

GOLETA WEST SANITARY DISTRICT

Special Board Meeting

AGENDA

Date: August 8, 2022

2:00 PM

UCSB Campus, Parking Lot 32

Santa Barbara, CA 93106

(District Office)

In response to the spread of the COVID-19 virus, Governor Newsom declared a state of emergency which directly impacts the ability of board members and members of the public to meet safely in person. To help minimize the potential spread of the COVID-19 virus, the Goleta West Sanitary District has decided to hold this public meeting telephonically pursuant to the requirements of Government Code section 54953(e) (as amended by AB 361). Members of the public are invited to attend and participate in the Goleta West Sanitary District Board Meeting as follows:

Join Zoom Meeting:

<https://us02web.zoom.us/j/9609647119>

Meeting ID: 960 964 7119

Dial by your location

+1 669 900 6833 US (San Jose)
+1 253 215 8782 US (Tacoma)
+1 346 248 7799 US (Houston)
+1 929 205 6099 US (New York)
+1 301 715 8592 US (Washington DC)
+1 312 626 6799 US (Chicago)
877 853 5257 US Toll-free
888 475 4499 US Toll-free

Please contact the District office by phone (805-968-2617) or email (info@goletawest.org) with any questions.

1. CALL TO ORDER

2. ROLL CALL

Members: President Meyer, Directors Turenchalk, Bearman, Lewis, Geyer

3. APPROVE THE ORDER OF THE AGENDA

4. RE-RATIFICATION OF RESOLUTION NO. 21-804 -- RE-RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY THE GOVERNOR OF THE STATE OF CALIFORNIA ON MARCH 4, 2020, AND RE-AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF GOLETA WEST SANITARY DISTRICT PURSUANT TO BROWN ACT PROVISIONS.

- a. The Board will consider re-ratifying Resolution No. 21-804 and determining that existing circumstances continue to justify holding remote teleconference board meetings.

5. PUBLIC COMMENT

The public may address the Board for no more than (3) minutes on any issue within the District's jurisdiction which is not on the agenda. No action will be taken on any non-agenda item, except as provided by law.

6. APPROVAL OF THE MINUTES FOR THE SPECIAL BOARD MEETING OF AUGUST 2, 2022.

DISCUSSION-ACTION AGENDA

The Board will consider and may take action on the following items.

7. CONSIDERATION OF ENGINEERING PEER REVIEW OF PHASE 1 OF THE GOLETA SANITARY DISTRICT BIOSOLIDS & ENERGY STRATEGIC PLAN (BESP) PROJECT.

- a. Mr. John Mukhar of Mott Macdonald Engineering will present a final engineering peer review report on Phase 1 of GSD's proposed BESP project.
- b. The Board may receive and file the final engineering peer review report of the GSD BESP as presented.

8. CONSIDERATION OF CONSENT TO PHASE 1 OF THE GSD BESP PROJECT.

- a. The Board will consider approving and adopting Resolution No. 22-809 authorizing the Board President to execute an agreement with GSD consenting to Phase 1 of the BESP Project (including paying a proportionate share of related costs) and adopting responsible agency findings pursuant to CEQA for the BESP Project.

9. CONSIDERATION AND APPROVAL OF ADOPTING DEBT MANAGEMENT POLICY.

- a. The Board will consider approving and adopting Resolution No. 22-810 implementing a Debt Management Policy for the District.

10. CONSIDERATION AND APPROVAL OF INSTALLMENT SALE FINANCING DOCUMENTS AND RELATED ACTIONS FOR PHASE 1 OF THE BESP PROJECT AND THE DISTRICT'S OTHER CAPITAL IMPROVEMENT PROJECTS.

- a. The Board will consider approving and adopting Resolution No. 22-811 authorizing the CSDA financial team, staff and counsel to issue debt in the amount of \$14 million for purposes of funding Phase 1 of the BESP project and other District capital improvements per the proposal submitted by Truist Financial Corporation. If adopted, said resolution will permit the execution of all necessary associated documents.

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

Written materials relating to an item on this agenda that are distributed to the Goleta West Sanitary District within 48 hours before the meeting during which the item will be considered are made available for public inspection at the District administrative offices located at UCSB Campus, Parking Lot 32, Santa Barbara, CA, during business hours.

August 2022

August 2022							September 2022						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6					1	2	3
7	8	9	10	11	12	13	4	5	6	7	8	9	10
14	15	16	17	18	19	20	11	12	13	14	15	16	17
21	22	23	24	25	26	27	18	19	20	21	22	23	24
28	29	30	31				25	26	27	28	29	30	

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Jul 31	Aug 1 6:30pm GSD Board Meeting	2 5:30pm City of Goleta Council Meeting 5:30pm Regular Board Meeting	3 12:00pm SBCCSDA Executive Board Meeting	4 1:00pm Special Engineering Committee Meeting	5	6
7	8 8:00am meet with counsel and GSD 11:00am GSD Special Board Meeting 2:00pm Special Board	9 5:30pm Goleta Water District Board Meeting 6:00pm IVCSD Board Meeting	10 11:00am Management Committee Meeting	11 6:00pm IVR&PD Regular Meeting	12 Board Candidate Filing Period Deadline	13
14	15 6:30pm GSD Board Meeting	16 5:30pm City of Goleta Council Meeting	17 6:00pm Santa Barbara Airport Commission Mtg	18	19	20
21	22 6:00pm SBCCSDA Chapter Meeting	23 6:00pm IVCSD Board Meeting	24	25	26	27
28	29	30	31	Sep 1	2	3

September 2022

September 2022							October 2022						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3							1
4	5	6	7	8	9	10	2	3	4	5	6	7	8
11	12	13	14	15	16	17	9	10	11	12	13	14	15
18	19	20	21	22	23	24	16	17	18	19	20	21	22
25	26	27	28	29	30		23	24	25	26	27	28	29
							30	31					

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Aug 28	29	30	31	Sep 1	2	3
4	5 8:00am Labor Day Holiday - GWSD Offices closed 6:30pm GSD Board Meeting	6 5:30pm City of Goleta Council Meeting 5:30pm Regular Board Meeting	7 12:00pm SBCCSDA Executive Board Meeting	8 6:00pm IVR&PD Regular Meeting	9	10
11	12	13 5:30pm Goleta Water District Board Meeting 6:00pm IVCSD Board Meeting	14	15	16	17
18	19 6:30pm GSD Board Meeting	20 5:30pm Regular Board Meeting 5:30pm City of Goleta Council Meeting	21 6:00pm Santa Barbara Airport Commission Mtg	22	23	24
25	26 6:00pm SBCCSDA Chapter Meeting	27 6:00pm IVCSD Board Meeting	28	29	30	Oct 1

GOLETA WEST SANITARY DISTRICT

DATE: AUGUST 8, 2022

AGENDA ITEM: #6

**AGENDA TITLE: APPROVAL OF THE MINUTES FOR THE REGULAR BOARD
MEETING OF AUGUST 2, 2022.**

**MINUTES OF THE REGULAR BOARD MEETING
OF THE GOLETA WEST SANITARY DISTRICT
UCSB CAMPUS, PARKING LOT 32, SANTA BARBARA, CALIFORNIA
AUGUST 2, 2022**

POSTING OF THE AGENDA

The agenda notice for this meeting was posted on the door of the administrative office of the Goleta West Sanitary District and on the District's website at least 48 hours in advance of the meeting.

This Board meeting was conducted pursuant to California Government Code Section 54953 and Governor Newsom's Executive Order, N-29-20, temporarily suspending portions of the Brown Act to implement social distancing in response to the COVID-19 pandemic. Members of the Board participated in this meeting remotely. Public Comment on agenda items also could occur remotely.

1. CALL TO ORDER

Vice President Turenchalk called the meeting to order at 5:32 PM.

2. ROLL CALL: BOARD MEMBERS PRESENT

Eva Turenchalk – attended remotely

David Bearman M.D. – attended remotely

David Lewis – attended remotely

Craig Geyer – attended remotely

BOARD MEMBERS ABSENT

Larry Meyer

STAFF PRESENT

Brian McCarthy – General Manager/Board Clerk-Secretary

Jena Acos – District Counsel – attended remotely

Jennifer Lee - District Counsel – attended remotely

Matthew Summers - Special Counsel – attended remotely

OTHERS PRESENT

John Mukhar – Mott Macdonald Engineering – attended remotely

Philip Pedros– Mott Macdonald Engineering – attended remotely

Sudhir Pardiwala – Raftelis Financial Consulting - attended remotely

Jeffrey Land – Oppenheimer & Co. Inc. – attended remotely

Julio Morales – Kosmont Transactions Services, Inc. – attended remotely

Steve Wagner – Goleta Sanitary District - attended remotely

Sharron Rose – Goleta Sanitary District – attended remotely

3. APPROVE THE ORDER OF THE AGENDA

No changes we made to the order of the agenda.

4. RE-RATIFICATION OF RESOLUTION NO. 21-804 -- RE-RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY THE GOVERNOR OF THE STATE OF CALIFORNIA ON MARCH 4, 2020, AND RE-AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF GOLETA WEST SANITARY DISTRICT PURSUANT TO BROWN ACT PROVISIONS.

(22-08-55)

Upon a motion by Director Geyer, seconded by Director Lewis, the Board approved re-ratification of Resolution No. 21-804 by the following roll call vote:

AYES: Geyer, Turenchalk, Lewis, Bearman
NOES: None
ABSTAIN: None
ABSENT: Meyer

5. **PUBLIC COMMENT**

None.

6. **APPROVAL OF THE MINUTES FOR THE SPECIAL BOARD MEETING OF JULY 18, 2022.**

(22-07-56)

Upon a motion by Director Bearman, seconded by Director Lewis, the Board approved the minutes of the Regular Board Meeting of June 6, 2022 as presented by the following roll call vote:

AYES: Turenchalk, Geyer, Lewis, Bearman
NOES: None
ABSTAIN: None
ABSENT: Meyer

7. **CONSIDERATION OF ADOPTION OF DISTRICT RESOLUTION NO. 22-808: A RESOLUTION OF THE GOLETA WEST SANITARY DISTRICT ADOPTING THE SEWER SERVICE CHARGE REPORT, DETERMINING EACH CHARGE DESCRIBED IN THE SAID REPORT AND DIRECTING THE DELIVERY THEREOF TO THE COUNTY AUDITOR OF THE COUNTY OF SANTA BARBARA.**

Staff provided a brief report summarizing that there have been no changes in sewer service charges from the previous year. Notice of Public hearing was published in the SB News Press as required on July 19 & 26, 2022. Vice President Turenchalk opened the public hearing at 5:35 PM. Having no public in attendance Vice President Turenchalk closed public hearing at 5:37.

(22-07-57)

Upon a motion by Director Bearman, seconded by Director Lewis, the Board adopted Resolution No. 22-808 by the following roll call vote:

AYES: Turenchalk, Geyer, Lewis, Bearman
NOES: None
ABSTAIN: None
ABSENT: Meyer

8. **CONSIDERATION OF CHANGE ORDER 12 & 13 FOR THE HEADQUARTER BUILDINGS IMPROVEMENT PROJECT 12-03.**

(22-07-58)

Upon a motion by Director Geyer, seconded by Director Lewis, the Board approved Change Order Nos. 12 & 13 for the Headquarters Buildings Improvement Project 12-03 as presented by the following roll call vote:

AYES: Bearman, Turenchalk, Lewis, Geyer
NOES: None

ABSTAIN: None
ABSENT: Meyer

9. **CONSIDERATION OF PRELIMINARY ENGINEERING PEER REVIEW OF GSD BIOSOLIDS & ENERGY STRATEGIC PLAN (BESP) AND GSD PHASE 1 PROPOSED PROJECTS.**

Mr. Mukhar and Mr. Pedros of Mott Macdonald Engineering provided a brief PowerPoint presentation and report to the Board on preliminary findings of their engineering peer review of the BESP Phase 1 projects. Mr. Mukhar will return to the August 8, 2022 Special Board Meeting with a final engineering peer review report. No action was taken by the Board on this item.

10. **CONSIDERATION OF PROPOSAL FROM TRUIST BANK FOR FINANCING OF GWSD APPROVED CAPITAL IMPROVEMENT PROJECTS.**

Staff gave a brief PowerPoint presentation and answered questions. Special Counsel gave a brief presentation and answered questions followed by District Counsel. Mr. Sudhir Pardiwala of Raftelis Financial Consulting gave a PowerPoint presentation and utilized a financial model to demonstrate different financial options and answer questions from the Board. Mr. Julio Morales, Kosmont

(22-07-59)

Upon a motion by Director Geyer, seconded by Director Lewis, the Board entering into an agreement with Truist Financial Corporation for financing of \$14,000,000 with a 5-year call at a 3.50% interest rate to fund GWSD approved capital improvement projects and directed staff and counsel to work with CSDA financial advisors to continue with processing the necessary documents for an August 12, 2022 closing date:

AYES: Bearman, Turenchalk, Lewis, Geyer
NOES: None
ABSTAIN: None
ABSENT: Meyer

11. **COMMUNICATIONS**

None.

11. **REPORTS**

Operations Report

The General Manager provided a report.

Goleta Sanitary District Special Meeting

The General Manager provided a report.

Santa Barbara Airport Commission

Director Lewis provided a report.

Special Finance Committee Meeting(s)

Director Lewis provided a report.

SBCCSDA Chapter Meeting

The General Manager provided a report.

Special Engineering Committee Meeting

Director Lewis provided a report.

Other Director Reports

None.

11. FUTURE AGENDA ITEMS

None.

12. ADJOURNMENT

There being no further business, Vice President Turenchalk adjourned the meeting at 7:37 PM.

APPROVED

Larry Meyer, Board President

Brian McCarthy, Board Clerk-Secretary

Operations Report

June 28 – July 11, 2022

Administration

Staff attended weekly Headquarter Buildings Upgrades Owner, Architect, Contractor (OAC) meetings. Construction of the underground concrete structural elements and preparations for the Operations Building and Shop slabs has been delayed. Delays are due to unforeseen conditions and need for engineering revisions. Progress has been made on electrical work in shop building.

Work on annual site verification and commercial billing cycle for sewer user fees to be placed on the FY 2022-2023 County tax roll is complete. Public notice will be placed in SB News press on July 19 & 26 for the August 2, 2022 Public Hearing for consideration of Resolution No. 22-808 placing FY 2022-2023 sewer service charges on the County of Santa Barbara tax roll.

Staff and counsel continue to work with GSD staff and counsel, CSDA Finance Corporation representatives, and other professional service providers as directed to compile information for the Board to perform due diligence investigation of the GSD Biosolids & Energy Sustainability Plan (BESP) Phase 1.

Staff remotely attended the Goleta Sanitary District July 8, 2022 Special Board Meeting and a GWSD Special Public Relations Committee Meeting.

Collection System

GWSD staff inspected cleaning and CCTV inspection of the private sewer system serving Cabrillo Business Park. Three new commercial buildings have been constructed on this property which required construction of a new sewer line connecting to the existing private collection system which was built in the 1960's. Cleaning and inspection of the system was a condition of final approval.

Staff responded to a lateral back up located at 6702 Del Playa Drive. A plumber was unable to clear the lateral and told customer the issue was located in the sewer mainline. Staff CCTV inspected the mainline serving the property and confirmed no issues in there were no issues in the mainline. Staff followed up with the customer.

Staff responded to an odor complaint located at 6626 Del Playa Drive in Isla Vista and determined it was not a sewer issue.

Staff is coordinating efforts to rebuild and repair a discharge valve at Emily lift station.

Staff continues to perform scheduled hydro cleaning in Isla Vista.

Industrial Waste & Environmental Compliance

Staff conducted an Industrial Wastewater Discharge Permit compliance inspection at the Teledyne FLIR facility.

Staff received and reviewed June estimates provided by Raytheon for well water utilized in their industrial processes and discharged to the sewer system.

Street Sweeping

Graffiti: None reported.

Abandoned vehicles: None reported.

Hours: 35.0

Miles: 284.4

Loads: 14

Additional sweeping was completed in Isla Vista during the summer break. (Fewer cars.)

Maintenance: Performed routine maintenance and inspections.

Marborg: 05/02/22 – 6.28 Tons
 05/19/22 – 9.38 Tons
 06/26/22 – 10.13 Tons

Table of Treatment Capacity in GSD Plant

GWSD Average Daily Flow	May 2022	MGD 2.17; 51.8875%
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Your environmental partner since 1954

Sewer Operations Cleaning Summary from July 8, 2022 to July 15, 2022

Descripton	Quantity
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Goleta West Sanitary District

Allowance of Claims

Jul 12, 2022 - Jul 14, 2022

Vendor ID	Vendor Name	Transaction Description	Posted Date	Document Amount
ADP01	ADP Inc	Payroll Svc	7/12/2022	859.32
ALL01	Alliant Insurance Services	Insurance Crime	7/12/2022	625.00
ALL08	CSRMA c/o Alliant Insurance Svcs, Inc.	Insurance Ppty	7/12/2022	997.00
AQU01	Aqua-Flo Supply	Vehicle Maintenance	7/12/2022	62.97
AUS01	Austin Catlin	Conference Reimbursement	7/12/2022	147.42
BAR01	Bartlett Pringle & Wolf LLC	Audit & Accounting Svcs	7/12/2022	357.00
BOONE	Boone Graphics	Office Supplies	7/12/2022	134.75
CAM01	Campbell Geo Inc	District Bldg Project	7/12/2022	22,056.74
CIN01	Cintas Corporation	Safety Supplies	7/12/2022	84.57
COA01	Coastal Copy	Office Equip Copier Contract	7/12/2022	245.02
COU07	County of Santa Barbara Public Works Dept.	Transfer Stn Recycling	7/12/2022	101.50
CWE07	CWEA	CWEA Certifications	7/12/2022	182.00
DAL01	Dal Pozzo Tire Corp	Vehicle Maintenance	7/12/2022	1,114.22
DUT01	Duthie Power Services	District Bldg Project	7/12/2022	1,225.94
EDU01	Eduardo Galindo Architect	District Bldg Project	7/12/2022	12,259.55
FIR01	First Bankcard	Operations Supplies	7/12/2022	129.43
FIR02	FirstNet	Wireless Svc	7/12/2022	333.14
FRO01	Frontier Communications	Phone Svc	7/12/2022	1,417.19
GOL04	Goleta Water District	Facility Water	7/12/2022	211.18
GON01	Gonzo's Small Engine Repair	Vehicle Maintenance	7/12/2022	250.00
HOM01	Home Depot Credit Svcs	Operations Supplies	7/12/2022	433.79
LAR01	Larry's Auto Parts	Vehicle Maintenance	7/12/2022	360.62
MAR01	Marborg Industries	Waste Removal & Rolloff	7/12/2022	6,163.55
MCC02	McCormix Corporation	Vehicle Fuel	7/12/2022	405.38
MIS01	Mission Linen Supply	Uniforms & Towels	7/12/2022	1,193.92
MSW01	Mountain Spring Water	Drinking Water	7/12/2022	162.80
NTN01	Newton Construction	District Bldg Project	7/12/2022	135,783.02
PLU01	Plumbers Depot, Inc.	Operations Supplies	7/12/2022	478.49
PML01	Pacific Materials Laboratory	District Bldg Project	7/12/2022	11,920.00
POD01	California Portable Storage Inc.	District Bldg Project	7/12/2022	245.97
RJM01	Russ Jones Metalworks	Operations Support	7/12/2022	24.00
SAN07	Santa Barbara County Water Agency	SB County Water Agency	7/12/2022	1,013.55
SIL01	Silvia's Cleaning Company, Inc.	Janitorial Svc	7/12/2022	1,140.00
SOU02	Southern California Edison Co	Electricity	7/12/2022	246.96
SPE01	Specialty Tool And Bolt	Operations Supplies	7/12/2022	22.41
SPE03	Special District Risk Management Authority	Insurance Life & Dental	7/12/2022	756.05
THE02	The Gas Company	Natural Gas	7/12/2022	67.44
THE08	The Regents of the University of California	Internet Svc	7/12/2022	206.50
UND01	Underground Service Alert	Dig Alerts	7/12/2022	82.60

Total Services & Supplies

203,500.99

Payroll - (n/a) pay date

-

Total

203,500.99

GOLETA WEST SANITARY DISTRICT

DATE: AUGUST 8, 2022

AGENDA ITEM: #7

AGENDA TITLE: CONSIDERATION OF ENGINEERING PEER REVIEW OF PHASE 1 OF THE GOLETA SANITARY DISTRICT BIOSOLIDS & ENERGY STRATEGIC PLAN (BESP) PROJECT

SUMMARY DESCRIPTION:

Mott Macdonald Engineering was retained by the District to perform an engineering peer review of the BESP and GSD Phase 1 proposed projects. Mr. John Mukhar, PE will present a final engineering peer review report to the Board.

The Board will consider accepting the final engineering peer review report of the GSD BESP as presented.

SUPPLEMENTARY MATERIAL:

Mr. Mukhar will provide a PowerPoint presentation and analysis.

GOLETA WEST SANITARY DISTRICT

DATE: AUGUST 8, 2022

AGENDA ITEM: #8

**AGENDA TITLE: CONSIDERATION OF CONSENT TO PHASE 1 OF THE GSD
BESP PROJECT.**

SUMMARY DESCRIPTION:

The Board will consider approving and adopting Resolution No. 22-809 authorizing the Board President to execute an agreement with GSD consenting to Phase 1 of the BESP Project (including paying a proportionate share of related costs) and adopting responsible agency findings pursuant to CEQA for the BESP Project.

SUPPLEMENTARY MATERIAL:

Staff Report

Resolution No. 22-809

GOLETA WEST SANITARY DISTRICT MEMORANDUM

Date: August 8, 2022

To: Board of Directors

From: Jena S. Acos
District Counsel

Subject: Consideration of an agreement regarding the undertaking of Phase 1 of the Biosolids and Energy Strategic Plan (BESP) project by Goleta Sanitary District

BACKGROUND

On November 28, 1960, Goleta Sanitary District (“GSD”), Goleta West Sanitary District (“GWSD” or “District”) (formerly known as the Isla Vista Sanitary District), the Regents of the University of California (“UCSB”), the City of Santa Barbara (“City”), and the County of Santa Barbara (“County”) (collectively, the “Contract Parties”) entered into an Agreement for the Expansion of the Goleta Sanitary District Sewage Disposal Treatment Plant Facilities (“1960 Agreement”). The 1960 Agreement, among other things, provides for the shared use of, and allocates the costs of certain expansion and operation costs related to, the Goleta Sanitary District Sewage Disposal Treatment Plant (the “Plant”). The 1960 Agreement has been amended several times to memorialize major upgrades to the Plant, in 1964, 1970, and 2007.

Subject to limited exceptions, the 1960 Agreement requires GSD to obtain the consent of GWSD and UCSB before undertaking certain Plant improvements. In May of this year, when the District became aware of its potential obligation for the full cost of the BESP project, staff requested a new amendment to the 1960 Agreement be signed by all the Contract Parties outlining every agency’s financial responsibility for the Plant upgrades. GSD has refused such an amendment, and reports that it has had issues entering into meaningful discussion with UCSB, which would be responsible for approximately 7.09% of project costs. GSD also relayed that it was concerned about getting an amendment approved and executed by the other agencies that are party to the 1960 Agreement on such a short timeline. As such, the attached draft agreement is a standalone agreement with the District.

Some of the main points of the draft agreement are as follows:

- Plant Improvement: GWSD consents to the Phase 1 Project to be carried out by GSD.
- Cost Allocation: GWSD agrees to pay 40.78% of project costs, not to exceed \$5,209,184.19 for construction costs and an additional \$61,229.95 in related “soft costs”.
- Payment Schedule: GSD shall invoice GWSD for its share of BESP Project costs within 60 days of receiving an invoice and GWSD shall make payments within 60 days of receipt of said invoice. The Contract Parties shall meet quarterly to update and manage actual costs of the Project, to address any invoicing or payment issues, and to review and agree upon the Project budget for the upcoming fiscal year.
- GWSD is not making any commitment to future phases of the Project.
- Environmental Review: GSD shall be the lead agency for purposes of complying with the California Environmental Quality Act, and has already completed environmental review for Phase 1.
- Notification Policy: In order to ensure that GWSD remains informed regarding future projects, GSD will adopt a policy providing that the GSD and GWSD general managers will meet quarterly to discuss any future projects and that GSD’s general manager will make a presentation on an annual basis addressing future projects and the state of the Plant facilities.
- Indemnification: Staff is still negotiating the draft agreement’s indemnification language regarding protection from liabilities arising from project management and/or contractor claims. However, GSD has agreed to indemnify GWSD for any liabilities related to GSD’s noncompliance with CEQA.

DISCUSSION

As of the writing of this staff report, there are ongoing negotiations regarding the draft provisions relating to indemnification. On the morning of August 8, there will be (1) further discussion among counsel and the general managers relating to indemnification, and (2) a special meeting of the GSD Board to review and discuss the agreement.

Although the Board is not obligated to approve the Agreement with GSD today, in order to protect the District’s rights, the District’s legal counsel recommends executing an agreement consenting to the Phase 1 improvements prior to committing to any financing for the Phase 1 improvements.

RESOLUTION NO. 22-809

A RESOLUTION OF THE GOLETA WEST SANITARY DISTRICT AUTHORIZING THE BOARD PRESIDENT TO EXECUTE AN AGREEMENT WITH GSD CONSENTING TO PHASE 1 OF THE BESP PROJECT (INCLUDING PAYING A PROPORTIONATE SHARE OF RELATED COSTS) AND ADOPTING RESPONSIBLE AGENCY FINDINGS PURSUANT TO CEQA FOR PHASE 1 OF THE BESP PROJECT

WHEREAS, the Goleta West Sanitary District (the “District” or “GWSD”) is a sanitary district duly organized and validly existing under the laws of the State of California; and

WHEREAS, the District provides wastewater collection for residents and businesses in the Western Goleta Valley and Isla Vista area and such wastewater is pumped through the system to the Goleta Water Resource Recovery Facility (the “WRRF”) which is owned and operated by the Goleta Sanitary District (“GSD”); and

WHEREAS, on November 28, 1960, the District, GSD the Regents of the University of California (“UCSB”), the City of Santa Barbara (“City”), and the County of Santa Barbara (“County”) (collectively, the “Contract Parties”) entered into an Agreement for the Expansion of the Goleta Sanitary District Sewage Disposal Treatment Plant Facilities (“1960 Agreement”). The 1960 Agreement, among other things, provides for the shared use of, and allocates the costs of certain expansion and operation costs related to, the WRRF; and

WHEREAS, the 1960 Agreement requires GSD to obtain the consent of the District and UCSB before undertaking certain Plant improvements; and

WHEREAS, GSD staff and District staff have negotiated and prepared a draft amendment to the 1960 Agreement attached hereto as Exhibit A which, among other things, provides that (1) GWSD consents to the Phase 1 Project to be carried out by GSD, (2) GWSD agrees to pay 40.78% of project costs, not to exceed \$5,209,184.19, (3) GWSD does not commit itself to future phases of the project, (4) GSD shall act as lead agency for the purposes of complying with the California Environmental Quality Act and has already completed environmental review for Phase 1, and (5) GSD shall adopt a policy providing that GSD and GWSD’s general managers will meet quarterly to discuss any future projects and that GSD’s general manager will make a presentation on an annual basis addressing future projects and the state of the WRRF (collectively, the “Agreement”).

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER:

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. The Board hereby authorizes the President of the Board, and such other members of the Board as the President may designate, the General Manager of the District, and such other officers of the District as the General Manager of the District may designate (each an “Authorized Officer”) to execute the Agreement in substantially the same form as attached hereto as Exhibit A, or with any revisions as the Board requests during the Board meeting held on the 8th day of August 2022.

Section 3. The Authorized 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, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such Authorized Officers or staff members are hereby ratified and confirmed.

Section 4. The Board hereby makes the CEQA findings attached hereto as Exhibit B.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Board of Directors of the Goleta West Sanitary District at a Board meeting thereof held on the 8th day of August 2022, by the following vote of the members thereof:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

Brian McCarthy, Clerk-Secretary

(SEAL)

APPROVED

Larry Meyer, Board President

EXHIBIT A

DRAFT AGREEMENT

**[TO BE ADDED FOLLOWING FINAL NEGOTIATION WITH GSD LEGAL COUNSEL
AT 8 AM ON MONDAY, AUGUST 8, 2022]**

EXHIBIT B

CEQA FINDINGS

CEQA FINDINGS

1. Find that the Goleta West Sanitary District Board of Directors has reviewed and considered the Mitigated Negative Declaration for the proposed project dated March 2022 and on file with the Office of Planning and Research State Clearinghouse SCH Number 2022040242 before taking any action on the project.
2. Adopt the findings concerning mitigation of significant environmental effects pursuant to CEQA Guidelines section 15091. (Attachment A)

**FINDINGS REGARDING SIGNIFICANT EFFECTS PURSUANT
TO STATE CEQA GUIDELINES SECTIONS 15090, 15091 AND
15096**

**BIOSOLIDS AND ENERGY STRATEGIC PLAN PHASE 1
PROJECT**

SCH No. 2022040242

August 8, 2022

I. INTRODUCTION AND PROJECT DESCRIPTION

The Biosolids and Energy Strategic Plan (“BESP”) Phase 1 Mitigated Negative Declaration (the “MND”) analyzes the potential environmental impacts of the proposed Biosolids and Energy Phase 1 Project (the “Project”).

Goleta Sanitary District (“GSD”) owns and operates the Goleta Water Resource Recovery Facility (“WRRF”) located at One William Moffett Place, near the Santa Barbara Municipal Airport in an unincorporated coastal area of Santa Barbara County, California. An assessment of the WRRF conducted in 2016 indicated that some of the unit processes at the WRRF are nearing the end of their service life and would need rehabilitation and replacement soon. The BESP was developed in August 2019 to evaluate biosolids unit processes in detail and summarize the recommended approach to upgrade existing facilities.

The proposed Project is an initial step in GSD’s long-term program for achieving energy neutrality by implementing technologies and strategies to utilize digester gas production and energy recovery. The BESP technology evaluation identified a combined heat and power (“CHP”) system with an internal combustion engine as the most desirable biogas utilization technology and addition of a new anaerobic digester as the most feasible option to achieve firm digestion capacity.

The primary components of the proposed Project consist of:

- One new digester with a capacity of 550,000 gallons, which will replace existing Digester 1. The new digester will include the installation of auxiliary equipment, including digester mixing apparatus, digester cover, and digester heating elements (heat exchanger, piping, etc.). This new digester is designed to allow sufficient capacity for the plant if any of the existing digesters, including the largest digester (i.e., Digester 3), goes out of service;
- A CHP system featuring one new 160-kilowatt (kW) generator set that will be fueled by digester gas. Waste heat from the CHP engine will be used to heat the digesters. Additionally, the two existing digester gas booster blowers will be replaced with two new blowers to match the CHP engine;
- A Biogas pretreatment system designed to reduce hydrogen sulfide (H₂S), siloxanes, and moisture in the digester gas used to fuel the CHP engine.

GSD assumed the role as the lead agency for the environmental review of the proposed Project and prepared the MND analyzing its potential environmental impacts. On May 2, 2022, GSD held a public hearing on the draft MND. On June 6, 2022, GSD certified the MND and approved the Project. Finally, on June 17, 2022, GSD filed a notice of determination. A more detailed description of the Project is included in the MND.

Goleta West Sanitary District (“GWSD”) and GSD are parties to a 1960 agreement (“1960 Agreement”) under which any improvement to the WRRF requires the consent of GWSD. Additionally, per the 1960 Agreement, GWSD is responsible for a portion of the expenses for any WRRF improvement project. Accordingly, GWSD likely constitutes a responsible agency and therefore relies on the MND prepared and certified by GSD in taking these actions.

II. POTENTIALLY SIGNIFICANT IMPACTS THAT CAN BE MITIGATED BELOW A LEVEL OF SIGNIFICANCE (CEQA GUIDELINES § 15091(A)(1))

Pursuant to Section 21081(a) of the Public Resources Code and Sections 15091(a)(1) and 15096(h) of the State CEQA Guidelines, GWSD finds that, for each of the following potentially significant effects identified in the MND, changes or alterations have been required in, or incorporated into, the Project which mitigate or avoid the significant effects on the environment. The significant effects and mitigation measures are stated fully in the MND. These findings are explained below and are supported by substantial evidence in the record of proceedings.

A. Air Quality

1) Significant Effect: Impact AQ-III-B – The Project may result in a cumulatively considerable net increase of criteria pollutants during construction for which the project region is non-attainment under an applicable federal or state ambient air quality standards.

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measure: MM-AIR-1 is proposed to mitigate the significance of AQ-III-B. MM-AIR-1 requires compliance with various measures during construction to mitigate fugitive dust emissions. Such measures include, but are not limited to, use of water trucks or sprinkler systems, limiting the speed of on-site vehicles to 15 mph or less, covering soil stockpiled for more than 2 days, installation of gravel pads at all access points, and treating disturbed land following clearing, grading, or excavation.

Rationale: MM-AIR-1 is proposed to mitigate the significance of AQ-III-B. MM-AIR-1 requires compliance with various measures during construction to mitigate fugitive dust emissions. The proposed measures would mitigate fugitive dust emissions during construction of the Project and thus would reduce any air quality impact resulting from construction to a less than significant level.

B. Biological Resources

1) Significant Effect: Impact BI-IV-A – Twenty-eight species of native birds were detected on-site, including several with the potential to nest there. Nests, eggs, and nestlings of all native bird species are protected by the Migratory Bird Treaty Act and the California Fish and Game Code. Vegetation clearing and grading, if occurring during the nesting season (January 15th to September 15th), may have the potential to destroy nests, eggs, and nestlings, which could violate these regulations. Therefore, impacts to nesting birds from Project disturbances would be potentially significant without mitigation.

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measures: MM-BIO-1 is proposed to mitigate the significance of BI-IV-A. MM-BIO-1 requires compliance with various measures to mitigate potential impacts to nesting birds. Such measures include, but are not limited to, surveying of the site and monitoring of any potential nesting areas and, if nesting birds are detected, postponement of construction within 300 feet of active nests (500 feet if the bird is a raptor or species of special concern), worker environmental awareness training, daily biological monitoring construction activities, and use of flags and/or stakes to designate buffer areas.

Rationale: MM-BIO-1 is proposed to mitigate the significance of BI-IV-A. MM-BIO-1 requires compliance with various measures to mitigate potential impacts to nesting birds. Compliance with said measures would mitigate the likelihood of having an impact on nesting birds on and around the Project site and thus would reduce any biological impacts to nesting birds resulting from the Project to a less than significant level.

C. Cultural Resources

1) **Significant Effect: Impacts CR-V-A, CR-V-B and CR-V-C** – Given the archeological significance of the Project site and the proposed ground disturbing activities involved with the Project, the Project may result in substantial adverse changes in the significance of a historical resource/archaeological resource pursuant to 14 CCR Section 15064.5 and has the potential to disturb human remains.

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measures: MM-CUL-1, MM-CUL-2, MM-CUL-3, MM-CUL-4, and MM-CUL-5. The mitigation measures identified in Section 3.5.3 of the MND have been created to minimize impacts to cultural resources to less than significant. Implementation of MM-CUL-1 would ensure data recovery in areas of high to moderate density and variability possessing data potential capable of providing information about the prehistoric and historic periods in this area; MM-CUL-2 would establish a program of treatment and mitigation in the case of an inadvertent discovery of cultural resources during ground-disturbing phases and would provide for the proper identification, evaluation, treatment, and protection of any cultural resources throughout the duration of the proposed Project; MM-CUL-3 would ensure the preparation and implementation of a Worker Environmental Awareness Program (WEAP); MM-CUL-4 would ensure that a qualified archaeologist is retained to monitor all initial ground disturbing activities and to respond to any inadvertent discoveries during Project construction; and MM-CUL-5

would ensure the proper treatment and protection of any inadvertent discovery of cultural resources, including human remains and burial artifacts, and that all construction work occurring within 50 feet of the find shall immediately stop until a qualified archaeologist, meeting the Secretary of the Interior's Professional Qualification Standards for Archaeology, can evaluate the significance of the find.

Rationale: Mitigation Measures M-CUL-1, MM-CUL-2, MM-CUL-3, MM-CUL-4, and MM-CUL-5 were proposed to mitigate the significance of CR-V-A, CR-V-B and CR-V-C. The measures set forth in these mitigation measures including data recovery, pre- and post-construction tasks, WEAP training, archaeological monitoring and compliance with established standards should the Project result in the inadvertent discovery of archaeological resources collectively help to mitigate the otherwise potentially significant impacts to cultural resources. Thus, potentially significant impacts to cultural resources would be reduced to less than significant levels with MM-CUL-1 through MM-CUL-5 incorporated.

D. Geology and Soils

1) Significant Effect: Impact GEO-VII-F – Given the proximity of past fossil discoveries in the surrounding area and the potential for significant invertebrate and vertebrate fossils below any artificial fill present within the proposed Project site, the site is highly sensitive for supporting paleontological resources. In the event that ground-disturbing activities associated with construction of the proposed Project has the potential to destroy a unique paleontological resource or site. Without mitigation, the potential damage to paleontological resources during construction would be a potentially significant impact.

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measure: MM-GEO-1. MM-GEO-1 was proposed to mitigate the significance of GEO-VII-F. The measures set forth in MM-GEO-1 includes, but is not limited to, hiring a qualified paleontologist to prepare a resources impact mitigation program, monitor various stages of the Project, and impose various buffers and conditions in the event that a paleontological resource is unearthed to ensure that the resource is recovered and documented.

Rationale: MM-GEO-1 was proposed to mitigate the significance of GEO-VII-F. Compliance with the monitoring, reporting and preservation measures set forth in MM-GEO-1 would mitigate the potential damage to any paleontological resource unearthed during the construction of the Project. Accordingly, potentially significant impacts to paleontological resources would be reduced to less than significant levels with MM-GEO-1 incorporated.

E. Tribal Cultural Resources

1) Significant Effect: Impact TCR-XVIII-A – The Project site meets the criteria of historically or culturally significant pursuant to PRC Section 5024.1(g). Additionally, through tribal consultations and cultural resource investigations, tribal cultural resources have been identified within the proposed Project site. Accordingly, given the proposed ground disturbing activities involved with the Project, the Project may result in a substantial adverse change to the significance of a tribal cultural resource that is eligible for listing in the California Register of Historical Resources or in a local register for historical resources and determined by the lead agency to be significant pursuant to criteria set forth in PRC Section 5024.1(g).

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measures: MM-TCR-1, MM-TCR-2, MM-TCR-3, MM-CUL-1, MM-CUL-2, MM-CUL-3, MM-CUL-4, and MM-CUL-5. The mitigation measures identified in Section 3.5.3 and 3.5.5 of the MND have been created to minimize impacts to tribal cultural resources to less than significant. Implementation of MM-TCR-1 would ensure involvement of consulting tribe(s) in the WEAP training of all Project personnel to ensure awareness of the appropriate procedures and protocols they must follow in the event tribal cultural resources are inadvertently discovered; MM-TCR-2 would ensure that consulting tribe(s) are retained to monitor all initial ground disturbing activities and archaeological excavations; and MM-TCR-3 would ensure the proper treatment and protection of any inadvertent discovery of TCRs. Additionally, implementation of MM-CUL-1 would ensure data recovery in areas of high to moderate density and variability possessing data potential capable of providing information about the prehistoric and historic periods in this area; MM-CUL-2 would establish a program of treatment and mitigation in the case of an inadvertent discovery of cultural resources during ground-disturbing phases and would provide for the proper identification, evaluation, treatment, and protection of any cultural resources throughout the duration of the proposed Project; MM-CUL-3 would ensure the preparation and implementation of a Worker Environmental Awareness Program (WEAP); MM-CUL-4 would ensure that a qualified archaeologist is retained to monitor all initial ground disturbing activities and to respond to any inadvertent discoveries during Project construction; and MM-CUL-5 would ensure the proper treatment and protection of any inadvertent discovery of cultural resources, including human remains and burial artifacts, and that all construction work occurring within 50 feet of the find shall immediately stop until a qualified archaeologist, meeting the Secretary of the Interior's Professional Qualification Standards for Archaeology, can evaluate the significance of the find.

Rationale: Mitigation Measures MM-TCR-1, MM-TCR-2, MM-TCR-3, M-CUL-1, MM-CUL-2, MM-CUL-3, MM-CUL-4, and MM-CUL-5 were proposed to mitigate the significance of TCR-XVIII-A. The measures set forth in these mitigation measures

including involvement of consulting tribes in WEAP training and Project monitoring, proper treatment of inadvertently discovered TCRs, data recovery, pre- and post-construction tasks, WEAP training, archaeological monitoring and compliance with established standards should the Project result in the inadvertent discovery of archaeological resources collectively help to mitigate the otherwise potentially significant impacts to tribal cultural resources. Thus, potentially significant impacts to tribal cultural resources would be reduced to less than significant levels with MM-TCR-1 through MM-TCR-3 and MM-CUL-1 through MM-CUL-5 incorporated.

F. Utilities/Service Systems

1) Significant Effect: Impact WAS-XIX-D and WAS-XIX-E – The Project description estimates a disposal of about 3,150 tons of solid waste. The Santa Barbara County Environmental Thresholds and Guidelines Manual indicates that more than 350 tons of construction-related solid waste could be considered significant. Therefore, without mitigation, the proposed disposal of solid waste will be potentially significant. Furthermore, without mitigation, the proposed disposal of solid waste could violate State and local regulations that set forth the percentage of construction debris that may be diverted from landfills.

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measures: MM-WAS-1 – Mitigation Measure MM-WAS-1 was proposed to mitigate the significance of WAS-XIX-D and WAS-XIX-E. MM-WAS-1 will ensure that the construction contractor does not dispose of greater than 350 tons of solid waste in any California landfill. This measure will be achieved through recycling and repurposing to the extent practicable and enforced by GSD through a contract mechanism or other legally binding requirement.

Rationale: Mitigation Measure MM-WAS-1 was proposed to mitigate the significance of WAS-XIX-D and WAS-XIX-E. MM-WAS-1 ensures that the total solid waste sent to landfill complies with State and local regulations and falls below the local significance threshold. Accordingly, the potentially significant impact resulting from solid waste disposal will be reduced to a less than significant level with MM-WAS-1 incorporated.

G. Finding Regarding All Other Mitigation Measures

With the exception of those mitigation measures set forth in the MND and explained in these findings, GWSD finds that there are no feasible mitigation measures that would substantially lessen or avoid any significant effect that the Project would have on the environment.

GOLETA WEST SANITARY DISTRICT

DATE: AUGUST 8, 2022

AGENDA ITEM: #9

**AGENDA TITLE: CONSIDERATION AND APPROVAL OF ADOPTING DEBT
MANAGEMENT POLICIES.**

SUMMARY DESCRIPTION:

The Board will consider approving and adopting Resolution No. 22-810 implementing a Debt Management Policy for the District.

SUPPLEMENTARY MATERIAL:

Staff Report

Resolution No. 22-810

Debt Management Policy

TO: Board of Directors
FROM: Brian McCarthy, General Manager
DATE: August 7, 2022
SUBJECT: Item #10 - Resolution No. 22-811 of the Goleta West Sanitary District Adopting Debt Management Policies

RECOMMENDATION

It is recommended that the Board of Directors adopt the attached resolution approving debt management policies for the District.

SUMMARY

Government Code Section 8855(i) requires that public entities issuing debt certify to the California Debt and Investment Advisory Commission (CDIAC) that they have adopted Debt Management Policies, and that the proposed bond issuance complies with these adopted policies.

BACKGROUND

Senate Bill 1029 (2016) requires formal debt management policies became effective for bonds sold after January 1, 2017. The District has not issued debt previously; as such, it was not previously required to adopt debt management policies.

The Debt Management Policies must address 5 areas:

- A. Purposes for which the debt proceeds may be used.
- B. Types of debt that may be issued.
- C. Relationship of the debt to, and integration with, the District's CIP and/or budget
- D. Policy goals related to the District's planning goals and objectives.
- E. Internal control procedures that the District will implement to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

DISCUSSION

The attached Debt Management Policy has been written to include all elements required by CDIAC. These policies serve as a starting point that sets parameters for issuing debt and managing the District's debt portfolio. Should the District continue to issue debt, the District may incorporate additional elements over time.

The adoption of formal written financial policies are viewed as a best management practice, and treated as credit positive by the bond rating agencies. Adoption of the attached Debt Management Policy will help ensure that District's debt is issued and managed prudently; and will help the District to maintain a sound fiscal position. These

policies should be view as a tool to provide guidance to staff and decision-makers in the future.

The policies should be reviewed and amended by Staff and the Board of Directors annually and prior to the issuance of debt.

ENVIRONMENTAL ANALYSIS

Because adoption of this policy is a fiscal activity that does not commit the District to a specific project that would result in a direct or indirect physical change in the environment, it does not satisfy the definition of a “project” under Section 15378 of the Guidelines of the California Environmental Quality Act (CEQA) and thus is not subject to CEQA review.

FISCAL IMPACT

There is no fiscal impact from the adoption of the Debt Management Policies. Adoption of the Policies do not bind the District to obtain debt financing.

Attachments:

Resolution No. 22-811

Debt Management Policies

RESOLUTION NO. 22-810

**A RESOLUTION OF THE GOLETA WEST SANITARY DISTRICT
ADOPTING A DEBT MANAGEMENT POLICY**

WHEREAS, the Goleta West Sanitary District (the “District”) is a sanitary district duly organized and validly existing under the laws of the State of California; and

WHEREAS, in compliance with Government Code section 8855, the District desires to adopt the Debt Management Policy attached as Exhibit A to provide guidelines for issuance of debt and management of outstanding debt.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE GOLETA WEST SANITARY DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. That the District adopt the Debt Management Policy attached as Exhibit A, which is hereby approved.

SECTION 2. This resolution shall take effect immediately upon adoption.

PASSED, ADOPTED AND APPROVED at a special meeting of the Board of Directors of the Goleta West Sanitary District held on August 8, 2022.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Board of Directors of the Goleta West Sanitary District at a Board meeting thereof held on the 8th day of August 2022, by the following vote of the members thereof:

AYES:

NOES:

ABSTAINED:

ABSENT:

APPROVED

Brian McCarthy, Clerk - Secretary
(SEAL)

Larry Meyer, Board President

DEBT MANAGEMENT POLICY

This Debt Management Policy (the “Debt Policy”) of the Goleta West Sanitary District (the “District”) was approved by its Board of Directors (the “Board”) on August 8, 2022. The Debt Policy may be amended by the Board of Directors as it deems appropriate from time to time in the prudent management of its debt. Any approval of debt by the District Board that is not consistent with this Debt Policy shall constitute a waiver of this Debt Policy.

1. Findings

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

A debt management policy sets forth the guidelines for the issuance of debt and the management of outstanding debt. The Policy establishes parameters which recognize the District’s specific capital requirements, its ability to repay financial obligations, and the existing legal, economic, financial and debt market conditions. Specifically, the Policy is intended to assist the District in the following:

- Maintaining the District’s sound financial position
- Evaluating debt issuance options
- Ensure the District has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses
- Ensure that all debt is structured in order to protect both current and future taxpayers, customers and constituents of the District.
- Maintaining appropriate capital infrastructure to meet the District’s present and future needs
- Ensure that the District’s debt is consistent with the District’s planning goals and objectives and capital improvement program or budgets, as applicable.
- Protecting and enhancing the District’s credit rating; and
- Ensuring an effective system of internal controls and disseminating accurate and timely financial information.

2. Policies

The Board Treasurer and Board of Directors are the designated administrator of the Policy. The General Manager shall have the day-to-day responsibility and authority for structuring, implementing, and managing the District’s debt and finance program.

A. Purposes For Which Debt May Be Issued

Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the District.

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

- When the project to be financed is necessary to provide basic services.

- When the project to be financed will provide benefit to constituents over multiple years.
 - When total debt does not constitute an unreasonable burden to the District and its taxpayers and its customers.
 - When 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) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.
- (c) The District may contemplate the following debt structure considerations:

Final Maturity - The final maturity of the debt should not exceed, and preferably be less than, the remaining useful life of the assets being financed. To comply with Federal tax regulations, the average life of a financing shall not exceed 120% of the average life of the assets being financed.

Debt Service - Payments should be structured with level debt service payments over the life of the debt. The District may also structure the amortization of principal to wrap around existing obligations or backloaded to achieve other financial planning goals. In general, deferring the repayment of principal should be avoided except in select instances where it will take a period of time before project (dedicated) revenues are sufficient to pay debt service.

Method of Sale – Working in conjunction with its financial advisor, the District will select a method of sale: competitive sale, negotiated sale or private placement. The District will determine the most appropriate method taking into account size/structure/credit consideration, current capital market conditions, and other financial, transaction-specific and policy considerations.

Lien Structure - Senior and subordinate liens will be utilized in a manner that will maximize the most critical constraint as determined by the Board, either cost or capacity, thus allowing for the most beneficial leverage of revenues.

Capitalized Interest - The District may elect to fund capitalized interest in connection with the construction of certain projects when revenues from the project will not be available until completion.

Reserve Funds – A debt service reserve fund (DSR) may be required for rating or marketing reasons. If available, a DSR can be funded with a surety policy from 1) the proceeds of a debt issue or 2) the reserves of the District. A cash reserve fund will be invested pursuant to the investment restrictions associated with the respective financing documents. For each debt issue, staff will evaluate net borrowing cost of the financing with a DSR or surety policy, taking into consideration the investment of the DSR over the life of the issue.

Redemption Provisions – The District shall seek to structure each issue with an optional redemption or call provision, unless the final maturity is less than 10 years. Redemption provisions will be established on a case-by-case basis, taking into consideration market conditions and the results of a call option analysis prior to the time of sale. Because the

issuance of non-callable debt may restrict future financial flexibility, cost will not be the sole determinant in the decision to issue non-callable debt.

Ratings - The District's objective is to maintain or improve its credit ratings as a way of reducing financing costs. The General Manager shall be responsible for implementing and managing the District's credit rating agencies relations program. This effort shall include providing the rating agencies with the District's annual budget, financial statements, and other information they may request. Staff should coordinate periodic meetings with the rating agencies and communicate with them prior to each debt issuance.

Credit Enhancement – Bond insurance will be used when it provides an economic advantage to a particular debt maturity or the entire issue. The District will evaluate the availability and cost/benefit of credit enhanced debt versus unenhanced debt prior to issuing any debt.

Variable Rate Debt – The District shall seek to utilize long-term fixed rate bonds. However, the District may consider issuing variable rate bonds. In managing its variable rate debt, staff will regularly monitor the market for credit enhancement, particularly liquidity facilities provided by credit enhancement providers and alternative variable rate products and the use of alternative variable rate instruments that do not require credit enhancement. The District should seek to diversify its exposure to banks when selecting institutions to provide liquidity or credit enhancement for variable rate debt.

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

B. Types of Debt

For purposes of this Debt Policy, "debt" shall be interpreted broadly to mean loans, bonds, notes, certificates of participation, financing leases, or other financing obligations, but the use of such terms in this Debt Policy shall be solely for convenience and shall not be interpreted to characterize any such obligation as an indebtedness or debt within the meaning of any statutory or constitutional debt limitation where the substance and terms of the obligation comport with exceptions thereto.

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

- general obligation bonds
- bond or grant anticipation notes
- lease revenue bonds, certificates of participation and lease-purchase transactions
- state or federal loans
- loans and lines of credit with banks and other long-term financial institutions
- refunding of any of the prior listed obligations or other long-term prior financial commitments

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

Debt shall be issued as fixed rate debt unless the District makes a specific determination as to

why a variable rate issue would be beneficial to the District in a specific circumstance.

C. Relationship of Debt to Capital Improvement Program and Budget

The District 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 Wastewater Master Plan.

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

The District shall integrate its debt issuances with the goals of its budget (and capital improvement costs) by timing the issuance of debt to ensure that proceeds are available when needed in furtherance of the District's public purposes.

The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

D. Policy Goals Related to Planning Goals and Objectives

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

It is a policy goal of the District to protect taxpayers, ratepayers, customers, 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 should seek to achieve a minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount. The 3.0% threshold should serve as a guideline. The District may refinance outstanding bonds in order to meet certain policy/financial objectives, such as: removing restrictive covenants, reshaping debt profile or budgetary/cash flow relief, unique financial circumstances or historically low interest rates, and limit term to maturity.

E. Internal Control Procedures

Use of Financial Advisor – In accord with the Government Finance Officers Association (GFOA) recommendation, the District should retain an independent registered municipal advisor (financial advisor) when it is contemplating the issuance of bonds (during the initial planning phase). The financial advisor shall assist the District in evaluating all financing options, assembling the other members of the financing team and facilitate the bond issuance process. The financial advisor

shall provide objective advice and analysis, maintain confidentiality of District financial plans, and fully disclose any potential conflicts of interest.

The District will comply with all financing covenants to maintain the validity of the issuance of debt, including, but not limited to tax-exemption, arbitrage rebate compliance, insurance provisions, reporting and monitoring requirements. The District will ensure compliance with all continuing disclosure requirements as part of its ongoing debt program. Any instance of noncompliance will be reported to the Board of Directors.

The District will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under SEC Rule 15c2-12,
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
- the District's investment policies as they relate to the investment of bond proceeds.

It is the policy of the District to ensure that proceeds of debt are spent only on lawful and intended uses. Whenever required by the financing agreements for a particular transaction, proceeds of debt will be held by a third-party trustee and the District will submit written requisitions for such proceeds.

The District shall seek to borrow tax-exempt proceeds that can be reasonably spent within the IRS spending requirement, approximately 85% within 3 years.

The District will submit a requisition only after obtaining the signature of the General Manager. In those cases when the proceeds of debt are not held by a third-party trustee, the person performing the function of chief financial officer of the District shall retain records of all expenditures of proceeds through the final payment date for the debt.

The Board acknowledges that changes in the capital markets and other unexpected events may, from time to time, create situations and opportunities that are not contemplated by this Policy and may require adjustments or exceptions to the guidelines of the Policy. In such circumstances, the ability of the District to be flexible is important; however, any authorization granted by the Board to proceed with a financing or financial product not expressly permitted by the Policy must be accompanied by an acknowledgement of the Board that the actions to be taken by the District are not specifically authorized by the Policy in force at that time and separate approval by the Board to an interim or immediate adjustment to the Policy. The Policy shall be initially adopted by the Board and reviewed annually. Future updates to the Policy require the approval by the Board.

GOLETA WEST SANITARY DISTRICT

DATE: AUGUST 8, 2022

AGENDA ITEM: #10

AGENDA TITLE: CONSIDERATION AND APPROVAL OF INSTALLMENT SALE FINANCING DOCUMENTS AND RELATED ACTIONS FOR PHASE 1 OF THE BESP PROJECT AND THE DISTRICT'S OTHER CAPITAL IMPROVEMENT PROJECTS.

SUMMARY DESCRIPTION:

The Board will consider approving and adopting Resolution No. 22-811 authorizing the CSDA financial team, staff and counsel to issue debt in the amount of \$14 million for purposes of funding Phase 1 of the BESP project and other District capital improvements per the proposal submitted by Truist Financial Corporation. If adopted, said resolution will permit the execution of all necessary associated documents.

SUPPLEMENTARY MATERIAL:

August 8, 2022 Staff Report to /Board of Directors from Mr. Julio Morales, Kosmont Financial Services
District Resolution 22-811
Installment Purchase Contract

TO: GWSD Board of Directors
FROM: Julio Morales, Senior Managing Director
Kosmont Financial Services
MEETING DATE: August 8, 2022
AGENDA ITEM: 10

I. NATURE OF ITEM

Provide authorization for the District to finance capital improvements through the execution of a \$14 million private placement loan with Truist Bank, via installment sale agreement, and utilize the CSDA Financing Team to implement the financing; and approve a District Financing Resolution 22-811.

II. BACKGROUND INFORMATION

The Goleta Sanitary District (GSD) has been planning the construction of its Biosolids and Energy Strategic Plan (BESP) project for several years. The project was initially planned to be constructed in 3 phases over a 9-year period. GSD intends to consolidate and accelerate Phases 2 and 3 of the project in to a single Phase 2; however, Phase 2 has not yet been approved by their Board.

The District is responsible for approximately 40.78% of the projected capital costs of the project (approximately \$12,773,870 for both Phases). The District's share for Phase 1 of the BESP project is approximately \$5.2 million. The District is also in the process of constructing a new administration building using capital reserves.

The Goleta West Sanitary District has obtained a private placement loan proposal via a competitive bid process. Truist Bank has offered to provide a \$14 million 20-year loan at a 3.50% interest rate to finance not only the District's share of Phase 1 BESP project costs, but also those associated with its administration building and other capital projects as described in the District's adopted Wastewater Master Plan. The initial rate with a 5-year call option was at a 3.41% interest rate; however, a repriced rate was offered that allowed the District a 2 week extension of time to come to a decision on whether it wanted to pursue financing.

The Finance Committee met on July 25, 2022 and July 28, 2022 with the goal of bringing forth a recommendation to the Board at its August 2, 2022 meeting on whether to use debt to finance a portion of these costs, and if so, how much.

At the August 2, 2022 Board meeting, the Finance Committee recommended a \$14 million financing, which was approved 4-0. The Financing Resolution authorizes the loan as well as execution by District officers of all necessary associated documents for closing on the loan, a complete list of which is attached. Those documents requiring board approval are also attached to this Agenda item. As of the date of this report, the documents are still considered to be in draft form.

Consistent with *Save Tara v. City of West Hollywood* (2008) 45 Cal.4th 116, there is no guarantee or presumption that any of the permits or approvals required for the development of the project will be issued by District or by any other appropriate government agencies.

Accordingly, nothing in this proposed resolution shall be construed as granting any applicant for the project with an extraordinary privilege or right with respect to the District's review and consideration of the project.

III. DISCUSSION AND RECOMMENDATIONS

The District has not issued bonds in the past. As such, there are several questions about the process that have been presented to the financing team. We have attempted to answer a number of these questions below.

A. Where are the funds deposited after sale of the debt?

The bond proceeds will be held with the District's bank (Montecito Bank & Trust). The District will be required to submit a form to the IRS that identifies how bond proceeds will be used, which is a standard compliance requirement for all tax-exempt bond issues. The monies can be invested in any investment vehicle authorized under California Government Code Section 536000.3 for all local agency government bodies. Investment options include Local Agency Investment Fund (LAIF), Santa Barbara County Pool, money market funds, AAA/AA-rated corporate bonds and municipal bonds, Agencies and US Treasury securities.

B. Do we need to identify the projects for which the funds will be used, or can they be used for any capital improvements?

The District plans to spend bond proceeds to finance a combination of: Phase 1 of the BESP project, construction costs for the administration building, reimbursement for soft costs already paid for the BESP project and Administration building, and any other project on the District's Wastewater Master Plan.

The District will have the flexibility in the legal documents to substitute or replace projects on the list.

C. Can the District Reimburse Itself for Prior Costs?

The District also has the ability to reimburse itself for soft costs, such as engineering, drawings, and plans & permits after a project was formally approved by the Board. The Reimbursement Resolution allows the District to reimburse itself for project costs it has incurred 60 days prior to the August 8th approval of the loan and to reimburse itself for project costs incurred before the August 12th closing date.

Staff has identified approximately \$1.5 million in estimated soft costs already paid for both BESP Phase 1 and the administration building, which it intends to reimburse itself to replenish reserves, to the extent permissible under applicable federal tax regulations. Staff will keep the Board apprised as this estimated preliminary expenditures amount is updated and confirmed.

D. How will arbitrage be calculated? Can you give an example for the debt we are taking?

The District is required to perform an arbitrage rebate calculation after all the bond proceeds are spent, as well as every 5 years. The IRS requires each entity that issues tax-exempt bonds to confirm that it has not earned "arbitrage" profits (investing monies above

the arbitrage yield). The arbitrage yield on the bonds is effectively the average borrowing rate on the bonds (i.e., 3.50%).

Most municipalities retain an outside firm to perform the arbitrage rebate calculation on their behalf. The financial advisor will assist the District in this matter.

E. What kind of reporting requirements will the District have on the use of the funds and the interest earnings on the proceeds? See above.

F. Is there a time limit to use the bond proceeds before incurring penalties or questions from IRS?

The IRS requires issuers of municipal bonds to certify that it expects to spend 85% of the bond proceeds within 3 years or 100% within 5 years. If the bond proceeds are not spent within this timeframe, then the municipality is required to limit the rate earned on the bond proceeds at or below the arbitrage yield (e.g., 3.50%) and to rebate back any excess interest earning above this yield in the form of a “rebate payment” to the IRS.

Making a rebate payment to the IRS is a common practice; it should be viewed in a positive light since it indicates that the District has earned the maximum legal amount on its investments.

G. What is the penalty for calling sooner than the 5 or 10 years?

The bonds cannot be called sooner than either 5. The bank has provided the District a 1-time extraordinary call option to call the entire issue from grant proceeds. However, the District must pay off 100% of the outstanding loan balance.

H. Is the property tax revenue included in the coverage calculation?

That the District will provide a Net Revenue pledge to repay the loan and pledge to increase rates/charges sufficient to meet the 1.20x coverage ratio.

The 1.20X rate covenant compares the Net Revenues versus the annual debt service on the loan. Net Revenues is typically defined as the Total Revenues (which includes Property Tax Revenues) less Operating Expenses, excluding depreciation.

Based on the District’s current operating results, the District has a 3.5X coverage ratio.

It is important to note that the District can “ earmark” its property tax revenues to repay the loan; however, the District will pledge all legally available revenues of the District to repay the private placement loan with Truist Bank.

I. How much is the annual Debt Service on the proposed loan?

The District is expected to make debt service payments every six months, on January 1st and July 1st, commencing on January 1, 2023. Annual debt service payments will be approximately \$487,500 every six months (except for the initial payment which will be \$189,195). The District will pay a total of \$19,507,567 over the life of the loan (see attached debt service schedule).

Upon receiving direction to pursue tax-exempt loan financing with Truist Bank, Staff and the CSDA Financing Team will request the Board’s final approval of the transaction, which will authorize three items:

1. Approval of financing with Truist Bank and required legal documents
2. Approval of CDSA Financing Team
3. Approval of Reimbursement Resolution

IV. REFERENCE MATERIALS

- Bid Summary
- Installment Sale Agreement
- Resolutions
- Debt Service Schedule (Attached)

INSTALLMENT PAYMENT SCHEDULE

1. The principal amount of Installment Payments to be made by the District hereunder is \$14,000,000.
2. The Installment Payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

<i>Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
1/1/2023	\$298,000	\$189,194.44	\$487,194.44
7/1/2023	248,000	239,785.00	487,785.00
1/1/2024	252,000	235,445.00	487,445.00
7/1/2024	257,000	231,035.00	488,035.00
1/1/2025	261,000	226,537.50	487,537.50
7/1/2025	266,000	221,970.00	487,970.00
1/1/2026	270,000	217,315.00	487,315.00
7/1/2026	275,000	212,590.00	487,590.00
1/1/2027	280,000	207,777.50	487,777.50
7/1/2027	285,000	202,877.50	487,877.50
1/1/2028	290,000	197,890.00	487,890.00
7/1/2028	295,000	192,815.00	487,815.00
1/1/2029	300,000	187,652.50	487,652.50
7/1/2029	305,000	182,402.50	487,402.50
1/1/2030	311,000	177,065.00	488,065.00
7/1/2030	316,000	171,622.50	487,622.50
1/1/2031	322,000	166,092.50	488,092.50
7/1/2031	327,000	160,457.50	487,457.50
1/1/2032	333,000	154,735.00	487,735.00
7/1/2032	339,000	148,907.50	487,907.50
1/1/2033	345,000	142,975.00	487,975.00
7/1/2033	351,000	136,937.50	487,937.50
1/1/2034	357,000	130,795.00	487,795.00
7/1/2034	363,000	124,547.50	487,547.50
1/1/2035	369,000	118,195.00	487,195.00
7/1/2035	376,000	111,737.50	487,737.50
1/1/2036	383,000	105,157.50	488,157.50
7/1/2036	389,000	98,455.00	487,455.00
1/1/2037	396,000	91,647.50	487,647.50
7/1/2037	403,000	84,717.50	487,717.50
1/1/2038	410,000	77,665.00	487,665.00
7/1/2038	417,000	70,490.00	487,490.00
1/1/2039	425,000	63,192.50	488,192.50
7/1/2039	432,000	55,755.00	487,755.00
1/1/2040	439,000	48,195.00	487,195.00
7/1/2040	447,000	40,512.50	487,512.50
1/1/2041	455,000	32,690.00	487,690.00
7/1/2041	463,000	24,727.50	487,727.50
1/1/2042	471,000	16,625.00	487,625.00
7/1/2042	479,000	8,382.50	487,382.50
TOTAL	\$14,000,000	\$5,507,566.94	\$19,507,566.94

CLOSING DOCUMENTS

1. Resolution No. 22-811 of the Board of Directors of the Goleta West Sanitary District, adopted August 8, 2022, Approving Financing Documents
2. Resolution No. [_____] of the Board of Directors of the CSDA Finance Corporation, adopted August 4, 2022, Approving Financing Documents
3. Installment Purchase Contract
4. Assignment Agreement between CSDA Finance Corporation and Truist Bank
5. District Closing Certificate
6. Corporation Closing Certificate
7. Lender Certificate
8. Final Opinion of Special Counsel
9. Opinion of District Special Counsel
10. Opinion of Counsel to the Corporation
11. Tax Compliance Certificate
12. Form 8038-G
13. Report of Proposed Debt Issuance
14. Report of Final Sale
15. Wire Transfer Agreement
16. Delivery Costs Disbursement Authorization

RESOLUTION NO. 22-811

A RESOLUTION OF THE GOLETA WEST SANITARY DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE CONTRACT AND AUTHORIZING THE EXECUTION OF OTHER NECESSARY DOCUMENTS AND RELATED ACTIONS

WHEREAS, the Goleta West Sanitary District (the “District”) is a sanitary district duly organized and validly existing under the laws of the State of California; and

WHEREAS, the District provides wastewater collection for residents and businesses in the Western Goleta Valley and Isla Vista area and such wastewater is pumped through the system to the Goleta Water Resource Recovery Facility (the “WRRF”) which is owned and operated by the Goleta Sanitary District; and

WHEREAS, the District is authorized by the laws of the State of California to finance and refinance the acquisition and construction of property, facilities and equipment of benefit to the District through the execution of installment purchase contracts; and

WHEREAS, the District proposes to finance: (i) its portion of certain improvements to the WRRF, primarily consisting of a new 500,000-gallon anaerobic digester, a heat and power system with 160kW generator, a biogas conditioning system and exhaust gas purification system and other various improvements associated with such equipment, (ii) the construction and furnishing of a new headquarters/central administration building for the District and (iii) any other capital projects included in the District’s adopted Wastewater Master Plan (collectively, the “2022 Project”); and

WHEREAS, to provide funds necessary to finance the 2022 Project, the District desires to enter into that certain Installment Purchase Contract (the “Installment Purchase Contract”) with the CSDA Finance Corporation (the “Corporation”) in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution; and

WHEREAS, there has been presented at this meeting the form of the Installment Purchase Contract relating to such action; and

WHEREAS, the United States Treasury Department has issued Treasury Regulation Section 1.10-2 (the “Reimbursement Regulations”) constituting final regulations with respect to the use of proceeds of a tax-exempt financing for reimbursement purposes and, in order to comply with the Reimbursement Regulations, the district intends to declare its official intent to be reimbursed for the 2022 Project with proceeds of future tax-exempt borrowings, including but not limited to the Installment Purchase Contract; and

WHEREAS, the District desires to appoint Oppenheimer & Co. Inc., as placement agent, Kosmont Transactions Services, as municipal advisor, and Kutak Rock LLP, as special counsel, in connection with the financing of the 2022 Project; 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 Installment Purchase Contract, 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 of the Installment Purchase Contract, (b) the sum of all fees and charges paid to third parties with respect to the Installment Purchase Contract, (c) the amount of proceeds of the Installment Purchase Contract expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract, and (d) the sum total of all debt service payments on the Installment Purchase Contract calculated to the final maturity of the Installment Purchase Contract plus the fees and charges paid to third parties not paid with the proceeds of the Installment Purchase Contract; and

WHEREAS, in compliance with SB 450, the Board obtained from Oppenheimer & Co. Inc., the required good faith estimates and such estimates are disclosed and set forth on Exhibit A attached hereto; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided; and

WHEREAS, consistent with *Save Tara v. City of West Hollywood* (2008) 45 Cal.4th 116, there is no guarantee or presumption that any of the permits or approvals required for the development of the 2022 Project will be issued by District or by any other appropriate government agencies. Accordingly, notwithstanding anything to the contrary herein, the District retains full discretion to review the any application for the 2022 Project and approve, condition, or deny any elements of the 2022 Project pursuant to the District’s policies, and any applicable federal, state and local law, including *Save Tara v. City of West Hollywood* (2008) 45 Cal.4th 116 and related jurisprudence. Nothing in this Resolution shall be construed as granting an applicant for the 2022 Project with an extraordinary privilege or right with respect to the District’s review of the 2022 Project.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER:

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. The form of the Installment Purchase Contract submitted to this meeting and made a part hereof as though set forth herein is hereby approved. The President of the Board, and such other members of the Board as the President may designate, the General Manager/Superintendent of the District, and such other officers of the District as the General Manager/Superintendent of the District may designate (each an “Authorized Officer”) are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Installment Purchase Contract in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of District counsel and Kutak Rock LLP, special counsel to the District (“Special Counsel”), such requirement or approval to be conclusively evidenced by the execution and delivery of the Installment Purchase Contract by such Authorized Officer. In connection therewith, the District approves the execution and delivery of the Installment Purchase Contract so long as the maturity of the Installment Payments (as defined in the Installment Purchase Contract) does not exceed July 1, 2042, the interest rate with respect to the Installment Payments does not exceed 3.500%, and the principal amount of the Installment Payments does not exceed \$14,000,000.

Section 3. In accordance with SB 450, good faith estimates of the following have been obtained from the Placement Agent and are set forth on Exhibit A attached hereto: (a) the true interest cost of the Installment Purchase Contract, (b) the sum of all fees and charges paid to third parties with respect to the Installment Purchase Contract, (c) the amount of proceeds of the Installment Purchase Contract expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract, and (d) the sum total of all debt service payments on the Installment Purchase Contract calculated to the final maturity of the Installment Purchase Contract plus the fees and charges paid to third parties not paid with the proceeds of the Installment Purchase Contract.

Section 4. The District shall, presently intends, and reasonably expects to finance a portion of the 2022 Project with legally available funds. All of the expenditures covered by this Resolution were or will be paid on and after the date which is 60 days prior to the effective date of this Resolution. The District presently intends and reasonably expects to participate in a tax-exempt financing within 18 months of the date of the expenditure of moneys on the 2022 Project or the date upon which the 2022 Project is placed in service, whichever is later (but in no event more than three years after the date of the original expenditure of such moneys), and to allocate from such financing an amount not to exceed amounts advanced for the 2022 Project from legally available funds to reimburse the District. The District intends for this Resolution to constitute the District’s official intent, within the meaning of the Reimbursement Regulations, to support the use of the proceeds of the Installment Purchase Contract to reimburse the District for the prior payment of expenditure related to the 2022 Project.

Section 5. The Board hereby appoints the firms of Oppenheimer & Co. Inc., as placement agent, Kosmont Transactions Services, as municipal advisor, and Kutak Rock LLP, as special counsel, in connection with the financing of the 2022 Project. The Board hereby authorizes the General Manager/Superintendent to execute and deliver agreements with said firms for their respective services. Payment of fees and expenses with respect to such agreements shall be contingent upon the closing of the financing of the 2022 Project.

Section 6. The Authorized 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, including but not limited to a fee agreement, costs of issuance agreement, custodian agreement, wire transfer agreement or other similar agreements, which in consultation with District counsel and Kutak Rock LLP, as special counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

Section 7. With regards to the financing for the District's portion of certain improvements to the WRRF, the Board hereby makes the CEQA findings attached hereto as Exhibit B.

Section 8. This Resolution shall take effect immediately upon its adoption.

PASSED, ADOPTED AND APPROVED at a special meeting of the Governing Board of the Goleta West Sanitary District held on August 8, 2022.

I, hereby certify that the foregoing Resolution No. 22-811 was passed and adopted at a regular meeting of said Board on the 8th day of August 2022, by the following vote, to wit:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of August 2022.

Brian McCarthy, District Secretary

APPROVED

Larry Meyer, President

Exhibit A

GOOD FAITH ESTIMATES

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

1. *True Interest Cost of the Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued (\$14,000,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Installment Purchase Contract, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Installment Purchase Contract, is 3.500%.

2. *Finance Charge of the Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued (\$14,000,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the District's finance charge of the Installment Purchase Contract, which means the sum of all fees and charges paid to third parties from the principal amount of the Installment Purchase Contract, is \$140,500.

3. *Amount of Proceeds to be Received by the District.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued (\$14,000,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the District for sale of the Installment Purchase Contract less the finance charge of the Installment Purchase Contract described in paragraph 2 above and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract, is \$13,859,500.

4. *Total Payment Amount.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued (\$14,000,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Installment Purchase Contract plus the finance charge of the Installment Purchase Contract described in paragraph 2 above not paid with the proceeds of the Installment Purchase Contract, calculated to the final maturity of the Installment Purchase Contract, is \$19,507,566.94.

Exhibit B

CEQA FINDINGS

1. Find that the Goleta West Sanitary District Board of Directors has reviewed and considered the Mitigated Negative Declaration for the proposed project dated March 2022 and on file with the Office of Planning and Research State Clearinghouse SCH Number 2022040242 before taking any action on the project.
2. Adopt the findings concerning mitigation of significant environmental effects pursuant to CEQA Guidelines section 15091. (Attachment A)

**FINDINGS REGARDING SIGNIFICANT EFFECTS PURSUANT
TO STATE CEQA GUIDELINES SECTIONS 15090, 15091 AND
15096**

**BIOSOLIDS AND ENERGY STRATEGIC PLAN PHASE 1
PROJECT**

SCH No. 2022040242

August 8, 2022

I. INTRODUCTION AND PROJECT DESCRIPTION

The Biosolids and Energy Strategic Plan (“BESP”) Phase 1 Mitigated Negative Declaration (the “MND”) analyzes the potential environmental impacts of the proposed Biosolids and Energy Phase 1 Project (the “Project”).

Goleta Sanitary District (“GSD”) owns and operates the Goleta Water Resource Recovery Facility (“WRRF”) located at One William Moffett Place, near the Santa Barbara Municipal Airport in an unincorporated coastal area of Santa Barbara County, California. An assessment of the WRRF conducted in 2016 indicated that some of the unit processes at the WRRF are nearing the end of their service life and would need rehabilitation and replacement soon. The BESP was developed in August 2019 to evaluate biosolids unit processes in detail and summarize the recommended approach to upgrade existing facilities.

The proposed Project is an initial step in GSD’s long-term program for achieving energy neutrality by implementing technologies and strategies to utilize digester gas production and energy recovery. The BESP technology evaluation identified a combined heat and power (“CHP”) system with an internal combustion engine as the most desirable biogas utilization technology and addition of a new anaerobic digester as the most feasible option to achieve firm digestion capacity.

The primary components of the proposed Project consist of:

- One new digester with a capacity of 550,000 gallons, which will replace existing Digester 1. The new digester will include the installation of auxiliary equipment, including digester mixing apparatus, digester cover, and digester heating elements (heat exchanger, piping, etc.). This new digester is designed to allow sufficient capacity for the plant if any of the existing digesters, including the largest digester (i.e., Digester 3), goes out of service;
- A CHP system featuring one new 160-kilowatt (kW) generator set that will be fueled by digester gas. Waste heat from the CHP engine will be used to heat the digesters. Additionally, the two existing digester gas booster blowers will be replaced with two new blowers to match the CHP engine;
- A Biogas pretreatment system designed to reduce hydrogen sulfide (H₂S), siloxanes, and moisture in the digester gas used to fuel the CHP engine.

GSD assumed the role as the lead agency for the environmental review of the proposed Project and prepared the MND analyzing its potential environmental impacts. On May 2, 2022, GSD held a public hearing on the draft MND. On June 6, 2022, GSD certified the MND and approved the Project. Finally, on June 17, 2022, GSD filed a notice of determination. A more detailed description of the Project is included in the MND.

Goleta West Sanitary District (“GWSD”) and GSD are parties to a 1960 agreement (“1960 Agreement”) under which any improvement to the WRRF requires the consent of GWSD. Additionally, per the 1960 Agreement, GWSD is responsible for a portion of the expenses for any WRRF improvement project. Accordingly, GWSD constitutes a responsible agency and therefore relies on the MND prepared and certified by GSD in taking these actions.

II. POTENTIALLY SIGNIFICANT IMPACTS THAT CAN BE MITIGATED BELOW A LEVEL OF SIGNIFICANCE (CEQA GUIDELINES § 15091(A)(1))

Pursuant to Section 21081(a) of the Public Resources Code and Sections 15091(a)(1) and 15096(h) of the State CEQA Guidelines, GWSD finds that, for each of the following potentially significant effects identified in the MND, changes or alterations have been required in, or incorporated into, the Project which mitigate or avoid the significant effects on the environment. The significant effects and mitigation measures are stated fully in the MND. These findings are explained below and are supported by substantial evidence in the record of proceedings.

A. Air Quality

- 1) Significant Effect: Impact AQ-III-B** – The Project may result in a cumulatively considerable net increase of criteria pollutants during construction for which the project region is non-attainment under an applicable federal or state ambient air quality standards.

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measure: MM-AIR-1 is proposed to mitigate the significance of AQ-III-B. MM-AIR-1 requires compliance with various measures during construction to mitigate fugitive dust emissions. Such measures include, but are not limited to, use of water trucks or sprinkler systems, limiting the speed of on-site vehicles to 15 mph or less, covering soil stockpiled for more than 2 days, installation of gravel pads at all access points, and treating disturbed land following clearing, grading, or excavation.

Rationale: MM-AIR-1 is proposed to mitigate the significance of AQ-III-B. MM-AIR-1 requires compliance with various measures during construction to mitigate fugitive dust emissions. The proposed measures would mitigate fugitive dust emissions during construction of the Project and thus would reduce any air quality impact resulting from construction to a less than significant level.

B. Biological Resources

- 1) Significant Effect: Impact BI-IV-A** – Twenty-eight species of native birds were detected on-site, including several with the potential to nest there. Nests, eggs, and nestlings of all native bird species are protected by the Migratory Bird Treaty Act and the California Fish and Game Code. Vegetation clearing and grading, if occurring during the nesting season (January 15th to September 15th), may have the potential to destroy nests, eggs, and nestlings, which could violate these regulations. Therefore, impacts to nesting birds from Project disturbances would be potentially significant without mitigation.

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measures: MM-BIO-1 is proposed to mitigate the significance of BI-IV-A. MM-BIO-1 requires compliance with various measures to mitigate potential impacts to nesting birds. Such measures include, but are not limited to, surveying of the site and monitoring of any potential nesting areas and, if nesting birds are detected, postponement of construction within 300 feet of active nests (500 feet if the bird is a raptor or species of special concern), worker environmental awareness training, daily biological monitoring construction activities, and use of flags and/or stakes to designate buffer areas.

Rationale: MM-BIO-1 is proposed to mitigate the significance of BI-IV-A. MM-BIO-1 requires compliance with various measures to mitigate potential impacts to nesting birds. Compliance with said measures would mitigate the likelihood of having an impact on nesting birds on and around the Project site and thus would reduce any biological impacts to nesting birds resulting from the Project to a less than significant level.

C. Cultural Resources

- 1) **Significant Effect: Impacts CR-V-A, CR-V-B and CR-V-C** – Given the archeological significance of the Project site and the proposed ground disturbing activities involved with the Project, the Project may result in substantial adverse changes in the significance of a historical resource/archaeological resource pursuant to 14 CCR Section 15064.5 and has the potential to disturb human remains.

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measures: MM-CUL-1, MM-CUL-2, MM-CUL-3, MM-CUL-4, and MM-CUL-5. The mitigation measures identified in Section 3.5.3 of the MND have been created to minimize impacts to cultural resources to less than significant. Implementation of MM-CUL-1 would ensure data recovery in areas of high to moderate density and variability possessing data potential capable of providing information about the prehistoric and historic periods in this area; MM-CUL-2 would establish a program of treatment and mitigation in the case of an inadvertent discovery of cultural resources during ground-disturbing phases and would provide for the proper identification, evaluation, treatment, and protection of any cultural resources throughout the duration of the proposed Project; MM-CUL-3 would ensure the preparation and implementation of a Worker Environmental Awareness Program (WEAP); MM-CUL-4 would ensure that a qualified archaeologist is retained to monitor all initial ground disturbing activities and to

respond to any inadvertent discoveries during Project construction; and MM-CUL-5 would ensure the proper treatment and protection of any inadvertent discovery of cultural resources, including human remains and burial artifacts, and that all construction work occurring within 50 feet of the find shall immediately stop until a qualified archaeologist, meeting the Secretary of the Interior's Professional Qualification Standards for Archaeology, can evaluate the significance of the find.

Rationale: Mitigation Measures M-CUL-1, MM-CUL-2, MM-CUL-3, MM-CUL-4, and MM-CUL-5 were proposed to mitigate the significance of CR-V-A, CR-V-B and CR-V-C. The measures set forth in these mitigation measures including data recovery, pre- and post-construction tasks, WEAP training, archaeological monitoring and compliance with established standards should the Project result in the inadvertent discovery of archaeological resources collectively help to mitigate the otherwise potentially significant impacts to cultural resources. Thus, potentially significant impacts to cultural resources would be reduced to less than significant levels with MM-CUL-1 through MM-CUL-5 incorporated.

D. Geology and Soils

- 1) **Significant Effect: Impact GEO-VII-F** – Given the proximity of past fossil discoveries in the surrounding area and the potential for significant invertebrate and vertebrate fossils below any artificial fill present within the proposed Project site, the site is highly sensitive for supporting paleontological resources. In the event that ground-disturbing activities associated with construction of the proposed Project has the potential to destroy a unique paleontological resource or site. Without mitigation, the potential damage to paleontological resources during construction would be a potentially significant impact.

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measure: MM-GEO-1. MM-GEO-1 was proposed to mitigate the significance of GEO-VII-F. The measures set forth in MM-GEO-1 includes, but is not limited to, hiring a qualified paleontologist to prepare a resources impact mitigation program, monitor various stages of the Project, and impose various buffers and conditions in the event that a paleontological resource is unearthed to ensure that the resource is recovered and documented.

Rationale: MM-GEO-1 was proposed to mitigate the significance of GEO-VII-F. Compliance with the monitoring, reporting and preservation measures set forth in MM-GEO-1 would mitigate the potential damage to any paleontological resource unearthed during the construction of the Project. Accordingly, potentially significant impacts to paleontological resources would be reduced to less than significant levels with MM-GEO-1 incorporated.

E. Tribal Cultural Resources

- 1) **Significant Effect: Impact TCR-XVIII-A** – The Project site meets the criteria of historically or culturally significant pursuant to PRC Section 5024.1(g). Additionally, through tribal consultations and cultural resource investigations, tribal cultural resources have been identified within the proposed Project site. Accordingly, given the proposed ground disturbing activities involved with the Project, the Project may result in a substantial adverse change to the significance of a tribal cultural resource that is eligible for listing in the California Register of Historical Resources or in a local register for historical resources and determined by the lead agency to be significant pursuant to criteria set forth in PRC Section 5024.1(g).

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measures: MM-TCR-1, MM-TCR-2, MM-TCR-3, MM-CUL-1, MM-CUL-2, MM-CUL-3, MM-CUL-4, and MM-CUL-5. The mitigation measures identified in Section 3.5.3 and 3.5.5 of the MND have been created to minimize impacts to tribal cultural resources to less than significant. Implementation of MM-TCR-1 would ensure involvement of consulting tribe(s) in the WEAP training of all Project personnel to ensure awareness of the appropriate procedures and protocols they must follow in the event tribal cultural resources are inadvertently discovered; MM-TCR-2 would ensure that consulting tribe(s) are retained to monitor all initial ground disturbing activities and archaeological excavations; and MM-TCR-3 would ensure the proper treatment and protection of any inadvertent discovery of TCRs. Additionally, implementation of MM-CUL-1 would ensure data recovery in areas of high to moderate density and variability possessing data potential capable of providing information about the prehistoric and historic periods in this area; MM-CUL-2 would establish a program of treatment and mitigation in the case of an inadvertent discovery of cultural resources during ground-disturbing phases and would provide for the proper identification, evaluation, treatment, and protection of any cultural resources throughout the duration of the proposed Project; MM-CUL-3 would ensure the preparation and implementation of a Worker Environmental Awareness Program (WEAP); MM-CUL-4 would ensure that a qualified archaeologist is retained to monitor all initial ground disturbing activities and to respond to any inadvertent discoveries during Project construction; and MM-CUL-5 would ensure the proper treatment and protection of any inadvertent discovery of cultural resources, including human remains and burial artifacts, and that all construction work occurring within 50 feet of the find shall immediately stop until a qualified archaeologist, meeting the Secretary of the Interior's Professional Qualification Standards for Archaeology, can evaluate the significance of the find.

Rationale: Mitigation Measures MM-TCR-1, MM-TCR-2, MM-TCR-3, M-CUL-1, MM-CUL-2, MM-CUL-3, MM-CUL-4, and MM-CUL-5 were proposed to mitigate the

significance of TCR-XVIII-A. The measures set forth in these mitigation measures including involvement of consulting tribes in WEAP training and Project monitoring, proper treatment of inadvertently discovered TCRs, data recovery, pre- and post-construction tasks, WEAP training, archaeological monitoring and compliance with established standards should the Project result in the inadvertent discovery of archaeological resources collectively help to mitigate the otherwise potentially significant impacts to tribal cultural resources. Thus, potentially significant impacts to tribal cultural resources would be reduced to less than significant levels with MM-TCR-1 through MM-TCR-3 and MM-CUL-1 through MM-CUL-5 incorporated.

F. Utilities/Service Systems

- 1) **Significant Effect: Impact WAS-XIX-D and WAS-XIX-E** – The Project description estimates a disposal of about 3,150 tons of solid waste. The Santa Barbara County Environmental Thresholds and Guidelines Manual indicates that more than 350 tons of construction-related solid waste could be considered significant. Therefore, without mitigation, the proposed disposal of solid waste will be potentially significant. Furthermore, without mitigation, the proposed disposal of solid waste could violate State and local regulations that set forth the percentage of construction debris that may be diverted from landfills.

Finding: Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Mitigation Measures: MM-WAS-1 – Mitigation Measure MM-WAS-1 was proposed to mitigate the significance of WAS-XIX-D and WAS-XIX-E. MM-WAS-1 will ensure that the construction contractor does not dispose of greater than 350 tons of solid waste in any California landfill. This measure will be achieved through recycling and repurposing to the extent practicable and enforced by GSD through a contract mechanism or other legally binding requirement.

Rationale: Mitigation Measure MM-WAS-1 was proposed to mitigate the significance of WAS-XIX-D and WAS-XIX-E. MM-WAS-1 ensures that the total solid waste sent to landfill complies with State and local regulations and falls below the local significance threshold. Accordingly, the potentially significant impact resulting from solid waste disposal will be reduced to a less than significant level with MM-WAS-1 incorporated.

G. Finding Regarding All Other Mitigation Measures

With the exception of those mitigation measures set forth in the MND and explained in these findings, GWSD finds that there are no feasible mitigation measures that would substantially lessen or avoid any significant effect that the Project would have on the environment.

INSTALLMENT PURCHASE CONTRACT

between the

GOLETA WEST SANITARY DISTRICT

and the

CSDA FINANCE CORPORATION

Dated as of August 1, 2022

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INSTALLMENT PURCHASE CONTRACT

This INSTALLMENT PURCHASE CONTRACT, dated as of August 1, 2022 (the “Installment Purchase Contract”), between the GOLETA WEST SANITARY DISTRICT, a sanitary district duly organized and validly existing under the laws of the State of California (the “District”), and the CSDA FINANCE CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”);

WITNESSETH:

WHEREAS, the District is authorized by the laws of the State of California to finance and refinance the acquisition and construction of property, facilities and equipment of benefit to the District through the execution of installment purchase contracts; and

WHEREAS, the District provides wastewater collection for residents and businesses in the Western Goleta Valley and Isla Vista area and such wastewater is pumped through the system to the Goleta Water Resource Recovery Facility (the “WRRF”) which is owned and operated by the Goleta Sanitary District; and

WHEREAS, the District proposes to finance: (i) its portion of certain improvements to the WRRF, primarily consisting of a new 500,000-gallon anaerobic digester, a heat and power system with 160kW generator, a biogas conditioning system and exhaust gas purification system and other various improvements associated with such equipment, (ii) the construction and furnishing of a new headquarters/central administration building for the District and (iii) any other capital projects included in the District’s adopted Wastewater Master Plan, as more particularly described in Exhibit A hereto (collectively, the “Project”); and

WHEREAS, the Corporation has been formed for the purpose of, among other things, assisting public agencies such as the District in financing facilities and property useful to them and the Corporation is authorized to assist the District in the financing, construction, acquisition, and improvement of facilities and property of benefit to the District; and

WHEREAS, the Corporation has agreed to assist the District in financing the Project; and

WHEREAS, the District and the Corporation have duly authorized the execution of this Installment Purchase Contract; 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;

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, 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.

“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.

“Acquisition Costs” with respect to the Project means the contract price paid or to be paid for the Acquisition of the Project.

“Acquisition Fund” means the fund established and held by the District pursuant to Section 2.05 hereof.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, an allowance for Net Revenues (i) arising from any increase in the charges made for service from the Enterprise adopted prior to the incurring of such Parity Obligations and effective within eighteen (18) months following the date of incurring 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 twelve (12) month period selected by the District, and (ii) 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 twelve (12) month period selected by the District, all as shown by the certificate or opinion of an Independent Financial Consultant.

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

“Assignment Agreement” means the Assignment Agreement, dated as of August 1, 2022, between the Corporation and the Lender relating to this Installment Purchase Contract.

“Authorized Officer” means the President of the Board of Directors of the District or the General Manager/Superintendent 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.

“Closing Date” means August 12, 2022.

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

“Debt Service” means, for any Fiscal Year, the sum of (1) the Installment Payments (except to the extent that interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged) required to be paid hereunder during such Fiscal Year, (2) the interest falling due during such Fiscal Year on all Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued), assuming that all outstanding serial Parity Obligations are retired as scheduled and that all outstanding term Parity Obligations are redeemed from sinking fund payments as scheduled (except to the extent that such interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged), (3) the principal amount of all serial Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) falling due by their terms during such Fiscal Year, and (4) the minimum amount of term Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) required to be paid or called and redeemed during such Fiscal Year, together with the redemption premiums, if any, thereon; provided that, whenever interest as described herein accrues at other than a fixed rate, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Obligations have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Obligations is excludable from gross income under the applicable provisions of the Tax Code, the most recently published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points.

“Debt Service Account” means the account established in Section 3.04 hereof.

“Debt Service Fund” means the fund established in Section 3.04 hereof.

“Debt Service Payments” means the payments of Debt Service.

“Default Rate” means the then applicable interest rate on the principal amount of the Installment Payments plus 2.00% per annum.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District, the Corporation or the Lender relating to the financing of the Project, including but not limited to filing costs, fees of the California Debt and Investment Advisory Commission, settlement costs, initial fees and charges of the Corporation or the Lender and their counsel, financing discounts, outside legal fees and charges, financial and other professional consultant fees, and charges and fees in connection with the foregoing.

“District” means the Goleta West Sanitary District, a sanitary district duly organized and existing under the Constitution and laws of the State of California, and its successors and assigns.

“Electronic Notice” means notice given through means of telecopy, facsimile transmission, e-mail or other similar electronic means of communication confirmed by writing or written transmission.

“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.

“Event of Taxability” means, with respect to this Installment Purchase Contract, (1) the application of the proceeds of this Installment Purchase Contract in such a manner that this Installment Purchase Contract becomes an “arbitrage bond” within the meaning of Code Sections 103(b)(2) and 148, and with the result that interest components of the Installment Payments are or become includable in the Lender’s gross income (as defined in Code Section 61); or (2) if as the result of any act, failure to act or use of the proceeds of this Installment Purchase Contract or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Installment Purchase Contract by the District or the enactment of any federal legislation or the promulgation of any federal rule or regulation after the date of this Installment Purchase Contract, the interest component of Installment Payments is or becomes includable in the Lender’s gross income (as defined in Code Section 61); and (3) the District does not undertake any remedial action afforded to it by the Internal Revenue Service.

“Federal Securities” means 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 twelve-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 his successor for sanitary districts 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 National Council on Governmental Accounting 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.

“Gross 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 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 or the Rate Stabilization Fund of the District or held on the District’s behalf, and any refundable deposits made to establish credit, and advances or contributions in aid of

construction. Gross 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.

“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--

1. is in fact independent and not under the control of the District;
2. does not have a substantial financial interest, direct or indirect, in the operations of the District; and
3. 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 scheduled to be paid by the District under and pursuant to this Installment Purchase Contract for the purposes and as described in Section 3.01 hereof in the amounts on the dates designated in Exhibit B to this Installment Purchase Contract.

“Installment Payment Date” means each January 1 and July 1, commencing January 1, 2023.

“Lender” means initially Truist Bank, a North Carolina Banking Corporation, and thereafter any successor or assign.

“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 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, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

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

“Maximum Annual Debt Service” means the largest annual sum of (i) Debt Service Payments during the period from the date of such determination through the later of (a) the final Installment Payment Date hereunder or (b) the maturity date of Parity Obligations reflected by such Debt Service Payments.

“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 Gross Revenues during such period less all of the Maintenance and Operation Costs during such period.

“Outstanding” (i) when used as of any particular time with reference to this Installment Purchase Contract, means all Installment Payments except Installment Payments paid or deemed to have been paid within the meaning of Article VI, and (ii) when used as of any particular time with reference to any Parity Obligation, means all debt service payments due and owing on such Parity Obligation except debt service payments paid or deemed to have been paid pursuant to the terms of such Parity Obligation.

“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 4.01 hereof.

“Permitted Investments” means any investment that is a legal investment under the laws of the State for the moneys proposed to be invested therein.

“Project” means (i) the District’s portion of certain improvements to the WRRF, primarily consisting of a new 500,000-gallon anaerobic digester, a heat and power system with 160kW generator, a biogas conditioning system and exhaust gas purification system and other various improvements associated with such equipment, (ii) the construction and furnishing of a new headquarters/central administration building for the District and (iii) any other capital projects included in the District’s adopted Wastewater Master Plan, as described in Exhibit A hereto, including any Alternate Project.

“Rate Stabilization Fund” means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Revenue Fund, which fund is established, held and maintained in accordance with Section 3.05(c).

“Redemption Account” means the account established in Section 3.04 hereof.

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

“State” means the State of California.

“Taxable Rate” means 4.41% per annum.

“Tax Code” means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Tax Code shall be deemed to be a reference to any successor to any such section.

ARTICLE II.
SALE AND PURCHASE OF THE PROJECT

Section 2.01 Sale and Purchase of the Project.

The Corporation hereby agrees to cause the Project, and any additions or modifications thereto to be constructed, acquired or installed, as applicable, by the District as its agent, and the District shall enter into contracts and provide for, as agent of the Corporation, the complete acquisition and construction of the Project. The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Corporation shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

In consideration for the Corporation's assistance in acquiring the Project, the District agrees to sell, and hereby sells, to the Corporation, and the Corporation agrees to purchase, and hereby purchases, from the District, the Project in the manner and in accordance with the provisions of this Installment Purchase Contract. In consideration for the Installment Payments as set forth in Section 3.01, the Corporation agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Corporation, the Project at the purchase price specified below and otherwise in the manner and in accordance with the provisions of this Installment Purchase Contract.

The District hereby covenants to use the proceeds received from the Corporation for the costs and expenses of the Acquisition of the Project. 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 Lender, as assignee of the Corporation under the Assignment Agreement, in their sole discretion, may jointly designate an Alternate Project. In the event an Alternate Project is designated, the District shall certify in writing to the Lender 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 Lender that funds sufficient to pay such increase in Acquisition Costs are otherwise available to the District.

The Corporation, upon the effective date hereof, agrees to cause to be deposited in the Acquisition Fund the aggregate amount of \$13,859,500.00, respecting its purchase of the Project hereunder. 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 additional funds for the purposes described in this Article II.

All right, title and interest in each component of the Project shall vest in the District or the Goleta Sanitary District, as applicable, immediately upon execution and delivery of this Installment Purchase Contract. Such vesting shall occur without further action by the Corporation or District and the Corporation shall, if requested by the District, if necessary, to assure such automatic vesting, deliver any and all documents required to assure such vesting.

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 the Corporation and the Lender.

(a) The District hereby agrees to indemnify and hold harmless the Corporation and its directors, officers and employees if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder and the Assignment Agreement; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Assignment Agreement by the Corporation.

(b) The District shall, to the extent permitted by law, indemnify and save the Lender, and its respective officers, agents, directors and employees, harmless from and against all claims, losses, liabilities, costs, expenses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management or operation of, or from any work or thing done on, the Project or the Enterprise by the District, including injury or damages to any persons or property arising therefrom, (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Purchase Contract, or (c) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project or the Enterprise. No indemnification is made under this Section for willful misconduct or negligence by the Lender or its officers, agents, directors or employees. The provisions of this Section shall continue in full force and effect, notwithstanding the termination of the term of the Installment Purchase Contract for any reason.

Section 2.03 Corporation not Liable.

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 Enterprise or the Project, except as expressly set forth in this Installment Purchase Contract. The District acknowledges that all risks relating to the Enterprise or the Project or the transactions contemplated hereby, 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.

Section 2.05 Acquisition Fund.

There is hereby established with the District a fund known as the "Acquisition Fund," which the District shall maintain and hold in trust for the benefit of the District. On the Closing Date, \$13,859,500 shall be deposited into the Acquisition Fund. The moneys in the Acquisition Fund shall be applied to the payment of the costs of Acquisition of the Project or to reimburse the District for previous costs expended in the acquisition or construction of the Project, and of expenses incidental thereto. In addition, a portion of the amount paid by the Lender under the Assignment Agreement shall be applied by the Lender to pay Delivery Costs in the amount of \$140,500.

The District hereby grants to the Lender a first priority security interest in the Acquisition Fund to secure the District's obligations hereunder. If the Lender declares all of the principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, any remaining balance in the Acquisition Fund shall be applied to pay unpaid Installment Payments, if so directed by the Lender.

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 Lender, as assignee of the Corporation under the Assignment Agreement, for the Project is \$14,000,000, plus interest thereon, calculated at the rate of 3.500% per annum. 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.

Each Installment Payment shall be payable to the Lender in accordance with the terms hereof and at the times required by this Section 3.01 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 the preceding paragraph.

The obligation of the District to make the Installment Payments is absolute and unconditional, and until such time as all Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VI hereof), 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 or any part thereof is operating or operable or has been completed, or whether or not the Enterprise 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 from the Closing Date 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 VI hereof, whether at maturity, upon prepayment or otherwise. Interest accrued on the Installment Payments from the Closing Date and from each Installment Payment Date to, but not including, the next succeeding Installment Payment Date shall be paid on each such succeeding Installment Payment Date and shall be computed on the basis of a year of 360 days and twelve 30-day months. In the event of an Event of Default hereunder, the interest component of the portion of the Installment Payment shall be calculated based on the Default Rate. In the event of a Determination of Taxability, the rate of interest on the Installment Payments shall be the Taxable Rate.

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.

Section 3.04 Pledges of Net Revenues and Other Funds; Debt Service Fund.

The District hereby irrevocably pledges all of the Net Revenues to the punctual payment of the Installment Payments and any Parity Obligations, and such Net Revenues, except as otherwise permitted herein, shall not be used for any other purposes while any of the Installment Payments are due hereunder. The pledge of Net Revenues to secure the Installment Payments and any Parity Obligations shall constitute a first lien on the Net Revenues, for the payment of such Installment Payments and such Parity Obligations in accordance with the terms hereof and thereof.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Net Revenues by the District for the repayment of the principal of, premium, if any, and interest components of the Installment Payments constitutes a first lien and security interest which immediately attaches to such Net Revenues, and is effective and binding against the District, the Corporation, their successors, creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

There is hereby established with the District a fund known as the "Debt Service Fund," which the District shall maintain and hold in trust separate and apart from other funds held by it. Within the Debt Service Fund, the District shall establish a Debt Service Account (the "Debt Service Account") and a Redemption Account (the "Redemption Account"). Installment Payments made by the District shall be deposited in the Debt Service Account. Such payments shall be net of amounts already on deposit therein that are in excess of the amount required to accumulate therein pursuant to Section 3.01 above. The District shall transfer the money contained in the Debt Service Account and the Redemption Account 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 District hereby agrees to establish and maintain so long as any Installment Payments are due hereunder, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

- (i) Debt Service Account. All moneys in the Debt Service Account shall be used and withdrawn by the District solely for the purpose of paying Installment Payments and principal of and interest on any Parity Obligations on each Installment Payment Date. The District shall be entitled to receive as a credit against Installment Payments an amount equal to the amount of any balance contained in the Debt Service Account prior to the due

date for such Installment Payments (excluding money designated or necessary for the payment of Parity Obligations).

- (ii) Redemption Account. The District, on any optional prepayment date, shall deposit in the Redemption Account moneys to accomplish any such optional prepayment. All money in the Redemption Account shall be used and withdrawn by the District solely for the purpose of paying the Installment Payment to be optionally prepaid on their respective prepayment dates.

Section 3.05 Receipt and Deposit of Gross Revenues; Establishment and Maintenance of Accounts for Gross Revenues; Use and Withdrawal of Gross Revenues.

The District covenants and agrees that all Gross Revenues, when and as received, will be received and held by the District in trust hereunder for the benefit of the Lender, as assignee of the Corporation under the Assignment Agreement, and for the benefit of the holders of any Parity Obligations. All Gross Revenues will be deposited by the District in the Revenue Fund (which the District hereby covenants and agrees to maintain so long as any Installment Payments are due hereunder) 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 Gross Revenues held by the District shall 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.

All Gross Revenues in the Revenue Fund shall be set aside by the District or deposited by the District as follows and in the following order of priority:

(a) Maintenance and Operation Costs of the Enterprise. 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 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.

(b) Debt Service Funds. Installment Payments payable pursuant to Section 3.01 above, and all other payments relating to principal and interest on or with respect to Parity Obligations, shall be paid 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.

(c) General Expenditures. All Gross Revenues not required to be withdrawn pursuant to the provisions of (a) and (b) above shall be used for expenditure for any lawful purpose of the District, including payment of any rebate requirement or of any obligation subordinate to the payment of all amounts due hereunder or under Parity Obligations. The District may maintain and hold a separate fund to be known as the "Rate Stabilization Fund." From time to time the District may deposit in the Rate Stabilization Fund, from remaining Net Revenues described in this Section 3.05(c) 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 Gross Revenues for any Fiscal Year, or (ii) for any other lawful use of the District. Amounts so transferred from the Rate Stabilization Fund to the Revenue Fund in any Fiscal Year constitutes Gross Revenues

for that Fiscal Year and will be applied for the purposes of the Revenue Fund. All interest or other earnings upon deposit in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Gross Revenues. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Installment Payments or any Parity Obligations.

Section 3.06 Investment of Funds.

Amounts on deposit in any fund or account created pursuant to this Installment Purchase Contract 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. Interest or profit received on such investments shall be deposited to the Debt Service Fund in which such investments are then held. In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest.

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 five percent (5%) of invested funds, such Permitted Investment shall be sold or liquidated.

**ARTICLE IV.
PARITY OBLIGATIONS**

Section 4.01 Parity Obligations.

(a) So long as any Installment Payments are due hereunder, the District shall not issue or incur any obligations payable from Net Revenues or the Revenue Fund senior or superior to the Installment Payments.

(b) 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:

(1) No Event of Default shall have occurred and be continuing;

(2) 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 twelve (12) month period selected by the District, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus in either case (at the option of the District) the Additional Revenues, shall be at least equal to one hundred and twenty percent (120%) of the amount of Maximum Annual Debt Service.

Notwithstanding the above, the District may incur debt payable from Net Revenues (i) to cause a defeasance of the Installment Payments pursuant to Article VI hereof or a defeasance of any outstanding Parity Obligations if, after giving effect to such defeasance, total Debt Service will not be

increased in any Fiscal Year in which Installment Payments or Parity Obligations not being refunded are outstanding, or (ii) which is payable on a basis which is subordinate to the payment of the Installment Payments.

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.

ARTICLE V. REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 5.01 Compliance with Installment Purchase Contract.

The District will not suffer or permit any material default by it to occur under this Installment Purchase Contract, 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 it.

Section 5.02 Observance of Laws and Regulations.

The District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State, 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 it, 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 5.03 Prosecution and Defense of Suits.

The District will promptly, upon request of the Corporation or the Lender, 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 Project 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 Corporation and the Lender harmless from all cost, damage, expense or loss, including reasonable attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Section 5.04 Accounting Records and Statements.

The District will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the District relating to the receipt, deposit and disbursement of the Gross Revenues, Net Revenues and Installment Payments, and such accounting records shall be available for inspection by the Lender or its agent duly authorized in writing on any Business Day upon reasonable notice at reasonable hours and under reasonable conditions prescribed by the District.

Section 5.05 Further Assurances.

Whenever and so often as requested to do so by the Lender, 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 Lender all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Installment Purchase Contract.

Section 5.06 Against Encumbrances.

The District hereby represents 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 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 in accordance with Section 4.01 or other obligations permitted hereby, or subordinate to the pledge of Net Revenues herein.

Section 5.07 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 one-half of one percent of the book value of the Enterprise in any Fiscal Year, unless a Finance Officer 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 non-operative 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 5.16 hereof or which would otherwise impair the rights of the Lender or the operation of the Enterprise.

Section 5.08 Against Competitive Facilities.

To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any wastewater collection and disposal system competitive with the Enterprise.

Section 5.09 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 Installment Payments 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 this Installment Purchase Contract that may cause the Installment Purchase Contract 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 Installment Purchase Contract will not be used as to cause the proceeds of the Installment Purchase Contract to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(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 Installment Purchase Contract to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

In furtherance of the covenants stated in this Section, the District shall comply with the requirements of the Tax Certificate executed in connection with this Installment Purchase Contract.

Section 5.10 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. The District will pay all Maintenance and Operation Costs of the Enterprise as they become due and payable.

Section 5.11 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 prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Purchase Contract; provided the District shall not be obligated to make such payment so long as the District contests such payment in good faith.

Section 5.12 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 5.13 Insurance.

(a) The District will 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 accordance with industry standards with respect to similar enterprises and consistent with the District’s current coverage.

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 to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise. 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, unless the District determines that such reconstruction, repair, or replacement is not necessary to the efficient or proper operation or use of the Enterprise and therefore determines not to reconstruct, repair, or replace such damaged or destroyed portion of the Enterprise. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be deposited in such funds and accounts of the District as is permitted by law.

The District will procure and maintain commercial general 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.

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.

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 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 December 1 of each year in which self-insurance is maintained, in writing that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (iii) such reserves are held in a separate trust fund by an independent trustee. The District shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

Section 5.14 Books and Accounts; Financial Statements.

The District shall keep proper books of record and accounts of the Enterprise and the Debt Service Fund all separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise and relating to the funds created by this Installment Purchase Contract. Said books shall, upon prior request, be subject to the inspection by the Lender, or its representatives authorized in writing, upon not less than five (5) Business Days' prior notice to the District.

The District shall cause the books and accounts of the Enterprise, which shall include a statement of revenues and expenditures and changes in fund balances, a balance sheet and a statement of cash flow, to be audited annually by an independent certified public accountant or firm of certified public accountants, not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022. The District shall send a copy of such report and all related financial statements and notes to the Lender not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022. No later than thirty (30) days after its adoption, the District shall also send to the Lender a copy of the annual budget of the Enterprise and any amendment or supplement thereto and any other financial information reasonably requested by the Lender.

Section 5.15 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 Net Revenues when the same shall become due and 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. However, the District shall not be required to make such payments, or to comply with any regulations or requirements, so long as the payment or validity or application thereof shall be contested in good faith.

Section 5.16 Amount of Rates and Charges.

(a) To the fullest extent permitted by law, so long as any Installment Payments remain outstanding, the District will fix and prescribe rates and charges for the Enterprise which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues which are at least equal to 120% of the (i) aggregate amount of the Installment Payments, and (ii) principal of and interest on any Parity Obligations issued or incurred after the date hereof payable from Net Revenues coming due and payable during 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 subsection. For purposes of this calculation, amounts held by the District in the Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Net Revenues which are received during such Fiscal Year.

(b) So long as the District has complied with its obligations set forth in subsections 5.16(a) above at the commencement of the succeeding Fiscal Year, the failure of Net Revenues to meet the thresholds set forth in subsections 5.16(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default; provided, however, that Net Revenues are at least sufficient in each Fiscal Year to make all deposits, transfers and payments required hereunder in such Fiscal Year; provided further, however, that such District shall be in default under this Section if it fails to satisfy the requirements set forth in subsection (a) of this Section for two consecutive Fiscal Years.

Section 5.17 Collection of Rates and Charges.

The District will have in effect at all times rules and regulations requiring all users of the Enterprise to pay the assessments, rates, fees and charges applicable to the Enterprise provided or made available to such users. Such rules and regulations shall also provide for the billing thereof and for a due date and a delinquency date for each bill.

Section 5.18 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 (1) the District certifies (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Enterprise proposed to be acquired by the District from any Net Proceeds, and (iii) an estimate of the additional annual Net

Revenues to be derived from such additions, betterments, extensions or improvements, and (2) on the basis of such certificate, 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 certification 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 deposited in such funds and accounts of the District as is permitted by law.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to prepay the Installment Payments, and any Parity Obligations, on a pro rata basis in the manner provided herein and in the instruments authorizing such Parity Obligations.

Section 5.19 Notification of Material Adverse Effect.

The District shall timely inform the Lender of any Material Adverse Effect upon learning of the existence of such an effect.

Section 5.20 Further Representations, Covenants and Warranties of the District.

The District represents, covenants and warrants to the Lender as follows:

(a) The District is a duly organized and validly existing sanitary 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 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) The District has duly authorized and executed this Installment Purchase Contract in accordance with the laws of the State of California.

(d) 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.

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

(f) Neither the execution and delivery of the Installment Purchase Contract 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.

(g) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Installment Payments or the consummation of the other transactions effected or contemplated herein or hereby. The District gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.

(h) The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Installment Purchase Contract or otherwise with respect to the Installment Payments. To the extent the District has or hereafter may acquire under any applicable law any rights to immunity from legal proceedings on the grounds of sovereignty, the District hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to the Installment Purchase Contract or otherwise with respect to the Installment Payments.

Section 5.21 Representations, Covenants and Warranties of the Corporation.

The Corporation represents, covenants and warrants to the District as follows:

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

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

Section 5.22 Representations, Covenants and Warranties of the District and the Corporation.

Each of the District and the Corporation represent, warrant and covenant that: (i) the transaction contemplated herein and in the Assignment Agreement is an arm's length commercial transaction among the District, the Corporation and the Lender and its affiliates, (ii) in connection with such transaction, the Lender and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), an agent or a fiduciary of the District or the Corporation, (iii) the Lender and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules, (iv) the Lender and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District or the Corporation with respect to the transaction contemplated hereby or by the Assignment Agreement and the discussions, undertakings and procedures leading thereto (whether or not the Lender, or any affiliate of the Lender, has provided

other services or advised, or is currently providing other services or advising the District on other matters), (v) the Lender and its affiliates have financial and other interests that differ from those of the District or the Corporation, and (vi) each of the District and the Corporation has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

ARTICLE VI. PREPAYMENT OF INSTALLMENT PAYMENTS

Section 6.01 Prepayment.

(a) The Installment Payments are subject to optional prepayment by the District. The District may prepay the unpaid principal balance of Installment Payments in whole, on any Interest Payment Date on or after July 1, 2027, at a prepayment price equal to the principal amount of the Installment Payments to be prepaid plus accrued interest thereon to the date of prepayment, without premium.

(b) The Installment Payments are subject to an extraordinary optional prepayment by the District from either Federal or State grant proceeds received by the District related to the 2022 Project. The District may make a one-time prepayment on any Interest Payment Date of the unpaid principal balance of Installment Payments in whole from either Federal or State grant proceeds received by the District related to the 2022 Project, at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment, without premium.

(c) 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, pro-rata among the remaining Installments Payments, at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment, without premium.

In the event that a portion of the Installment Payments shall have been prepaid by the District pursuant to subsection (c) above, the total amount of all future payments set forth in the schedules attached hereto as Exhibit B shall be reduced by the aggregate amount of Installment Payments so prepaid, as the case may be, as agreed to in writing by the Lender. The District shall file a revised schedule of Installment Payments with the Lender.

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 fees, costs and expenses of the Lender that the District is obligated to pay under this Installment Purchase Contract, shall have been fully paid and the Installment Payments are no longer due hereunder (or provision for payment thereof shall have been made pursuant to Section 6.03 hereof).

Section 6.02 Method of Prepayment.

Before making any prepayment pursuant to Section 6.01, the District shall, give written notice to the Lender (unless such notice is otherwise waived by the Lender) specifying the date on

which the prepayment will be made, which date shall be not less than thirty (30) days from the date such notice is given.

Section 6.03 Security Deposit.

Notwithstanding any other provision of this Installment Purchase Contract, the District may secure the payment of (i) all or a portion of the Installment Payments by a deposit with the Lender or, at the Lender's sole option, a bank or trust company acceptable to the Lender, as escrow holder under an escrow deposit and trust agreement, of either (i) cash in an amount which is sufficient to pay such unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto, or (ii) non-callable Federal Securities or pre-refunded non-callable municipal obligations rated "AA" and "Aa" by S&P and Moody's, respectively, together with cash if required, in such amount as will, without re-investment, in the opinion of an independent certified public accountant (which opinion shall be addressed to the Lender), together with interest to accrue thereon, be fully sufficient to pay such unpaid Installment Payments on their payment dates so that such Installment Payments shall be defeased; provided, that prior to any such deposit or defeasance, the District must provide an opinion of nationally recognized bond counsel addressed to the Lender to the effect that such deposit and defeasance will not cause the interest component of the Installment Payments to be included in gross income for federal income tax purposes. In the event of any shortfall, the District shall deposit from legally available funds such amounts as is necessary to make up such shortfall. In all cases, deposits of cash or Federal Securities made to secure the Installment Payments pursuant to this paragraph shall be kept in segregated escrow accounts or escrow subaccounts and such deposits shall not be commingled for any reason.

In the event of deposits pursuant to this Section 6.03 sufficient to fully defease all of the Installment Payments, and provided that all other amounts payable by the District hereunder have been paid in full, all obligations of the District under this Installment Purchase Contract shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from the deposits made by District pursuant to this Section 6.03 and the obligation to pay amounts due the Lender, as assignee of the Corporation. Said deposits shall be deemed to be and each of the deposits shall constitute a separate special fund that may be used solely for the payment of the Installment Payments in accordance with the provisions of this Installment Purchase Contract, and pending such application shall be held in trust and pledged to and for the sole benefit of the Lender and any assignee or transferee of the Lender. The District hereby grants to the Lender, as assignee of the Corporation, a first priority security interest in any amounts so deposited.

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 required to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Lender;

(c) any financial statement or certificate furnished to the Corporation or the Lender in connection with the execution of this Installment Purchase Contract, or any representation or warranty made by the District shall prove to be incorrect, false or misleading in any material respect when furnished or made;

(d) 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

(e) 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 or the Lender as its assignee may, by notice in writing to the District declare all of 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 subsection (d) above, if at any time after such principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared immediately 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:

(1) the District shall deposit with the Lender a sum sufficient to pay (x) all delinquent Installment Payments then-due and owing and causing an Event of Default under subsection (a) above and the accrued interest thereon, with any interest due on such overdue installments, and (y) the reasonable expenses of the Lender incurred as the result of such Event of Default, and

(2) any and all other defaults known to the Lender (other than in the payment of such overdue 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 Lender or provision deemed by the Lender to be adequate shall have been made therefor, then and in every such case the Lender, by written notice to the District, may rescind and annul such declaration of immediate payment of all of the principal amount of the unpaid Installment Payments 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 Default.

All moneys and investments in the funds and accounts held hereunder (other than the Rebate Fund, if any) upon the date of the declaration of an Event of Default as provided in Section 7.01 and all Gross Revenues thereafter received shall be applied as follows:

(a) Unless the principal of all Installment Payments shall have become or shall have been declared due and payable:

First: To the payment to the persons entitled thereto of the interest portion of all Installments Payments, with interest on overdue installments, if lawful, 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; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any of the Installment Payments which shall have become due, with interest 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 Installment Payments 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.

(b) If all of the Installment Payments shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the Installment Payments, 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, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Section 7.03 Other Remedies of the Corporation.

The Corporation or the Lender, as assignee thereof, as applicable, 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 Lender;

(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 Gross 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 Lender at the respective due dates or upon prepayment from the Gross Revenues, or, except as expressly provided herein, shall affect or impair the right of the Corporation or the Lender, as assignee 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 Lender shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission 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 Lender 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.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely, the parties 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 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.

Section 7.06 Lender Exercise of Remedies.

The rights and remedies provided to the Corporation under this Article VII have been assigned by the Corporation to the Lender pursuant to the Assignment Agreement and shall be exercised by solely by the Lender in its discretion.

**ARTICLE VIII.
MISCELLANEOUS**

Section 8.01 Liability of District Limited.

Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues 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.

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 Net Revenues 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, nothing contained herein, express or implied, is intended to give to any person other than the District or the Lender 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 Lender 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 and assigns to the powers, duties and functions that are presently vested in the District or the Lender, 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 and assigns thereof whether so expressed or not.

Section 8.04 Waiver of Personal Liability.

No board member, officer or employee of the District or the Corporation 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 or the Corporation 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.

(a) The District hereby consents to the Corporation's assignment of this Installment Purchase Contract to the Lender pursuant to the Assignment Agreement.

(b) The Lender has the right at any time to assign, transfer, or convey this Installment Purchase Contract or any interest therein or portion thereof, but no such assignment, transfer or conveyance shall be effective as against the District unless and until the Lender has delivered to the District written notice thereof that discloses the name and address of the assignee or the Loan Servicer (as hereafter provided and defined) and such assignment, transfer or conveyance shall be made only to (i) an affiliate of the Lender or (ii) banks, insurance companies or other financial institutions or their affiliates. Nothing herein limits the right of the Lender or its assignees to sell or assign participation interests in this Installment Purchase Contract to one or more entities listed in (i) or (ii), provided that any participation, custodial or similar agreement under which multiple ownership interests in this Installment Purchase Contract are created shall provide the method by which the owners of such interests shall establish the rights and duties of a single entity, owner, servicer or other fiduciary or agent acting on behalf of all of the assignees (herein referred to as the "Loan Servicer") to act on their behalf with respect to the rights and interests of the Lender under this Installment Purchase Contract, including with respect to the exercise of rights and remedies of the Lender on behalf of such owners upon the occurrence of an event of default under this Installment Purchase Contract.

Section 8.08 California Law.

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

Section 8.09 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:

If to the District:	Goleta West Sanitary District PO Box 4 Goleta, CA 92116 Attention: General Manager/Superintendent
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If to the Corporation:	CSDA Finance Corporation 1112 I Street, Suite 200 Sacramento, CA 95814 Attention: Administrator
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If to the Lender:	Truist Bank, a North Carolina Banking Corporation, Attn: Governmental Finance, 2320 Cascade Pointe Blvd. Ste. 600, Charlotte NC 28208-7203
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The parties hereto may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise

requested by the parties, any notice required to be given hereunder in writing may be given by any form of Electronic Notice capable of making a written record.

Section 8.10 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 (or provision for the payment thereof shall have been made to the written satisfaction of the Lender pursuant to Article VI hereof).

Section 8.11 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 8.12 Amendments.

This Installment Purchase Contract may be amended in writing as may be mutually agreed by the District and the Lender in a signed writing. Any amendment made in violation of this Section 8.12 shall be a nullity and void.

Section 8.13 Third-Party Beneficiary.

The Lender shall be a third-party beneficiary of this Installment Purchase Contract.

Section 8.14 Expenses.

The fees and disbursements of special counsel, the fees and disbursements of the financial advisor to the District, the cost of preparing the documents, fees of the counsel to the Lender and other miscellaneous expenses of the District incurred in connection with the execution and delivery of the Installment Purchase Contract, including CDIAC fees, shall all be the obligation of the District. The Lender shall have no responsibility for any expenses associated with the issuance of the Installment Purchase Contract, including, but not limited to, the expenses identified above as the obligation of the District.

Section 8.15 Judicial Reference.

TO THE EXTENT PERMITTED BY LAW, THE CORPORATION, THE DISTRICT AND THE LENDER HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ASSIGNMENT AGREEMENT OR ANY OF THE RELATED DOCUMENTS OR THE TRANSACTION CONTEMPLATED HEREBY OR THEREBY. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, THE CORPORATION, THE DISTRICT AND THE LENDER HEREBY CONSENT TO THE ADJUDICATION OF ANY AND ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ANY AND ALL ISSUES IN SUCH REFERENCE WHETHER FACT OR LAW. THE CORPORATION, THE DISTRICT AND THE LENDER REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE

FOLLOWING THE OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL OF ITS CHOICE ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

[signatures on 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.

GOLETA WEST SANITARY DISTRICT

By: _____
General Manager/Superintendent

CSDA FINANCE CORPORATION

By: _____
Authorized Representative

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Project consists of the following:

1. The District's portion of certain improvements to the Goleta Water Resource Recovery Facility, primarily consisting of a new 500,000-gallon anaerobic digester, a heat and power system with 160kW generator, a biogas conditioning system and exhaust gas purification system and other various improvements associated with such equipment.

2. Construction and furnishing of a new _____ square foot District headquarters/central administration building located at _____.

3. Any other capital projects included in the District's adopted Wastewater Master Plan, including, but not limited to, _____.

EXHIBIT B

INSTALLMENT PAYMENT SCHEDULE

1. The principal amount of Installment Payments to be made by the District hereunder is \$14,000,000.

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

<i>Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
1/1/2023	\$298,000	\$189,194.44	\$487,194.44
7/1/2023	248,000	239,785.00	487,785.00
1/1/2024	252,000	235,445.00	487,445.00
7/1/2024	257,000	231,035.00	488,035.00
1/1/2025	261,000	226,537.50	487,537.50
7/1/2025	266,000	221,970.00	487,970.00
1/1/2026	270,000	217,315.00	487,315.00
7/1/2026	275,000	212,590.00	487,590.00
1/1/2027	280,000	207,777.50	487,777.50
7/1/2027	285,000	202,877.50	487,877.50
1/1/2028	290,000	197,890.00	487,890.00
7/1/2028	295,000	192,815.00	487,815.00
1/1/2029	300,000	187,652.50	487,652.50
7/1/2029	305,000	182,402.50	487,402.50
1/1/2030	311,000	177,065.00	488,065.00
7/1/2030	316,000	171,622.50	487,622.50
1/1/2031	322,000	166,092.50	488,092.50
7/1/2031	327,000	160,457.50	487,457.50
1/1/2032	333,000	154,735.00	487,735.00
7/1/2032	339,000	148,907.50	487,907.50
1/1/2033	345,000	142,975.00	487,975.00
7/1/2033	351,000	136,937.50	487,937.50
1/1/2034	357,000	130,795.00	487,795.00
7/1/2034	363,000	124,547.50	487,547.50
1/1/2035	369,000	118,195.00	487,195.00
7/1/2035	376,000	111,737.50	487,737.50
1/1/2036	383,000	105,157.50	488,157.50
7/1/2036	389,000	98,455.00	487,455.00
1/1/2037	396,000	91,647.50	487,647.50
7/1/2037	403,000	84,717.50	487,717.50
1/1/2038	410,000	77,665.00	487,665.00
7/1/2038	417,000	70,490.00	487,490.00
1/1/2039	425,000	63,192.50	488,192.50
7/1/2039	432,000	55,755.00	487,755.00
1/1/2040	439,000	48,195.00	487,195.00
7/1/2040	447,000	40,512.50	487,512.50
1/1/2041	455,000	32,690.00	487,690.00

7/1/2041	463,000	24,727.50	487,727.50
1/1/2042	471,000	16,625.00	487,625.00
7/1/2042	<u>479,000</u>	<u>8,382.50</u>	<u>487,382.50</u>
TOTAL	\$14,000,000	\$5,507,566.94	\$19,507,566.94