

Amended as to Item 3.C. - 8/30/2022

Pursuant to Government Code Section 54953(e), members of the Board of Directors and staff will participate in this meeting via a teleconference. Members of the public can submit written comments to the Board Secretary at [boardcomment@camabriacsd.org](mailto:boardcomment@camabriacsd.org)



## CAMBRIA COMMUNITY SERVICES DISTRICT

I, Donn Howell, President of the Cambria Community Services District Board of Directors, hereby call a Special Meeting of the Board of Directors pursuant to California Government Code Section 54956. The Special Meeting will be held: **Wednesday, August 31, 2022, 2:00 PM**. The purpose of the Special Meeting is to discuss or transact the following business:

### AGENDA

#### SPECIAL MEETING OF THE CAMBRIA COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS

**Wednesday, August 31, 2022, 2:00 PM**

**Please click the link below to join the webinar:**

<https://us06web.zoom.us/j/83023949784?pwd=WXIGWIFIQ2RYMUpBS3I2SjYlL2JYUT09>

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**Webinar ID: 830 2394 9784**

International numbers available: <https://us06web.zoom.us/j/83023949784>

#### 1. OPENING

- A. Call to Order
- B. Pledge of Allegiance
- C. Establishment of Quorum
- D. PRESIDENT'S REPORT

#### 2. PUBLIC COMMENT ON AGENDA ITEMS

#### 3. REGULAR BUSINESS

- A. Discussion and Consideration of Adoption of Resolution 60-2022 Authorizing the Issuance of Wastewater Revenue Certificates of Participation, Series 2022A and Authorizing Execution of Legal Documents by Officers of the District with Approval of District Counsel
- B. Discussion and Consideration of Adoption of Resolution 61-2022 Approving a Revised Debt

Management Policy and Disclosure Policies and Procedures

- C. Discussion and Consideration of Pacific Gas & Electric (PG&E) Work Order and Letter of Intent for Implementation of the Sustainable Solutions Turnkey (SST) Project Change

**4. ADJOURN**

## CAMBRIA COMMUNITY SERVICES DISTRICT

TO: Board of Directors

AGENDA NO. **3.A.**

FROM: John F. Weigold IV, General Manager

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Meeting Date: August 31, 2022	Subject: Discussion and Consideration of Adoption of Resolution 60-2022 Authorizing the Issuance of Wastewater Revenue Certificates of Participation, Series 2022A and Authorizing Execution of Legal Documents by Officers of the District with Approval of District Counsel
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**RECOMMENDATIONS:**

Staff recommends that the Board of Directors adopt Resolution 60-2022 authorizing the issuance of Wastewater Revenue Certificates of Participation (COPs), Series 2022A, and subject to certain parameters and approves the “form of” other required legal documents which are subject to final revision and execution by certain designated Officers of the District (the President of the Board and General Manager) with approval of District Counsel.

**FISCAL IMPACT:**

Annual debt service on the COPs is projected to phase in over the next two fiscal years to an estimated \$750,000 per year through final maturity on September 1, 2052. All costs of issuance related to the COPs will be funded by proceeds of the COPs. The final interest rates and debt service schedule will be determined via a public sale of the COPs. The COPs will be solely an obligation of CCSD’s wastewater system and will be issued with fixed, tax-exempt interest rates.

Staff will return to the Board with a future budget adjustment request, once the debt service amount is known for FY 2022/2023.

**DISCUSSION:**

CCSD has been moving forward with the issuance of Wastewater Revenue Certificates of Participation (COPs) to fund high-priority capital improvements to the wastewater system, which primarily include upgrades to CCSD’s wastewater treatment system as identified in an *Investment Grade Audit Report* developed by PG&E and its engineering subconsultants with substantial input from CCSD.

COPs are very similar to “bonds” and are widely used by California agencies, including many special districts that do not have the legal authority to issue revenue bonds. The COPs will be issued via a public sale and will enable CCSD to access the tax-exempt municipal bond market for low-cost financing. The proposed COPs have a similar general legal structure to CCSD’s prior wastewater debt including the 1999 installment purchase contract and subsequent 2010 refunding loan agreement.

The COPs will be secured solely by the net revenues of CCSD’s wastewater system. Pursuant to the legal documents, CCSD will be obligated to raise sewer rates and charges in future years as needed to repay debt service and generate net revenues that are equal to at least 120% of annual debt service.

**ATTACHMENTS:**

1. **Resolution 60-2022:** The Resolution authorizes the issuance of the Wastewater Revenue COPs, Series 2022A, subject to certain parameters and approves the “form of” the other required legal documents (listed below) which will be subject to final revision and execution by certain designated Officers of the District (the President of the Board and General Manager) with approval of District Counsel.

The not-to-exceed amount of debt issuance referenced in the Resolution accounts for a) \$12.1 million of funding for the Project, b) costs of issuance and bond insurance, c) roughly one year of debt service for a debt service reserve fund (in case needed), and d) a buffer to account for some additional principal in case the COPs are priced under an original issue discount structure if advantageous to CCSD. The final amount of COPs issued will be authorized by a designated Officer of the District with the goal of providing CCSD with approximately \$12.1 million of project funding for wastewater capital improvements.

2. **Installment Purchase Contract** (between CSDA Finance Corporation & CCSD): Pursuant to this document, CSDA Finance Corporation will purchase the Project (aka the wastewater system improvements) and sell the Project back to CCSD for a series of Installment Payments (similar to debt service payments). This document details key terms and legal covenants including CCSD’s obligation to pay the installment payments and raise wastewater rates and charges as needed to generate net revenues (revenues remaining after paying operating and maintenance expenses) that are equal to at least 120% of annual debt service to help ensure the wastewater system has an adequate revenue stream to repay the debt.
3. **Trust Agreement** (between the Bank of New York Mellon as Trustee, CSDA Finance Corporation & CCSD): This agreement authorizes the Trustee to issue the Certificates of Participation to investors and sets forth the repayment terms for the COPs and the Trustee obligations.
4. **Official Statement** (with Continuing Disclosure Certificate included): The Official Statement is provided by the Underwriter to investors and describes the COPs, legal covenants securing debt repayment, as well as the District and its wastewater system and finances. The Official Statement must accurately include all material information to enable potential investors to make an informed decision. A preliminary form of the Official Statement is circulated to prospective investors prior to pricing, and a final version is completed after pricing and incorporates final interest rates, debt service & other information.

Appendix D includes a Continuing Disclosure Certificate which details CCSD’s future obligations to file annual reports of updated financial information and provide timely reporting of certain significant events.

5. **Certificate Purchase Agreement** (between CCSD and the Underwriter): This document details final terms and conditions under which the Underwriter purchases the Certificates and provides funding to CCSD (via the Trustee). This agreement is finalized and signed by both parties on the day of pricing.

**RESOLUTION NO. 60-2022**

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CAMBRIA COMMUNITY SERVICES DISTRICT APPROVING AN INSTALLMENT PURCHASE CONTRACT, A TRUST AGREEMENT, A PURCHASE CONTRACT, A CONTINUING DISCLOSURE CERTIFICATE AND AN OFFICIAL STATEMENT; MAKING CERTAIN DETERMINATIONS RELATING THERETO; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.

**WITNESSETH:**

WHEREAS, the Cambria Community Services District (the “District”) is a community services district duly organized and validly existing under the laws of the State of California; and

WHEREAS, the District is authorized to sell and purchase property to finance and refinance public capital improvements to its wastewater system, including those improvements constituting the Project (as defined in the Installment Purchase Contract, hereinafter defined); and

WHEREAS, in order to finance the Project, the District has determined to enter into an Installment Purchase Contract (the “Installment Purchase Contract”) with the CSDA Finance Corporation (the “Corporation”) pursuant to which the Corporation will acquire, construct and improve the Project on behalf of the District and the District will purchase the Project from the Corporation; and

WHEREAS, under and pursuant to the Installment Purchase Contract, the District will be obligated to make certain Installment Payments (as defined in the Installment Purchase Contract), which include principal and interest components, to the Corporation; and

WHEREAS, the District has determined that it would be in the best interests of the District and the customers served by the District to authorize the preparation, execution and delivery of the Wastewater Revenue Certificates of Participation, Series 2022A (the “Certificates”), in a principal amount sufficient to finance the Project, including the funding of the Reserve Fund established by the Trust Agreement and paying costs of the financing, which Certificates shall be payable from the Installment Payments and the other sources provided for in the Trust Agreement, all under and in accordance with the laws of the State of California; and

WHEREAS, the United States Treasury Department has issued Treasury Regulation Section 1.150-2 (the “Reimbursement Regulations”) constituting final regulations with respect to the use of proceeds of a tax-exempt financing for reimbursement purposes and, to comply with the Reimbursement Regulations in the event such reimbursements are deemed necessary, the District intends to declare its official intent to be reimbursed for costs of the Project with proceeds of future taxable or tax exempt borrowings, including but not limited to the Installment Purchase Contract; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the Board of Directors of the District (the “Board”) obtain from an underwriter, municipal advisor or private lender and disclose, prior to authorization of the issuance of bonds, including debt instruments such as the Certificates, with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest

cost with respect to the Certificates; (b) the sum of all fees and charges paid to third parties with respect to the Certificates; (c) the amount of proceeds of the Certificates expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Certificates; and (d) the sum total of all debt service payments with respect to the Certificates calculated to the final maturity of the Certificates plus the fees and charges paid to third parties not paid with the proceeds of the Certificates; and

WHEREAS, in compliance with SB 450, the Board obtained from the District's municipal advisor, the required good faith estimates and such estimates are disclosed and set forth on Exhibit A attached hereto; and

WHEREAS, there have been presented at this meeting forms of the Installment Purchase Contract, a Trust Agreement, a Purchase Contract, a Continuing Disclosure Certificate and a Preliminary Official Statement.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE BOARD OF DIRECTORS OF THE CAMBRIA COMMUNITY SERVICES DISTRICT AS FOLLOWS:

**Section 1. Approval of Installment Purchase Contract.** The form of the Installment Purchase Contract, to be dated as of the first day of the month in which the Certificates are delivered, as presented to the District at this meeting, is hereby approved. The President of the Board and the General Manager or any other officers duly designated by the District (collectively, the "Officers") are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Installment Purchase Contract, in the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 2. Approval of Trust Agreement.** The proposed form of the Trust Agreement to be dated as of the first day of the month in which the Certificates are delivered (the "Trust Agreement"), among the Corporation, The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and the District, as presented to the District at this meeting, is hereby approved. Each of the Officers is hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Trust Agreement, in the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof. In connection therewith, the District approves the execution and delivery of the Certificates so long as the maturity does not exceed September 1, 2053, the aggregate true interest cost does not exceed 5.00%, and the aggregate principal amount does not exceed \$14,000,000.

**Section 3. Approval of Purchase Contract.** The form of Purchase Contract (the "Purchase Contract"), between the District and Oppenheimer & Co. Inc. (the "Underwriter"), as presented to the District at this meeting, is hereby approved. Each of the Officers is hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Purchase Contract, in the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 4. Approval of Preliminary and Final Official Statement.** The form of Preliminary Official Statement as presented to the District at this meeting, is hereby approved. Each of the Officers is hereby authorized and directed, for and on behalf of the District, to execute all certificates necessary to deem final the Preliminary Official Statement as of its date within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, with the exception of certain final pricing and related information. Each of the Officers is hereby authorized and directed, for and on behalf of the District, to execute and deliver the final Official Statement when completed. The use and distribution of said Preliminary Official Statement and use and distribution of the final Official Statement in connection with the sale of the Certificates is hereby ratified and approved.

**Section 5. Approval of Continuing Disclosure Certificate.** The proposed form of the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate), to be executed by the District, as presented to the District at this meeting, is hereby approved. Each of the Officers is hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Continuing Disclosure Certificate, in the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 6. Municipal Bond Insurance.** The Board hereby authorizes the General Manager to select a municipal bond insurer to insure payments of principal and interest with respect to all or a portion of the Certificates so long as the General Manager determines that obtaining the municipal bond insurance policy provided thereby will result in a lower interest rate or yield to maturity with respect to such Certificates. Further, the Board hereby authorizes the General Manager to select a municipal bond insurer to provide a reserve fund surety bond to be deposited into the reserve fund for the Certificates, so long as the General Manager determines that obtaining the reserve fund surety bond will be cost effective to the District. Each of the Officers is hereby authorized to execute and deliver any customary agreement with the municipal bond insurer providing the reserve fund surety bond. Kutak Rock LLP, Special Counsel, is hereby directed to make all changes to the Trust Agreement, the Installment Purchase Contract, the Preliminary Official Statement, the Purchase Contract and the Continuing Disclosure Certificate, as are necessary to reflect the selection of a municipal bond insurer and the municipal bond insurance policy and/or reserve fund surety bond and the reasonable comments thereof.

**Section 7. Financial Covenants.** Notwithstanding anything to the contrary in this Resolution, the District, with the advice of the municipal advisor, District Counsel and Kutak Rock LLP, Special Counsel, may modify the financial covenants and requirements set forth in the Installment Purchase Contract and Trust Agreement, including, but not limited to, the parity obligations test, rate covenant and the necessity of a reserve fund for the Certificates, to the extent such revisions are deemed necessary or desirable by the District for the execution and delivery of the Certificates based on advice from the District's municipal advisor, District Counsel and Kutak Rock LLP, Special Counsel or as required by the municipal bond insurer, if any; provided, however, that any such modifications or revisions shall not materially increase the financial or operational risks to the District and shall otherwise be subject to the terms hereof.

**Section 8. Declaration of Official Intent.** The District hereby declares its official intent, pursuant to the Reimbursement Regulations, to permit the District to reimburse itself from proceeds of the Certificates in the amount of up to the aggregate principal amount referred to in Section 2 above for certain expenditures for the Project that may have been paid by the District from other available moneys of the District prior to delivery of the Certificates.

**Section 9. Other Acts.** The Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with District Counsel and Kutak Rock LLP, Special Counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, including without limitation, obtaining insurance with respect to the payment of the interest and principal represented by the Certificates or ratings on the Certificates, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

**Section 10. Effective Date.** This Resolution shall take effect upon adoption.

PASSED, APPROVED AND ADOPTED this 31<sup>st</sup> day of August, 2022, by the following vote:

AYES:  
NAYS:  
ABSENT:  
ABSTAIN:

CAMBRIA COMMUNITY SERVICES  
DISTRICT

By \_\_\_\_\_  
Donn Howell, President

Attest:

By \_\_\_\_\_  
Leah Reedall, Board Secretary

I hereby certify that the above Resolution 60-2022 was duly introduced, read and adopted by the Board of Directors of the District at a regular meeting held on August 31, 2022.

By \_\_\_\_\_  
Leah Reedall  
Board Secretary



**EXHIBIT A****GOOD FAITH ESTIMATES**

The following information was obtained from the District's municipal advisor, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Certificates:

- (a) All-In True Interest Cost of the Certificates: 4.315%.
- (b) Finance Charge of the Certificates: \$409,690.
- (c) Amount of Proceeds to be received by the District: \$12,100,000.
- (d) Total Payment Amount: \$21,985,907.

**INSTALLMENT PURCHASE CONTRACT**

between the

**CAMBRIA COMMUNITY SERVICES DISTRICT**

and the

**CSDA FINANCE CORPORATION**

Dated as of October 1, 2022

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EXHIBIT A COMPONENTS OF THE PROJECT  
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## INSTALLMENT PURCHASE CONTRACT

**THIS INSTALLMENT PURCHASE CONTRACT**, dated as of October 1, 2022 (the “Installment Purchase Contract”), by and between the **CAMBRIA COMMUNITY SERVICES DISTRICT**, duly organized and existing as community services district under and by virtue of the laws of the State of California (the “District”), and the **CSDA FINANCE CORPORATION**, a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California (the “Corporation”);

### W I T N E S S E T H:

WHEREAS, the District is authorized by the laws of the State of California to make certain improvements for the benefit of the District and its Enterprise (defined below), primarily consisting of wastewater treatment plant improvements, lift station improvements and other improvements to the wastewater system (collectively, the “Project”) and to finance the Project through the execution of installment purchase contracts; and

WHEREAS, the District has determined that it is in the best interests of the District and its citizens, and it is necessary and proper for District purposes, that the District acquire the Project from the Corporation in the manner described herein for the purposes of financing the Project as described herein, and that the District pay the Corporation for the costs of acquiring the Project in the manner described herein; and

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

[WHEREAS, the District has obtained a commitment from \_\_\_\_\_ (the “Certificate Insurer”) to provide the Municipal Insurance Policy herein referenced; and]

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained herein and for other valuable consideration, the parties hereto do hereby agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes hereof, and of any amendment hereof, and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used in this Installment Purchase Contract and not defined herein shall have the meanings ascribed thereto in the Trust Agreement.

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

“*Acquisition*,” “*Acquire*” or “*Acquired*” means, with respect to the Project, the acquisition or perfection of an ownership or capacity interest in the Project, or the construction, refinancing or ownership of the Project.

“*Additional Revenues*” means, with respect to the issuance of any Parity Obligations, an allowance for Net Revenues (a) arising from any increase in the charges made for service from the Enterprise adopted prior to the incurring of such Parity Obligations, 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 the most recent completed Fiscal Year or during any more recent 12-month period selected by the District; and (b) arising from any increase in service connections to the Enterprise prior to the incurring of such Parity Obligations, in an amount equal to the total amount by which the Net Revenues would have been increased if such connections had been in existence during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the District, all as shown by the certificate of the District.

“*Alternate Project*” means an alternate or additional project designated by the District pursuant to Section 2.01 hereof.

“*Balloon Indebtedness*” means long-term indebtedness (i.e., having an original maturity greater than one year or renewable at the option of the District for a period greater than one year from the date of original incurrence or issuance thereof) evidenced by Parity Obligations 25% or more of the principal of which becomes due (either by maturity or mandatory redemption) during any period of 12 consecutive months, which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date.

“*Business Day*” means any day other than a Saturday, Sunday or legal holiday or a day on which banks are authorized to be closed for business in California and New York.

“*Certificate Year*” means the 12-calendar month period commencing on September 2 and terminating on September 1 of the following year; provided, that the first Certificate Year shall commence on the Closing Date and terminate on September 1, 2024.

“*Certificates*” has the meaning set forth in the Trust Agreement.

“*Closing Date*” means \_\_\_\_\_, 2022.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“*Due Date*” means each February 15 and August 15, commencing February 15, 2023.

“*Enterprise*” means the entire wastewater collection, treatment and disposal system owned or operated by the District, including but not limited to all facilities, properties and improvements at any time owned or operated by the District for the collection, treatment and disposal of wastewater within the service area of the District, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the District, including, without limitation, the Project.

“*Event of Default*” means an event of default described in Section 7.01.

“*Fiscal Year*” means the 12-calendar month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the District as its Fiscal Year in accordance with applicable law.

“*Generally Accepted Accounting Principles*” means the uniform accounting and reporting procedures prescribed by the California State Controller or its successor for public agencies in the State of California, or failing the prescription of such procedures means generally accepted accounting principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the Governmental Accounting Standards Board or its successor, or by any other generally accepted authority on such principles.

“*Governmental Loan*” means a loan from the State or the United States of America, acting through any of its agencies, to finance improvements to the Enterprise, and the obligation of the District to make payments to the State or the United States of America under the loan agreement memorializing said loan on a parity basis with the payment of Installment Payments.

“*Independent Certified Public Accountant*” means any certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such, and appointed and paid by the District, and each of whom:

- (a) is in fact independent and not under the domination of the District;
- (b) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (c) is not connected with the District as a board member, officer or employee of the District, but may be regularly retained to audit the accounting records of and make reports thereon to the District.

“*Installment Payments*” means the installment payments of principal and interest scheduled to be paid by the District under this Installment Purchase Contract plus amounts required to be paid by the District hereunder and pursuant to the Trust Agreement, including, without limitation (except when calculating the Reserve Requirement), amounts necessary to replenish the Reserve Fund.

“*Insurance Consultant*” means any nationally recognized independent actuary, insurance company or broker who has actuarial personnel knowledgeable with respect to insurance carried by, required for and available to special districts operating facilities similar to the Enterprise, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

“*Interest Payment Date*” means each March 1 and September 1, commencing on March 1, 2023.

“*Maintenance and Operation Costs*” of the Enterprise means the reasonable and necessary costs and expenses paid by the District to maintain and operate the Enterprise, including but not limited to (a) costs of conveying, treating or disposing of sewage, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order and (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Enterprise. Maintenance and Operation Costs do not include (i) debt

service payable on obligations incurred by the District with respect to the Enterprise, including but not limited to Debt Service Payments and any Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, (iii) discretionary payments made by the District not required for operations, such as voluntary prepayment of pension liability, (iv) cost of capital additions, replacements, betterments, extensions or improvements which are chargeable to a capital account, and (v) amortization of intangibles, non-cash accounting entries, including but not limited to, designation of future OPEB health insurance liabilities, or other bookkeeping entries of a similar nature.

“*Maximum Annual Debt Service*” means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year so long as any of the Certificates remain Outstanding by totaling the following amounts for such Fiscal Year:

(a) the principal amount of the Certificates and Parity Obligations coming due and payable by their terms in such Fiscal Year, including the principal amount of any term Certificates and term Parity Obligations which are subject to mandatory sinking fund redemption in such Fiscal Year; and

(b) the amount of interest (net of any interest subsidy with respect to the Installment Payments or any Parity Obligations, paid or payable to or for the account of the District by any governmental body or agency) which would be due during such Fiscal Year on the aggregate principal amount of the Certificates and Parity Obligations which would be Outstanding in such Fiscal Year if such Certificates and Parity Obligations are retired as scheduled.

(c) If any Outstanding Parity Obligations constitutes Variable Rate Indebtedness (except to the extent paragraph (e) applies), the interest rate on such Parity Obligations shall be assumed to be the greater of (i) the average interest rate on such Parity Obligations during the 12 calendar months ending with the month preceding the date of calculation, or (ii) the rate of interest on such Parity Obligations on the date of calculation.

(d) If the Parity Obligations proposed to be incurred will be Variable Rate Indebtedness (except to the extent paragraph (e) applies), then (i) if interest on such Parity Obligations is excluded from gross income for purposes of federal income taxation, such Parity Obligations shall be assumed to bear interest at the rate quoted in the most recently available short-term index of the SIFMA Swap Index, or if that index is no longer published, another similar index selected by the District or, if the District fails to select a replacement index, an interest rate equal to 75% of the one month London Interbank Offered Rate quoted in the most recent edition of The Wall Street Journal or, if such quote is not available, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (ii) if interest on such Parity Obligations is not excluded from gross income for purposes of federal income taxation, such Parity Obligations shall be assumed to bear interest at an interest rate equal to 110% of the one month London Interbank Offered Rate quoted in the most recent edition of The Wall Street Journal, or if such quote is not available, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets.

(e) If any outstanding Parity Obligations constitutes Balloon Indebtedness (and such Parity Obligations does not constitute Short-Term Parity Obligations excluded from



the calculation of Debt Service pursuant to clause (f), below), or if Parity Obligations proposed to be incurred would constitute Balloon Indebtedness (and such Parity Obligations would not constitute Short-Term Parity Obligations excluded from the calculation of Debt Service pursuant to clause (f), below), then such amounts as constitute Balloon Indebtedness shall be treated as if the principal amount of such Parity Obligations was amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 30 years; the interest rate used for such computation shall be the rate quoted in the most recently available short-term index of the SIFMA Swap Index, or if that index is no longer published, another similar index selected by the District, or if the District fails to select a replacement index, an interest rate equal to 75% of the one month London Interbank Offered Rate quoted in the most recent edition of The Wall Street Journal or, if such quote is not available, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets.

(f) If any outstanding obligations constitute Short-Term Obligations or if obligations proposed to be incurred would constitute Short-Term Obligations, then Debt Service on such Short-Term Obligations shall not be included in calculating Maximum Annual Debt Service.

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

“*Net Revenues*” means, for any period, all of the Revenues during such period less all of the Maintenance and Operation Costs during such period.

“*Outstanding*” has the same meaning as set forth in the Trust Agreement.

“*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 incurred on a parity with the payment of the Installment Payments pursuant to Section 4.03.

“*Project*” means the Project described in Exhibit A attached hereto, including any Alternate Project.

“*Rate Stabilization Fund*” means the Rate Stabilization Fund established pursuant to Section 3.06.

“*Reserve Requirement*” has the meaning provided in the Trust Agreement.

“*Revenue Fund*” means the fund maintained by the District into which it deposits Revenues.

“*Revenues*” means for each Fiscal Year, all gross income and revenue received or receivable by the District from the ownership or operation of the Enterprise, determined in accordance with generally accepted accounting principles, including all rates, fees, and charges (including connection fees and capacity charges) as received by the District for the services of the Enterprise, and all other income and revenue howsoever derived by the District from the ownership or operation of the Enterprise or arising from the Enterprise, including all income from the deposit or investment of any

money in the Revenue Fund, and any refundable deposits made to establish credit, and advances or contributions in aid of construction; provided, however, that Revenues shall be increased by the amounts, if any, transferred in accordance with Section 3.07 during such Fiscal Year or other period from the Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amount of Revenues, if any, transferred in accordance with Section 3.06 during such Fiscal Year or other period from the Revenue Fund to the Rate Stabilization Fund. Revenues shall include amounts on deposit in the Revenue Fund which have been previously released from the pledge and lien of this Installment Purchase Contract. Revenues shall also include interest with respect to any Parity Obligations reimbursed to or on behalf of the District by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program.

“Short-Term Parity Obligations” means all Parity Obligations having an original maturity less than or equal to one year and not renewable at the option of the District for a term greater than one year from the date of original incurrence or issuance.

“*Treasurer*” means the General Manager of the District.

“*Trust Agreement*” means that Trust Agreement, dated as of October 1, 2022, among the District, the Corporation and the Trustee.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., or such other Trustee designated pursuant to the Trust Agreement.

“*Variable Rate Indebtedness*” means any portion of indebtedness evidenced by Parity Obligations the interest rate on which is not established at the time of incurrence of such indebtedness and has not, at some subsequent date, been established at a rate which is not subject to fluctuation or subsequent adjustment.

## ARTICLE II

### ACQUISITION OF THE PROJECT

**Section 2.01. Acquisition of the Project.** The Corporation agrees to use or permit the use of the proceeds of the Certificates for the payment, as herein provided, of the costs and expenses of the Acquisition of the Project and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses paid by it for the account of the Corporation, including costs and expenses paid by the District prior to the date hereof). To provide moneys for the Acquisition of the Project, the Corporation agrees to sell and hereby sells the Project to the District, and the District agrees to purchase and hereby purchases the Project from the Corporation.

The District may change the specifications of the Project, so long as such change does not substantially alter the nature of the Project; provided, however, that the District and the Corporation, may designate an Alternate Project but most first obtain an opinion of nationally recognized bond counsel to the effect that such Alternative Project will not affect the tax-exemption of the interest component of the Certificates. In the event an Alternate Project is designated, the District shall certify in writing to the Trustee and the Corporation that Acquisition Costs shall not materially increase as a result from such change. In the event Acquisition Costs shall materially increase as a result of the designation of an Alternate Project, prior to designating such Alternate Project the District shall either

deposit in the Acquisition Fund an amount sufficient to pay such increase or shall certify in writing to the Trustee and the Corporation that funds sufficient to pay such increase in Acquisition Costs are otherwise available to the District.

The Corporation agrees, upon the effective date hereof, to cause to be deposited with the Trustee the amounts set forth in the Trust Agreement. In the event the money so deposited as first above provided is insufficient to pay all the costs of the Acquisition of the Project, the Corporation shall have no obligation whatsoever to use or provide any funds for the foregoing purposes other than the proceeds of the Certificates.

Upon the Closing Date, all of the Corporation's remaining interest in the Project, if any, shall be transferred to and vest in the District, without the necessity of any additional document or transfer. Nothing herein shall require the Corporation to perform any obligations of any purchaser with respect to any contract or purchase order with respect to the Project.

In the event the Corporation fails to observe or perform any agreement, condition, covenant or term contained herein required to be observed or performed by it, the District may institute such action or proceeding against the Corporation as the District may deem necessary to compel the observance or performance of such agreement, condition, covenant or term, or to recover damages for the nonobservance or nonperformance thereof; provided, however, that the District shall have no right to terminate this Installment Purchase Contract as a remedy to such failures. The District may, at its own cost and expense and in its 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 protect or secure its rights hereunder, and in such event the Corporation agrees to cooperate fully with the District and to take all action necessary to effect the substitution of the District for the Corporation in any action or proceeding if the District shall so request.

**Section 2.02. Indemnification and Expenses of Corporation.** To the extent permitted by law, the District does hereby assume liability for, and agrees to defend, indemnify, protect, save and keep harmless the Corporation and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed on, asserted against or incurred or suffered by the Corporation or its directors, officers or employees or its successors and assigns in any way relating to or arising out of the purchase or Acquisition of the Project or the District's use thereof, the execution and delivery or performance hereof or the assignment hereof (except with respect to any representations and warranties made by the Corporation therewith) or the Trust Agreement or any other agreements related thereto, or the enforcement of any of the terms thereof.

**Section 2.03. District to Act As Agent; Corporation Not Liable.** The Corporation hereby irrevocably appoints the District as its agent in connection with the Acquisition of the Project. The District, as the agent of the Corporation, shall cause such Acquisition of the Project to be completed as soon as is reasonably practicable and in accordance with this Installment Purchase Contract and the Trust Agreement and any applicable requirements of governmental authorities and law. The Corporation and its directors, officers and employees shall not be liable to the District or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, or about or relating to the Project, and in no event shall the Corporation

be liable for any incidental, indirect, special or consequential damage in connection herewith or arising hereunder.

**Section 2.04. Disclaimer of the Corporation.** The District acknowledges and agrees that the Corporation makes no representation or warranty, express or implied, as to the Project, except as expressly set forth in this Installment Purchase Contract. The District acknowledges that all risks relating to the Project or the transactions contemplated hereby or by the Assignment Agreement or the Trust Agreement, are to be borne by the District, and the benefits of any and all implied warranties and representations of the Corporation are hereby waived by the District.

### ARTICLE III

#### INSTALLMENT PAYMENTS, REVENUES AND ACCOUNTS

**Section 3.01. Payment of the Installment Payments.** The total principal amount of the Installment Payments owed and to be paid by the District to the Corporation hereunder for the Acquisition of the Project is \$\_\_\_\_\_, plus (a) interest thereon, calculated at the interest rates set forth in Section 2.02 of the Trust Agreement; (b) the amounts, if any, required to be paid hereunder to replenish the Reserve Fund; and (c) all amounts, if any, required to be paid by the Corporation or the District under the Trust Agreement. The Installment Payments shall, subject to any rights of prepayment of the District provided in Article VI, be due in installments in the amounts and on the dates described in Exhibit B attached hereto and in Section 4.01 hereof.

Each Installment Payment shall be payable to the Corporation in accordance with the terms hereof and at the times required by Section 4.01 hereof in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this Section 3.01, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with the stated interest thereon at the rate set forth in Exhibit B hereto. In the event an Installment Payment is insufficient to make the payments of principal and interest represented by the Certificates on the next succeeding Interest Payment Date, due to investment losses incurred while on deposit in the Installment Payment Fund or for any other reason, the District shall immediately pay to the Trustee upon notice therefrom additional amounts to cure such insufficiency.

The obligation of the District to make the Installment Payments is absolute and unconditional, whether or not the Project shall be acquired, and until such time as all Installment Payments shall have been fully paid and the Certificates are no longer Outstanding (or provision for the payment thereof shall have been made pursuant to Article IX of the Trust Agreement), the District will not, under any circumstances, discontinue, abate or suspend any Installment Payments required to be made by it under this Section 3.01 when due, whether or not the Enterprise, any part thereof or the Project is operating or operable or has been completed, or whether or not the Enterprise or the Project is condemned, damaged, destroyed or seized or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained herein for any cause whatsoever.

**Section 3.02. Interest Component of the Installment Payments.** The Installment Payments shall bear interest at the rates set forth in Exhibit B from the date of the Certificates until the payment

of the principal thereof and the prepayment premiums, if any, thereon, shall have been made or provided for in accordance with the provisions of Article IX of the Trust Agreement, whether at maturity, upon prepayment or otherwise. Interest accrued on the Installment Payments from the date of the Certificates and from each Interest Payment Date to, but not including, the next succeeding Interest Payment Date shall be paid on each such succeeding Interest Payment Date and shall be computed on the basis of a year of 360 days and twelve 30-day months.

**Section 3.03. Establishment of Accounts.** The funds and accounts and flow of funds set forth in this Article III are hereby established and shall control to the extent inconsistent with any other terms of this Installment Purchase Contract or the Trust Agreement.

**Section 3.04. Pledge of Net Revenues and Other Funds; Revenue Fund.** The District hereby irrevocably pledges all of the Net Revenues to the punctual payment of the Installment Payments and such Net Revenues, except as otherwise permitted herein, shall not be used for any other purpose while any of the Certificates remain outstanding. This pledge shall, subject to Section 7.02 of the Trust Agreement, constitute a first lien on the Net Revenues for the payment of the Installment Payments and payments of all Parity Obligations in accordance with the terms hereof and thereof.

All of the Revenues, together with any interest earned thereon, shall, so long as any Certificates shall be Outstanding under the Trust Agreement, be deposited with the Treasurer as received by the District in the Revenue Fund, which fund the District hereby covenants and agrees to maintain with the Treasurer so long as any Certificates shall be Outstanding under the Trust Agreement. The Revenue Fund may contain such accounts and subaccounts as are necessary under applicable District rules and procedures.

**Section 3.05. Receipt and Deposit of Revenues.** The District covenants and agrees that all Revenues, when and as received, will be received and held by the District in trust hereunder and will be deposited by the District with the Treasurer in the Revenue Fund and will be accounted for through and held in trust in the Revenue Fund; provided, that the District may withdraw such amounts in the Revenue Fund as may be necessary to make refunds for amounts paid in advance for services provided by the Enterprise, which such service was not thereafter made available or provided. All Net Revenues, whether held by the District as trustee or deposited with the Treasurer or the Trustee, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article III set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

**Section 3.06. Establishment and Maintenance of Accounts for Revenues; Use and Withdrawal of Revenues.** All Revenues in the Revenue Fund shall be set aside by the Treasurer or deposited by the Treasurer with the Trustee, or the trustee or fiscal agent with respect to Parity Obligations, as the case may be, as follows and in the following order of priority. Additionally, amounts may, from time to time as the District deems necessary or appropriate, be transferred from the Rate Stabilization Fund and deposited in the Revenue Fund, as provided in Section 3.07 hereof.

(a) ***Maintenance and Operation Costs.*** In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants to pay all Maintenance and Operation Costs of the Enterprise (including amounts reasonably required to be set aside in contingency or working capital reserves for Maintenance and Operation Costs of the Enterprise, the payment of which is not then immediately required) from the Revenue Fund as

they become due and payable. Pursuant to Section 5.07 hereof, the District shall annually prepare a budget for Maintenance and Operation Costs.

(b) ***Debt Service Accounts.*** The Installment Payments, and all other Parity Obligations, shall be paid in accordance with the terms hereof and the Trust Agreement, and of such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(c) ***Reserve Funds.*** Payments required hereunder, or with respect to Parity Obligations, to replenish reserve accounts established therefor or hereunder shall be made in accordance with the terms hereof and of such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(d) ***General Expenditures/Rate Stabilization Fund.*** All Revenues remaining in the Revenue Fund on March 1 and September 1 of each year, after withdrawing all of the sums required to be withdrawn therefrom by the Treasurer by the provisions of Sections 3.06 (a), (b) and (c) hereof, or in connection with any Parity Obligation may be withdrawn by the Treasurer for expenditure for any lawful purpose of the District. From time to time the District may deposit in the Rate Stabilization Fund from Net Revenues described in this paragraph (d) such amounts as the District shall determine. From time to time the District may deposit in the Rate Stabilization Fund, from remaining Net Revenues described in this paragraph (d) or other available funds of the District, such amounts as the District shall determine. The District may withdraw amounts from the Rate Stabilization Fund (i) for transfer to the Revenue Fund for inclusion in Revenues for any Fiscal Year, or (ii) for any other lawful use of the District. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues.

**Section 3.07. Rate Stabilization Fund.** There is hereby established a special fund designated as the “Rate Stabilization Fund” to be held by the District in trust, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments remain unpaid. Money transferred by the District from the Revenue Fund to the Rate Stabilization Fund in accordance with Section 3.06 shall be held in the Rate Stabilization Fund and applied in accordance with the Installment Purchase Contract.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with Section 3.06 hereof or, in the event that all or a portion of the Installment Payments are discharged in accordance with Article VI hereof, transfer all or any portion of such amounts for application in accordance with said Article VI. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to this Section 3.07 during or within nine months after a Fiscal Year, may be taken into account as Revenues for purposes of the calculations in Section 5.14 in such Fiscal Year.

**Section 3.08. Certain Necessary Transfers.** The parties hereto acknowledge that although all Parity Obligations are secured equally and ratably by Net Revenues, debt service and other funds with respect to Parity Obligations other than the Certificates may be held by the Trustee or by trustees other than the Trustee under documents and agreements other than the Trust Agreement and the Installment Purchase Contract, and the Installment Purchase Contract and the Trust Agreement impose no obligations upon the Trustee with respect to such other obligations. The Treasurer is hereby

authorized to make such transfers from the Revenue Fund necessary to effectuate such Parity Obligations' parity claim on the Net Revenues contemplated hereby.

## ARTICLE IV

### DEPOSITS; ADDITIONAL CONTRACTS AND PARITY OBLIGATIONS

**Section 4.01. Deposits to Installment Payment Fund.** On the Due Date next preceding each Interest Payment Date, the District shall deposit with the Trustee, for deposit in the Installment Payment Fund, from amounts legally available therefor on deposit in the Revenue Fund, a sum equal to the amount of interest becoming due hereunder on the next Interest Payment Date plus the amount of principal becoming due hereunder on such Interest Payment Date.

The District shall be entitled to receive as Due Date credit against Installment Payments an amount equal to the amount of any balance contained in the Installment Payment Fund prior to the Due Date for such Installment Payments (excluding money designated for the prepayment of Certificates).

All money in the Installment Payment Fund shall be used and withdrawn by the Trustee in accordance with the Trust Agreement.

**Section 4.02. Reserve Fund.** If amounts on deposit in the Reserve Fund shall, at any time, be less than the Reserve Requirement, such deficiency shall be made up by the District from the first available Net Revenues after required payment of Installment Payments over a 12-month period, in 12 substantially equal payments.

No deposit need be made in the Reserve Fund if the amount available and contained therein (valued from time to time in accordance with the Trust Agreement) is at least equal to the Reserve Requirement.

### **Section 4.03. Parity Obligations.**

(a) So long as any Certificates are Outstanding, the District shall not issue or incur any obligations payable from Net Revenues or the Revenue Fund senior or superior to the Installment Payments. The District may at any time issue Parity Obligations payable from Net Revenues on a parity with the Installment Payments to provide financing for the Enterprise in such principal amount as shall be determined by the District. The District may issue or incur any such Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

(i) no Event of Default shall have occurred and be continuing; and

(ii) the Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, either (A) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of the District; or (B) as shown by the books of the District for any more recent 12-month period selected by the District, as verified by a certificate of the District, plus in either case (at the option of the District) the Additional Revenues, shall be at least equal to 120% of the amount of Maximum Annual Debt Service.

The provisions of Section 4.03(a)(ii) above shall not apply to any Parity Obligations if (1) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Parity Obligations and to make a deposit to any reserve fund established with respect to such Parity Obligations) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium, if any, on any Outstanding Certificates or on any outstanding Parity Obligations; (2) at the time of the incurring of such Parity Obligations, the District certifies in writing that maximum annual debt service on the refunding Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Certificates or Parity Obligations being refunded; and (3) the final maturity of the refunding Parity Obligations is not later than the final maturity of the refunded Certificates or Parity Obligations.

The District may at any time execute contracts or issue bonds or other indebtedness payable from Net Revenues or the Revenue Fund payable on a subordinated basis to the payment of the Installment Payments.

(b) In order to maintain the parity relationship of the Installment Payments to all Parity Obligations permitted hereunder, the District covenants that all payments in the nature of principal and/or interest with respect to any Parity Obligations, except with respect to Governmental Loans, will be structured to occur semi-annually on the Due Dates and in each year as such payments are due with respect to the Installment Payments, and any reserve account replenishment with respect to any Parity Obligations, except with respect to Governmental Loans, will be structured to occur monthly, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the Installment Payments and not prior thereto; provided that the District shall not make a payment on such Governmental Loan to the extent it would have the effect of causing the District to fail to pay Installment Payments on a timely basis. In such event, the District shall make Installment Payments and payments on such Governmental Loan on a pro rata basis.

## ARTICLE V

### REPRESENTATIONS, COVENANTS AND WARRANTIES

**Section 5.01. Compliance with Installment Purchase Contract.** The District will punctually pay the Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Installment Purchase Contract for any cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, condemnation of the Project by any governmental entity, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Corporation to observe or perform any agreement, condition, covenant or term required to be observed and performed by it contained herein, whether express or implied, or any duty, liability or obligation arising out of or connected with this Installment Purchase Contract.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this Installment Purchase Contract and the Trust Agreement that each of the agreements, conditions, covenants and terms contained in the Trust Agreement and this Installment Purchase Contract is an essential and material term of the purchase of and any payment for the Project by the District.



The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Parity Obligations as such may from time to time be amended.

**Section 5.02. Against Encumbrances.** The District hereby covenants that there is no pledge of or lien on Net Revenues senior to the pledge and lien securing the Installment Payments. The District will not make any further pledge of or place any lien on the Net Revenues; provided that the District may at any time, or from time to time, pledge or encumber the Net Revenues in connection with the issuance or execution of Parity Obligations or other obligations permitted by Section 4.03 hereof, or subordinate to the pledge of Net Revenues herein.

**Section 5.03. Against Sale or Other Disposition of Property.** The District will not sell, lease, encumber or otherwise dispose of the Enterprise or any part thereof in excess of 1/2 of 1% of the book value of the Enterprise in any Fiscal Year, unless a Treasurer certifies that such sale, lease, encumbrance or disposition will not materially adversely affect the operation of the Enterprise or the Net Revenues; provided however, any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has become worn out, may be sold or exchanged at not less than the fair market value thereof and the proceeds, if any, of such sale or exchange shall be deposited in the Revenue Fund.

The District will not enter into any agreement or lease which would impair the ability of the District to meet the covenant set forth in Section 5.14 hereof or which would otherwise impair the rights of the Certificate Owners or the operation of the Enterprise.

**Section 5.04. Against Competitive Facilities.** The District will not, to the extent permitted by law, acquire, maintain or operate and will not, to the extent permitted by law and its current contractual rights and obligations and within the reasonable scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, maintain or operate within the District any sewer system competitive with the Enterprise.

**Section 5.05. Tax Covenants.** The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest with respect to the Certificates to become includable in gross income for federal income tax purposes. To that end, the District hereby makes the following specific covenants:

(a) The District hereby covenants that it shall not make or permit any use of the proceeds of the Certificates that may cause the Certificates (as defined in the Trust Agreement) to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The District covenants that the proceeds of the Certificates will not be used as to cause the proceeds on the Certificates to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(c) The District covenants not to take any action or permit or suffer any action to be taken if the result of the same would be to cause the Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

**Section 5.06. Prompt Acquisition.** The District will acquire the Project with all practicable dispatch and such Acquisition will be made in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

**Section 5.07. Maintenance and Operation of the Enterprise; Budgets.** The District will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner and will pay all Maintenance and Operation Costs of the Enterprise as they become due and payable. On or before the first day of each Fiscal Year, the District will file with the Trustee a budget setting forth the estimated Maintenance and Operation Costs of the Enterprise for such Fiscal Year. The Trustee shall not be required to review, and shall not be deemed to have knowledge of, the contents of such budget, it being understood that the Trustee shall receive and hold such budget as repository for examination and copying by any Owner at such Owner's expense.

**Section 5.08. Payment of Claims.** The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Net Revenues or any part thereof or on any funds in the control of the District or the Trustee prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Payments.

**Section 5.09. Compliance with Contracts.** The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, expressed or implied, required to be performed by it contained in all contracts for the use of the Enterprise and all other contracts affecting or involving the Enterprise to the extent that the District is a party thereto.

#### **Section 5.10. Insurance**

(a) The District will procure and maintain insurance on the Enterprise and the Project with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in connection with similar enterprises.

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied either (i) to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise or; (ii) if the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise is not essential to the efficient operation of the Enterprise and the maintenance of Net Revenues, to prepay, on a pro rata basis across maturities, the Certificates and any outstanding Parity Obligations. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be applied to the prepayment of Installment Payments as provided in Article VI.

Alternatively, if the proceeds of such insurance are sufficient to enable the District to retire all outstanding Parity Obligations and the Certificates and all other amounts due hereunder and under the Trust Agreement, the District may elect not to repair, reconstruct or

replace the damaged or destroyed portion of the Enterprise, and thereupon such proceeds shall be applied to the prepayment of the Installment Payments as provided in Article VI and to the payment of all other amounts due hereunder and under the Trust Agreement, and as otherwise required by the documents pursuant to which such Parity Obligations were issued.

(b) The District will procure and maintain public liability insurance covering claims against the District for bodily injury or death, or damage to property, occasioned by reason of the ownership or operation of the Enterprise, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar enterprises.

(c) The District will procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof, such insurance to cover all persons employed in connection with the Enterprise.

(d) All policies of insurance required to be maintained herein shall provide that the Trustee shall be given 30 days' written notice of any intended cancellation thereof or reduction of coverage provided thereby; provided, however, the Trustee shall not be responsible for the sufficiency of any insurance herein required.

(e) In lieu of obtaining insurance coverage as required by this Section, such coverage may be maintained by the District in the form of self-insurance so long as the District certifies to the Trustee and the Corporation that (i) the District has segregated amounts in a special insurance reserve meeting the requirements of this Section; (ii) an Insurance Consultant certifies annually, on or before September 1 of each year in which self-insurance is maintained, in writing to the Trustee and the Corporation that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage and the Trustee may conclusively rely thereon; and (iii) such reserves are held in a separate trust fund by an independent trustee. Any statements of self-insurance shall be delivered to the Trustee. The District shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

#### **Section 5.11. Books and Accounts; Financial Statements**

(a) The District will keep proper books of record and accounts of the Enterprise, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than 10% of the principal amount of the Certificates then Outstanding or their representatives authorized in writing.

(b) The District will prepare and file with the Trustee annually within nine months after the close of each Fiscal Year so long as any of the Certificates are Outstanding:

(i) an audited financial statement for the District (prepared in accordance with Generally Accepted Accounting Principles) for the preceding Fiscal Year, together with an accountant's report thereon and along with a certificate of the District to the effect that no Event of Default has occurred, or if an Event of Default has

occurred, specifying the nature thereof and, if the District has a right to cure pursuant to Section 7.01 hereof, stating in reasonable detail the measures, if any, being undertaken by the District to cure such Event of Default; and

(ii) a certified statement that all insurance required by this Agreement to be carried by the District with respect to the Enterprise is in full force and effect and complies with the terms hereof.

(c) The District will prepare annually not more than nine (9) months after the close of each Fiscal Year a summary statement showing the amount of the Revenues and the disbursements from the Revenues, and the Maintenance and Operation Costs, in reasonable detail, for the preceding Fiscal Year, and a general statement of the financial and physical condition of the Enterprise. The District will furnish a copy of such summary statement to the Corporation, the Trustee and any Owner upon request.

(d) The Trustee shall not be required to review, verify, analyze or inspect, and shall not be deemed to have notice of, the contents of the books and records of the District, any financial statement or statement of insurance coverage delivered to the Trustee under this Section 5.11, it being expressly understood that the Trustee shall only receive and hold such documents as repository for examination and copying by any Owner at such Owner's expense during business hours on Business Days. The Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default which may be disclosed therein in any manner.

**Section 5.12. Protection of Security and Rights of Corporation; Amendment.** The District will preserve and protect the security and the rights of the Corporation to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons. In connection therewith, the Corporation and the District shall not amend this Installment Purchase Contract without first obtaining an opinion of nationally recognized bond counsel to the effect that such amendment will not materially adversely affect the security of the Certificate Owners.

**Section 5.13. Payment of Taxes and Compliance With Governmental Regulations.** The District will pay and discharge all taxes, assessments and other governmental charges, if any, which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

**Section 5.14. Amount of Rates and Charges.**

(a) To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Enterprise as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of debt service on the aggregate amount of the Installment Payments and Parity Obligations for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this Section.

(b) So long as the District has complied with its obligations set forth in Section 5.14(a) above, the failure of Net Revenues to meet the threshold set forth in Section 5.14(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with Section 5.14(a) at the commencement of the succeeding Fiscal Year.

**Section 5.15. Operation of Enterprise; Collection of Rates and Charges.** The District will, so long as the Certificates are Outstanding, continue to operate the Enterprise and shall have in effect at all times, except as otherwise provided by law, rules and regulations requiring all users of the Enterprise provided by the District that is provided or made available to pay the rates, fees and charges applicable to the Enterprise provided or made available to such users, and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after such bill becomes delinquent, the District, in accordance with law, may refuse to provide or make available the services provided by the Enterprise to such premises until all delinquent rates, fees and charges and penalties have been paid in full.

Except in connection with the receipt of federal or State funding, or as required by law or as a condition to the acquisition or operation of the Project or Enterprise, the District will not permit any part of the Enterprise, or any facility thereof, to be used, or taken advantage of, free of charge by any person, firm or corporation, or by any public agency (including the United States of America, the State of California and any public corporation, political subdivision, city, county, district or agency of any thereof), excepting only that the District may without charge use the services and facilities of the Enterprise.

**Section 5.16. Eminent Domain Proceeds.** If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (i) the District prepares a report showing (A) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (B) a general description of the additions, betterments, extensions or improvements to the Enterprise proposed to be acquired by the District from any Net Proceeds; and (C) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (ii) on the basis of such certificate, the District determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive); then the District shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such report and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the District for such purpose shall be applied to prepay the Installment Payments pursuant to Section 6.01 hereof, and any Parity Obligations, on a pro rata basis in the manner provided herein and in the instruments authorizing such Parity Obligations.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to the prepayment of Installment Payments as provided in Article VI hereof.

**Section 5.17. Further Assurances.** The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to

carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Corporation of the rights and benefits provided to it herein.

**Section 5.18. Release and Indemnification Covenants.** The District shall and hereby agrees to indemnify and save the Trustee and the Corporation, their officers, directors, agents, employees, successors or 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 the District's obligations under the Installment Purchase Contract or the Trust Agreement; (c) any act of negligence of the District or of any of its contractors, servants, employees or licensees with respect to the Project; (d) any act of negligence of any assignee or sublessee of the District, or of any agents, contractors, servants, employees or licensees of the assignee or sublessee of the District with respect to the Project; or (e) the Acquisition of the Project or authorization of payment of the costs of the Acquisition of the Project, to the extent permitted by law. Indemnification for any tort mentioned in this Section shall exclude those arising from the willful misconduct or negligence under the Trust Agreement by the Trustee, and the Corporation, their officers and employees. The District further covenants and agrees to indemnify and save the Trustee and the Corporation harmless against any claim, loss, expense, advance, and liabilities which they may incur arising out of or in the exercise and performance of their powers and duties under the Trust Agreement, the Assignment Agreement and the Installment Purchase Contract, and any document executed in connection herewith or therewith, including the costs and expenses (including attorneys' fees and disbursements) of defending against any claim of liability or enforcing any remedies, and which are not due to their negligence or willful misconduct. The District further covenants and agrees to advance to the Trustee and the Corporation the amounts requested as the costs and expenses of such defense. Any and all special obligations of the District under this Section shall be and remain valid and binding special obligations of the District notwithstanding the payment in full of the Installment Payments and the termination of this Installment Purchase Contract or the removal or resignation of the Trustee pursuant to the Trust Agreement.

**Section 5.19. Further Representations, Covenants and Warranties of the District.** The District represents, covenants and warrants to the Corporation as follows:

(a) The District is a duly organized and validly existing community services district of the State of California.

(b) The constitution and the laws of the State of California authorize the District to enter into the Installment Purchase Contract and the Trust Agreement and to enter into the transactions contemplated thereby and to carry out its obligations under each of the aforesaid agreements, and the District has duly authorized and executed each of the aforesaid agreements in accordance with the laws of the State of California.

(c) Neither the execution and delivery of the Installment Purchase Contract or the Trust Agreement nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under either of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District.

(d) The District has duly authorized and executed this Installment Purchase Contract and the Trust Agreement in accordance with the laws of the State of California.

(e) The District is empowered to set rates and charges for services provided by the Enterprise provided to the users of the Enterprise without review or approval by any state or local governmental agency.

(f) This Installment Purchase Contract and the pledge of Net Revenues is a first lien and pledge on Net Revenues.

**Section 5.20. Representations, Covenants and Warranties of the Corporation.** The Corporation represents, covenants and warrants to the District as follows:

(a) The Corporation is a nonprofit, public benefit corporation duly organized, existing and in good standing under and by virtue of the laws of the State of California; has power to enter into the Installment Purchase Contract, the Assignment Agreement and the Trust Agreement; is possessed of full power to own and hold real and personal property and to sell the same; and has duly authorized the execution and delivery of all of the aforesaid agreements.

(b) The Corporation will not pledge or encumber the Installment Payments or other amounts derived from its other rights under the Installment Purchase Contract, except as provided under the terms of the Installment Purchase Contract, the Assignment Agreement and the Trust Agreement.

(c) Neither the execution and delivery of the Installment Purchase Contract, the Assignment Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under either of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation.

(d) Except as provided in the Installment Purchase Contract, the Trust Agreement and the Assignment Agreement, the Corporation will not assign the Installment Purchase Contract or its right to receive Installment Payments from the District, or its duties and obligations under the Installment Purchase Contract to any other person, firm or corporation.

**Section 5.21. Continuing Disclosure.** The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement of the District, dated as of the date hereof. Notwithstanding any other provision of this Installment Purchase Contract, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Corporation may (and, at the request of any participating underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Certificates, shall, after receiving indemnification to its satisfaction) or any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under this Section

**Section 5.22. [Certain Rights of Certificate Insurer.** To the extent applicable to the provisions of this Installment Purchase Contract, the rights of the Insurer provided in Article X of the Trust Agreement are hereby incorporated herein by reference.]

## ARTICLE VI

### PREPAYMENT OF INSTALLMENT PAYMENTS

#### Section 6.01. Prepayment.

(a) The District may or shall, as the case may be, prepay on any date from the Net Proceeds of insurance or condemnation awards, as provided herein, all or any part, in integral multiples of \$5,000, of the principal amount of the unpaid Installment Payments in the inverse order of the times they are due at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment of the corresponding Certificates to be prepaid, without premium

(b) The Installment Payments shall not be subject to optional prepayment prior to September 1, 20\_\_\_. The Installment Payments shall be subject to optional prepayment in whole or in part in any integral multiple of \$5,000, on any date on or after September 1, 20\_\_, from any available source of funds, at the prepayment price equal to the principal amount of the Certificates to be prepaid from the proceeds of such prepayment pursuant to Section 4.01(b) of the Trust Agreement, together with accrued interest thereon to the prepayment date, without premium.

The District shall be required to give the Trustee written notice of its intention to prepay any Installment Payment under this Section 6.01(b) at least 60 days prior to the proposed prepayment date and shall transfer to the Trustee all amounts required for such prepayment (except in the case of a prepayment from the proceeds of refunding obligations), at least 30, but not greater than 60, days prior to the date fixed for such prepayment.

In the event that the Installment Payments shall have been prepaid by the District pursuant to Section 6.01(a) or (b) above, the total amount of all future payments set forth in the schedule attached hereto as Exhibit B shall be reduced by the aggregate amount of such Installment Payment so prepaid, so that the remaining Scheduled Installment Payments shall be sufficient to pay principal of and interest with respect to the Outstanding Certificates. The District shall file a revised schedule of Installment Payments with the Trustee.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article III hereof, until the entire principal amount of the unpaid Installment Payments together with the interest accrued thereon, if any, and together with the ordinary and extraordinary fees, costs and expenses of the Trustee, shall have been fully paid and the Certificates are no longer Outstanding (or provision for payment thereof shall have been made pursuant to Article IX of the Trust Agreement).

**Section 6.02. Method of Prepayment.** Before making any prepayment pursuant to Section 6.01, the District shall, within five days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 60 days from the date such notice is given.



## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

#### **Section 7.01. Events of Default and Events of Mandatory Acceleration; Acceleration of Maturities.**

If one or more of the following Events of Default shall happen:

(a) default shall be made in the due and punctual payment by the District of any Installment Payment when and as the same shall become due and payable;

(b) default shall be made by the District in the performance of any of the agreements or covenants contained herein or in the Trust Agreement required to be performed by it, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Corporation or the Trustee;

(c) the District shall file a petition seeking arrangement or reorganization under federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property; or

(d) an event of default shall have occurred with respect to any Parity Obligations;

then and in each and every such case during the continuance of such Event of Default the Corporation may, by notice in writing to the District declare the principal amount of the unpaid Installment Payments, and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding.

This provision, however, is subject to the condition that, except with respect to an Event of Default under Section 7.01(c) above, if at any time after such principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared due and payable and before the acceleration date or the date of any judgment or decree for the payment of the money due shall have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay such unpaid principal amount of the Installment Payments due prior to such date and the accrued interest thereon, with any interest due on such overdue installments, and the reasonable expenses of the Corporation and the Trustee, and any and all other defaults known to the Corporation (other than in the payment of such principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Corporation or provision deemed by the Corporation to be adequate shall have been made therefor, then and in every such case the Corporation, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

**Section 7.02. Application of Funds Upon Acceleration.** All moneys and investments in the funds and accounts held hereunder and under the Trust Agreement (other than the Rebate Fund) upon the date of the declaration of acceleration as provided in Section 7.01 or after the occurrence and during the continuance of an Event of Default, and all Revenues thereafter received shall be applied as provided for in Section 6.09 of the Trust Agreement.

**Section 7.03. Other Remedies of the Corporation.** The Corporation may:

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

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

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

(d) by suit in equity, to seek the appointment of a receiver or other third party to operate the Enterprise and collect the Revenues.

**Section 7.04. Non-Waiver.** Nothing in this Article VII or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Corporation at the respective due dates or upon prepayment from the Revenues, or, except as expressly provided herein, shall affect or impair the right of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

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

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

**Section 7.05. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other law.

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.01. Liability of District Limited.** Notwithstanding anything contained herein, except with respect to the District's indemnification obligations to the Trustee hereunder and under the Trust Agreement, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues legally available therefor in the Revenue Fund or the Reserve Fund, and the other funds provided herein and in the Trust Agreement for the payment of the Installment Payments or for the performance of any agreements or covenants contained herein required to be performed by it. The District may, however, but shall not be required to, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose (except with respect to the District's indemnification obligations to the Trustee hereunder and under the Trust Agreement, the District shall be required to use such moneys are derived from a source legally available for such purpose, to the extent that the Net Revenues available in the Revenue Fund are insufficient for such indemnification).

The obligation of the District to make the Installment Payments and the other amounts due hereunder is a special obligation of the District payable solely from the moneys legally available therefor hereunder and under the Trust Agreement, including but not limited to the Net Revenues and such other funds, but excluding the proceeds of any taxes, and does not constitute a debt or pledge of the faith and credit of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

**Section 8.02. Benefits of Installment Purchase Contract Limited to Parties.** Except as provided in Section 8.03 and subject to the rights of the Trustee as the assignee under the Assignment Agreement, nothing contained herein, express or implied, is intended to give to any person other than the District or the Corporation any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Corporation shall be for the sole and exclusive benefit of the other party.

**Section 8.03. Successor Is Deemed Included in All References to Predecessor.** Whenever the District or the Corporation is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Corporation, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Corporation shall bind and inure to the benefit of the respective successors thereof whether so expressed or not. To the extent this Installment Purchase Contract confers upon or gives or grants to the Trustee any right, remedy or claim under or by reason of this Installment Purchase Contract, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**Section 8.04. Waiver of Personal Liability.** No board member, officer or employee of the District shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any board member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

**Section 8.05. Article and Section Headings, Gender and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of

any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Installment Purchase Contract as a whole and not to any particular article, section, subdivision or clause hereof.

**Section 8.06. Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof contained herein required to be performed by or on the part of the District or the Corporation shall be contrary to the law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Corporation hereby declare that they would have executed this Installment Purchase Contract, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 8.07. Assignment.** This Installment Purchase Contract and any rights hereunder shall be assigned by the Corporation, in accordance with the Assignment Agreement, to the Trustee or any successor in interest to the Trustee, without the necessity of obtaining the prior consent of the District. The District may not assign any of its rights hereunder.

**Section 8.08. Net Contract.** This Installment Purchase Contract shall be deemed and construed to be a net-net-net contract, and the District shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder free of any deductions and without abatement, diminution or setoff whatsoever.

**Section 8.09. California Law.** This Installment Purchase Contract shall be construed and governed in accordance with the laws of the State of California.

**Section 8.10. Notices.** All written notices to be given hereunder shall be given by certified mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time namely:

to the District: Cambria Community Services District  
P.O. Box 65  
Cambria, CA 93428  
Attention: General Manager

to the Corporation: CSDA Finance Corporation  
1112 I Street, Suite 200  
Sacramento, CA 95814  
Attention: Administrator

to the Trustee: The Bank of New York Mellon Trust Company, N.A.  
50 Fremont Street, Ste 3900  
San Francisco, CA 94105  
Attention: Corporate Trust Services

**Section 8.11. Effective Date.** This Installment Purchase Contract shall become effective upon its execution and delivery, and shall terminate when all Installment Payments shall have been fully paid and the Certificates are no longer Outstanding (or provision for the payment thereof shall have been made to the written satisfaction of the Corporation pursuant to Article IX of the Trust Agreement); provided, that the obligation of the District to compensate the Trustee, and indemnify the Corporation and the Trustee, shall survive the termination of this Installment Purchase Contract.

**Section 8.12. Execution in Counterparts.** This Installment Purchase Contract may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

**Section 8.13. Amendments.** The District may at any time amend or modify Exhibit A of this Installment Purchase Contract to provide for the designation of an Alternate Project as provided for in Section 2.01 hereof without the consent of the Trustee, the Corporation or any of the Certificate Owners.

This Installment Purchase Contract may be amended in writing as may be mutually agreed by the District and the Corporation, with the written consent of the Owners of a majority of the aggregate principal evidenced by the Certificates then Outstanding; provided, however, that no such amendment shall (i) extend the payment date of any Installment Payment or reduce the amount of any Installment Payment, or the interest rate applicable thereto, without the prior written consent of the Owner of each Certificate so affected; (ii) reduce the percentage of Owners whose consent is required for any amendment hereof without the prior written consent of the Owners of all Certificates then Outstanding; or (iii) amend this Section without the prior written consent of the Owners of all Certificates then Outstanding.

This Installment Purchase Contract and the rights and obligations of the District and the Corporation hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution by the District and the Corporation, without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, certifications, covenants and terms required by the Corporation or the District to be observed or performed herein other agreements, certifications, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved herein to or conferred herein on the Corporation or the District, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Corporation or the District may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion of interest from federal or State income taxes; and

(d) to make such other changes herein or modifications hereto as the Corporation or the District may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners.

Any amendment made in violation of this Section 8.13 shall be a nullity and void.

No amendment affecting the rights or obligations of the Trustee hereunder shall be made without the Trustee's consent. If the Trustee's consent is so required, the Trustee shall be entitled to receive and rely upon an opinion of counsel to the effect that such amendment is authorized or permitted hereunder and complies with this Section 8.13.

(Signatures on the following page)

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

**CAMBRIA COMMUNITY SERVICES  
DISTRICT**

By \_\_\_\_\_  
John F. Weigold, IV  
General Manager

**CSDA FINANCE CORPORATION**

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

**EXHIBIT A**  
**COMPONENTS OF THE PROJECT**

The Project consists of the following:

<b>Component</b>	<b>Estimated Cost</b>
Total	\$



**EXHIBIT B****INSTALLMENT PAYMENT SCHEDULE**

<b>Due Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
2/15/2023			
8/15/2023			
2/15/2024			
8/15/2024			
2/15/2025			
8/15/2025			
2/15/2026			
8/15/2026			
2/15/2027			
8/15/2027			
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2/15/2041			
8/15/2041			
2/15/2042			
8/15/2042			
2/15/2043			

<b>Due Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
8/15/2043			
2/15/2044			
8/15/2044			
2/15/2045			
8/15/2045			
2/15/2046			
8/15/2046			
2/15/2047			
8/15/2047			
2/15/2048			
8/15/2048			
2/15/2049			
8/15/2049			
2/15/2050			
8/15/2050			
2/15/2051			
Total			

**TRUST AGREEMENT**

by and among

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

**CSDA FINANCE CORPORATION,**  
as the Corporation

and

**CAMBRIA COMMUNITY SERVICES DISTRICT,**  
as the District

\$ \_\_\_\_\_

Cambria Community Services District  
Wastewater Revenue Certificates of Participation  
Series 2022A

Evidencing Interests of the Owners  
Thereof in Installment Payments to Be  
Made by the Cambria Community Services District

Dated as of October 1, 2022

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## TRUST AGREEMENT

**THIS TRUST AGREEMENT**, dated as of October 1, 2022, by and among **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association duly organized and validly existing under and by virtue of the laws of the United States (the “Trustee”), the **CSDA FINANCE CORPORATION**, a nonprofit public benefit corporation duly organized and validly existing under and by virtue of the laws of the State of California (the “Corporation”), and the **CAMBRIA COMMUNITY SERVICES DISTRICT**, a community services district duly organized and existing under and by virtue of the laws of the State of California (the “District”);

### WITNESSETH:

WHEREAS, the Corporation and the District have executed and entered into an Installment Purchase Contract, dated as of October 1, 2022 (the “Installment Purchase Contract”), whereby the District has agreed to acquire from the Corporation the Project for the purposes of financing the costs of the Acquisition of the Project; and

WHEREAS, under and pursuant to the Installment Purchase Contract, the District is obligated to pay to the Corporation Installment Payments (as defined herein) and interest thereon for the costs of such acquisition; and

WHEREAS, the Corporation has assigned without recourse all its rights to receive such Installment Payments and interest to the Trustee pursuant to an Assignment Agreement dated as of the date hereof; and

WHEREAS, in consideration of such assignment and the execution and entering into of this Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation in an aggregate principal amount equal to the aggregate principal amount of such Installment Payments, each evidencing and representing a proportionate interest in the right to receive such Installment Payments and interest thereon; and

WHEREAS, the District and the Corporation hereby certify that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Trust Agreement by each such party do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Trust Agreement;

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

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Certificates and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meaning ascribed thereto in the Installment Purchase Contract:

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

“*Acquisition,*” “*Acquire*” or “*Acquired*” means, with respect to the Project, the acquisition of an ownership or capacity interest in the Project, or the financing, construction or ownership of the Project.

“*Acquisition Costs*” means, with respect to the Project, the contract price paid or to be paid to the contractors therefor upon acquisition, construction, refinancing, improvement, repair, modification or delivery of any portion of the Project and related equipment, in accordance with the purchase order or contract therefor. Acquisition Costs include the costs of site preparation necessary for the installation of any improvements to the Project. Acquisition Costs also include costs incurred by the District, the Corporation and the contractors in connection with the acquisition, delivery and installation of the Project.

“*Acquisition Fund*” means the fund established in Section 3.10 hereof.

“*Assignment Agreement*” means that certain Assignment Agreement by and between the Corporation and the Trustee, dated as of October 1, 2022.

“*Authorized Officer of the District*” means the President, Vice President, General Manager of the District, or their designated representatives, or such other representatives of the District as may be designated by resolution of the District.

“*Business Day*” means any day other than a Saturday, Sunday or legal holiday or a day on which banks are authorized to be closed for business in California and New York.

“*Certificate of the District*” means an instrument in writing signed by the General Manager of the District, or by any other officer of the District duly authorized by the Board of Directors of the District for that purpose.

“*Certificates*” means the \$\_\_\_\_\_ principal amount of Cambria Community Services District Wastewater Revenue Certificates of Participation, Series 2022A authorized hereby and at any time Outstanding hereunder that are executed and delivered by the Trustee under and pursuant to Article II of this Trust Agreement.



“*Certificate Year*” means the 12-calendar month period commencing on September 2 and terminating on September 1 of the following year; provided, that the first Certificate Year shall commence on the Closing Date and terminate on September 1, 2023.

“*Closing Date*” means \_\_\_\_\_, 2022.

[“*Commitment*” means that certain offer to issue the Policy, designated as the Commitment, issued by the Insurer.]

“*Corporation*” means the CSDA Finance Corporation, a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California and its successors and assigns.

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the financing of the Project, including but not limited to filing costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and its counsel, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, title insurance premiums, transportation and safekeeping of Certificates and charges and fees in connection with the foregoing.

“*Delivery Costs Fund*” means the fund established by Section 3.02 hereof.

“*Depository*” means (a) initially, DTC; and (b) any other qualified securities depository acting as Depository pursuant to Section 2.11 hereof.

“*Depository System Participant*” means any participant in the Depository’s book-entry system.

“*District*” means the Cambria Community Services District, a public body duly organized and existing under and by virtue of the laws of the State of California.

“*DTC*” means the Depository Trust Company, New York, New York, and its successors and assigns.

“*Enterprise*” has the meaning provided in the Installment Purchase Contract.

“*Event of Default*” means an event of default described in Section 7.01 of the Installment Purchase Contract.

“*Federal Securities*” means non-callable, direct obligations of (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States), or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

“*Fiscal Year*” means the 12-calendar month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the District as its Fiscal Year in accordance with applicable law.

“*Generally Accepted Accounting Principles*” means the uniform accounting and reporting procedures prescribed by the California State Controller or its successor for public agencies in the State of California, or failing the prescription of such procedures means generally accepted accounting principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the Governmental Accounting Standards Board or its successor, or by any other generally accepted authority on such principles.

“*Independent Certified Public Accountant*” means any certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such, appointed and paid by the District, and each of whom:

- (a) is in fact independent and not under the domination of the District;
- (b) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (c) is not connected with the District as a board member, officer or employee of the District, but may be regularly retained to audit the accounting records of and make reports thereon to the District.

“*Information Services*” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with the current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

“*Installment Payment Fund*” means the fund by that name established in Section 3.06 hereof, including the Interest Account, Principal Account and Prepayment Account therein.

“*Installment Payments*” means the installment payments of principal and interest scheduled to be paid by the District under the Installment Purchase Contract plus amounts required to be paid by the District hereunder and pursuant to the Installment Purchase Contract, including, without limitation (except when calculating the Reserve Requirement), amounts necessary to replenish the Reserve Fund.

“*Installment Purchase Contract*” means that certain Installment Purchase Contract by and between the District and the Corporation, dated as of October 1, 2022 as originally executed and as it may from time to time be amended or supplemented in accordance herewith and therewith.

[“*Insured Obligations*” means the Certificates insured by the Policy. (This definition is used in the provisions hereof regarding certain provisions of the Policy and the Insurer; however, for avoidance of doubt, all of the Insured Obligations issued pursuant to this Trust Agreement and Outstanding hereunder are insured by the Policy).

“*Insurer*” means \_\_\_\_\_ or any successor thereto.]

“*Interest Payment Date*” means March 1 and September 1 of each year, commencing March 1, 2023.

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

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

“*Nominee*” means (a) initially, Cede & Co., as nominee of DTC; and (b) any other nominee of a Depository designated pursuant to Section 2.11 hereof.

“*Outstanding*” means, when used as of any particular time with reference to Certificates (subject to the provisions of Section 8.02), all Certificates except:

- (a) Certificates canceled by the Trustee;
- (b) Certificates paid or deemed to have been paid within the meaning of Section 9.01; and
- (c) Certificates in lieu of or in substitution for which replacement Certificates shall have been executed and delivered hereunder.

“*Owner*” means the registered owner of any Outstanding Certificate.

“*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 (the Trustee is entitled to conclusively rely upon any direction of the District as a certification that such investment constitutes a Permitted Investment):

- (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, but excluding CATS and TIGRS) or obligations the principal of and interest on which are fully and unconditionally guaranteed as to timely payment by the United States of America;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- Farmers Home Administration (“FmHA”)
  - Certificates of beneficial ownership
- Federal Housing Administration Debentures (“FHA”)
- General Services Administration
  - Participation certificates
- Government National Mortgage Association (“GNMA” or “Ginnie Mae”)
  - GNMA – guaranteed mortgage-backed bonds

- GNMA – guaranteed pass-through obligations (participation certificates)  
(not acceptable for certain cash-flow sensitive issues.)

- U.S. Maritime Administration

- Guaranteed Title XI financing

- U.S. Department of Housing and Urban Development (HUD)

- Project Notes

- Local District Bonds

- New Communities Debentures – U.S. Government guaranteed debentures

- U.S. Public Housing Notes and Bonds – U.S. Government guaranteed

- public housing notes and bonds;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- Federal Home Loan Bank Enterprise

- Senior debt obligations

- Federal Home Loan Mortgage Corporation (FHLMC or “*Freddie Mac*”)

- Participation certificates

- Senior debt obligations

- Federal National Mortgage Association (FNMA or “*Fannie Mae*”)

- Mortgage-backed securities and senior debt obligations

- Resolution Funding Corp. (REFCORP) obligations

- Farm Credit Enterprise

- Consolidated system-wide bonds and notes

- Federal Agriculture Mortgage Association

- Tennessee Valley Authority;

(d) money market mutual 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 “AAAm-G,” “AAA-m,” or “AA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2,” including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(e) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee) secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks including the Trustee and its affiliates. The collateral must be held by a third party and the Owners must have a perfected first security interest in the collateral;

(f) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee), savings accounts, deposit accounts, time deposits, demand deposits, other deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, bankers' acceptances or money market deposits, including those of the Trustee or any of its affiliates, which are insured by FDIC, including BIF and SAIF. In addition to the authority to invest funds in certificates of deposit set forth in this clause (f), an investment in nonnegotiable certificates of deposit made in accordance with the following conditions is an authorized investment: (i) the financial institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (ii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States of America or an instrumentality of the United States of America; (iii) the financial institution selected by the District acts as custodian for the District with respect to the certificates of deposit issued for the account of the District;

(g) investment agreements, including GICs, forward purchase agreements and reserve fund put agreements;

(h) commercial paper rated, at the time of purchase, "Prime -1" by Moody's and "A-1" or better by S&P;

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee), federal funds, deposit accounts, time deposits, demand deposits, other deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, or bankers acceptances (including those of the Trustee or any of its affiliates) with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1+" by S&P;

(k) repurchase agreements (including those of the Trustee or any of its affiliates) for 30 days or less must follow the following criteria: Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm

will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;

(l) medium-term notes: corporate notes issued by corporations organized and operating within the United States with a rating of “AAA” or higher at the time of purchase by a nationally recognized rating service and with a maximum remaining maturity of no more than three years after the date of purchase;

(m) the Local Agency Investment Fund 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;

(n) Investment Trust of California, doing business as CalTRUST; and

(o) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended.

Ratings of Permitted Investments referred to herein shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investment or the responsibility to validate the ratings of Permitted Investments prior to the initial purchase.

“*Principal Office*” means the corporate trust office of the Trustee currently located in San Francisco, California, or such other office designated by the Trustee from time to time, except that with respect to presentation of Certificates for payment or for registration of transfer or exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency or operations business shall be conducted.

“*Project*” has the meaning set forth in the Installment Purchase Contract.

“*Purchaser*” means Oppenheimer & Co. Inc., as the underwriter and purchaser of the Certificates.

“*Record Date*” means the fifteenth day of the calendar month prior to an Interest Payment Date, whether or not such date is a Business Day.

“*Related Documents*” means this Trust Agreement, the Assignment Agreement and the Installment Purchase Contract.

“*Reserve Fund*” means the fund by that name established in Section 3.04 hereof.

“*Reserve Requirement*” means, as of any date of calculation by the Trustee, the lesser of (a) 10% of the original principal amount of the principal payments due under the Installment Purchase Contract (less original issue discount, if any); (b) an amount equal to the scheduled maximum annual Installment Payment payable in a Certificate Year by the District between such

date of calculation and the expiration of the Installment Purchase Contract; or (c) 125% of the scheduled average annual Installment Payment payable in a Certificate Year by the District.

“S&P” means S&P Global Ratings, a division of S&P Global, Inc., and its successors.

“*Securities Depositories*” means The Depository Trust Company, 50th Floor, 55 Water Street, New York, New York 10041-0099, Facsimile: (212) 855-7232, Attention: Call Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Corporation or the District may designate in writing to the Trustee.

“*Trust Agreement*” means this Trust Agreement by and among the Trustee, the Corporation and the District, dated as of October 1, 2022, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., a national banking corporation duly organized and existing under and by virtue of the laws of the United States, or its successor or any other bank or trust company which may at any time be substituted in its place as provided in Section 7.01.

**Section 1.02. Equal Security.** In consideration of the acceptance of the Certificates by the Owners, this Trust Agreement shall be deemed to be and shall constitute a contract by and among the Trustee, the District, the Corporation and the Owners to secure the full and final payment of the interest and principal and prepayment premiums, if any, to be made by the District evidenced and represented by the Certificates, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### TERMS AND CONDITIONS OF CERTIFICATES

**Section 2.01. Preparation of Certificates.** The Trustee is hereby authorized and directed to execute the Certificates in the principal amount of \$\_\_\_\_\_, evidencing and representing the aggregate principal amount of the Installment Payments and evidencing and representing an interest in the Installment Payments. The Certificates shall be designated “Cambria Community Services District Wastewater Revenue Certificates of Participation, Series 2022A.” In no event shall the Certificates be deemed a debt, obligation or liability of the Trustee.

**Section 2.02. Denominations, Medium, Method and Place of Payment and Dating of Certificates.** The Certificates shall be prepared in the form of fully registered Certificates in denominations of \$5,000 or any integral multiple thereof. The interest, principal and prepayment premiums, if any, evidenced and represented by the Certificates shall be payable in lawful money of the United States of America. Subject to the provisions of Section 2.11 hereof, the interest

evidenced and represented by the Certificates shall be payable on their Interest Payment Dates by check mailed via first-class mail on the Interest Payment Date by the Trustee to the respective Owners thereof as of the Record Date at their addresses as they appear in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 hereof or, upon the written request from any Owner of any Certificate in a denomination of, or Certificates aggregating, at least \$1,000,000 in principal amount, received on or prior to the fifteenth day of the month preceding an applicable Interest Payment Date, by wire in Federal Reserve funds on the Payment Date, with regard to which such payment is made. The principal evidenced and represented by the Certificates shall be payable on September 1 in each of the years and in the principal amounts as follows, or on prepayment prior thereto, upon surrender thereof at the designated corporate trust office of the Trustee:

### **Certificates**

<b>Year (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
---------------------------	-------------------------	----------------------

The Certificates shall be dated the Closing Date and shall evidence and represent interest from the Closing Date.

**Section 2.03. Interest with Respect to the Certificates.** Interest on the principal components of the Installment Payments relating to the Certificates shall be calculated at the rates per annum (based on a 360-day year of twelve 30-day months) set forth in Section 2.02 hereof.

**Section 2.04. Form of Certificates.** The Certificates and the assignment to appear thereon shall be in substantially the forms set forth in Appendix A hereto with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

**Section 2.05. Execution of Certificates.** The Certificates shall be executed by the Trustee by the manual or electronic signature of an authorized officer of the Trustee.



**Section 2.06. Transfer and Exchange of Certificates.** Subject to the provisions of Section 2.11 hereof:

(a) Each Certificate shall be transferable only upon a register of the names of each certificate owner (the "Certificate Register"), which shall be kept for that purpose at the Principal Office of the Trustee, by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or his duly authorized attorney. Upon the transfer of any such Certificate, the Trustee shall provide in the name of the transferee, a new Certificate or Certificates, of the same aggregate principal amount, interest rate and maturity as the surrendered Certificates (unless there has occurred a partial prepayment of such Certificate pursuant to Section 4.01 hereof, in which case the principal amount of the new Certificate shall be equal to the unrepaid principal portion of the Certificate submitted for transfer).

(b) The Trustee shall deem and treat the person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Certificate and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the District nor the Trustee shall be affected by any notice to the contrary. The District agrees to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence or willful misconduct under the Trust Agreement, in so treating such Owner.

In all cases in which the privilege of exchanging or transferring Certificates is exercised, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Article. All Certificates surrendered in any such exchanges or transfers shall forthwith be canceled by the Trustee. For every such exchange or transfer of Certificates, whether temporary or definitive, the District and the Trustee may make a charge sufficient to reimburse any of them for any tax, fee or other governmental charge, other than one imposed by the District, required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision hereof, the cost of preparing each new Certificate and any other expenses of the District or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge other than one imposed by the District) shall be paid by the District. The Trustee shall not be obliged to effect any exchange or transfer of any Certificate during the period after the mailing of notice calling such Certificate or a portion thereof for prepayment, nor during the 15 days preceding the giving of such notice of prepayment.

**Section 2.07. Certificate Registration Books.** The Trustee shall keep or cause to be kept at its Principal Office sufficient books for the registration and transfer of the Certificates, which shall, during normal business hours upon reasonable prior written notice be open to inspection by the District and the Corporation (or its designated agent); and, upon presentation for such purpose,

the Trustee shall, under such reasonable regulations consistent herewith as it may prescribe, register or transfer or cause to be registered or transferred, on the Certificate Register, Certificates as herein before provided.

**Section 2.08. Temporary Certificates.** Pending preparation of the definitive Certificates, any Certificates delivered under the Trust Agreement may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery. The temporary Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, shall be without coupons and may contain such reference to any of the provisions hereof as may be appropriate. Every temporary Certificate shall be executed by the Trustee and be delivered by the Trustee upon the same conditions and in substantially the same manner as definitive Certificates. If the Trustee delivers temporary Certificates, it shall execute and furnish definitive Certificates without delay and, thereupon, the temporary Certificates shall be surrendered for cancellation at the Principal Office of the Trustee and the Trustee shall deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of authorized denominations of the same interest rate or rates and maturity or maturities. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates delivered pursuant hereto.

**Section 2.09. Certificates Mutilated, Destroyed, Lost or Stolen.** If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor in exchange and substitution 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. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and numbered as the District or the Purchaser shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a reasonable fee for each new Certificate delivered under this Section and of the reasonable expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.09. Any Certificate executed and 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 hereof with all other Certificates secured by the Trust Agreement. The Trustee shall not be 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 under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, the Trustee may make payment of such Certificate, upon receipt of indemnity satisfactory to Trustee.

**Section 2.10. Evidence of Signatures of Certificate Owners and Ownership of Certificates.** Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the 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 Certificate Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. 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 Certificates shall be sufficient for any purpose hereof (except as otherwise herein provided), if made in the form of the Assignment attached to the Certificate in Exhibit A hereto.

Nothing contained in this Article shall 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 to the Trustee may seem 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 District or the Trustee in pursuance of such request or consent.

### **Section 2.11. 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. Upon initial delivery, the ownership of each such Certificate shall be registered on the Certificate Register kept by the Trustee in the name of the Nominee. Except as provided in Section 2.11(c), the ownership of all of the Outstanding Certificates shall be registered in the name of the Nominee.

With respect to Certificates the ownership of which shall be registered in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Depository holds an interest in the Certificates. Without limiting the generality of the immediately preceding sentence, the District and the Trustee shall 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 Certificate Register, or 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 prepaid in the event the District elects to prepay the Certificate in part; (iv) the payment to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Certificate Register, of any amount with respect to principal, premium, if any, or interest with respect to 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 Certificates for the purpose of payment of principal of, premium, if any, and interest on such Certificates for the purpose of giving notices of prepayment and other matters with respect to such Certificates, for the purpose of registering transfers of ownership of such Certificates, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on 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 of and interest and premium, if any, on the Certificates to the extent of the sum or sums so paid. No person other than an Owner shall receive a Certificate evidencing the obligation of the

District to make payments of principal, interest and premium, if any, pursuant to 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, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice of the District shall promptly, but in no event later than two Business Days after receipt thereof, 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 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 shall not in any way limit the provisions of Section 2.11(a) above or in any other way impose 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.*** In the event that 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 in the Letter of Representations to be bound by the provisions of this Section 2.11(c). If, prior to the termination of the Depository acting as such, the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be required to be registered in the Certificate Register 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 of this Section 2.11 hereof.

In the event 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 certificate Certificates through the Depository. In such event, the Trustee will, at the expense of the District, execute, transfer and exchange Certificates as required by the Depository and others in appropriate amounts; and whenever the Depository so requests, the District shall cooperate with the Depository in taking appropriate action (i) 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 (ii) to arrange for another qualified securities depository to maintain custody of a single certificate evidencing such Certificates, all at the District's expense.

Prior to any transfer of the Certificates outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(d) ***Payments to the Nominee.*** Notwithstanding any other provision of the Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Certificates and all notices with respect to such Certificates shall be made and given, respectively, as provided in the letter described in Section 2.11(b) or as otherwise instructed in writing by the Depository.

### **ARTICLE III**

#### **PROCEEDS OF CERTIFICATES; INSTALLMENT PAYMENT**

**Section 3.01. Delivery of Certificates.** The Trustee is hereby authorized to execute the Certificates and upon receipt of the proceeds of sale thereof deliver the Certificates to the Purchaser upon receipt of a Certificate of the District.

**Section 3.02. Depositing of Proceeds of Certificates and Other Amounts.** The proceeds received by the Trustee from the sale of the Certificates (\$\_\_\_\_\_) shall be utilized by the Trustee as follows:

- (i) \$\_\_\_\_\_ shall be deposited in the Acquisition Fund;
- (ii) \$\_\_\_\_\_ shall be deposited in the Reserve Fund; and
- (iii) \$\_\_\_\_\_ shall be deposited in the Delivery Costs Fund.

Such funds are hereby established and shall be held hereunder. The Trustee may establish one or more temporary funds or accounts in its records to facilitate and record such deposits and transfers.

**Section 3.03. Use of Money in the Delivery Costs Fund.**

(a) The Trustee shall disburse funds from the Delivery Costs Fund only upon receipt of a signed requisition (stating the amount to be disbursed and the party or parties being paid) approved by the Authorized Officer of the District and accompanied by an invoice or statement for each such amount. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(b) Upon payment of all Delivery Costs, which shall be determined by a certificate to that effect by an Authorized Officer of the District delivered to the Trustee,

or upon the date occurring three months after the Closing Date, whichever occurs first, the Trustee shall transfer all funds remaining in the Delivery Costs Fund to the Installment Payment Fund, and the Delivery Costs Fund shall thereupon be closed.

**Section 3.04. The Reserve Fund.** The Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding the Reserve Fund. Amounts on deposit in the Reserve Fund shall be available only to pay the principal and interest with respect to the Certificates, and for so long as any Certificates remain outstanding, shall not be available for the payment of debt service on or with respect to any Parity Obligations. The Trustee shall hold the Reserve Fund in trust and shall apply moneys in the Reserve Fund in accordance with the following provisions. If, five days prior to any Interest Payment Date, the money in the Installment Payment Fund is insufficient to make the payments required hereunder with respect to the Certificates on such Interest Payment Date the Trustee shall transfer from the Reserve Fund to the Installment Payment Fund the amount of such insufficiency.

The Trustee shall calculate the Reserve Fund semiannually, on the first day of the month preceding an Interest Payment Date. If as of the first day of the month preceding any Interest Payment Date there shall be any deficiency in the Reserve Fund (whether due to a payment therefrom or due to the fluctuation in market value of securities credited thereto, or otherwise), the Trustee shall promptly notify the District in writing of the amount of such deficiency and the District shall pay to the Trustee the amount of such deficiency as provided in Section 4.02 of the Installment Purchase Contract. Delinquent Installment Payments, when received, shall be used to replenish any draw on the Reserve Fund caused by such delinquency.

If, following valuation thereof, the amount available and contained in the Reserve Fund (valued as provided herein) exceeds the Reserve Requirement and if the District is not then in default hereunder, the Trustee shall withdraw the amount of such excess from the Reserve Fund. The Trustee shall deposit such amount in the Installment Payment Fund; subject to the requirement that certain investment earnings must be transferred to the Rebate Fund (as defined in Section 3.11 hereof) in accordance with instructions of the District as required hereunder. Except for such withdrawals all money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making the Installment Payments in the event that amounts on deposit in the Installment Payment Fund are insufficient for such purposes, or to pay the final Installment Payments.

**Section 3.05. Deposit of Installment Payments.** All Installment Payments and interest thereon shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All Installment Payments and interest thereon received by the Trustee shall be held in trust by the Trustee under the terms hereof and shall be deposited by it as and when received in the Installment Payment Fund, which fund the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding.

**Section 3.06. Installment Payment Fund.** The Trustee shall deposit the following amounts in the Installment Payment Fund at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which accounts the Trustee hereby agrees to establish and maintain so long as any Certificates are

Outstanding, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

(a) ***Interest Account.*** The Trustee, on or before each Interest Payment Date, shall deposit in the Interest Account that amount of money constituting the interest components of Installment Payments representing the interest due and unpaid or becoming due and payable to but not including such Interest Payment Date. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest component of Installment Payments representing the interest becoming due and payable upon all Outstanding Certificates on each succeeding Interest Payment Date within the then current Certificate Year. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Certificates to but not including their respective Interest Payment Dates or any other date on which the Certificates may be prepaid in accordance with Article IV hereof.

(b) ***Principal Account.*** The Trustee on or before each September 1, shall deposit in the Principal Account that amount of money constituting the principal components of Installment Payments representing the principal to become due and unpaid or becoming due and payable on September 1. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the principal components of Installment Payments representing the principal to become due and unpaid or becoming due and payable on such Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Certificates on the principal payment date.

(c) ***Prepayment Account.*** The Trustee, on the prepayment date specified in the Certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the Installment Purchase Contract, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Certificates to be prepaid on their respective prepayment dates.

**Section 3.07. Held in Trust.** The moneys and investments held by the Trustee under Sections 3.05 and 3.06 are irrevocably held in trust for the benefit of the Owners, and, in the case of the Rebate Fund established pursuant to Section 3.11 below, for payment as required to the United States Treasury, 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 the District, the Trustee or the Corporation, or any of them.

**Section 3.08. Commingling of Moneys in Funds.** The Trustee at its sole discretion may, and upon the written request of the District shall, commingle 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 Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

**Section 3.09. Arbitrage Covenant.** The District and the Corporation hereby covenant with the Owners of the Certificates that, notwithstanding any other provision of this Trust Agreement, they will make no use of the proceeds of the Certificates which would cause the Certificates to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended. The Trustee hereby covenants with the Owners of the Certificates that it will comply with the express provisions of this Trust Agreement and will follow the written directions of the District and, so long as the Trustee shall have complied with the written instructions of the District as provided in Section 3.11 hereof with respect to making any rebate indicated therein to the United States, the Trustee shall conclusively be deemed to have complied with its obligations hereunder and shall not be liable if the Certificates become arbitrage bonds.

**Section 3.10. Use of Money in the Acquisition Fund.** The Trustee hereby agrees to establish and maintain the Acquisition Fund until the completion of the Acquisition of the Project. All money in the Acquisition Fund shall be held by the Trustee in trust and shall be applied by the Trustee for the payment of the Acquisition Costs of the Project and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses theretofore paid by it for the account of the Corporation whether or not paid prior to the date hereof.) Before any payment is made from the Acquisition Fund by the Trustee, the District shall file with the Trustee a Certificate of the District in the form attached hereto as Appendix B.

Upon receipt of each such Certificate of District, the Trustee shall, so long as the Trustee does not have actual knowledge of or has not received written notice that the District or the Corporation is then in default under the Installment Purchase Contract or hereunder, pay the amount set forth therein as directed by the terms thereof from moneys on deposit in the Acquisition Fund, except that the Trustee shall not make any such payment of Acquisition Costs if it has received a written stop notice or any other written notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money to be so paid which has not been released or will not be released simultaneously with such payment, other than materialmen’s or mechanics’ liens accruing by mere operation of law or a written notice from the Corporation stating that the District is not authorized to act as agent for the Corporation with respect to the matter described in such Certificate of the District. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

When the Acquisition of the Project has been completed to the satisfaction of the District or when the District determines that a portion of the Project will not be Acquired, the District shall deliver a Certificate of the District to the Trustee stating the fact and date of the completion of such improvements, and stating that all the Acquisition Costs and the expenses incidental thereto have been determined and paid (or that such claims and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon receipt of such certificate, the Trustee shall transfer (but less the amount of such retention) first to the Reserve Fund until the amount therein equals the Reserve Requirement, and thereafter to the Installment Payment Fund all remaining moneys in the Acquisition Fund, to be credited to the payment of the Installment Payments as provided herein. In the event the Acquisition Fund has not been depleted by the date which is three years after the Closing Date, the District shall provide the Trustee with an opinion



of nationally recognized bond counsel to the effect that the investment of such remaining funds shall not adversely affect the tax-exempt status of the Certificates.

**Section 3.11. Rebate of Excess Investment Earnings to United States.** The District covenants to calculate the amount of, and to rebate to the United States, excess investment earnings, all in accordance with the Regulations. The Trustee shall not be responsible for enforcing compliance with such rebate requirements.

(a) ***Obligation to Calculate Excess Investment Earnings.*** The District shall calculate or cause to be calculated, and shall provide, or cause to be provided, written notice to the Trustee of the excess investment earnings (as defined in the Code, “Excess Investment Earnings”) at such times and in such manner as may be required pursuant to the Code. The District shall inform the Trustee how frequently calculations are to be made and shall ensure that a copy of all such calculations which indicate a payment is required is given promptly to the Trustee.

(b) ***Rebate to United States.*** The District agrees to deposit with the Trustee, promptly upon the receipt of any calculations made pursuant to the preceding subsection (a), the amount of Excess Investment Earnings so calculated. The Trustee shall deposit all amounts paid to it for such purpose by the District in the Rebate Fund, which the Trustee shall establish when so directed in writing by the District. The Trustee shall pay to the United States of America from the amounts on deposit in the Rebate Fund such amounts as shall be identified pursuant to written notice filed with the Trustee by the District for such purpose from time to time. Payments to the United States of America shall be made to the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. Following payment in full to the United States of America of all amounts due and owing under this Section 3.11(b) at the direction of the District, the Trustee shall withdraw from the Rebate Fund and transfer to the District all amounts remaining on deposit in the Rebate Fund.

(c) ***Investment Transactions.*** The District shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section 3.11. To that end the District shall assure that investment transactions are on an arm’s-length basis. In the event that Permitted Investments consist of certificates of deposit or investment contracts, investment in such Permitted Investments shall be made in accordance with the procedures described in the Regulations.

(d) ***Maintenance of Records.*** The District shall keep and retain for a period of six years following the retirement of the Certificates, records of the determinations made pursuant to this Section 3.11.

(e) ***Engagement of Professional Services.*** In order to provide for the administration of this Section 3.11, the District may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the District may deem appropriate.

(f) **Modification of this Section.** Subject to the terms of Article VIII hereof, any of the provisions of this Section 3.11 may be amended, modified or deleted in any manner whatsoever in the event that the District shall cause to be filed with the Trustee written directions making such amendment, modification or deletion, which written directions are accompanied by an opinion of Bond Counsel stating that such amendment, modification or deletion will not cause interest with respect to the Certificates to be includable in gross income of the Owners for federal income tax purposes. The Trustee shall be deemed conclusively to have complied with such provisions of this Section if it follows the directions of the District and shall have no liability or responsibility to enforce compliance by the District with the terms of the guidance for compliance with the rebate requirements.

## ARTICLE IV

### PREPAYMENT OF CERTIFICATES

#### Section 4.01. Terms of Prepayment.

(a) The Certificates are subject to extraordinary prepayment on any Interest Payment Date upon notice as hereinafter provided, as a whole or in part (on a pro-rata basis) in integral multiples of \$5,000, from prepaid Installment Payments made by the District pursuant to Section 6.01(a) of the Installment Purchase Contract from the Net Proceeds received by the District due to a casualty loss or governmental taking of the Enterprise or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed herein and in the Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment of the Certificates, without premium.

(b) The Certificates maturing on or after September 1, 20\_\_\_, are subject to prepayment prior to maturity in whole or in part in any integral multiple of \$5,000, at the option of the District on any date on or after September 1, 20\_\_\_, from any available source of funds, at the prepayment price equal to the principal amount of the Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium.

(c) The Certificates maturing on September 1, 20\_\_\_ are also subject to mandatory sinking fund prepayment in part by lot, on September 1 in each year commencing September 1, 20\_\_\_, from Installment Payments made by the District pursuant to the Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table:

<b>Sinking Fund Prepayment Date (September 1)</b>	<b>Principal Amount of Term Certificates to Be Prepaid</b>
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The Certificates maturing on September 1, 20\_\_ are also subject to mandatory sinking fund prepayment in whole, or in part by lot, on September 1 in each year commencing September 1, 20\_\_, from Installment Payments made by the District pursuant to the Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table:

<b>Sinking Fund Prepayment Date (September 1)</b>	<b>Principal Amount of Term Certificates to Be Prepaid</b>
---	--

The Certificates maturing on September 1, 20\_\_ are also subject to mandatory sinking fund prepayment in whole, or in part by lot, on September 1 in each year commencing September 1, 20\_\_, from Installment Payments made by the District pursuant to the Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table:

<b>Sinking Fund Prepayment Date (September 1)</b>	<b>Principal Amount of Term Certificates to Be Prepaid</b>
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The Certificates maturing on September 1, 20\_\_ are also subject to mandatory sinking fund prepayment in whole, or in part by lot, on September 1 in each year commencing September 1, 20\_\_, from Installment Payments made by the District pursuant to the Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table:

**Sinking Fund Prepayment Date  
(September 1)**

**Principal Amount of Term  
Certificates to Be Prepaid**

(d) If some but not all of the term Certificates described in Section 4.01(c) above have been prepaid pursuant to Section 4.01(a) or (b) above, the total amount of all related future sinking fund payments shall be reduced by the aggregate principal amount of such Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis as determined by the District (notice of which determination shall be given by the District to the Trustee) as set forth in a revised sinking fund schedule.

**Section 4.02. Selection of Certificates for Prepayment; Purchase in Lieu of Prepayment.** In the event that part, but not all, of the Certificates are to be prepaid (other than pursuant to sinking fund payments), the Certificates to be prepaid shall be selected by the Trustee from maturities designated by the District in writing, and by lot within a maturity.

The District may at any time buy Certificates at public or private sale at a price which, inclusive of brokerage fees, will not exceed the par amount of the Certificates so purchased, plus any applicable premium and any Certificates so purchased shall be tendered to the Trustee for cancellation. Term Certificates so purchased may be credited against sinking fund prepayments as set forth in Section 4.01 hereof.

**Section 4.03. Notice of Prepayment; Rescission.** When prepayment is authorized or required pursuant to this Article, the Trustee shall give notice (the "Prepayment Notice"), at the expense of the District, of the prepayment of the Certificates. Such Prepayment Notice shall specify: (A) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid; (B) the date of prepayment; (C) the place or places where the prepayment will be made, including the name and address of any paying agent; (D) the prepayment price; (E) the CUSIP numbers, if any, assigned to the Certificates to be prepaid; (F) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid; and (G) the original issue date, interest rate and stated maturity date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid the prepayment price, together with interest accrued to the prepayment date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice in respect of optional or extraordinary prepayment shall not be provided unless there has been deposited with the Trustee funds sufficient to pay such prepayment price (except in the case of prepayment resulting from the issuance of refunding obligations). A Prepayment Notice may state that no

representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Certificates.

Subject to the provisions stated above, the Trustee shall take the following actions with respect to such Prepayment Notice. Such notice shall be given by the Trustee at least 30 but not more than 45 days prior to the prepayment date, by telecopy or other electronic transmission, registered, certified or overnight mail, to DTC or other applicable Depository which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

An optional Prepayment Notice may be conditional and state that the District shall have the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any such 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 this Trust Agreement. The District, the Corporation and the Trustee shall have no liability to the 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.

Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of any such other Certificates as to which proper notice was given as provided herein. Each check or other payment method used by the Trustee for the purpose of prepaying Certificates shall bear the CUSIP number identifying, by issue and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

**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 a new Certificate or Certificates equal to the unprepaid principal amount of the Certificate surrendered.

**Section 4.05. Effect of Prepayment.** Notice having been given as aforesaid, and the moneys for the prepayment, including interest to the applicable prepayment date of the Certificates to be prepaid, having been set aside in the Prepayment Account, the portion of Certificates to be prepaid shall become due and payable on said prepayment date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount and premium, if any, with respect thereto, plus any unpaid and accrued interest to said prepayment date.

If, on said prepayment date, moneys sufficient for the prepayment of all the Certificates to be prepaid, together with interest to said prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said prepayment date, interest with respect to the portion of Certificates to be prepaid shall cease to accrue and become payable. If said moneys shall not be so available on said prepayment date, interest with respect to such portion of Certificates shall continue to be payable until paid at the same rates as they would have been payable had they not been called for prepayment.

## ARTICLE V

### COVENANTS OF THE DISTRICT AND THE CORPORATION

**Section 5.01. Compliance with Trust Agreement.** The Corporation and the District will not suffer or permit any default by them to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by them.

**Section 5.02. Compliance with Installment Purchase Contract.** The District and the Corporation will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Contract required to be complied with, kept, observed and performed by them and will enforce the Installment Purchase Contract against the other party thereto in accordance with its terms.

**Section 5.03. Observance of Laws and Regulations.** The Corporation and the District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America 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 each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

**Section 5.04. Other Liens.** The District will keep the Enterprise and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which may hamper the District in conducting its business or utilizing the Enterprise, and the District shall defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings. So long as any Certificates are Outstanding, neither the Corporation nor the District will create or suffer to be created any pledge of or lien on the Installment Payments and the Net Revenues other than as permitted hereunder or under the Installment Purchase Contract with respect to the Net Revenues.

**Section 5.05. Prosecution and Defense of Suits.** The District will promptly, upon request of the Trustee or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Enterprise or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

**Section 5.06. Accounting Records and Statements.** The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, deposit and disbursement of the Installment Payments, and such accounting records (which may be in the form of its customary account statements) shall be

available for inspection by the Corporation, the District or any Owner or his agent duly authorized in writing on any Business Day upon reasonable prior notice at reasonable hours and under reasonable conditions prescribed by the Trustee.

**Section 5.07. Further Assurances.** Whenever and so often as requested to do so by the Trustee (who has no duty to make such request) or any Owner, the Corporation and the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Trust Agreement, the Installment Purchase Contract or the Assignment Agreement.

## ARTICLE VI

### DEFAULT AND LIMITATIONS OF LIABILITY

**Section 6.01. Action on Default or Acceleration.** If an Event of Default under Section 7.01 of the Installment Purchase Contract shall happen, then such Event of Default shall constitute an Event of Default hereunder. In each and every such case during the continuance of such Event of Default the Trustee or, subject to the provisions of Section 6.08 hereof, the Owners of not less than a majority in aggregate principal amount represented by the Certificates at the time Outstanding upon notice given in writing to the District and the Trustee may, upon being indemnified to its satisfaction, exercise the remedies provided to the Corporation in Section 7.01 of the Installment Purchase Contract.

Upon the occurrence of an Event of Default hereunder, the Trustee may declare the principal and interest with respect to all such Certificates immediately due and payable and such principal and interest shall thereupon be due and payable immediately. The Trustee shall apply amounts on deposit in the funds and accounts created under the Installment Purchase Contract and the Trust Agreement in accordance with Section 6.09 hereof.

**Section 6.02. Other Remedies of the Trustee.** The Trustee and, subject to the provisions of Section 6.08 hereof, the Owners of not less than a majority in aggregate principal amount represented by the Certificates at the time Outstanding may, upon being indemnified to its satisfaction:

- (a) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the Corporation or the District or any board member, officer or employee thereof, and compel the Corporation or the District or any such board member, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained herein;
- (b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee;
- (c) intervene in judicial proceedings that affect the Certificates or the security therefor; or

(d) seek the appointment of a receiver or other third party to operate the Enterprise and collect Revenues.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

**Section 6.03. Non-Waiver.** A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

**Section 6.04. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law.

**Section 6.05. No Liability by the Corporation to the Owners.** The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Contract or herein, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 6.06. No Liability by the District to the Owners.** Except for the payment when due of the Installment Payments and the interest thereon, and the performance of the other agreements and covenants required to be performed by it contained in the Installment Purchase Contract or herein, the District will not have any obligation or liability to the Owners with respect to this Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Installment Payments, and the interest thereon, by the Trustee, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 6.07. No Liability by the Trustee to the Owners.** Except for the duty of the Trustee to make payments of principal, prepayment premiums and interest with respect to the



Certificates from moneys received from the District, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments and the interest thereon by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Contract or herein.

**Section 6.08. Limitation on Owners' Right to Bring Suit.** No Owner of any Certificate shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Trust Agreement, or for the appointment of a receiver or trustee or for any other remedy hereunder, at law or in equity, unless:

- (a) such Owner has previously given written notice to the Trustee of a continuing event of default;
- (b) the owners of not less than a majority in principal amount of the Certificates Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee hereunder;
- (c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Trust Agreement to affect, disturb or prejudice the lien of this Trust Agreement or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under this Trust Agreement, except in the manner herein provided and for the equal and ratable benefit of all Certificates. Notwithstanding the foregoing, the Owner of any Certificate shall have the right which is absolute and unconditional to receive payment of interest on such Certificate when due in accordance with the terms thereof and hereof and the principal of such Certificate at the stated maturity thereof and to institute suit for the enforcement of any such payment in accordance with the provisions of this Trust Agreement and such rights shall not be impaired without the consent of such Owner.

**Section 6.09. Application of Funds Upon Default.** All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the provisions of this Article VI or under the provisions of Article VII of the Installment Purchase Contract shall, after payment of the reasonable costs and fees of, and the reasonable expenses (including legal fees and expenses), liabilities and advances incurred or made by the Trustee in and about the performance of its powers and duties hereunder, be deposited in the Installment Payment Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys for the payment of Certificates which have previously matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under Article III hereof, shall be applied as follows:

(a) Unless the principal of all Certificates shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST, to the payment to the Persons entitled thereto of all installments of interest then due on the Certificates, with interest on overdue installments, if lawful, at the rate per annum borne by the Certificates, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or privilege;

SECOND, to the payment to the Persons entitled thereto of the unpaid principal of any of the Certificates which shall have become due (other than Certificates called for prepayment for the payment of which moneys are held pursuant to the provisions of this Trust Agreement), with interest on such Certificates at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Certificates due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the Persons entitled thereto without any discrimination or privilege; and

THIRD, to the payment of amounts, if any, payable to the United States Treasury in respect of rebate.

(b) If the principal of all the Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied:

FIRST, to the payment of the principal and interest then due and unpaid upon the Certificates, with interest on overdue interest and principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Certificates over any other Certificates, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege; and

SECOND, to the payment of amounts, if any, payable to the United States Treasury in respect of rebate.

Whenever the Trustee shall apply such moneys (which shall not include the application of moneys upon the occurrence of any acceleration pursuant to the provisions hereof), it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and of the special record date in accordance with Article II hereof. The Trustee shall

not be required to make payment to the holder of any unpaid Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

## ARTICLE VII

### THE TRUSTEE

**Section 7.01. Trustee; Duties, Removal and Resignation.** By executing and delivering the Trust Agreement, the Trustee accepts the duties and obligations of the Trustee provided in the Trust Agreement, but only upon the terms and conditions set forth in the Trust Agreement. The District (so long as an Event of Default has not occurred) or the Owners of a majority in aggregate principal amount of all Certificates Outstanding may, by 30 days prior written request, remove the Trustee initially a party hereto, and any successor thereto, and in such event, or in the event the Trustee resigns, the District shall appoint a successor Trustee, but any such successor shall be (a) a bank, national banking association that is supervised by the Office of Comptroller of the Currency and has at least \$50 million in assets, (b) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets [or (c) otherwise approved by [the Insurer] in writing. If such bank, national banking association, corporation or trust company 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 purposes of this Section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published.

The Trustee may at any time resign by giving written notice to the District and by giving to the Certificate Owners notice by mailing a notice of such resignation to their addresses appearing in the Certificate register. Upon receiving any such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the District does not appoint a successor Trustee within 30 days following receipt of such notice of resignation or giving notice of removal, the retiring Trustee may petition an appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of the Trustee shall not become effective until written acceptance of appointment by the successor Trustee under the Trust Agreement. Additionally, no removal, resignation or termination of the Trustee or, if applicable, the Paying Agent shall take effect until a successor, [acceptable to the Insurer], shall be qualified and appointed.

Any Trustee which shall resign or be removed upon 30 days' prior written notice pursuant to this Section shall be entitled to compensation in accordance with Section 7.02 and to reimbursement for all reasonable and proper expenses and advances incurred and not previously reimbursed for its activities in connection with the Trust Agreement and the Installment Purchase Contract and for any indemnification due pursuant to the Trust Agreement or the Installment Purchase Contract and not previously paid. Any Trustee which resigns or is removed, upon payment of its unpaid compensation and expenses hereunder, shall fully discharge all the right, title and interest of the retiring Trustee and the accounts and funds hereunder shall vest in said successor Trustee, and such retiring Trustee shall promptly pay over, assign and deliver to the successor Trustee any money or other property then held by such Trustee hereunder, and deliver

any and all records, or copies thereof, in respect of the funds and accounts held hereunder which it may have.

**Section 7.02. Compensation of the Trustee.** The District shall pay from time to time, upon receipt of a statement, to the Trustee reasonable compensation for the Trustee's services and shall reimburse the Trustee for all its reasonable advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Trust Agreement. Such compensation and reimbursement shall be paid promptly by the District. The lien of the Trustee on amounts held by it under the Trust Agreement for its services rendered under the Trust Agreement shall be superior to the rights of the Certificate Owners to receive scheduled payments of principal and interest with respect to their Certificates; provided that the Trustee shall have no lien on moneys in the Prepayment Account or the Rebate Fund.

The District shall, under the Installment Purchase Contract, hold harmless and indemnify the Trustee for all costs, claims, expenses, suits, damages and liabilities incurred by or asserted against the Trustee in the performance of its duties under this Trust Agreement, the Installment Purchase Contract, the Assignment Agreement or any related document executed in connection herewith or therewith, including any such reasonable costs, claims, expenses and liabilities, including legal fees and expenses, incurred in the course of defending itself against any claims or actions or enforcing any remedies under this Trust Agreement or any related document. Any such indemnity shall not extend to any costs, claims, expenses or liabilities adjudicated to have been caused by the negligence or willful misconduct of the Trustee. The indemnification of the Trustee under this Trust Agreement shall extend to its directors, officers, employees and agents. The obligations of the Corporation and the District under this Section shall survive the payment of the Certificates and the discharge of this Trust Agreement and the removal or resignation of the Trustee.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

**Section 7.03. Protection to Trustee.** The District shall indemnify, protect and hold the Trustee harmless and the Trustee shall incur no liability for acting upon any notice, resolution, consent, order, certificate, report or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee, in its discretion, may consult with counsel, who may be counsel to the District or the Corporation, with regard to legal questions, and the opinion or advice of such counsel, shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith in accordance therewith. Whenever in the administration of its duties under the Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by the certificate of an Authorized Officer of the District and such certificate shall be

full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof (but shall not be obligated to), accept other evidence of such matter.

The Trustee may in good faith buy, sell, own, hold and deal in any of the Certificates executed pursuant to the Trust Agreement, and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Trust Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Corporation or the District, and may act as depository, trustee, or agent for any committee or body of Owners of Certificates or other obligations of the District as freely as if it were not Trustee under the Trust Agreement.

The recitals, statements and representations contained in this Trust Agreement or in the Certificates, save only the Trustee's execution of the Certificates, shall be taken and construed as made by and on the part of the District, 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 shall not be deemed to make any representations with respect to the security afforded by this Trust Agreement, the Installment Purchase Contract or the Assignment Agreement. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it under the Trust Agreement by or through attorneys, agents, or receivers, shall not be responsible for the negligence or misconduct of such attorneys, agents or receivers appointed by it with due care, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Trust Agreement. The Trustee shall be fully reimbursed by the District for reasonable expenses incurred in hiring attorneys, agents or receivers in connection with the performance of its obligations under the Trust Agreement.

Before taking any action hereunder the Trustee may require that a satisfactory indemnity bond or other indemnity satisfactory to the Trustee be furnished for the reimbursement of all reasonable expenses to which it may be put and to protect it against all liability which may be incurred in connection with the taking of such action, except liability which is adjudicated to have resulted from its negligence or willful misconduct; provided, however, the Trustee shall not seek such indemnity prior to making payments on the Certificates. The Trustee, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform only such duties as are specifically set forth in this Trust Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

The Trustee shall not be deemed to have knowledge of an Event of Default under the Installment Purchase Contract (except in connection with a failure of the District to make Installment Payments when due) until it has actual knowledge thereof, or until notified in writing of such Event of Default. In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all persons, including without limitation the Owners, the District and the Corporation, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise

provided herein. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

Every provision of this Trust Agreement, the Installment Purchase Contract and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of this Trust Agreement, including without limitation, this Article. The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement. The Trustee shall not be liable with respect to any action taken or not taken by it in accordance with the direction of [the Insurer] or the Owners of a majority (or other percentage provided for herein) in aggregate principal amount of Certificates at the time Outstanding relating to the exercise of any right or remedy available to the Trustee hereunder or under the Installment Purchase Contract or any other trust or power conferred upon the Trustee.

The Trustee makes no representation or warranty, 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 or the Corporation of the Project or any portion thereof, or any other representation or warranty with respect to the Project or any portion thereof. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with this Trust Agreement or the Installment Purchase Contract or the existence, furnishing or functioning of the Project or the District's use of the Project. The Trustee shall have 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 these Certificates.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Trust Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District and/or Corporation shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District and/or the Corporation whenever a person is to be added or deleted from the listing. If the District and/or Corporation elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The District and Corporation understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District and Corporation shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District, Corporation and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District and/or Corporation. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District and Corporation agree: (i) to assume all risks arising out of the use of

Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District and Corporation; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, pandemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

In acting or omitting to act pursuant to the Assignment Agreement, the Installment Purchase Contract or any other documents executed in connection herewith or therewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Agreement and the Installment Purchase Contract, including, but not limited to, this Article VII.

None of the provisions of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

The Trustee shall not be accountable for the use or application by the District of any of the Certificates or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture or for the use and application of money received by any paying agent. The Trustee may become the owner of Certificates secured hereby with the same rights it would have if not Trustee.

The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

**Section 7.04. Payment from Trust Estate Only.** All payments to be made by the Trustee under and pursuant to this Trust Agreement shall be made only from the corpus, income and proceeds of the funds and accounts hereunder and only to the extent that the Trustee shall have received sufficient contribution, income and proceeds in accordance with the terms of this Trust Agreement.

**Section 7.05. Merger or Consolidation.** Any company 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 to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.01 hereof, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

## ARTICLE VIII

### AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT

**Section 8.01. Amendment or Supplement by Consent of Owners.** The Trust Agreement may be amended in writing by agreement among all of the parties, but no such amendment (except as provided below) shall become effective as to the Owners of the Certificates then Outstanding, unless and until approved by the Owners of a majority in aggregate principal amount of Certificates Outstanding; provided that no such amendment shall impair the right of any Owner to receive his proportionate share of any Installment Payments in accordance with his Certificate of Participation unless consented to by the applicable Certificate Owner, furthermore no such amendment or supplement shall (a) reduce the rate of interest evidenced hereby or extend the time of payment of such interest or reduce the amount of principal evidenced hereby or extend the Maturity Date hereof without the prior written consent of the Owner hereof, or (b) reduce the percentage of Owners of Certificates whose consent is required for the execution of any amendment of or supplement to the Trust Agreement, or (c) modify any rights or obligations of the Trustee without its prior written consent thereto. Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners of the Certificates, but only (a) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement; or (b) in regard to questions arising under the Trust Agreement which the District may deem necessary or desirable and not inconsistent with the Trust Agreement and which shall not materially adversely affect the interests of the Owners; provided that the Corporation, the District and the Trustee may rely in entering into any such amendment of the Trust Agreement upon the opinion of nationally recognized bond counsel stating that the requirements of this sentence shall have been met with respect to such amendment. The Trustee may in its discretion, but shall not be obligated to, enter into any amendment or modification which adversely affects the Trustee's own rights, duties or immunities under this Trust Agreement or otherwise.

In the event of any such amendment or supplement, copies of such amendment or supplement and any other documents relating thereto shall be provided by the District to Moody's (to the extent Moody's maintains a rating on the Certificates), S&P (to the extent S&P maintains a rating on the Certificates) at least 15 days prior to the effective date thereof.



**Section 8.02. Disqualified Certificates.** Certificates owned or held by or for the account of the District shall not be deemed outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in this Article VIII, and shall not be entitled to consent to or take any other action provided in this Article VIII; except that in determining whether the Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Certificates which the Trustee actually knows to be owned or held by or for the account of the District, shall be disregarded unless all Certificates are so owned or held, in which case such Certificates shall be considered outstanding for the purpose of such determination. The Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this Section 8.02. Upon request of the Trustee, the District shall specify in a certificate to the Trustee those Certificates disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

**Section 8.03. Execution of Amendments.** In executing, or accepting the additional trusts created by, any supplement or amendment permitted by this Article or the modification thereby of the trusts created by this Trust Agreement, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental indenture is authorized or permitted by this Trust Agreement and complies with the terms hereof. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

## ARTICLE IX

### DEFEASANCE

**Section 9.01. Defeasance.** 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 and interest with respect to the Certificates Outstanding to be defeased, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, before maturity, money which, together with the amounts which are then on deposit in the Installment Payment Fund and the Reserve Fund, is fully sufficient to pay such Certificates Outstanding, including all principal and interest relating thereto;
- (c) by depositing with the Trustee, in trust, non-callable Federal Securities (the "Defeasance Obligations") in such amount as a nationally recognized certified public accountant shall determine will, together with the interest to accrue thereon and moneys then on deposit in the Installment Payment Fund and Reserve Fund to be applied to such defeasance together with the interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest) at or before their respective maturity dates;

(d) by depositing with the Trustee, cash, or Defeasance Obligations for the payment of a portion of Installment Payments, said Defeasance Obligations to be held by the Trustee, as agent for District and to be applied by the Trustee to pay Installment Payments representing the obligation of the District under the Installment Purchase Contract.

In the event of an advance refunding as described in Sections 9.01(c) and (d) above (i) the District shall cause to be delivered to the Trustee [and the Insurer], three days prior to any deposit date and upon any reinvestment of the defeasance amount, a report of an independent firm of nationally recognized certified public accountants (“Accountant”) verifying the sufficiency of the escrow established to pay such Certificates in full on the maturity or prepayment date (“Verification”); (ii) the escrow agreement or instructions shall provide that no (A) substitution of a Defeasance Obligation shall be permitted except with another Defeasance Obligation and upon delivery of a new Verification and an opinion of bond counsel that such substitution will not adversely affect the Owners of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes [and the prior written consent of the Insurer], which consent will not be unreasonably withheld, and (B) reinvestment of a Defeasance Obligation shall not be permitted except as contemplated by the original Verification or upon delivery of a new Verification; and (iii) there shall be delivered an opinion of nationally recognized bond counsel to the effect that such Certificates are no longer “Outstanding” under the Trust Agreement. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the District [and the Insurer]. Certificates shall be deemed “Outstanding” under the Trust Agreement unless and until they are in fact paid and retired or the above criteria are met.

Notwithstanding that some Certificates may not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District under the Trust Agreement with respect to all defeased Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the Owners of the Certificates all sums due thereon and the obligation of the District to indemnify and pay the Trustee in accordance with Sections 7.02 and 7.03 hereof.

Upon the defeasance of all Outstanding Certificates, any funds held by the Trustee, at the time of one of the events described above in Section 9.01(a), (b), (c) or (d), which are not required for the payment to be made to Owners, or for payments to be made to the Trustee by the District, shall be paid over to the District upon delivery of a certificate of a certified public accountant that such funds are not required to be paid to the Owners.

**Section 9.02. Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal evidenced and represented by any of the Certificates which remains unclaimed for two years after the date when the payments evidenced and represented by such Certificates have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal evidenced and represented by such Certificates have become payable, the Trustee shall pay such amounts to the District (without liability for interest) as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for interest and principal represented by such Certificates; provided, however, that before being required to make any such payment to the District, the

Trustee shall, at the expense and written request of the District, cause to be published once a week for two successive weeks in a financial newspaper a notice that such money remains unclaimed and that after a date named in such notice, which date shall not be less than 30 days after the date of the first publication of such notice, the balance of such money then unclaimed will be returned to the District.

## **ARTICLE X CERTIFICATE INSURANCE PROVISIONS**

**Section 10.01. [Insured Obligations.** Notwithstanding any other provisions of this Trust Agreement, the provisions of this Article X shall apply to the Insured Obligations.]

## **ARTICLE XI MISCELLANEOUS**

**Section 11.01. Benefits of Trust Agreement Limited to Parties.** Nothing contained herein, expressed or implied, is intended to give to any person other than the Corporation, the District, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Trustee and the Owners.

**Section 11.02. Successor Deemed Included in All References to Predecessor.** Whenever either the Corporation, the District, the Trustee or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Corporation, the District, the Trustee or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the Corporation, the District, the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 11.03. Execution of Documents by Owners.** Any declaration, consent, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his or her attorney of any declaration, consent, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act, that the person signing such declaration, consent, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee or the paying agent, as the case may be, may accept which it may deem sufficient. Any declaration, consent, request or other instrument in writing of the Owner of any Certificate shall bind all future owners of such Certificate with respect to anything done or suffered to be done by the Corporation, the District or the Trustee in good faith and in accordance therewith.

**Section 11.04. Waiver of Personal Liability.** No board member, officer or employee of the Corporation or the District shall be individually or personally liable for the payment of the interest or principal evidenced and represented by the Certificates, but nothing contained herein shall relieve any board member, officer or employee of the District or the Corporation from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Contract or hereby.

**Section 11.05. Acquisition of Certificates by District.** All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

**Section 11.06. Content of Certificates.** Every Certificate of the District with respect to compliance with any agreement, condition, covenant or term contained herein (other than a Certificate of the District filed with the Trustee in connection with a disbursement from the Delivery Costs Fund and the Acquisition Fund, the contents of which certificate shall be as set forth in Sections 3.03 and 3.11, respectively, hereof) shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a statement that, in the opinion of the signers they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (c) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with. Any Certificate of the District may be based, insofar as it relates to legal matters, upon an opinion of counsel unless the person making or giving such certificate knows that the opinion of counsel with respect to the matters upon which such certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any opinion of counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the District, upon a representation by an officer or officers of the District unless the counsel executing such opinion of counsel knows that the representation with respect to the matters or upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

**Section 11.07. Notice by Mail.** Any notice required to be given hereunder by mail to any Owners of Certificates shall be given by mailing a copy of such notice, first-class postage prepaid, to the Owners of such Certificates at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 not less than 30 days nor more than 60 days following the action or prior to the event concerning which notice thereof is required to be given unless this Trust Agreement expressly provides a different provision; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and failure to receive any such notice shall not affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

**Section 11.08. Funds.** Any fund or account required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance

with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the owners.

**Section 11.09. Investments.**

(a) Amounts on deposit in any fund or account created pursuant to the Installment Purchase Contract or this Trust Agreement (except the Reserve Fund) shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement hereunder, in accordance with such written directions as the District may from time to time provide to the Trustee. Amounts on deposit in the Reserve Fund shall be invested by the Trustee, in accordance with written directions from the District, in Permitted Investments (i) having an average aggregate weighted term to maturity not greater than five years; or (ii) of any maturity, but callable at par for any purpose required by this Trust Agreement. Investment directions shall be received at least two Business Days prior to the date of making the investment. If no such direction has been received by the Trustee in sufficient time, the Trustee shall invest such amounts in Permitted Investments of the type described in clause (d) of the definition thereof; provided that the Trustee shall have received a written instruction of the District specifying a specific money market fund and, if no such Written Request of the District is so received, the Trustee shall hold such moneys uninvested. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this Section 10.09. The Trustee may sell or present for prepayment any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for prepayment. Interest or profit received from the investment of amounts on deposit in the Delivery Costs Fund shall be retained therein and used as described in Section 3.03. Interest or profit received from the investment of amounts on deposit in the Acquisition Fund shall be retained therein and used as described in Section 3.10. Interest or profit received on investments not described in the previous two sentences shall be deposited to the Acquisition Fund until the Project is Acquired, and thereafter to the Installment Payment Fund.

The Trustee may exclusively rely that any investment directed by the District hereunder is a Permitted Investment as required by this Trust Agreement (including as to the suitability and legality of the directed investment). The Trustee may act as depository, manager, advisor or sponsor with regard to any Permitted Investment.

(b) In computing the amount in any fund or account, Permitted Investments shall be valued at fair market value, marked to market, exclusive of accrued interest. The Trustee shall perform such valuation (i) no less often than once a year or more frequently than monthly, and (ii) upon any draw on the Reserve Fund. In determining market value of Permitted Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it. If amounts on deposit in the Reserve Fund shall, at the time of valuation, be less than the applicable Reserve Requirement the Trustee shall notify the

District within five Business Days and such deficiency shall be immediately made up by the District from Net Revenues and such Reserve Fund shall be valued monthly until amounts on deposit therein equal the Reserve Requirement.

(c) If at any time after investment therein a Permitted Investment ceases to meet the criteria set forth in the definition of Permitted Investments and such obligation, aggregated with other non-conforming investments, exceeds 10% of invested funds, such Permitted Investment shall be sold or liquidated at the written direction of the District. At the written direction of the District the Trustee shall terminate any repurchase agreement upon a failure of the counterparty thereto to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the repurchase securities, at the written direction of the District, the Trustee shall, liquidate the collateral. The Trustee shall, upon actual knowledge of a default under a repurchase or investment agreement or the withdrawal or suspension of either of the ratings of a repurchase or investment agreement provider or a drop in the ratings thereon below “AA” or “Aa,” as appropriate, or “AAA” or “Aaa,” as appropriate, in the case of a foreign bank, shall at the written direction of the District, demand further collateralization of the agreement or termination thereof and liquidation of the collateral. In the event any funds or accounts are invested in an investment agreement described in clause (j) of the definition of Permitted Investments, at the written direction of the District, the Trustee shall give notice to the provider of such investment agreement in accordance with the terms of such investment agreement to receive funds thereunder with no penalty or premium. Notwithstanding anything to the contrary herein, in no event shall the Trustee have any responsibility to monitor the ratings of Permitted Investments or whether such Permitted Investments continue to be Permitted Investments hereunder.

(d) The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants to the District the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

**Section 11.10. Article and Section Headings, Gender and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

**Section 11.11. Partial Invalidity.** If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Corporation, the District or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions,

covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law.

**Section 11.12. California Law.** This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

**Section 11.13. Notices.** All written notices to be given hereunder shall be given by certified mail to the party entitled thereto at its address set forth in the Installment Purchase Contract, or at such other address as such party may provide to the other parties in writing from time to time.

**Section 11.14. Effective Date.** This Trust Agreement shall become effective upon its execution and delivery.

**Section 11.15. Execution in Counterparts.** This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

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

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

By \_\_\_\_\_  
Authorized Representative

**CSDA FINANCE CORPORATION**

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

**CAMBRIA COMMUNITY SERVICES  
DISTRICT**

By \_\_\_\_\_  
John F. Weigold, IV  
General Manager



**APPENDIX A****FORM OF CERTIFICATE OF PARTICIPATION**

EVIDENCING THE DIRECT, UNDIVIDED FRACTIONAL INTEREST OF THE OWNER HEREOF IN INSTALLMENT PAYMENTS TO BE MADE TO THE CSDA FINANCE CORPORATION BY THE CAMBRIA COMMUNITY SERVICES DISTRICT

**CAMBRIA COMMUNITY SERVICES DISTRICT  
WASTEWATER REVENUE CERTIFICATE OF PARTICIPATION  
SERIES 2022A**

No. R- \_\_\_\_\_ \$ \_\_\_\_\_

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Original Issue Date</b>	<b>CUSIP</b>
_____ %	September 1, _____	_____, 2022	_____

REGISTERED OWNER: **\*\*CEDE & CO.\*\***

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

THIS IS TO CERTIFY that the Owner specified above of this Certificate of Participation (the "Certificate"), is the Owner of an undivided interest in the rights to receive certain installment payments (the "Installment Payments") and the interest thereon under and pursuant to that certain Installment Purchase Contract, dated as of October 1, 2022 (the "Installment Purchase Contract"), between the Cambria Community Services District, duly organized and validly existing under the laws of the State of California (the "District") and the CSDA Finance Corporation, a nonprofit corporation duly organized and validly existing under the laws of the State of California (the "Corporation"), all of which rights to receive such Installment Payments and the interest thereon, together with certain other rights, have been assigned by the Corporation to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), a national banking association duly organized and validly existing under the laws of the United States and having a corporate trust office in San Francisco, California, or in such other place as designated by the Trustee or any other bank or trust company which may at any time be substituted in its place as provided in the Trust Agreement hereinafter mentioned.

This Certificate is one of the duly authorized certificates of participation designated "Cambria Community Services District Wastewater Revenue Certificates of Participation, Series 2022A" aggregating \$\_\_\_\_\_ in principal amount which have been executed by the Trustee under and pursuant to the terms of a Trust Agreement, dated as of October 1, 2022 (the "Trust Agreement"), by and among the Trustee, the Corporation and the District, and all capitalized terms used herein not otherwise defined shall have the definitions for such terms contained in the Trust Agreement or the Installment Purchase Contract.

The Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract and any right of prepayment prior thereto hereinafter provided for, on the date

set forth on the front hereof (the “Maturity Date”), upon surrender of this Certificate on the Maturity Date or on the date of prepayment prior thereto at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee, the Principal Amount specified above representing the Owner’s share of the Installment Payments becoming due and payable on the Maturity Date, and to receive on March 1 and September 1 of each year, commencing March 1, 2023 (each, an “Interest Payment Date”) to and including the Maturity Date or the date of prepayment prior thereto, whichever is earlier, by check mailed via first-class mail on the Interest Payment Date to the owner at the address shown on the registration books for the Certificates on the fifteenth day of the calendar month prior to an Interest Payment Date, or, upon the written request from any Owner of any Certificate in a denomination of, or Certificates aggregating, at least \$1,000,000, received on or prior to the fifteenth day of the month preceding the applicable Interest Payment Date, by wire in Federal Reserve funds, the Owner’s share of the interest on the Installment Payments at the rate set forth on the front hereof. All such amounts are payable in lawful money of the United States of America.

Interest on the principal components shall be at a rate equal to the rate set forth on the front hereof, which shall be calculated based on a 360-day year of twelve 30-day months.

Copies of the Trust Agreement are on file at the corporate trust office of the Trustee in San Francisco, California and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms securing the Certificates, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of the Owners of the Certificates with respect thereto and for the other agreements, conditions, covenants and terms upon which the Certificates are executed and delivered thereunder.

The Installment Payments relating to the Certificates are a special obligation of the District, payable solely from (a) Net Revenues (as defined in the Installment Purchase Contract), and (b) moneys on deposit in the funds and accounts established under the Trust Agreement and the Installment Purchase Contract. The Installment Payments do not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended or supplemented in writing by the parties thereto (in certain instances without the consent of the Owners of Certificates), but no such amendment or supplement shall (a) reduce the rate of interest evidenced hereby or extend the time of payment of such interest or reduce the amount of principal evidenced hereby or extend the Maturity Date hereof without the prior written consent of the Owner hereof, or (b) reduce the percentage of Owners of Certificates whose consent is required for the execution of any amendment of or supplement to the Trust Agreement, or (c) modify any rights or obligations of the Trustee without its prior written consent thereto.

The Certificates are authorized to be executed and delivered in the form of fully registered Certificates in denominations of \$5,000 or any integral multiple thereof.

This Certificate is transferable or exchangeable by the Owner hereof in person or by the Owner's attorney duly authorized in writing, at the designated corporate trust operations office of the Trustee, or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of this Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Upon such transfer or exchange, a new Certificate or certificates of authorized denominations of the same Maturity Date and interest rate representing the same aggregate principal amount hereof will be executed and delivered by the Trustee to the owner thereof in exchange therefor. The Trustee shall require the payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced by this Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability evidenced by this Certificate to the extent of the sum or sums so paid.

The Trustee shall not be obligated to make any such registration of transfer or exchange of Certificates during the 15-day period prior to the date on which notice of prepayment must be mailed pursuant to the Trust Agreement, or with respect to any Certificate which has been selected for prepayment pursuant to the Trust Agreement.

The Certificates shall be subject to prepayment as set forth in the Trust Agreement.

As provided in the Trust Agreement, notice of prepayment hereof shall be mailed, first-class postage prepaid, not less than 30 nor more than 45 days prior to the prepayment date, to the Owner of this Certificate at such Owner's address as it appears in the registration books maintained by the Trustee, but failure to give any such notice or any defect therein shall not affect the validity of the proceedings for the prepayment of this Certificate. If this Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, the interest evidenced hereby shall cease to accrue from and after the date fixed for prepayment.

The Trustee has no obligation or liability to the Owners of the Certificates for the payment of the interest or principal or prepayment premiums, if any, evidenced by the Certificates; but rather the Trustee's sole obligations are to administer, for the benefit of the District and the Corporation and the Owners of the Certificates, the various funds established under the Trust Agreement and Installment Purchase Contract. The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity. The Trustee is not liable for the obligations evidenced by the Certificates except from amounts held by it in its capacity as Trustee under the Trust Agreement. The Corporation has no obligation or liability whatsoever to the Owners of the Certificates.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the District or its agent 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 by the manual or electronic signature of an authorized officer of the Trustee.

Dated: \_\_\_\_\_, 2022

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

By \_\_\_\_\_  
Authorized Representative

**ASSIGNMENT**

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

---

**(Please print or typewrite name and address of Transferee)  
(Tax Identification or Social Security No.)**

the within bond and all rights thereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

\_\_\_\_\_  
Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges and who is a member of a Medallion Signature Program.

**[STATEMENT OF INSURANCE]**

**APPENDIX B****FORM OF CERTIFICATE OF THE DISTRICT**

The Bank of New York Mellon Trust Company, N.A.  
50 Fremont Street, Ste 3900  
San Francisco, CA 94105  
Attention: Corporate Trust Services

RE: Disbursement from the Acquisition Fund pursuant to Section 3.10 of the Trust Agreement, dated as of October 1, 2022 (the "Agreement"), among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the "Trustee"), the CSDA FINANCE CORPORATION (the "Corporation") and the CAMBRIA COMMUNITY SERVICES DISTRICT (the "District")

Notice No. \_\_\_\_\_

You are hereby instructed to pay to the parties listed on Exhibit A hereto the sum listed opposite such parties names as a payment of the cost of the Acquisition of the Project for the items listed on the Schedule attached hereto and the expenses incidental thereto (including reimbursement to the District for certain of such costs or expenses) from the Acquisition Fund as provided in Section 3.10 of the Trust Agreement. This cost has been properly incurred, is a proper charge under the Agreement against payment of the costs of the Acquisition of the Project and has not been the basis of any previous disbursements. The amount remaining in the Acquisition Fund, together with interest earnings thereon will, after payment of the amount set forth in this requisition, be sufficient to pay all remaining costs of the Acquisition of the Project as presently estimated.

I hereby certify that:

(a) the District is authorized to act as agent for the Corporation with respect to this Certificate and the undersigned is duly authorized by the District to deliver this Certificate;

(b) an obligation in the stated amount has been properly incurred under and pursuant to the Installment Purchase Contract and each such obligation is a proper charge against the Acquisition Fund and has not been subject of any previous Certificate of the District;

(c) there has not been filed with or served upon the Corporation or the District a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person named in this Certificate which has not been released or will not be released with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of laws;

(d) in the case of each payment made under any contract for installation or construction, insofar as such obligation was incurred for work, materials, equipment or



supplies, such work was actually performed on behalf of the District or such materials, equipment or supplies were actually installed in furtherance of the Project or delivered at the site for that purpose or delivered for storage or fabrication at a place or places approved by the District;

(e) in the case of increased costs of the Acquisition of the Project, the amount of such increase has been or is herewith being deposited with the Trustee, or otherwise made available by the District; and

(f) no event of default has occurred and is continuing.

Very truly yours,

---

District Representative

**EXHIBIT A**

<b>Name and Address of Payee</b>	<b>Purpose</b>	<b>Amount \$</b>
--------------------------------------	----------------	----------------------

**NEW ISSUE  
BOOK-ENTRY-ONLY**

**INSURED RATING: S&P Global Ratings: “\_”  
UNDERLYING RATING: S&P Global Ratings “\_”  
INSURANCE: \_\_\_\_\_  
(See “RATINGS” herein.)**

*In the opinion of Kutak Rock LLP, Irvine, California, Special Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, the portion of each Installment Payment designated as and representing interest and received by the Owners of the Certificates (the “Interest Portion”) (including any original issue discount properly allocable to the owner of a Certificate) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel is also of the opinion that the Interest Portion is exempt from State of California personal income taxes. For a more detailed description of such opinions of Special Counsel, see “TAX EXEMPTION” herein.*

\$ \_\_\_\_\_\*

**Cambria Community Services District  
Wastewater Revenue Certificates of Participation  
Series 2022A**

**Dated: Date of Delivery**

**Due: September 1, as shown on the inside cover**

The Cambria Community Services District Wastewater Revenue Certificates of Participation, Series 2022A (the “Certificates”) are being executed and delivered, among other things, to finance the acquisition, construction and improvement of certain facilities and equipment for the wastewater system of the Cambria Community Services District (the “District”). The Certificates are being executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Certificates will be in the denomination of \$5,000 each or any integral multiple thereof. Interest due with respect to the Certificates is payable semiannually on March 1 and September 1, commencing March 1, 2023. Interest and principal with respect to the Certificates shall be payable by The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as trustee (the “Trustee”) to DTC. See “APPENDIX E—Book-Entry-Only System.”

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2022 (the “Trust Agreement”), by and among the Trustee, the CSDA Finance Corporation (the “Corporation”) and the District. The Certificates evidence undivided fractional interests of the owners thereof in Installment Payments (as defined herein) to be made by the District under an Installment Purchase Contract, dated as of October 1, 2022 (the “Installment Purchase Contract”) between the District and the Corporation, in the proportions indicated herein under the heading “SCHEDULE OF INSTALLMENT PAYMENTS.” The Installment Payments will be secured by a pledge of and charge and first priority lien upon, all of the Net Revenues (as defined herein).

**THE CERTIFICATES ARE SUBJECT TO PREPAYMENT PRIOR TO MATURITY AS DESCRIBED HEREIN.**

The obligation of the District to make 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. Neither the Certificates nor the obligation of the District to make Installment Payments constitute a debt of the District, the Corporation, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. **THE CORPORATION IS NOT LIABLE TO MAKE THE INSTALLMENT PAYMENTS.**

[The scheduled payment of principal and interest represented by the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the execution and delivery of the Certificates by [INSURER]. (“[INSURER]” or the “Insurer”). See “CERTIFICATE INSURANCE.” [The Insurer is also providing a reserve fund insurance policy for the Certificates to satisfy the Reserve Requirement (defined herein) for the Certificates.]]

[INSURER LOGO]

This cover page contains certain information for quick reference only and is not a summary of the transaction. Investors must read the entire Official Statement, including the section entitled “CERTAIN RISK FACTORS FOR THE CERTIFICATES,” to obtain information essential to the making of an informed investment decision.

The Certificates are offered when, as and if delivered and received by the Underwriter, subject to approval by Kutak Rock LLP, Irvine, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Carmel & Naccasha LLP, San Luis Obispo, California, District Counsel. Certain legal matters will be passed upon for the Underwriter by Quint & Thimmig LLP, Larkspur, California, Underwriter’s Counsel. It is anticipated that the Certificates will be available for delivery through DTC in New York, New York, on or about September \_\_, 2022.

**OPPENHEIMER & CO. INC.**

**Dated: \_\_\_\_\_, 2022**

**MATURITY DATES, AMOUNTS, INTEREST  
RATES AND PRICES OR YIELDS**

\$ \_\_\_\_\_ Serial Certificates

Maturity Date (September 1)*	Principal Amount*	Interest Rate	Price or Yield	CUSIP† Number
---------------------------------	----------------------	------------------	-------------------	------------------

\$ \_\_\_\_\_\* \_\_\_\_\_% Term Certificates due September 1, 20\_\_\_\_\* Priced to Yield \_\_\_\_\_% CUSIP† \_\_\_\_\_

\$ \_\_\_\_\_\* \_\_\_\_\_% Term Certificates due September 1, 20\_\_\_\_\* Priced to Yield \_\_\_\_\_% CUSIP† \_\_\_\_\_

\$ \_\_\_\_\_\* \_\_\_\_\_% Term Certificates due September 1, 20\_\_\_\_\* Priced to Yield \_\_\_\_\_% CUSIP† \_\_\_\_\_

***Use of Official Statement.*** This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Certificate holder and the Corporation, the District or the Underwriter.

***No Offering Except by This Official Statement.*** No dealer, broker, salesperson or other person has been authorized by the Corporation, the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Corporation, the District or the Underwriter.

***No Unlawful Offers or Solicitations.*** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

***Estimates and Projections.*** When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

***Information in Official Statement.*** The information set forth in this Official Statement has been furnished by the Corporation and the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

***Document Summaries.*** All summaries of the Trust Agreement, the Installment Purchase Contract or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

***Involvement of Underwriter.*** The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

***No Securities Laws Registration.*** The Certificates have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Certificates have not been registered or qualified under the securities laws of any state.

***Effective Date.*** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, give rise to any implication that there has been no change in the affairs of the Corporation or District, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

***Stabilization of Market Price.*** In connection with the offering of the Certificates, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Certificates at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

***Website.*** The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

**CAMBRIA COMMUNITY SERVICES DISTRICT**

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**District Board Members**

Donn Howell, President of the District Board  
Karen Dean, Vice President of the District Board  
Cindy Steidel, Director  
Harry Farmer, Director  
Tom Gray, Director

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Carmel & Naccasha LLP, District Counsel  
San Luis Obispo, California

---

**District Officers**

John F. Weigold, IV, General Manager  
Pamela Duffield, Administrative Department Manager  
Ray Dienzo, P.E., Utilities Department Manager/District Engineer

**Municipal Advisor**

Bartle Wells Associates  
Berkeley, California

**Special Counsel and Disclosure Counsel**

Kutak Rock LLP  
Irvine, California

**Underwriter's Counsel**

Quint & Thimmig LLP  
Larkspur, California

**Trustee**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

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**[REGIONAL MAP OF CALIFORNIA TO BE ADDED AND ARRANGED BY PRINTER]**

**OFFICIAL STATEMENT**

\$ \_\_\_\_\_ \*

**Cambria Community Services District  
Wastewater Revenue Certificates of Participation  
Series 2022A****INTRODUCTION****General**

This Official Statement, which includes the cover page, inside cover page, table of contents and appendices hereto (this “Official Statement”), provides certain information concerning the execution and delivery of the Cambria Community Services District Wastewater Revenue Certificates of Participation, Series 2022A (the “Certificates”) in the aggregate principal amount of \$\_\_\_\_\_.\*

The Certificates evidence and represent the undivided, fractional interests of the registered owners thereof (the “Certificate Owners”) in the right to receive installment payments (the “Installment Payments”), to be made by the Cambria Community Services District (the “District”) to the CSDA Finance Corporation (the “Corporation”) under and pursuant to an Installment Purchase Contract dated as of October 1, 2022 (the “Installment Purchase Contract”), between the District and the Corporation.

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2022 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Corporation and the District. The District will make the Installment Payments to the Corporation in order to purchase the Project (as defined below) from the Corporation. The Corporation will sell the Project to the District pursuant to the Installment Purchase Contract. Pursuant to an Assignment Agreement dated as of October 1, 2022 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee for the benefit of the respective Certificate Owners, its rights and remedies under the Installment Purchase Contract, including its rights to receive Installment Payments.

The Certificates are being executed and delivered to make certain improvements for the benefit of the District and its wastewater system (the “Wastewater System” or the “Enterprise”), primarily consisting of upgrades to the District’s wastewater treatment plant and improvements to some of the District’s lift stations within the Wastewater System (the “Project”), [to fund a reserve fund for the Certificates] and to pay the costs of delivery of the Certificates. See “THE PROJECT” herein.

**The District**

The District is a community services district organized and existing pursuant to the laws of the State of California (the “State”). The District provides water, wastewater, fire protection, parks, recreation and open space services to a population of approximately 6,000 in and around the unincorporated community of Cambria in the County of San Luis Obispo (the “County”). The District was formed in 1976 and is located on California’s central coast, roughly halfway between the cities of San Francisco and Los Angeles. The District is governed by a five-member Board of Directors (the “Board”), elected at large to four-year overlapping terms. The District and the Enterprise are described in greater detail under the caption “THE DISTRICT” below.

### **Security and Sources of Payment for the Certificates**

The obligation of the District to pay Installment Payments, which includes principal and interest components, is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of the Parity Obligations, if any, (as defined herein)) on Net Revenues (as defined herein) and all moneys in the Revenue Fund, the Acquisition Fund, the Installment Payment Fund and the Reserve Fund established pursuant to the Installment Purchase Contract and the Trust Agreement and in other funds and accounts established pursuant to the Trust Agreement. Generally, “Net Revenues” means all Revenues (as defined herein), during a given period less all of the Maintenance and Operation Costs (as defined herein) of the Enterprise payable from Revenues during such period. See “SECURITY FOR THE CERTIFICATES—Pledge.”

The obligation of the District to make the Installment Payments is absolute and unconditional, whether or not the Project shall be acquired and constructed. Until such time as all Installment Payments have been fully paid by the District and the Certificates are no longer Outstanding (or provision for the payment thereof shall have been made pursuant to the Trust Agreement), the District will not, under any circumstances, discontinue, abate or suspend any Installment Payments required to be made under the Installment Purchase Contract, when due, whether or not the Enterprise, any part thereof or the Project, is operating or operable or has been completed, or whether or not the Enterprise or the Project is condemned, damaged, destroyed or seized or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained therein for any cause whatsoever.

### **Parity Obligations**

The District currently has no outstanding obligations secured by a pledge of Net Revenues. Additional Parity Obligations are permitted under the Installment Purchase Contract as described below. See “SECURITY FOR THE CERTIFICATES—Parity Obligations” and “SECURITY FOR THE CERTIFICATES—Additional Indebtedness” below.

### **Rate Covenant**

The District has covenanted that it will, to the fullest extent permitted by law, at all times while any of the Certificates remain Outstanding, fix and prescribe rates and charges, in connection with the Enterprise as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of debt service on the aggregate amount of the Installment Payments and Parity Obligations for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements set forth in this paragraph.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Net Revenues to meet the threshold set forth in the paragraph above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with the paragraph above at the commencement of the succeeding Fiscal Year. See “SECURITY FOR THE CERTIFICATES—Rate Covenant.”

## **Reserve Fund**

A reserve fund (the “Reserve Fund”) will be established and held under the Trust Agreement in order to secure the payment of principal and interest with respect to the Certificates in an amount, as of the Closing Date (as defined herein), equal to the Reserve Requirement (as defined herein). The initial deposit to the Reserve Fund will be made from a portion of the proceeds of the Certificates [MODIFY IF RESERVE FUND INSURANCE POLICY APPLICABLE]. See “PLAN OF FINANCE—Estimated Sources and Uses Of Proceeds.” If five days prior to any Interest Payment Date the amounts on deposit in the Installment Payment Fund are insufficient to make the payments required under the Trust Agreement with respect to the Certificates, amounts in the Reserve Fund will be applied to make up such deficiencies. See “SECURITY FOR THE CERTIFICATES—Reserve Fund” and “APPENDIX A—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement—The Reserve Fund.”

## **Certificate Insurance**

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed pursuant to a municipal bond insurance policy (the “Policy”) provided by [INSURER] (the “Insurer”) for the Certificates. See “CERTIFICATE INSURANCE.” [The Insurer is also providing a reserve fund insurance policy to satisfy the Reserve Requirement (defined herein) for the Certificates.]

## **Installment Payments Not Debt**

THE OBLIGATION OF THE DISTRICT TO MAKE 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. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE DISTRICT, THE CORPORATION, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OR STATUTES OF THE STATE OR OTHERWISE.

## **Continuing Disclosure**

Pursuant to a Continuing Disclosure Certificate, to be dated the date of delivery of the Certificates (the “Continuing Disclosure Certificate”), executed by the District, the District will covenant for the benefit of the owners and beneficial owners of the Certificates to provide annually certain financial information and operating data concerning the District and the Wastewater System to the Municipal Securities Rulemaking Board, acting through its Electronic Municipal Market Access (“EMMA”) system and to provide notice to the Municipal Securities Rulemaking Board through EMMA of certain enumerated events, pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission, as amended. See “CONTINUING DISCLOSURE OBLIGATION” and “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

## **Other Information and Definitions**

The descriptions of the Certificates, the Installment Purchase Contract, the Assignment Agreement, the Trust Agreement and other documents described in this Official Statement do not purport to be definitive or comprehensive and all references to those documents are qualified in their entirety by reference to the approved form of those documents, which documents are available at the principal corporate trust office of the Trustee in Los Angeles, California. During the period of the offering of the Certificates, copies of such

documents will also be available from the Underwriter. See “APPENDIX A—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for the definitions of some of the terms used in the Installment Purchase Contract, the Trust Agreement and this Official Statement, and not otherwise defined.

All of the summaries of statutes, resolutions, opinions, agreements, financial and statistical data, and other related reports described in this Official Statement are made subject to the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection by written request mailed to the District, P.O. Box 65 Cambria, California 93428.

## **THE PROJECT**

The Project consists of needed improvements for the benefit of the District and the Enterprise, primarily consisting of upgrades to the wastewater treatment plant, and improvements to some of the District’s lift stations within the wastewater collection system.

In 2018, the District engaged Pacific Gas and Electric Company (PG&E) to conduct an assessment of wastewater system and other infrastructure improvement needs under PG&E’s Sustainable Solutions Turnkey Program. The assessment included a multi-year collaborative process involving the District, PG&E and its subcontractor partners Southland Energy and MKN & Associates (an engineering firm specializing in water and wastewater infrastructure planning and design) to identify and prioritize capital improvements to the Wastewater System to address deficiencies, improve reliability and operational efficiency, replace and upgrade aging equipment, and improve ability to meet future regulatory requirements.

The process resulted in development of an Investment Grade Audit Report dated August 22, 2022 that identifies specific infrastructure improvements along with project costs and energy and operational savings of each improvement. Project costs detailed in the report were based on actual bids received for completing each project based on 30% design criteria.

Specific components of the Project include:

- Flow Equalization Improvements
- Influent Lift Station Improvements
- Modified Ludzak – Ettinger (MLE) Aeration Basin Upgrade
- Blower Replacement
- Return Activated Sludge (RAS) and Waste Activated Sludge (WAS) Improvements
- Electrical Improvements-Service Panel to accommodate conversion to a grounded Y system and replace Transformer
- Emergency Generator Replacement
- SCADA System Upgrade to wastewater treatment plant and scalable to collection system.
- Secondary Water Pump Station Improvements
- Improvements to Wastewater Collection System Lift Stations

The expected cost of the Project is approximately \$12.1 million. The District anticipates fully funding the Project with proceeds from the sale of the Certificates and anticipates the Project would be completed within three years.

## PLAN OF FINANCE

The Certificates are being executed and delivered to (a) finance the Project; [(b) fund the Reserve Fund and (c) to pay the costs of delivery of the Certificates. See “ESTIMATED SOURCES AND USES OF PROCEEDS” below.

### ESTIMATED SOURCES AND USES OF PROCEEDS<sup>1</sup>

<b>SOURCES:</b>	
Principal .....	\$
[Net] Original Issue Premium .....	
Total Sources .....	\$
<b>USES:</b>	
Deposit to Acquisition Fund .....	\$
Deposit to Reserve Fund .....	
Delivery Costs Fund <sup>2</sup> .....	
Total Uses .....	\$

<sup>1</sup> Numbers rounded to nearest dollar.

<sup>2</sup> Includes underwriter’s discount, municipal advisor fees, legal, [Certificate Insurance [and reserve fund insurance premiums]] and other delivery costs.

## THE CERTIFICATES

### General Provisions

The Certificates will be executed and delivered in the aggregate principal amount of \$\_\_\_\_\_\*.

The Certificates will be executed and delivered in the form of fully registered certificates in denominations of \$5,000 or any integral multiple thereof. The Certificates will be dated the date of delivery, will represent interest from the delivery date at the rates per annum set forth on the inside cover page hereof, payable semiannually on March 1 and September 1 of each year, commencing March 1, 2023 (individually, an “Interest Payment Date”), and will mature on March 1 in each of the designated years in the principal amounts shown on the inside cover page hereof.

Each Certificate shall evidence and represent interest from the date of delivery. Both the principal and interest represented by the Certificates shall be payable in lawful money of the United States of America. Interest with respect to the Certificates shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Certificates will be executed and delivered in the name of Cede & Co. (“Cede & Co.”), as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Certificates. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Certificates purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Certificates, references herein to the Certificate Owners, Owners or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined herein) of the Certificates.

So long as Cede & Co. is the registered owner of the Certificates, principal and interest with respect to the Certificates are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “APPENDIX E—BOOK-ENTRY-ONLY SYSTEM.”

### Prepayment of Certificates\*

**Optional Prepayment.** The Certificates maturing on or after September 1, 20\_\_\_\_, are subject to prepayment prior to maturity in whole or in part in any integral multiple of \$5,000, at the option of the District on any date on or after September 1, 20\_\_\_\_, from any available source of funds, at the prepayment price equal to the principal amount of the Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium.

**Extraordinary Prepayment.** The Certificates are subject to extraordinary prepayment on any Interest Payment Date upon notice as provided in the Trust Agreement, as a whole or in part (on a pro-rata basis) in integral multiples of \$5,000, from prepaid Installment Payments made by the District pursuant to the Installment Purchase Contract from the Net Proceeds received by the District due to a casualty loss or governmental taking of the Enterprise or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment of the Certificates, without premium.

**Mandatory Sinking Fund Prepayment.** The Certificates maturing on September 1, 20\_\_\_\_ (the “Term Certificates”) are also subject to mandatory sinking fund prepayment in part by lot, on September 1 in each year commencing September 1, 20\_\_\_\_ from Installment Payments made by the District pursuant to the Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table:

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

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\* Final Maturity.

**Selection of Certificates for Prepayment.** Except as provided under the caption “—Mandatory Sinking Fund Prepayment” above, in the event that part, but not all, of the Certificates are to be prepaid, the Certificates to be prepaid shall be selected by the Trustee from maturities designated by the District in writing, and by lot within a maturity.

**Partial Prepayment of Certificates.** Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates equal to the unprepaid principal amount of the Certificate surrendered.

**Notice of Prepayment.** When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee will give notice (“Prepayment Notice”) of the prepayment of the Certificates. Such Prepayment Notice will specify: (a) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid; (b) the date of prepayment; (c) the place or places where the prepayment will be made, including the name and address of any paying



agent; (d) the prepayment price; (e) the CUSIP numbers, if any, assigned to the Certificates to be prepaid; (f) the certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid; and (g) the original delivery date, interest rate and stated maturity date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid, the prepayment price, together with interest accrued to the prepayment date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice in respect of optional or extraordinary prepayment shall not be provided unless there has been deposited with the Trustee funds sufficient to pay such prepayment price (except in the case of prepayment resulting from the issuance of refunding obligations in which case, such notice may be conditioned on the closing of the refunding). A Prepayment Notice may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Certificates.

Such notice shall be given by the Trustee at least 30 but not more than 45 days prior to the prepayment date, by telecopy or other electronic transmission, registered, certified or overnight mail, to DTC or other applicable Depository which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for prepayment.

An optional Prepayment Notice may be conditional and state that the District has the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any such 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 the Trust Agreement. The District, the Corporation and the Trustee shall have no liability to the 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.

Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of any such other Certificates as to which proper notice was given as provided in the Trust Agreement. Each check or other payment method used by the Trustee for the purpose of prepaying Certificates shall bear the CUSIP number identifying, by issue and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

***Effect of Prepayment.*** If a Prepayment Notice has been given, and the moneys for the prepayment, including interest to the applicable prepayment date of the Certificates to be prepaid, have been set aside in the Prepayment Account, the portion of Certificates to be prepaid shall become due and payable on said prepayment date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount and premium, if any, with respect thereto, plus any unpaid and accrued interest to said prepayment date.

If, on said prepayment date, moneys sufficient for the prepayment of all the Certificates to be prepaid, together with interest to said prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said prepayment date, interest with respect to the portion of Certificates to be prepaid shall cease to accrue and become payable. If said moneys shall not be so available on said prepayment date, interest with respect to such portion of Certificates shall continue to be payable until paid at the same rates as they would have been payable had they not been called for prepayment. All moneys held by or on behalf of the Trustee for the prepayment of particular Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid for two years.

## SECURITY FOR THE CERTIFICATES

### Pledge

Pursuant to the Installment Purchase Contract, the District will purchase the Project from the Corporation. As a purchase price for the Project, the District agrees to pay the Installment Payments to the Corporation. The Certificates represent an undivided fractional interest in the Installment Payments to be made by the District under the Installment Purchase Contract. The Corporation, pursuant to the Assignment Agreement, will assign its rights to receive Installment Payments under the Installment Purchase Contract to the Trustee for the benefit of the Owners of the Certificates.

The obligation of the District to make the Installment Payments is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of the Parity Obligations) on Net Revenues in addition to all moneys in the Revenue Fund, Acquisition Fund, the Installment Payment Fund and the Reserve Fund established pursuant to the Installment Purchase Contract and the Trust Agreement and in other funds and accounts established pursuant to the Trust Agreement.

“*Net Revenues*” are defined under the Installment Purchase Contract as, for any period, all of the Revenues received during such period minus the amount required to pay all Maintenance and Operating Costs of the Enterprise payable from Revenues during such period. “*Revenues*” are defined in the Installment Purchase Contract as all gross income and revenue received or receivable by the District from the ownership or operation of the Enterprise, determined in accordance with generally accepted accounting principles, including all rates, fees, and charges (including connection fees and capacity charges) as received by the District for the services of the Enterprise, and all other income and revenue howsoever derived by the District from the ownership or operation of the Enterprise or arising from the Enterprise, including all income from the deposit or investment of any money in the Revenue Fund, and any refundable deposits made to establish credit, and advances or contributions in aid of construction; provided, however, that Revenues shall be increased by the amounts, if any, transferred in accordance with the Installment Purchase Contract during such Fiscal Year or other period from the Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amount of Revenues, if any, transferred in accordance with the Installment Purchase Contract during such Fiscal Year or other period from the Revenue Fund to the Rate Stabilization Fund. Revenues shall include amounts on deposit in the Revenue Fund which have been previously released from the pledge and lien of this Installment Purchase Contract. Revenues shall also include interest with respect to any Parity Obligations reimbursed to or on behalf of the District by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program.

“*Maintenance and Operation Costs*” of the Enterprise are defined in the Installment Purchase Contract as the reasonable and necessary costs and expenses paid by the District to maintain and operate the Enterprise, including but not limited to (a) costs of conveying treating or disposing of sewage, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order and (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Enterprise. Maintenance and Operation Costs do not include (i) debt service payable on obligations incurred by the District with respect to the Enterprise, including but not limited to Debt Service Payments and any Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, (iii) discretionary payments made by the District not required for operations, such as voluntary prepayment of pension liability, (iv) cost of capital additions, replacements, betterments, extensions or improvements which are chargeable to a capital account, and (v) amortization of intangibles, non-cash accounting entries, including but not limited to, designation of future OPEB health insurance liabilities, or other bookkeeping entries of a similar nature.

“*Enterprise*” is defined in the Installment Purchase Contract as the entire wastewater collection, treatment and disposal system owned or operated by the District, including but not limited to all facilities, properties and improvements at any time owned or operated by the District for the collection, treatment and disposal of wastewater within the service area of the District, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the District, including, without limitation, the Project. The Enterprise is not security for the Certificates.

The obligation of the District to make 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. Neither the Certificates nor the obligation of the District to make Installment Payments constitutes a debt or a pledge of the faith and credit of the District, the Corporation, the State or any of its political subdivisions within the meaning of the Constitution or statutes of the State or otherwise.

### **Parity Obligations**

There are no parity obligations of the District currently outstanding secured by Net Revenues. Additional Parity Obligations are, however, permitted to be entered into by the District pursuant to the Installment Purchase Contract and the Trust Agreement. See “—Additional Indebtedness” below.

### **Rate Covenant**

The District has covenanted that it will, to the fullest extent permitted by law, at all times while any of the Certificates remain Outstanding, fix and prescribe rates and charges, in connection with the Enterprise as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of debt service on the aggregate amount of the Installment Payments and Parity Obligations for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements set forth in this paragraph.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Net Revenues to meet the threshold set forth in the paragraph above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with the paragraph above at the commencement of the succeeding Fiscal Year.

### **Revenue Fund**

All of the Revenues, together with any interest earned thereon, shall, so long as any Certificates shall be Outstanding under the Trust Agreement, be deposited as received by the District in the Revenue Fund, which fund the District hereby covenants and agrees to maintain with the Treasurer so long as any Certificates shall be Outstanding under the Trust Agreement. The Revenue Fund may contain such accounts and subaccounts as are necessary under applicable District rules and procedures (the “Revenue Fund”). See “—Installment Payments” below.

### **Installment Payments**

On February 15 and August 15 next preceding each Interest Payment Date, the District shall deposit with the Trustee, for deposit in the Installment Payment Fund, from Net Revenues on deposit in the Revenue Fund, a sum equal to the interest component becoming due and payable with respect to the Outstanding Certificates on the next succeeding Interest Payment Date, plus an amount of the principal component of

the Certificates becoming due and payable with respect to the Outstanding Certificates on such Interest Payment Date. The Trustee shall deposit the money contained in the Installment Payment Fund at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which fund and account the Trustee has agreed to establish and maintain so long as any Certificates are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses authorized in the Trust Agreement:

(a) *Interest Account.* The Trustee, on or before each Interest Payment Date, shall deposit in the Interest Account that amount of money constituting the interest components of Installment Payments representing the interest due and unpaid or becoming due and payable to but not including such Interest Payment Date. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest component of Installment Payments representing the interest becoming due and payable upon all Outstanding Certificates on each succeeding Interest Payment Date within the then current Certificate Year. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Certificates to but not including their respective Interest Payment Dates or any other date on which the Certificates may be prepaid in accordance with the Trust Agreement.

(b) *Principal Account.* The Trustee on or before each September 1, shall deposit in the Principal Account that amount of money constituting the principal components of Installment Payments representing the principal to become due and unpaid or becoming due and payable on September 1. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the principal components of Installment Payments representing the principal to become due and unpaid or becoming due and payable on such Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Certificates on the principal payment date.

(c) *Prepayment Account.* The Trustee on the prepayment date specified in a certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the Installment Purchase Contract, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Certificates to be prepaid on their respective prepayment dates.

## **Reserve Fund**

The Reserve Fund for the Certificates is established under the Trust Agreement and is funded from a portion of the proceeds of the Certificates in an amount equal to the Reserve Requirement. Amounts in the Reserve Fund are to be used only for the payment of Installment Payments to the extent amounts in the Installment Payment Fund are insufficient therefor. The Reserve Requirement shall mean the least of (a) 10% of the original principal amount of the principal payments due under the Installment Purchase Contract (less original issue discount, if any); (b) an amount equal to the maximum annual Installment Payments, and interest thereon, payable by the District between such date of calculation and the expiration of the Installment Purchase Contract; and (c) 125% of the average annual Installment Payments, and interest thereon, payable by the District.

If, five days prior to any Interest Payment Date, the money in the Installment Payment Fund is insufficient to make the payments required under the Trust Agreement with respect to the Certificates on such Interest Payment Date the Trustee will transfer from the Reserve Fund to the Installment Payment Fund the amount of such insufficiency.

**Insurance**

The Installment Purchase Contract requires the District to procure and maintain insurance on the Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in connection with similar enterprises.

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied either (a) to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise; or (b) if the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise is not essential to the efficient operation of the Enterprise and the maintenance of Net Revenues, to prepay, on a pro rata basis across maturities, the Certificates and any outstanding Parity Obligations. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be applied to the prepayment of Installment Payments as provided in the Installment Purchase Contract.

Alternatively, if the proceeds of such insurance are sufficient to enable the District to retire all outstanding Parity Obligations and the Certificates and all other amounts due hereunder and under the Trust Agreement, the District may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Enterprise, and thereupon such proceeds shall be applied to the prepayment of the Installment Payments as provided in the Installment Purchase Contract and to the payment of all other amounts due hereunder and under the Trust Agreement, and as otherwise required by the documents pursuant to which such Parity Obligations were issued.

In lieu of obtaining insurance coverage as required by the Installment Purchase Contract, such coverage may be maintained by the District in the form of self-insurance so long as the District certifies to the Trustee and the Corporation that (a) the District has segregated amounts in a special insurance reserve meeting the requirements of the Installment Purchase Contract; (b) an Insurance Consultant certifies annually, on or before September 1 of each year in which self-insurance is maintained, in writing to the Trustee and the Corporation that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (c) such reserves are held in a separate trust fund by an independent trustee.

**Additional Indebtedness**

So long as any Certificates are Outstanding, the District shall not issue or incur any obligations payable from Net Revenues or the Revenue Fund senior or superior to the Installment Payments. The District may at any time issue Parity Obligations payable from Net Revenues on a parity with the Installment Payments to provide financing for the Enterprise in such principal amount as shall be determined by the District. The District may issue or incur any such Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

- (a) no Event of Default shall have occurred and be continuing; and
- (b) the Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, either (i) as shown by the books of the District for the latest Fiscal Year, as verified by

a certificate of the District; or (ii) as shown by the books of the District for any more recent 12-month period selected by the District, as verified by a certificate of the District, plus in either case (at the option of the District) the Additional Revenues, shall be at least equal to 120% of the amount of Maximum Annual Debt Service.

The provisions of clause (b) above shall not apply to any Parity Obligations if (A) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Parity Obligations and to make a deposit to any reserve fund established with respect to such Parity Obligations) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium, if any, on any Outstanding Certificates or on any outstanding Parity Obligations; (B) at the time of the incurring of such Parity Obligations, the District certifies in writing that maximum annual debt service on the refunding Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Certificates or Parity Obligations being refunded; and (C) the final maturity of the refunding Parity Obligations is not later than the final maturity of the refunded Certificates or Parity Obligations.

The District may at any time execute contracts or issue bonds or other indebtedness payable from Net Revenues or the Revenue Fund payable on a subordinated basis to the payment of the Installment Payments.

### **Rate Stabilization Fund**

The District will establish a special fund designated as the "Rate Stabilization Fund" to be held by the District in trust, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments remain unpaid. Money may be transferred by the District from the Revenue Fund to the Rate Stabilization Fund and shall be held in the Rate Stabilization Fund and applied in accordance with the Installment Purchase Contract as follows:

All Revenues remaining in the Revenue Fund on March 1 and September 1 of each year, after withdrawing all of the sums required to be withdrawn therefrom by the Treasurer for the payment of Maintenance and Operation Costs, Installment Payments and Reserve Fund replenishments, or in connection with any Parity Obligation, may be withdrawn by the Treasurer for expenditure for any lawful purpose of the District. From time to time the District may deposit in the Rate Stabilization Fund, from remaining Net Revenues described herein or other available funds of the District, such amounts as the District shall determine. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Installment Purchase Contract or, in the event that all or a portion of the Installment Payments are discharged in accordance with the Installment Purchase Contract, transfer all or any portion of such amounts for application in accordance with the Installment Purchase Contract. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant as described herein during or within nine months after a Fiscal Year, may be taken into account as Revenues for purposes of the calculations of the Rate Covenant in such Fiscal Year.

## SCHEDULE OF INSTALLMENT PAYMENTS

Included in the following table is the schedule of the aggregate semiannual Installment Payments payable by the District (assuming no early prepayments).

### Cambria Community Services District Schedule of Installment Payments

Date*	Principal	Interest	Total
Total	\$	\$	\$

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\* The dates indicated on the schedule are Interest Payment Dates with respect to the Certificates. The Due Dates for the related Installment Payments are each February 15 and August 15.  
Source: Underwriter.

## CERTIFICATE INSURANCE

Set forth below is a brief summary of certain information concerning the Insurer and the terms of the Policy. Information with respect to the Certificate Insurer and the Policy has been supplied to the District by the Certificate Insurer. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Policy.

### Certificate Insurance Policy

[TO COME IF OBTAINED].

## THE DISTRICT

### General

The District is a community services district organized and existing pursuant to the laws of the State of California. The District provides water, wastewater, fire protection, parks, recreation and open space services to a population of approximately 6,000 in and around the unincorporated community of Cambria in the County. The District was formed in 1976 and is located on California's central coast, roughly halfway between the cities of San Francisco and Los Angeles. The District is governed by a five-member Board of Directors, elected at large to four-year overlapping terms. The District operates under the "Community Services District Law," being section 61000 et seq. of the California Government Code.

As of June 30, 2022, the District provided approximately 3,906 wastewater service connections to residential, commercial and industrial users and has \_\_\_ employees.

The Wastewater System facilities include approximately 68 miles of sewer lines and 10 sewage pumping stations owned by the District to convey sewage to the District's wastewater treatment plant.

**Board of Directors.** The District is a governed entity administered by the Board that acts as its authoritative and legislative body. The Board is comprised of five board members who are elected by voters living within the District's boundaries. Elections are held within the Board to appoint the President of the Board.

**General Manager.** John F. Weigold, IV is the District's General Manager. Mr. Weigold has been General Manager of the District since August 1, 2019. In his capacity as General Manager, Mr. Weigold oversees the day-to-day operations of the District. Mr. Weigold earned a Bachelor of Science degree in Applied Science from the United States Naval Academy. Mr. Weigold has more than 25 years of experience working across a variety of public, private, and government organizations developing strategy and executing plans and operation. Most recently, Mr. Weigold served on the board and led the southwest region for Water Intelligence, PLC, a publicly traded international company that provides non-invasive water leak detection and remediation services through 140+ corporately-owned and franchise locations in the United States, Canada, Australia, Spain, Belgium and select other countries. He is also a current faculty member at Yale University, where he leads a team of global affairs seniors in a capstone course to complete a public policy project on behalf of government agencies, not-for-profits, nongovernmental organizations (NGOs), and private sector entities in the United States and abroad.

### **Significant Accounting Policies**

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Wastewater System is accounted for in an enterprise fund. Enterprise funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs expenses, including depreciation of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges); or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

For additional District accounting policies, see the notes to the financial statements in Appendix F.

### **Financial Statements**

Moss, Levy & Hartzheim LLP, Santa Maria, California (the "Auditor"), audited the financial statements of the District for the Fiscal Year ended June 30, 2021. The Auditor's examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See "APPENDIX F—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021."

The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.



## Employee Pension Plan

***Pension Obligations.*** Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board Statement No. 68 (“**GASB 68**”). GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer’s balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer’s actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the District’s accounting and reporting requirements, but it does not change the District’s pension plan funding obligations.

The District participates in the California Public Employ Public Employees’ Retirement System (CalPERS). All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and District resolution.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Pre-Retirement Option Settlement. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. At June 30, 2021, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2021.

District employees are subject to different benefit levels based on their hire date. Current benefit provisions for District employees are set forth below.

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**Cambria Community Services District  
CalPERS Miscellaneous Plan – Summary of Benefit Provisions**

	<i>Classic</i>	<i>2<sup>nd</sup> Tier</i>	<i>PEPRA</i>
	<i>Employees Hired Before October 1, 2012</i>	<i>Employees Hired from October 1, 2012 to December 28, 2012</i>	<i>New Employee Hired on or after January 1, 2013</i>
Benefit Formula	3.0% @ age 60	2.0% @ age 60	2.0% @ age 62
Benefit Vesting	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Minimum Retirement Age	50-63	52+	52-67
Employee Normal Cost	8.0% <sup>(1)</sup>	7.0% <sup>(1)</sup>	6.75% <sup>(1)</sup>
Employer Normal Cost Rate	15.445% + \$317,847	8.794% + \$3,469	7.732% + \$19,329

<sup>(1)</sup> Employees are required to make the full employee contribution themselves. The District does not make any portion of the employee contribution.

Source: District.

**Cambria Community Services District  
CalPERS Safety Plan – Summary of Benefit Provisions**

	<i>Classic</i>	<i>2<sup>nd</sup> Tier</i>	<i>PEPRA</i>
	<i>Employees Hired Before January 1, 2013</i>	<i>Employees Hired on or after December 28, 2012</i>	<i>New Employee Hired on or after January 1, 2013</i>
Benefit Formula	3.0% @ age 50	3.0% @ age 55	2.7% @ age 57
Benefit Vesting	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Minimum Retirement Age	50	55	57
Employee Normal Cost	9.0% <sup>(1)</sup>	9.0% <sup>(1)</sup>	12.0% <sup>(1)</sup>
Employer Normal Cost Rate	21.927% + \$88,454	18.928%	13.034% + \$443

<sup>(1)</sup> Employees are required to make the full employee contribution themselves. The District does not make any portion of the employee contribution.

Source: District.

Contributions to the District's pension plan consist of: (a) contributions from plan participants (i.e., employees); and (b) contributions by the District. The District's contributions constitute an Operation and Maintenance Cost of the Enterprise that is payable prior to the Installment Payments.

District employees who were hired on or after January 1, 2013 and who were not previously CalPERS members receive benefits based on 2.0% at age 62 formula. Such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier for such employees. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36-month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also capped pensionable

income. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit. Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the District's unfunded pension liability and potentially reduce District contribution levels in the long term.

The District is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of: (i) the plan's employer normal cost rate, which funds pension benefits for current employees for the upcoming Fiscal Year (expressed as a percentage of payroll); plus (ii) the employer unfunded accrued liability contribution amount, which funds pension benefits that were previously earned by current and former employees (billed monthly).

#### Employer contribution rates and unfunded liability payments

For Fiscal Year 2021, required employer normal cost rates as a percentage of payroll were 13.515% for non-AB 340 employees and 7.732% for AB 340 employees. For Fiscal Year 2022, required employer normal cost rates as a percentage of payroll are 13.35% for non-AB 340 employees and 7.59% for AB 340 employees.

For Fiscal Year 2021, the total required employer payment of the unfunded accrued liability for the District's Miscellaneous Plan was \$536,193, of which \$\_\_\_\_\_ was allocable to the Wastewater System and the total required employer payment of the unfunded accrued liability for the District's Safety Plan was \$289,651. For Fiscal Year 2022, the total required employer payment of the unfunded accrued liability for the District's Miscellaneous Plan is \$\_\_\_\_\_, of which \$\_\_\_\_\_ is allocable to the Wastewater System and the total required employer payment of the unfunded accrued liability for the District's Safety Plan was \$\_\_\_\_\_.

The District's required contributions to CalPERS fluctuate each year. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the District's required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2011 through 2021 report investment gains of approximately 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7% and 21.3%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District.

The announcement on July 12, 2021 that CalPERS achieved investment returns of 21.3% in Fiscal Year 2021 caused the CalPERS Board of Administration to lower CalPERS' discount rate from 7.00% to 6.80% in fall 2021 in accordance with a risk mitigation policy that was adopted in 2015, which calls for the discount rate to be lowered if returns exceed the then-current discount rate by two or more percentage points. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities.

**Cambria Community Services District  
Funding Status of CalPERS Miscellaneous Plan**

<i>June 30 Actuarial Valuation Date</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Market Value of Assets</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a % of Covered Payroll</i>
2016						
2017						
2018						
2019						
2020						

Source: CalPERS.

**Cambria Community Services District  
Funding Status of CalPERS Safety Plan**

<i>June 30 Actuarial Valuation Date</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Market Value of Assets</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a % of Covered Payroll</i>
2016						
2017						
2018						
2019						
2020						

Source: CalPERS.

*Portions of the above disclosures are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The District has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.*

*The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The District, the Corporation and the Underwriter cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.*

The District's projections of Operation and Maintenance Costs under the caption "—Projected Operating Results and Debt Service Coverage" do not reflect additional increases in CalPERS normal cost contributions in the future, as the District is unable to quantify the magnitude of any such increases at this time. The District does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the District to pay the Installment Payments.

For additional information relating to the District's CalPERS Miscellaneous pension plan and CalPERS Safety pension plan, see Note 7 to the District's audited financial statements set forth in Appendix F.

### **Other Post-Employment Benefits**

**Plan administration.** The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Benefits provided.** Employees may retire directly from the District under CalPERS and receive a District contribution. The District contributes the PEMHCA minimum employer contribution. The contribution is \$136 per month for retirees in 2019 and \$139 per month for retirees in 2020. Survivor benefits are available.

Employees hired before October 1, 2012 are eligible for a supplemental benefit. The District contribution is limited to 85% of the lowest cost PERS health plan, including the PEMHCA minimum. The supplemental benefit includes dependents and will continue for the lifetime of the employee and, if eligible, the surviving spouse.

As of the June 30, 2021 actuarial valuation, there were 27 active plan members and 33 inactive employees or beneficiaries currently receiving benefits.

For the measurement periods ended June 30, 2021 and June 30, 2020, the District contributed \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively, to pay post-employment benefits for eligible retirees. District contributions are made on a pay-as-you-go basis.

The District has elected to fund its OPEB contributions through the California Employers' Retiree Benefit Trust Fund ("CERBT"), an irrevocable agent, multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers.

Governmental Accounting Standards Board Statement No. 75 ("GASB 75") requires governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the District, to account for and report such outstanding obligations and commitments in essentially the same manner as for pensions. While requiring the District to disclose the unfunded actuarial accrued liability and the annual required contribution (the actuarial value of benefits earned during a Fiscal Year plus costs to amortize the unfunded actuarial accrued liability, or "OPEB ARC") in its financial statements, GASB 75 does not require the District to fund the OPEB ARC.

Changes in the net liability for the District's post-employment benefit plan were as follows.

**Cambria Community Services District  
Changes in Post-Employment Benefit Plan Liability**

	<i>Increase/(Decrease)</i>			
	<i>Total Post-Employment Benefit Plan Liability</i>	<i>Post-Employment Benefit Plan Fiduciary Net Position</i>	<i>Net Post- Employment Benefit Plan Liability/(Asset)</i>	<i>Funded Percentage</i>
Balance at June 30, 2020	\$6,992,101			
Balance at June 30, 2021	<u>7,655,219</u>			
Net Changes for period from July 1, 2021 through June 30, 2022	\$663,118			

Source: District.

The following table presents the net liability of the District's post-employment benefits plan, calculated using the discount rate applicable to Fiscal 2021 (1.92%), as well as what the net post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.92%) or 1 percentage point higher (2.92%) than the Fiscal Year 2021 rate:

**Cambria Community Services District  
Sensitivity of the Post-Employment Benefit Plan Net Liability to Changes in the Discount Rate**

	<i>Discount Rate – 1% Decrease (0.92%)</i>	<i>Applicable Discount Rate (1.92%)</i>	<i>Discount Rate + 1% Increase (2.92%)</i>
Net Liability/(Asset)	\$8,890,649	\$7,655,219	\$6,666,107

Source: District.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The District's projections of Operation and Maintenance Costs under the caption "—Projected Operating Results and Debt Service Coverage" do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the District's annual required contributions, and such increases could be material to the finances of the District. No assurance can be provided that such expenses will not increase significantly in the future. The District does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the District to pay the Installment Payments.

See Note 8 to the District's Financial Statements set forth in Appendix F for further information with respect to post-employment benefits.

### **Investment Policies and Procedures**

The District invests its funds in accordance with its investment policy, which is subject to annual review and approval by the Board. The District's investment policy complies with the provisions of the California government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State) and limits the District to investments authorized by State law. In addition, the investment policy establishes further guidelines as far as duration and risk levels.

The District's investment policy is intended to provide a guideline for the prudent investment of surplus cash, reserves, trust funds, and restricted monies and to outline a policy for maximizing the efficiency of the District's cash management system in compliance with Section 53646 of the Government Code of California. The policy applies to all financial assets of the District as accounted for in the audited financial statements, other than proceeds of long-term debt. In accordance with the strategic goal of fiscal responsibility, the primary objectives of the District's investment activities, in order of priority, are: safety of principal through the mitigation of both credit and market risk; maintenance of the liquidity necessary to meet cash flow needs; and, lastly, return on investment. The District reviews the investment policy periodically and may adjust the policy as investment objectives change. The District's Municipal Code assigns treasury responsibilities, which includes investment of funds to the General Manager who serves as the District Treasurer. The authority to invest District funds rests with the General Manager and his/her designated staff.

See Note 2 in "APPENDIX F—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2021" for information on the District's investments.

### **Billing and Collection Procedures for Wastewater System**

The District is on a bi-monthly billing cycle for wastewater service charges. Payment is due within 30 days and is considered delinquent if not paid within 60 days. No less than seven business days before discontinuation of residential sewer service for nonpayment, the District will contact the customer named on the account by telephone or written notice. Prior to the District discontinuing sewer service, if the District is unable to make contact with the customer, the District will make a good faith effort to visit the residence and leave or make other arrangements for placement of a notice of imminent disconnection to the property. If all the delinquent bills, administrative charges and penalties have not been paid to the required amount within fifteen (15) days after the posting of the notice of disconnection, the District may disconnect the sewer line where such property has been previously served by a sewer, or the District may discontinue water and sewer service to the property, and shall post on the property a notice that the property shall not be occupied or used by human beings or any wastewater produced thereon until the sewer is reconnected. Charges of any kind more than sixty (60) days delinquent plus penalties and interest thereon when recorded as provided in Article IV, Chapter 6 of Part 3 of Division 5, Health and Safety Code of California, shall constitute a lien upon the real property served, except that no such lien shall be created against any publicly owned property. Such lien shall continue until the charge, penalties, and interest thereon are fully paid, or until the property is sold therefore, or until otherwise extinguished by operation of law.

The District has not had any material charges considered uncollectible in the past several years. If services are shut-off, the fee to reestablish service is a \$\_\_\_ reconnect fee. Pursuant to Section 61115 of the California Government Code, the Board of Directors of the District may provide that any water or wastewater charges, delinquencies and penalties may be collected on the County tax roll in the same manner as property taxes. In the event the Board takes such action, the General Manager of the District, on or

before August 10 of each year following the Board's determination, shall file with the County Auditor a copy of a final report adopted by the Board of Directors detailing the affected and delinquent parcels. To date, the District has not placed any delinquencies and penalties of its customers on the County tax roll. Over the past five fiscal years, Sewer Service Charge payment delinquencies of 120 days or greater have ranged from approximately 0.6% to 1.4% of annual Sewer Service Charges billed, and average less than 1.0% per year over this time period.

The following tables set forth the Sewer Service Charge Billings by billing period, the Audited Sewer Service Charge Revenues and the Sewer Service Charges by Customer Class. Since Fiscal Year 2017/18, the District has collected no less than 99.5% of Sewer Service Charges billed to its customers.

#### Sewer Service Charge Billings by Billing Period

<b>Billing Period</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Jul/Aug	\$ 356,886	\$ 381,641	\$ 500,194	\$ 508,347	\$ 563,470
Sep/Oct	340,518	358,176	491,735	550,385	522,900
Nov/Dec	326,900	399,575	483,088	533,086	506,651
Jan/Feb	330,216	394,662	458,696	515,371	502,829
Mar/Apr	329,086	391,729	445,259	532,729	524,529
May/Jun	<u>357,569</u>	<u>436,983</u>	<u>486,516</u>	<u>562,884</u>	<u>528,333</u>
<b>Total</b>	<b>\$2,041,175</b>	<b>\$2,362,766</b>	<b>\$2,865,488</b>	<b>\$3,202,802</b>	<b>\$3,148,712</b>

Source: The District

#### Sewer Service Charges by Customer Class

<b>Customer Class</b>	<b>2020/21</b>		<b>2021/22</b>	
	<b>Service Charges</b>	<b>% of Total</b>	<b>Service Charges</b>	<b>% of Total</b>
Residential	\$2,732,612	85.3%	\$2,664,558	84.6%
Commercial	<u>470,190</u>	<u>14.7</u>	<u>484,154</u>	<u>15.4</u>
<b>Total</b>	<b>\$3,202,802</b>	<b>100.0%</b>	<b>\$3,148,712</b>	<b>100.0%</b>

Source: The District.

## THE WASTEWATER SYSTEM

### Overview

The District owns the Wastewater System. The Wastewater System collects wastewater throughout the service area, which is primarily residential. Wastewater is collected through trunk sewers and lift stations owned by the District. The Wastewater System, which includes a wastewater treatment plant (extended aeration treatment to secondary effluent), 10 sewage pumping stations (lift stations) and approximately 68 miles of sewer collection mains, is currently permitted to treat 1.0 million gallons per day (mgd) and discharge an average flow of 1.5 (mgd). The various facilities and capacities of the Wastewater System are described below.



**The Collection System**

There are approximately 68 miles of sewer lines and 10 sewage pumping stations within the Wastewater System's collection system. The pump stations are listed in Table 1 below, which includes information on the type, number, and size of pumps. Also shown in the table is the year that the pump station was constructed, and the year that the pump was last replaced or rehabilitated.

**Table 1**  
**Cambria Community Services District**  
**Wastewater System**  
**Collection System Pump Stations**

Pump Station	Type of Pump	Number of Pumps	Capacity (gpm)	Horsepower (each pump)	When Constructed	Year Last Replaced	Year Last Rehabed.
A	Crown P06LB (Self Priming Centrifugal)	2	675	7.5	About 1977	About 1977	1991 New Pump Controls
A1	EBARA EFQT4 (Self Priming Centrifugal)	2	150	10	1977	2014	2010 and 2013 Assembly 2017 and 2020 Rotating Assemblies 2019 New Controls
B	EBARA EFQT6	2	800	20	1977	2014	2017 and 2018 Rotating Assemblies 2019 New Controls
B1	Crown P04LB (Self Priming Centrifugal)	2	520	5	1977	1991 New pump controls	2021 Rotating Assembly and Motors drywell flooded
B2	Crown P04LB (Self Priming Centrifugal)	2	150	15	1977	1984 Upgrade 1991 New Pump Controls	
B3	Crown P04LC (Self Priming Centrifugal)	2	400	10	1977	1991 New pump controls 2012 Replaced Check Valves & suction pipe 2017 Replaced suction Pipe	2017
B4	Allis-Chalmers	2	340	40	1977	2011 Reworked controls 2018 Replaced Check Valve	2018
4	PACO QDN Submersible	2	10	1.5	1984	1991 New pump controls	
8	PACO QDN Submersible	2	10	1.5	1984	2018 Rebuilt Rails 2019 Replaced controls	2020 Rebuilt Motor
9	EBARA EFQT4 (Self Priming Centrifugal)	2			1984	2014 Replaced Pumps/Controllers	2018 Replaced Check Valves/Replaced Rotating Assemblies 2020 Replaced Controls

Source: The District.

## Flows and Loads

Wastewater flows and loads handled by the Wastewater System are detailed in the table below.

**Table 2**  
**Cambria Community Services District**  
**Wastewater System**  
**Summary of Flows and Loads**

<b>Parameter</b>	<b>Value</b>
Flow (mgd)	0.543
Average Dry Weather Flow (ADWF)(mgd)	0.483
Average Annual Flow (“AAF”) (million gallons)	198.000
Average Day Maximum Monthly Flow (ADMMF) (mgd)	0.862
Peak Day Flow (mgd) <sup>(1)</sup>	2.632
<i>Average Constituent Concentrations (mg/l)</i>	
Biological Oxygen Demand (“BOD”)	288.9
Total Suspended Solids (“TSS”)	315.8
Total Kjeldahl Nitrogen (“TKN”)	56.7
<i>Average Annual Load (“AAL”) (pounds per year)</i>	
BOD	477,066
TSS <sup>(3)</sup>	521,487
TKN <sup>(4)</sup>	93,630
<i>Average Day Maximum Monthly Load (lb/day)</i>	
BOD	2,142
TSS <sup>(3)</sup>	3,124
TKN <sup>(4)</sup>	352

(1) Allowance at 3x AAF.[DISTRICT CLARIFY FNs]

(2) Based on 1x BOD.

(3) Based on 0.2x BOD

Source: The District.

## Wastewater Treatment

**Wastewater Treatment Plant.** The District has one wastewater treatment plant which includes an influent pump station, influent screening, and secondary treatment facilities using extended aeration. Waste sludge is aerobically digested and dewatered using a screw press, and hauled to biosolids processing. The secondary effluent is disposed in a percolation pond about 2.5 miles north of Cambria on district property. This effluent is percolated and is beneficially used as a sea water intrusion barrier to protect our San Simeon Creek aquifer.

**Existing Plant Performance.** The effluent from the wastewater treatment plant is discharged at a location approximately 2.5 miles from the plant. The wastewater treatment plant provides a secondary level of treatment to meet key discharge requirements contained under a National Pollution Discharge Elimination System (the “NPDES”) permit as regulated by the California Regional Water Quality Control

Board, Central Valley Region (the “RWQCB”). The current permit was adopted on 11-14-2014 (Order No. 01-100). This permit will transition into the new general permit once the plant upgrades are completed. In general, the Wastewater Treatment Plant has been successful in meeting the discharge requirements.

**Headworks.** There is a headworks system at the wastewater treatment plant. The headworks includes a 12-inch Parshall flume for measuring the flow, a mechanical screening unit and a manual bypass bar screen unit. The channels of both headworks facilities are covered and vented through soil odor scrubber systems.

**Aeration Treatment.** The aeration treatment process uses the Modified Ludzack-Ettinger (MLE) treatment process. This process reduces the amount of nitrate in the waste stream.

**Solids Handling.** All of the solids handling facilities are located at the wastewater treatment plant. The solids handling facilities consist of Waste Activated Sludge (“WAS”) pumping systems, and two (2) small aerobid digester also used for dewatering.

**SCADA System.** The District utilizes a Supervisory Control and Data Acquisition (“SCADA”) system to monitor and control the function of the Wastewater System. The SCADA system controls functions at the wastewater treatment facilities, lift stations and other facilities. The SCADA system includes a computer, programmable logic controllers at remote sites throughout the District, and a radio telemetry communication network over which the computer and programmable logic controllers communicate with each other.

**Sewer Lift Stations.** The District maintains and operates ten (10) sewer lift stations. To convey sewage to the wastewater treatment plant. Most of the District’s lift stations have a “dry well/wet well” configuration featuring two pumps for lead/lag operation.

## **Environmental Compliance**

The Wastewater System is subject to CEQA. Under CEQA, a project which may have a significant effect on the environment and which is to be carried out or approved by a public agency must comply with a comprehensive environmental review process. Generally, the implementation of CEQA entails three separate phases. The first phase consists of a preliminary review of a project to determine whether it is subject to CEQA. The second phase involves preparation of an initial study to determine whether an environmental impact report (“EIR”) or negative declaration is required. An EIR must be prepared when the public agency determines that it can be fairly argued, based on substantial evidence, in light of the whole record, that a project may have a significant effect on the environment. A negative declaration may be prepared when no substantial evidence exists in light of the whole record that the project may have a significant environmental impact. A mitigated negative declaration may be prepared if the initial study identifies a potentially significant effect for which the project’s proponent, before public release of a proposed negative declaration, has made or agrees to make project revisions that clearly mitigate the effects. The third phase is preparation of an EIR, if the project may have a significant environmental effect or of a mitigated negative declaration if no significant effects will occur. The District does not believe that environmental or permitting considerations will adversely affect the completion of the Wastewater Project within the contemplated budget or the estimated timetable described under “THE PROJECTS – The Wastewater Project” above.

### Identification and Characteristics of Users

As of June 30, 2022, the Wastewater System served domestic wastewater services to approximately \_\_\_\_\_ people through 3,906 active service connections. Residential connections account for approximately 94% of the total service connections while commercial connections account for the remainder.

### Number of Customers

The following table shows the number of connections to the Wastewater System for the most recent five years. In November 2001, the District Board of Directors declared a Water Code 350 emergency which is still in effect today. As a result of this declaration, the District is not currently issuing any new residential or commercial water or wastewater connections. The Water Code 350 emergency was declared as a result of a water shortage emergency condition within the District at the time of declaration. Although the District has taken action since 2001 to alleviate the water shortage condition the emergency remains in effect and the District has no plans at this time to terminate the emergency. As a result, new connections to the Wastewater System or the District's water system are not available.

**TABLE 3**  
**Cambria Community Services District**  
**Wastewater Connections**

<b>Fiscal Year Ending June 30</b>	<b>Single Family Residential</b>	<b>Multi-Family Residential</b>	<b>Commercial</b>	<b>Total Connections</b>
2018	3,560	119	228	3,907
2019	3,560	119	228	3,907
2020	3,560	119	228	3,907
2021	3,565	118	224	3,907
2022	3,564	118	224	3,906

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Source: The District.

## Principal Customers

The following tables show the top ten wastewater customer types by amounts charged for Fiscal Year 2020-21.

**TABLE 4**  
**Cambria Community Services District**  
**Top 10 Wastewater Customers**

Customer Type	Customer Class	Annual Charge Unaudited Fiscal Year 2021-22	Percent of Total <sup>(1)</sup>
Hotel	Commercial Lodging	\$39,389	1.19%
Hotel	Commercial Lodging	30,569	0.92
Hotel	Commercial Lodging	24,336	0.73
Hotel	Commercial Lodging	11,815	0.36
Hotel	Commercial Lodging	10,905	0.33
Restaurant	Commercial Water	10,773	0.33
Campground	Commercial Water	10,421	0.31
Hotel	Commercial Lodging	10,017	0.30
Restaurant	Commercial Water	8,792	0.27
Hotel	Commercial Lodging	<u>8,463</u>	<u>0.26</u>
<b>TOTALS</b>		<b>\$165,479</b>	<b>5.00%</b>

<sup>(1)</sup> Based on total unaudited Fiscal Year 2021–22 wastewater revenues of \$3,312,743.  
Source: The District.

## Wastewater System Rates and Charges

**General.** The District’s rates and charges are established by the Board and are not subject to review or approval by any other agency. The District’s rates and are adopted consistent with Proposition 218 and all other applicable law. See “CERTAIN RISK FACTORS—Articles XIII C and XIII D of the California Constitution” herein for a discussion of the treatment of the District’s rates and charges in light of Proposition 218, Proposition 26 and other applicable law.

**Sewer Service Rates.** Each connection to the Wastewater System pays (a) a monthly fixed sewer service charge that is billed regardless of usage and (b) a sewer quantity charge billed based on metered water consumption. Sewer quantity charges vary by customer class and include a residential rate as well as rates for three commercial customer classes based on wastewater strength, with higher charges for customers with higher-strength wastewater that costs more to treat to comply with the District’s waste discharge permit requirements. Sewer quantity charges are billed in units of one hundred cubic feet (ccf), which equals roughly 748 gallons.

**2022 Rate Study.** In 2021, the District commissioned Bartle Wells Associates to prepare a rate study for the Wastewater System. The rate study was provided in March 2022, and recommended rates for the Wastewater System to provide adequate funding in future fiscal years for projected operating and maintenance expenses, projected debt service for the Project, and estimates of other expenses including pay-as-you-go funding for future capital improvement projects.

On May 19, 2022, the Board adopted Resolution 32-2022 authorizing five years of sewer rate

increases. The adopted rate increases included a series of three 7.5% sewer rate increases effective July 1, 2022, July 1, 2023, and July 1, 2024, as well as authorization for future inflationary pass-through rate increases effective July 1, 2025 and July 1, 2026 based on the annual change in the Consumer Price Index (CPI) for California, pursuant to California Government Code 53756. Rates are subject to annual review by the District's Board of Directors.

Prior to the recently-adopted rate increases, the District last adopted rate increases on October 4, 2018 via Resolution 27-2018 which included a series of three annual rate increases of 18%, 15% and 12%.

The following table shows historical and adopted rates for the Wastewater System, which include rates implemented in the past three years, the recently adopted annual 7.5% rate increases effective through July 1, 2024, as well as inflationary pass-through rate increases projected at 3% per year effective July 1, 2025 and July 1, 2026.

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**TABLE 5**  
**Cambria Community Services District**  
**Historical and Projected Sewer Service Rates**  
**(Fiscal Years 2017–18 through 2025–26)**

	Reso 27-2018 Adopted 10/04/18			Reso 32-2002 Adopted 5/19/22				
	Nov 1 2018	July 1 2019	Sept 1 2020	July 1 2022	July 1 2023	July 1 2024	July 1 2025 <sup>(*)</sup>	July 1 2026 <sup>(*)</sup>
Rate Increase %	18.0%	15.0%	12.0%	7.5%	7.5%	7.5%	3.0%	3.0%
<b>FIXED SEWER SERVICE CHARGES:</b>								
Residential								
Monthly Charge	\$35.74	\$41.10	\$46.03	\$49.48	\$ 53.19	\$ 57.18	\$ 58.90	\$ 60.67
Bi-Monthly Charge	71.48	82.20	92.06	98.96	106.38	114.36	117.80	121.34
Commercial								
Monthly Charge	\$35.74	\$41.10	\$46.03	\$49.48	\$ 53.19	\$ 57.18	\$ 58.90	\$ 60.67
Bi-Monthly Charge	71.48	82.20	92.06	98.96	106.38	114.36	117.80	121.34
<b>SEWER QUANTITY CHARGES</b>								
<i>Billed based on metered water use (\$ per hundred cubic feet):</i>								
Residential	\$ 4.13	\$ 4.75	\$ 5.32	\$ 5.72	\$ 6.15	\$ 6.61	\$ 6.81	\$ 7.01
Commercial:								
Wastewater Class:								
Class 1	\$ 3.62	\$ 4.16	\$ 4.66	\$ 5.01	\$ 5.39	\$ 5.79	\$ 5.96	\$ 6.14
Class 2	4.13	4.75	5.32	5.72	6.15	6.61	6.81	7.01
Class 3	6.36	7.31	8.19	8.80	9.46	10.17	10.48	10.79

Class 1 includes lower strength accounts including professional offices, retail stores, laundromats, & schools.

Class 2 includes all other commercial accounts (with standard/domestic strength wastewater) that are not classified Class 1 or Class 3.

Class 3 includes accounts with moderate to high wastewater strength including restaurants, hotels with restaurants, bakeries, mortuaries, markets with meat/seafood/food prep/garbage grinder, and mixed use accounts with an estimated 30% or more sewer discharge from higher strength wastewater flow. One hundred cubic feet equals approximately 748 gallons.

Notes:

\* Pursuant to Resolution 32-2002 and California Government Code 53756, the District authorized future annual inflationary pass-through rate increases effective on or after July 1, 2025 and July 1, 2026. These future annual rate increases are estimated at 3% on the table above but would be based on the actual annual change in the Consumer Price Index (CPI) for California.

Source: The District.



### Comparison of Regional Sewer Rates

The following table shows the residential rates and charges of the Wastewater System compared to the rates of other local agencies near to the District assuming 3.25 hcf of billable monthly sewer usage based on average use per single family home in the District.

**TABLE 6**  
**Cambria Community Services District**  
**Comparative Single-Family Residential Monthly Wastewater Service Charges**  
**Effective July 1, 2022**

Service Provider	Monthly Wastewater Service Charge
San Simeon Community Services District	\$34.71
City of Atascadero	40.46
City of Paso Robles	40.88
City of San Luis Obispo	51.76
Avila Beach Community Services District	56.49
<b>Cambria Community Services District</b>	<b>68.07</b>
Templeton Community Services District	75.34
Cayucos Sanitary District	98.00
City of Morro Bay	99.00
San Miguel Community Services District	108.36
Los Osos (San Luis Obispo County)	175.73

Source: The District and Bartle Wells Associates

### No Other Outstanding Wastewater System Indebtedness

Other than the proposed Installment Purchase Contract, the District has no outstanding indebtedness secured by Net Revenues of the Wastewater System.

### Capital Improvement Program

The District anticipates focusing wastewater system capital improvement efforts on the Project over the next three years. While the Project is being constructed, the District estimates it could spend roughly \$100,000 per year on other wastewater system capital improvement projects to account for repairs, replacements and other funding needs over the next three years. After the Project is complete, the District anticipates funding roughly \$250,000 to \$400,000 per year of capital improvement projects resulting in roughly \$1 million of projected capital funding over the next five years in addition to the Project. The District plans to fund these costs on a pay-as-you-go cash basis. The District does not anticipate issuing any additional wastewater debt for the foreseeable future.

### Historical and Projected Debt Service Coverage

The following table shows revenues, expenses and debt service coverage for the Wastewater System for the prior four fiscal years, based on the District's audited financial statements for fiscal years 2017-18 through 2020-21 and the estimated actuals for fiscal year 2021/22.

	<b>Audited 2017/18</b>	<b>Audited 2018/19</b>	<b>Audited 2019/20</b>	<b>Audited 2020/21</b>	<b>Estimated Actuals 2021/22</b>
<b>REVENUES:</b>					
Sewer Service Charges <sup>(1)</sup>	\$2,032,893	\$2,352,309	\$2,851,825	\$3,214,211	\$3,159,998
Availability & Other Revenues <sup>(2)</sup>	<u>117,119</u>	<u>118,097</u>	<u>140,299</u>	<u>140,452</u>	<u>152,745</u>
Total Revenues	\$2,150,012	\$2,470,406	\$2,992,124	\$3,354,663	\$3,312,743
<b>OPERATING EXPENSES:</b>					
Salaries & Benefits <sup>(3) (4)</sup>	\$721,495	\$732,724	\$956,860	\$1,135,024	\$1,112,075
Other Operating Expenses	745,731	628,371	705,259	658,307	918,699
Overhead Allocation	<u>510,446</u>	<u>525,352</u>	<u>504,118</u>	<u>552,663</u>	<u>468,502</u>
Total Operating Expenses	\$1,977,672	\$1,886,447	\$2,166,237	\$2,345,994	\$2,499,276
<b>NET REVENUES</b>	\$172,340	\$583,959	\$825,887	\$1,008,669	\$ 813,467
<b>DEBT SERVICE:</b>					
2010 Loan Agreement	\$159,496	\$163,900	\$161,985	\$159,888	\$ 162,495
<b>DEBT SERVICE COVERAGE</b>	1.08	3.56	5.10	6.31	5.01
<b>NET REVENUES REMAINING AFTER PAYING DEBT SERVICE</b>	\$12,844	\$420,059	\$663,902	\$848,781	\$ 650,972

(1) Increased mainly due to an 18% rate increase effective 11/01/2018, a 15% increase effective 07/01/2019, and a 12% increase effective 09/01/2020.

(2) Includes sewer system availability charges, as well as interest earnings, property tax allocation, and other miscellaneous revenues.

(3) Increased largely due to additional staffing including a) two new wastewater collection maintenance workers, b) an administrative technician that is partly allocated to the Enterprise, and c) reclassification of an existing position resulting in additional cost allocation to the Enterprise.

(4) Excludes non-cash accounting entries for estimated future OPEB health insurance liabilities.

Source: The District.

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The following table shows revenues, expenses and debt service coverage projected for Fiscal Years 2022/23 through 2026/27.

**TABLE 8**  
**Cambria Community Services District**  
**Projected Revenues, Expenses & Debt Service Coverage**

	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27
<b>REVENUES:</b>					
Sewer Service Charges <sup>(1)</sup>	\$3,413,000	\$3,669,000	\$3,944,000	\$4,062,000	\$4,184,000
Availability & Other Revenues	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Total Revenues	<u>\$3,563,000</u>	<u>\$3,819,000</u>	<u>\$4,094,000</u>	<u>\$4,212,000</u>	<u>\$4,334,000</u>
<b>OPERATING EXPENSES:<sup>(2)</sup></b>					
Salaries & Benefits	\$1,192,000	\$1,240,000	\$1,290,000	\$1,342,000	\$1,396,000
Services & Supplies <sup>(3)</sup>	950,000	988,000	948,000	986,000	1,025,000
Overhead Allocation	<u>656,000</u>	<u>682,000</u>	<u>709,000</u>	<u>737,000</u>	<u>766,000</u>
Total Operating Expenses	<u>\$2,798,000</u>	<u>\$2,910,000</u>	<u>\$2,947,000</u>	<u>\$3,065,000</u>	<u>\$3,187,000</u>
<b>NET REVENUES</b>	\$ 765,000	\$909,000	\$1,147,000	\$1,147,000	\$1,147,000
<b>DEBT SERVICE:</b>					
2010 Loan Agreement	\$ 160,000	\$ -	\$ -	\$ -	\$ -
2022 Certificates (Projected)	<u>210,000</u>	<u>550,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>
Subtotal	<u>\$ 370,000</u>	<u>\$ 550,000</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>
<b>DEBT SERVICE COVERAGE</b>	2.07%	1.65%	1.53%	1.53%	1.53%
<b>NET REVENUES REMAINING AFTER PAYING DEBT SERVICE</b>	<u>\$ 395,000</u>	<u>\$ 359,000</u>	<u>\$ 397,000</u>	<u>\$ 397,000</u>	<u>\$ 397,000</u>

<sup>(1)</sup> Accounts for base year revenues of \$3,175,000 plus adopted rate increases of 7.5% effective July 1, 2022, 7.5% effective July 1, 2023, 7.5% effective July 1, 2024, and adopted future inflationary pass-through rate increases estimated at 3% effective July 1, 2025 and 3% effective July 1, 2026.

<sup>(2)</sup> Based on District estimates for Fiscal Years 2022/23 plus 4% annual cost escalation in subsequent years.

<sup>(3)</sup> Accounts for an estimated reduction in operating expenses of \$80,000 per year starting Fiscal Year 2024/25 due to reduced electricity needs, automation and reduced maintenance due to completion of wastewater treatment plant improvements included in the Project.

Source: The District.

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## **CERTAIN RISK FACTORS FOR THE CERTIFICATES**

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make the Installment Payments in the future or the effectiveness of any remedies that the Trustee may have. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

No representation is made as to the future financial condition of the District. The ability of the District to make the Installment Payments may be adversely affected by its financial condition as of any particular time.

### **Increased Expenses and Costs**

There can be no assurance that Maintenance and Operation Costs of the Wastewater System will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant in the Installment Purchase Contract. Such rate increases could increase the likelihood of nonpayment under the Installment Purchase Contract and could also decrease demand for the services provided by the system. In addition, the Wastewater System is subject to significant regulatory provisions, and costs associated with complying with federal and State requirements may materially increase Maintenance and Operation Costs in the future.

### **Future Parity Obligations**

Although the District has covenanted in the Installment Purchase Contract not to issue additional obligations payable from Net Revenues senior to the Certificates, the Installment Purchase Contract permits the issuance by the District of certain indebtedness which may have a lien upon the Net Revenues which is on a parity basis to the lien which secures the Certificates, if certain coverage tests are met (see "SECURITY FOR THE CERTIFICATES – Parity Obligations" herein). These coverage tests involve, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the Certificates will be diluted below what it otherwise would be subject to under the coverage tests. Moreover, there is no assurance that the assumptions which form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of principal of and interest with respect to the Certificates, and such additional Parity Obligations.

### **Articles XIIC and XIID of the California Constitution**

*General.* On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature.

With respect to local government “taxes,” Proposition 26 expressly excludes a variety of levies, charges and exactions from the definition of “tax,” including a “charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”

Proposition 26 amended Article XIII C to provide that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

***Property-Related Fees and Charges.*** Under Article XIII D, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

***Initiative Power.*** In addition, Article XIII C states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

***Judicial Interpretation of Articles XIII C and XIII D.*** After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not be subject to the requirements of Article XIII D regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIII D under certain circumstances.

In *Richmond v. Shasta Community Services District*, (2004) 32 Cal. 4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIII D to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject

to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the District of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

***Current Practice Regarding Rates and Charges.*** The District's practice in implementing increases in wastewater rates and charges has been to comply with the requirements of Article XIID, including the practice of providing property owners with a 45-day mailed notice and public hearing before the District Board approves rate increases.

***Conclusion.*** It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Certificates. ***There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for wastewater services, or to call into question previously adopted rate increases described in this Official Statement.***

**Limited Recourse on Default**

If the District defaults on its obligation to pay principal of and interest with respect to the Certificates, the Trustee has the right to accelerate the total unpaid principal amounts of such Certificates. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated debt service on the Certificates.

**Limitations on Remedies Available; Bankruptcy**

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

**Statutory and Regulatory Impact**

Laws and regulations governing the operation of the Wastewater System are enacted and promulgated by government agencies on the federal, State and local levels. Compliance with these laws and regulations may be costly and, as more stringent standards are developed, these costs will likely increase. In addition, claims against the District for violations of regulations with respect to its facilities and services could be significant. Such claims are payable from Revenues or from other legally available sources.

Although the District has covenanted to fix, prescribe and collect rates and charges for the Wastewater System during each Fiscal Year sufficient to yield the debt service coverage required by the Installment Purchase Contract, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the District to generate Net Revenues in the amounts required by the Installment Purchase Contract and to pay debt service on the Certificates.

**Greenhouse Gas Emissions**

The Governor signed Assembly Bill 32, the Global Warming Solutions Act of 2006 (the "GWSA"), which became effective as law on January 1, 2007. The GWSA prescribed a statewide cap on global warming pollution with a goal of reaching 1990 greenhouse gas ("GHG") emission levels by 2020 and a reduction to 80% below 1990 levels by 2050. In addition, the GWSA establishes a mandatory reporting program to the California Air Resources Board ("CARB") for significant GHG emissions and requires the CARB to adopt regulations for significant greenhouse gas emission sources (allowing CARB to design a cap and trade program) and gave CARB the authority to enforce such regulations beginning in 2012.

On April 2, 2007, the U.S. Supreme Court ruled that GHGs qualify as air pollutants under the Clean Air Act. While the rule was specific to the authority of the U.S. Environmental Protection Agency to regulate emissions from new motor vehicles, it may also impact federal and statewide regulation regarding GHG emissions from other sources, including publicly-owned treatment works, such as those owned by the District.

The District believes that it is in material compliance with all federal, state and local emissions regulations.

### **Natural Calamities; Drought**

From time to time, the District is subject to natural calamities, including, but not limited to, earthquake, flood, fire and drought, that may adversely affect economic activity in the District, and which could have a negative impact on the Net Revenues of the Wastewater System. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to the Wastewater System and the Net Revenues. See also “–Climate Change” below.

***Drought.*** The ability of the Wastewater System to operate effectively can be affected by the water supply available to the District.

Beginning in April 2021, Governor Newsom signed a series of proclamations determining that 50 counties in the State are in a state of emergency due to drought conditions affecting such areas. On October 19, 2021 (the “October 19 Proclamation”), Governor Newsom signed a proclamation placing the remaining eight California counties in a state of emergency due to drought conditions, resulting in the entire State being under a state of emergency. The October 19 Proclamation requires local water suppliers to implement their urban water shortage contingency plans and agricultural drought plans, as applicable, at a level appropriate for local conditions that take into account the possibility of a third consecutive dry year. On July 8, 2021, Governor Newsom signed Executive Order N-10-21, which asks citizens of the State to voluntarily reduce their water use by 15% compared to 2020 levels. Subsequently, on March 28, 2022, Governor Newsom issued Executive Order N-7-22, which requires the State Water Resources Board to evaluate the adoption of certain emergency water usage regulations. The District does not currently believe that further reductions in water use will have a material adverse effect on the District’s ability to pay the Installment Payments; however, if water usage decreases significantly, whether by operation of mandatory use restrictions, prohibitively high water costs or otherwise, flow within the Wastewater System will decrease and Net Revenues available to pay the Installment Payments may be adversely impacted.

***Seismic.*** Areas throughout the State, including the areas around the District, are subject to seismic events from time-to-time. If a seismic event were to occur in or around the District, the facilities of the Enterprise could be damaged, which damage could result in decreased revenues and/or increased costs. In addition, the customers of the Enterprise could be adversely impacted, resulting in lowered revenues.

***Wildfire.*** In recent years, much of the State has suffered from wildfires due to dry conditions and other factors. Even in places not directly impacted by fire, adverse impacts have been felt due to wildfire smoke. No assurance can be given that future wildfires will not have adverse impacts on the District and its operations.

### **COVID-19 Pandemic**

The ongoing COVID-19 coronavirus pandemic, and responses intended to slow its spread, may result in material adverse impacts to the District and its finances. There can be no assurances that the spread of the virus and the related shelter in place orders and social distancing requirements imposed by the State of California, or other State or local mandates and/or other responses intended to slow its spread will not materially adversely impact the revenues received by the Enterprise, particularly connection fees and other amounts tied to economic activity in the service area.



The District has been monitoring the COVID-19 pandemic and taken appropriate responses to ensure the safety of its staff and customers. To date, the Enterprise has not experienced a material adverse impact from COVID-19.

The District cannot predict (i) the duration or ultimate extent of the COVID-19 pandemic; (ii) to what extent the COVID-19 pandemic may affect the operations and revenues of the District in the future; (iii) to what extent the COVID-19 pandemic may ultimately disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption will adversely impact the cost, sources of funds, schedule or implementation of any capital improvements, or other System operations; (iv) to what extent the District may desire to, or need to, provide customer assistance measures or deferrals, forbearances, adjustments or other changes to its customers or its billing and collection procedures; or (v) whether any of the foregoing may have a material adverse effect on the finances and operations of the Enterprise. Prospective investors should consider that the restrictions and limitations instituted related to COVID-19 may increase (even after they are decreased), and the upheaval to the national and global economies may continue and/or be exacerbated, at least over the near term, and the recovery may be prolonged, and therefore, COVID-19 may adversely impact Enterprise revenues.

The spread of COVID-19 is having significant negative impacts throughout the world, including in California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including the County. The purposes behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

### **Climate Change**

Net Revenues may be negatively impacted by impacts resulting from climate change. Local impacts of climate change are not definitive, but parcels in the District could experience changes to local and regional weather patterns; increased risk of flooding or drought; changes in groundwater levels; and other events which are beyond the control of the District.

### **Cybersecurity Risks**

The District, like many other public and private entities relies on a complex technology environment to conduct its operations. As recipient and provider of personal, private, or sensitive information, the District is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. No assurances can be given that the District's efforts to manage cyber threats and attacks will be successful or that an such attack will not materially impact the operations or finances of the District or the Enterprise.

### **No Obligation to Tax**

The obligation of the District to pay the principal of and interest with respect to the Certificates 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 principal of and interest with respect to the Certificates does not constitute a debt or indebtedness of the District, the County, the State of California or any of its political subdivisions in violation of any constitutional or statutory debt limitation or restriction and is not secured by a pledge of any revenues other than the Net Revenues of the Enterprise, as described herein.

### **Change in Law**

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues of the Enterprise, and adversely affecting the security of the Certificates.

### **Loss of Tax Exemption**

As discussed in this Official Statement under the caption "TAX EXEMPTION," interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were executed and delivered, as a result of future acts or omissions of the District in violation of its covenants in the Installment Purchase Contract and Trust Agreement. Should such an event of taxability occur, the Certificates are not subject to a special prepayment and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Installment Purchase Contract or Trust Agreement.

## **LITIGATION**

There is no action, suit or proceeding known to be now pending or threatened against the Corporation or the District restraining or enjoining the sale, execution or delivery of the Certificates, the Installment Purchase Contract, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Corporation or the District taken with respect to any of the foregoing.

## **THE CORPORATION**

The Corporation was incorporated under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was organized as a nonprofit corporation for the purpose, among others, of assisting entities, such as the District, in the acquisition, construction and financing of public improvements which are determined to be of public benefit to such entities. The Corporation's articles of incorporation and bylaws empower it to participate in the financing of the Project.

## **RATING**

[S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") is anticipated to assign its municipal bond rating of "\_\_\_\_" on the Certificates based upon the expectation that the Certificate Insurer will issue its Insurance Policy for the Certificates at the time of their execution and delivery.] S&P has also assigned an underlying municipal bond rating of "\_\_\_\_" to the Certificates. Such rating reflects only the current views of S&P (which could change at any time), and an explanation of the significance of such rating may be obtained from S&P. Generally, S&P bases its ratings on information and materials furnished to them and on investigations, studies and assumptions by S&P.

There is no assurance that the rating described above will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by such rating agencies, if in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

## TAX EXEMPTION

**General Matters.** In the opinion of Kutak Rock LLP, Irvine, California, Special Counsel, under existing laws, regulations, rulings and judicial decisions, the portion of each Installment Payment designated as and representing interest and received by the Owners of the Certificates (the “Interest Portion”) (including any original issue discount properly allocable to the owner of a Certificate) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the District with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 (the “Code”) that must be met subsequent to the issuance of the Certificates. Failure to comply with such requirements could cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Certificates. The District has covenanted to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Certificates.

The accrual or receipt of interest on the Certificates (including the Interest Portion) may otherwise affect the federal income tax liability of the owners of the Certificates. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Special Counsel has expressed no opinion regarding any such consequences. Purchasers of the Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Certificates.

Special Counsel is also of the opinion that the Interest Portion is exempt from State of California personal income taxes. Special Counsel has expressed no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of California or any other state or jurisdiction.

A copy of the form of opinion of Special Counsel is attached hereto as Appendix B.

**Original Issue Discount.** The Certificates that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Discount Certificates”), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Certificates and their stated amounts to be paid at maturity (excluding “qualified stated interest” within the meaning of Section 1.1273-1 of the Regulations) constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Certificate is added to the cost basis of the owner of the Certificate in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Certificate (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Certificate that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Certificate, on days that are determined by reference to the maturity date of such Discount Certificate. The amount treated as original issue discount on such Discount Certificate for a particular semiannual accrual period is equal to (a) the product of (i) the yield to

maturity for such Discount Certificate (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Certificate at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Certificate during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Certificate the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Certificate is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Certificates should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Certificate. Subsequent purchasers of Discount Certificates that purchase such Certificates for a price that is higher or lower than the “adjusted issue price” of the Certificates at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

**Original Issue Premium.** The Certificates that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Certificates”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Certificate over its stated prepayment price at maturity constitutes premium on such Premium Certificate. A purchaser of a Premium Certificate must amortize any premium over such Premium Certificate’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Certificates callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest (including the Interest Portion) for the period, and the purchaser’s basis in such Premium Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Certificate prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Certificates should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Certificate.

**Backup Withholding.** An owner of a Certificate may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Certificates if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner’s taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

**Changes in Federal and State Tax Law.** From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX EXEMPTION” or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Certificates or the market value thereof would be impacted thereby. Purchasers of the Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory

initiatives or litigation. The opinions expressed by Special Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Certificates, and Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE CERTIFICATES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE CERTIFICATES AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE CERTIFICATES.

### **APPROVAL OF LEGALITY**

Legal matters incident to the execution and delivery of the Certificates are subject to the approving opinion of Kutak Rock LLP, Irvine, California, Special Counsel. A form of such opinion for the Certificates is attached hereto as Appendix B and copies of such opinion with respect to the Certificates will be available at the time of delivery of the Certificates. Certain matters will be passed upon for the District by its counsel, Carmel & Naccasha LLP, San Luis Obispo, California, District Counsel. Certain matters will be passed upon for the Underwriter by Quint & Thimmig LLP, Larkspur, California, Underwriter's Counsel. Certain compensation of Special Counsel and Underwriter's Counsel is contingent upon the issuance of the Certificates.

The opinion of Special Counsel provides that, subject to the qualifications contained therein, the Trust Agreement and the Installment Purchase Contract, have been duly and validly authorized, executed and delivered by the Corporation and constitute the legally valid and binding obligations of the Corporation enforceable in accordance with their respective terms. Counsel for the District will deliver an opinion which provides that, subject to the qualifications contained therein, the District has the lawful authority to execute and deliver the Trust Agreement and the Installment Purchase Contract under the laws of the State of California and that such documents have been duly approved, executed and delivered by the District and constitute legal, valid and binding obligations of the District enforceable in accordance with their respective terms.

### **FORWARD-LOOKING STATEMENTS**

When used in this Official Statement and in any continuing disclosure by the District, in the District's press releases and in oral statements made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "intend," "expect" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

### **CONTINUING DISCLOSURE OBLIGATION**

The District will enter into an undertaking for the benefit of the Owners of the Certificates to provide certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board or to certain information repositories of certain events, all pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12, as amended (the

“Rule”). See “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein for a description of the District’s continuing disclosure obligation.

The District has not had a continuing disclosure undertaking pursuant to the Rule in the previous five years.

A failure by the District to comply with its undertaking will not constitute an Event of Default under the Trust Agreement or the Installment Purchase Contract. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the applicable Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price. The Corporation is not responsible for the undertaking of the District.

### **UNDERWRITING**

The Certificates are being purchased by Oppenheimer & Co. Inc. (the “Underwriter”). The Underwriter has agreed to purchase the Certificates at a price equal to \$\_\_\_\_\_ (which represents the par amount of the Certificates [plus/minus] [a/an] [net] original issue [premium/discount] of \$\_\_\_\_\_ minus an underwriting discount of \$\_\_\_\_\_). The purchase agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreements, the approval of certain legal matters by counsel and certain other conditions.

The Certificates may be offered and sold to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time.

### **MISCELLANEOUS**

The foregoing summaries do not purport to be complete and are expressly made subject to the provisions of the documents, copies of which may be obtained from the Trustee, or during the period of the offering, the Underwriter.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement does not constitute an agreement between the Corporation, the District or the Underwriter and the purchasers or owners of any of the Certificates.

This Official Statement, and its distribution and use by the Underwriter, has been duly authorized and approved by the District.

**CAMBRIA COMMUNITY SERVICES  
DISTRICT**

By \_\_\_\_\_  
General Manager

**APPENDIX A**

**DEFINITIONS OF CERTAIN TERMS AND  
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX B****FORM OF OPINION OF SPECIAL COUNSEL**

[Closing Date]

Cambria Community Services District  
1316 Tamsen Street, Suite 201  
Cambria, California 93428

Re: \$\_\_\_\_\_ Cambria Community Services District Wastewater Revenue Certificates of Participation, Series 2022A

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by Cambria Community Services District (the “District”) in connection with the authorization, execution and delivery by the District of that certain Installment Purchase Contract, dated as of October 1, 2022 (the “Installment Purchase Contract”), by and between the District and the CSDA Finance Corporation (the “Corporation”). We have also reviewed that certain Trust Agreement, dated as of October 1, 2022 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Corporation and the District. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Corporation and the District, the initial purchaser of the Certificates (defined below) and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us. All capitalized terms used herein shall have the meaning given them in the Trust Agreement unless otherwise defined.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver the \$\_\_\_\_\_ Cambria Community Services District Wastewater Revenue Certificates of Participation, Series 2022A (the “Certificates”) evidencing undivided proportionate interests of the owners of the Certificates in certain installment payments (the “Installment Payments”) to be made by the District pursuant to the Installment Purchase Contract. Pursuant to that certain Assignment Agreement, dated as of October 1, 2022 (the “Assignment Agreement”), the Corporation has assigned to the Trustee the Corporation’s right to receive Installment Payments from the District under the Installment Purchase Contract.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The obligation of the District to pay Installment Payments in accordance with the terms of the Installment Purchase Contract is a valid and binding obligation payable from the funds of the District lawfully available therefore, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against municipalities in the State of California. The obligation of the District to make Installment Payments under the Installment Purchase Contract does not constitute a debt



of the District, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the District, the State of California or any political subdivision thereof.

2. The Installment Purchase Contract and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute valid and legally binding agreements of the District enforceable against the District in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against municipalities in the State of California, except that we express no opinion as to any provisions in the Installment Purchase Contract or the Trust Agreement with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver.

3. Under existing laws, regulations, rulings and judicial decisions, the portion of each Installment Payment designated as and representing interest and received by the owners of the Certificates (the "Interest Portion") is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence assume the accuracy of certain representations of the District and continuing compliance by the District with certain covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 (the "Code") that must be met subsequent to the execution and delivery of the Installment Purchase Contract. Failure to comply with such requirements could cause the Interest Portion to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions retroactive to the date of execution and delivery of the Installment Purchase Contract. The District has covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Installment Purchase Contract and the Certificates.

4. We are further of the opinion that the Interest Portion is exempt from current State of California personal income taxes. We express no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of California or any other state or jurisdiction.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Tax Compliance Certificate executed by the District and other documents related to the Certificates may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the tax consequences on and after the date on which any such change occurs or action is taken or omitted upon advice or approval of counsel other than Kutak Rock LLP.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Installment Purchase Contract, the Trust Agreement or the Assignment Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events

occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Certificates terminates on the date of their execution and delivery.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Certificates and expressly disclaim any duty to advise the owners of the Certificates with respect to matters contained in the Official Statement.

Respectfully submitted,

**APPENDIX C**

**ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT  
THE COUNTY OF SAN LUIS OBISPO**

The Certificates are not a debt of the County of San Luis Obispo (the “County”). The economic and demographic data contained in this Appendix are the latest available, but are generally as of dates and for periods before the economic impact of the COVID-19 pandemic and the measures instituted to slow it. Accordingly, they are not necessarily indicative of the current financial condition or future economic prospects of the District, the County or the region.

**General**

Located on the central coast of the State, midway between Los Angeles and San Francisco, The County was incorporated in 1850 as one of the original 27 counties in the State. The County encompasses an area of approximately 3,616 square miles and includes seven incorporated cities, approximately 43% of the population resides in unincorporated areas. It is a general law county governed by a five member County Board of Supervisors, the members of which are elected to four-year staggered terms in nonpartisan districts. The County Board of Supervisors hires the County Administrator, who is responsible for overseeing the day-to-day operations of the County. While the State has a major presence within the County as the largest employer, the County is also known as a tourism destination.

**Population**

The following table shows historical population figures for the County and the State from 2013 through 2022.

**POPULATION ESTIMATES  
2013 through 2022  
San Luis Obispo County and the State of California**

<b>Year<sup>(1)</sup></b>	<b>San Luis Obispo County</b>	<b>State of California</b>
2013	273,882	38,269,864
2014	276,091	38,556,731
2015	276,858	38,865,532
2016	277,704	39,103,587
2017	278,361	39,352,398
2018	278,250	39,519,535
2019	277,850	39,605,361
2020	276,818	39,648,938
2021	279,710	39,303,157
2022	280,721	39,185,605

<sup>(1)</sup> As of January 1.  
Source: 2013-20 with 2010 Benchmark; 2021-22 with 2020 Benchmark: California Department of Finance for January 1.

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**Income**

The following table summarizes per capita personal income for the County, the State and the United States for the past 10 years.

**PER CAPITA PERSONAL INCOME<sup>(1)</sup>**  
**2012 through 2021**  
**San Luis Obispo County, State of California, and United States**

<b>Year</b>	<b>San Luis Obispo County</b>	<b>State of California</b>	<b>United States</b>
2012	\$44,068	\$48,121	\$44,548
2013	45,257	48,502	44,798
2014	47,744	51,266	46,887
2015	50,645	54,546	48,725
2016	51,694	56,560	49,613
2017	54,210	58,813	51,573
2018	55,913	61,509	53,817
2019	58,693	64,333	55,724
2020	62,342	69,958	59,147
2021	(2)	76,386	63,444

<sup>(1)</sup> All dollar estimates are in current dollars (not adjusted for inflation).

<sup>(2)</sup> Data for San Luis Obispo County for year 2021 not yet available.

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2012 through 2020 reflect county population estimates available as of March 2021.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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## Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2016 through 2020 for the County, the State and the United States.

**LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES**  
**2016 through 2020<sup>(1)</sup>**  
**San Luis Obispo County, State of California, and United States**

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment<sup>(2)</sup></u>	<u>Unemployment<sup>(3)</sup></u>	<u>Unemployment Rate (%)</u>
<u>2016</u>				
San Luis Obispo County	139,500	133,400	6,000	4.3
State of California	19,012,000	17,965,400	1,046,600	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<u>2017</u>				
San Luis Obispo County	140,300	135,200	5,100	3.6
State of California	19,173,800	18,246,800	927,000	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
San Luis Obispo County	140,100	135,800	4,200	3.0
State of California	19,263,900	18,442,400	821,500	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
San Luis Obispo County	139,800	135,700	4,100	2.9
State of California	19,353,700	18,550,500	803,200	4.2
United States	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
San Luis Obispo County	133,900	123,400	10,500	7.9
State of California	18,821,200	16,913,100	1,908,100	10.1
United States	160,742,000	147,795,000	12,947,000	8.1

Note: Data are not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2021 Benchmark.

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## Industry

The County is included in the San Luis Obispo-Paso Robles-Arroyo Grande Metropolitan Statistical Area. The distribution of employment is presented in the following table for the calendar years 2017 through 2021. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

### INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2017 through 2021

#### San Luis Obispo County (San Luis Obispo-Paso Robles-Arroyo Grande Metropolitan Statistical Area)

<u>Category</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Farm	5,200	5,200	5,000	4,800	4,900
Total Nonfarm	116,500	117,900	119,700	109,600	114,300
Total Private	92,400	93,600	95,300	86,000	91,200
Goods Producing	14,700	15,600	16,100	15,800	17,000
Mining, Logging and Construction	7,500	7,900	8,300	8,500	9,100
Manufacturing	7,300	7,700	7,800	7,300	7,800
Nondurable Goods	4,200	4,500	4,600	4,400	4,900
Service Providing	101,800	102,300	103,600	93,800	97,400
Private Service Providing	77,600	78,000	79,200	70,200	74,200
Trade, Transportation and Utilities	21,300	21,000	20,800	19,100	19,800
Wholesale Trade	2,800	2,700	2,700	2,500	2,600
Retail Trade	14,300	14,300	14,000	12,900	13,400
Transportation, Warehousing and Utilities	4,300	4,100	4,100	3,700	3,700
Information	1,300	1,200	1,200	1,100	1,200
Financial Activities	3,900	3,900	3,900	3,800	3,900
Professional and Business Services	10,700	10,900	11,200	10,500	11,000
Educational and Health Services	17,400	17,700	18,200	17,000	17,500
Leisure and Hospitality	19,100	19,200	19,800	15,400	17,400
Other Services	4,000	4,000	4,100	3,300	3,500
Government	<u>24,100</u>	<u>24,300</u>	<u>24,500</u>	<u>23,500</u>	<u>23,200</u>
Total, All Industries	<u>121,700</u>	<u>123,100</u>	<u>124,700</u>	<u>114,400</u>	<u>119,300</u>

Note: The "Total, All Industries" data are not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2021 Benchmark.

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## Principal Employers

The following table lists the principal employers located in the County.

**PRINCIPAL EMPLOYERS  
2021  
San Luis Obispo County**

<u>Employer Name</u>	<u>Number of Employees</u>	<u>Percentage of Total County Employment</u>
County of San Luis Obispo	2,807	2.14%
Atascadero State Hospital	2,300	1.75
California Men's Colony	2,000	1.53
Cal Poly State University, SLO	1,912	1.46
Pacific Gas and Electric Company	1,700	1.30
Tenet Healthcare	1,312	1.00
Lucia Mar Unified School District	1,070	0.82
Community Action Partnership of San Luis Obispo County	942	0.72
Paso Robles Public Schools	935	0.71
Cuesta College	854	0.65

*Source: County of San Luis Obispo Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2021.*

## Commercial Activity

Summaries of annual taxable sales for the County from 2016 through 2020 are shown in the following tables.

**TAXABLE SALES  
2016 through 2020  
San Luis Obispo County  
(Dollars in Thousands)**

<u>Year</u>	<u>Retail and Food Services Outlets</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Outlets</u>	<u>Total Taxable Transactions</u>
2016	7,004	\$3,573,185	11,567	\$5,059,223
2017	7,210	3,730,441	11,955	5,341,390
2018	7,181	3,865,203	12,387	5,416,332
2019	7,105	3,929,770	12,596	5,489,189
2020	7,447	3,960,508	13,332	5,401,161

*Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA").*

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### Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2017 through 2021 for the County are shown in the following tables.

**BUILDING PERMITS AND VALUATIONS**  
**2017 through 2021**  
**San Luis Obispo County**  
**(Dollars in Thousands)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Valuation					
Residential	\$328,232	\$267,300	\$410,042	\$297,569	\$315,664
Non-Residential	<u>120,402</u>	<u>167,767</u>	<u>131,602</u>	<u>78,776</u>	<u>93,262</u>
Total	\$448,634	\$435,067	\$541,644	\$376,345	\$408,906
Units					
Single Family	696	636	697	861	741
Multiple Family	<u>445</u>	<u>207</u>	<u>204</u>	<u>79</u>	<u>288</u>
Total	1,141	843	901	940	1,024

Note: Columns may not sum to totals because of rounding.

Source: *Construction Ind*

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the execution and delivery of the Certificates, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

**THIS CONTINUING DISCLOSURE CERTIFICATE** (the “Disclosure Certificate”) is executed and delivered by the **CAMBRIA COMMUNITY SERVICES DISTRICT** (the “District”) in connection with the execution and delivery of its \$\_\_\_\_\_ Wastewater Revenue Certificates of Participation, Series 2022A (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2022 (the “Trust Agreement”), by and among **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, as trustee, **CSDA FINANCE CORPORATION** and the **DISTRICT**. The District covenants and agrees as follows:

**Section 1. Purpose of This Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

**Section 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the District’s Fiscal Year (currently March 31 based on the District’s Fiscal Year end of June 30).

“*Dissemination Agent*” means the District or any dissemination agent designed in writing by the District to act as such.

“*Financial Obligation*” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of clause (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the District as its official Fiscal Year period under a certificate of the District filed with the Trustee.

“*Holder*” means a registered owner of the Certificates.

“*Listed Events*” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the Official Statement dated \_\_\_\_\_, 2022 relating to the Certificates.

“*Participating Underwriter*” means the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*Listed Events*” means any of the events listed in Section 5(a).

### **Section 3. Provision of Annual Reports.**

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2023, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

**Section 4. Content of Annual Reports.** The Annual Report shall contain or incorporate by reference the following:

(a) The District’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements

are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding Fiscal Year:

(i) A table showing the Revenues, Operating and Maintenance Costs, Net Revenues and debt service coverage ratio for the Certificates and any Parity Obligations for the prior Fiscal Year, substantially in the form of the Table under the heading "Historical Debt Service Coverage."

(ii) A table showing the number of connections of the Wastewater System for the prior Fiscal Year, substantially in the form of Table \_\_\_.

(iii) A table showing the Ten Largest Customers of the Wastewater System for the prior Fiscal Year, substantially in the form of Table \_\_\_.

(iv) Adopted rates and charges of the Wastewater System for the prior Fiscal Year, substantially in the form of Table \_\_\_.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

## **Section 5. Reporting of Significant Events.**

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the District and the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Non payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other

material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

- (7) Modifications to rights of security holders, if material.
  - (8) Bond calls, if material, and tender offers.
  - (9) Defeasances.
  - (10) Release, substitution, or sale of property securing repayment of the securities, if material.
  - (11) Rating changes.
  - (12) Bankruptcy, insolvency, receivership or similar event of the District.
  - (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
  - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
  - (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material (for the definition of “financial obligation,” see clause (e)).
  - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties (for the definition of “financial obligation,” see clause (e)).
- (b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (a)(ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement or Installment Purchase Contract.
- (c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material.” The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event’s occurrence is material for purposes of U.S. federal securities law.
- (d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental

authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

**Section 6. Identifying Information for Filing with the MSRB.** All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**Section 7. Termination of Reporting Obligation.** The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. The initial Dissemination Agent shall be the District. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

**Section 8. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the District.

**Section 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement and Installment Purchase Contract for amendments to the Trust Agreement and Installment Purchase Contract, respectively, with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the

amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section shall be filed in the same manner as for a Listed Event under Section 5(b).

**Section 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Certificates may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Note holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed

for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

**Section 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

**Section 14. Notices.** Any notice or communications required to be given to the District or the Participating Underwriter may be given as follows:

To the District: Cambria Community Services District  
P.O. Box 65  
Cambria, California 93428  
Attn: General Manager

To the Participating Underwriter: Oppenheimer & Co. Inc.  
580 California Street, Suite 2300  
San Francisco, California 94104  
Attn: Municipal Capital Markets Group

**Section 15. Counterparts.** This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Dated: \_\_\_\_\_, 2022

CAMBRIA COMMUNITY SERVICES DISTRICT

By \_\_\_\_\_

## APPENDIX E

### BOOK-ENTRY-ONLY SYSTEM

#### Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The District makes no representation as to the accuracy or the completeness of such information. The Beneficial Owners of the Certificates should confirm the following information with DTC or the DTC Participants.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (a) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (b) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE CERTIFICATES UNDER THE TRUST AGREEMENT; (c) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE CERTIFICATES; (d) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PREPAYMENT PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE CERTIFICATES; (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF CERTIFICATES; OR (f) ANY OTHER MATTER.

#### General

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Direct Participants are on file with the Securities and Exchange Commission.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect



Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co., or such other nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, principal and interest payments with respect to the Certificates will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to immediately credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, the Corporation or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the District or the Corporation, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, principal and interest to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Corporation or to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The Corporation may decide to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation, the District and the Underwriter believes to be reliable, but the Corporation, the District and the Underwriter take no responsibility for the accuracy thereof. Additional information concerning DTC can be found at DTC's website at [www.dtc.org](http://www.dtc.org). The District, the Corporation nor the Underwriter, undertake any responsibility for and make no representation as to the accuracy or the completeness of the content of such material contained on the World Wide Web as described in the preceding sentence including, but not limited to, updates of such information or links to other World Wide Web sites accessed through the aforementioned website.

**APPENDIX F**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**APPENDIX G**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

\$ \_\_\_\_\_  
**WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION**  
**Series 2022A**  
**Evidencing Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Installment Payments to be Made by the**  
**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**as the Purchase Price for Certain Property Pursuant to an Installment**  
**Sale Agreement with the CSDA Finance Corporation**

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**CERTIFICATE PURCHASE AGREEMENT**

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\_\_\_\_\_, 2022

Cambria Community Services District  
1316 Tamsen Street, Suite 201  
Cambria, CA 93428

Ladies and Gentlemen:

The undersigned, Oppenheimer & Co. Inc., as underwriter (the "Underwriter"), hereby offers to enter into this Certificate Purchase Agreement (this Certificate Purchase Agreement, together with the exhibits hereto, being herein called the "Purchase Agreement") with the Cambria Community Services District (the "District"), which, upon acceptance, will be binding upon the District and the Underwriter. This offer is made subject to the acceptance by the District by execution of this Purchase Agreement and its delivery to the Underwriter prior to 11:59 P.M., Pacific Standard time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to such acceptance.

Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the meanings given to such terms as set forth in the Trust Agreement, dated as of October 1, 2022 (the "Trust Agreement") by and among the District, the CSDA Finance Corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The District hereby acknowledges and agrees that (a) the Underwriter has financial and other interests that differ from those of the District, (b) the primary role of the Underwriter is to purchase securities for sale to investors in an arm's-length commercial transaction between the District and the Underwriter, (c) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the District, (d) the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the District and has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has

provided or is currently providing other services to the District on other matters), (e) the only obligations the Underwriter has to the District with respect to the transaction contemplated hereby are expressly set forth in this Certificate Purchase Agreement, and (f) the District has consulted its own financial, municipal, legal, accounting, tax and/or other advisors, as applicable, to the extent it has deemed appropriate in connection with the issuance of the Certificates and the other matters contemplated by this Certificate Purchase Agreement. The District has a municipal advisor in this transaction that has legal fiduciary duties to the District.

The District hereby acknowledges receipt from the Underwriter of disclosures required by the Municipal Securities Rulemaking Board ("MSRB") Rule G-17 (as set forth in MSRB Notice 2012-25 (May 7, 2012), relating to disclosures concerning the Underwriter's role in the transaction, disclosures concerning the Underwriter's compensation, conflict disclosures, if any, and disclosures concerning complex municipal securities financing, if any.

**Section 1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein set forth, the District and the Corporation hereby agree to sell and deliver to the Underwriter all of the \$\_\_\_\_\_ aggregate principal amount of Cambria Community Services District Wastewater Revenue Certificates of Participation, Series 2022A (the "Certificates"), evidencing the direct, undivided fractional interests of the owners thereof in installment payments (the "Installment Payments") to be made by the District pursuant to an Installment Purchase Agreement, dated as of October 1, 2022 (the "Installment Purchase Agreement"), with the Corporation. The purchase price of the Certificates shall be \$\_\_\_\_\_ (representing an aggregate principal amount of the Certificates of \$\_\_\_\_\_, plus an original issue premium of \$\_\_\_\_\_, less an Underwriter's discount of \$\_\_\_\_\_).

As an accommodation to the District, the Underwriter will pay, from the purchase price of the Certificates, the sum of \$\_\_\_\_\_ to \_\_\_\_\_ (the "Municipal Bond Insurer") as the premium for the Municipal Bond Insurer's municipal bond insurance policy issued for the Certificates (the "Municipal Bond Insurance Policy") and the sum of \$\_\_\_\_\_ to the Municipal Bond Insurer as the premium for the Municipal Bond Insurer's reserve fund municipal bond insurance policy issued for the Certificates (the "Reserve Fund Policy").

**Section 2. The Certificates.** The Certificates will be dated their date of delivery and will be substantially in the form described in, shall be authorized, executed and delivered under the provisions of, and shall be payable as provided in, the Trust Agreement. The Certificates are being executed and delivered to provide funds to (a) finance the acquisition and construction of additions, betterments, extensions and improvements (the "Project") to its wastewater enterprise (the "Enterprise"); (b) purchase the Municipal Bond Insurance Policy and the Reserve Fund Policy, and (c) pay costs incurred in connection with executing and delivering the Certificates.

The District is legally required under the Installment Purchase Agreement to make Installment Payments from a first and prior lien on the Net Revenues of the Wastewater System. "Net Revenues" are the gross revenues of the Enterprise less operating and maintenance expenses of the Wastewater System. Installment Payments are scheduled in an amount sufficient to pay, when due, the annual principal and interest with respect to the Certificates. The District has covenanted under the Installment Purchase Agreement to prescribe, revise and collect such charges from the services and facilities of the Wastewater System which will produce gross revenues sufficient in each fiscal year to provide Net Revenues equal to at least 1.20 times the aggregate annual payment requirements with respect to the Installment Purchase Agreement and any parity obligations in such fiscal year, as required by the Installment

Purchase Agreement. The District's obligation to pay the Installment Payments is on a parity with any additional parity obligations incurred by the District in the future.

The Corporation will assign its right to receive Installment Payments from the District under the Installment Purchase Agreement to the Trustee pursuant to an Assignment Agreement, dated as of October 1, 2022 (the "Assignment Agreement").

The District will also enter into a Continuing Disclosure Certificate, dated the Closing Date (the "Continuing Disclosure Certificate"). The Trust Agreement, the Installment Purchase Agreement, the Assignment Agreement, the Continuing Disclosure Certificate and this Purchase Agreement are hereinafter referred to as the "Legal Documents."

### Section 3. Public Offering and Establishment of Issue Price.

(a) The Underwriter agrees to assist the District in establishing the issue price of the Certificates and shall execute and deliver to the District at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Special Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates.

(b) Except as otherwise set forth in Schedule I to Exhibit B, the District will treat the first price at which 10% of each maturity of the Certificates (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until all Certificates of that maturity have been sold to the public.

(c) The Underwriter confirms that it has offered the Certificates to the public on or before the date of this Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule I to Exhibit B, except as otherwise set forth therein. Schedule I to Exhibit B also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the District when it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(d) The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The District acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Certificates.

(e) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

“public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the public),

(iii) a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and



(iv) “sale date” means the date of execution of this Purchase Agreement by all parties.

#### Section 4. The Official Statement.

(a) By its acceptance of this proposal, the District ratifies, confirms and approves of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement, dated \_\_\_\_\_, 2022, relating to the Certificates (including the cover page, all appendices and all information incorporated therein, the “Preliminary Official Statement”). The District hereby certifies that such Preliminary Official Statement is deemed final as of its date, for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”) except for certain omissions with respect to the pricing of the Certificates permitted to be omitted therefrom by Rule 15c2-12.

The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of the final official statement, dated the date hereof, relating to the Certificates (including all information previously permitted to have been omitted by Rule 15c2-12, the cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the District and the Underwriter, the “Official Statement”) in such quantity as the Underwriter shall reasonably request. The District has approved the use and distribution by the Underwriter of the Official Statement, and the District hereby authorizes the use by the Underwriter of the Legal Documents in connection with the offer and sale of the Certificates.

Section 5. Closing. At 8:30 A.M., Pacific Daylight time, on \_\_\_\_\_, 2022, or at such other time and date as may be agreed upon by the District and the Underwriter (the “Closing Date”), (i) the District will cause to be delivered to the Underwriter the Certificates in definitive form, bearing CUSIP numbers and fully registered, through the book-entry system of The Depository Trust Company (“DTC”); and (ii) the District will cause to be delivered to the Underwriter the other documents herein mentioned at the offices of Special Counsel in Irvine, California, or another place to be agreed upon by the Corporation, the District and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Certificates as set forth in Section 1 hereof in immediately available funds to the order of the Trustee on behalf of the District. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “Closing.” Notwithstanding the foregoing, neither the failure to print CUSIP numbers on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Certificates on the Closing Date in accordance with the terms of this Purchase Agreement.

Section 6. Representation, Warranties and Covenants of the District. The District represents, warrants and covenants to the Underwriter that:

(a) The District is a community services district, duly organized and validly existing under the Constitution and laws of the State of California (the “State”). The District has all necessary power and authority and has taken all official action necessary to enter into and perform its duties under the Trust Agreement, the Installment Purchase Agreement, the Continuing Disclosure Certificate and this Purchase Agreement (collectively, the “District Documents”). The District Documents and the Official Statement have been duly executed and delivered by the District and, assuming the due authorization, execution and delivery by the other respective parties thereto, the District Documents to the best knowledge of the District will constitute legally valid and binding obligations of the District enforceable against the District in accordance with their respective terms, except as enforcement may be limited by

bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws or equitable principles relating to or limiting creditors' rights generally.

(b) To the best of its knowledge, except as may be required under Blue Sky or other securities laws of any state (as to which no representation is made), there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution, delivery and sale of the Certificates or the consummation by the District of the transactions contemplated by the District Documents and by the Official Statement, which has not been duly obtained or made on or prior to the date hereof.

(c) There is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court or governmental or public entity pending, or to the best knowledge of the District, threatened against the District which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates, or contesting the powers of the District to enter into or perform its obligations under any of the District Documents or the existence or powers of the District.

(d) the distribution of the Preliminary Official Statement and the Official Statement have been duly authorized by the District and as of the date hereof and at all times subsequent thereto up to and including the time of the Closing, the statements and information contained in the Official Statement (excluding statements under the captions "THE CORPORATION," "UNDERWRITING," information relating to the Municipal Bond Insurer, the Municipal Bond Insurance Policy, the Reserve Fund Policy, DTC and the book-entry only system and information as to bond prices on the cover of the Official Statement, as to which no opinion or view is expressed) are and will be true, correct and complete in all material respects and the Official Statement does not and will not omit to state a material fact required to be stated therein or necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(e) The District agrees that, if at any time before the Closing Date any event of which it has knowledge occurs, as a result of which the Official Statement as then in effect would include any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the District shall promptly prepare or cooperate in the preparation of an amendment or supplement to the Official Statement if in the opinion of the District and the Underwriter or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement. The District shall advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and shall effect such amendment or supplement in a form and manner approved by the Underwriter. The District shall promptly advise the Underwriter of the institution of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

If any information relating to the District contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein concerning the District or the District's affairs, in the light of the circumstances under which it was presented, not misleading.

(f) The District shall furnish or cause to be furnished to the Underwriter, in such quantities as shall be reasonably required by the Underwriter, copies of the Official Statement and all amendments and supplements thereto, in each case as soon as available.

(g) The proceeds from the sale to the Underwriter of the Certificates will be applied in the manner and for the purposes specified in the Trust Agreement.

(h) The resolution of the District approving the execution and delivery of the District Documents and the Official Statement has been duly adopted by the District, has not been amended, modified or repealed and is in full force and effect on the date hereof.

(i) To the best of its knowledge, neither the execution and delivery by the District of the District Documents nor the District's adoption of the resolution, nor the District's compliance with such documents or such resolution, nor the consummation of the transactions contemplated by such documents, such resolution or the Official Statement, conflicts with or constitutes a breach of or default under, or will conflict with or constitute a breach of or default under, any term or provision of any applicable law or any administrative rule or regulation of the State or the United States or any applicable judgment, decree, order, license, permit, agreement or instrument to which the District is subject or is otherwise bound has or will have a material adverse effect on the ability of the District to perform its obligations under the District Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instruments.

(j) The District agrees to cooperate with the Underwriter in endeavoring to qualify the Certificates for offer and sale under the securities or Blue Sky laws of as many jurisdictions of the states of the United States as the Underwriter may request; provided, however, that the District will not be required to expend any of its own funds in connection with such qualifications and will not be required to consent to service of process in any such jurisdiction in which it is not now subject to service of process or to qualify as a broker or a foreign corporation in connection with any such qualification in any jurisdiction.

(k) The District covenants that it will not take any action which would cause interest payable with respect to the Certificates to be subject to federal income taxation or State personal income taxation.

(l) Other than as described in the Preliminary Official Statement and the Official Statement, the District has not failed to comply with any previous continuing disclosure undertaking within the prior 5 years.

Section 7. Conditions to the Obligations of the Underwriter. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the District contained herein. The obligations of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the performance by the District of its obligations, to be performed hereunder and to the performance by the District and the Corporation of their obligations, to be performed under the Legal Documents, at or prior to the Closing Date and the following additional conditions:

(a) The representations, warranties and covenants of the District contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date;

(b) At the time of Closing, the Legal Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto and the Legal Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and all such reasonable actions as, in the opinion of Special Counsel or counsel to the Underwriter, shall reasonably deem necessary in connection with the transactions contemplated hereby;

(c) Between the date hereof and the Closing Date, the market price or marketability, at the initial public offering prices set forth on the inside cover page of the Official Statement, of the Certificates shall not have been materially adversely affected, in the reasonable judgment of the Underwriter, by reason of any of the following:

(i) the marketability of the Certificates or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the Corporation or the District, or the interest with respect to bonds or notes (including the Certificates);

(ii) the declaration of war or engagement in major military hostilities by the United States or the occurrence or escalation of any other national emergency or calamity relating to the normal operation of the government of or the financial community in the United States;

(iii) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(iv) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Certificates or obligations of the general character of the Certificates or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters;

(v) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the

subject matter, to the effect that (i) obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or (ii) the execution and delivery, offering or sale of obligations of the general character of the Certificates, or the execution and delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(vi) any event shall occur which makes untrue any material statement or results in an omission to state a material fact that is necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Certificates

(vii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Certificates;

(viii) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect;

(ix) any rating of the Certificates or the rating of any obligations of the District shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Certificates;

(x) the commencement of any action, suit or proceeding described in Section 6(c);  
or

(xi) A material disruption in securities settlement, payment or clearance services affecting the Certificates shall have occurred.

(d) At or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) the Legal Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(ii) the approving opinion of Special Counsel, dated the Closing Date and addressed to the District, in substantially the form attached as Appendix F to the Official Statement, together with reliance letters addressed to the Underwriter and the Trustee;

(iii) a supplemental opinion of Special Counsel dated the Closing Date and addressed to the Underwriter and the District, in form and substance acceptable to each of them to the effect that:

(A) the statements in the Official Statement under the captions, "INTRODUCTION," "THE CERTIFICATES," "SOURCE OF PAYMENT FOR THE CERTIFICATES," "CONTINUING DISCLOSURE," "TAX MATTERS," APPENDIX F-FORM OF OPINION OF SPECIAL COUNSEL, APPENDIX A-SUMMARY OF PRINCIPAL LEGAL DOCUMENTS, AND APPENDIX D-FORM OF CONTINUING DISCLOSURE CERTIFICATE insofar as such statements purport to summarize certain provisions of the Certificates, security for the Certificates, the Trust Agreement, the Installment Purchase Agreement, the Assignment Agreement, the Continuing Disclosure Certificate and the legal opinion of Special Counsel with respect thereto concerning the validity and tax status of interest with respect to the Certificates, are accurate in all material respects; but excluding therefrom information about DTC and the book-entry only system;

(B) the Purchase Agreement has been duly authorized, executed and delivered by the Corporation and the District and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute valid and binding agreements of the Corporation and the District and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws affecting enforcement of creditors' rights and by the application of equitable principles if equitable remedies are sought; and

(C) the Certificates are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended;

(iv) the letter of Kutak Rock LLP, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the District and the Underwriter, to the effect that, based upon its participation in the preparation of the Official Statement as Disclosure Counsel and upon the information made available to it in the course of the foregoing, but without having undertaken to determine or verify independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement (except to the extent expressly set forth in the opinion referred to in Section 7(c)(iii) above), nothing has come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Official Statement that causes them to believe that the Official Statement as of its date or as of the Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, are not misleading (except for the description of any litigation, any information relating to information relating to the Municipal Bond Insurer, the Municipal Bond Insurance Policy, the Reserve Fund Policy, DTC, Cede & Co., the book-entry system, any financial statements, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, as to all of which they express no view);

(v) the opinion of Carmel & Naccasha LLP, counsel to the District, dated the Closing Date, and addressed to the Underwriter, to the effect:

(A) the District is a community services district organized and existing under and by virtue of the laws and the Constitution of the State and has full legal power and lawful authority to execute and deliver and perform all obligations under the Legal Documents to which the District is a party (the "District Documents") and to participate in the transactions contemplated by the Official Statement;

(B) the resolution adopted by the Board of Directors of the District approving the form and authorizing the execution of the District Documents has been duly adopted at a meeting of the District Council of the District, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and such resolution is in full force and effect and has not been modified, amended or rescinded;

(C) the District has duly authorized, executed and delivered the District Documents and, assuming due authorization, execution and delivery by the parties thereto other than the District, the District Documents constitute the legally valid and binding obligations of the District enforceable against the District in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought.

(D) there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, government agency, public board or body, pending or, to our knowledge after reasonable investigation, threatened: (1) which would materially adversely affect the financial position of the District; (2) affecting, contesting or seeking to prohibit, restrain or enjoin the execution and delivery of any of the Certificates or the District Documents, or in any way contesting or affecting the validity of or security for the Certificates or the District Documents or the consummation of the transactions contemplated thereby, or contesting the powers of the District or its authority to execute and deliver the District Documents or perform its obligations thereunder; or (3) contesting the completeness or accuracy of the Official Statement or asserting that the Official Statement contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and to our knowledge there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in subparagraphs (1) through (3) of this paragraph (D);

(E) the District is not in material breach of or default under any applicable constitutional provision, law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or to which the District or any of its property or assets is otherwise subject, and no event has occurred or is continuing which with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument; and the execution and delivery of the District Documents and compliance with the provisions thereof by the District, will not result in a violation of, a breach of, or a default under the articles of incorporation or bylaws of the District or any statute, indenture, mortgage, deed of trust, note agreement, or other agreement or instrument to

which the District is a party or by which it or any of its property is bound, or any order, rule, law or regulation of any court or other governmental body having jurisdiction of the District;

(F) no authorization, approval, consent or order of the State or any other governmental authority or agency within the State, other than the governing body of the District, is required for the valid authorization, execution and delivery by the District of the District Documents and the performance by the District of its obligations thereunder.

(G) as of the date hereof, nothing has come to such attorney's attention causing us to believe that the information contained in the Official Statement relating to the District under the caption "THE DISTRICT" as of its date or as of the date hereof contained any untrue statement of material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(vi) the opinion of McMurchie Law, counsel to the Corporation, dated the Closing Date and addressed to the Underwriter and the Corporation, in form and substance acceptable to each of them, to the effect that:

(A) the Corporation is a nonprofit public benefit corporation organized and existing under and by virtue of the laws and the Constitution of the State and has full legal power and lawful authority to execute and deliver and perform all obligations under the Legal Documents to which the Corporation is a party (the "Corporation Documents") and to participate in the transactions contemplated by the Official Statement;

(B) the resolution adopted by the Board of Directors of the Corporation approving the form and authorizing the execution of the Corporation Documents has been duly adopted at a meeting of the Board of Directors of the Corporation, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and such resolution is in full force and effect and has not been modified, amended or rescinded;

(C) the Corporation has duly authorized, executed and delivered the Corporation Documents and, assuming due authorization, execution and delivery by the parties thereto other than the Corporation, the Corporation Documents constitute the legally valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought.

(D) there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, government agency, public board or body, pending or, to our knowledge after reasonable investigation, threatened: (1) which would materially adversely affect the financial position of the Corporation; (2) affecting, contesting or seeking to prohibit, restrain or enjoin the execution and delivery of any of the Certificates or the Corporation Documents,



or in any way contesting or affecting the validity of or security for the Certificates or the Legal Documents or the consummation of the transactions contemplated thereby, or contesting the powers of the Corporation or its authority to execute and deliver the Legal Documents or perform its obligations thereunder; or (3) contesting the completeness or accuracy of the Official Statement or asserting that the Official Statement contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and to our knowledge there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in subparagraphs (1) through (3) of this paragraph (D);

(E) the Corporation is not in material breach of or default under any applicable constitutional provision, law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party or to which the Corporation or any of its property or assets is otherwise subject, and no event has occurred or is continuing which with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument; and the execution and delivery of the Legal Documents and compliance with the provisions thereof by the Corporation, will not result in a violation of, a breach of, or a default under the articles of incorporation or bylaws of the Corporation or any statute, indenture, mortgage, deed of trust, note agreement, or other agreement or instrument to which the Corporation is a party or by which it or any of its property is bound, or any order, rule, law or regulation of any court or other governmental body having jurisdiction of the Corporation;

(F) no authorization, approval, consent or order of the State or any other governmental authority or agency within the State, other than the governing body of the Corporation, is required for the valid authorization, execution and delivery by the Corporation of the Legal Documents and the performance by the Corporation of its obligations thereunder; and

(G) as of the date hereof, nothing has come to such attorney's attention causing us to believe that the information contained in the Official Statement relating to the Corporation under the caption "THE CORPORATION" as of its date or as of the date hereof contained any untrue statement of material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(vii) a certificate, dated the Closing Date, signed by a duly authorized official of the District satisfactory in form and substance in the reasonable judgment of the Underwriter to the effect that:

(A) the District is a community services district, duly organized and existing under the laws of the State and has all necessary power and authority to enter into and perform its duties under the District Documents;

(B) by official action of the District, the District has approved the execution and delivery of and the performance by the District of the obligations on its part contained in the District Documents;

(C) the execution and delivery of the District Documents to which it is a party, compliance with the provisions thereof and performance of its duties thereunder, will not conflict with or constitute a breach of or default under the District's duties under any law, administrative regulation, judgment, decree, note, resolution, charter, by-law or other agreement to which the District is a party or is otherwise subject or by which its properties may be affected;

(D) the information relating to the District contained in the Official Statement does not contain any untrue or misleading statement of a material fact or omit to state any material fact which is necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading;

(E) to the best knowledge of the District, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution, delivery and sale of the Certificates or the consummation by the District of the transactions on its part contemplated by the District Documents;

(F) to the best knowledge of the District, the District is not in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument, which breach or default has or may have a material adverse effect on the ability of the District to perform its obligations under the District Documents;

(G) there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court or governmental agency or body, pending or, to the best knowledge of the District, threatened against the District, except as disclosed in the Official Statement, to restrain or enjoin the execution or delivery of the Certificates, or in any way contesting or affecting the validity or enforceability of the Certificates or the District Documents or contesting the powers of the District to enter into or perform its obligations under any of the foregoing; and

(H) the District covenants that it will not take any action which would cause interest with respect to the Certificates to be subject to federal income taxation or California personal income taxes;

(viii) a certificate, dated the Closing Date, signed by a duly authorized official of the Corporation satisfactory in form and substance in the reasonable judgment of the Underwriter to the effect that:

(A) the Corporation is nonprofit, public benefit corporation, duly organized and validly existing under the laws of the State;

(B) the Corporation has all necessary power and authority and has taken all official actions necessary to execute, deliver and perform its duties under each of the Corporation Documents and each of the Legal Documents has been duly authorized, executed and delivered by the Corporation and, assuming the due

authorization, execution and delivery by the other respective parties thereto, will constitute legally valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or principles of equity involving judicial discretion;

(C) the Corporation is not in material breach of, or default under, any applicable constitutional provision, law or administrative rule or regulation of the State or the United States of America material to the conduct of its functions or any applicable judgment or decree or any loan agreement, indenture, bond, certificate, note, resolution or other agreement or instrument to which the Corporation is a party or to which the Corporation or any of its properties is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any of the foregoing; and the authorization, execution and delivery of the Legal Documents, and compliance with the provisions thereof, will not conflict with or constitute a breach of or default under any constitutional provision, law, administrative rule or regulation, or any judgment, decree, license, permit, loan agreement, indenture, bond, certificate, note, resolution, agreement or other instrument to which the Corporation (or any of its officers in their respective capacities as such) is subject or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument except as may be provided by the Legal Documents;

(D) there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory entity having jurisdiction over the Corporation required for the execution and delivery of the Legal Documents, or the consummation by the Corporation of the transactions contemplated in the Official Statement or in the Legal Documents, which has not been duly obtained or made on or prior to the date hereof;

(E) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental or public entity pending or, to the knowledge of the Corporation, threatened against the Corporation which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates or any of the Legal Documents, or contesting the validity of the Certificates or any of the Legal Documents or the powers of the Corporation to enter into or perform its obligations under the Legal Documents or the existence or powers of the Corporation;

(F) no event affecting the Corporation has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date the statements or information regarding the Corporation contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein regarding the Corporation not misleading in any material respect;

(ix) a certificate of the Trustee, dated the Closing Date, signed by a duly authorized officer of the Trustee, and in form and substance satisfactory to the Underwriter, to the effect that:

(A) the Trustee is a national banking association duly organized and existing under and by virtue of the laws of the United States of America authorized to carry out corporate trust powers and has all necessary power and authority to enter into and perform its duties under the Trust Agreement and the Assignment Agreement and to execute the Certificates;

(B) the representations of the Trustee in the Trust Agreement and the Assignment Agreement are true and correct in all material respects as of the Closing Date;

(C) to the best of its knowledge, no litigation is pending or threatened (either in state or federal courts) (1) to restrain or enjoin the execution or delivery of any of the Certificates or the collection of revenues pledged under the Installment Purchase Agreement, or (2) in any way contesting or affecting any authority for the execution or delivery of the Certificates or the validity or enforceability of the Trust Agreement or the Assignment Agreement;

(D) the Trustee is duly authorized to execute and deliver the Certificates to the Underwriter upon instruction by the District pursuant to the terms of the Trust Agreement, and the Trust Agreement and the Assignment Agreement constitute legal, valid and binding obligations of the Trustee enforceable in accordance with its respective terms;

(E) to the best of its knowledge, the execution and delivery of the Trust Agreement and the Assignment Agreement, and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, the Trustee's duties under said documents or any law, administrative regulation, court decree, resolution, charter, bylaws or other agreement to which the Trustee is subject or by which it is bound; and

(F) the Certificates have been validly executed and delivered by the Trustee;

(x) the opinion of counsel to the Trustee, addressed to the Underwriter and the District, dated the Closing Date, to the effect that;

(A) the Trustee has been duly organized and is validly existing in good standing as a national banking association under the laws of the United States of America, with full corporate power to enter into the Trust Agreement and the Assignment Agreement and to accept the trust as provided therein, and to perform its obligations under the Trust Agreement and the Assignment Agreement;

(B) the Trustee has duly authorized, executed and delivered the Trust Agreement and the Assignment Agreement and by all proper corporate action has authorized the acceptance of the trust of the Trust Agreement;

(C) assuming the due authorization, execution and delivery by the other party to the Trust Agreement and the Assignment Agreement, the Trust

Agreement and the Assignment Agreement, constitute legally valid and binding agreements of the Trustee, enforceable against the Trustee in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws or equitable principles relating to or limiting creditors' rights generally;

(D) the Certificates have been validly executed by the Trustee; and

(E) to the best of such counsel's knowledge, no authorization, approval, consent or order of any governmental agency or any other person or corporation is required for the valid authorization, execution and delivery of the Trust Agreement and the Assignment Agreement by the Trustee or the authentication by the Trustee of the Certificates;

(xi) the opinion of Quint & Thimmig LLP, counsel to the Underwriter, dated the Closing Date and addressed to the Underwriter, in form and substance acceptable to the Underwriter.

(xii) a copy of the Official Statement, executed on behalf of the District;

(xiii) a copy of the general resolution of the Trustee authorizing the execution and delivery of the Trust Agreement and the Assignment Agreement;

(xiv) copies of all resolutions relating to the Certificates, the Official Statement and the Legal Documents adopted by the Corporation and the District, as applicable, and certified by an authorized official of the Corporation and the District;

(xv) a tax certificate by the District in form and substance acceptable to Special Counsel;

(xvi) a copy of the Municipal Bond Insurance Policy;

(xvii) a copy of the Reserve Fund Policy;

(xviii) an opinion of counsel to the Municipal Bond Insurer, addressed to the District and the Underwriter to the effect that:

(A) the descriptions of the Municipal Bond Insurer, the Municipal Bond Insurance Policy and the Reserve Fund Policy included in the Official Statement are accurate;

(B) the Municipal Bond Insurance Policy and the Reserve Fund Policy constitute legal, valid and binding obligations of the Municipal Bond Insurer, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditor's rights generally and by the application of equitable principles if equitable remedies are sought, and

(C) as to such other matters as the District or the Underwriter may reasonably request;

(xix) a certificate of the Municipal Bond Insurer, signed by an authorized officer of the Municipal Bond Insurer, to the effect that:

(A) the information contained in the Official Statement relating to the Municipal Bond Insurer, the Municipal Bond Insurance Policy and the Reserve Fund Policy is true and accurate and

(B) as to such other matters as the District or the Underwriter may reasonably request;

(xx) letters from S&P Global Ratings, a Standard & Poor's Financial Services LLC business, indicating that the Certificates have been assigned an insured rating of "AA" and an underlying rating of "\_\_\_."

(xxi) evidence of good standing of the Corporation with the State; and

(xxii) such additional legal opinions, certificates, proceedings, instruments or other documents as Special Counsel and counsel to the Underwriter, if any, may reasonably request to evidence compliance by the Corporation and the District with legal requirements, the truth and accuracy, as of the Closing Date, of the representations and warranties of the Corporation and the District contained herein, and the due performance or satisfaction by the Corporation and the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Corporation and the District.

**Section 8. Changes in Official Statement.** After the Closing, the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall object in writing. Within 90 days after the Closing or within 25 days following the end of the underwriting period, whichever occurs first, if any event relating to or affecting the Certificates, the Trustee, the Corporation or the District shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the District will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The District shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with a nationally recognized municipal securities repository. For the purposes of this section the Trustee, the Corporation and the District will each furnish such information with respect to itself as the Underwriter may reasonably request from time to time during such period.

**Section 9. Expenses.** Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Underwriter shall be under no obligation to pay, and the District shall pay from the proceeds of the Certificates or otherwise, all expenses and costs of the District and the Corporation incident to the performance of their obligations in connection with the authorization, execution, sale and delivery of the Certificates to the Underwriter, including, without limitation, printing costs, rating agency fees and charges, initial fees of the Trustee, including fees and disbursements of its counsel, if any, fees and disbursements of the District's municipal advisor, Special Counsel, Disclosure Counsel and other professional advisors employed by the District or the Corporation, the California Debt and Investment Advisory Commission fee and costs of preparation, printing, signing, transportation, delivery and

safekeeping of the Certificates. The Underwriter shall pay all out-of-pocket expenses of the Underwriter, including, without limitation, advertising expenses, regulatory fees imposed on new securities issuers, CUSIP Bureau fees and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Certificates, including the fees and disbursements of its counsel.

Section 10. **Notices.** Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Oppenheimer & Co. Inc., 580 California Street, Suite 2300, San Francisco, CA 94104, Attention: Municipal Capital Markets Group, Mr. Rick Brandis, Managing Director. Any notice or communication to be given to the Corporation or the District under this Purchase Agreement may be given by delivering the same in writing to the Corporation's and the District's addresses, respectively set forth above, Attention: Finance Director.

The approval of the Underwriter when required hereunder or the determination of the Underwriter's satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to you.

Section 11. **Parties in Interest.** This Purchase Agreement is made solely for the benefit of the Corporation, the District and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Corporation and the District in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment of the Certificates.

Section 12. **Counterparts.** This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Section 13. **Governing Law.** This Purchase Agreement shall be governed by the laws of the State.

OPPENHEIMER & CO. INC., as  
Underwriter

By \_\_\_\_\_  
Rick Brandis  
Managing Director

Accepted and Agreed to:

CAMBRIA COMMUNITY SERVICES  
DISTRICT

By \_\_\_\_\_  
John F. Weigold, IV  
General Manager

Time of Execution: \_\_\_\_\_, P.M., Pacific Daylight time



## EXHIBIT A

## MATURITY SCHEDULE AND REDEMPTION PROVISIONS

\$ \_\_\_\_\_  
**WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION**  
**Series 2022A**  
**Evidencing Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Installment Payments to be Made by the**  
**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**as the Purchase Price for Certain Property Pursuant to an Installment**  
**Sale Agreement with the CSDA Finance Corporation**

## MATURITY SCHEDULE

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price
--------------------------------	---------------------	------------------	-------	-------

\_\_\_\_\_ c Priced to the September 1, \_\_\_\_, par call date.  
 T Term Certificates.

*Optional Prepayment.* The Certificates maturing on and after September 1, \_\_\_\_, are subject to optional prepayment in whole or in part on any date on and after September 1, \_\_\_\_, in such order of maturity as shall be designated by the District (or, if the District shall fail to so designate the order of prepayment, in *pro rata* among maturities) and by lot within a maturity, 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 the optional prepayment of Installment Payments made by the District pursuant to the Installment Purchase Agreement.

*Extraordinary Prepayment.* The Certificates are subject to extraordinary prepayment, in whole or in part, on any Interest Payment Date, in an order of maturity determined by the District, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Installment Payments pursuant to the Installment Purchase Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

*Sinking Fund Prepayment.* The Certificates maturing on September 1, \_\_\_\_, are subject to mandatory prepayment in part on September 1 in each year on and after September 1, \_\_\_\_, to and including September 1, \_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Purchase Agreement with respect to each such prepayment date (subject to abatement, as set forth in the Installment Purchase Agreement), at a prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium, as follows:

Year (September 1)	Principal Amount of Certificates to be Redeemed
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†Maturity.

The Certificates maturing on September 1, \_\_\_\_, are subject to mandatory prepayment in part on September 1 in each year on and after September 1, \_\_\_\_, to and including September 1, \_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Purchase Agreement with respect to each such prepayment date (subject to abatement, as set forth in the Installment Purchase Agreement), at a prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium, as follows:

Year (September 1)	Principal Amount of Certificates to be Redeemed
-----------------------	--

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†Maturity.

The Certificates maturing on September 1, \_\_\_\_, are subject to mandatory prepayment in part on September 1 in each year on and after September 1, \_\_\_\_, to and including September 1, \_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the District pursuant to the Installment Purchase Agreement with respect to each such prepayment date (subject to abatement, as set forth in the Installment Purchase Agreement), at a prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium, as follows:

Year (September 1)	Principal Amount of Certificates to be Redeemed
-----------------------	--

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†Maturity.

**EXHIBIT B****FORM OF ISSUE PRICE CERTIFICATE**

\$ \_\_\_\_\_  
**WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION**  
**Series 2022A**  
**Evidencing Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Installment Payments to be Made by the**  
**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**as the Purchase Price for Certain Property Pursuant to an Installment**  
**Sale Agreement with the CSDA Finance Corporation**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of Oppenheimer & Co. Inc. (“Oppenheimer”), based on the information available to it, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Certificates”).

**I. General**

1. Oppenheimer and the Cambria Community Services District (the “Issuer”) have executed a certificate purchase agreement in connection with the Certificates on the Sale Date. Oppenheimer has not modified the certificate purchase agreement since its execution on the Sale Date.

**II. Price**

1. Oppenheimer offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule I (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule II.

2. As set forth in the certificate purchase agreement, Oppenheimer has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement would contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement would contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule.

3. No Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity during the Holding Period.

**III. Defined Terms**

1. *General Rule Maturities* means those Maturities of the Certificates not listed in Schedule I hereto as the “Hold-the-Offering-Price Maturities.”

2. *Hold-the-Offering-Price Maturities* means those Maturities of the Certificates listed in Schedule I hereto as the “Hold-the-Offering-Price Maturities.”

3. *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price

Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

4. *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

5. *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

6. A person is a “*Related Party*” to an Underwriter if the Underwriter and the person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

7. *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is \_\_\_\_\_, 2022.

8. *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with Oppenheimer to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

All terms not defined herein shall have the same meanings as in the Tax Exemption Certificate and Agreement with respect to the Certificates, to which this Certificate is attached. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Oppenheimer’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in its documents and with respect to compliance with the federal income tax rules affecting the Certificates, and by Kutak Rock LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Certificates.

#### IV. Credit

Oppenheimer has calculated that the present value of the amounts paid to obtain the \_\_\_\_\_ (the “Municipal Bond Insurer”) municipal bond insurance and reserve fund municipal bond insurance policies (the “Policies”) is less than the present value of the debt service reasonably expected to be saved as a result of having the Policies, using as the discount factor for this purpose the expected Yield with respect to the Certificates treating the fees paid as interest with respect to the Certificates.

To the best of Oppenheimer's knowledge, the fees paid to obtain the Policies were determined in arm's-length negotiations and were required as a condition to the issuance by the Municipal Bond Insurer of the Policies.

Dated: \_\_\_\_\_, 2022

OPPENHEIMER & CO. INC., as Underwriter

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

**SCHEDULE I TO ISSUE PRICE CERTIFICATE**

\$ \_\_\_\_\_  
**WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION**  
**Series 2022A**  
**Evidencing Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Installment Payments to be Made by the**  
**CAMBRIA COMMUNITY SERVICES DISTRICT**  
**as the Purchase Price for Certain Property Pursuant to an Installment**  
**Sale Agreement with the CSDA Finance Corporation**

Hold-the- Offering Price Maturities (if Marked)	General Rule Maturities (if Marked)	Maturity Date (September 1)	Principal Amount	Interest Rate	Price
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c Priced to the September 1, \_\_\_\_\_, par call date.  
 T Term Certificates.

**SCHEDULE II TO ISSUE PRICE CERTIFICATE**

\$ \_\_\_\_\_

**WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION  
Series 2022A**

**Evidencing Direct, Undivided Fractional Interests of the  
Owners Thereof in Installment Payments to be Made by the  
CAMBRIA COMMUNITY SERVICES DISTRICT  
as the Purchase Price for Certain Property Pursuant to an Installment  
Sale Agreement with the CSDA Finance Corporation**

PRICING WIRE OR EQUIVALENT COMMUNICATION

## CAMBRIA COMMUNITY SERVICES DISTRICT

TO: Board of Directors

AGENDA NO. **3.B.**

FROM: John F. Weigold IV, General Manager

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Meeting Date: August 31, 2022	Subject: Discussion and Consideration of Adoption of Resolution 61-2022 Approving a Revised Debt Management Policy and Disclosure Policies and Procedures
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**RECOMMENDATIONS:**

Staff recommends that the Board of Directors adopt Resolution 61-2022 approving a revised Debt Management Policy and Disclosure Policies and Procedures.

**FISCAL IMPACT:**

None.

**DISCUSSION:**

In conjunction with the planned issuance of Wastewater Revenue Certificates of Participation, Resolution 61-2022 approves a revised debt management policy and new disclosure policies and procedures.

The revised Debt Management Policy incorporates CCSD's existing Debt Management Policy as well as additional provisions needed to comply with California Government Code 8855(i)(1) which became effective on January 1, 2017. The revised policy also includes one proposed revision to an existing policy: for financial planning purposes, the minimum targeted annual debt service coverage ratio is proposed to be reduced from the current level of 1.85 to a more reasonable and achievable level of 1.40 that is still significantly above minimum requirements.

The Disclosure Policies and Procedures are designed to support compliance with federal and State securities laws and to promote best practices and high standards of accuracy in disclosures relating to securities issued by the District.

Staff recommends the Board of Directors adopt Resolution 61-2022 approving the revised Debt Management Policy and Policies and Procedures.

**ATTACHMENTS:**

1. Resolution 61-2022
2. Debt Management Policy
3. Disclosure Policies and Procedures



**RESOLUTION NO. 61-2022****A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CAMBRIA COMMUNITY SERVICES DISTRICT APPROVING A DEBT MANAGEMENT POLICY AND DISCLOSURE POLICIES AND PROCEDURES RELATING TO THE ISSUANCE OF DEBT OBLIGATIONS**

**WHEREAS**, the Board of Directors (the “Board”) of the Cambria Community Services District (the “District”) recognizes that cost-effective access to the capital markets depends on prudent management of the District’s debt program; and

**WHEREAS**, Government Code section 8855(i) requires any issuer of public debt to provide to California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue a report of the proposed issuance (the “Report of Proposed Debt Issuance”), and must certify on the Report of Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies (the “CDIAC Requirements”); and

**WHEREAS**, the Board wishes to set parameters for issuing debt, managing the debt portfolio and providing guidance to decision makers; and

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

**WHEREAS**, the District periodically issues obligations which are subject to the federal and State securities laws;

**WHEREAS**, the Board desires to: (1) ensure the accuracy and completeness of the disclosures of the District and the District’s compliance (including the Board, District officers and District staff) with all applicable federal and State securities laws; and (2) promote the best practices regarding disclosures relating to securities issued by the District; and

**WHEREAS**, to meet these goals, the Board and staff have determined to create and adopt Disclosure Policies and Procedures Relating to the Issuance of Debt Obligations to ensure the compliance by the District (including the Board, District officers and District staff), with federal and State securities laws and to promote the highest standards of accuracy in disclosures relating to securities issued by the District;

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Cambria Community Services District hereby orders and determines as follows:

**Section 1. Recitals.** The Board hereby specifically finds and declares that each of the recitals set forth above are true and correct and are hereby incorporated herein by this reference in conjunction with the respective staff report.

**Section 2. Approval of the Debt Management Policy.** This Board hereby declares that the proposed Debt Management Policy attached hereto, is hereby approved as the Cambria Community Services District Debt Management Policy to be effective on the date of approval.

**Section 3. Authorization to Manage Debt Issuance Functions.** The General Manager, or a designee thereof, is hereby authorized to manage debt issuance functions for the District in accordance with the Debt Management Policy.

**Section 4. Adoption of Disclosure Policies and Procedures Relating to the Issuance of Debt Obligations.** This Board hereby declares that the proposed Disclosure Policies and Procedures Relating to the Issuance of Debt Obligations attached hereto, is hereby approved as the Cambria Community Services District Disclosure Policies and Procedures Relating to the Issuance of Debt Obligations to be effective on the date of approval.

**Section 5. Ratification.** All actions not inconsistent with the provisions of this Resolution heretofore taken by the Board, District officers and District staff with respect to the Debt Management Policy and Disclosure Policies and Procedures Relating to the Issuance of Debt Obligations are hereby in all respects ratified, approved and confirmed.

**Section 6. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

The foregoing Resolution was adopted at a special meeting of the Board of Directors of the Cambria Community Services District held on the on the 31<sup>st</sup> day of August, 2022 by the following vote:

- AYES:
- NAYS:
- ABSTAIN:
- ABSENT:

\_\_\_\_\_  
Donn Howell, President  
Board of Directors

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Leah Reedall, Board Secretary

\_\_\_\_\_  
Timothy J. Carmel, District Counsel

## **CAMBRIA COMMUNITY SERVICES DISTRICT**

### **DEBT MANAGEMENT POLICY**

This Debt Management Policy (the “Debt Policy”) of the Cambria Community Services District (the “District”) was approved by the Board of Directors of the District (the “Board”) on August 31, 2022. The Debt Policy may be amended by the Board as it deems appropriate from time to time in the prudent management of the debt of the District. Any approval of debt by the Board of Directors that is not consistent with this Debt Policy shall constitute a waiver of this Debt Policy.

The Debt Policy has been developed to provide guidance in the issuance and management of debt by the District and is intended to comply with Government Code Section 8855, effective on January 1, 2017. This Debt Policy is essential to ensure that the District maintains a sound debt position while providing flexibility and maintaining financial stability.

#### **1. OBJECTIVE**

Unless waived by the District, this Debt Policy shall govern all debt undertaken by the District. The District hereby recognizes that a fiscally prudent debt policy is required in order to (i) maintain the District's sound financial position and achieve the lowest cost of capital; (ii) ensure the District has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses; (iii) protect the District's credit-worthiness and maintain high credit rating and access to credit enhancement; (iv) ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the District and ensure rate- and tax- payers equity; (v) ensure that the District's debt is consistent with the District's planning goals and objectives and capital improvement program or budget, as applicable; (vi) encourage those that benefit from a facility/improvement to pay the cost of that facility/improvement without the need for the expenditure of limited general fund resources.

#### **2. POLICIES**

##### **A. Purpose and Use of Debt**

The District will consider the use of debt financing for capital improvement projects (“CIP”) primarily when the project's useful life will equal or exceed the term of the financing and when resources are identified sufficient to fund the debt service requirements. Prior to the issuance of new debt, the Board of Directors shall review the debt to be financed. If required by law, such review shall be at a public hearing. This requirement shall not apply to the refinancing of existing debt. An exception to this section’s focus is the issuance of short-term instruments such as tax and revenue anticipation notes, which are to be used for prudent cash management purposes and conduit financing, as described below.

- i. Long-Term Debt. The issuance of long-term debt is a valuable funding resource for the District. Used appropriately and prudently, long-term debt can minimize the District’s charges and rates over time, depending on which Fund issues debt. To minimize dependency on debt financing for capital projects, annual renewal and replacement capital projects will be adequately funded from rates. Funding levels for capital investments will be sufficient to meet capital improvement projections needed as outlined in the current Capital Improvement Plan. Long-term debt will be considered only for large capital improvement projects or greater-than-normal capital plans. The District will be managed to at least meet, and potentially exceed, the minimum and target Debt Service Coverage (DSC) requirements as imposed by bond covenants. To the extent permitted by law, long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and/or operated by the District, water rights and supplies of water. Long term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

Use of long-term debt will be minimized. The District may consider the use of long-term debt financing when it appears that a capital project, or other expenditures as deemed appropriate by the Board, is of such a magnitude that it will negatively impact the District's rates in the short-term. The benefit of long-term debt financing is that it will spread the costs of the capital asset over a longer period of time and will, therefore, approximate the useful life of the asset, and over time, charge those customers that benefit from that asset more equitably.

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

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

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

- When debt issuance is determined necessary, the District will assess the market conditions and timing for debt issuance to include issuing debt – 1) in times of favorable market conditions, 2) when Bond ratings would qualify District issuances to be investment grade, and 3) when revenues, including anticipated increases, are sufficient to adequately cover expected debt service and issuance costs.
- The project to be financed has been or will be approved by the Board.
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.
- The District estimates that sufficient income or revenues will be available to service the debt through its maturity. The District will issue debt only in the case where there is an identified source of repayment. Bonds will be issued to the extent that: (i) projected existing revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such existing revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
- The District determines that the issuance of the debt will comply with the applicable requirements of state and federal law.
- The District will meet all bond covenants associated with the long-term debt. Bond covenants are legal obligations of the District.
- Long-term debt issuances typically contain legal covenants regarding debt service coverage (“DSC”). A DSC ratio is an important financial measure

of the District's ability to repay the outstanding debt obligation, and is reviewed for adequacy by banks and rating agencies. Generically, the DSC ratio is the District's net operating income, as specifically defined by the relevant bank or rating agency, divided by the total annual debt service payment. For financial planning purposes, the targeted annual DSC ratio will be greater than or equal to 1.40 on all outstanding debt that carries such a covenant.

- The District will fully adhere to all applicable Government Accounting Standards Board ("GASB") requirements and recognized best practices for the accounting treatment and disclosure of debt obligation transactions in its audited financial statements and other relevant publications.
- Bond credit enhancements, such as insurance against default, will be considered when necessary for market acceptance and when costs are favorable to the District.

ii. Short-Term Debt. The District may utilize short-term debt financing (including leases) to finance certain essential equipment and vehicles. These assets can range from service vehicles to equipment. The underlying asset must have a minimum useful life of one year or more. Short-term financing, including leases, on bill financing and capital lease purchases are executed to meet such needs. The Board of Directors must approve any such short-term financing for assets costing more than \$25,000 by Resolution. Additionally, to the extent permitted by law, short-term debt may be issued to generate funding 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; for example, the District may undertake lease-purchase financing for equipment.

## **B. Types of Debt**

For purposes of this Debt Policy, in order to maximize the financial options available to benefit the public, it is the policy of the District to allow for the consideration of issuing all generally accepted types of debt, including, but not exclusive to the following:

- General Obligation (GO) Bonds
- State or Federal loans, including Revolving Loan Funds
- Lease revenue bonds, certificates of participation and lease-purchase financings
- Bond or grant anticipation notes
- Other revenue bonds and certificates of participation
- 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 may from time to time find that other forms of debt to, the extent permitted by law, would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy. The District may also consider joint arrangements with other governmental agencies and will communicate and coordinate with other governmental agencies regarding cost sharing in potential joint projects and will only be liable for its share of the debt service.

From time to time the District may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that financing be completed.

#### *Interest Rate Swaps*

The incurring or carrying of variable-rate debt obligations by the District involves a variety of interest rate payments and other risks that interest rate swaps are available to offset, hedge, or reduce. It is the policy of the District to utilize such interest rate swaps to better manage its debt portfolio. The District will consider executing an interest rate swap transaction if it expects the swap transaction will result in any of the following:

- a. Reduce exposure to changes in interest rates on a financial transaction;
- b. Result in a significantly lower net cost of borrowing with respect to the District's debt consistent with an established target; or
- c. Manage variable interest rate exposure consistent with prudent debt practices and guidelines as approved by the Board.

#### *Savings Target*

Interest rate swaps will require a significant financial benefit or savings versus traditional fixed-rate debt. For an interest rate swap intended to produce the effect of a synthetic fixed rate transaction, the swap transaction must generate 3% or greater net present value savings compared to standard fixed-rate bonds which have the same optional redemption features.

#### *Restrictions*

The District will not enter into any swap transaction:

- a. for speculative purposes.
- b. if the swap presents an extraordinary risk to the District's liquidity to terminate the agreement due to unforeseen events.
- c. if there is insufficient price transparency to allow for fair market valuation.

#### *Provider Requirements*

The transaction provider will have a credit rating of AA (or equivalent) or better from at least two nationally recognized credit rating agencies (at the time of agreement execution). The transaction provider will have a demonstrated record of successfully executing derivative transactions and have a minimum capitalization of \$2 billion.

#### *Use of Independent Advisor*

The District will use a professional advisor or designated swap representative ("Swap Advisor") to assist in the assessment, structuring, and pricing of proposed or existing interest rate swaps. The Swap Advisor will be a firm which:

- a. is a Municipal Advisor registered with the Securities and Exchange Commission;
- b. has sufficient knowledge to evaluate the swap transaction and risks;
- c. is not subject to a statutory disqualification;
- d. is independent of the swap dealer or major swap participant;
- e. undertakes a duty to act in the best interests of the District;

- e. provides appropriate and timely disclosures to the District; and
- f. evaluates fair pricing and the appropriateness of the swap.

### **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.

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

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

The District is committed to 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 operating budget.

It is a policy goal of the District to protect taxpayers, ratepayers and 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 do so either for the purpose of realizing debt service savings or for the purpose of restructuring debt in a manner which is in the best financial interests of the District. Any refinancing of debt for the purpose of realizing debt service savings shall achieve a minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount or such lesser amount as shall be designated in the resolution adopted by the Board of Directors which authorizes the refunding proceedings.

There are three key concepts that must be taken into consideration when evaluating a debt for refunding:

- a. Financial and Policy Objectives
- b. Financial Savings/Results of Financing
- c. Bond Structure and Escrow Efficiency

*Financial and Policy Objectives* – The District may undertake a refinancing for a number of financial and/or policy objectives, including to achieve debt service savings, eliminate restrictive debt/legal covenants, restructure the stream of debt service payments, or to achieve other policy objectives. Although in most circumstances the District may undertake a refunding to obtain economic savings, it may refund an issue to restructure its debt portfolio in order to obtain budgetary/cash flow relief or to address exposure to other costs/liabilities and to extend the maturity.

*Financial Savings/Results of Financing* - The financial framework regarding the evaluation of refunding opportunities is to be developed and evaluated by the District's Financial Manager, typically to include the efforts of outside financial advisors. It is important to note that federal tax law typically permits an issuer to conduct one advance refunding over the life of a bond issue. As

such, the District must take greater care (i.e., require a higher savings threshold) when evaluating an advance refunding opportunity.

In certain circumstances, lower savings thresholds may be justified. For example, when an advance refunding is being conducted primarily for policy reasons (other than economic savings), interest rates are at historically low levels or the time remaining to maturity is limited, and as such, future opportunities to achieve greater savings are not likely to occur.

*Bond Structure and Escrow Efficiency* – The District’s debt management practices should anticipate the potential for future refundings. When debt is issued, careful attention should be paid to the bond structure to address features that may affect flexibility in the future. To that end, upon debt issuance, the District shall consider: optional redemption provisions, bond coupon characteristics giving up call rights for certain maturities in exchange for a lower interest rate on the bonds, call provisions that permit the redemption of bonds in any order of maturity or on any date, call provisions that permit the issuer to call bonds at the earliest date without incurring a significant interest-rate penalty, and coupons on callable bonds priced as close to par as possible at the time of original issue.

*Escrow Efficiency* - The lower the cost of the escrow the more efficient the escrow. Also, in order to be efficient, escrow securities need to mature or pay interest when debt service payments of the refunded escrow are due.

*Current vs. Advance Refunding* - There are two types of refundings, as defined by Federal Tax laws; a current refunding in which a refunding takes place (i.e., refunding bonds are sold) within 90 days of the optional call date, and an advance refunding in which refunding bonds are sold more than 90 days prior to the first call date and are issued on a taxable basis.

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

When issuing debt, the District shall comply with any applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The District will periodically review the requirements of and will remain in compliance with (i) any continuing disclosure undertakings under SEC Rule 15c2-12; (ii) any federal tax compliance requirements; (iii) any required reporting to be filed with the California Debt and Investment Advisory Commission (CDIAC); and (iv) the District's investment policies as they relate to the investment of bond proceeds.

Any Director of the Board, the General Manager, the Finance Officer or any designee can recommend future changes to the Debt Policy as deemed necessary.

The General Manager and Finance Officer are responsible for adherence to this Debt Policy and regular reporting of the District’s financial status. Board oversight will be accomplished through regular reporting of financial status and review of this Debt Policy.

This Debt Policy will be reviewed at least biennially.



## **CAMBRIA COMMUNITY SERVICES DISTRICT**

### **DISCLOSURE POLICIES AND PROCEDURES RELATING TO THE ISSUANCE OF DEBT OBLIGATIONS**

#### **Article I**

##### ***General***

These Disclosure Policies and Procedures (the “**Disclosure Procedures**”) are intended to ensure that the Cambria Community Services District (the “District”) is in compliance with all applicable federal and state securities law in connection with obligations, including notes, bonds and certificates of participation, issued by the District (collectively, the “**Obligations**”).

#### **Article II**

##### ***Disclosure Coordinator***

The General Manager of the District shall be the disclosure coordinator of the District (the “**Disclosure Coordinator**”) when the District determines to issue Obligations.

#### **Article III**

##### ***Review and Approval of Official Statements***

The Disclosure Coordinator is responsible for reviewing and preparing or updating certain portions of the preliminary Official Statement that contain information on the District, including its financial condition and operating information. The Disclosure Coordinator of the District shall review any preliminary Official Statement prepared in connection with any Obligations to be issued by the District in order to ensure there are no misstatements or omissions of material information in any sections that contain descriptions of the District, including its financial condition and operating information.

In connection with its review of the preliminary Official Statement, the Disclosure Coordinator shall consult with third parties, including its General Counsel and outside professionals assisting the District, to the extent that the Disclosure Coordinator concludes they should be consulted so that the preliminary Official Statement will include all “material” information that would be important to an investor’s decision whether to purchase the District’s proposed Obligations.

Once the preliminary Official Statement has been substantially updated and is in substantially final form, it shall be provided to the District Board of Directors in advance of approval to afford the Board of Directors an opportunity to review the preliminary Official Statement, ask questions and make comments.

The approval of a preliminary Official Statement by the District Board shall be docketed as a new business matter and shall not be approved as a consent item. The District Board shall undertake such review as deemed necessary by the District Board, following consultation with the Disclosure Coordinator, to fulfill the District Board’s responsibilities under applicable federal and state securities laws. In this regard, the Disclosure Coordinator shall consult with the District’s disclosure counsel to the extent the Disclosure Coordinator considers appropriate.

**Article IV**  
***Continuing Disclosure Filings***

Under the continuing disclosure undertakings that the District has entered into in connection with the issuance of Obligations, the District is required each year to file annual reports with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. Such annual reports are required to include certain updated financial and operating information as set forth in the continuing disclosure undertaking and the District's audited financial statements. The District shall comply with the specific requirements of each continuing disclosure undertaking.

The District is also required under its continuing disclosure undertakings to file notices of certain listed events set forth in the continuing disclosure undertaking with EMMA no later than ten business days of the occurrence of the listed event.

The Disclosure Coordinator shall be responsible for preparing and filing the annual reports and listed event notices in a timely manner as required by the continuing disclosure undertaking. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations). The Disclosure Coordinator may engage a dissemination agent to assist the District with preparing and filing the annual reports and any listed event notices.

**Article V**  
***Public Statements Regarding Financial Information***

Whenever the District makes statements or releases information relating to its finances or operations to the public that are reasonably expected to reach investors and the trading markets, the District is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

## CAMBRIA COMMUNITY SERVICES DISTRICT

TO: Board of Directors

AGENDA NO. **3.C.**

FROM: John F. Weigold IV, General Manager

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Meeting Date: August 31, 2022	Subject: Discussion and Consideration of Pacific Gas & Electric (PG&E) Work Order and Letter of Intent for Implementation of the Sustainable Solutions Turnkey (SST) Project
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**RECOMMENDATIONS:**

Staff recommends that the Board of Directors approve the PG&E Work Order to implement the SST Project and authorize the General Manager to sign a letter of intent.

**FISCAL IMPACT:**

The overall cost of the PG&E Investment Grade Audit (IGA) is \$688,404. An initial amount of \$160,000 was paid up front by the CCSD in FY 2019/20. The remaining cost of \$528,404 is anticipated to be rolled into the construction phase. The construction phase amount and the funding for this phase are estimated to be \$10,956,549.

Staff will return to the Board with a future budget adjustment request, to program the capital project expenditures and debt service amounts for FY 2022/2023.

**DISCUSSION:**

Through culmination of careful consideration and community engagement to address the aging infrastructure of the Cambria Community Services District (CCSD), CCSD engaged Pacific Gas & Electric (PG&E) in 2018 to conduct a Preliminary Energy Assessment (PEA) under PG&E's Sustainable Solutions Turnkey (SST) program. The PEA Report identified infrastructure improvement opportunities that were recommended for further investigation through an Investment Grade Audit (IGA). The Board of Directors approved the PG&E Investment Grade Audit (IGA) Contract and Master Service Agreement on January 9, 2020.

The PG&E design team has worked closely with the District's utilities staff to navigate the design process. Though the focus of the initial studies was on wastewater infrastructure only, several projects were considered that could meet the IGA criteria within the Wastewater, Water, and Facilities & Resources Departments. Those projects went through preliminary stages of design; however, the priority projects remain focused on wastewater infrastructure.

At the November 18, 2021 Board meeting, PG&E presented the final IGA report which discussed the highest priority projects and the methodologies used to determine prioritization. Difficult choices were made as initial cost estimates indicated that completing all wastewater projects were likely beyond the current financial resources of the District.

The IGA report was updated (see Attachment 1) August 26, 2022 to reflect the revised project list and updated project cost. The ECM10 Secondary Water System was removed from the project list since CCSD staff completed that project in-house. The updated project cost for the wastewater treatment plant projects is \$10,956,549. Cost increases in mechanical and electrical equipment, labor costs, and construction duration accounted for these price adjustments.

As outlined in Table 1, actions were taken to obtain the appropriate revenue to finance these infrastructure upgrades. The Board previously approved a rate increase to fund the needed wastewater infrastructure projects, and the District is currently pursuing a financing process to obtain the appropriate funds to execute the wastewater system work. The work order (see Attachment 2) under consideration today describes the scope of work and conditions to implement the high priority wastewater system infrastructure projects.

Staff recommends that the Board of Directors approve the PG&E Work Order to implement the SST Project and authorize the General Manager to sign a letter of intent. This action is consistent with the strategic plan goal shown in Table 2 below.

**Table 1 - Related Board Items**

Agenda Item No.	Board Date	Subject
7.D.	11/18/2021	Receive Final Investment Grade Audit (IGA) Report from PG&E and Discuss and Consider Potential Follow-up Actions
6.C.	12/9/2021	Discussion and Consideration Regarding the PG&E IGA Financing Update and to Authorize Bartle Wells to Proceed with the Phase 2 Rate Study
8.C.	2/17/2022	Presentation and Update by Bartle Wells Associates Regarding the PG&E IGA Financing and the Rate Study
8.B.	3/17/2022	Receive and Discuss Water, Water Reclamation Facility and Sewer Rate Recommendations from Bartle Wells Associates, and Consider Scheduling a Proposition 218 Hearing Date and Directing Staff to Commence the Proposition 218 Noticing Process
7.C.	5/12/2022	Discussion and Consideration to Adopt Resolution 28-2022 and Direct Staff to Proceed with Planning for the Issuance of Certain Obligations to Finance the 2022 Infrastructure Projects and Engage a Financing Team in Connection Therewith
7.A.	5/19/2022	Public Hearing in Accordance with the Requirements of Proposition 218 on the Proposed Increases to Water and Sewer Rates, and Future Annual Inflationary Rate Adjustments to Water, Water Reclamation Facility and Sewer, and Consideration of Adoption of Resolution 32-2022 Establishing Said Rates
3.A.	6/23/2022	Public Hearing in Accordance with the Requirements of Proposition 218 on the Proposed Increases to Fixed Water Service Charges for Commercial Water Accounts with Meters 1-inch and Larger Proposed to Become Effective July 1, 2023 and July 1, 2024, and Consideration of Adoption of Resolution 43-2022 Establishing Said Rates

**Table 2 – Strategic Plan Alignment**

Three-Year Goal(s) Addressed	Objective(s) Addressed
Execute phased repairs and upgrades for the Wastewater Treatment System	Present to the Board for review and consideration the agreement with PGE to move forward with the work on the wastewater treatment system.

Attachment:

- 1- Investment Grade Audit Report, Aug 26, 2022
- 2- PG&E Work Order
- 3- Letter of Intent (Added 8/30/2022)

# INVESTMENT GRADE AUDIT REPORT



## CAMBRIA COMMUNITY SERVICES DISTRICT

Original Submittal      November 8, 2021

Updated                      August 26, 2022

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Prepared by:

**Pacific Gas and Electric Company**

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## List of Acronyms

<b>ACRONYM</b>	<b>DESCRIPTION</b>
AACE	American Association of Cost Engineers
AAF	Annual average day flow
ADF	Average day flow
APCD	Air Pollution Control District
BNR	Biological nutrient removal
BOD	Biochemical oxygen demand
CCSD	Cambria Community Services District
CSI	CSI Services, Inc.
DHS	Department of Health Services
DO	Dissolved oxygen
ECM	Energy Conservation Measure
FEQ	Flow equalization
FRP	Fiberglass Reinforced Plastic
gpm	Gallons per minute
HID	High-intensity discharge
hp	Horsepower
HPS	High pressure sodium
HWL	High water level
Hz	Hertz
I&I	Inflow and infiltration
IGA	Investment Grade Audit
kW	Kilowatts
kWh	Kilowatt-Hour
MCC	Motor control center
MGD	Million gallons per day
MLE	Modified Ludzak-Ettinger
MMF	Maximum month average day flow
MTBF	Mean time between failure
NPSH	Net positive suction head
O&M	Operations and Maintenance
OPC	Opinion of probable cost
OSHA	Occupational Safety and Health Administration

<b>ACRONYM</b>	<b>DESCRIPTION</b>
OTE	Oxygen transfer efficiency
PA/PEA	Preliminary (Energy) Assessment
PDF	Peak day flow
PG&E	Pacific Gas & Electric
PRV	Pressure relief valve
psig	Pound-force per square inch
PV	Photovoltaic
RAS	Return activated sludge
RES-BCT	Renewable Energy Self-Generation Bill Credit Transfer
RFP	Request for Proposal
RGPS	Rodeo Ground Pump Station
RS	Raw sewage
SCADA	Supervisory Control and Data Acquisition
scfm	Standard cubic feet per minute
SSO	Sanitary sewer overflow
SST	Sustainable Solutions Turnkey
TDH	Total dynamic head
TMDL	Total Maximum Daily Loading
TOU	Time-of-use electric
VFD	Variable frequency drive
W	Watts
WAS	Waste activated sludge
WTP	Water treatment plant
WWTP	Wastewater treatment plant

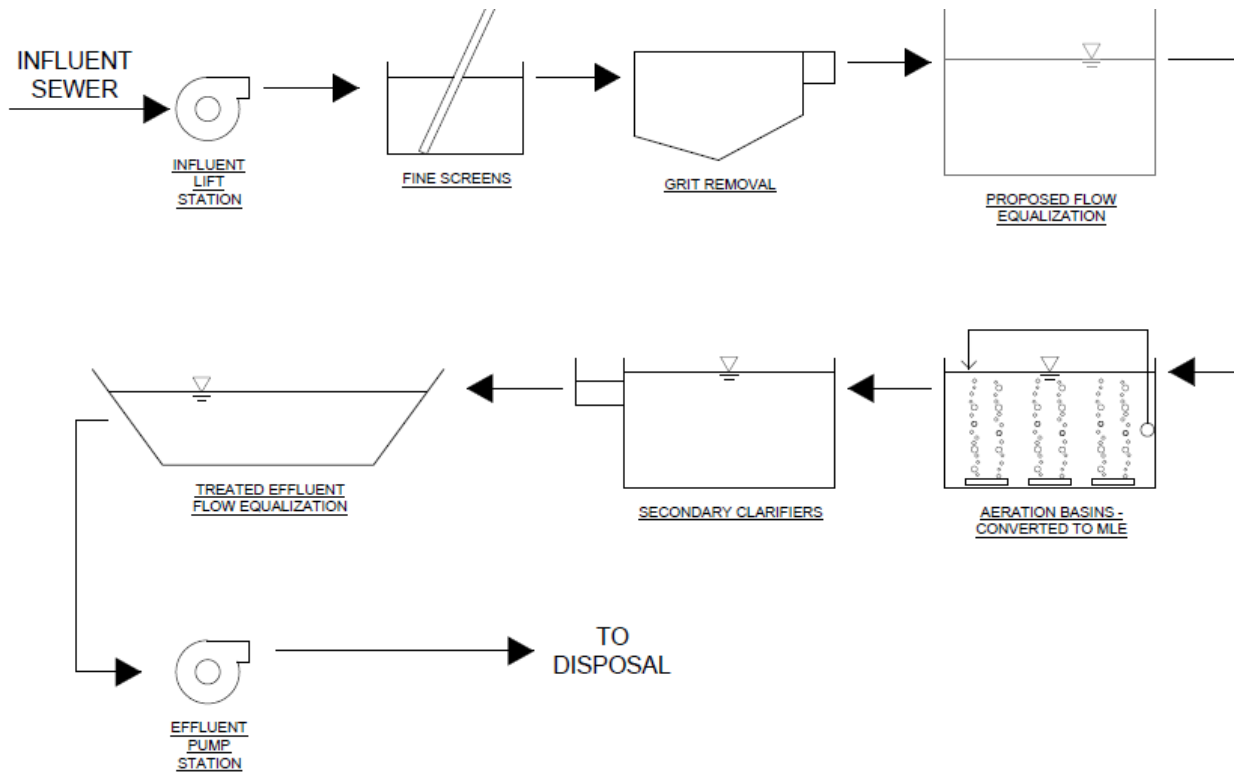


Figure 1: CCSD Wastewater Treatment Plant Process Flow Diagram

## 1 Executive Summary

In 2018, Cambria Community Services District (CCSD) engaged Pacific Gas & Electric (PG&E) to conduct a Preliminary Energy Assessment (PEA) under PG&E's Sustainable Solutions Turnkey (SST) program. The Final PEA Report was delivered on May 6, 2019. The PEA Report identified 12 infrastructure improvement opportunities that were recommended for further investigation through an Investment Grade Audit (IGA).

PG&E has completed the **Investment Grade Audit (IGA)** services as defined in the contract with the Cambria Community Services District (CCSD), dated January 23, 2020. Generally, the services included additional assessment, engineering and financial analysis intended to define and confirm the initial findings represented in the **Preliminary Energy Assessment**.

The goals of the IGA were to:

- Advance Sewer Fund measure design to sufficient detail to validate technical viability and allow for firm project pricing
- Develop detailed scope, schedule and savings for all Sewer Fund measures
- Conduct contractor procurements as appropriate to obtain market-based competitive pricing of all Sewer Fund measures
- Provide firm-fixed turnkey implementation costs for Sewer Fund measures
- Assist CCSD in securing a financing partner to facilitate Sewer Fund project funding
- Conduct additional preliminary assessment of measures within the Water and General Funds to inform CCSD as to the value of pursuing these measures in the future

Based on the objectives of the IGA, this report provides detail on three (3) distinct pieces of work:

1. **Sewer Fund – Base Project** (page 13)
2. **Sewer Fund – Additional Measures** (page 39)
3. **Preliminary Assessment** of Water and General Fund Improvements (page 45 & 56 respectively)

The proposed scope of work for the **Sewer Fund Base Project** reflects PG&E's and CCSD's assessment of the highest priority measures.

For further reference, the Appendices to this report provide the following:

- 30% or greater design drawings, specifications, SCADA points list, and scopes of work for all Sewer Fund measures (Base Project and Additional Measures)
- Preliminary concept designs for Water and General Fund measures
- Estimated savings calculations for all measures

## 2 Approach to Investment Grade Audit (IGA)

Development of the IGA was a highly collaborative and iterative effort involving CCSD facility, financial, and management staff working closely with PG&E and its subcontractor partners. Building on the results of the Preliminary Energy Assessment (PEA), the Investment Grade Audit (IGA) systematically refined the design, scope, schedule, and cost of the Sewer Fund measures with the goal of upgrading CCSD's highest priority needs. Our approach also considered the fiscal boundaries defined by the Fund's anticipated revenues as well as the energy and operational savings from the measures themselves.

The final version of the PEA was submitted on May 6, 2019 and identified the following **Sewer Fund** measures for detailed investigation.

Measure #	Measure Description
1.	Influent Flow Equalization
2.	Influent Lift Station Modifications
3.	Modified Ludzak-Ettinger (MLE) Process Upgrade
4.	Blower System Improvements
5.	RAS and WAS Pumping Improvements
6.	Sludge Thickening
7.	Electrical Upgrades
8.	Backup Power
9.	SCADA System
11.	Effluent Pump Station Improvements
12.	Sewer Lift Stations

Note that during the course of the IGA, the following **Additional Sewer Fund** measures were identified and added to the investigation.

Measure #	Measure Description
17.	Tertiary Treatment
21.	Storm Drain (eastern fence line adjacent to Santa Rosa Creek Trail)
22.	Demolition of old tanks (southwest corner)

The following **Water Fund** measures were identified for preliminary evaluation:

Measure #	Measure Description
13.	Well sites (SS1, SS2, SS3)
14.	Booster stations (Stuart Street Tank, Lemiert Tanks, Rodeo Grounds Pump Station Relocation)

Measure #	Measure Description
15.	Domestic water tanks (Stuart Street Tanks)

The following **General Fund** measures were identified for preliminary evaluation:

Measure #	Measure Description
16.	Solar PV at the San Simeon well sites
18.	Veteran's Hall lighting
19.	District-owned street lighting

With continual guidance and input from CCSD staff, PG&E and its subcontractors investigated each measure in detail, often extensively modifying early designs to drive down cost or improve function. Once the basic parameters of each measure were defined, PG&E developed designs to the level of detail required to support a procurement process that would result in firm fixed pricing for construction. The measures were prioritized to inform the District in the event financial constraints were encountered during the funding process.

Simultaneously, CCSD and PG&E worked together to refine estimates of future Sewer Fund revenues and energy savings, which collectively estimate the project amount that CCSD could finance. PG&E also conducted a lender procurement process on behalf of CCSD in order to facilitate a financed solution.

After final measure cost determination, it was determined that the following Energy Conservation Measures (ECMs) could be contained within CCSD's financial boundaries. Collectively, these form the **Sewer Fund Base Project**. Reference **Figure 2** below for ECM location within the plant.

- Flow Equalization (ECM 1)
- Influent Lift Station Improvements (ECM 2)
- Modified Ludzak – Ettinger (MLE) Upgrade (ECM 3)
- Blower Replacement (ECM 4)
- Return Activated Sludge (RAS) and Waste Activated Sludge (WAS) Improvements (ECM 5)
- Replace Transformer, New Y Series Breaker (ECM 7)
- Emergency Generator Replacement (ECM 8)
- Partial SCADA System Upgrade (ECM 9)

Description	Cost	Energy Savings	O&M Savings	Total Operating Cost Reduction
Flow equalization	\$ 2,870,520	\$ 3,429	\$ 1,571	\$ 5,000
Influent lift station	\$ 34,496			\$ -
Modified Ludzak - Ettinger upgrade	\$ 1,785,510	\$ 321	\$ 1,571	\$ 1,892
Blower consolidation / replacement	\$ 444,666	\$ 69,036	\$ 1,571	\$ 70,607
RAS / WAS improvements	\$ 948,833			\$ -
New transformer, Y series breaker	\$ 407,075		\$ 1,571	\$ 1,571
Generator replacement	\$ 677,707			\$ -
SCADA	\$ 843,208			\$ -
Civil scope for electrical ECMs	\$ 676,488			\$ -
Final design	\$ 375,568			\$ -
General Conditions Cost	\$ 1,364,074			\$ -
Project Development Costs	\$ 528,404			\$ -
<b>Totals</b>	<b>\$ 10,956,548</b>	<b>\$ 72,786</b>	<b>\$ 6,284</b>	<b>\$ 79,070</b>

### Notes

Utility savings are the recurring cost reductions due to reduced energy consumption.

Estimated O&M savings are avoided recurring costs to the District which are described in the associated measure descriptions.

A detailed discussion of these measures, including costs and benefits, is provided in **Section 3 – Sewer Fund Base Project**.

Additional Sewer Fund measures were also designed to similar levels of detail, and pricing for these measures was obtained. These are discussed in **Section 6 – Additional Sewer Fund Measures**.

PG&E also conducted preliminary development of several measures for the Water and General Funds. The results of this development effort are discussed in the Appendices as **Section 7 – Water Fund Measures & Section 8 – General Fund Measures**, respectively.



**CAMBRIA WWTP – SITE MAP**  
NOT TO SCALE

Figure 2: Plant Overview



## 3 Sewer Fund Base Project – Implementation Proposal

### 3.1 ECM 1: Influent Flow Equalization

#### 3.1.1 Existing Condition

The plant has a design flow of 1 million gallons per day (MGD). There are two unused partially buried tanks at the southeast corner of the property that were historically utilized for equalization storage. Due to the condition of these tanks, they will remain abandoned. Instead, the two tanks originally designed as clarifiers (located in the approximate center of the plant) will be repurposed for equalization storage and sludge storage. The two tanks are no longer in service as clarifiers but are currently used by staff for sludge management.

Influent currently flows by gravity from the grit removal system directly to the aeration basins. Incoming flows can cause overflow of the grit chamber when two influent pumps operate, and it is suspected that significant debris may be reducing the capacity of the piping between the grit chamber and the activated sludge basins. As of the writing of this report, CCSD has completed installation of a new influent screening system upstream of the grit chamber.

For clarity, note that ECM 1 and ECM 3 (below) are functionally dependent and must be upgraded accordingly to ensure reliable performance of the treatment process. Plant flow cannot be reliably managed without the addition of equalization and/or improvements to the influent pump station. Management of plant flows becomes particularly important when the existing aeration basins are converted to accommodate reliable nitrogen removal through the Modified Ludzak-Ettinger (MLE) process (see ECM 3). To implement the MLE process, the volume in the existing aeration basins will be reduced by approximately 16 percent to accommodate an anoxic zone at the influent end of each of the aeration basins (2). Each aeration basin will have an anoxic zone and aerated zone. The ability of the process to absorb flow variations is reduced in these smaller receiving basins. Therefore, when the plant implements the MLE process, it will become more important to manage consistent flows to maintain process stability, particularly during wet weather flows.

Wastewater Treatment Plant (WWTP) influent flows and loadings from 2018 and 2019 were reviewed. **Table 1** summarizes several flow conditions. While Maximum Month Average Day Flow (MMF) for 2019 appears to be at 1.0 million gallons per day, during the majority of the year, average flows are well below this with the average annual day flow (AAF) of 0.544 MGD. The permitted capacity (Waste Discharge Requirements Order No. 01-100) is 1.5 MGD as a 30-day average, based on the discharge capacity.

Historical area precipitation data was reviewed, based on information available through the San Luis Obispo County Public Works Department website, [slocountywater.org](http://slocountywater.org). It appears that the significant influent flow increases occurred during periods of high and/or prolonged precipitation, indicating the collection system is vulnerable to significant inflow and infiltration (I&I). This is consistent with the observations from District staff. See Section 3.3.1 for additional details. During these wet weather events, although flows are high, influent loading concentrations are low and review of historical effluent

quality indicates permit requirements are met at these higher flows. The District is aggressively working to reduce I&I in the collection system, which is expected to reduce wet weather flows at the plant.

	2018	2019	2-year 18/19	2-year 18/19
	gpd	gpd	gpd	MGD
Annual Average Day Flow (AAF)	475,630	612,666	544,148	0.544
Maximum Month Average Day Flow (MMF)	667,903	989,500	989,500	0.990
Peak Day Flow (PDF)	1,685,000	1,418,000	1,685,000	1.685
Minimum Average Day Flow (min ADF)	289,000	378,000	289,000	0.289

*Table 1: Cambria CSD WWTP Influent Flows, 2018 and 2019*

Although there is currently no permit condition for nitrogen removal, District staff noted the Regional Water Quality Control Board was recommending further limitations on nitrogen loadings at the San Simeon Creek lagoon in a draft March 2015 Total Maximum Daily Loading (TMDL) Report. This earlier draft report proposed a nitrogen target level of 1.3 mg/l (Nitrogen-N) within the lagoon during the dry season to avoid bio-stimulation. According to District staff, Water Board staff have indicated they were pleased with the nitrate removal observed since CCSD began operating the current interim MLE process using temporary piping and pumps. Therefore, it is anticipated that permit requirements could become more stringent in the future.

### 3.1.2 Proposed Solution

This ECM will include implementation of structural and mechanical modifications to the existing partially buried north and south clarifier tanks, construction of a new 12-inch pipeline from the aerated grit tank to the south clarifier tank, construction of two (2) new dedicated aeration FEQ blowers, and construction of a new FEQ pump station to maintain steady flow to the planned MLE process (ECM 3).

The existing partially buried metal equalization tanks at the southwest corner of the site are not recommended to be utilized for influent flow equalization due to their condition. The associated aeration blower in the blower shed is currently inoperable, and the pump pit between the two tanks is subject to flooding from infiltration during high groundwater events, rendering the tanks inoperable under these conditions.

It is estimated that a total of approximately 120,000 gallons of flow equalization would be required in the existing partially buried steel clarifier tank. Coarse bubble aeration is recommended to reduce odors and maintain suspension of solids during flow equalization. Installation of an equalization blower will provide for aeration needs at the proposed flow equalization tank.

### 3.1.2.1 Install New 12-inch Gravity line & Valve Bypass on RS Line

Flow from the aerated grit chamber currently travels through an existing 12-inch raw sewage (RS) line towards the now abandoned flow equalization tanks at the southwest corner of the plant site. Repurposing the south clarifier as a FEQ tank will require the construction of a new underground 12-inch gravity line from the aerated grit chamber to the south clarifier FEQ tank (the existing 8-inch gravity line will be abandoned). To isolate the existing line and divert gravity flow to the new 12-inch FEQ line, a new shut-off plug valve will be installed at a new 90-degree bend location just prior to the connection to the old abandoned FEQ tanks. This location is the preferred isolation point to direct RS flows from the aerated grit tank to the south clarifier (new FEQ tank).

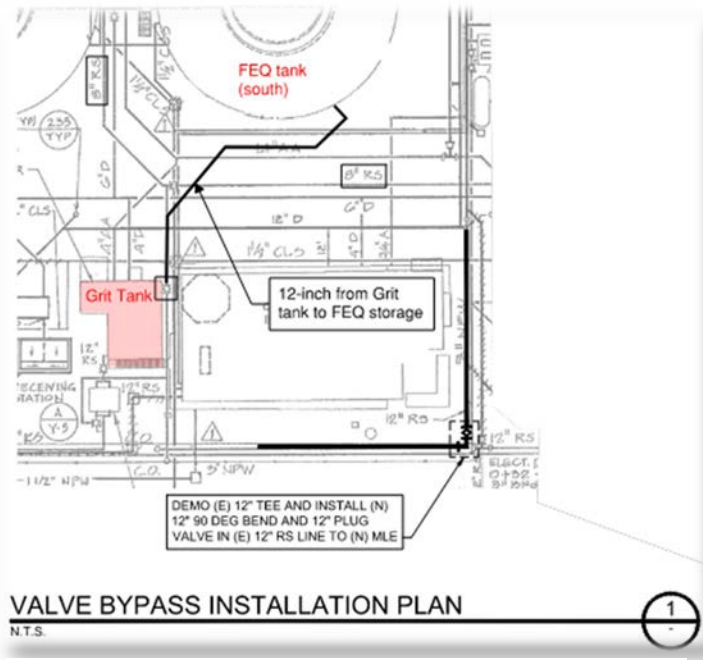


Figure 3: EQ Bypass Valve

### 3.1.2.2 Rehab Existing Clarifiers

The existing clarifiers are no longer used for secondary treatment as originally designed, and therefore can be repurposed to equalize flows. The equalization basin will be utilized to maintain a steady flow to the MLE process throughout the course of a day. It is not intended to equalize wet weather flows.



Figure 4: Existing South Clarifier (from south)



Figure 5: Existing South Clarifier (from west)

The existing north and south clarifier tanks were constructed in 1979 and are approximately 70-feet in diameter by 16-feet, 6-inches in height with process separation cells for chlorine contact, reaeration,

aerobic digestion and decant operations. The tanks are open-top structures with welded steel shells and concrete bottoms. Under agreement with MKN & Associates, Inc., CSI Services, Inc. (CSI) conducted an evaluation on the existing steel holding tanks. Based on the findings of the inspection, it is recommended that the tanks be repaired and recoated for utilization as a flow equalization (south tank) and sludge storage/handling (north and south tanks). This ECM includes repair and recoating of the South Clarifier only. Recoating on the South Clarifier includes all of the interior and spot repairs on the exterior up to 100 square feet. A portion of the North Clarifier will be fitted with new air diffusers, but due to financial constraints recoating of the North Clarifier will be deferred to a later date.

The existing partition in the south tank between the designated chlorine contact zone and reaeration zone will be retained providing approximately 174,000 gallons of storage available within the "Reaeration Zone" portion of the tank, which exceeds the minimum required equalization volume of 120,000 gallons.

Additionally, existing walkway grating on clarifier walkways and catwalks will be replaced with Fiberglass Reinforced Plastic (FRP) grating systems. New aeration headers, air drop assemblies and diffusers will also be installed to replace antiquated and corroded air handling appurtenances at the south clarifier tank and on the eastern portion of the re-purposed north clarifier tank.

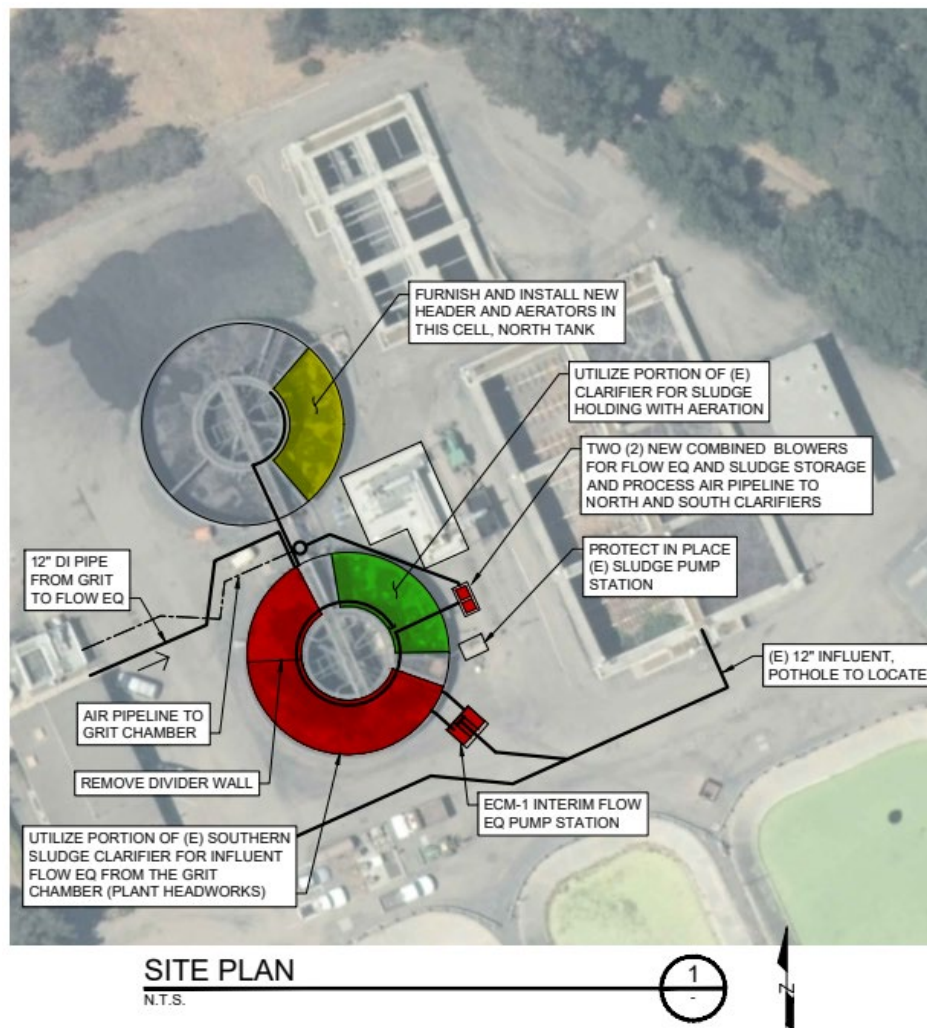


Figure 6: Clarifiers Rehabilitated for Equalization and Sludge Management

### 3.1.2.3 Aeration FEQ Blowers

The new equalization storage tank will require process air to the refurbished south clarifier tank and east cell of the north clarifier tank from two (2) variable frequency drive (VFD)-equipped, 40-hp, aeration blowers. Capacity from the new blowers will also provide air to the aerated grit tank through an underground 8-inch process air line. The blowers will be operated in a 1+1 configuration with one duty blower and one standby unit. Coombs-Hopkins quoted an Aerzen Model GM 25S positive displacement blower for this installation. The quoted configuration includes a blower-mounted 40-hp variable frequency drive. The Aerzen Model GM 25S can provide 730 scfm which is large enough for the system needs while allowing for turn-down to a minimum 122 scfm.

### 3.1.2.4 Flow EQ Pump Station

The equalization basin will require a new pump station to transfer flows from the equalization storage to the aeration basins/MLE process that will be implemented under ECM 3.

FEQ pumps will consist of three (3) 5-hp self-priming centrifugal pumps (2 duty + 1 standby) with VFDs, each with a capacity of 700 gpm @ 16' TDH. The flow equalization pump station will consist of new pumps, concrete equipment pads, piping, valves, fittings, and pipe supports and will be designed to run continuously.

The construction cost of two new equalization storage tanks and submersible pump station (original proposed scope) is more than the cost associated with re-purposing the existing clarifier tanks for equalization storage and staging. The benefits of storage include backup capabilities for capturing untreated wastewater during emergency situations.

### 3.1.3 Benefits

- Provides the necessary storage to manage incoming flows and maintain biological nutrient removal (BNR) effectiveness
- Addresses the hydraulic restriction between the grit removal equipment and the aeration basins
- Improves treatment plant efficiency, performance, and reliability
- Reduces the risk of overflow

### 3.1.4 Potential Savings

This ECM may increase process energy as it introduces an additional pumping stage from the south plant clarifier tank to the existing aeration basins and additional aeration for mixing in the FEQ. While a modest increase in energy use is expected, the overall solution reduces current capital requirements while also providing operational benefits by avoiding potential overloading of mixed liquor suspended solids into the clarifiers from the activated sludge process during high daily flows. Other benefits such as improved operations, existing and future permit compliance, and reduced staff time are anticipated but are difficult to quantify.

## 3.2 ECM 2: Influent Lift Station Modifications

### 3.2.1 Existing Conditions

The influent lift station utilizes three 25-hp constant speed suction-lift pumps to lift incoming sewage to the fine screen and aerated grit chamber. The suction inlet of the center pump frequently plugs due to its location directly in front of the wet well inlet opening. When the pump becomes plugged it loses prime and is not operable. When the center pump is out of operation the lift station does not have redundancy.

### 3.2.2 Proposed Solution

This ECM will include installing a baffle plate at the wet well inlet to direct flow more uniformly into the wet well. The baffle plate will be 16-inches tall and will span across the inlet opening. The baffle plate will be placed 6-inches above the invert of the inlet opening so that low flow is not impeded. During peak flows the incoming influent will be forced to flow both under and over the baffle uniformly so that debris is not concentrated under the center pump suction inlet.

### 3.2.3 Benefits

- Extends the useful life of the outside pumps
- Reduces maintenance efforts by plant staff
- Provides greater redundancy during peak flows

### 3.2.4 Potential Savings

Although there are no electrical savings associated with this ECM, the benefits to overall operations, reliability, and maintenance are expected.

## 3.3 ECM 3: Modified Ludzak-Ettinger Process Upgrade

### 3.3.1 Existing Condition

WWTP influent flows and loadings from 2018 and 2019 were reviewed. As noted in 3.1.1 and **Table 1** above, maximum month average day flow (MMF) from 2018-2019 appear to be 1.0 million gallons per day (MGD). During the majority of the year, average flows are well below design capacity, with the average annual day flow (AAF) of 0.544 MGD. The permitted capacity (Waste Discharge Requirements Order No. 01-100) is 1.5 MGD as a 30-day average, based on the discharge capacity.

Historical area precipitation data was reviewed, based on information available through the San Luis Obispo County Public Works Department website, slocountywater.org. The County's rain gauge is located at Santa Rosa and Main Street in Cambria. Daily precipitation and influent wastewater flows are shown in **Figure 7**, with precipitation in inches and influent flows in gallons per minute (GPM). The data shows a strong correlation. Significant influent flow increases occurred during periods of high and/or prolonged precipitation, indicating the collection system is vulnerable to significant inflow and infiltration (I&I). This is consistent with the observations from District staff.

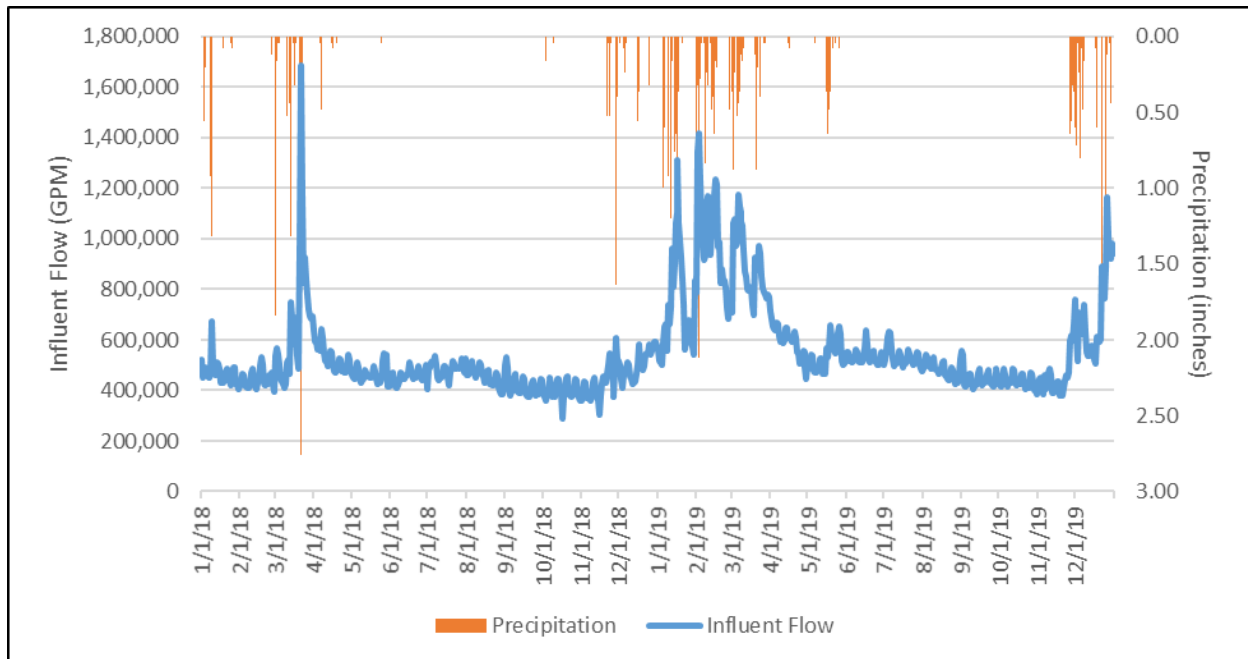


Figure 7: WWTP Influent Flow and Precipitation, 2018 – 2019

In response to the concerns from the draft March 2015 Total Maximum Daily Load (TMDL) Report by RWQCB and underlying groundwater concerns, CCSD completed interim measures to denitrify WWTP effluent. Water Board staff monitor the nitrogen levels on the San Simeon Creek lagoon and have noted a substantial reduction since CCSD completed its interim denitrification efforts. Therefore, although there is currently no permit condition for nitrogen removal, it is anticipated that permit requirements could become more stringent in the future. Interim MLE denitrification efforts have included temporary pumps and piping to recirculate mixed liquor to a zone near the front of the basins where aeration has been turned off to effect anoxic zones. There is no baffling to isolate these zones from the aerated sections of the basins, which limits effectiveness and energy efficiency while increasing the amount of operator time required. Therefore, a more permanent MLE system is needed.

According to the 1993 WWTP plant specifications, fine bubble diffusers were specified. The existing diffusers are EPDM tubes (socks), which are periodically changed as they age. Their replacement becomes necessary due to the holes stretching over time and allowing for larger, less energy efficient aeration bubbles to be formed. Based on visual observation and staff input, it is suspected that the diffusers have reached the end of their useful life. It is recommended that the existing diffusers be replaced with fine pore bubble diffusers.



Figure 8: Aeration Basin and Blower Building



Additionally, the 12-inch header in the basins at the end of the influent piping was removed to reduce hydraulic restriction and accommodate gravity flow from the grit chamber, resulting in uneven flow distribution across the basin.

### 3.3.2 Proposed Solution

This ECM will include construction of high efficiency air diffusers, construction of basin divider walls or baffles, improvement of recirculation piping, construction of new recirculation pumps, and installation of new submersible anoxic zone mixers. Due to the reduction in volume of the basin resulting from the construction of baffle walls, it is anticipated that influent flow equalization will be necessary to maintain reliable nutrient removal. Accordingly, it is assumed that ECM 1 (Flow Equalization) will be completed in coordination with this ECM. It is assumed that the equalization basin will normalize daily peak and low flows, but will not be sized to equalize wet weather flows. The design flow rate for ECM 3 is 0.99 MGD, based on the 2018 – 2019 maximum month average day flow.

**Tables 2 and 3** summarize the anticipated influent water quality, effluent quality goals, and operational parameters. As the design progresses, confirmation of the influent wastewater quality, including the various nitrogen forms, alkalinity, and temperature, is recommended.

*Table 2: MLE Process Preliminary Design Flow and Quality Criteria*

	Dry Weather Conditions	Wet Weather Conditions	Comments
<b>Max Month Flow Rate (MGD)</b>	0.60	0.99	Based on 2018 – 2019 data
<b>Influent Quality</b>			
BOD <sub>5</sub> (mg/L)	350	220	Based on 2018 – 2019 data
COD (mg/L)	700	400	Assumed
TSS (mg/L)	350	220	Assumed to be the same as BOD, due to inconsistency in historical data
TKN (mg/L)	58	37	Assumed
Ammonium as N (mg/L)	35	25	Assumed
Alkalinity as CaCO <sub>3</sub> (mg/L)	400	400	Assumed
Temperature (°F)	58	58	Assumed typical minimum
<b>Effluent Quality Goals</b>			
BOD <sub>5</sub> (mg/L)	<10	< 10	
TSS (mg/L)	< 10	< 10	
Total Nitrogen (mg/L)	< 8	< 8	
Nitrate (mg/L)	ND	ND	
Alkalinity as CaCO <sub>3</sub> (mg/L)	70 - 80	70 – 80	

Table 3: MLE Process Preliminary Design Operational Parameter Criteria

Operational Parameter	Criteria
MLSS (mg/L)	3,000 – 4,000
SRT (days)	7 – 20
HRT – aerobic (hr)	4 – 12
HRT – anoxic (hr)	1 – 3
RAS ratio (% of influent)	50 – 100
Mixed Liquor internal recycle ratio (% of influent)	100 - 200

The components and design considerations for the for the MLE process upgrade are described below.

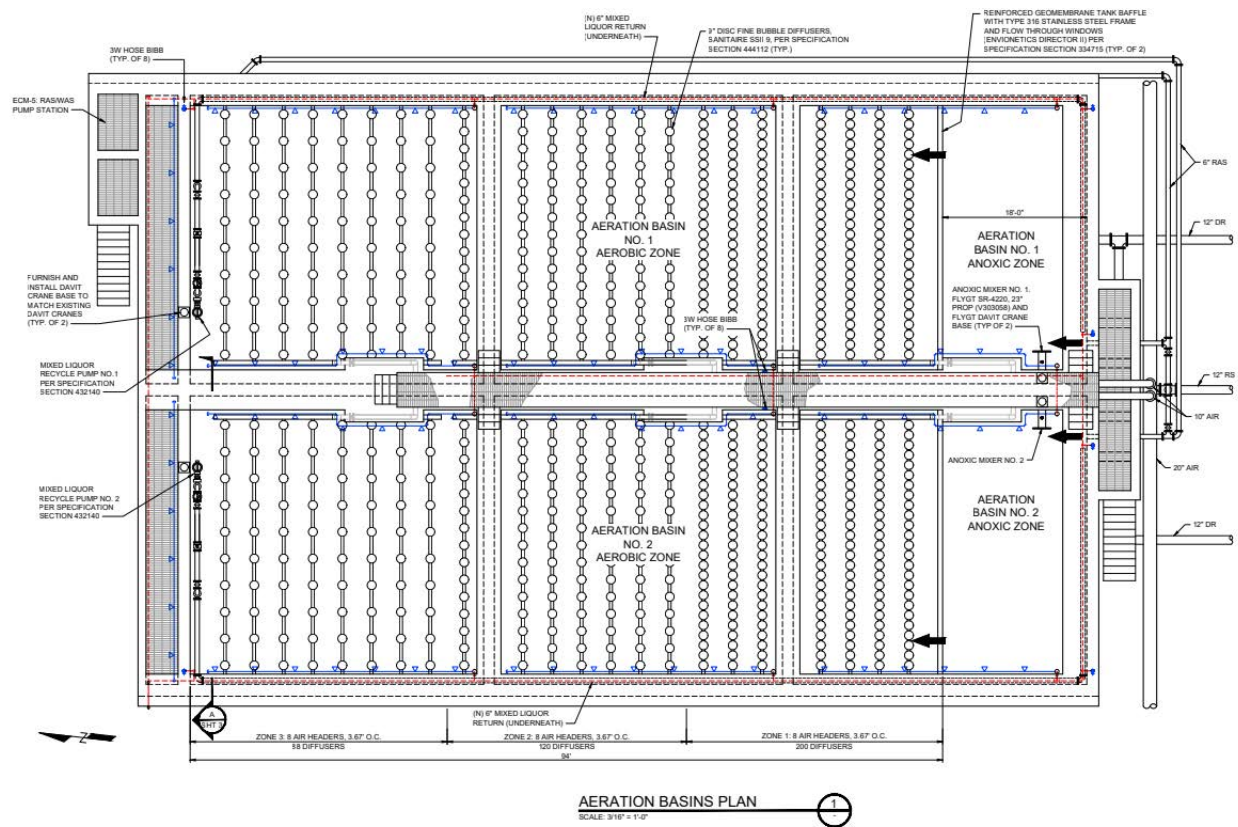


Figure 9: MLE Process Improvements

### 3.3.2.1 Baffle

The District currently simulates an anoxic zone at the front of the two aeration basins by turning off the air supply to the front of the basins. A physical divide between the aerobic zone and the anoxic zone will reduce oxygen levels in the anoxic zone, allowing for increased denitrification rates and better overall process control. Baffles can be constructed from a variety of materials, including reinforced precast or cast-in-place concrete, reinforced plastics, or stainless-steel framed geomembrane. Baffles can be designed to allow for underflow or overflow or use flow-through windows along the width or at one end to induce serpentine flow.



Figure 10: Geomembrane Baffle with Flow-Through Window (Environetics Director II)

At least one baffle wall is recommended. Based on the preliminary design criteria (**Tables 2 and 3**), a baffle at approximately 18-feet from the front wall of each aeration basin is recommended. Further design will evaluate alternatives to reduce the potential for short circuiting through the anoxic zone, effectively reducing hydraulic retention time and denitrification potential. One alternative is to place a second baffle approximately half-way through the anoxic zone. The flow windows in each baffle would be on opposite ends to promote a serpentine flow pattern. Another alternative is a flow distributor, such as the pipe that was previously installed in the aeration basin. At a minimum, larger outlets would be recommended to reduce potential for clogging.

### 3.3.2.2 Anoxic Zone Mixers

Mixers are used in the anoxic zone to keep solids suspended and maintain complete mixing. Typical power requirements for machinal mixing in the anoxic zone range from 0.3 to 0.5 horsepower per 1000 cubic feet.

There are a few types of mixers that will be reviewed during design, including conventional mechanical propeller mixers and air-powered mixers. Flygt makes a propeller mixer with a sealed, submerged variable frequency drive, allowing for speed adjustment to more readily match process demands, which could change by temperature and other factors.



Figure 11: Submersible Propeller Mixer (Flygt 4320)

Air-powered mixers consist of coarse bubble diffusers beneath a steel tube which direct the air flow to provide air-lift mixing. These types of mixers have the advantage of no moving parts, which eliminates ragging potential. The required air can be supplied by either a small air compressor that sits on the deck near the mixer or through a small air line drop off the main air supply for the aeration basin.

### 3.3.2.3 Fine-Bubble Porous Diffusers

The existing diffusers will be replaced with porous fine-bubble diffusers, likely in a grid pattern, utilizing either disc or tube diffusers. The diffuser system will coordinate with the existing air piping and connect to the existing 6-inch air piping, reusing the isolation valves and stainless-steel drop legs, if possible. A minimum dissolved oxygen concentration of 2.0 mg/L is recommended in the aeration basin. It is assumed that three dissolved oxygen (DO) probes will be installed in each aeration basin, one near the inlet, one near the outlet, and one in between. The DO probes will be used to monitor and may be used to control air flow rates in the basins, either through minimum or average set points.

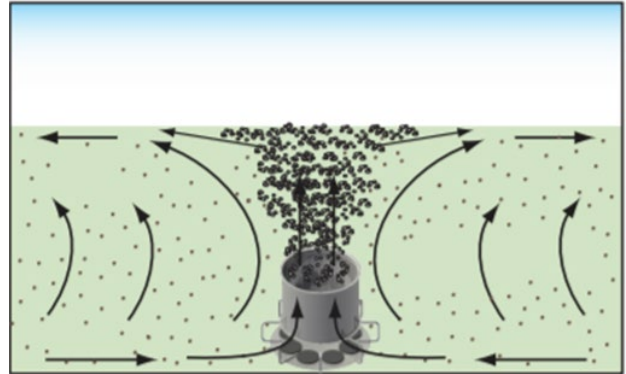


Figure 12: Air-powered mixer (Medora Corp)

### 3.3.2.4 Internal Mixed Liquor Recycle

It is assumed that the existing submersible mixed liquor recycle pumps will need to be replaced. Solids-handling submersible pumps, sized to handle up to 2 MGD each, will be installed, one at the end of each aeration basin. Preliminary design for the discharge piping consists of 8-inch ductile iron piping from the pump to the front of the two anoxic zones. The discharge piping will include check valves, magnetic flow meters, and isolation valves, arranged so the flow meters and valves are accessible from the deck.

### 3.3.3 Benefits

- Reduces energy usage by installing high efficiency diffusers for improved oxygen transfer
- Reduces volume requiring aeration by partitioning the anoxic and aerobic zones
- Provides reliable nutrient removal
- Replaces mechanical equipment which has failed and/or reached the end of its useful life
- Provides improved flow distribution
- Reduces burden on staff

### 3.3.4 Potential Savings

The savings calculated for this ECM includes the savings associated with the improved oxygen transfer efficiency (OTE) of new fine pore bubble diffusers to replace nonfunctioning diffusers, reduced aeration and mixing requirement through isolating the anoxic zone, and improved flow distribution. It is assumed that ECM 4 (Blower Improvements) and ECM 1 (Flow Equalization) have already been completed.

Isolating the anoxic zone reduces the volume in the basin requiring mixing by aeration. Installing new diffusers will also improve overall efficiency since some of the existing diffusers have obviously failed and require replacement. It is estimated that this ECM would reduce energy consumption by approximately 8,200 kWh/year, or \$338 annually.

### 3.4 ECM 4: Blower System Improvements

#### 3.4.1 Existing Condition

The WWTP has two activated sludge aeration basins that use coarse bubble diffusers to provide oxygen for microbial digestion of wastewater. The basins are supplied with compressed air by two multistage, centrifugal blowers driven by 125-hp motors and one multistage, centrifugal blower driven by a 100-hp motor that previously served the equalization ponds. The three blowers are located in a nearby blower building. Normally, only one of the 125-hp blowers operates to produce compressed air for the aeration basins and the aerobic digester.

Currently, one blower is equipped with a VFD, and the second unit has a soft starter. The VFD installed on the 125-hp blower has limited turn down (air flow output reduction).

A plant wide air system conveys process air to the activated sludge basins and sludge holding tanks from three constant speed, 125-hp, multi-stage Hoffman centrifugal blowers<sup>1</sup>. Multi-stage blowers incorporate several impellers that are housed within a staged volute assembly directly connected to a motor. The capacities of the multi-stage Hoffman blowers are not currently controlled. They are manually operated by plant staff and are not controlled by dissolved oxygen (DO) or other parameters in the activated sludge basins. DO control is not used because the existing centrifugal blowers are prone to surging if the air output rates are reduced too much. Additionally, although the plant Supervisory Control and Data Acquisition (SCADA) monitors DO levels, the existing DO sensor telemetry is no longer functional. **Figure 14** shows a partially closed valve in the blower air distribution piping.



*Figure 13: Existing Multi-stage blowers*

<sup>1</sup> A fourth blower rated at 100-hp is in place and was used for mixing the influent EQ basing (no longer in use). This blower does not have adequate capacity for other uses and is not utilized for any processes.



Figure 14: Partially Closed Blower Air Distribution Valve

The existing Hoffman blowers (Hoffman model No. 38407A1) were installed as part of the 1993 upgrades. Improved technology is now available which is both more energy efficient and more readily operated under variable speeds. The Hoffman blowers have a rated capacity of 2,000 scfm at a rated discharge pressure of 25 psig. The blowers are currently operated at 100 percent of capacity and are equipped with inlet throttling valves, but these valves are not modulated to regulate blower flows. Multi-stage blowers are generally less efficient and have less turndown capability than other available options. The existing blowers are also at the end of their useful life. Finally, holes in the existing blower ducts release warm air into the motor control center (MCC), reducing air delivery to the basins while also increasing cooling requirements into the MCC room.

Table 4: Existing Aeration Blowers

Blower	Manufacturer and Model No.	Blower Type	Qty	Control	Blower Motor (hp)	Status
Main Blowers	Hoffman 38407A1	Centrifugal	1 (active) 2 (standby)	1-VFD 1-Soft Start 1-None	125	1 On
Pony Blower	Hoffman 4208A	Centrifugal	1	None	100	Off

### 3.4.2 Proposed Solution

This ECM will include construction of a new blower, aeration piping modifications, duct repair, variable frequency drive, and dissolved oxygen control systems to improve efficiency and effectiveness. The DO

control panel will monitor dissolved oxygen levels and airflows within the aeration basins and control the positions of the airflow control valves at each aeration basin to maintain DO setpoints. DO control will allow the blowers to run only at the required rate, reducing electrical usage and avoiding over-aeration. New DO sensors will be installed in each basin and connected to the plant's SCADA system.

MKN evaluated the use of hybrid and turbo blowers to replace the existing multi-stage centrifugal blowers. Turbo blowers tend to be more energy efficient than hybrid blowers but have lower turn down (2: 1 for turbo blowers versus 4:1 for hybrid blowers). Ultimately, the treatment plant needs a higher turn down to eliminate the need for throttling air flow. Hybrid blowers equipped with VFDs were selected to provide better efficiencies over the range of blower turndown than can be achieved through inlet throttling.

Coombs-Hopkins quoted an Aerzen Model D 29S hybrid blower for this installation. The quoted configuration includes a blower-mounted 40-hp variable frequency drive. The Aerzen Model D 29S can provide 881 scfm which is large enough for the system needs while allowing for a turn-down to a minimum 322 scfm. Although the original concept was to replace all three blowers, the scope has changed to replace only one blower and maintain the additional existing blowers in a standby capacity.

It is recommended to install new, variable speed, higher efficiency blowers and enable DO control to vary aeration rates based on measured DO in the basins. The WWTP's SCADA system should be upgraded to control the new blowers' output based on measured DO in the basins. Energy savings will result from the use of a higher efficiency blower, reduced blower discharge pressure, and reduced blower air output (reduced DO setpoint) for aeration.

### 3.4.3 Benefits

- Reduces energy usage by installing high efficiency blowers, variable speed drives, and automated controls
- Reduces over-aerating by introducing DO control to ensure stable and efficient control of the plant's process air system
- Eliminates the need to throttle flow with valves
- Reduces air conditioning loads by eliminating hot air entry into conditioned space
- Replaces mechanical equipment which has failed and/or reached the end of its useful life
- Reduces burden on plant staff

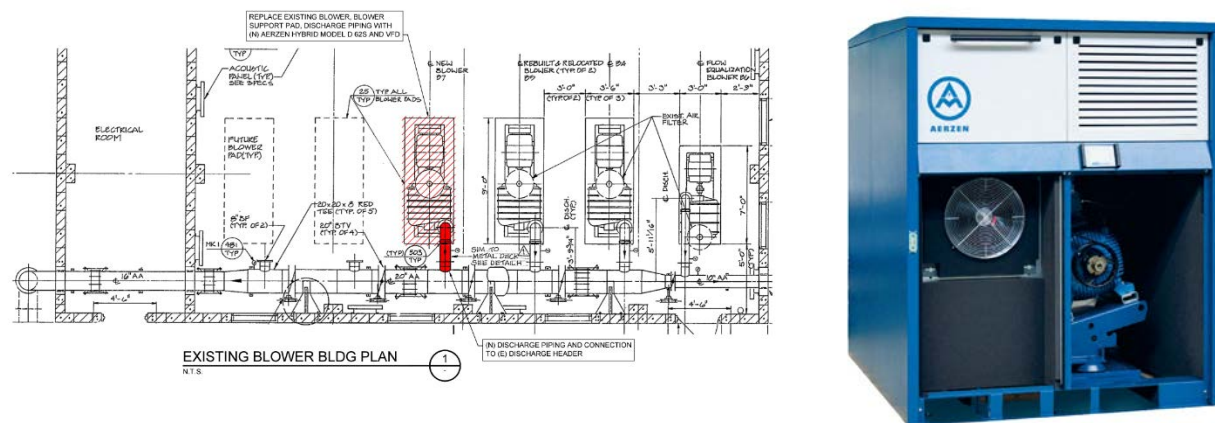


Figure 15: Blower Layout and Aerzen Hybrid Blower (typical)

### 3.4.4 Potential Savings

The savings associated with this ECM assumes that ECM 3 has already been completed. Blower power requirements were calculated assuming an OTE of 20%. The majority of savings associated with this ECM are anticipated as a result of improved blower efficiency, providing the ability to reduce aeration during low demand periods, and reducing over-aerating by utilizing DO control. Under 2017-2018 operating conditions, blower power consumption for both aeration and mixing demand was estimated to be approximately 87 kW. Power requirement after this ECM is implemented is estimated at 32 kW and is based on the minimum air flow required for mixing, which exceeds the air flow required to meet biochemical oxygen demand (BOD)<sup>2</sup>.

The savings associated with this ECM are anticipated to be approximately 381 MWhr/year, slightly over \$69,000 annually.

## 3.5 ECM 5: RAS and WAS Pumping Improvements

### 3.5.1 Existing Condition

After aeration and settling, return activated sludge (RAS) pumps return a portion of the settled solids into the aeration basin to enhance aerobic digestion, and waste activated sludge (WAS) pumps transport the remaining solids to the aerobic sludge digesters for further degradation. The RAS and WAS pumps are controlled by timers. One of the RAS pumps utilizes a VFD as a soft starter (24.2 Hz), while the other operates with a VFD at fixed speed (22.8 Hz). The two RAS pumps each run continuously at 200 gpm at

<sup>2</sup> The air volume required to meet BOD is estimated at 360 cfm, the air volume required for mixing is 1,000 cfm. This mixing requirement only includes the aerated portion of two MLE reactors, not the anoxic zones. Additional aeration demands for mixing for other uses (influent equalization, sludge stabilization, etc.) are included in other ECMs.



20 Hz. They are oversized for current flows and are operated as low as 20 Hz via VFD. This results in inefficient operation. Two separate WAS pumps are installed, and it would be preferable for WAS flows to be delivered through valve(s) on the RAS piping, thereby eliminating two pumps. Skimming troughs and scum pumps are not functioning.



*Figure 16: RAS/WAS Piping*



*Figure 17: Tipping Trough*

### 3.5.2 Proposed Solution

The existing RAS and WAS pumps were initially installed as part of the 1993 improvements, along with the ability to independently control both systems. However, that feature was never utilized, and the system may no longer have this capability. Scum troughs and scum pumps have failed. This ECM will include construction of new RAS pumping systems with variable frequency drives (VFDs), scum tipping troughs with manual actuator assemblies. Existing 5-hp WAS pumps, rails, discharge piping, piping supports, and valves will be removed, and motorized control valves will be installed to automate RAS/WAS control schemes and operation. A single RAS/WAS control system will be instituted utilizing the new motorized control valves to allow for independent control of the system.

### 3.5.3 Benefits

- Reduces the amount of equipment to operate and maintain
- Reduces energy usage by installing high efficiency pumps with more refined flow ranges
- Replaces mechanical equipment which has failed and/or reached the end of its useful life
- Reduces burden on staff

## 3.6 ECM 7: Replace Transformer, New Y Series Breaker

### 3.6.1 Existing Condition

The District has experienced disruptions in the quality of electrical service, resulting in failure of critical plant electrical infrastructure. The existing PG&E service transformer is a live-front unit that provides a 480V, three-phase, three-wire ungrounded service to the CCSD service switchboard, which is also rated 480V, three-phase, three-wire. The service switchboard includes an automatic transfer switch for connection of an existing 365kW on-site standby generator.

### 3.6.2 Proposed Solution

PG&E plans to replace the existing live-front transformers with dead-front transformers due to safety considerations. PG&E service upgrade is subject to final confirmation through the New Service application process. Upon approval of new service, a new 1200A, 480Y/277V, three-phase, four-wire service switchboard will be installed. The current electrical code requires the service overcurrent protection to include ground-fault protection.

A new service switchboard will be constructed between the new PG&E dead-front transformer and the existing CCSD service switchboard. This will allow the existing switchboard with its overcurrent devices to remain unchanged. The new service switchboard will include an integral automatic transfer switch that will be connected to the standby generator.

### 3.6.3 Benefits

- Provides code- and PG&E-compliant solution for upgrade to grounded PG&E transformer (PG&E pays for transformer)
- Improved voltage stability compared to current ungrounded system
- Avoids need for plant-wide rewiring

### 3.6.4 Potential Savings

There are no energy savings for this ECM; however, renewing the system would result in some annual maintenance and repair and replacement savings.

## 3.7 ECM 8: Emergency Generator Replacement

### 3.7.1 Existing Condition

The existing 365 kW diesel backup generator was installed in 1976 and has reached the end of its useful life. The San Luis Obispo County Air Pollution Control District (APCD) limits use of the generator to emergency conditions and a small number of hours annually for maintenance. Currently, District staff can view generator status via the SCADA system.

### 3.7.2 Proposed Solution

This ECM will include installation of a new 500 kW diesel fueled generator. The new generator will be installed next to the Break Room Building and will be connected to the new electrical switchgear which is included in ECM 7. The old 365 kW generator and its appurtenances will be removed. The new generator will be equipped with a weatherproof and sound attenuated enclosure, integral 850-gallon

fuel tank, monitoring through the SCADA interface, and diesel particulate filter. With an 850-gallon tank, a 24-hour run time would be expected with 100% load, 30 hour run time would be expected at 75% load, and 36 hour run time would be expected at 50% load. In reality we would expect the run time with a full tank to be much longer, as the electrical load will be variable and would rarely be expected to operate higher than 50% the rating of the generator.

### 3.7.3 Benefits

- Improved monitoring of emergency generator through the new SCADA system.
- Improves treatment plant reliability during power outages
- Reduces burden on staff to maintain the existing generator
- Replaces critical infrastructure before it fails
- Reduces regulatory restrictions on operations
- Reduces ongoing permitting costs and activities



### 3.7.4 Potential ECM Savings

There are no energy savings for this ECM; however, renewing the system would result in some annual maintenance and repair and replacement savings.

## 3.8 ECM 9: SCADA System

*Figure 18: Existing Generator*

### 3.8.1 Existing Condition

The WWTP has a limited Supervisory Control and Data Acquisition (SCADA) system that provides monitoring and some manual operator control. The SCADA system has very little automatic functionality requiring a significant amount of active monitoring and manual intervention by plant staff. The system is no longer supported by the manufacturer and system hardware is beyond its useful life.

The SCADA system hardware consists of an OPTO-22 based platform. The operator workstation is located in the Maintenance Building. The existing system utilizes an auto-dialer to alert staff in the event of a plant alarm. The auto-dialer is configured to send an alarm which is broken into 12 categories. Armed only with the “category” of the alarm, the WWTP staff must investigate the causes of the alarm once they reach the WWTP.

### 3.8.2 Proposed Solution

This ECM will include a new plant SCADA system for remote control, monitoring, and automation of processes. The project will replace Modicon hardware that is no longer supported and beyond its useful life as well as reduce both maintenance and downtime. The new system will simplify the controls architecture by consolidating SCADA hardware to Allen Bradley, and by removing old hardware that has been decommissioned and abandoned in place. Additionally, migration to the new hardware will better prepare the plant for integration of any new equipment in the future.

The Water Treatment Plant (WTP) already has a server located at the WWTP and license to the Ignition SCADA software. It has been determined that the WWTP can share this license and server in order to avoid the cost of purchasing their own.

The new SCADA system will control both existing equipment in the plant, as well as new equipment that is to be installed within the scope of this project. The SCADA system will monitor and automatically control the speed of the new blowers and pumps, which contributes to the energy savings of the project. After installation of the new SCADA system a training will be provided to plant staff.

### 3.8.3 Benefits

The increased functionality of the SCADA will significantly improve operational efficiency and facilitate simplified control and troubleshooting.

### 3.8.4 Potential Savings

There are no energy savings attributed directly to this ECM, although automated control facilitates the savings generated by other elements of the project.

## 3.9 Base Project Procurement, Costs and Schedule

### 3.9.1 Procurements and Contractor Selection

PG&E administered a thorough procurement process to obtain firm pricing for the Sewer Fund measures. Separate RFPs were issued for electrical scope (transformer replacement and Y series breaker installation, generator replacement) and mechanical/SCADA scopes (all other Sewer Fund measures). RFP documents included 30% or better design drawings, detailed specifications, and points lists. RFPs were approved by CCSD staff prior to being issued to invited subcontractors.

After evaluating proposals, PG&E has selected Fluid Resource Management (FRM) and Alpha Electric as the subcontractors responsible for installation of the Base Project scope (Mechanical and Electrical respectively). These subcontractors will work directly under PG&E's primary development and general contractor, Southland Energy.

### 3.9.2 Procurement Process and Results

PG&E competitively bid the mechanical, electrical and SCADA scopes of the project. The bid documents included detailed design drawings, specifications and scope narratives. The complete sets of bid documents have been provided to CCSD staff.

#### 3.9.2.1 Mechanical Scope

In our RFP, we requested pricing for the Base Bid set of measures (Modified Ludzak-Ettinger upgrade, blower consolidation, RAS/WAS improvements, Secondary Water (3W) improvements, and demolition of existing equalization tanks. We requested an Add Alternate price for Flow Equalization, with the following results:

Invited Bidder	Base Bid	Add Alternates
Fluid Resource Management	\$2,879,929	\$1,550,430

Cushman	\$2,819,070	\$1,992,870
WM Lyles	\$4,082,130	\$2,679,885
Brough	\$2,898,180	\$1,586,250

As the totals exceeded the budgeted amount, our design team worked extensively with the contractors and CCSD staff to streamline the design and reduce its cost. We also substantially modified the Flow Equalization ECM and included it in scope. Tank demolition was removed from the scope to reduce total project cost. This was done to provide an effective and reliable operational solution with an overall project cost that could be funded from the existing Sewer Fund operating budget.

In addition, we moved civil scope (concrete pads and trenching) required for the electrical contractor's scope to the mechanical contractor's scope. Since the mechanical contractor would be carrying out significant amounts of trenching and buried pipework, consolidating all civil under the mechanical contractor reduced overall project cost.

Modifying and confirming the new designs required several months. Due to highly volatile market conditions relating to supply chain shortages, equipment and subcontractor labor pricing, as well as substantial scope modifications, an updated price for the revised scope was required. This was obtained using a Best and Final Offer (BAFO) process. To ensure continuing competitiveness, we requested BAFOs from the two lowest Base Bid contractors.

Final mechanical scope and cost resulting from this process is shown below:

ECM #	Item	Cost
1.0	Flow equalization (incl tank refurbishment)	\$1,534,421
2.0	Influent lift station, baffle plate only	\$18,261
3.0	Modified Ludzak - Ettinger upgrade	\$1,223,778
4.0	Blower consolidation / replacement	\$258,372
5.0	RAS / WAS improvements	\$637,716
10.0	Secondary Water (3W) improvements	\$318,202
23.0	Civil work (for mech and elec scopes)	\$313,893
	<b>Total Mechanical Scope</b>	<b>\$4,304,643</b>

This was the pricing as of November 8, 2021. Subsequently, the project was delayed while the District undertook steps necessary to fund the project. In the intervening period, the industry has experienced unprecedented price volatility resulting in significant cost increases. Updated pricing obtained from the low bidder results in the following:

Description	Cost
Flow equalization	\$ 2,870,520
Influent lift station	\$ 34,496
Modified Ludzak - Ettinger upgrade	\$ 1,785,510
Blower consolidation / replacement	\$ 444,666
RAS / WAS improvements	\$ 948,833
<b>Total Mechanical Scope</b>	<b>\$ 6,084,025</b>

### 3.9.2.2 Electrical Scope

Our Electrical RFP requested pricing from four subcontractors to supply and install equipment associated with the new transformer and backup emergency generator. Results were as follows:

Invited Bidder	Cost
Alpha	\$651,324
Smith	\$1,024,088
Thoma	Declined
Electrocraft	Declined

Subsequent to contractor selection (Alpha), the scope was modified to include a shed and drainage system, arc flash studies and reconnection of existing backup generators. Final electrical scope and cost resulting from this process is shown below:

ECM #	Item	Cost
7.0	Replace transformer; new Y series breaker	\$293,783
8.0	Generator replacement	\$423,327
	<b>Total electrical scope</b>	<b>\$717,110</b>

Similar to the mechanical scope, pricing has escalated significantly since the original IGA submittal date, as follows:

Description	Cost
New transformer, Y series breaker	\$ 407,075
Generator replacement	\$ 677,707
<b>Total electrical scope</b>	<b>\$ 1,084,782</b>

### 3.9.2.3 SCADA Scope

SCADA scope was the subject of nearly continuous modification to accommodate the evolution of the associated project work. Since the SCADA scope is directly tied to the mechanical and electrical scopes, every change in design or approach impacts the SCADA scope and cost. The intent of the original SCADA

scope was to entirely replace the existing system and expand it to include all points requested by CCSO WWTP staff. Our SCADA RFP was drafted using this approach and issued to three potential bidders.

We received only one response from Tough Automation, which is the incumbent provider of SCADA solutions on the site. The bid amount for the RFP scope exceeded \$1.4 million. This amount exceeded the budget constraints of the project. Consequently, we have worked closely with plant staff and Tough to reduce the hardware and programming to the minimum amount necessary to achieve a functional system while still meeting budget constraints.

SCADA cost in November 2021 was \$551,012. Subsequently, in addition to facing escalation challenges similar to the mechanical and electrical scopes, we have been forced to change manufacturers from Opto-22 to Allen Bradley. As a result, the SCADA cost has increased to \$843,208.

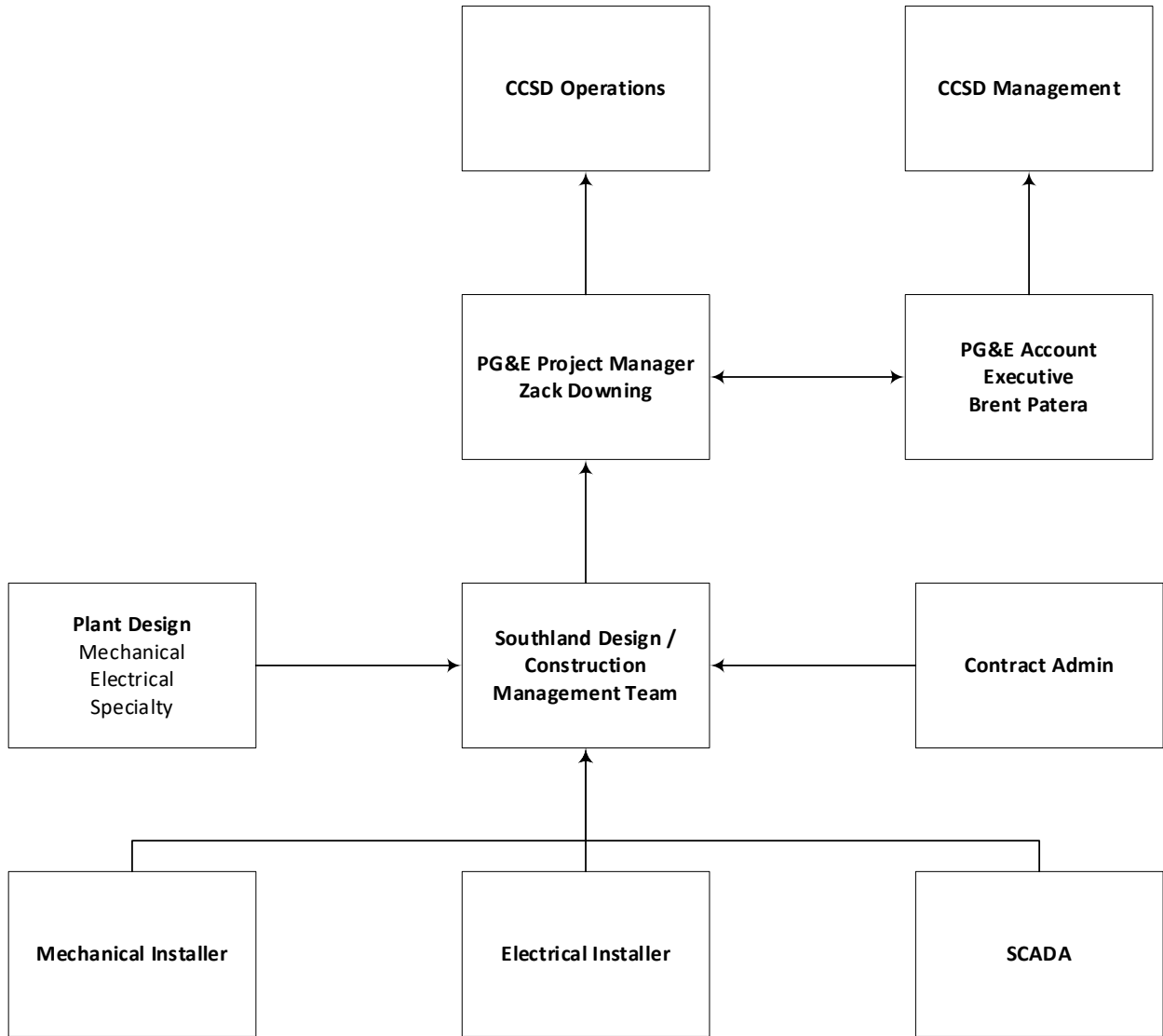
#### 3.9.2.4 Firm Fixed Project Cost

PG&E's firmed fixed cost to construct the project as described is \$10,951,745, as summarized below.

Description	Cost
Flow equalization	\$ 2,870,520
Influent lift station	\$ 34,496
Modified Ludzak - Ettinger upgrade	\$ 1,785,510
Blower consolidation / replacement	\$ 444,666
RAS / WAS improvements	\$ 948,833
New transformer, Y series breaker	\$ 407,075
Generator replacement	\$ 677,707
SCADA	\$ 843,208
Civil scope for electrical ECMs	\$ 676,488
Final design	\$ 375,568
General Conditions Cost	\$ 1,364,074
Project Development Costs	\$ 528,404
<b>Totals</b>	<b>\$ 10,956,548</b>

**Note that the costs reflected in this firm fixed cost are only valid through August 31, 2022.**

3.9.2.5 Project Implementation Team





## 3.9.2.6 Preliminary Construction Schedule

Task Name	Duration	Start	Finish
<b>Cambria WWTP Draft Schedule</b>	<b>24.55 mons</b>	<b>Thu 9/1/22</b>	<b>Thu 7/18/24</b>
<b>Precon</b>	<b>10.3 mons</b>	<b>Thu 9/1/22</b>	<b>Thu 6/15/23</b>
NTP	1 day	Thu 9/1/22	Thu 9/1/22
Complete 100% Design	4 mons	Fri 9/23/22	Thu 1/12/23
District Review	6 wks	Fri 1/13/23	Thu 2/23/23
Equipment lead times	16 wks	Fri 2/24/23	Thu 6/15/23
AHJ Permitting (APCD+???)	2 mons	Fri 1/13/23	Thu 3/9/23
<b>Construction</b>	<b>12.25 mons</b>	<b>Fri 6/16/23</b>	<b>Thu 5/23/24</b>
<b>WWTP</b>	<b>12.25 mons</b>	<b>Fri 6/16/23</b>	<b>Thu 5/23/24</b>
Mobilization	5 days	Fri 6/16/23	Thu 6/22/23
ECM 1	2 mons	Fri 6/23/23	Thu 8/17/23
ECM 2 Influent Lift Stations- No DW	1 mon	Fri 6/23/23	Thu 7/20/23
ECM 3 Modified Ludzack Ettinger Upgrade	2 mons	Fri 10/13/23	Thu 12/7/23
ECM 4 Blower Consolidation/Replacement - No DW	1 mon	Fri 12/8/23	Thu 1/4/24
ECM 5 RAS/WAS Improvements	1 mon	Fri 1/5/24	Thu 2/1/24
ECM 7&8 Pads for electrical	1 mon	Fri 2/2/24	Thu 2/29/24
Testing and Cx	1 mon	Fri 3/29/24	Thu 4/25/24
Punchlist	1 mon	Fri 4/26/24	Thu 5/23/24
<b>Generator And Electrical</b>	<b>4 mons</b>	<b>Fri 6/16/23</b>	<b>Thu 10/5/23</b>
ECM 7&8 Electrical	4 mons	Fri 6/16/23	Thu 10/5/23
<b>SCADA</b>	<b>2 mons</b>	<b>Fri 6/16/23</b>	<b>Thu 8/10/23</b>
SCADA Install	2 mons	Fri 6/16/23	Thu 8/10/23
<b>Closeout</b>	<b>2 mons</b>	<b>Fri 5/24/24</b>	<b>Thu 7/18/24</b>
Training	1 mon	Fri 5/24/24	Thu 6/20/24
Closeout Packages	1 mon	Fri 6/21/24	Thu 7/18/24

**Note:** Preliminary schedule provided above as context for overall construction intervals. An updated schedule reflecting expedited and/or condensed construction for priority measures will be provided following receipt of notice to proceed (NTP) from CCSD.

### 3.10 Design and Drawings

Detailed designs including drawings, specifications and the SCADA points list can be accessed electronically on Southland's file-sharing site. CCSD staff already has access to this site and has copies of all documents.

## 4 Next Steps

### 4.1 Sewer Fund Base Project

In order to avoid expiration of bids and to expedite the construction of seasonally vulnerable scope, PG&E suggests the following steps and timeframes for the Base Project:

Board Approval	August 31, 2022
Letter of Intent / Notice to Proceed	September 1, 2022
Contract for Construction	September 30, 2022

### 4.2 Additional Sewer Fund Measures

Implementation of additional Sewer Fund measures identified in this report is contingent on CCSD's financial capacity. PG&E is happy to assist CCSD staff in defining the revenue required to fund these measures, facilitate future additional financing and implement the measures at a future date.

### 4.3 Water Fund Measures

The IGA contract specified a conceptual assessment, design and costing for Water Fund measures. These are presented in the Water Fund Measures section of the report. If CCSD wishes to proceed to detailed costing and implementation of these measures, an IGA-level assessment and design exercise will be required. PG&E is prepared to commence this scope within one week of receiving approval to do so.

### 4.4 General Fund Measures

The IGA contract specified a conceptual assessment, design and costing for General Fund measures. These are presented in the General Fund Measures section of the report. If CCSD wishes to proceed to detailed costing and implementation of these measures, an IGA-level assessment and design exercise will be required. PG&E is prepared to commence this scope within one week of receiving approval to do so.

## Update to Appendices 1, 2 and 3 – August 26, 2022

These appendices appeared in the original IGA report dated November 8, 2021. They are repeated here in their original form for purposes of describing preliminary development work already undertaken to assess the measures described, and to provide background for potential future work to be developed in detail and implemented by CCSD. Budget costs shown in these appendices are no longer accurate due to significant cost escalation over the past year.

### 5 Appendix 1: Additional Sewer Fund Measures (NOT Included in Base Project)

The following ECMs were thoroughly investigated and advanced to the 30% design stage. Each measure has been identified as a necessary upgrade but CCSD has chosen to proceed with higher priority items first. Consequently, these measures are not included in the total project cost identified above.

#### 5.1 Additional Influent Lift Station Modifications Not Included in Base Project – Summary

##### 5.1.1 Existing Condition

The WWTP influent lift station utilizes three 25-hp constant speed suction-lift pumps to lift incoming sewage into the treatment process. The pumps operate based on wet well level. The pumps are oversized compared to current flows, since the plant was designed and constructed before water conservation became a common practice. The middle pump does not hold prime, and downstream processes can overflow when two pumps run.

##### 5.1.2 Proposed Solution

Supplemental to the modifications provided in ECM 2 of the Base Project, this ECM will include installing new higher efficiency submersible pumps with variable frequency drives (VFDs). The pumps would be sized to operate more efficiently at existing flows, while ensuring all pumps can pass a minimum 3-inch solid to prevent clogging. The influent wet well will be re-coated and new access hatches will be provided for maintenance of submersible pumps. Baffling will be considered to minimize aeration and prevent cavitation and binding. This ECM complements influent flow equalization (ECM 1 above), but could also be implemented without construction of equalization.

##### 5.1.3 Benefits

- Reduces energy usage by installing appropriately sized pumps and VFDs
- Eliminates existing priming problem in middle pump and improves pump reliability
- Improves balance of running hours between pumps to extend pump life
- Addresses needed repair/replacement project identified in Capital Improvement budget
- Extends useful life of influent wet well by repairing and replacing coatings
- Eliminates existing condition that can cause one pump to cavitate and run continuously, requiring a second pump to operate at the same time
- Can be programmed to perform self-cleaning functions within the wet well and incoming sewer

#### 5.1.4 Potential Savings

Controlling the pumps with a VFD would allow the pumps to operate at reduced speeds, which would decrease fluid velocity in the discharge piping and minimize friction head losses.

Retrofitting the existing influent lift station with submersible pumps on VFDs could reduce average pumping rate by approximately 30%, resulting in lower losses and more efficient pumping. However, pumps would have to operate for longer duration to pass incoming flows. Based on our calculations and assuming an average daily flow (ADF) of 0.539 MGD, the average reduction in electrical consumption would be approximately 16,300 kWh/year or \$2,800/year (at \$0.171/kWh).

Although the electrical savings associated with this ECM are modest, the benefits to overall operations, reliability, plant efficiency, and maintenance should be carefully considered.

## 5.2 Sludge Thickening

### 5.2.1 Existing Condition

Operators pump WAS and sludge from the secondary clarifiers to the sludge holding tank (unused clarifiers) overnight. One sludge tank holding cell is continuously aerated to meet San Luis Obispo County Air Pollution Control District (APCD) odor-mitigation requirements, and sludge from the second cell is transferred to another basin prior to being delivered to the screw press. Holes in cell partition walls allow sludge to leak into adjacent cell. Supernatant is pumped to another cell and some flow is returned to the headworks every other day. The screw press receives approximately 2% solids and operates five days per week, nine hours per day. The sludge storage tanks (repurposed steel clarifiers) have exceeded their useful life. Holes and structural failures are apparent in walls separating sludge storage cells. Due to continuous aeration, the sludge does not thicken readily and requires multiple pumping operations to process solids and ultimately convey them to the screw press.

### 5.2.2 Proposed Solution

This ECM will include demolition of the two existing (unused) secondary clarifiers, construction of two new 70,000-gallon steel aerated sludge stabilization tanks, rehabilitation of the sludge thickening system, and improvements to the screw press. During design, further evaluation of this ECM will be conducted to determine the most cost-effective method for biosolids handling – either a biosolids handling and storage area to manage dewatered solids or direct discharge to roll-off containers.

### 5.2.3 Benefits

- Reduces energy usage by installing more efficient pump transfer and sludge aeration systems
- Replaces mechanical equipment which has failed and/or reached the end of its useful life
- Improves solids dewatering and reduces hauling costs
- Reduces burden on staff
- Increasing the de-watering by approximately 5% will reduce hauling costs by over \$2,500/year

### 5.2.4 Potential Savings

The energy savings for this ECM are minimal; however, renewing the system would result in some annual maintenance and repair and replacement savings. Additionally, increasing de-watering by 5% would reduce annual tonnage removed by approximately 55 tons resulting in additional savings.

### 5.3 Sewer Lift Stations

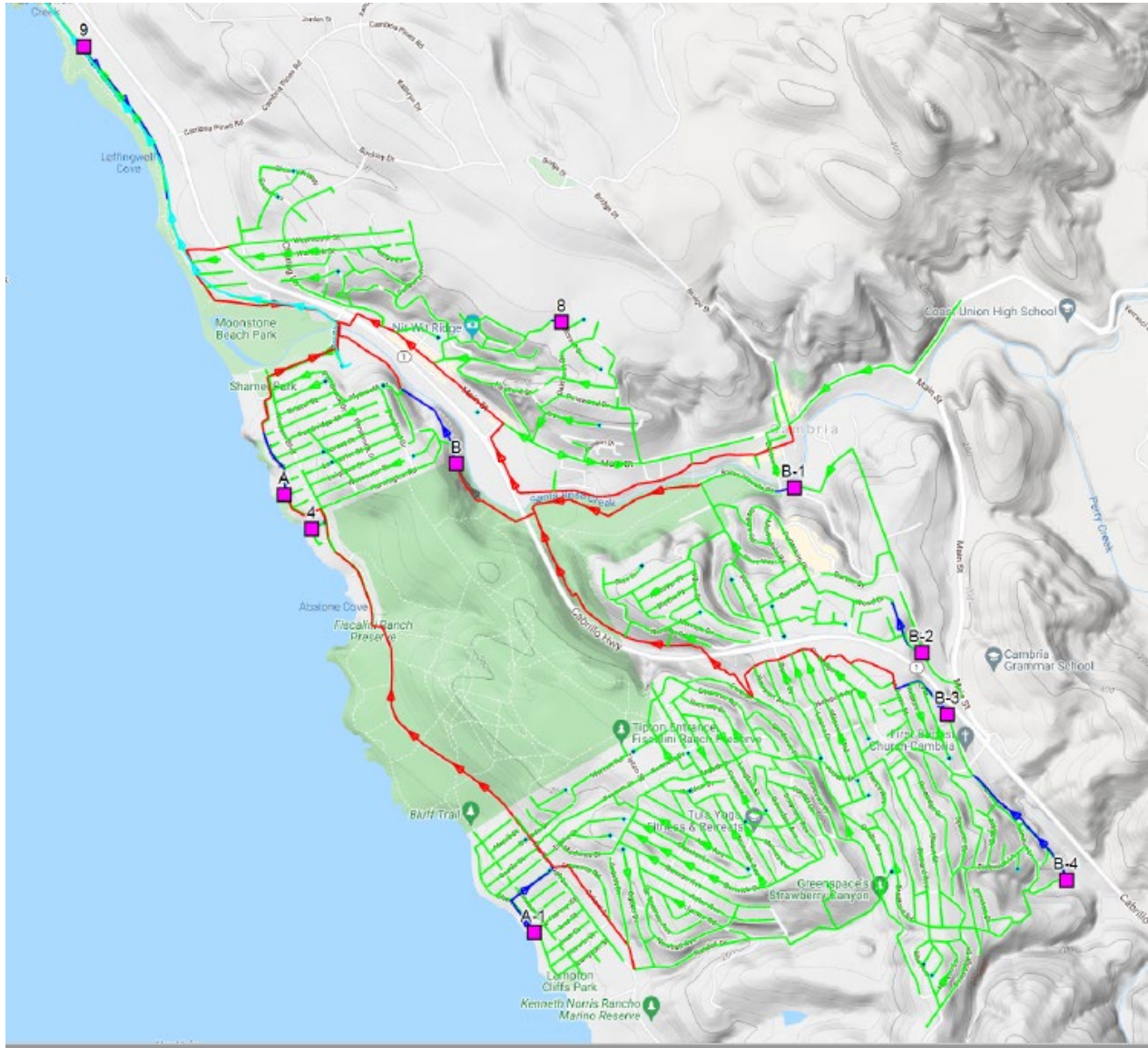


Figure 19: District Sewer Lift Stations

#### 5.3.1 General Existing Condition

The District maintains and operates ten (10) sewer lift stations to convey sewage to the wastewater plant. Most of the District's lift stations have a "dry well/wet well" configuration featuring two pumps for lead/lag operation.

Based on operating data from 11/1/2016 – 11/30/2018, pumps at District lift stations operate more than 20,600 hours per year. In addition to the benefits associated with retrofitting with premium efficiency motors and more appropriately sized pumps, the District will benefit from converting from obsolete dry-well lift station configurations which are inefficient, require significant ongoing maintenance, and are a safety hazard for District personnel.

Maintenance or repair at the majority of the lift stations requires work to be conducted in a “confined space” as defined and regulated by the Division of Occupational Safety and Health (Cal/OSHA).

The District sewer collection system was constructed in the mid-1970s. Few improvements have been made since original construction. Due to water conservation measures implemented in recent years, a common issue at District lift stations is oversized pumps. Oversized pumps consume more energy due to high velocities and associated high friction losses. Additionally, oversized pumps cycle more frequently both shortening pump life and unnecessarily increasing electrical use.

The District’s Capital Improvement plans include raising electrical panels above grade as a first phase, then converting dry/wet pit lift stations to submersible lift stations.

*Table 5: Sewer Lift Station Pumps*

Lift Station No.	Manufacturer and Model No.	Pump Type	Qty	Pump Motor (hp)
A	Crown PO6LB-12F	Suction Lift	2	7.5
A1	Ebara Self-Priming	Suction Lift	2	10
B	Ebara Self-Priming	Suction Lift	2	25
B1	Crown PO4LB	Suction Lift	2	5
B2	Crown PO4LB-8D	Suction Lift	2	15
B3	Crown PO4LC	Suction Lift	2	10
B4	Allis Chalmers 400 SER	Suction Lift	2	40
9	Ebara C-EFQT6A	Suction Lift	2	10
4	Paco/58-47001-QDN	Submersible	2	1.5
8	Paco/58-47001-QDN	Submersible	2	1.5

### 5.3.2 Project Description and Proposed Solution

#### a. Lift Station A

This is a triplex dry well/ wet well lift station (only two pumps installed) and features a below grade vault housing a 55-kW diesel generator. Lift Station A is located west of the intersection of Nottingham Drive and Leighton Street. The lift station is located on a costal bluff and is approximately 130-feet from the ocean.

Due to the lift station's limited area, replacement of the lift station in the same location as the existing wet well and dry well will be required. The existing wet well and drywell would be removed and replaced with a new wet well with two submersible pumps. A new buried valve vault would also be constructed and would be connected to the existing force main pipe upstream of the flow meter located within the existing below grade generator vault. Lift station controls would be placed above grade and a low-profile type panel would be specified to reduce impact to costal views. Full time bypassing would be required during construction. Bypass pumps could be placed within the existing manhole just upstream from the existing wet well at the edge of the paved road. A new manhole would be required to intercept flows coming in of the wet well from the south.

**b. Lift Station B1**

Lift Station B-1 is located north of Burton Drive and west of Village Lane behind the building supply yard and adjacent to Santa Rosa Creek. The existing lift station consists of a wet well, two pumps located in a dry well, and an above grade motor control cabinet (MCC). The District has placed a trailer mounted generator for standby power during outages. The slope located to the south of the lift station site (Burton Road embankment) has slid into the lift station site and has encroached on the MCC and electrical service. The lift station site is also located within the flood plain of the creek and has experienced flooding during large winter storms. A new lift station consisting of a wet well with two pumps and below grade vault can be constructed to the north of the existing lift station. This would allow the existing lift station to remain in service while the new one is constructed. The wet well and valve vault will include flood proof access hatches to limit water intrusion during flood events. A new electrical meter, MCC and permanent emergency generator could be constructed in the north east corner of the site. These items would be located on a raised concrete platform above the established flood elevation.

As an alternative, it may be possible to eliminate the lift station entirely by installing a new gravity sewer line between Manholes 1 and 12. Construction may require horizontal directional drilling and/or construction of an inverted siphon crossing Santa Rosa Creek.

**c. Lift Station B4**

Lift Station B-4 is located to the south of Gleason Street and to the west of Green Street. The existing lift station consists of a wet well, two pumps located in a dry well, MCC and a permanent emergency generator. The existing pumps are 40-hp and can overwhelm Lift Station B-2 which is downstream of the Lift Station B-4 force main discharge point. A new lift station consisting of a wet well with two pumps and below grade vault can be constructed to the north of the existing lift station. This would allow the existing lift station to remain in service while the new one is constructed. A new manhole would be required on Gleason Street to intercept flows into the new wet well. To reduce impacts to the downstream collection system smaller pumps may be considered. Pump capacity could be reduced from 340 gpm to 260 gpm and still maintain velocities within the force main to re-suspend solids when the pump turns on. The new lift station would include VFDs to allow a lower flow during average flow periods (260 gpm) and higher pumping rates (340 gpm) during wet flow periods as it has been reported

that the upstream collection system can experience significant inflow and intrusion (I & I). An existing drainage swale located to the west of the lift station site may require relocating further to the east to allow construction of the new lift station. In addition, it may be beneficial to raise grades between the new lift station and drainage swale to provide further protection from water intrusion.

#### d. Lift Stations 4 & 8

Lift Stations 4 & 8 consist only of a wet well with two submersible pumps but these pumps are no longer supported by the manufacturer and parts are difficult to obtain. Improvements recommended for Lift Station 4 include replacement of pumps, rails, and lift station control panel. Improvements recommended for Lift Station 8 include replacement of pumps and rails.

#### e. Remaining Lift Stations

The following five lift stations make up the remainder of the lift stations in the District's collection system:

- Lift Station A1
- Lift Station B
- Lift Station B2
- Lift Station B3
- Lift Station 9

In general, each lift station could benefit from upgrades to improve efficiency, operations, and resiliency.

#### 5.3.3 Benefits

- Reduces energy usage by replacing inefficient pumps and matching pump capacity and flow
- Eliminates confined-space safety hazards
- Reduces sanitary sewer overflow (SSO) risk and Improves resiliency for critical infrastructure
- Upgrades aging infrastructure

### 5.4 Additional Sewer Fund Measures – Summary of Costs and Savings

Item	Cost	Savings
Sludge storage improvements (North Tank Rehab)	\$1,393,341	\$13,895
Tertiary treatment	\$889,436	-
Lift stations (Pricing is for A, B4, 4, 8 only)	\$2,128,564	\$5,000
Storm drain	\$130,521	-
Demolish old tanks	\$567,815	-
<b>Totals</b>	<b>\$4,541,862</b>	<b>\$18,895</b>



## 6 Appendix 2: Preliminary Assessment of Water Fund Measures

In addition to detailed assessment of the Sewer Fund items, the IGA commissioned PG&E to conduct preliminary assessment of various Water Fund items. This was to include preliminary scope and cost development to allow CCSD to determine whether and when to proceed with further development on any or all of these measures.

### 6.1 Well Sites

#### 6.1.1 Existing Condition

CCSD has two groundwater sources, the San Simeon Creek Aquifer and the Santa Rosa Creek Aquifer. There are three wells that draw from the San Simeon Creek Aquifer and two that draw from the Santa Rosa Aquifer. The water is pumped directly into the distribution system. Well pump operations are controlled by the water level in the Pine Knolls storage tanks, which controls the lowest pressure zone in the system. Information on each well is shown below in **Table 6**.

Table 6: Well Pump Information

Pump Name	Pump Type	Pump Make	Pump Motor (hp)	Aquifer	Location	Design TDH (ft)	Design Flow (gpm)	Pump Test Efficiency
SS-1	Vertical Turbine	Floway	50	San Simeon Creek Aquifer	GPS coordinates 35.60039, - 121.1089 Between San Simeon Creek and San Simeon-Monterey Creek Rd	338 <sup>1</sup>	400 <sup>1</sup>	62%
SS-2	Vertical Turbine	Floway	50	San Simeon Creek Aquifer	GPS coordinates 35.60113, - 121.1092 Between San Simeon Creek and San Simeon-Monterey Creek Rd	338 <sup>2</sup>	400 <sup>2</sup>	65%
SS-3	Vertical Turbine	Floway	50	San Simeon Creek Aquifer	GPS coordinates 35.60113, - 121.1108 Between San Simeon Creek and San Simeon-Monterey Creek Rd	338 <sup>3</sup>	400 <sup>3</sup>	64%
SR-3	Submersible		25	Santa Rosa Aquifer	GPS coordinates 35.56423, - 121.0803	66	493 <sup>4</sup>	60%
SR-4	Submersible		60	Santa Rosa Aquifer	GPS coordinates 35.56795, - 121.0706 Off of Santa Rosa Creek Rd, near Coast Union High School	308 <sup>4</sup>	600 <sup>5</sup>	57%

## Notes:

<sup>1</sup>Pump test results indicate it is currently running at 304 ft and 400 GPM.

<sup>2</sup>Pump test results indicate it is currently running at 290 ft and 435 GPM.

<sup>3</sup>Pump test results indicate it is currently running at 306 ft and 420 GPM.

<sup>4</sup>Pump test results indicate that this operating point was measured at 41Hz. SR-3 is not currently in use

<sup>5</sup> Pump test results indicate it is currently running at 338 ft and 382 GPM.

The SS-1, SS-2, and SS-3 wells make up a wellfield that draws from the San Simeon Creek Aquifer. A fourth well, SS-4 exists but is not in use. SS-2 is the well that sees the highest water production each year, while SS-1 is typically run when the San Simeon Creek Aquifer is flowing, from May to October. SS-3 is only operated in the winter for very few hours. The SR-4 pump draws from the Santa Rosa Aquifer. Lastly, SR-4 is considered a backup well, to provide water during high demand.

The San Simeon Wells are served by two 50-hp vertical turbine well pumps, SS-1 and SS-2. SS-2 is the main well that operates for 8 hours per day in the winter, and 12 hours per day in the summer. SS-1 operates similarly to SS-2, but only during the summer months. The SS-2 well pump conveys water through 3 miles of 14-inch pvc water line prior to interconnecting with the water distribution system.

SR-4 is one of Cambria CSD's larger wells, utilizing a 60-hp submersible pump to transport water through the distribution system. SR-4 well pump operates at approximately 65% pump efficiency.

According to pump selection from Peerless Pumps, a replacement submersible pump is suitable that meets the operating conditions at an optimal pumping efficiency of 82% for SR-4., which is a 17% efficiency gain over the existing pump.

Operation of the well pumps are controlled based on the water level in the Pine Knolls Tanks.

#### 6.1.2 Preliminary Solution

This project will replace SS-1, SS-2, SS-3, and SR-4 pumps with new pumps of the same type and design point. The goal is to increase the efficiency of the old pumps through these replacements. SS-1 and SS-3 pumps are assumed to be set at 105 ft, while SS-2 is to be set at 80-feet. The SR-4 well has a groundwater depth of 100-feet.

Peerless Pump provided recommendations and cost estimates for replacing each pump. The SS-1, SS-2, and SS-3 pump recommendation is the Peerless Vertical 9LA model, which has an efficiency of 80.1%. The cost for SS-1 and SS-3 is \$44,560.58, while the SS-2 pump is \$42,847.93. The cost differs between SS-2 and the other San-Simeon pumps because it is at a higher setting. The SS-4 recommendation is the Peerless Vertical 12LDT, which is submersible. The efficiency is 82.1% and would cost \$57,519.09.

#### 6.1.3 Benefits

- Reduces the amount off equipment to operate and maintain
- Reduces energy usage by installing high efficiency pumps with more refined flow ranges
- Reduces energy cost by approximately \$4700 annually
- Replaces mechanical equipment which has failed and/or reached the end of its useful life
- Reduces burden on staff

## 6.2 Booster Stations

### 6.2.1 Existing Condition

The booster stations are used to bring water from lower pressure zones to higher ones. CCSD has pressure zones at three elevations. The gravity zone is the lowest elevation pressure zone, and well water is pumped into the distribution system for this zone. Water is then pumped into the middle zone using the Water Yard Booster Station. The middle pressure zone is controlled by the Stuart Street storage tank and is also the location of the Stuart Street booster station. This station pumps water into the upper pressure zone.

### 6.2.2 Preliminary Solution

This ECM will include replacement of all the pumps in **Table 7** with pumps of the same pump type and nameplate design point. The goal of this project is to increase the pumping efficiency with these new pumps.

Table 7: Booster Station Pumps

Pump Name	Pump Type	Pump Make	Pump Motor (hp)	Pressure Zone	Location	Nameplate TDH (ft)	Nameplate Design Flow (gpm)	Pump Test Efficiency
Rodeo Grounds Booster A	Centrifugal	Floway	60		On Rodeo Grounds Rd, near the dog park	227.1 <sup>1</sup>	735 <sup>1</sup>	82.44% <sup>1</sup>
Rodeo Grounds Booster B	Centrifugal	Floway	60		On Rodeo Grounds Rd, near the dog park	227.1 <sup>1</sup>	735 <sup>1</sup>	82.44% <sup>1</sup>
Rodeo Grounds Booster C	Centrifugal	Floway	60		On Rodeo Grounds Rd, near the dog park	227.1 <sup>1</sup>	735 <sup>1</sup>	82.44% <sup>1</sup>
Rodeo Grounds Fire Pump	Centrifugal	Floway	300		On Rodeo Grounds Rd, near the dog park	382.3 <sup>1</sup>	2500 <sup>1</sup>	83.20% <sup>1</sup>
Stuart St. Booster A	Centrifugal	Paco	50	From middle zone to Upper zone	Between Stuart St and Richard Ave, just south of Lawson Dr	296 <sup>2</sup>	455 <sup>2</sup>	60%
Stuart St. Booster B	Centrifugal	Paco	50	From middle zone to Upper zone	Between Stuart St and Richard Ave, just south of Lawson Dr	296	455	
Leimert Booster A	Centrifugal	Paco	7.5	None	Between Cambria Pines Rd and Bridge Street	120 <sup>3</sup>	125 <sup>3</sup>	19%
Leimert Booster B	Centrifugal	Paco	7.5	None	Between Cambria Pines Rd and Bridge Street	120 <sup>4</sup>	125 <sup>4</sup>	14%

<sup>1</sup>No pump test data available

<sup>2</sup>Pump test indicates that the pump runs at 227.1 ft TDH and 735 GPM.

<sup>3</sup>Pump test indicates that the pump runs at 17 ft TDH and 38 GPM.

<sup>4</sup>Pump test indicates that the pump runs at 131 ft TDH and 12 GPM.

Peerless Pump Company provided quotes for all the booster pumps above. They recommended the model 4AE10G for the booster pumps and the model 6AE12 for the fire pump. The efficiency of these two models at their design points are 79.8% and 74.6%, respectively. Although the old pumps were more efficient when installed, the efficiency has most likely decreased. The three Rodeo Grounds booster pumps would cost \$37,009 total, or \$12,336 per pump, and the fire pump would cost \$88,302.

### **Rodeo Ground Pump Station**

The existing Rodeo Grounds Pump Station (RGPS) is located within the flood plain of Santa Rosa Creek. One of the primary objectives is to relocate the facility outside of the flood plain to improve reliability of the pump station. The District also desires to upgrade the pump station with newer, more efficient pumps, a more robust control system, and an emergency backup generator.

The proposed pump station is to be housed in a masonry building to match the look of the surrounding architecture and overall feel of the community and park area. It will include the four pump assemblies and a surge anticipator valve. It would also include the instrumentation and control features, such as motor control centers (MCCs) for operation of the facility.

RGPS will also include a natural gas-powered engine-generator that will be utilized for emergency standby operation of the facility. The operation of the engine-generator will be based on a commercial power outage in the standby mode.

RGPS has been identified to have four pumps in parallel within the facility. The existing pump station will be demolished and relocated to a new location in the Cambria Community Park. Three of the pumps will be identically sized at 735-gallons per minute (gpm). These three pumps will be vertical turbines and sized to meet the daily operating hydraulic parameters for the pumping station. They will be designed for standard operation as two primary pumps and one standby pump. The fourth pump will be sized to meet fire flow scenarios and proposed fire flow pump capacity of 2,500 gpm.

Vertical turbine pumps were preferred over horizontal end suction pumps in the pump selection process because they provide several advantages. Vertical turbine pumps require a much smaller floor space allowing for minimal building size and layout. They also allow for a lower net positive suction head (NPSH) than horizontal end suction pumps. Also, priming is not required because the bowl assembly is submerged in the fluid being pumped. Furthermore, pressure requirements are easily met with the multi-stage design of vertical turbine pumps.

The pump control valves on the discharge side of the pumps will be Cla-Val Model 660-73 sized as a 10-inch and 14-inch model. The pump control valves will start off in the closed position as the pump is called to operate. The pump will be a soft start vertical turbine pump. As the pump develops pressure against the valve, the valve will open slowly to allow flow into the system. Preliminary selection indicated that 10-inch valve will be utilized within the system.

A surge anticipator valve is included within the system to help reduce the potentially damaging effects from hydraulic transients within the system. The valve selected for installation is a Cla-Val Model 652-

01. The valve has been sized as a 10-inch model. The pressure reducing and surge anticipator valve will reduce high discharge pressures to a constant lower downstream pressure. In the event of a hydraulic surge, the valve will sense the rapid increase in pressure and the surge pilot control on the valve will open rapidly to dissipate the increase in pressure.

The pump station will include a discharge flow meter that will read and transmit the discharge flows to both Zone 2 and Zone 7. Based on discussions with the District, it is desirable to include two Mag Badger Meters (one for Zone 2 and one for Zone 7).

A standby engine-generator will be included as part of the facility. The engine-generator will be sized to operate the pumping station in the event of a commercial power outage. The engine-generator will be a self-contained unit. The unit will operate within the pumping station; therefore, sound attenuation and heat dissipation through ventilation will be required. The unit will be diesel engine or natural gas driven. The engine-generator is primarily sized at 400 KW.

Butterfly isolation valves will be located throughout the facility for ease of removing and maintaining the facility equipment. The valves will be AWWA standard butterfly isolation valves.

The pump station will include a thermostatically controlled ventilation system to move air through the facility and assist with heat dissipation. It is presently not anticipated to include any air conditioning units within the facility. The air changes within the pump station are anticipated to be a minimum of eight per hour.

Operation of the RGPS will consist of the pumps boosting water within Zone 1 and to Zone 2 and 7 as needed. The operators will have the ability to select which pumps to be operational and their sequencing. The backup pump will be used when one of the maximum day pumps is being serviced. The 2,500 gallon per minute fire flow pump will only be operated during fire flow or other emergency situations. The PLC will have local default pump sequencing programmed into it as well as the ability to control operation based on time of use. If a given pump is called and fails to run, the next pump in sequence will be called.

The pump station will be served at 480 volts for pumps and large loads and this voltage will be transformed to 120 volts for control and low power usage. The motor control center will be equipped with an automatic transfer switch for connection to the generator.

A layout and section of the pump station, based on the information and equipment selections discussed in the previous sections, have been completed. The pump station will be located within the proposed Rodeo Grounds Park and will be situated in the Northeastern corner of the planned Cambria Community Park. The District wants the flexibility to have treatment facilities outside of the pump station. The footprint should also have sufficient footprint to include wellhead treatment as requested by the District. The architectural preferences for the pump station are rustic, equestrian, and rodeo with non-flammable materials.

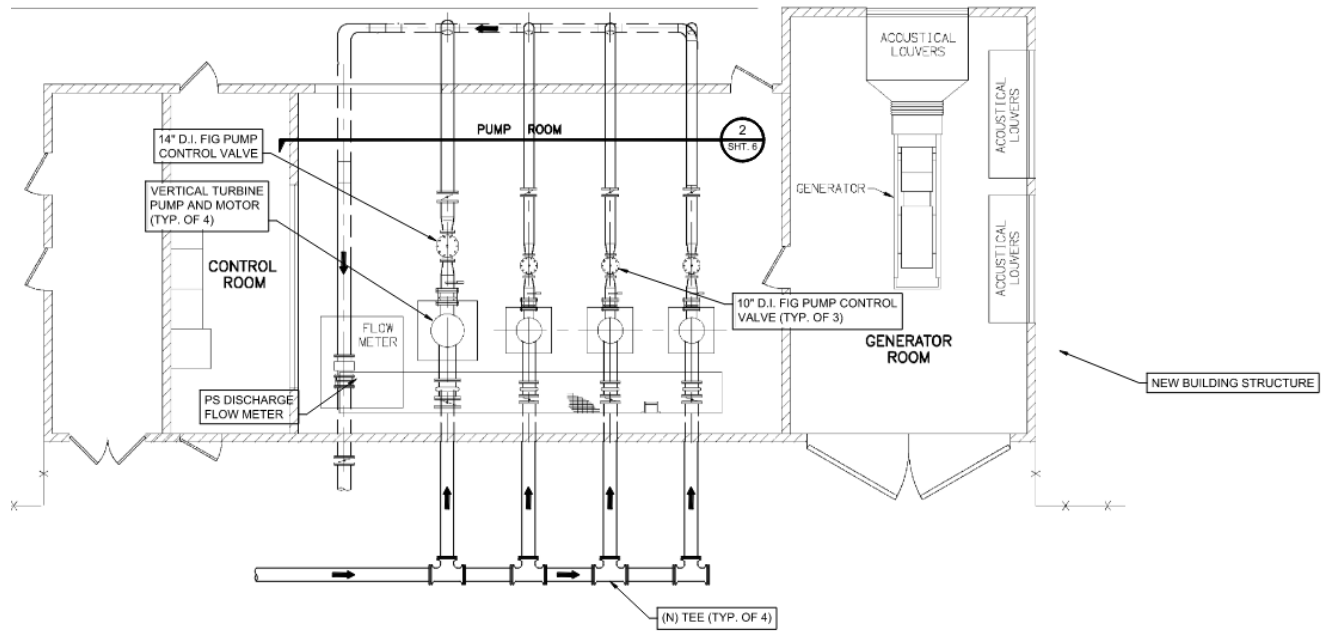


Figure 20: RGPS Building Layout

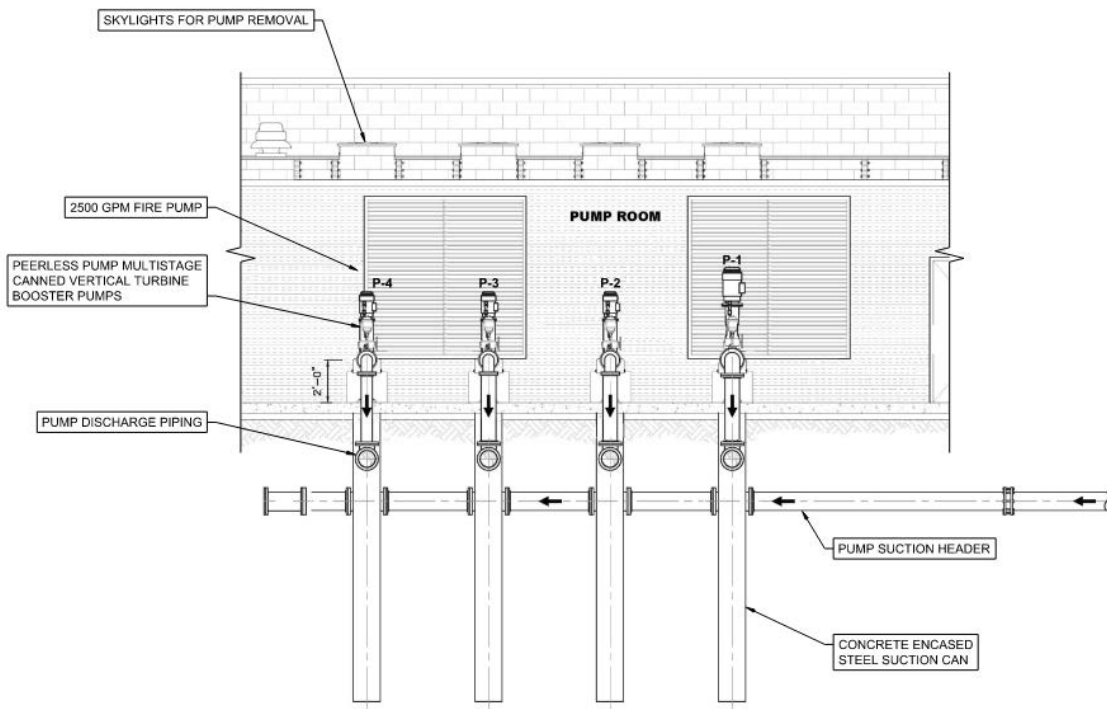


Figure 21: RGPS Pump Profile



### 6.2.3 Benefits

- Reduces the amount off equipment to operate and maintain
- Reduces energy usage by installing high efficiency pumps with more refined flow ranges
- Replaces mechanical equipment which has failed and/or reached the end of its useful life
- Reduces burden on staff

## 6.3 Domestic Water Tanks (Stuart Street)

### 6.3.1 Existing Condition

The Stuart Street storage tank facilities control the pressure in the middle pressure zone and are located between Richard Ave and Stuart Street, just south of Lawson Dr. The Stuart Street Tank III (Tank III) will be located on Stuart Street, south of the Stuart Street and Lawson Drive intersection. The proposed site is situated south of the existing Stuart Street Tanks, designated Tanks I and II, which are both above-grade steel-bolted tanks with a combined capacity of approximately 0.34 million gallons (MG). The existing tanks are constructed at an elevation of 441-feet with an overflow height of 24-feet. The site is accessed from Stuart Street and is directly adjacent to the residences to the north of the tanks.

### 6.3.2 Preliminary Solution

The solution evaluated was replacement of the existing two tanks with a third, single tank. The Stuart Street tanks are past their useful life and need to be replaced. Tank III is intended to mitigate supply deficiencies related to fire flow supply. A new welded steel tank with a storage volume of 365,000 gallons was assumed to accommodate for higher demands. The tank would have a diameter of 52-feet and an overflow height of 26.5-feet. The tank will have a high-water level matching the system hydraulic grade line of 462-feet and a floor elevation of 439-feet.

An above-round, circular steel-welded tank offers the most cost-advantageous construction for Tank III; however, site conditions severely limit the size of the reservoir that can be constructed. Specifically, the maximum tank diameter that can be constructed south of Tank II is limited to 52-feet. This assumes Tank III could be added with a 5-foot minimum setback for construction. At a maximum shell height of 23-feet to match the existing tank shell heights (i.e. Tanks I and II), the resulting volume of 365,000 gal would meet the fire flow supply at 2,500 gpm.

Design considerations for Tank III include the following:

- Above grade steel construction
- High Water Lever (HWL) of 462-feet
- Water circulation consistent with Department of Health Services (DHS) requirements, i.e. a diffuser or separator
- Separate inlet and outlet pipelines 180 degrees apart
- Accessibility to valve vaults and structures
- Consideration for water circulation through the reservoir to assist with water quality
- Roof access hatches and man way access

- Roof access with stairs or through ladder
- Personnel walk around access and scaffolding
- Provisions for compliance with City's storm water quality provisions

Tank III will be designed with separate inlet and outlet pipes for increased circulation through the reservoir as well as reduced “dead zones.” The facility will include access, inlet and outlet pipelines, inlet altitude valve vault and outlet check valve vault. Electrical and instrumentation will be provided on the project and will be designed to communicate directly with the City’s SCADA system.

The electrical demands of Tank III are minimal, consisting primarily of lighting, controls, and telemetry, and will be served by a small 120 / 240-volt metering pedestal to be installed at the site. The telemetry system will communicate via radio to Rodeo Grounds Pump Station (RGPS) and will indicate tank water level and any intrusion of gates and/or tank hatches for security.

A hydraulically operated altitude valve will control the inlet to the tank. The altitude valve will be a Cla-Val Model 210-01 globe style valve. The valve will open as the tank level drops and will close upon the tank reaching the high-water level. All set points are hydraulically controlled and can be modified and adjusted in the field.

The outlet to the tank will include a check valve to allow flow out of the tank and prevent flow from entering the tank, except through the altitude valve. This design enhances the flow patterns through the tank. The check valve will be equipped with outside weights and a lever or air cushion to prevent slamming of the valve.

Access to the tank will be through the manway access and the hatch located on the top of the tank. The manway will be 3-feet by 3-feet. The hatch will be 6-feet by 8-feet. Interior access stairs or a ladder with intermediate platforms will be provided.

MKN contacted Paso Robles Tank to provide a budgetary cost estimate for the tanks, with the above assumptions. The estimated cost of the tank is approximately \$495,000, which includes \$340,000 for the steel tank, \$85,000 for paint, and \$70,000 for the tank foundation.

An opinion of probable cost (OPC) was prepared for the construction of the storage tank. The OPC was prepared in accordance with the guidelines of the American Association of Cost Engineers (AACE). According to the definitions of AACE, the budget estimate is prepared with the use of cost curves, layouts, and equipment details. It is normally expected that an estimate of this type would be accurate within +30% or -15%. These percentages should be viewed as statistical confidence limits and should not be confused with contingencies.

The final costs of the project and resulting feasibility will depend on actual labor and material costs, competitive market conditions, actual site conditions, final project scope, implementation schedule, continuity of personnel and engineering, and other variable factors. As a result, the final project costs will vary from estimates presented here.

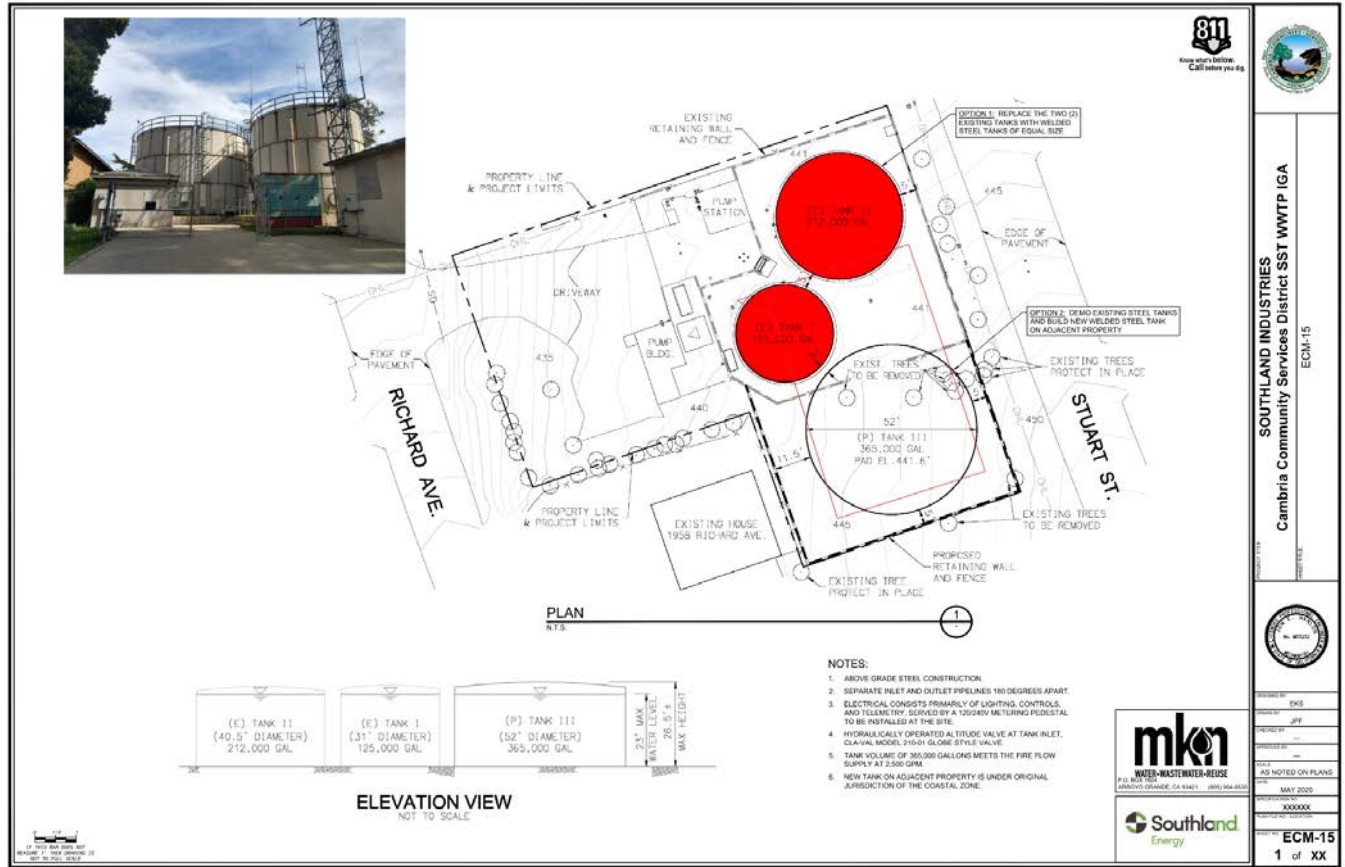


Figure 22: Stewart Street Tanks Site Plan

### 6.3.3 Benefits

- Replaces existing tanks which are at the end of useful life
- Coordinates storage with community demand and Fire Storage Requirements
- Improved reliability/efficiency of booster pump station

### 6.4 Water Fund Measures – Summary of Costs and Savings

These measures carry relatively high capital cost compared to the savings they produce. As such they should be considered in the context of an infrastructure upgrade as opposed to operating cost reduction measures.

Item	Cost	Savings
Well sites	\$532,141	\$4,733
Booster stations	\$2,774,580	-
Domestic Water Tanks	\$1,587,115	-
<b>Totals</b>	<b>\$4,893,836</b>	<b>\$4,733</b>

## 7 Appendix 3: Preliminary Assessment of General Fund Measures

### 7.1 Solar Photovoltaic (PV) System

#### 7.1.1 Existing Condition

Electricity for the District's facilities are currently purchased from PG&E's electric grid. The District currently does not have any renewable solar photovoltaic (PV) energy generation system installed.

#### 7.1.2 Preliminary Solution

This measure consists of installing a solar photovoltaic system rated at approximately 450 kWp at the San Simeon Well site. The proposed PV system will generate bill credits under the Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) Program to offset the electric costs at other District-owned facilities, including the waste-water treatment plant. The credits produced by the solar PV generation will offset 17 time-of-use electric (TOU) accounts in the District, thus providing electric cost savings to these accounts.



Cambria CSD  
San Simeon Well Site  
Cambria, CA 93428

Fixed Tilt Groundmount System  
1,232 - 375W panels = 462 kWp

Rev: 04/21/2020

#### 7.1.3 Benefits

The new PV systems will produce electricity without producing pollutants or greenhouse gas emissions that would otherwise come from the fossil fuel burning power generators. It will reduce the District's overall carbon footprint through renewable energy self-generation and help stabilize the District's budgets by reducing risk associated with the escalation of electric rates in the future.

## 7.2 Veteran's Hall Lighting

### 7.2.1 Existing Condition

The interior lighting at the Veteran's Memorial Hall is mainly fluorescent T8 lamps (32 watt) housed predominantly in 1x4 wrap fixtures. Some rooms in the building are lit with round flush mount fixtures. The exterior lights of the building are HID wall packs. Generally, the interior lights are manually controlled, and the exterior lights are equipped with photo-cell controls that switch on at dusk and off at dawn.

The traditional T8 fluorescent lamps have a useful life of between 10,000 to 15,000 burn-hours "mean time between failure (MTBF)." Ballasts for these fixtures typically last 25,000 burn-hours MTBF. In practice, lamp and ballast life is dependent on actual operating conditions such as hours of occupancy, switching frequency, and original manufacture quality.

### 7.2.2 Preliminary Solution

The focus of this energy conservation measure is to reduce energy consumption of Veteran's Memorial Hall's interior and exterior lighting systems, improve efficiency, improve the life-cycle costs associated with the lighting systems, and standardize the components of these systems.

In general, the indoor lighting systems will be improved through the installation of TLED lamp replacements for existing linear fluorescent fixtures. Building exterior lighting will be improved through the installation of new exterior rated LED fixtures and/or LED lamp replacements.

### 7.2.3 Benefit

This ECM will reduce energy use by approximately 3,546 kWh annually, reducing the District's electricity cost by approximately \$700. In addition, the much longer life of LED lamps (typically 50,000 hours) means lower maintenance expense.

## 7.3 District-owned Street Lighting

### 7.3.1 Existing Condition

Some of the lights illuminating the streets of Cambria are District-owned and the rest are utility-owned (PG&E). Most of the utility-owned lights have been converted to LED, while most of the District-owned lights are the older inefficient HID fixtures. The existing streetlights owned by the District are high pressure sodium (HPS) 100W fixtures, which provides an orange hue light. The District-owned fixtures are served through PG&E's LS2-A street lighting rate tariff, which applies a fixed usage and cost based on the lighting fixture type.

### 7.3.2 Preliminary Solution

This ECM proposes to replace the existing District-owned street lighting fixtures with compatible LED street lighting fixtures. The compatible LED fixtures will range from 25W-30W while providing comparable illumination and better color rendering index. This measure provides improve efficiency, improve the life-cycle costs associated with the street lighting systems, and standardize the components of these systems as much as is possible within the goals and financial constraints of this project.

### 7.3.3 Benefit

The proposed upgrades will increase fixture efficiency and lamp life and improve light quality while maintaining equal or greater light levels improving street security within the District. This measure will improve fixture life, reduce maintenance, and reduce energy use and costs associated with street lighting at the District.

## 7.4 General Fund Measures – Summary of Costs and Savings

These measures would only be pursued if they demonstrate an attractive payback. The Solar PV project is by far the largest of the three but has a payback of nearly 18 years. The lighting projects have good paybacks but are quite small with limited impact, and to date have not been a high priority.

Item	Cost	Savings
Solar PV	\$1,648,551	\$92,787
Veteran's Hall lighting	\$3,560	\$709
District-owned street lighting	\$15,866	\$2,708
<b>Totals</b>	<b>\$1,667,977</b>	<b>\$96,204</b>

## 8 Appendix 4 - Assumptions, Clarifications and Exclusions

### 8.1 General Assumptions / Clarifications- rev 1:

1. Pricing is based on prevailing wage for non-union labor.
2. The project schedule assumes that the District review time for submittals and design drawings will not exceed ten working days.
3. CCSD to provide access to 120V electrical service and potable water onsite.
4. Crane lifts can take place during normal working hours, CCSD will coordinate to have work areas below crane path of travel cleared of people during the crane lifts.
5. All demolished equipment will be removed from site and disposed of by the installing contractors. CCSD may retain any demolished equipment at its discretion.
6. CCSD will provide a location for a PG&E and/or its subcontractor construction trailer as well as storage trailers for our subcontractors and electrical power for office trailer.
7. Pricing is based on the standard workweek, 7:00AM to 4:00PM Monday through Friday. Shift differential premiums and overtime work hours are not included.
8. Prevailing wages are included for all trades, all labor is nonunion.
9. Standard DIR reporting and compliance.
10. We will be working in existing facilities, however we do not have upgrades or repairs to existing systems included unless specifically mentioned herein.
11. Retention not to exceed 5%, payable within 30 days of Substantial Completion.
12. Monthly progress invoices will be issued using standard percent of completion methodology, payable on Net 30 basis.
13. Pricing is valid until Aug 31, 2022. Given continuing market volatility, associated particularly with material and specialty equipment as well as exceptionally tight local labor markets, it is impossible to guarantee pricing beyond this date. Pricing relating to PG&E and Southland labor is fixed and will not change unless CCSD requests a change in scope. With respect to costs originating in our supply chain, we will make all reasonable effort to contain any increase in pricing which may occur if subcontractor labor and material pricing are unable to be finalized prior to the expiration of pricing and will make all commercially reasonable efforts to expedite submittal design and review processes accordingly in order to fix prices at the earliest date possible. To minimize project cost, we have expressly excluded material and labor cost escalation beyond an annual 3.5% CPI increase. As a result, we strongly recommend that CCSD carry an owner-controlled escalation contingency of at

least \$500,000 until such time as all material orders are placed at fixed prices. Any use of these funds would occur only after a duly executed Change Order is approved by CCSD. Any unused amount would be retained by CCSD.

14. Warranty will be one year from date of beneficial use.

## 8.2 Item Specific Assumptions / Clarifications

1. Should the existing aging existing backup generator not be functional, a backup rental 500KW portable generator deployment including fuel is included in this proposal, it is based on 72-hour duration with continuous operation of generator of 48 engine hours. This generator is made ready during the planned power outage and prewired for deployment within 1 hour of a potential failure of CCSD's existing backup generator. Note that a quote for the 2-day rental, delivery, pickup, and fueling costs are quoted for 08/31/22. The actual deployment of the equipment would not be until the project is underway some time in 2024. It is impossible to price-protect that far out with any accuracy. For pricing purposes, a 10% contingency has been applied to the rental, and a 25% contingency adder has been applied to fueling costs relative to this temporary generator deployment. This entity would be revisited later during the actual project, to quantify an additive, or deductive change order according to future costs.
2. Fuel for any potential use of the district's backup Generator, in any capacity will be the responsibility of the district. District will also remove any fuel from the 500 gal fuel tank prior to removal by Southland.
3. Existing transformer secondary feed conduits are to be abandoned below grade locally near the transformer and sealed with concrete grout or solvent-weld caps, locally near the transformer, as necessary, to allow for backfill and prior to installation of new transformer and completion of conduit runs. This is to minimize disruption of driveway and reduce outage-dependent tasks.
4. The new switchgear equipment is seismically certified and has been qualified to the site-specific seismic requirements of the listed model building codes and/or standards. Optional construction features may be required, depending on the location and site-specific requirements of the installation and the particular code and/or standard of interest. Seismic certificates of compliance will be provided by the manufacturer.
5. Routing of underground conduits is assumed to be diagonal and the shortest distance between two points.
6. Core Drilling of foundation of MCC room for U/G conduit penetrations is included.



7. At time of bid no party has expressed interest in the salvaged generator. Included in the proposal is loading, offloading and transport of the removed equipment at a 12,000 lb limit, within a destination of 100 miles.
8. Demolition of the existing generator is based on removal and reinstallation of existing wall louver with no additional modification to the existing louver.
9. Abandoned generator anchorage, to be ground flush with surrounding grade.
10. New Utility transformer, provision and placement and anchorage along with wire and termination between new switchgear and utility transformer will be by PG&E.
11. Standard rock clauses shall apply.
12. For ECM-3 we are assuming that the district will provide aeration basin blower air piping, isolation or bypassing.
13. We have assumed that scum trough will be manually actuated.
14. We have assumed 100 sqft of recoating of the tank exterior for ECM-1.

### 8.3 Exclusions:

1. Overtime labor.
2. Hazmat testing or remediation.
3. Painting of new conduits or curbs.
4. Upgrades or repairs to existing equipment or infrastructure not specifically detailed herein.
5. Liquidated damages.
6. Permits, fees, Inspection fees other than special inspections.
7. Stainless Steel Enclosure for Generator.
8. Reconnect existing Backup Generator to new ATS
9. Sewer bypassing/flow control.
10. Groundwater pumping/treatment/disposal.
11. Import or export of material for excavating.
12. Tenting/containment of dehydration equipment for tank coating.

13. SCADA Exclusions:

- a. Panel PG's at PLC Panels
- b. Mobile SCADA
- c. Integrate 4 lift stations.
- d. Mesh wifi indoor and outdoor.
- e. Bring in grit pumps (scheduled control) and headworks screen auger.
- f. Bring Historical data into new system.
- g. Separate WW License and Server from Water.

14. COVID-19 Impact: In preparing this proposal, we have assumed "normal" construction practices (pre-pandemic), meaning we have assumed that our shop and field labor productivities will reflect what we have historically achieved through pre-pandemic operations. We have also assumed that our material and subcontractor supply chain both related to pricing and deliveries are similarly unaffected. We will use our best efforts to staff the project with safe and uninfected workers, and we will attempt to comply with social distancing, wipe-downs, additional PPE, additional health screenings, increased janitorial services, and other project and owner mandated safety measures while attempting to meet the scheduled completion date. Because this is such a fluid issue and there are so many unanswered variables, we reserve the right to seek an excusable extension of time if Southland or its subcontractors and suppliers are unable to maintain planned crew sizes, experience supply shortages or governmental restraints on business, travel and/or assembly. Additionally, Southland reserves our right to seek adjustments to the contract amount and/or time associated with factors related to the pandemic which may impact our labor and material costs. We reserve the right to have our legal team review contractual language related to this issue before entering into any contractual agreement, whether a Master Service Agreement (MSA) exists or not. Southland will keep you apprised of any issues that may develop during these uncertain times and will work with the project team to assess the overall impact to the project and develop potential mitigation strategies as appropriate. Additionally, Southland welcomes the opportunity to explore alternative project delivery methods that may help minimize the impact of the pandemic.

**WORK ORDER  
IMPLEMENTATION PROJECT**

This WORK ORDER (“Work Order”), effective as of \_\_\_\_\_, 202\_ (“Work Order Effective Date”) is made and entered into by and between Cambria Community Services District (“Customer”) and Pacific Gas and Electric Company (“PG&E”). This Work Order is subject to the terms and conditions of the PG&E Services Agreement between Customer and PG&E entered into on or about \_\_\_\_\_, 202\_ (“Services Agreement”). Customer and PG&E are referred to collectively as the “Parties.”

In accordance with the provision of the Services Agreement, the Customer wishes to engage PG&E to provide the Implementation Work, defined below in Section 1, subject to the terms of the Services Agreement and hereby notifies PG&E to commence work on the following Project:

PROJECT NAME: CCSD Wastewater Treatment Plant – SST Measure Implementation

CONTRACT No.: \_\_\_\_\_

AMOUNT OF WORK ORDER: \$10,956,549

**1. SCOPE OF WORK**

1.1 PG&E will procure equipment for, construct, implement and deliver to Customer those measures described in the Scope of Work (“SOW”) at the designated Customer facilities described in the SOW (each facility a “Site” and collectively the “Sites”). The SOW is attached hereto as Exhibit A and incorporated by reference herein. The services to be performed under this Work Order shall be referred to hereinafter as the “Implementation Work”.

PG&E shall have no obligations to perform any Implementation Work under this Work Order unless and until PG&E and Customer have signed this Work Order. The issuance of this Work Order does not commit PG&E to perform any future work for Customer.

1.2 Subcontractors. PG&E reserves the right to engage third party subcontractors (“Subcontractors”) to perform some or a portion of the Implementation Work. PG&E agrees that, as between PG&E and Customer, PG&E shall be solely responsible for the Subcontractors performance of the Implementation Work under this Work Order. In addition, unless otherwise set forth in this Work Order, the fees and costs billed to Customer shall be inclusive of any and all fees and compensation due to any Subcontractors. PG&E shall be responsible for the payment of any compensation, monies, wages or other payment due or allegedly due Subcontractors. For purposes of this Agreement, PG&E and its Subcontractors shall be collectively referred to as “PG&E”.

1.3 Term of Work Order. This Work Order shall commence upon the Work Order Effective Date and continue until \_\_\_\_\_; unless sooner terminated or extended as permitted under the Services Agreement (the Work Order Term”).

## **2. PERFORMANCE OF THE IMPLEMENTATION WORK**

### **2.1 Project Construction**

2.1.1 PG&E's Responsibilities. On the date Customer in writing authorizes and directs PG&E to commence construction of the Project, PG&E shall commence and complete construction and implementation of the Project in accordance with the Services Agreement, this Work Order, the attached SOW and any applicable Change Orders. PG&E will provide all professional and other services, labor, materials, equipment, tools, transportation and other services necessary for the proper performance and completion of the Implementation Work. PG&E will be responsible for the means, methods, techniques, sequences and procedures to implement the Project, and shall oversee Project construction. PG&E shall be responsible for preparation of the Site for the Implementation Work. It is acknowledged and agreed that PG&E, working on Customer's behalf, will provide all services to obtain all permits and approvals necessary to proceed with the Implementation Work. Permitting fees will be the responsibility of the Customer.

2.1.1.1. PG&E will use commercially reasonable efforts to minimize disruption to Customer's use and operations at the Site. PG&E will provide at least ten (10) calendar days written notice to Customer of any planned power or other utilities outages that will be necessary for the Implementation Work. Customer will cooperate with PG&E in scheduling such outages, and Customer agrees to provide its reasonable approval of any scheduled outage.

2.1.1.2. PG&E shall take all reasonable precautions to ensure the safety and protection of PG&E personnel, Subcontractor employees and Customer employees.

### **2.1.2 Customer's Responsibilities.**

2.1.2.1. Customer will take reasonable measures to provide PG&E, its personnel and Subcontractors with site access, suitable office space and other reasonable accommodations and facilities necessary to permit PG&E personnel and its Subcontractors to perform the Implementation Work on this Project. While working on the Site, if requested by Customer, the PG&E Project team personnel will be located in an area adjacent to Customer's subject matter experts and technical personnel, and all necessary security badges and clearance will be provided for access to this area, all in accordance with Customer's vendor policies.

Additionally, upon request Customer will provide to PG&E and its Subcontractors relevant site information or documents necessary to perform the Implementation Work, including but not limited to a copy of this Work Order, all Change Orders, the Services Agreement, a copy of relevant drawings, specifications, operation and maintenance manuals for equipment at the Site, and other pertinent documents.

2.1.2.2. Customer will arrange for a temporary staging area for the storage and assembly of equipment for completion of the Implementation Work, if needed.

2.1.2.3. Customer will coordinate the Implementation Work to be performed by PG&E with the Customer's operations and other activities and with any other construction project that is ongoing at or around the Site.

2.2 Commissioning Services. PG&E shall perform commissioning services in accordance with the equipment manufacturers' startup and commissioning recommendations.

2.3 Certificate of Substantial Completion. Promptly upon substantial completion of each Project measure, PG&E will submit a Certificate of Substantial Completion to Customer for such measure. Upon receipt of such certificate, Customer may inspect the Implementation Work and meet with PG&E's Project Manager to determine if the Project measure has achieved substantial completion. Customer shall, within ten (10) business days of receipt of the Certificate of Substantial Completion, inform PG&E if Customer agrees that the Project measure has achieved substantial completion. If Customer disagrees that the Project measure has achieved substantial completion, Customer will specify in detail and in writing the deficiencies requiring correction in order to achieve substantial completion. When substantial completion has been achieved it will execute and return the Certificate of Substantial Completion to PG&E stating that: (i) the Project measure has achieved substantial completion and the date on which it did so, and (ii) that on and after that date Customer will assume responsibility for the Project measure's operation, maintenance and repair, for damage to or destruction of the Project measure, and for the Project measure's security and insurance coverage. Title to the Project measure materials and equipment installed pursuant to this Work Order shall pass to Customer on the date of substantial completion together with equipment warranties.

2.4 Close-Out Documentation. Within forty-five (45) days after each Certificate of Substantial Completion has been executed by Customer and received by PG&E, PG&E shall provide Customer with (a) any applicable governmental approvals, permits, and sign-offs, (b) all equipment specifications and ratings, (c) any applicable test data and reports, (d) final as-built and shop drawings, (e) operating instructions, operations and maintenance manuals and schedules, recommended spare parts lists, and all other written information relating to the Project measure, and (f) equipment warranties.

2.5 Final Completion. Promptly after PG&E reasonably believes that Final Completion has occurred, PG&E shall issue to Customer a Notice of Final Completion (defined below in Section 2.5.1). Thereafter, Customer shall, within fourteen (14) business days, deliver its acknowledgment that Final Completion has been achieved. The date of Final Completion shall be the date of Customer's written acceptance of PG&E's Notice of Final Completion. Customer's failure to respond within the fourteen (14) day notice period shall be deemed acceptance that Final Completion has occurred.

2.5.1 For purposes of this Work Order, the term "Final Completion" means the date when all of the following have been accomplished: (a) each Project measure has achieved Substantial Completion, (b) all "punch list" items have been completed, (c) all Close-out documentation has been delivered to Customer, (d) PG&E has delivered to Customer: (i) a release of all lien rights, (ii) certification that all claims for payment for labor and equipment for which PG&E is responsible have been paid or satisfied, (iii) copies of waivers/releases of lien rights by Subcontractors that have furnished more than twenty-five thousand dollars (\$25,000) of goods, services or both for the Project, (iv) notice of all outstanding claims of PG&E, any Subcontractor or equipment or materials supplier or distributor that may affect Customer, PG&E or the Project, (v) a letter of indemnification regarding claims not addressed by waivers/releases, and (vi) removal of all of PG&E and Subcontractors' personnel, supplies, equipment, waste materials, rubbish, and temporary facilities from the Site.

### **3. ORDER OF PRECEDENCE**

In the event of a conflict between the provisions of the Work Order, the Scope of Work, and the Services Agreement, the following order of precedence shall apply (in descending order): (a) this Work Order, (b) the Scope of Work, and (c) the Services Agreement.

### **4. CHANGE ORDERS**

If a Change occurs and a Change Order to this Work Order is necessary, the Parties agree to follow the Change Order process set forth in Section 4.2 of the Services Agreement.

### **5. AUTHORIZATION**

Upon receipt of the Work Order, Customer shall review the Work Order and verify that the terms of the Work Order are acceptable to Customer. Customer's execution of this Work Order shall indicate its acceptance of the terms and conditions set forth herein.

## **6. PAYMENT**

6.1 PG&E will submit monthly invoices to Customer based upon an agreed upon percentage completion of each task line item in the Schedule of Values (Exhibit B), which is attached hereto and incorporated by reference herein.

6.2 Each PG&E invoice will reference this Work Order and be submitted to Customer's billing address, which is Cambria Community Services District, P.O. Box 65, Cambria, CA 93428. Customer shall render, or instruct its financial institution to render, all payments to PG&E within thirty (30) days from the invoice date. Each payment made by Customer or its third-party designee must reference this Work Order and invoice number and be mailed to:

PACIFIC GAS AND ELECTRIC COMPANY  
Attn: Sales and Service Manager, Business Development  
P.O. Box 770000, Mail code: N10D  
San Francisco, CA 94177

6.3 Payment Disputes. If a payment dispute arises under this Work Order that is not settled promptly in the ordinary course of business, the parties shall first seek to resolve any such dispute between them by negotiating promptly in good faith negotiations. These negotiations shall be conducted by the respective designated senior managers (Director level or above) of each party responsible for their relationship, and shall be escalated internally by each party as reasonably necessary to seek resolution of the dispute. If the parties are unable to resolve the dispute between them through these negotiations within thirty (30) business days following their commencement (or within such other period as the parties may otherwise mutually agree upon), then the parties shall escalate the dispute to their most senior executives within their organization (VP level or above). Notwithstanding anything to the contrary in the Agreement or this Work Order, pending the resolution of the issues(s), PG&E may temporarily suspend its performance of the Implementation Work until such dispute has been resolved.

## **7. NOTIFICATIONS AND INTERFACE**

Both Parties shall contact and/or deliver written notices (email is allowed) to the business contacts below in the normal course of business, and in the event of any problems which may significantly affect the performance of the Implementation Work under this Work Order.

**BUSINESS CONTACTS**

## CUSTOMER REPRESENTATIVE

Name	<u>Ray Dienzo</u>
Title	<u>District Engineer</u>
Address	<u>1316 Tamsen Street, Suite 201, Cambria, CA 93428</u>
Telephone	<u>805-927-6119</u>
Email	<u>RDienzo@Cambriacsd.org</u>

## PG&amp;E REPRESENTATIVE

Name	<u>Nick Burke</u>
Title	<u>Manager, Energy Consulting Services</u>
Address	<u>245 Market Street, Mail Code N10D San Francisco, CA 94105</u>
Telephone	<u>925-348-4547</u>
Email	<u><a href="mailto:Nick.Burke@pge.com">Nick.Burke@pge.com</a></u>

## CUSTOMER BILLING CONTACT

Name	<u>Denise Fritz</u>
Title	<u>Finance Manager</u>
Address	<u>P.O. Box 65 Cambria, CA 93428</u>
Telephone	<u>805-927-6118</u>
Email	<u></u>

**8. OWNERSHIP OF EQUIPMENT**

8.1 Ownership and title to any equipment purchased by PG&E on Customer's behalf pursuant to this Work Order will be transferred to Customer upon Customer's payment for the particular equipment and no further agreement will be necessary to transfer ownership to the Customer.

8.2 PG&E shall not be liable for any claims, liabilities, or losses arising out of, resulting from or in any way connected with Customer's use of the equipment.



**9. AUTHORITY**

Each Party represents and warrants that the individual signing below, as well as any Change Orders and approvals hereunder, has and shall have all requisite power and legal authority to bind the Party on whose behalf he/she is signing to that Party's obligations hereunder.

IN WITNESS THEREOF, the parties agree to be bound by this Work Order as of the date first set forth above.

CAMBRIA COMMUNITY SERVICES  
DISTRICT

PACIFIC GAS AND ELECTRIC COMPANY

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

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

Print Name: Donn Howell

Print Name: Marlene Santos

Title: Board President

Title: Chief Customer Officer

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

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

**EXHIBIT A**  
**SCOPE OF WORK**  
**(Including Assumptions, Clarifications and Exclusions)**

**SOW Overview**

PG&E will provide implementation services for the facility improvement measures (“FIMs”) summarized below.

FIM Description	Cost
Flow equalization	\$ 2,870,520
Influent lift station	\$ 34,496
Modified Ludzak - Ettinger upgrade	\$ 1,785,510
Blower consolidation / replacement	\$ 444,666
RAS / WAS improvements	\$ 948,833
New transformer, Y series breaker	\$ 407,075
Generator replacement	\$ 677,707
SCADA	\$ 843,208
Civil scope for electrical ECMs	\$ 676,488
Final design	\$ 375,568
General Conditions Cost	\$ 1,364,074
Project Development Costs	\$ 528,404
<b>Totals</b>	<b>\$ 10,956,549</b>

SOW is described in detail in the revised IGA Report dated August 26, 2022 and incorporated by reference. The IGA Report consists of 62 pages of narrative description in addition to preliminary design drawings, specifications and sequences. These documents reside on a cloud-based server (“OneHub”) accessible by CCSD and PG&E staff.

**General Assumptions / Clarifications:**

1. Pricing is based on prevailing wage for non-union labor.
2. The project schedule assumes that the District review time for submittals and design drawings will not exceed ten working days.
3. CCSD to provide access to 120V electrical service and potable water onsite.
4. Crane lifts can take place during normal working hours, CCSD will coordinate to have work areas below crane path of travel cleared of people during the crane lifts.
5. All demolished equipment will be removed from site and disposed of by the installing contractors. CCSD may retain any demolished equipment at its discretion.
6. CCSD will provide a location for a PG&E and/or its subcontractor construction trailer as well as storage trailers for our subcontractors and electrical power for office trailer.
7. Pricing is based on the standard workweek, 7:00AM to 4:00PM Monday through Friday. Shift differential premiums and overtime work hours are not included.
8. Prevailing wages are included for all trades, all labor is nonunion.
9. Standard DIR reporting and compliance.
10. We will be working in existing facilities, however we do not have upgrades or repairs to existing systems included unless specifically mentioned herein.
11. Retention not to exceed 5%, payable within 30 days of Substantial Completion.
12. Monthly progress invoices will be issued using standard percent of completion methodology, payable on Net 30 basis.
13. Pricing is valid until Aug 31, 2022. Given continuing market volatility, associated particularly with material and specialty equipment as well as exceptionally tight local labor markets, it is impossible to guarantee pricing beyond this date. Pricing relating to PG&E and Southland labor is fixed and will not change unless CCSD requests a change in scope. With respect to costs originating in our supply chain, we will make all reasonable effort to contain any increase in pricing which may occur if subcontractor labor and material pricing are unable to be finalized prior to the expiration of pricing and will make all commercially reasonable efforts to expedite submittal design and review processes accordingly in order to fix prices at the earliest date possible. To minimize project cost, we have expressly excluded material and labor cost escalation beyond an annual 3.5% CPI increase. As a result, we strongly recommend that CCSD carry an owner-controlled escalation contingency of at least \$500,000 until such time as all material orders are placed at fixed prices. Any use of these

funds would occur only after a duly executed Change Order is approved by CCSD. Any unused amount would be retained by CCSD.

14. Warranty for parts and labor will be one year from date of beneficial use.

#### **Item Specific Assumptions / Clarifications**

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4. The new switchgear equipment is seismically certified and has been qualified to the site-specific seismic requirements of the listed model building codes and/or standards. Optional construction features may be required, depending on the location and site-specific requirements of the installation and the particular code and/or standard of interest. Seismic certificates of compliance will be provided by the manufacturer.
5. Routing of underground conduits is assumed to be diagonal and the shortest distance between two points.
6. Core Drilling of foundation of MCC room for U/G conduit penetrations is included.
7. At time of bid no party has expressed interest in the salvaged generator. Included in the proposal is loading, offloading and transport of the removed equipment at a 12,000 lbs.

limit, within a destination of 100 miles.

8. Demolition of the existing generator is based on removal and reinstallation of existing wall louver with no additional modification to the existing louver.
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14. We have assumed 100 sq. ft. of recoating of the tank exterior for ECM-1.

**Exclusions:**

1. Overtime labor.
2. Hazmat testing or remediation.
3. Painting of new conduits or curbs.
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11. Import or export of material for excavating.
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13. SCADA Exclusions:
  - a. Panel PG's at PLC Panels
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  - c. Integrate 4 lift stations.
  - d. Mesh wifi indoor and outdoor.
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  - f. Bring Historical data into new system.
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14. COVID-19 Impact: In preparing this proposal, we have assumed “normal” construction practices (pre-pandemic), meaning we have assumed that our shop and field labor productivities will reflect what we have historically achieved through pre-pandemic operations. We have also assumed that our material and subcontractor supply chain both related to pricing and deliveries are similarly unaffected. We will use our best efforts to staff the project with safe and uninfected workers, and we will attempt to comply with social distancing, wipe-downs, additional PPE, additional health screenings, increased janitorial services, and other project and owner mandated safety measures while attempting to meet the scheduled completion date. Because this is such a fluid issue and there are so many unanswered variables, we reserve the right to seek an excusable extension of time if Southland or its subcontractors and suppliers are unable to maintain planned crew sizes, experience supply shortages or governmental restraints on business, travel and/or assembly. Additionally, Southland reserves our right to seek adjustments to the contract amount and/or time associated with factors related to the pandemic which may impact our labor and material costs. We reserve the right to have our legal team review contractual language related to this issue before entering into any contractual agreement, whether a Master Service Agreement (MSA) exists or not. Southland will keep you apprised of any issues that may develop during these uncertain times and will work with the project team to assess the overall impact to the project and develop potential mitigation strategies as appropriate. Additionally, Southland welcomes the opportunity to explore alternative project delivery methods that may help minimize the impact of the pandemic.

**EXHIBIT B**  
**SCHEDULE OF VALUES**

<b>Cambria WWTP Schedule of Values</b>	<b>Rev 2</b>
<b>Item</b>	<b>Amount</b>
<b>Mobilization</b>	
Mobilization 10% due upon contract execution	1,095,198
Project development costs	528,404
<b>Preconstruction</b>	
Final mechanical, electrical, civil design	338,012
Final control sequences and SCADA design	109,252
Permitting	30,058
<b>Construction</b>	
Mobilization / equipment order	4,047,284
Civil / trenching	608,839
Mechanical	2,925,395
Generator installation	219,668
Transformer replacement	170,853
Site-wide electrical	97,630
SCADA installation	733,956
<b>Closeout</b>	
Commissioning and testing	28,000
Manuals	12,000
Training and turnover	12,000
<b>Total</b>	<b>10,956,549</b>

August 31, 2022

The Cambria Community Services District (CCSD) hereby provides this non-binding Letter of Intent (LOI) to Pacific Gas & Electric (PG&E) to execute, by September 30, 2022, or as soon thereafter as funding is in place, the attached Work Order (WO) for construction of the CCSD WWTP Upgrade project described therein, subject to the following conditions:

1. Award of the WO to PG&E is contingent upon receipt by CCSD of funding sufficient to pay for the Scope of Work (SOW) described in the WO.
2. Review and approval of all documents related to the WO and financing for the WWTP Upgrade project by District Counsel.

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John F. Weigold, IV  
General Manager  
Cambria Community Services District