISTRICT**

**CONTENTS:**

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**JEREMY GHENT  
DISTRICT ADMINISTRATOR**

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# **INSTALLMENT SALE AGREEMENT**

**Dated as of \_\_\_\_\_, 2020**

**by and between**

**PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,  
as Seller**

**and the**

**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT,  
as Purchaser**

***Relating to:***

**\$4,464,000  
South San Luis Obispo County Sanitation District  
Certificates of Participation  
(Redundancy Project)**

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## INSTALLMENT SALE AGREEMENT

**THIS INSTALLMENT SALE AGREEMENT** (this “Agreement” or “Installment Sale Agreement”), dated as of \_\_\_\_\_, 2020, by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation organized and existing under the laws of the State of California, as seller (the “Corporation”), and the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, a county sanitation district duly organized and existing under and by virtue of the laws of the State of California, as purchaser (the “District”);

### **WITNESSETH:**

**WHEREAS**, the District owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the “Wastewater System”);

**WHEREAS**, the District is proceeding to finance the acquisition and construction of certain improvements to the Wastewater System as more particularly described in Appendix A hereto (the “Project”), and in order to provide such financing the Corporation has proposed to acquire and construct the Project and sell the completed Project to the District as provided in this Agreement.

**WHEREAS**, the Corporation has been formed for the purpose of providing financial assistance to local agencies in the State of California, including the District.

**WHEREAS**, to that end, the Corporation will cause the execution and delivery of certificates of participation in the principal amount of \$4,464,000 (the “Certificates”), under a Trust Agreement dated as of \_\_\_\_\_, 2020 (the “Trust Agreement”), by and among the Corporation, the District and the District Administrator, as trust administrator (the “Trust Administrator”), and apply the proceeds of the sale thereof to the acquisition and construction of the Project; and

**WHEREAS**, the District has determined to purchase the Project from the Corporation pursuant to this Installment Sale Agreement; and

**WHEREAS**, the District will make installment payments pursuant to this Installment Sale Agreement (the “Installment Payments”) from the Net Revenues (as defined herein) of the Wastewater System in order to purchase the Project from the Corporation; and

**WHEREAS**, under the Trust Agreement, the Corporation will assign its right to receive Installment Payments to the Trust Administrator for the benefit of the Owner (as defined herein) of the Certificate; and

**NOW, THEREFORE**, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## ARTICLE I

### GENERAL

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in Appendix A attached to the Trust Agreement shall, for all purposes of this Installment Sale Agreement, have the meanings specified therein. The following appendices are attached to, and by this reference are made a part of, this Installment Sale Agreement:

Appendix A: Project Description

Appendix B: Installment Payments Schedule

#### **Section 1.02. Interpretation .**

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes 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; DEPOSITS; PAYMENTS; CONSTRUCTION

**Section 2.01. Representations, Covenants and Warranties.** The District and the Corporation represent, covenant and warrant to each other as follows:

(a) Each is validly organized and existing under the laws of the State.

(b) The laws of the State authorize each to enter into this Installment Sale Agreement and the Trust Agreement and to enter into the transactions contemplated by and to carry out its obligations under each of the aforesaid agreements, and the each has duly authorized and executed such agreements.

(c) The execution and delivery of this Installment Sale Agreement, the Trust Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, and the consummation of the transactions contemplated by this Installment Sale Agreement and the Trust Agreement do not conflict with and do not result in a material breach of the terms, conditions or provisions of any restriction or any agreement or

instrument to which each is now a party or by which each is bound or constitutes a default under any of such agreement or instrument.

(d) Each has authorized and executed this Installment Sale Agreement in accordance with the laws of the State.

(e) The District represents that the Project has not been the subject of a previous conveyance by the District.

(f) The District represents that it has not issued or incurred any obligations payable out of the Gross Revenues or the Net Revenues.

**Section 2.02. Payment of Construction Costs and Delivery Costs.** The Corporation shall cause to be deposited with the Trust Administrator, for deposit in the funds as provided in the Trust Agreement, the amounts derived from the Certificate proceeds (\$4,464,000) in the installments as and when disbursed by the Original Purchaser.

Payment of the Construction Costs and Delivery Costs shall be made from the moneys deposited with the Trust Administrator in the Construction Fund, which shall be disbursed for such purpose in accordance and upon compliance with Sections 3.02 and 3.03, respectively, of the Trust Agreement. The District hereby covenants to pay necessary Construction Costs and Delivery Costs in excess of amounts available from Certificate proceeds from any legally available source of funds.

**Section 2.03. Unexpended Proceeds.** In accordance with Section 3.04 of the Trust Agreement, all excess moneys remaining in the Construction Fund and not required for payment of Construction Costs shall be transferred to the Installment Payment Fund and applied to the prepayment of Certificates.

**Section 2.04. Construction of Project.** The Corporation hereby appoints the District as its agent to acquire and construct the Project.

### **ARTICLE III**

#### **PROJECT SALE AND TITLE; INSTALLMENT PAYMENTS; NET REVENUES**

**Section 3.01. Sale.** The Corporation hereby sells, bargains and conveys the Project to the District, and the District hereby purchases the Project from the Corporation upon the terms and conditions set forth in this Installment Sale Agreement.

**Section 3.02. Title.** The District and the Corporation agree that title to the Project, and each component thereof, shall be deemed conveyed to and vested in the District upon the completion of the acquisition, construction and installation thereof. The Corporation and its officers shall take all actions necessary to vest in the District all of the Corporation's rights in and title to the Project.

**Section 3.03. Assignment by the Corporation.** The Corporation's right, title and interest in this Installment Sale Agreement, including the right to receive and enforce payment of

the Installment Payments to be made by the District under this Installment Sale Agreement, have been assigned to the Trust Administrator, subject to certain exceptions, pursuant to the Trust Agreement.

The District understands and agrees that the Corporation has assigned its right, title and interest (but not its duties or obligations) in this Installment Sale Agreement to the Trust Administrator pursuant to the Trust Agreement for the benefit of the Owners and the District assents to such assignment. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Trust Administrator at the Trust Administrator's principal corporate trust office or at such other place as the Trust Administrator may direct in writing, all payments payable by the District pursuant to this Installment Sale Agreement.

**Section 3.04. Term of the Installment Sale Agreement.** The Term of the Installment Sale Agreement shall be as defined in Appendix A to the Trust Agreement, unless sooner terminated.

**Section 3.05. Installment Payments.**

**(a) Obligation to Pay.** The District agrees to pay to the Corporation, 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 and in the amounts specified in Appendix B hereto, except such amounts shall be reduced by moneys on deposit in the Installment Payment Fund and credited to the payment of Installment Payments next due. The Installment Payments shall be payable solely from Net Revenues as hereinafter provided.

**(b) Reduction Upon Partial Prepayment.** If the District prepays less than all of the remaining principal components of the Installment Payments pursuant to Sections 4.02 and 4.03 hereof, the amount of such prepayment shall be applied (1) first to any interest owing but unpaid at the time of the prepayment, and (2) second to reduce the principal component of the subsequent remaining Installment Payments in any manner as directed by the District in a Written Certificate and the interest component of each subsequent remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest that would otherwise be payable with respect to the Certificate redeemed as a result of such prepayment.

**(c) Rate on Overdue Payments.** If the District should fail to make any of the payments required in this Section 3.05 so that there are insufficient moneys on hand in the Installment Payment Fund to pay any Installment Payment in full on an Installment Payment Date, the Installment Payment in default shall continue as an obligation of the District until the amount in default is 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 rate of interest payable with respect to the Certificate.

**Section 3.06. Special Obligation of the District.**

**(a) Limitations.** The District's obligation to pay the Installment Payments shall be a special obligation limited solely to Net Revenues. Under no circumstances shall the District be required to advance any 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, nor shall any other funds or property of the District be liable for the payment of the Installment Payments.

**(b) Obligations Unconditional.** The obligations of the District to make the Installment Payments from Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the District, the Corporation or the Trust Administrator of any obligation to the District or otherwise with respect to the Project, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trust Administrator.

**(c) Obligations Specified.** Until such time as all of the Installment Payments are fully paid or prepaid, the District:

**(i)** will not suspend, abate, or discontinue any payments provided for in Section 3.05 hereof;

**(ii)** will perform and observe all other agreements contained in this Installment Sale Agreement; and

**(iii)** will not terminate the Term of the Installment Sale Agreement for any cause, including, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Corporation or the Trust Administrator to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Installment Sale Agreement.

**(d) Corporation Obligations.** Nothing contained in this Section 3.06 shall be construed to release the Corporation from the performance of any of the agreements on its part herein contained, and if the Corporation fails to perform any such agreements on its part, the District may institute such action against the Corporation as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in Section 3.06(b) above. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Corporation 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 right of possession, occupancy and use hereunder, and in such event the Corporation hereby agrees to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District so requests.

### **Section 3.07. Pledge of Net Revenues; Transfer to Pay Installment Payments; Release from Lien.**

**(a) Pledge and Assignment of Net Revenues.** All of the Net Revenues, and all moneys on deposit in any of the funds and accounts established and held by the Trust

Administrator under the Trust Agreement, are hereby irrevocably pledged to the punctual payment of the Installment Payments. Such pledge constitutes a lien on and security interest in the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof. Such pledge and lien on, and security interest in, the Net Revenues shall be on a parity with the pledge, lien and security interest which secures any Parity Obligations.

**(b) Deposit to Wastewater System Funds; Payment of Operations and Maintenance Costs.** The District has heretofore established the Wastewater System Funds, which the District agrees to continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all of the Gross Revenues in the Wastewater System Funds immediately upon receipt, and shall pay Operation and Maintenance Costs therefrom.

**(c) Payment of Installment Payments and Parity Obligations.** In addition to the transfers required to be made under the documents authorizing the issuance of any Parity Obligations, the District shall withdraw amounts on deposit in the Wastewater System Funds constituting Net Revenues, and apply such Net Revenues at the times and for the purposes, and in the priority, as follows:

- (i) Payment of Installment Payments and Parity Obligations. On or before each Installment Payment Date, the District shall withdraw from the Wastewater System Funds and transfer to the Trustee for deposit in the Installment Payment Fund an amount of Net Revenues which, together with the balance then on deposit in the Installment Payment Fund, is equal to the aggregate amount of the Installment Payment coming due and payable on the next succeeding Interest Payment Date. In addition, the District shall withdraw from the Wastewater System Funds and pay the principal of and interest on any Parity Obligations from Net Revenues, without preference or priority among the Installment Payments and Parity Obligations. If the amount of Net Revenues on deposit in the Wastewater System Funds is at any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on the Parity Obligations, such payments shall be made on a pro rata basis.
- (ii) Reserve Fund Deposits and Transfers. Promptly upon receipt by the District of knowledge that the amount on deposit in the Reserve Fund or any other reserve fund established for any Parity Obligation has fallen below the amount required to be on deposit therein (or that there is an amount due to any provider of an insurance policy on deposit in any reserve fund), the District shall promptly (A) withdraw such amount due from available Net Revenues on deposit in the Wastewater System Funds, and (B) transfer such amount for deposit in the Reserve Fund or such other reserve fund (or to the provider of such insurance policy). If the amount of Net Revenues on deposit in the Wastewater System Funds is any time insufficient to enable the District to pay when due all amounts required by this subsection (ii), such payments shall be made on a pro rata basis.
- (iii) Other Uses of Net Revenues Permitted. The District shall manage, conserve and apply moneys in the Wastewater System Funds in such a manner that all deposits required to be made under this Section and the documents authorizing the issuance of any Parity Obligations will be made

at the times and in the amounts so required. Subject to the foregoing sentence, the District may at any time and from time to time use and apply moneys in the Wastewater System Funds for (i) the acquisition and construction of improvements to the Wastewater System, (ii) the prepayment of the Installment Payments and Parity Obligations, or (iii) any other lawful purpose of the Wastewater System.

### **Section 3.08. Rate Covenant; Rate Stabilization Fund.**

**(a) Rate Covenant.** The District hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Wastewater System which, after allowances for contingencies and error in the estimates, will produce Net Revenues equal to at least 1.10 times the aggregate of the following:

**(i)** the Installment Payments coming due and payable during such Fiscal Year,

**(ii)** all payments required with respect to Parity Obligations during such Fiscal Year, if any,

**(iii)** amounts required to replenish the Reserve Fund, as required by Section 6.06 of the Trust Agreement, and

**(iv)** amounts required to replenish any reserve fund required by any Parity Obligation, if any.

**(b) Rate Stabilization Fund.** The District may at any time create a separate fund to be known as the "Rate Stabilization Fund", to be held and maintained by the District. The Rate Stabilization Fund is not pledged to secure payment of the Installment Payments. Amounts in the Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in this subsection (b). The District shall have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Fiscal Year may be made until (but not after) 180 days following the end of such Fiscal Year.

For the purpose of computing the amount of Net Revenues for any Fiscal Year for purposes of the preceding subsection (a), the District shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund for purposes of such computation, such transfers to be made until (but not after) 180 days after the end of such Fiscal Year. In addition, the District shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose.

### **Section 3.09. Limitations on Future Obligations Secured by Net Revenues.**

**(a) No Obligations Superior to Installment Payments.** In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Obligations, the District hereby agrees that the District shall not, so long as any Certificates are outstanding, issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the Installment Payments or such Parity Obligations.

**(b) Parity Obligations.** The District further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to Section 4.02 hereof, the District shall not issue or incur any Parity Obligations unless all of the following conditions are met:

**(i)** The District may not be in default under the terms of this Installment Sale Agreement.

**(ii)** Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, plus (at the option of the District) Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service with respect to the Installment Payments and all Parity Obligations then outstanding (including the Parity Obligations then proposed to be issued).

**(iii)** So long as all of the Outstanding Certificates are held by the Original Purchaser, the prior written consent of the Original Purchaser must be obtained.

Notwithstanding the foregoing, any Parity Obligation issued or incurred by the District in the approximate par amount of the Certificates that is used to provide interim financing for the District to pay for a portion of the Project that is anticipated to be financed by the Certificates need not comply with clause (b)(ii) or (b)(iii) above.

**Section 3.10. Additional Payments.** In addition to the Installment Payments, the District shall pay, from Net Revenues, when due all costs and expenses incurred by the Corporation or Trust Administrator to comply with the provisions of the Trust Agreement and this Installment Sale Agreement, including, without limitation all Delivery Costs, compensation due to the Trust Administrator for its fees, costs and expenses incurred under the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants.

**Section 3.11. Payments to Reserve Fund.** In addition to the Installment Payments, the District shall pay to the Trust Administrator, from Net Revenues, for deposit in the Reserve Fund:

(a) on a monthly basis, \$1,216 per month, until a total of \$145,839 (the "Reserve Requirement") has been accumulated, and

(b) such amounts as may be required to replenish the Reserve Fund if a draw therefrom or a valuation thereof determines that a deficiency exists therein, all in accordance with Section 6.06 of the Trust Agreement;

provided, however, that if the amount on deposit in the Reserve Fund reaches the Reserve Requirement, the District shall discontinue the payments to the Reserve Fund (except to the extent necessary to replenish the Reserve Fund), and any further interest earnings on the Reserve Fund shall be allocated under Section 8.03 of the Trust Agreement.



**Section 3.12. Payments to Short-Lived Asset Reserve.** In order to comply with the requirements of the Letter of Conditions dated June 3, 2020 issued by the Government in connection with its purchase of the Certificates, the District shall establish and maintain a separate fund (the "Short-Lived Asset Reserve") as a reserve for short-lived assets of the Wastewater System. The District shall deposit \$96,750 annually into the Short-Lived Asset Reserve starting not later than the first anniversary following the date the Project is completed.

The District may withdraw amounts on deposit in the Short-Lived Asset Reserve from time to time to pay for timely replacement of assets of the Wastewater System, which for purposes of this Section shall mean any component or assets of the Wastewater System, including without limitation pumps, paint and small equipment, that will need to be repaired or replaced over a one- to fifteen-year period, the cost of which is not included within the definition of Operation and Maintenance Costs.

Earnings and gains resulting from investment of the Short-Lived Asset Reserve will be retained in the Short-Lived Asset Reserve and used for the purposes thereof. Upon the redemption in full of all outstanding Certificates, the District shall close the Short-Lived Asset Reserve and the balance therein shall be released to the District and used for any legally permissible purpose of the Wastewater System.

## **ARTICLE IV**

### **PREPAYMENT OF INSTALLMENT PAYMENTS**

**Section 4.01. Prepayment.** The District shall have 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 IV.

**Section 4.02. Optional Prepayment.** Subject to the terms and conditions of this Section 4.02, the Corporation hereby grants an option to District to prepay the Installment Payments in full, by paying the total unpaid principal component of the Installment Payments as set forth in Appendix B, or in part, but not in an amount of less than the Denomination Amount or any integral multiple thereof, without premium or penalty.

The District may exercise this option on any date following written notice by the District to the Corporation and the Trust Administrator of the exercise of such option at least 45 days prior to the date designated for prepayment.

In order to prepay the Installment Payments in full, the District shall deposit with the Trust Administrator, no later than the applicable prepayment date, (i) cash in an amount sufficient to pay the total unpaid principal component of such Installment Payments as set forth in Appendix B, (ii) any Installment Payments then due but unpaid, and (iii) accrued interest to the prepayment date.

In order to prepay the Installment Payments in part, the District shall deposit with the Trust Administrator, no later than the applicable prepayment date, (i) an amount divisible by the Denomination Amount equal to the amount desired to be prepaid, (ii) any Installment Payments

then due but unpaid, and (iii) accrued interest on the amount to be prepaid to the prepayment date.

Any partial prepayment shall be applied by the Corporation or its assignee against Installment Payments in such order as directed by the District and consistent with Section 4.02 of the Trust Agreement, and the District shall prepare (or cause to be prepared) and provide to the Trust Administrator a revised schedule of Installment Payments reflecting such partial prepayment.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the District. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the District debt shall, after payment of interest, be applied to the installments last to become due under this Agreement and shall not affect the obligation of the District to pay the remaining installments as scheduled in the security instruments.

**Section 4.03. Mandatory Prepayment From Net Proceeds of Insurance or Condemnation and from Unexpended Proceeds.** The District shall be obligated to prepay the Installment Payments in whole or in part on any Installment Payment Date from and to the extent of

(a) any Net Proceeds of any insurance or condemnation award theretofore deposited in the Installment Payment Fund for such purpose pursuant to Section 5.07 hereof or pursuant to Section 7.02 of the Trust Agreement; and

(b) from any excess monies remaining in the Construction Fund and not required for payment of Construction Costs ("Unexpended Proceeds").

The District and the Corporation hereby agree that such Net Proceeds and Unexpended Proceeds shall be credited towards the District's obligations under this Section 4.03. Except in the case of such prepayment of the Installment Payments in full, such payment shall be in addition to the Installment Payment required to be paid by the District on such date. Prepayment of Certificates pursuant to this Section shall be applied against the final unpaid principal installment of the Certificates.

**Section 4.04. Credit for Amounts on Deposit.** If the District elects or is required to prepay the Installment Payments in full under this Article IV, such that the Trust Agreement will be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Installment Payment Fund, the Construction Fund or the Reserve Fund shall be credited towards the amounts required to be so prepaid.

**Section 4.05. Security Deposit.** Notwithstanding any other provision hereof, the District may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trust Administrator an amount of cash which, together with other available amounts, is either (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due hereunder, or (b) invested in whole or in part in non-callable Defeasance Obligations in such amount as will, in the report of an independent certified public accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due hereunder (including when due on any optional prepayment date pursuant to Section 4.02), as the District instructs at the time of said deposit. If the District makes a security deposit

under this Section for the payment of all remaining Installment Payments, all obligations of the District hereunder, and the pledge of Net Revenues and all other security provided by this Installment Sale Agreement for said obligations, will cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from such security deposit. A security deposit constitutes a special fund for the payment of such Installment Payments in accordance with the provisions hereof. Upon such deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to release the security provided hereby to the extent of such deposit.

## **ARTICLE V**

### **MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS**

#### **Section 5.01. Maintenance, Taxes and Assessments, Contests.**

(a) **Operation.** The District covenants to operate the Wastewater System in an efficient and economical manner and operate, maintain and preserve the Wastewater System in good repair and working order in accordance with customary standards and practices applicable to similar facilities

(b) **Taxes and Assessments.** The District shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or the District or levied, assessed or charged against the Wastewater System or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Installment Sale Agreement as and when the same become due. The District shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by the Corporation, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

(c) **Contest.** The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the District that, in the opinion of Independent Counsel, by nonpayment of any such items, or the Project or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation.

**Section 5.02. Modification of Project.** The District may, at its own expense, remodel the Project or make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Project and be subject to the provisions of this Installment Sale Agreement and shall be the prior written consent of the Original Purchaser. Such additions, modifications and improvements shall not in any way

damage the Project or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Project, upon completion of any additions, modifications and improvements made pursuant to this Section 5.02, shall be of a value which is not substantially less than the value of the Project immediately prior to the making of such additions, modifications and improvements.

**Section 5.03. Installation of District's Equipment.** The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Project. All such items shall remain the sole property of the District, in which neither the Corporation nor the Trust Administrator shall have any interest, and may be modified or removed by the District at any time provided that the District shall repair and restore any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Installment Sale Agreement shall prevent the District from purchasing items to be installed pursuant to this Section 5.03 under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof.

**Section 5.04. Public Liability and Property Damage Insurance.**

(a) **Insurance Policies.** The District shall maintain or cause to be maintained, throughout the Term of the Installment Sale Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the District, its members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation of the Wastewater System. Such policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and in each accident or event, and in a minimum amount of \$250,000 (subject to a deductible clause of not to exceed \$200,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$2,500,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the District.

(b) **Self-Insurance.** If the District maintains self-insurance, it shall supply to the Trust Administrator a statement of sufficiency by an independent insurance consultant or the District's risk manager on an annual basis as described in Section 5.06 hereof.

(c) **Application of Net Proceeds.** The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

**Section 5.05. Fire and Extended Coverage Insurance.**

(a) **Insurance Policies.** The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Installment Sale Agreement, insurance against loss or damage to any structures constituting any part of the

Wastewater System (excluding transmission and distribution pipelines and equipment in public and private rights-of-way) by fire and lightning, with extended coverage insurance but not including earthquake insurance. Such insurance shall be in an amount equal to the greater of 100% of the replacement cost of the Project or the then Outstanding principal amount of Certificates. Such insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the District, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the District.

**(b) Self-Insurance.** If the District maintains self-insurance, it will supply to the Trust Administrator a statement of sufficiency by an independent insurance consultant or the District's risk manager on an annual basis as described in Section 5.06 hereof.

**(c) Application of Net Proceeds.** Net Proceeds of such insurance shall be applied as provided in Section 5.07 hereof.

**Section 5.06. Insurance Net Proceeds; Form of Policies.** The insurance required by Sections 5.04 and 5.05 above shall provide that all proceeds thereunder shall be payable to the Trust Administrator for the benefit of the Certificate Owners. The District shall pay or cause to be paid when due the premiums for all insurance policies required by this Installment Sale Agreement. All such policies shall provide that the Corporation and the Trust Administrator are named as additional insureds and that the Trust Administrator shall be given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trust Administrator shall not be responsible for the sufficiency of any insurance herein required or for the obtaining of such insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District. The District shall cause to be delivered to the Trust Administrator annually, no later than the end of each Fiscal Year, a Written Certificate signed by a District Representative stating that the District is in compliance with Sections 5.04 and 5.05 of this Agreement. The Trust Administrator may conclusively rely on such certificate.

#### **Section 5.07. Application of Net Proceeds.**

**(a) From Insurance Award.** The Net Proceeds of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty shall be deposited in the Insurance and Condemnation Fund by the Trust Administrator promptly upon receipt thereof and, if the District Representative notifies the Trust Administrator in writing of the District's determination that the replacement, repair, restoration, modification or improvement of the Project is not economically feasible or in the best interest of the District, then such Net Proceeds shall be promptly transferred by the Trust Administrator to the Installment Payment Fund to be applied as provided in Section 4.03 hereof.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Project by the District, upon receipt of a requisition, signed by the District Representative and, so long as all of the Outstanding Certificates are held by the

Original Purchaser, the Owner of the Certificate stating with respect to each payment to be made

(i) the requisition number,

(ii) the name and address of the person, firm or corporation to whom payment is due,

(iii) the amount to be paid and

(iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation.

Any balance of the Net Proceeds remaining after such work has been completed shall be transferred to the Installment Payment Fund. The District covenants that it will commence such replacement, repair, restoration, modification or improvement or indicate that such replacement, repair, restoration, modification or improvement is not economically feasible within 180 days of receipt of such Net Proceeds.

**(b) From Eminent Domain Award.** The Net Proceeds of any eminent domain award shall be deposited in the Insurance and Condemnation Fund to be held and applied by the Trust Administrator pursuant to Section 7.02 of the Trust Agreement.

**Section 5.08 Advances.** If the District fails to perform any of its obligations under this Article V, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the District shall be obligated to repay all such advances as soon as possible, with interest at the rate of interest with respect to the Certificate from the date of the advance to the date of repayment.

## ARTICLE VI

### DISCLAIMER OF WARRANTIES; ACCESS; INDEMNITY

**Section 6.01. Disclaimer of Warranties.** The Corporation 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 for the Project or any item thereof, or any other representation or warranty with respect to the Project or any item thereof. In no event shall the Corporation be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Installment Sale Agreement or the Trust Agreement for the existence, furnishing, functioning or District's use of the Project.

**Section 6.02. Access to the Project and Records.** To the extent permitted by law, the District agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The District further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have such rights of access to

the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by the District to perform its obligations hereunder. In addition, the District agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have the right at all reasonable times to inspect and examine all books, papers and records of the Corporation and the District pertaining to the Project and the Certificate, to make copies thereof and to take non-privileged memoranda therefrom or with respect thereto as may be desired.

**Section 6.03. Indemnity.** The District shall and hereby agrees to indemnify and save the Corporation and its successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of:

(a) the use, maintenance, condition or management of, or from any work or thing done on the Project by the District;

(b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Sale Agreement;

(c) any act or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project;

(d) any act or negligence of any assignee or sublessee of the District with respect to the Project; or

(e) the construction of the Project or the authorization of payment of the Construction Costs or Delivery Costs by the District or the Corporation.

No indemnification is made under this Section 6.03, or elsewhere in this Installment Sale Agreement for willful misconduct, negligence, or breach of duty under this Installment Sale Agreement by the Corporation, its officers, agents, employees, successors or assigns.

## **ARTICLE VII**

### **EVENTS OF DEFAULT AND REMEDIES**

**Section 7.01. Events of Default Defined.** The following shall be "events of default" under this Installment Sale Agreement and the terms "events of default" and "default" shall mean, whenever they are used in this Installment Sale Agreement, any one or more of the following events:

(a) Failure by the District to pay any Installment Payment by the Installment Payment Date or failure to make any other payment required to be paid hereunder at the time specified herein; or

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Installment Sale Agreement or the Trust Agreement, other than as referred to in clause (a) of this Section 7.01, 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 Corporation, the Trust Administrator or the Owners of not less than 25% in aggregate principal amount of Certificate then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, the Trust Administrator or such Owners, as applicable, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected; or

(c) The filing by the District of a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or the approval by a court of competent jurisdiction of a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property; or

(d) An event of default occurs and is continuing with respect to any Parity Obligations.

**Section 7.02. Remedies on Default.** Whenever any event of default referred to in Section 7.01 hereof shall have happened and be continuing, the Corporation shall have the right, at its option and without any further demand or notice, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest at the rate or rates specified in the respective Outstanding Certificate from the immediately preceding Installment Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall become due and payable; and

(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 the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Installment Sale Agreement.

**Section 7.03. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Sale 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 shall impair any such right or power or shall 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 Corporation to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

**Section 7.04. Prosecution and Defense of Suits.** The District shall promptly, upon request of the Corporation or its assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project whether now existing or hereafter developing and shall prosecute all such suits,



actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by law, shall indemnify or cause to be indemnified the Corporation and its assignee for all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceedings.

To the extent permitted by law, the District shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against the Corporation or its assignee upon any claim arising out of the receipt, application or disbursement of any of the Net Revenues or involving the rights or duties of the Corporation or its assignee under this Installment Sale Agreement or the Trust Agreement; provided, that the Corporation and its assignee at their election may appear in and defend any such suit, action or proceeding. The District shall indemnify or cause to be indemnified the Corporation and its assignee against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all Installment Payments have been fully paid and satisfied, until a date which is three years following the payment of the last of the Installment Payments.

**Section 7.05. No Additional Waiver Implied by One Waiver.** If any agreement contained in this Installment Sale Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

**Section 7.06. Application of the Proceeds.** The Trust Administrator, as assignee of the Corporation, shall apply all amounts received under this Article VII as set forth in Section 13.03 of the Trust Agreement.

**Section 7.07. Liability Limited to Net Revenues.** Notwithstanding any provision of this Installment Sale Agreement, the District's liability to pay the Installment Payments and other amounts hereunder shall be limited solely to Net Revenues as provided in Sections 3.06 and 3.07 hereof. If Net Revenues are insufficient at any time to pay an Installment Payment in full, the District shall not be liable to pay or prepay such Installment Payment other than from Net Revenues.

**Section 7.08. Trust Administrator and Certificate Owners to Exercise Rights.** Such rights and remedies as are given to the Corporation under this Article VII have been assigned by the Corporation to the Trust Administrator under the Trust Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trust Administrator and the Owners of the Certificate as provided in the Trust Agreement.

**Section 7.09. Pro Rata Application of Net Revenues.** If, at any time, there is a deficiency in Net Revenues available to pay the Installment Payments, any amounts due with respect to Parity Obligations (which may require the consent of the Original Purchaser as set forth in Section 3.09(b)(iv)), amounts required to replenish the Reserve Fund, or amounts required to replenish any reserve fund established for Parity Obligations, available Net Revenues shall be applied on a pro rata basis to the payment of such Installment Payments, to the payment of amounts due with respect to Parity Obligations, to the replenishment of the Reserve Fund, to the replenishment of any reserve fund established for Parity Obligations.

## ARTICLE VIII

## MISCELLANEOUS

### **Section 8.01. Assignment, Sale or Lease by the District.**

(a) **Assignment or Sale.** This Installment Sale Agreement may not be assigned by the District, and the Wastewater System may not be sold by the District during the Term of this Installment Sale Agreement.

(b) **Lease.** The District may lease the Project, or any portion thereof, with the consent of the Owner of the Certificate so long as all of the Outstanding Certificate are held by the Original Purchaser thereof, and subject to all of the following conditions:

(i) This Installment Sale Agreement and the obligation of the District to make Installment Payments hereunder shall remain obligations of the District;

(ii) The District shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trust Administrator a true and complete copy of the documents accomplishing such lease;

(iii) No such lease by the District shall cause the Project to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State; and

(iv) No such lease shall cause the interest component of the Installment Payments to become subject to federal or State personal income taxes.

**Section 8.02. Amendment of Installment Sale Agreement.** The District will not alter, modify or cancel or agree or consent to alter, modify or cancel this Installment Sale Agreement, except as permitted by Article VII of the Trust Agreement, without the written consent of the Trust Administrator and the Corporation.

**Section 8.03. Binding Effect.** This Installment Sale Agreement shall be for the benefit of and shall be binding upon the Corporation and the District and their respective successors and assigns.

**Section 8.04. Applicable Law.** This Installment Sale Agreement shall be governed by and construed in accordance with the laws of the State.

**Section 8.05. Severability.** If any provision of this Installment Sale Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 8.06. Captions.** The captions or headings in this Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Installment Sale Agreement.

**Section 8.07. Net Contract.** This Installment Sale Agreement shall be deemed and construed to be a “net contract” and the District hereby agrees that the Installment Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

**Section 8.08. Further Assurances and Corrective Instruments.** The Corporation and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby sold or intended so to be or for carrying out the expressed intention of this Installment Sale Agreement.

**Section 8.09. Corporation and District Representatives.** Whenever under the provisions of this Installment Sale Agreement the approval of the Corporation or the District is required, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by an Corporation Representative and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval or request.

**Section 8.10. Notices.** All written notices to be given hereunder shall be given by mail first class, postage prepaid, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time. Any such notice shall be deemed to have been received 48 hours after deposit in the United States mail, with postage fully prepaid.

If to the District:	South San Luis Obispo County Sanitation District 1600 Aloha Place Oceano, California 93445 Attn: District Administrator
If to the Corporation:	Public Property Financing Corporation of California _____, CA _____ Attn: Treasurer
If to the Trust Administrator:	District Administrator South San Luis Obispo County Sanitation District 1600 Aloha Place Oceano, California 93445

The Corporation, the District and the Trust Administrator, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

**Section 8.11. Execution in Counterparts.** This Installment Sale Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature page follows]

**IN WITNESS**, the Corporation has caused this Installment Sale Agreement to be duly executed in its name by its duly authorized officer; and the District has caused this Installment Sale Agreement to be duly executed in its name by its duly authorized officers, as of the date first above written.

PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA, *as  
Seller*

Attest

By \_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT, *as Purchaser*

Attest

By \_\_\_\_\_  
Secretary

By \_\_\_\_\_  
District Administrator

:

## **APPENDIX A**

### **DESCRIPTION OF THE PROJECT**

The Project will consist of the acquisition and construction of the following improvements to the Wastewater System referred to as the “Redundancy Project” and more specifically identified as follows:

The Redundancy Project is intended to provide redundancy to the regional wastewater treatment plant (WWTP) owned and operated by the District to allow major process units to be removed from service for maintenance or repairs without risking violation of effluent permit limits. The Redundancy Project will help protect human health, the environment and prevent sewage spills. The project is not intended to increase the flow or load capacity of the WWTP, but instead to improve its reliability.

The Redundancy Project consists of the following anticipated components: two activated sludge aeration basins, one new secondary clarifier, one new fixed film reactor (FFR) effluent pump station, waste activated sludge (WAS) thickening centrifuge with modifications to the existing dewatering platform, blower, electrical and motor control center (MCC) building, dewatered sludge conveyor, yard piping, site improvements, instrumentation and controls, electrical systems, floodproofing of critical plant systems, and repairs and improvements to existing secondary clarifier. The project will be completed within the existing WWTP site, and no offsite work is anticipated to be required.

## APPENDIX B SCHEDULE OF INSTALLMENT PAYMENTS

<b>Payment Date</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Interest</b>	<b>Semiannual Debt Service</b>	<b>Annual Debt Service</b>
03/01/21					
09/01/21					
03/01/22					
09/01/22					
03/01/23					
09/01/23					
03/01/24					
09/01/24					
03/01/25					
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03/01/55  
09/01/55  
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09/01/56  
03/01/57  
09/01/57

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Total

\*Commencing with the March 1, 2021 interest payment, it is assumed that total advances in the principal amount of \$4,464,000 have been drawn by said March 1, 2021 date.

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# **TRUST AGREEMENT**

**Dated as of \_\_\_\_\_, 2020**

**among**

**the  
DISTRICT ADMINISTRATOR,  
as Trust Administrator**

**the  
PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,**

**and the**

**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

***Relating to:***

**\$4,464,000  
Certificates of Participation  
(Redundancy Project)**



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## **TRUST AGREEMENT**

This TRUST AGREEMENT, made and entered into as of \_\_\_\_\_, 2020, by and among the DISTRICT ADMINISTRATOR, as trust administrator (the "Trust Administrator"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), as seller under the Installment Sale Agreement hereinafter defined, and the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, a county sanitation district duly organized and existing under and by virtue of the laws of the State of California (the "District").

### **B A C K G R O U N D :**

1. The District owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the "Wastewater System").

2. The Corporation has been formed for the purpose of providing financial assistance to local agencies in the State of California, including the District.

3. The District and the Corporation have entered into an installment sale agreement (the "Installment Sale Agreement"), dated as of the date hereof, whereby the Corporation has agreed to sell certain improvements to the District's wastewater system (the "Project") to the District and the District has agreed to purchase the Project from the Corporation; and

4. For the purpose of obtaining the moneys required to be deposited by it with the Trust Administrator for financing the construction of the Project, the Corporation proposes to assign and transfer certain of its rights under the Installment Sale Agreement to the Trust Administrator and, in consideration of such assignment and the execution of this Trust Agreement, the Trust Administrator has agreed to execute and deliver a series of certificates of participation, evidencing direct, undivided fractional interests in the Installment Payments and Prepayments (each as hereinafter defined) to be made by the District, to provide the moneys required herein to be deposited by the Corporation;

5. The original purchaser and owner of the Certificates shall be the Government;

### **A G R E E M E N T :**

In consideration of the premises and the material covenants contained herein, the District, the Corporation and the Trustee hereby agree as follows:

## **ARTICLE I DEFINITIONS; AUTHORIZATION**

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in Appendix A attached hereto shall, for all purposes of this Trust Agreement, have the meanings therein specified.

**Section 1.02. Authorization.** Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution of this Trust Agreement by the officers and persons signing it.

### **Section 1.03. Content of Written Certificates.**

(a) **Contents.** Every certificate provided for in this Trust Agreement with respect to compliance with any provision hereof, except the certificate of destruction pursuant to Section 14.07, shall include (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate is based; (c) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (d) a statement of the assumptions upon which such certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

(b) **Reliance.** Any such certificate made or given by a District Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such District Representative knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District, as the case may be) upon a certificate or opinion of or representation by a District Representative, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same District Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

**Section 1.04. Appendices.** The following are attached to, and by this reference are made a part of, this Trust Agreement:

- Appendix A: Definitions
- Appendix B: Form of Certificates of Participation
- Appendix C: Form of Disbursement Requisition from Construction Fund

## ARTICLE II THE CERTIFICATE OF PARTICIPATION

**Section 2.01. Authorization.** The Trust Administrator is hereby authorized and directed upon written request from the Corporation to execute and deliver, to the Original Purchaser, the Certificates in the principal amounts evidencing undivided fractional interests in the Installment Payments and the prepayments. The aggregate principal amount of the Certificates shall not in any case exceed the aggregate payments by the Original Purchaser therefor, as such payments and the dates thereof are endorsed on the fully registered Certificates. No provision is made for the Certificates to be executed and delivered in blocks or phases as the Original Purchaser's regulations for single delivery have been satisfactorily met.

**Section 2.02. Date.** Each Certificate shall be dated as of the date of delivery thereof.

**Section 2.03. Maturity; Interest Rates.** The Certificates shall mature on September 1 in the years and be payable in sinking fund principal amounts, and interest with respect thereto shall be computed at the Interest Rate of per annum as shown below:

<b>Maturity Date (September 1)</b>	<b>Total Principal</b>	<b>Interest Rate</b>
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
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2041		
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2043		
2044		
2045		
2046		
2047		
2048		
2049		

<b>Maturity Date (September 1)</b>	<b>Total Principal</b>	<b>Interest Rate</b>
2050		
2051		
2052		
2053		
2054		
2055		
2056		
2057		
2058		
2059		
2060		
	<hr/>	
	\$4,464,000.00	

**Section 2.04. Interest.** Interest on the Certificates shall be payable semiannually on each Interest Payment Date to and including the date of final principal payment (or provision therefor under Section 14.01 hereof) or prepayment, whichever is earlier, determined on the Original Purchaser's aggregate payments for the single Certificates from the respective date(s) thereof, as such payments and dates thereof are endorsed on the single Certificates. Such interest shall represent the portion of Installment Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date. The portion of Installment Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Installment Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate. Interest shall be calculated on the basis of a year of 365 days and actual days elapsed. Each semiannual payment of interest shall be in the amount of one-half of the annual amount of interest due. Unless otherwise requested by the registered owner, principal installments and interest hereon are payable by the Pre-Authorized Debit (PAD) payment process.

Interest on any Certificate shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless

(i) such Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or

(ii) such Certificate is executed after the close of business on the 15th day of the month immediately preceding the following Interest Payment Date and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or

(iii) such Certificate is executed on or before September 15, 2018, in which event interest shall be payable from the date of delivery thereof;

provided, however, that if at the time of execution of any Certificate, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment.

Payment of interest with respect to any Certificate shall be made to the person appearing on the registration books of the Trust Administrator as the Owner thereof as of the

15th day of the month preceding such Interest Payment Date, such interest to be paid by wire transfer (in the electronic funds transfer manner specified by the Government if the Government is the Owner) or by check mailed by first class mail to the Owner at the Owner's address as it appears on such registration books.

So long as the Government is the Owner of the Certificates, the Trust Administrator shall make all payments with respect to the Certificates through the Preauthorized Debit (PAD) System, or any other electronic funds transfer system that may be specified by the Government from time to time.

**Section 2.05. Form of Certificate; Legends.** The Certificates shall be delivered in the form of fully registered Certificates, without coupons, in the Denomination Amount or any integral multiple thereof, except that one Certificate may contain any odd amount, and no Certificate may have principal maturing in more than one year. The Certificates shall be numbered in such manner as the Trust Administrator deems appropriate. At the option of the Original Purchaser of the Certificate, a single, fully-registered Certificate may be executed and delivered, in lieu of serial, registered Certificates, which single Certificate shall mature in installments of the same principal amounts and on the same dates as the registered Certificate it represents. The single Certificate shall be substantially in the form set forth in Appendix B attached hereto and by this reference incorporated herein. The Certificates may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Trust Agreement as may be necessary or desirable to comply with custom, or otherwise.

**Section 2.06. Execution.** The Certificate shall be executed by and in the name of the Trust Administrator, at the written direction of the Corporation, by the manual signature of an authorized signatory of the Trust Administrator.

**Section 2.07. Transfer and Exchange.** The following shall apply to transfers and exchanges of Certificates, provided that no transfer or exchange of Certificates shall be required to be made during the 15 days prior to the date of selection of Certificates for prepayment, or of any Certificate selected for prepayment:

(a) **Transfer of Certificate.** Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.11 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trust Administrator, duly executed. Whenever any Certificate shall be surrendered for transfer, the Trust Administrator shall deliver a new Certificate or Certificates of the same maturity, interest rate and aggregate principal amount in authorized denominations to the transferee thereof. The Trust Administrator may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

(b) **Exchange of Certificate.** Certificates may be exchanged at the Principal Trust Office, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The Trust Administrator may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.



**Section 2.08. Certificate Mutilated, Lost, Destroyed or Stolen.** If any Certificate becomes mutilated, the Trust Administrator, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like maturity and principal amount in authorized denominations in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trust Administrator of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trust Administrator shall be canceled by it and destroyed in accordance with Section 14.07 hereof, and the Trust Administrator shall deliver a certificate of destruction to the District.

If any Certificate becomes lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trust Administrator and, if such evidence is satisfactory to the Trust Administrator and if an indemnity satisfactory to the Trust Administrator and the Corporation shall be given, the Trust Administrator, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity and numbered as the Trust Administrator shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen.

The Trust Administrator may require payment of an appropriate fee for each new Certificate delivered under this Section and of the expenses which may be incurred by the Trust Administrator in carrying out the duties under this Section.

Any Certificate delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificate secured by this Trust Agreement. The Trust Administrator shall not be required to treat both the original Certificate and any substitute Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder; the Trust Administrator shall consider only the substitute Certificate as Outstanding for such purpose. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trust Administrator may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trust Administrator.

**Section 2.09. Payment.** Except as otherwise provided herein, payment of interest due with respect to any Certificate on any Interest Payment Date shall be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Registration Books as of such Regular Record Date. The principal and prepayment price with respect to the Certificate at maturity or upon prior prepayment shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificate at the Principal Trust Office. If the Government is the Owner of the single, fully-registered Certificate, surrender shall not be required for payment, except for final payment.

**Section 2.10. Execution of Documents and Proof of Ownership.** Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificate. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the

holding and ownership of Certificate shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or such Owner's attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before such notary or officer the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of the authority of such officer or member.

(b) The fact of the holding of Certificate by any Owner and the amount, the maturity and the numbers of such Certificate and the date of his holding the same may be proved by reference to the Certificate Register maintained by the Trust Administrator provided for in Section 2.11 hereof. The Trust Administrator may conclusively assume that such ownership continues until transfer as provided in Section 2.07(a) hereof.

(c) Nothing contained in this Article II shall be construed as limiting the Trust Administrator to such proof, it being intended that the Trust Administrator may accept any other evidence of the matters herein stated which the Trust Administrator may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trust Administrator in pursuance of such request or consent.

**Section 2.11. Certificate Register.** The Trust Administrator will keep or cause to be kept, at the Principal Trust Office, sufficient books for the registration and transfer of the Certificates which shall be open at all reasonable times with reasonable prior notice during normal business hours of the Trust Administrator to inspection by the District and the Corporation; and, upon presentation for such purpose, the Trust Administrator shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided.

**Section 2.12. CUSIP Numbers.** The Trust Administrator, the District and the Corporation shall not be liable for any defect or inaccuracy in any CUSIP number that appears on any Certificate or in any prepayment notice. The Trust Administrator may, in its discretion, include in any prepayment notice a statement to the effect that any CUSIP numbers on the Certificates have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trust Administrator, the District nor the Corporation shall be liable for any inaccuracies in such numbers.

CUSIP numbers shall not be required if the Government is the Original Purchaser of a single, fully registered Certificate.

## **ARTICLE III CONSTRUCTION FUND**

**Section 3.01. Construction Fund.** The Trust Administrator shall establish the Construction Fund; shall keep the Construction Fund separate and apart from all other funds, accounts and moneys held by the Trust Administrator; and shall administer the Construction Fund as provided herein.

There shall be deposited in the Construction Fund all of the proceeds of sale of the Certificates (\$4,464,000), and any other funds from time to time deposited with the Trust Administrator for deposit in the Construction Fund, in each case in the installments as and when disbursed by the Original Purchaser.

### **Section 3.02. Payment of Construction Costs.**

(a) Amounts in the Construction Fund shall be disbursed for Construction Costs.

(b) The Trust Administrator shall disburse moneys in the Construction Fund to pay Construction Costs only upon receipt of a sequentially numbered requisition, the form of which is attached as Appendix C, with bills, invoices or statements attached, signed by a District Representative (and, if required, by the Government as the Certificate Owner).

(c) The Trust Administrator shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Construction Fund for the payment of Construction Costs in accordance with this Section, but the Trust Administrator shall not be responsible for such requisitions.

### **Section 3.03. Payment of Delivery Costs.**

(a) Amounts in the Construction Fund shall also be disbursed by the Trust Administrator to pay the Delivery Costs.

(b) The Trust Administrator shall disburse moneys in the Construction Fund to pay the Delivery Costs only upon a receipt of a sequentially numbered requisition, the form of which is attached as Appendix C, with bills, invoices or statements attached, signed by a District Representative (and, if required, by the Government as the Certificate Owner).

(c) The Trust Administrator shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Construction Fund for the payment of Delivery Costs in accordance with this Section, but the Trust Administrator shall not be responsible for such requisitions.

(d) Any moneys not expended to pay Delivery Costs shall be used to pay the costs of the Project.

**Section 3.04. Transfers of Unexpended Proceeds.** The Trust Administrator is hereby directed that all unexpended moneys remaining in the Construction Fund and not identified in

writing by a District Representative and by the Owner to be required for payment of Construction Costs or other capital improvements (the "Unexpended Proceeds") shall, on the date of completion of the Project or as soon thereafter as the Trust Administrator is so notified, be transferred to the Installment Payment Fund and applied to the prepayment of the Certificates.

## **ARTICLE IV PREPAYMENT OF CERTIFICATE**

### **Section 4.01. Prepayment.**

(a) **Generally.** The Certificates shall not be subject to prepayment prior to maturity, except in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

(b) **Prepayment From Net Proceeds of Insurance and Condemnation and from Unexpended Proceeds.** The Certificates are subject to prepayment in whole on any date and in part on any Interest Payment Date from the (i) Net Proceeds of any insurance or condemnation award and (ii) Unexpended Proceeds, which are, in either case deposited in the Installment Payment Fund and credited towards the prepayment made by the District pursuant to Section 4.03 of the Installment Sale Agreement, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

(c) **Optional Prepayment.** In addition, the Certificates are subject to prepayment in whole or in part on any date, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium, from the proceeds of optional prepayments made by the District pursuant to the Installment Sale Agreement. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of optionally prepaying the Certificates in part shall, after payment of interest, be applied to the principal amount of Certificates last to become due under this Agreement and shall not affect the obligation to pay the remaining Certificates as scheduled.

**Section 4.02. Selection of Certificates for Prepayment.** Whenever provision is made in this Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates are called for prepayment, the Trust Administrator shall select the Certificates to be prepaid for prepayment in any order of maturity selected by the District and by lot within a maturity. The Trust Administrator shall promptly notify the District and the Corporation in writing of the Certificates so selected for prepayment. So long as the Government is the sole owner of the Certificates, prepayment shall be made in inverse order of maturity.

### **Section 4.03. Notice of Prepayment.**

(a) **General.** Notice of any such prepayment shall be given by the Trust Administrator on behalf and at the expense of the District by mailing a copy of a prepayment notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for prepayment to such Owner of the Certificate or Certificates to be redeemed (or such shorter period as agreed by the Owner) at the address shown on the

Certificate Register maintained by the Trust Administrator; provided, however, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the prepayment of the Certificates.

**(b) Contents.** All notices of prepayment shall be dated and shall state:

(i) the prepayment date,

(ii) the prepayment price,

(iii) if less than all Outstanding Certificates are to be prepaid, the identification (and, in the case of partial prepayment, the respective principal amounts) of the Certificates to be prepaid,

(iv) that on the prepayment date the prepayment price will become due and payable with respect to each such Certificates or portion thereof called for prepayment, and that interest with respect thereto shall cease to accrue from and after said date,

(v) the place where such Certificates are to be surrendered for payment of the prepayment price, which place of payment shall be the Principal Corporate Trust Office.

**(c) Prepayment.** Notice of prepayment having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the prepayment date, become due and payable at the prepayment price therein specified, and from and after such date (unless the District shall default in the payment of the prepayment price) interest with respect to such Certificates or portions of Certificates shall cease to be payable.

Upon surrender of such Certificates for prepayment in accordance with said notice, such Certificates shall be paid by the Trust Administrator at the prepayment price. Installments of interest due on or prior to the prepayment date shall be payable as herein provided for payment of interest. Upon surrender for any partial prepayment of any Certificates, there shall be executed and delivered for the Owner a new Certificate or Certificates of the same maturity in the amount of the unprepaid principal.

All Certificates which have been prepaid shall be canceled by the Trust Administrator, shall not be reissued and shall be destroyed pursuant to Section 14.07.

**(d) CUSIP.** The Trust Administrator shall have no responsibility for a defect in the CUSIP number that appears on any Certificates or in the prepayment notice. The prepayment notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificates Owners and that the Trust Administrator and the District shall not be liable in any way for inaccuracies in said numbers.

**Section 4.04. Partial Prepayment of Certificates.** Upon surrender of any Certificate prepaid in part only, the Trust Administrator shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal

in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

**Section 4.05. Effect of Notice of Prepayment.** After notice has been given and the moneys for the prepayment, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Certificates to be redeemed shall become due and payable on the Interest Payment Date, and, upon presentation and surrender thereof at the Principal Trust specified in such notice, such Certificates shall be paid at the unpaid principal amount with respect thereto, and any unpaid and accrued interest to the Interest Payment Date.

If, on the Interest Payment Date, moneys for the prepayment of all the Certificates to be prepaid, together with interest to such Interest Payment Date, shall be held by the Trust Administrator so as to be available therefor on such Interest Payment Date, and, if notice of prepayment thereof shall have been given, then, from and after such Interest Payment Date, interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. If such moneys shall not be so available on the Interest Payment Date, interest with respect to such Certificate shall continue to be payable at the same rates as it would have been payable had the Certificates not been called for prepayment. All moneys held by or on behalf of the Trust Administrator for the prepayment of particular Certificate shall be held in trust for the account of the Owners of the Certificate so to be prepaid. The Trust Administrator shall not be liable for any interest earned on the amounts so held.

**Section 4.06. Purchase of Certificates.** In lieu of prepayment of Certificates as provided in this Article IV, amounts held by the Trust Administrator for such prepayment may also be used on any Interest Payment Date, upon receipt by the Trust Administrator at least 90 days prior to the next scheduled Interest Payment Date of the written request of a District Representative, for the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificate were prepaid; *provided, however*, that no Certificate shall be purchased in lieu of prepayment with a trade settlement date less than 75 days prior to the relevant prepayment date. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment pursuant to this Section 4.06 shall not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment. Remaining moneys, if any, shall be deposited in the Installment Payment Fund.

## **ARTICLE V**

### **INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND**

#### **Section 5.01. Assignment of Rights in Installment Sale Agreement.**

**(a) Assignment by the Corporation.** The Corporation, for good and valuable consideration, does hereby irrevocably assign and transfer to the Trust Administrator, for the benefit of the Owner of the Certificates, all of its rights and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.08, 6.03 and 7.04 thereof), including, without limitation, its rights to receive and collect Installment Payments from District under the Installment Sale Agreement, its rights to the pledge of Net Revenues, the right to receive and collect any proceeds of any insurance maintained thereunder, or

of any condemnation award rendered with respect to the Project and the right to exercise such rights and remedies as are conferred on the Corporation by the Installment Sale Agreement as may be necessary to enforce payment of the Installment Payments when due or otherwise to protect its interests in the event of a default by the District.

**(b) Acceptance by the Trust Administrator.** The Trust Administrator hereby accepts such assignment in trust for the purpose of securing, equally and proportionately, such payments and rights to the Owner of the Certificates delivered pursuant to this Trust Agreement, all subject to the provisions of this Trust Agreement.

**(c) Application of Installment Payments.** The Installment Payments shall be applied, and the rights assigned by the Corporation to the Trust Administrator shall be exercised, by the Trust Administrator as provided in this Trust Agreement for the benefit of the Owner of the Certificates.

All Installment Payments, prepayments and such other amounts which the Corporation may at any time be entitled to shall be paid directly to the Trust Administrator and, if the Corporation receives or collects Installment Payments, such payments shall be deemed to be held or to have been collected or received by the Corporation as agent of the Trust Administrator.

**Section 5.02. Establishment of Installment Payment Fund.** The Trust Administrator shall establish the Installment Payment Fund. All moneys at any time deposited by the Trust Administrator in the Installment Payment Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Certificates, and shall secure payment of the Certificates.

So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trust Administrator as hereinafter set forth.

**Section 5.03. Deposits.** There shall be deposited in the Installment Payment Fund all Installment Payments and prepayments received by the Trust Administrator, including any moneys received by the Trust Administrator for deposit therein pursuant to Sections 4.06, 6.04 or 6.05 hereof or Article IV of the Installment Sale Agreement, and any other moneys required to be deposited therein pursuant to the Installment Sale Agreement or pursuant to this Trust Agreement.

**Section 5.04. Application of Moneys.** All amounts in the Installment Payment Fund shall be used and withdrawn by the Trust Administrator solely for the purpose of paying principal and interest with respect to the Certificates as they become due and payable, in accordance with the provisions of Article II hereof.

**Section 5.05. Surplus.** Any surplus remaining in the Installment Payment Fund, after payment of all Certificates, and accrued interest (if any) and payment of any applicable fees, costs and expenses to the Trust Administrator, or provision for such prepayment or payment having been made to the satisfaction of the Trust Administrator, shall be withdrawn by the Trust Administrator and remitted to the District.

## **ARTICLE VI RESERVE FUND**

**Section 6.01. Establishment of Reserve Fund.** The Trust Administrator shall establish the Reserve Fund, which the Trust Administrator shall keep separate and apart from all other funds and moneys held by the Trust Administrator. All moneys at any time on deposit in the Reserve Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Certificates, and applied solely as provided herein.

**Section 6.02. Deposits.** There shall be deposited into the Reserve Fund the amounts specified in Section 3.11 of the Installment Sale Agreement.

**Section 6.03. Transfers in Excess of Reserve Requirement.** The Trust Administrator shall, on or before each March 1 and September 1, transfer any moneys in the Reserve Fund in excess of the applicable Reserve Requirement to the Project Fund or to the Installment Payment Fund, as provided in Section 8.03 hereof.

**Section 6.04. Application in Event of Deficiency in the Installment Payment Fund.** If, on any Interest Payment Date, the moneys available in the Installment Payment Fund do not equal the amount of the principal, interest and prepayment premium (if any) with respect to the Certificates then coming due and payable, the Trust Administrator shall apply the moneys available in the Reserve Fund to make delinquent Installment Payments on behalf of the District and transfer the amount necessary for this purpose to the Installment Payment Fund. Upon receipt of any delinquent Installment Payment with respect to which moneys have been advanced from the Reserve Fund such Installment Payment shall be deposited in the Reserve Fund to the extent of such advance.

**Section 6.05. Transfer to Make All Installment Payments.** If on any Installment Payment Date, the moneys on hand in the Reserve Fund and the Installment Payment Fund are sufficient to pay all of the Outstanding Certificates, including all principal and interest, the Trust Administrator shall, upon the written direction of a District Representative, accompanied by all amounts then on hand in the Reserve Fund, deposit such funds in the Installment Payment Fund to be applied to the payment of the Installment Payments or prepayments on behalf of the District with respect to such Certificates, and such moneys shall be distributed to the Owners of such Certificates in accordance with Article II and Article IV of this Trust Agreement.

**Section 6.06. Replenishment of Reserve Fund.** The District shall maintain or cause to be maintained in the Reserve Fund amounts equal to the amounts required to be deposited therein pursuant to Section 3.11 of the Installment Sale Agreement, and thereafter the amount of the applicable Reserve Requirement.

If, on any date of computation, amounts on hand in the Reserve Fund are less than such required amounts because of a transfer therefrom made in accordance with Section 6.04 hereof, the District shall pay to the Trust Administrator, within one year from the date of such deficiency if caused by a drawing from Net Revenues, an amount necessary to bring the amounts on deposit in the Reserve Fund to the amount required to be maintained therein; provided, however, that the period of time permitted herein for the replenishment of the Reserve Fund by the District shall not affect any other provision of this Trust Agreement.



## **ARTICLE VII**

### **INSURANCE AND CONDEMNATION FUND; INSURANCE; EMINENT DOMAIN**

**Section 7.01. Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award.** Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Project collected by the District in the event of any such accident or destruction shall be transferred by the District to the Trust Administrator pursuant to Section 5.07 of the Installment Sale Agreement and the Trust Administrator shall deposit such moneys in a special fund designated as the "Insurance and Condemnation Fund" to be applied and disbursed by the Trust Administrator as provided in Section 5.07(a) of the Installment Sale Agreement.

**Section 7.02. Application of Net Proceeds of Eminent Domain Award.** If all or any part of the Project is taken by eminent domain (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be transferred by the District to the Trust Administrator for deposit in the Insurance and Condemnation Fund pursuant to Section 5.07(b) of the Installment Sale Agreement and shall be applied and disbursed by the Trust Administrator as follows:

**(a)** If the District determines that such eminent domain proceedings have not materially affected the operation of the Project, or the ability of the District to meet any of its obligations under the Installment Sale Agreement, and if the District determines that such proceeds are:

(i) not needed for repair, replacement or rehabilitation of the Project, upon receipt of a written certificate from the District, the Trust Administrator shall transfer such proceeds to the Installment Payment Fund to be credited towards the prepayments required to be paid pursuant to Section 10.03 of the Installment Sale Agreement and applied to the prepayment of Certificate in the manner provided in Article IV hereof, or

(ii) needed for repair or rehabilitation of the Project, upon receipt of a written certificate from the District, the Trust Administrator shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing with the requisitions of the District Representative, substantially in the form described in Section 3.02 in connection with the payment of Construction Costs.

**(b)** If (i) less than all of the Project is taken in such eminent domain proceedings, and if the District determines that such eminent domain proceedings have materially affected the operation of the Project or the ability of the District to meet any of its obligations under the Installment Sale Agreement or (ii) all of the Project is taken in such eminent domain proceedings, then upon receipt of written instruction from the District the Trust Administrator shall transfer such proceeds to the Installment Payment Fund to be credited toward the prepayment required to be paid pursuant to Section 4.03 of the Installment Sale Agreement and applied to the prepayment of Certificate in the manner provided in Article IV hereof.

**Section 7.03. Excess Net Proceeds.** After all of the Certificates have been retired and the entire amount of principal and interest with respect to the Certificates and any remaining

fees and expenses of the Trust Administrator have been paid in full, the Trust Administrator shall transfer any remaining funds to the District.

**Section 7.04. Cooperation.** The Corporation shall cooperate with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Installment Sale Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any part thereof.

## **ARTICLE VIII MONEYS IN FUNDS; INVESTMENT**

**Section 8.01. Held in Trust.** The moneys and investments held by the Trust Administrator under this Trust Agreement, except for those held in the Construction Fund and the Delivery Cost Fund, are irrevocably held in trust for the benefit of the Owner(s) of the Certificates, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either the Corporation, the Trust Administrator or the District or any Owner of Certificates, or any of them until after the Certificates have been paid in full.

**Section 8.02. Investments Authorized.** Moneys held by the Trust Administrator hereunder shall be invested and reinvested by the Trust Administrator, to the maximum extent practicable, in Permitted Investments. Unless otherwise directed, the Trust Administrator shall invest the affected moneys in Permitted Investments described in paragraph (g) of the definition thereof.

A District Representative may, by written order filed with the Trust Administrator, direct investment of moneys held by the Trust Administrator in specific Permitted Investments. Investments purchased with moneys on deposit in the Reserve Fund shall have a term not greater than five years. Investments, if registrable, shall be registered in the name of and held by the Trust Administrator or the Trust Administrator's nominee.

The Trust Administrator may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 8.02. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trust Administrator may act as principal or agent in the making or disposing of any investment.

The Trust Administrator shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Article VIII.

The Trust Administrator shall be entitled to rely conclusively upon the written instructions of a District Representative directing investments as to the fact that each investment is permitted by the laws of the State and constitutes a Permitted Investment hereunder, and the Trust Administrator shall not be required to make further investigation with respect thereto.

To the extent that any of the requirements concerning any Permitted Investment embodies a legal conclusion, the Trust Administrator shall be entitled to conclusively rely upon a certificate from the appropriate party or an opinion of counsel to such party that such requirement has been met.

**Section 8.03. Allocation of Earnings.** All interest or income received by the Trust Administrator on investment of the Construction Fund and the Installment Payment Fund shall, as received, be retained in the respective fund.

Amounts retained in the Installment Payment Fund pursuant to this Section 8.03 shall be applied as a credit against the Installment Payment due by the District pursuant to the Installment Sale Agreement on the Installment Payment Date following the date of deposit.

All interest or income received by the Trust Administrator on investment of the Reserve Fund shall be retained in the Reserve Fund if amounts on deposit in the Reserve Fund are less than the applicable Reserve Requirement. Pursuant to Section 6.03 hereof, if amounts then on deposit in the Reserve Fund equal or exceed the Reserve Requirement, such excess shall, as received, be transferred, prior to the date of completion of the Project, to the Construction Fund, and after the date of completion of the Project, shall be transferred to the Installment Payment Fund and shall be applied as a credit against the Installment Payment due by the District pursuant to the Installment Sale Agreement on the Installment Payment Date following the date of deposit.

Transfers to the Installment Payment Fund from the Reserve Fund shall be made by the Trust Administrator on or prior to each Installment Payment Date.

**Section 8.04. Accounting.** The Trust Administrator shall furnish to the District a semi-annual accounting of all investments, transactions and disbursements made by the Trust Administrator. The Trust Administrator may commingle, at its sole discretion, any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trust Administrator hereunder shall be accounted for separately notwithstanding such commingling by the Trust Administrator.

**Section 8.05. Acquisition, Disposition and Valuation of Investments.**

(a) Except as otherwise provided in subsection (b) of this Section 8.05, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Trust Agreement or the Tax Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code).

**ARTICLE IX  
THE TRUST ADMINISTRATOR**

**Section 9.01. Appointment of Trust Administrator.** The Trust Administrator is hereby appointed by the Corporation and the District for the purpose of receiving all moneys required to

be deposited with the Trust Administrator hereunder and to allocate, use and apply the same as provided in this Trust Agreement.

(a) **General.** The Trust Administrator is hereby authorized to pay or redeem the Certificates when duly presented for payment at maturity, or on prepayment, and to cancel all Certificates upon payment thereof. The Trust Administrator shall keep accurate records of all funds administered by it and of all Certificates paid and discharged.

(b) **Successor.** So long as no Event of Default occurs and is continuing, the District may, with the written consent of the Owners, remove the Trust Administrator initially appointed, and any successor thereto, on 30 days' written notice and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company that is a corporation organized and doing business under the laws of any state, the District or the United States of America, authorized under such laws to exercise corporate trust powers, which has (or, in the case of a corporation included in a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and is subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding.

If such corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 9.01 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trust Administrator shall not be effective until written acceptance of appointment by the successor Trust Administrator.

(c) **Resignation.** The Trust Administrator may at any time resign by giving written notice to the Corporation and the District and by providing notice by first class mail, postage prepaid, to the Owners at their addresses as shown on the Certificate registration books maintained by the Trust Administrator. Said mailing shall be made prior to the proposed effective date of resignation.

Upon receiving such notice of resignation, the District, with the written consent of the Owners, shall promptly appoint a successor Trust Administrator by an instrument in writing; *provided, however*, that if the District does not appoint a successor Trust Administrator within 30 days following receipt of such notice of resignation, the Corporation may appoint a successor Trust Administrator and if the Corporation does not appoint such successor Trust Administrator, the resigning Trust Administrator, at the expense of the District, may petition any appropriate court having jurisdiction to appoint a successor Trust Administrator.

Any resignation or removal of the Trust Administrator and appointment of a successor Trust Administrator shall become effective upon acceptance of appointment by the successor Trust Administrator and receipt by the Trust Administrator of any fees and expenses due and payable to it.

**Section 9.02. Liability of Trust Administrator.** The recitals of facts, covenants and agreements herein and in the Certificates contained shall be taken as statements, covenants and agreements of the Corporation and the District, and the Trust Administrator neither

assumes any responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Trust Agreement or of the Certificates nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon the Trust Administrator.

**Section 9.03. Merger or Consolidation.** Any company into which the Trust Administrator may be merged or converted or with which any of them may be consolidated or any company resulting from any merger, conversion or consolidation to which any of them shall be a party or any company to which the Trust Administrator may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 9.01, shall be the successor to the Trust Administrator without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**Section 9.04. Protection and Rights of the Trust Administrator.**

(a) **Good Faith.** The Trust Administrator shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trust Administrator shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

(b) **Ownership Claims.** The Trust Administrator shall not be bound to recognize any person as an Owner of any Certificate or to take any action at such Owner's request unless such Certificate shall be deposited with the Trust Administrator or satisfactory evidence of the ownership of such Certificate shall be furnished to the Trust Administrator.

(c) **Counsel.** The Trust Administrator may consult with counsel, who may be counsel to the District, with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(d) **Proof.** Whenever in the administration of its duties under this Trust Agreement, the Trust Administrator shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the Written Certificate of the District Representative or Corporation Representative and such Written Certificate shall be full warranty to the Trust Administrator for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, but in its discretion the Trust Administrator may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

(e) **Owner.** The Trust Administrator may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trust Administrator; and may act as a depository for and permit any of its officers

or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificates then Outstanding. If a successor Trustee is appointed in accordance with Section 9.05, the successor Trustee may become the Owner of the Certificates with the same rights it would have if it were not Trustee hereunder.

**(f) Powers and Liability.** The Trust Administrator may execute any of the powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of its duty hereunder, and the Trust Administrator shall not be liable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trust Administrator shall not be liable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

**(g) Limits of Liability.** The Trust Administrator undertakes to perform such duties, and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trust Administrator. No provision in this Trust Agreement shall require the Trust Administrator to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. In accepting the duties hereby enumerated, the Trust Administrator acts solely as Trust Administrator for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the District or the Corporation having any claim against the Trust Administrator arising from the Trust Agreement shall look only to the funds and accounts held by the Trust Administrator hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trust Administrator be liable in its individual capacity for the obligations evidenced by the Certificates. The Trust Administrator shall not be liable in its individual capacity with respect to any action taken or omitted to be taken by the Trust Administrator in good faith in accordance with the written request of the Owners of the Certificates.

**(h) No Representations.** The Trust Administrator makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Project. In no event shall the Trust Administrator be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or Trust Agreement for the existence, furnishing or use of the Project.

**(i) Enforcement; Knowledge.** The Trust Administrator shall not be responsible for the sufficiency or enforceability of the Installment Sale Agreement or the assignment under the Trust Agreement of its rights to receive Installment Payments. The Trust Administrator shall not be deemed to have knowledge of any Event of Default hereunder or under the Installment Sale Agreement except failure by the District to make Installment Payments unless the Trust Administrator is specifically notified in writing of such Event of Default.

(j) **Released and Unclaimed Funds.** The Trust Administrator shall not be accountable for the use or application by the District or any other party of any funds which the Trust Administrator has released under this Trust Agreement. Subject to applicable escheat laws, any amounts unclaimed two years after the final prepayment or maturity date of the Certificates, whichever occurs first, shall be paid by the Trust Administrator to the District, and thereafter, the Owner of any Certificates remaining unpaid shall look to the District for the payment of such Certificates.

**Section 9.05. Appointment of Successor Trustee.** In the event that an Event of Default shall occur or if it shall otherwise be necessary for the Trust Administrator to enforce payment of the Installment Payments, prepayments or any other amount required to be deposited into the Installment Payment Fund or the Insurance and Condemnation Fund, or to exercise any of the remedies set forth in Article XIII hereof, or if it is determined that the Trust Administrator is unable to perform any of the other duties hereunder, the District, with the written consent of the Original Purchaser as the Owner, shall appoint a Trustee to succeed to the duties and responsibilities of the Trust Administrator hereunder, such appointment to be effective immediately upon written notice thereof to the Trust Administrator. Any Trustee appointed in such circumstances shall meet the requirements of the third paragraph of Section 9.01 hereof. Upon such appointment, the term "Trust Administrator" in this Agreement shall also refer to such Trustee.

## **ARTICLE X MODIFICATION OR AMENDMENT OF AGREEMENTS**

### **Section 10.01. Amendments Permitted.**

(a) **With Consent.** This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least 60% in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 10.03, shall have been filed with the Trust Administrator.

No such modification or amendment may:

(1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, or

(2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, or

(3) modify any of the rights or obligations of the Trust Administrator without its written assent thereto.

Any such supplemental agreement shall become effective as provided in Section 10.02.

**(b) Without Consent.** This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only

(1) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, or

(2) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interest of the Owners of the Certificates, or

(3) if and to the extent specified in an opinion of nationally recognized bond counsel filed with the District, the Corporation and the Trust Administrator, to make such additions, deletions or modifications as may be necessary to assure compliance with section 148(f) of the Tax Code or otherwise as may be necessary to assure exclusion from gross income for purposes of federal income taxation of the interest component of Installment Payments.

Any such supplemental agreement shall become effective upon its execution and delivery by the parties hereto or thereto as the case may be.

**(c) Counsel.** The Trust Administrator may obtain an opinion of legal counsel that any amendment entered into hereunder complies with the provisions of this Article X and the Trust Administrator may rely conclusively on such opinion.

#### **Section 10.02. Procedure for Amendment with Written Consent of Certificate Owners.**

**(a) General.** This Trust Agreement or the Installment Sale Agreement may be amended by supplemental agreement as provided in this Section 10.02 in the event the consent of the Owners of the Certificates is required pursuant to Section 10.01. A copy of such supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by the Trust Administrator to the Owner of each Certificate at his address as set forth in the Certificate Register, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as provided in this Section 10.02.

**(b) Effective.** Such supplemental agreement shall not become effective unless there shall be filed with the Trust Administrator the written consent of the Owners of at least 60% in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 10.03) and a notice shall have been mailed as hereinafter provided in this Section 10.02. Each such consent shall be effective only if accompanied by proof of ownership of the Certificate for which such consent is given, which proof shall be such as is permitted by Section 2.11.



Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trust Administrator within five Business Days of the date when the notice of consent hereinafter in this Section 10.02 provided for has been mailed.

Any revocation received by the Trust Administrator later than five Business Days after such notice has been mailed shall be of no force and effect.

**(c) Notice.** After the Owners of the required percentage of Certificates have filed their consents to such supplemental agreement, the Trust Administrator shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section 10.02 for the mailing of such supplemental agreement at the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section 10.02 (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto).

A record, consisting of the papers required by this Section 10.02 to be filed with the Trust Administrator, shall be conclusive proof of the matters therein stated until the contrary is proved. Such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Certificates at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

**Section 10.03. Disqualified Certificates.** Certificates owned or held by or for the account of the District or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement.

**Section 10.04. Effect of Supplemental Agreement.** From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Installment Sale Agreement, as the case may be, for any and all purposes.

The District may adopt appropriate regulations to require each Certificate Owner, before such Owner's consent provided for in this Article X shall be deemed effective, to reveal the Certificates as to which such consent is given are disqualified as provided in Section 10.03.

**Section 10.05. Endorsement or Replacement of Certificate Delivered After Amendments.** The District may determine that Certificates delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the Trust Administrator, as to such action. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for the purpose at the Principal Corporate Trust Office, a suitable notation shall be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District is necessary to conform to such Certificate Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate shall be exchanged in the Principal Corporate Trust Office, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

**Section 10.06. Amendatory Endorsement of Certificate.** The provisions of this Article X shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificate held by such Owner, provided that due notification thereof is made on such Certificate.

## **ARTICLE XI COVENANTS**

**Section 11.01. Compliance With and Enforcement of Installment Sale Agreement.** The District and the Corporation covenant and agree with the Owners of the Certificates to perform all obligations and duties imposed on them under the Installment Sale Agreement and this Trust Agreement. The District or the Corporation, immediately upon receiving or giving any notice or communication or other document in any way relating to or affecting their respective interests in the Project which may or can in any manner affect such interest, will deliver the same, or a copy thereof, to the Trust Administrator. The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Sale Agreement by the Corporation thereunder.

**Section 11.02. Payment of Taxes.** The District will, subject to any right of challenge thereof, pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Project or any part thereof, promptly as and when the same shall become due and payable; and the District will keep the Trust Administrator advised in writing of such payments. The District will not suffer the Project, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

**Section 11.03. Observance of Laws and Regulations.** The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it with respect to the Wastewater System by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District with respect to the Wastewater System to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

**Section 11.04. Prosecution and Defense of Suits.** The District shall promptly, upon request of the Trust Administrator or any Certificate Owner holding at least 25% in principal amount of the Certificates from time to time, take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project, whether now existing or hereafter developing and shall, to the extent permitted by law, prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trust Administrator and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

**Section 11.05. Further Assurances.** The Corporation, the District and the Trust Administrator (at the cost and request of the District or the Corporation) will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

**Section 11.06. Filing.** The District shall be responsible for the filing of any supplemental instruments or documents of further assurance as may be required by law in order to perfect or renew the security interests created by this Trust Agreement. Neither the Trust Administrator nor the Corporation shall be responsible for such filing.

**Section 11.07. Private Activity Bond Limitation.** The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Installment Sale Agreement to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

**Section 11.08. Federal Guarantee Prohibition.** The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Installment Sale Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

**Section 11.09. Rebate Requirement.** The District shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Installment Sale Agreement.

**Section 11.10. No Arbitrage.** The District shall not take, or permit or suffer to be taken by the Trust Administrator or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Installment Sale Agreement to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

**Section 11.11. Maintenance of Tax-Exemption.** The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

## **ARTICLE XII LIMITATION OF LIABILITY**

**Section 12.01. Limited Liability of District.** Except for the payment of Installment Payments and prepayments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in said Agreement, the District shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trust Administrator except as expressly set forth herein.

**Section 12.02. No Liability of the Corporation for Trust Administrator Performance.** Neither the District nor the Corporation shall have any obligation or liability to the other party or to the Owners of the Certificates with respect to the performance by the Trust Administrator of any duty imposed upon the Trust Administrator under this Trust Agreement.

**Section 12.03. Indemnification of Trust Administrator.** The District shall to the extent permitted by law indemnify and save the Trust Administrator, its officers, employees, directors and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of:

- (a) the use, maintenance, condition or management of, or from any work or thing done on, the Project by the Corporation or the District;
- (b) any breach or default on the part of the Corporation or the District in the performance of any of their respective obligations under the Installment Sale Agreement, this Trust Agreement and any other agreement made and entered into for purposes of the Project;
- (c) any act of the Corporation or the District or of any of their respective agents, contractors, servants, employees or licensees with respect to the Project;
- (d) any act of any assignee of, or purchaser from the Corporation or the District or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Project;
- (e) the acquisition, construction, installation and equipping of the Project or the authorization of payment of Construction Costs or Delivery Costs;
- (f) the actions of any other party, including but not limited to the ownership, operation or use of the Project by the Corporation or the District,
- (g) the Trust Administrator's exercise and performance of its powers and duties hereunder, or
- (h) the offering and sale of the Certificates.

No indemnification will be made under this Section 12.03 or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by the Trust Administrator, its officers or employees. The District's obligations hereunder shall

remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trust Administrator.

**Section 12.04. Limitation of Rights to Parties and Certificate Owners.** Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the District, the Corporation, the Trust Administrator and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the District, the Corporation, the Trust Administrator and said Owners.

### **ARTICLE XIII**

#### **EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS**

**Section 13.01. Assignment of Rights.** Pursuant to the Trust Agreement, the Corporation transfers, assigns and sets over to the Trust Administrator all of the Corporation's rights under the Installment Sale Agreement (excepting only its rights under Sections 5.08, 6.03 and 7.04 thereof), including without limitation the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Installment Sale Agreement as may be necessary or convenient

(i) to enforce payment of the Installment Payments, prepayments and any other amounts required to be deposited in the Installment Payment Fund or the Insurance and Condemnation Fund, and

(ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trust Administrator or the Certificate Owners in an Event of Default.

**Section 13.02. Remedies.** If an Event of Default occurs, then and in each and every such case during the continuance of such Event of Default, the Trust Administrator may exercise any and all remedies available hereunder pursuant to law or granted pursuant to the Installment Sale Agreement.

Upon the occurrence of an Event of Default, the Trust Administrator may, and shall, at the written direction of the Owners of a majority of the principal amount of Certificates then Outstanding, by written notice to the District, declare the principal of the Installment Payments to be immediately due and payable, whereupon that portion of the principal of the Installment Sale Agreement thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Trust Agreement or in the Installment Payments to the contrary notwithstanding.

Remedies shall be cumulative with respect to the Trust Administrator and the Owners. If any remedial action is discontinued or abandoned, the Trust Administrator and the Owners shall be restored to their former positions.

**Section 13.03. Application of Funds.** All moneys received by the Trust Administrator pursuant to any right given or action taken under the provisions of this Article XIII or of Article VII of the Installment Sale Agreement, shall be applied by the Trust Administrator in the order

following upon presentation of the several Certificates and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid:

(a) **First**, to the payment of the costs and expenses of the Trust Administrator hereunder (including, but not limited to, the costs and expenses of itself and its counsel) and, after such payment to the Trust Administrator, of the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel, together with interest on all such amounts advanced as provided in the Installment Sale Agreement;

(b) **Second**, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the rate or rates specified in the respective Certificates (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and if such moneys are insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment first of interest unpaid and owing at the time of such Event of Default, and second to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

**Section 13.04. Institution of Legal Proceedings.** If one or more Events of Default shall happen and be continuing, the Trust Administrator in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trust Administrator shall deem most effectual to enforce any of its rights or duties hereunder.

**Section 13.05. Non-waiver.** Nothing in this Article XIII or in any other provision of this Trust Agreement, or in the Certificates, shall affect or impair the obligation of the District, which is absolute and unconditional subject to Section 3.06 of the Installment Sale Agreement, to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce such payment. No delay or omission of the Trust Administrator or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XIII to the Trust Administrator or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trust Administrator or the Certificate Owners.

**Section 13.06. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trust Administrator or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

**Section 13.07. Power of Trust Administrator to Control Proceedings.** In the event that the Trust Administrator, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trust Administrator shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Certificates Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

**Section 13.08. Limitation on Certificate Owners' Right to Sue.** No Owner of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless

(a) such Owner has previously given to the Trust Administrator written notice of the occurrence of an Event of Default hereunder;

(b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding make written request upon the Trust Administrator to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;

(c) said Owners have tendered to the Trust Administrator reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; provided, however, that so long as the Government is the sole Owner, this condition shall not apply; and

(d) the Trust Administrator refuses or omits to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trust Administrator.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Installment Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section 13.08 or any other provision of this Trust Agreement.

**Section 13.09. Parties Interested Herein.** Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Corporation, the Trust Administrator and the Owners any right, remedy or claim under or by reason of this Trust Agreement, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Corporation, the Trust Administrator and the Owners.

## **ARTICLE XIV MISCELLANEOUS**

**Section 14.01. Defeasance.** The Outstanding Certificates may be paid and discharged in any one or more of the following ways:

(a) **Payment.** By paying or causing to be paid the principal with respect to and interest with respect to all Certificates Outstanding, as and when the same become due and payable;

(b) **Deposit.** By depositing with the Trust Administrator, in trust, at or before maturity, money which, together with the amounts then on deposit in the Installment Payment Fund and the Reserve Fund, is fully sufficient to pay all Certificates Outstanding, including all principal and interest;

(c) **Escrow.** By irrevocably depositing with the Trust Administrator or an escrow agent, cash or Defeasance Obligations in such amount as an independent certified public accountant shall determine in a written report will, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Certificates (including all principal and interest) at or before their respective maturity dates; or

(d) **Security Deposit.** By depositing with the Trust Administrator, security for the payment of Installment Payments as more particularly described in Section 4.05 of the Installment Sale Agreement, said security to be held by the Trust Administrator, as agent for District, and to be applied by the Trust Administrator to Installment Payments representing the obligation of the District under the Installment Sale Agreement, as described in Section 4.05 of the Installment Sale Agreement;

(e) **Effect.** Notwithstanding that any Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of the Certificates and all obligations of the Corporation, the Trust Administrator and the District under this Trust Agreement with respect to all Outstanding Certificates shall cease and terminate, except only the obligation of the Trust Administrator to pay or cause to be paid, from Installment Payments paid by or on behalf of the District from deposits pursuant to paragraphs (b) through (d) of this Section 14.01, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d) of this Section 14.01, the Certificates shall continue to represent direct, undivided and fractional interests of the Owners thereof in Installment Payments under the Installment Sale Agreement.



(f) **Payment Date.** All monies held or deposited pursuant to subsections (b) through (d), above, shall be used to pay and prepay Certificates on the earliest possible date.

(g) **Surplus Funds.** Any funds held by the Trust Administrator, at the time of one of the events described above in subsections (a) through (d) above, which are not required for the payment to be made to Owners, or for payments to be made to the Trust Administrator by the District (including attorneys' fees), shall be paid over to the District.

**Section 14.02. Records.** The Trust Administrator shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the District, the Corporation, and the Owners of not less than 10% in aggregate principal amount of the Certificates Outstanding, or the agent of any of them, upon reasonable prior notice and during regular business hours.

**Section 14.03. Notices.** All written notices to be given under this Trust Agreement shall be given by mail first class, postage prepaid, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time. Any such notice shall be deemed to have been received 48 hours after deposit in the United States mail, with postage fully prepaid.

If to the District: South San Luis Obispo County Sanitation District  
1600 Aloha Place  
Oceano, California 93445  
Attn: District Administrator

If to the Corporation: Public Property Financing Corporation of California  
\_\_\_\_\_, CA \_\_\_\_\_  
Attn: Treasurer

If to the Trust Administrator: District Administrator  
South San Luis Obispo County Sanitation District  
1600 Aloha Place  
Oceano, California 93445

**Section 14.04. Governing Law.** This Trust Agreement shall be construed and governed in accordance with the laws of the State.

**Section 14.05. Binding Effect; Successors.** This Trust Agreement shall be binding upon and be for the benefit of the parties hereto and their respective successors and assigns. Whenever in this Trust Agreement the Corporation, the District or the Trust Administrator is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Corporation, the District or the Trust Administrator shall bind and be for the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 14.06. Execution in Counterparts.** This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

**Section 14.07. Destruction of Canceled Certificate.** Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trust Administrator and the delivery to the District of any Certificate, the Trust Administrator may, in lieu of such cancellation and delivery, destroy such Certificate and deliver a certificate of such destruction to the District.

**Section 14.08. Headings.** The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

**Section 14.09. Limitation of Rights to Parties and Certificate Owners.** Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give to any person other than the Corporation, the District, the Trust Administrator and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the District, the Trust Administrator and the Owners of the Certificates delivered hereunder.

**Section 14.10. Waiver of Notice.** Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

**Section 14.11. Payments Due on Other than Business Day.** If the date for making any payment as provided in this Trust Agreement is not a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if done on the date provided therefore herein.

**Section 14.12. Payment of Unclaimed Moneys.** Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trust Administrator in trust for the payment of the principal or interest due with respect to any Certificate and remaining unclaimed two years from the date of prepayment of such Certificate, or if the law shall have been changed and a District has notified the Trust Administrator of such change or the Trust Administrator notifies the District, then on the date 30 days prior to the then applicable escheat provision of State law, shall, on such date, be repaid to the District free from the trusts created by this Trust Agreement, and all liability of the Trust Administrator with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Trust Administrator may (at the cost and request of the District) first mail to the Owners to whom such amounts have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trust Administrator with respect to the amounts so payable and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. The Trust Administrator shall not be liable for any interest on funds held by it. The District shall not be liable for any interest on the sums paid to it pursuant to this Section 14.11 and shall not be regarded as a Trust Administrator of such money.

**Section 14.13. Separability of Invalid Provisions.** If any one or more of the provisions contained in this Trust Agreement or in the Certificates is for any reason held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

[Signature page follows]

**IN WITNESS WHEREOF**, the parties have executed this Trust Agreement as of the date and year first above written.

DISTRICT ADMINISTRATOR,  
*as Trust Administrator*

By \_\_\_\_\_  
District Administrator for the South San Luis  
Obispo County Sanitation District

PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA

Attest

By \_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT

Attest

By \_\_\_\_\_  
Secretary

By \_\_\_\_\_  
District Administrator

## APPENDIX A

### DEFINITIONS

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be financed from the proceeds of such Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12-month period selected by the District under Section 3.09(b) of the Installment Sale Agreement, were not in service, all in an amount equal to the estimated additional Net Revenues to be derived from such additions, improvements and extensions based on the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by a certificate of a District Representative.
- (ii) An allowance for Net Revenues arising from any increase in rates and charges made for service from the Wastewater System which has become adopted by the Board of Directors of the District prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the total 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 or such 12-month period, all as shown by a certificate of a District Representative.

“Board” means the Board of Directors, as the legislative body of the District.

“Bond Year” means any 12-month period commencing on September 2 in a year and ending on the next succeeding September 1, both dates inclusive; except that the first Bond Year commences on the Closing Date and ends on September 1, 2021.

“Corporation” means the Public Property Financing Corporation of California.

“Corporation Representative” means the Chairman, Vice Chairman, Executive Director, Treasurer, or any persons authorized to act on behalf of the Corporation under or with respect to the Trust Agreement or the Installment Sale Agreement and identified as such to the Trust Administrator in writing.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Trust Administrator has its principal trust office are authorized or obligated by law or executive order to be closed.

“Certificate Register” means the registration books relating to the Certificate maintained by the Trust Administrator in accordance with Section 2.12 of the Trust Agreement.

“Certificates” means the \$4,464,000 South San Luis Obispo County Sanitation District Certificates of Participation (Redundancy Project), dated the Closing Date, executed and delivered pursuant to the Trust Agreement.

“District” means the South San Luis Obispo County Sanitation District, California.

“District Representative” means the Chair, District Administrator, Secretary, or any other official of the District authorized by the Board to act for the District.

“Closing Date” means \_\_\_\_\_, 2020, the date upon which there is a physical delivery of the Certificate in exchange for the amount representing the purchase price of all or the first advance of a portion of the purchase price of the Certificate by the Original Purchaser.

“Construction Costs” means the costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the Wastewater System constituting the Project.

“Construction Fund” means the fund of that name established pursuant to Article III of the Trust Agreement and held by the Trust Administrator.

“Debt Service” means the scheduled amount of interest and sinking fund amounts payable with respect to the Certificates during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning or during such period.

“Defeasance Obligations” means (a) cash, or (b) non-callable Federal Securities.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the refinancing and financing of the Project from the proceeds of the Certificate, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, fees for execution, transportation and safekeeping of the Certificates, travel expenses and charges and fees in connection with the foregoing.

“Denomination Amount” means the minimum denomination of the Certificate, which is \$1,000.

“Event of Default” means an event of default under Section 7.01 of the Installment Sale Agreement.

“Fair Market Value” means for purposes of valuing the Permitted Investments, 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 Tax Code) and, otherwise, the term “fair market value” means the acquisitions 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 Tax 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 Tax 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 if the return paid by such fund is without regard to the source of investment.

The Trust Administrator shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of a District Representative in any written directions of a District Representative.

"Federal Securities" means direct general obligations (including obligations issued or held in book entry form on the books of the Department of the Treasury) of the United States of America, or obligations the timely payment of principal of and interest on which are guaranteed by, the United States of America.

"Fiscal Year" means any period of 12 consecutive months established by the District as its fiscal year and shall initially mean the period commencing July 1 of one year and ending on June 30 of the following year.

"Government" means the United States of America, acting through the Rural Utilities Service (or successor agency, bureau or division) of the United States Department of Agriculture.

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

- (a) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Wastewater System, including connection fees,
- (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 under applicable law to the Wastewater System, and
- (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System as permitted in this Trust Agreement.

The term "Gross Revenues" does not include (i) customers' deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) the

proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District, and (iii) 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.

"Installment Payment" means any payment required to be paid by the District to the Corporation pursuant to Section 3.05 of the Installment Sale Agreement.

"Installment Payment Date" means each Interest Payment Date.

"Installment Payment Fund" means the fund designated "South San Luis Obispo County Sanitation District Project Installment Payment Fund" established and held by the Trust Administrator pursuant to Article V of the Trust Agreement.

"Installment Sale Agreement" means the Installment Sale Agreement, dated as of the date of this Trust Agreement, by and between the Corporation and the District, and any duly authorized and executed amendment or supplement thereto.

"Insurance and Condemnation Fund" means the fund by that name established pursuant to Article VII of the Trust Agreement and held by the Trust Administrator.

"Interest Payment Date" means, with respect to any Certificate, March 1, 2021, and each March 1 and September 1 thereafter to and including the date of maturity or the date of prepayment of such Certificate.

"Interest Rate" means the rate of interest to be paid on the Certificates which is \_\_\_\_\_ % per annum.

"Maximum Annual Debt Service" means with respect to the Installment Payments and any Parity Obligations, as of the date of any calculation, the maximum sum obtained for the current or any future Bond Year by totaling the following amounts for such Bond Year:

- (a) the principal amount of the Installment Payments and any Parity Obligations coming due and payable by their terms in such Bond Year, including the principal amount required to be paid by operation of mandatory sinking fund redemption in such Bond Year; and
- (b) the amount of interest which would be due during such Bond Year on the aggregate principal amount of the Installment Payments and any Parity Obligations which would be Outstanding in such Bond Year if the Installment Payments and any Parity Obligations are retired as scheduled. Notwithstanding the foregoing, with respect to any Parity Obligations which then bear interest at a variable rate, such interest shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if such Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if such Parity Obligations have been outstanding for at least 12 months, the average rate of the 12 months immediately preceding the date of calculation, (iii)(A) if interest on such Parity Obligations is excludable from gross income under the Tax Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (B) if



interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus 50 basis points; *provided, however*, that for purposes of any rate covenant measuring actual debt service coverage during a certain period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during such period.

“Net Proceeds” means any insurance proceeds or condemnation award paid with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

“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 coming payable during such period.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (b) all administrative costs of the District that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance. “Operating and Maintenance Costs” do not include (i) administrative costs of the Certificates which the District is required to pay hereunder, (ii) payments of debt service on bonds, notes or other long-term obligations of the District with respect to the Wastewater System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, (iv) discretionary payments made by the District not required for operations, such as voluntary prepayment of pension liability, and (v) amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means the Government as the first purchaser of the Certificates upon their delivery by the Trust Administrator on the Closing Date.

“Outstanding,” when used as of any particular time with respect to a Certificate, means (subject to the provisions of Section 10.03 of the Trust Agreement) all Certificates theretofore executed and delivered by the Trust Administrator under the Trust Agreement except:

(a) Certificates theretofore canceled by the Trust Administrator or surrendered to the Trust Administrator for cancellation;

(b) Certificates for the payment or prepayment of which funds or eligible securities in the necessary amount, including accrued interest thereon, shall have theretofore been deposited with the Trust Administrator (whether upon or prior to the maturity or prepayment date of such Certificate), provided that, if such Certificates are to be redeemed prior to maturity, notice of such prepayment has been given as provided in Section 4.03 of the Trust Agreement or provision satisfactory to the Trust Administrator shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trust Administrator pursuant to Section 2.09 of the Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of a Certificate,” or any similar term, means the person or entity in whose name a Certificate is registered.

“Parity Obligations” means (i) the Installment Payments, and (ii) the payments made pursuant to any other indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues equally and ratably with the Installment Payments.

“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 and Moody's.
- (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 (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P and Moody's; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated in the highest short-term rating category by S&P and Moody's.
- (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 and Moody's.
- (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 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P and Moody's, 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 and Moody's.

- (i) Bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by such rating agencies.
- (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 and Moody's at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee 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, to the extent the Trustee is authorized to register such investment in its name.

"Prepayment" means any payment applied towards the prepayment of the Installment Payments, in whole or in part, pursuant to Article X of the Installment Sale Agreement.

"Principal Amount" means the aggregate principal amount with respect to the Certificates, being \$4,464,000.

"Principal Trust Office" means the office of the Trust Administrator at the offices of the District, or at such other address designated by the Trust Administrator by written notice filed with the District and the Corporation.

"Proceeds" when used with reference to the Certificate, means the face amount of the Certificate, plus accrued interest and premium, if any, less original issue discount, if any.

"Project" means the improvements to the Wastewater System described in Appendix A to the Installment Sale Agreement.

"Rating Category" means, with respect to any Permitted Investment, one or more of the generic categories of rating by S&P applicable to such Permitted Investment, without regard to any refinement or gradation of such rating category by a plus or minus sign.

"Regular Record Date" means the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day.

"Reserve Fund" means the fund of that name established under Article VI of the Trust Agreement and held by the Trust Administrator.

"Reserve Requirement" has the meaning set forth in the Installment Sale Agreement.

"S&P" means S&P Global Ratings, or its successors.

"State" means the State of California.

"Subordinate Debt" means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the Installment Payments.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Installment Sale Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Tax Code.

"Term of the Installment Sale Agreement" means the time during which the Installment Sale Agreement is in effect which begins on the Closing Date and ends on the payment of the final Installment Payment, unless sooner terminated pursuant to the terms of the Installment Sale Agreement.

"Trust Administrator" means the District Administrator for the District, or any successor thereto, acting as Trust Administrator pursuant to the Trust Agreement.

"Trust Agreement" means this Trust Agreement, dated as of \_\_\_\_\_, 2020, by and among the Trust Administrator, the Corporation and the District, together with any amendments or supplements thereto permitted to be made thereunder.

"Wastewater System" means any and all facilities now existing or hereafter acquired or constructed which are owned, controlled or operated by the District for the transportation, treatment, disposal or reuse of wastewater, including sewage treatment plants, intercepting and collecting sewers, outfall sewers, force mains, pumping stations, ejector stations, oxidation ponds, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, purification, reclamation or disposal of sewage, and any necessary lands, rights of way and other real or personal property useful in connection therewith.

"Wastewater System Funds" means the fund or funds established and held by the District with respect to the Wastewater System, into which all or any part of the Gross Revenues are deposited.

"Written Certificate" of the District means a written certificate signed in the name of the District by a District Representative as contemplated by and containing the elements required by Section 1.03 of the Trust Agreement and Section 1.03 of the Installment Sale Agreement.

## APPENDIX B

### FORM OF CERTIFICATE OF PARTICIPATION

No. R-1

\*\*\*\$4,464,000\*\*\*

#### **CERTIFICATES OF PARTICIPATION (REDUNDANCY PROJECT)**

**Evidencing the Direct, Undivided Fractional Interests of the Owner  
Thereof in Installment Payments to be Made by the  
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT  
As the Purchase Price for Certain Property Pursuant  
to an Installment Sale Agreement with the  
PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

RATE OF INTEREST:  
1.375%

DATED DATE:  
\_\_\_\_\_, 2020

REGISTERED OWNER: UNITED STATES OF AMERICA, ACTING THROUGH RURAL  
UTILITIES SERVICE, UNITED STATES DEPARTMENT OF  
AGRICULTURE

PRINCIPAL AMOUNT: \*\*\*FOUR MILLION FOUR HUNDRED SIXTY-FOUR THOUSAND  
DOLLARS\*\*\*

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (the "Certificate") is the owner of a direct, undivided fractional interest in installment payments (the "Installment Payments") payable under the Installment Sale Agreement dated as of \_\_\_\_\_, 2020 (the "Installment Sale Agreement") by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA (the "Corporation"), a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, and the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, a county sanitation district duly organized and existing under and by virtue of the laws of the State of California (the "District"). The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to the District Administrator of the District, as trust administrator (the "Trust Administrator"), having an office in the location described in the Trust Agreement referred to below.

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale Agreement, on the Maturity Dates identified below, or any earlier prepayment date, the principal amounts identified below representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal as follows:

<b>Maturity Date</b>	<b>Bond Numbers</b>	<b>Total Principal</b>	<b>Interest Rate</b>
	1-86	\$	%

87-173  
174-262  
263-353  
354-446  
447-541  
542-638  
639-737  
738-838  
839-941  
942-1046  
1047-1153  
1154-1262  
1263-1373  
1374-1486  
1487-1601  
1602-1719  
1720-1839  
1840-1962  
1963-2087  
2088-2215  
2216-2345  
2346-2478  
2479-2613  
2614-2751  
2752-2892  
2893-3036  
3037-3182  
3183-3331  
3332-3483  
3484-3638  
3639-3797  
3798-3959  
3960-4124  
4125-4292  
4293-4464  
4465-4639  
4640-4818  
4819-5000  
\$4,464,000

and to receive on March 1, 2021, and semiannually thereafter on September 1 and March 1 of each year (each an "Interest Payment Date") until payment in full of said principal the Registered Owner's direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Rate of

Interest from the Interest Payment Date next preceding the date of execution of this Certificate unless (a) this Certificate is authenticated after the close of business on the 15th day of the month immediately preceding an Interest Payment Date (a "Record Date") and on or before such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (b) unless this Certificate is authenticated on or before February 15, 2021, in which event interest shall be payable from the Dated Date identified above. The Registered Owner's share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Rate of Interest per annum identified above. Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Office of the Trust Administrator, and interest represented hereby is payable by check or draft mailed by first class mail by the Trust Administrator on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trust Administrator as of the preceding Record Date. Interest shall be calculated on the basis of a year of 365 days and actual days elapsed. Each semiannual payment of interest shall be in the amount of one-half of the annual amount of interest due. Unless otherwise requested by the registered owner, principal installments and interest hereon are payable by the Pre-Authorized Debit (PAD) payment process.

This single Certificate is issued in lieu of and represents the Certificates above-mentioned, all of like date, tenor and effect, but differing in amounts and maturities.

This Certificate is executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement by and among the Trust Administrator, the Corporation and the District, dated as of \_\_\_\_\_, 2020 (the "Trust Agreement"). The District has certified that it is authorized to enter into the Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of paying and reimbursing the payment of the costs of certain public capital improvements. Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Office of the Trust Administrator) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trust Administrator and the rights and obligations of the District under the Installment Sale Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The District is obligated under the Installment Sale Agreement to pay the Installment Payments from Net Revenues (as such term is defined in the Trust Agreement). The obligation of the District to pay the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Installment Payments does not constitute a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificate is subject to prepayment in whole on any date and in part on any Interest Payment Date from the (i) Net Proceeds of any insurance or condemnation award and (ii) Unexpended Proceeds, which are, in either case deposited in the Installment Payment Fund and credited towards the prepayment made by the District pursuant to the Installment Sale Agreement, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

The Certificate is subject to prepayment in whole or in part on any date, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium, from the proceeds of optional prepayments made by the District pursuant to the Installment Sale Agreement. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the District. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the District debt shall, after payment of interest, be applied to the installments last to become due under this Certificate and shall not affect the obligation of the District to pay the remaining installments as scheduled in the security instruments.

As provided in the Trust Agreement, notice of prepayment shall be mailed by the Trust Administrator by first class mail, postage prepaid, not less than 30 nor more than 60 days before the prepayment date, to the Registered Owner of the Certificate, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment or the cessation of accrual of interest represented thereby. If this Certificate is called for prepayment and payment is duly provided herefor as specified in the Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

This Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Office of the Trust Administrator, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates, of authorized denomination or denominations, representing the same aggregate principal amount and representing the same rate of interest and maturity date, will be delivered to the transferee in exchange herefor. The District, the Corporation and the Trust Administrator may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the District, the Corporation and the Trust Administrator shall not be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended without such consent under certain circumstances; provided that no such amendment shall extend the fixed maturity of any Certificate or reduce the interest or principal represented thereby, without the express consent of the owner of such Certificate.

The Trust Administrator has no obligation or liability to the registered owners of the Certificates to make payments of principal, or interest with respect to the Certificates except from amounts on deposit for such purposes with the Trust Administrator. The Trust Administrator's sole obligations are to administer for the benefit of the registered owners of the Certificates the various funds and accounts established under the Trust Agreement and to perform the other duties expressly imposed upon it under the Trust Agreement.

The District has certified, recited and declared that all things, conditions and acts required by the laws of the State of California, the Installment Sale Agreement and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, do exist, have happened and have been performed in due time, form and manner as required by law.



This Certificate is given as evidence of a loan to the District made by the United States of America, acting through Rural Utilities Service, United States Department of Agriculture, pursuant to the Consolidated Farm and Rural Development Act, and shall be subject to the present regulations of the Rural Utilities Service or any successor agency thereto and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by the Trust Administrator, acting pursuant to the Trust Agreement.

Executed as of the Dated Date first written above.

**DISTRICT ADMINISTRATOR, as TRUST  
ADMINISTRATOR**

By: \_\_\_\_\_  
District Administrator for the South San Luis  
Obispo County Sanitation District

## ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Name, Address and Tax Identification or Social Security Number of Assignee)

the within registered Certificate and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_  
\_\_\_\_\_ attorney, to transfer the same on the registration books of  
the Trust Administrator with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor.

\_\_\_\_\_  
Note: The signature(s) on this Assignment must correspond with the name (s) as written on the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.

Certificate of Advances of Payment from United States of America, acting through Rural Utilities  
Service, United States Department of Agriculture

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The following advances have been paid to and received by the District in the amount and on the date(s) set forth below, as evidenced by the Trust Administrator's signature set forth below, as evidenced by said Trust Administrator's signature set forth opposite "Date of Advance" and "Amount of Advance."

<u>Date of Advance</u>	<u>Amount of Advance</u>	<u>Signature of The Trust Administrator</u>
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____

Total principal sum of the within Certificate advanced as of \_\_\_\_\_, 20\_\_ is  
\$\_\_\_\_\_.

Record of Prepayment in Advance of Maturity  
of Certificates Represented by this Certificate

The Record of prepayment in advance of maturity on the registered Certificate shall be substantially as follows:

<u>Amount</u>	<u>Date</u>
_____	_____
_____	_____
_____	_____

## **APPENDIX C**

**\$4,464,000**

### **CERTIFICATES OF PARTICIPATION**

**(Redundancy Project)**

**Evidencing the Direct, Undivided Fractional Interests of the Owner**

**Thereof in Installment Payments to be Made by the**

**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

**As the Purchase Price for Certain Property Pursuant**

**to an Installment Sale Agreement with the**

**PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

### **WRITTEN REQUISITION NO. \_\_ FOR DISBURSEMENT FROM CONSTRUCTION FUND**

The undersigned hereby states and certifies that:

1. the undersigned is the duly appointed, qualified and acting \_\_\_\_\_ of the South San Luis Obispo County Sanitation District (the "District"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

2. the undersigned is a duly designated "District Representative", as such term is defined in that certain Trust Agreement, dated as of \_\_\_\_\_, 2020 (the "Trust Agreement"), by and among the District Administrator, as trust administrator (the "Trust Administrator"), Public Property Financing Corporation of California (the "Corporation") and the District;

3. Under Section 3.02 or Section 3.03 of the Trust Agreement, the Trust Administrator is hereby requested to disburse this date, from the Construction Fund established under the Trust Agreement, to the payees set forth on Attachment I attached hereto and by this reference incorporated herein, at the addresses identified thereon, the amount set forth opposite such payee for payment of Construction Costs or Delivery Costs, as applicable.

4. The amounts to be disbursed constitute Construction Costs or Delivery Costs, as applicable; those amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the Corporation or the District, or were necessarily and reasonably incurred; and said amounts are not being paid in advance of the time, if any, fixed for payment.

5. No amount set forth in this requisition was included in any requisition requesting disbursement previously filed with the Trust Administrator pursuant to Section 3.02 or Section 3.03 of the Trust Agreement.

6. Insofar as this requisition relates to payment for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the construction of the Project or delivered to the appropriate site for such purpose, or delivered for storage or fabrication at a place approved by the District.

7. If this requisition relates to payment to a contractor, no liens have been imposed on the Project as a result of said construction except liens that have not yet ripened or that would attach by operation of law.

8. any capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Trust Agreement.

Dated: \_\_\_\_\_, 20\_\_

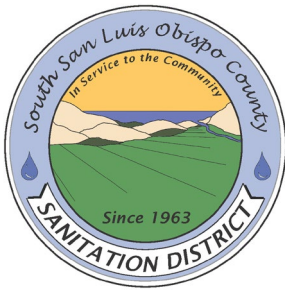
SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT

By:

\_\_\_\_\_  
Title: \_\_\_\_\_

ATTACHMENT I

<u>Payee Name and Address</u>	<u>Purpose of Obligation</u>	<u>Amount</u>
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## **SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

Post Office Box 339 Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

Telephone (805) 489-6666 FAX (805) 489-2765

[www.sslocsd.org](http://www.sslocsd.org)

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### **STAFF REPORT**

**Date:** August 05, 2020  
**To:** Board of Directors  
**From:** Jeremy Ghent, District Administrator

**Subject: AUTHORIZE STAFF TO BID WWTP REDUNDANCY PROJECT**

#### **RECOMMENDATION:**

Adopt Resolution No 2020-422 authorizing the District Administrator to advertise bidding documents for the Wastewater Treatment Plant Redundancy Project.

#### **BACKGROUND AND DISCUSSION:**

The District has been working to develop the Wastewater Treatment Plant (WWTP) Redundancy Project, the largest capital improvements project the District has undertaken since the 1986 WWTP Improvements. The project is intended to allow major process units to be removed from service for maintenance or repairs without risking violation of effluent permit limits. The project includes the following main components:

- Two activated sludge (AS) aeration basins
- One new secondary clarifier
- Fixed film reactor (FFR) effluent and primary effluent pump station
- Waste activated sludge (WAS) thickener with modifications to existing dewatering platform
- Blower, electrical, and motor control center (MCC) building
- Yard piping
- Site improvements
- Instrumentation and controls
- Electrical systems
- Floodproofing of critical plant systems
- Rehabilitation of existing secondary clarifier
- New generator to provide backup power for new facilities

The project design was completed by Kennedy Jenks in April 2019. Since that time, the District has been working to complete the application with USDA Rural Development for a low-interest



loan and complete the pre-construction requirements for the Coastal Development Permit. Since April 2019, the following major milestones for the project have been completed:

- Procurement of the final Coastal Development Permit - *May 2019*
- Development of updated financial plan as required for the USDA loan application – *September 2019*
- Selection and procurement of a Construction Management Team (MNS Engineers) – *November 2019*
- Completion of additional environmental analyses required for the USDA loan application – *November 2019*
- Development of updated engineering report as required for the USDA loan application – *January 2020*
- Completion of constructability review of final plans and specifications – *March 2020*
- Completion of contractor prequalification– *May 2020*
- Formal consultation with USFWS as required for the USDA loan application – *November 2019 – May 2020*
- Completion of final environmental reports for USDA loan and USDA loan application – *May 2020*
- Receipt of Letter of Conditions for low-interest loan from USDA – *June 2020*

District staff and MKN have been working with USDA Rural Development staff to complete the pre-loan requirements. We anticipate final review of project engineering contracts and bidding documents by USDA will be completed within the next four weeks, and staff is therefore requesting authorization to advertise this important project for bid.

#### **Fiscal Consideration:**

The District plans to fund the project with a combination of sources consisting of a low-interest rate USDA loan, Certificates of Participation (COPs), and cash funding. The anticipated project costs were included in the previous rate increase that was adopted in February 2016. Once project bids are received and reviewed, the project cost opinion and financial projections will be updated to determine the proposed level of funding from COPs. Staff will return to the Board to request authorization to sell the COPs and issue the Notice of Award for project construction.

#### **Attachments:**

Resolution No. 2020-422 Authorization to Bid WWTP Redundancy Project

### **RESOLUTION NO. 2020 - 422 A RESOLUTION OF THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT BOARD OF DIRECTORS AUTHORIZING STAFF TO ADVERTISE BID FOR THE WASTEWATER TREATMENT PLANT REDUNDANCY PROJECT**

**WHEREAS**, the South San Luis Obispo County Sanitation District (“District”) has been developing a long-term strategy for the District’s Wastewater Treatment Plant (WWTP) to meet capacity and redundancy concerns for decades with planning and preliminary design for the WWTP Redundancy Project beginning in 2005; and

**WHEREAS**, the WWTP Redundancy Project is intended to allow major process units to be removed from service for maintenance or repairs without risking violation of effluent permit limits; and

**WHEREAS**, in 2015/16, the Board of Directors adopted a rate structure to repay the anticipated debt service for this project; and

**WHEREAS**, in May 2019, the District received the final Coastal Development Permit for the Project; and

**WHEREAS**, in May 2020, the District completed an application to USDA Rural Development for a low-interest loan and District staff is working to finalize the pre-construction loan conditions; and

**WHEREAS**, the bidding documents for the WWTP Redundancy Project are being finalized.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of South San Luis Obispo County Sanitation District, that the District Administrator is authorized to advertise for bid the WWTP Redundancy Project.

**PASSED AND ADOPTED** at a regular meeting of the South San Luis Obispo County Sanitation District Board of Directors held this 5<sup>th</sup> day of August 2020.

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, and by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

**PASSED AND ADOPTED** at a regular meeting of the South San Luis Obispo County Sanitation District held August 5, 2020.

ATTEST:

\_\_\_\_\_

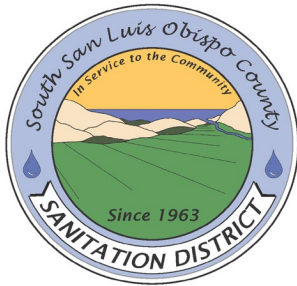
\_\_\_\_\_  
BOARD CHAIR

APPROVED AS TO FORM:

BY: \_\_\_\_\_  
DISTRICT COUNSEL

CONTENTS:

BY: \_\_\_\_\_  
DISTRICT ADMINISTRATOR



# **SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

Post Office Box 339 Oceano, California 93475-0339  
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## **STAFF REPORT**

**Date:** August 5, 2020  
**To:** Board of Directors  
**From:** Jeremy Ghent, District Administrator; Mychal Jones, Plant Superintendent

**Subject: DISTRICT ADMINISTRATOR AND PLANT OPERATIONS REPORT**

This report represents ongoing information on the latest District staff activities on major capital projects and studies, programmatic initiatives, regional collaboration, miscellaneous activities, and Plant Operations. *Updates since the last report are provided in italics below:*

**Capital Projects:**

**Redundancy Project:**

- *Major work efforts by the District Administrator and Project Team have occurred since the last report as the project is finalized.*
- *Contract Documents are Currently under review by USDA*
- *Estimated Key Dates*

<b>TASK</b>	<b>TENTATIVE DATE</b>
BEGIN ADVERTISING	8/31/2020
BID OPENING	10/26/2020
BOND SALE	12/1/2020
NTP	12/7/2020
COMPLETION	3/15/2020

**Central Coast Blue:**

- *The project team is currently discussing whether there is any identified participation by the District in the 1<sup>st</sup> project phase.*
- *Generally speaking the District's role in the project's first phase continues to be minimized.*

**Misc:**

- *District continues to work with a modified schedule and increased PPE, temperature checks, and sanitization in order to protect worker safety and plant operations.*

**Plant Tours:**

1. *Suspended for during 'Shelter at Home'*

**Upcoming Items (Anticipated Date):**

*Revisions to KJ ESDC contract for Compliance with USDA (9/2/2020)*

*Resolution Authorizing District to Sell Bonds for Redundancy Project (10/02/2020)*

### Plant Operations Report

During this reporting period (July 1<sup>st</sup> – July 29<sup>th</sup>) the District's facility exceeded its NPDES Permit limit for total chlorine residual instantaneous maximum on July 9, 2020. Report of exceedance is below under **Exceedances**. The Regional Water Quality Control Board has been notified. *All other process values were within Permit limitations.*

#### Monthly Plant Data for July 2020

July 2020	INF Flow MGD	INF Peak Flow MGD	INF BOD mg/L	EFF BOD mg/L	BOD % Removal	INF TSS mg/L	EFF TSS mg/L	TSS % Removal	Fecal Coliform MPN/100 mL	Chlorine Usage lbs/day
Low	2.3	3.3	531	23.6		530	27.7		< 1.8	156
High	2.52	4.3	611	30.3		720	35		1202	437.5
Average	2.37	3.65	573	27.3	95.2	627	32.1	94.9	107	333
July 2019 AVG	2.71	3.95	561	25.8	95.4	648	32.5	95	81	228
Limit	5.0			40/60/90	>80		40/60/90	>80	2000	

#### Primary Clarifier No. 2 Rehabilitation and Coatings Project

The rehab project continues to progress. Fluid Resource Management (FRM) has begun coating the new clarifier mechanism with final coat to be applied Friday, July 31<sup>st</sup>. Following the final coat, FRM will complete installation of the clarifier mechanism, scraper, walkway bridge, electrical and spray bar. Inspection and startup of the clarifier is scheduled for the week of August 17<sup>th</sup>.



**Digester No. 2 Cleaning Project**

The District received three proposals for construction management services for the upcoming Digester No. 2 Cleaning Project. Staff has selected Michael K. Nunley and Associates to perform the necessary engineering services for the project. Expected start date for the project is October 2020.

**Emergency Generator**

During the annual load test of the emergency generator, a leak in the emergency generator's radiator was observed. The District has acquired a temporary emergency generator until the main generator has been repaired (approximately 1-3 weeks for repair completion).

**Trunk Sewer Flushing and Closed-Circuit Television Inspection**

Mainline Utility Co. has begun flushing the District's trunk sewer lines. Following completion of flushing, Mainline will begin the inspection of the District's trunk sewer lines by way of closed-circuit television.

**Operation and Maintenance Tasks**

- Installed new polymer feed system at splitter box
- Cleaned up maintenance shop
- Serviced and ran small equipment located in fixed film reactor storage area
- Calibrated backup chemical probes
- Cleaned out sludge beds
- Serviced and replaced leaking sprinkler and sprinkler line
- Filled potholes with base on back access road
- Inspected and marked Underground Service Alerts
- Unplugged centrifuge and troubleshot blockage
- Johnson's Boiler performed annual maintenance on boiler
- Replaced boiler hot water pressure relief valves
- Cleaned well water filter
- Quality Pest Management performed a disinfection cleaning of the office
- Troubleshot influent pump No. 3
- Assisted with connection of temporary emergency generator
- Troubleshot Amiad filters and replaced shear pin
- Thoma Electric assisted staff with the troubleshooting of the emergency generator test switch
- Flushed fixed film reactor
- Drained and rinsed first four channels of chlorine contact tank

**Work Orders Completed**

- Rinsed down all clarifier surfaces
- De-ragged primary sludge pump
- Flushed sodium bisulfite header
- Flushed strainer baskets throughout plant
- Replaced all desiccators inside electrical panels throughout plant
- Test ran emergency generator and emergency bypass pump
- Performed preventative maintenance on loader, forklift, sumps, 6" pump, water champ, Amiad filters, and junction box
- Inspected all clarifier drive units
- Inspected digester vacuum/pressure relief valves

- Performed monthly safety walk

### **Training**

- Operations staff participated in training on Job Hazard Analysis
- Operations staff participated in training on Hazardous Materials Labeling

### **Modified Staffing**

On July 16<sup>th</sup>, the District reimplemented a modified schedule for Staff due to the rise in Coronavirus cases. Staff continues to practice social distancing and continues to wear face masks/face coverings. The District will continue to monitor the pandemic and provide updates when possible.

### **Call Outs**

- July 10<sup>th</sup> and July 11<sup>th</sup>, 10:30 PM and 10:10 PM – High Final ORP. Operations staff responded and inspected the system. Upon inspection, the system had returned to normal. The cause of both call outs were due to the switch over from day to night on the disinfection control system. The District's electrical/integrator changed settings in the control system to allow for a gradual change between day to night disinfection control settings. The District has not received a call out since the change.

### **Exceedances**

#### *Total Chlorine Residual Instantaneous Maximum*

The District had a Permit exceedance for total chlorine residual instantaneous maximum on 7/9/2020. The District observed a total chlorine residual of 16.4 mg/L. Immediately following the observation, Operations staff placed the Sodium Bisulfite pump in manual to assist with de-chlorination. At 12:01 a resample was taken and a residual of 0.00 mg/L was recorded. Operations staff left the Sodium Bisulfite pump in manual until the issue could be resolved.

The cause of the exceedance was due to the Programmable Logic Controller (PLC) losing its IP Address and its ability to communicate with the chemical pumps. There was a glitch in power at approximately 7:50 AM on 7/9/2020 which may have been the cause of the PLC failure. The District has observed these glitches in the past but has never observed a loss of the PLC's IP Address and communication to the chemical pumps.

To prevent reoccurrence, our Electrician/Integrator reprogrammed the PLC and tested the IP Address retention by cycling the power on and off. The PLC held its IP Address even after the power was cycled off. If there were to be future power interruptions, the PLC should not lose its IP Address or communication with the chemical pumps.

Per the State Water Resources Control Board Water Quality Enforcement Policy, total chlorine residual is a Group II pollutant, and the District will be assessed a fine of \$3,000.00 by the Regional Water Quality Control Board.

### **Energy Usage Comparison**

At the July 1, 2020 Board meeting, the Board requested an energy cost comparison for the May-June 2020 and the May-June 2019 PG&E billing cycle. There was a rise in cost in the amount of \$738.00 for the 2020 billing cycle compared to the 2019 billing cycle. The primary reason is due to the average rate per kilowatt-hour (kWh) being \$0.21 in 2020 compared to \$0.19 in 2019. In addition, during the May-June 2020 billing cycle, the District averaged 3,059 kWh per day

compared to 2,967 kWh per day usage during the May-June 2019 billing cycle. A difference of 92 kWh per day.